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HTC 2022 Annual Report



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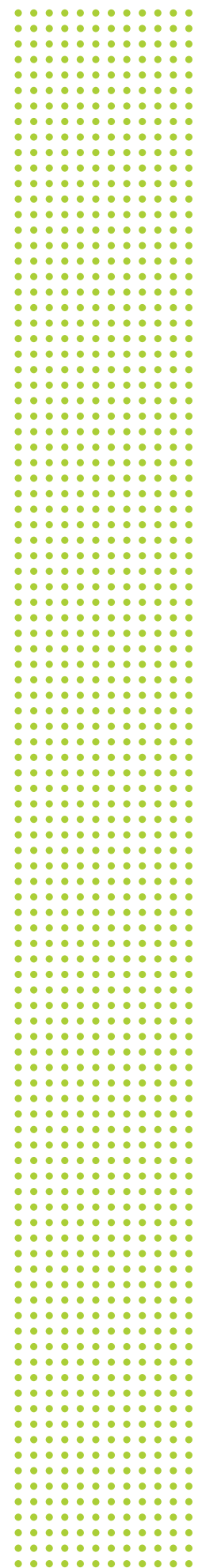
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**LETTER TO
HTC
SHAREHOLDERS**





LETTER TO HTC SHAREHOLDERS

Dear Shareholders,

Since the founding of HTC, our vision has been to combine technology with humanity to unleash the imagination. VIVERSE, HTC's version of the metaverse, represents the culmination of that vision: an immersive, boundless universe of fantastic new experiences, and a seamless gateway to other online universes.

As the world gradually eased pandemic restrictions over 2022, HTC doubled down on this vision, leveraging the corporate restructure to become a holistic VIVERSE company, with all business areas working towards enabling, expanding, or enhancing the metaverse. With premium products brought to market throughout the year across hardware, software, platforms and content, and new services such as our VIVERSE for Business custom build and support service starting to gain momentum in the market, HTC remains well-positioned to take full advantage of the global trend towards a truly immersive internet.

HTC's pioneering work on the metaverse, from the soundness of our investments in the fundamental building block technologies of VR, AR, AI, 5G and blockchain to the ability of our more autonomous and focused businesses to execute our strategy, has placed us firmly on the map of key metaverse players, as recognised by global analyst firms as well as within the industry and media, with HTC earning Fast Company acclaim as one of the most innovative augmented and virtual reality companies of 2022.

To ensure the metaverse meets its full potential, HTC is strongly promoting open standards and privacy by design, as well as closer collaboration with partners – including thousands of content developers – to support interoperability, and in 2022 joined the Metaverse Standards Forum to further promulgate our vision, as well as the VRM Consortium for formulating avatar standards.

Across the spectrum of HTC's portfolio, HTC's premium products continue to garner high acclaim across media, the industry and customers, with the VIVE Pro 2 gaining a CES innovation award amongst many others in 2022, while the VIVE XR Elite launched in early 2023 earned considerable consumer acclaim and multiple 'best in show' awards at Mobile World Congress. Ensuring our businesses maintain such high standards for quality, design and functionality remains a key focus for HTC as the parent company, as well as continuing to drive process optimization, targeted investment, and efficient resource allocation.

Business Operations

HTC's product design and innovation continues to go from strength to strength, with a robust year of product launches across the full portfolio of hardware, software, platforms and services. Being at the forefront of implementing new and emerging technologies affords HTC the opportunity to create products that extend those technologies into new markets, and that was amply demonstrated by several of the products and services launched over the year. With strategic guidance provided by HTC's senior management team, the business units are proving well capable of driving their product roadmaps and identifying new revenue streams beyond HTC's traditional markets.

VIVE Systems

VIVE virtual reality (VR) hardware retains its premium status in the market, having pioneered consumer VR and continually raising the bar on innovation and quality standards. From the high-end PC VR of the VIVE Pro 2 to the compact all-in-one VIVE Focus 3 and the stylish VIVE Flow immersive glasses, VIVE Systems is widely acknowledged as the market leader in this exciting technology with myriad commercial, industrial and consumer applications. Not resting on our laurels, VIVE Systems' latest launch, in early 2023, is the highly versatile VIVE XR Elite headset that combines mixed reality and virtual reality capabilities into one compact, lightweight and powerful device suitable for a wide range of use cases.

The expansion of enterprise applications for VR remains an exciting area for HTC, with its VR systems adopted by a remarkable range of partner businesses and organizations. HTC is proud that the VIVE Flow was chosen as the VR hardware launch partner for Holoride for in-car passenger entertainment. The VIVE Flow ecosystem was further augmented for enterprise in 2022, with the launch of VIVE Flow for Business and a dedicated controller.

Along with the advanced VR headsets, VIVE Systems continued to deliver cutting edge tracking accessories to market, including the VIVE Wrist Tracker, Facial Tracker and Eye Tracker for the VIVE Focus 3, enabling greater body language realism when interacting with people's avatars in VR and further expanding the applicability of VR. In addition, VIVE Systems launched VIVE Location Based Service Solutions for arcade and similar settings, and continues to build partnerships on platforms for business processes such as training, as well as healthcare, communications, accessibility and much more.

VIVERSE

VIVERSE is focused on building the ecosystem that will define the fast-emerging, immersive chapter of the internet, creating the platforms and software and driving diversified content through extensive collaboration that will deliver the next generation of experiences across all connected devices, from VR headsets to smartphones. HTC's vision of the future, the online VIVERSE metaverse world, was first

demonstrated at MWC in 2022, providing consumers with an insight into how the metaverse will evolve. HTC also announced the VIVERSE for Business service, a modular approach to building high quality metaverse service content to bring innovative activities and business models to users, with leading UAE telecoms group e& (formerly Etisalat) launching their metaverse in 2022, designed and built by HTC.

The VIVEPORT VR app marketplace saw continued growth in 2022, with the business expanding its global content and market collaborations to deliver diverse consumer and enterprise experiences. These included partnerships with Bandai Namco Pictures on the ‘Birdie Wing’ content, and China Mobile MIGU on a joint entertainment VR marketplace that maximizes both parties’ strengths in content and technology, to name but a few. Viveport hosted multiple events over the year, including the Tribeca Online Immersive on the Museum of Other Realities. Moreover, support was added for the General Standard for XR (GSXR) interoperability standard, which will attract more content developers to the Viveport platform.

G REIGNS

As 5G gains momentum around the world, G REIGNS aims to identify new opportunities to encourage the uptake of 5G. Leveraging over 20 years of design experience for communications software, G REIGNS utilizes its advanced O-RAN 5G networking technologies to deliver premium hardware and software service solutions for enterprise, telecom companies and consumers.

In 2022, G REIGNS launched the REIGN CORE portable private 5G network for enterprise that allows businesses to quickly and easily deploy a private 5G network for office and industrial applications, lowering the threshold for digital transformation. G REIGNS also partnered with Lumen on the Private 5G Experience Center in the USA to demonstrate 5G-enabled 3D visualization and 5G Cloud VR, taking advantage of 5G’s greater speed and bandwidth to showcase network-intensive applications.

HTC Smart Devices

HTC’s Smart Devices business unit encompasses HTC’s smartphone business as well as ground-breaking intelligent products that serve new markets or reimagine current processes.

In 2022, HTC launched the HTC Desire 22 pro, designed for immersive experiences in a world where the physical, digital and virtual interconnect. Built into the phone is the ability to download and run 2D and 3D content on extended reality companion devices such as the VIVE Flow immersive glasses, enabling users to enjoy exploring a richer version of the metaverse. The HTC Desire 22 pro battery supports fast and wireless charging, and even reverse charging for companion devices.

HTC Smart Devices also launched the HTC VIVE Mars CamTrack, a virtual production solution aimed at the film and television industry and commercial studios. HTC VIVE Mars CamTrack provides camera tracking solutions for the latest virtual production workflow, integrating the physical camera and actors’

performances into the virtual world, and compositing images to present the final scene. This not only helps actors interact more naturally with their environment and allows directors and photographers to view the composition, but also significantly reduces post-production cost and time. HTC VIVE Mars CamTrack solution offers portability and simplicity of installation, and lowers barriers to entry into film production. Launched in August 2022, the HTC VIVE Mars CamTrack is revolutionizing film production in studios around the world.

VIVE Arts

VIVE Arts is a global initiative founded in 2016 to enhance artistic and cultural appreciation through immersive technologies, democratize creativity and make our cultural heritage more accessible. 2022 saw several major collaborations with pioneering artists and established institutions, including at the Serpentine Galleries in London with Dominique Gonzalez-Foerster and at the Venice Biennale with Wu Tsang, at Art Basel in Hong Kong with Albert Oehlen and Wu Tsang, and at Triennale di Milano with a unique VR exploration.

VIVE Arts has also been further developing its business model, with revenue streams arising from the licensing and distribution of digital content and the proceeds of NFT sales to support its cultural collaboration activities. Three highly acclaimed large-scale location-based VR experiences were launched with partners with partners: the *Eternal Notre-Dame*, *Horizon of Khufu*, and the extraordinary interactive dance experience *Le Bal de Paris*, while several NFT artworks were launched on the VIVE Arts NFT Marketplace, generating greater awareness of the work of VIVE Arts and of VR among a non-traditional audience for HTC.

VIVE ORIGINALS

VIVE ORIGINALS is an award-winning original XR content production team for VR and for the metaverse, utilizing its core technology competences in volumetric capture, blockchain and XR to explore the development of film, arts and music in the metaverse. VIVE ORIGINALS has produced original VR 360 films such as *The Deserted*, *5XI*, *INORI*, and the VR animation, *The Sick Rose*, all of which were selected for renowned film festivals such as the Venice International Film Festival.

Over the past two years, the team’s focus has been on BEATDAY, the world’s first holographic music and entertainment metaverse platform based on blockchain and volumetric capture, which has hosted a series of metaverse concerts, and is about to release its first immersive volumetric theatrical experience, *Light the Night 2700: Redhat Killer*. Revenue streams arise from broadcast licensing and from exhibition and art collection transactions, and now also from brands advertising and tickets within BEATDAY.

DeepQ

DeepQ develops precision personalized medical products and services to reduce costs and improve the efficacy of healthcare. Over the last three years, DeepQ has made important contributions to front-line pandemic information collation and dissemination, creating digital tools in collaboration with the Taiwan CDC such as the Taiwan V-Watch Vaccination Reporting System and the 1922 SMS Contact Tracing System. The Disease Control Butler in particular attracted over 10 million users, proving an effective conduit for conveying government policy on COVID-19. DeepQ has also created healthcare Linebots for hospitals that provide telemedicine consultations to patients.

DeepQ also focuses on bringing advanced technologies to medical care. The DeepQ AI Platform, launched in 2021, accelerates AI model training for doctors in an optimized training environment; in 2022, the cloud version was upgraded with new training, management and reporting functions to expedite AI model deployments.

Financial Performance

HTC’s operational performance has continued to improve year on year, with a gross margin of 39.2%, up from 31.1% in 2021. This is primarily due to HTC’s intensive focus on optimizing our processes, reducing costs and maintaining direction around the Company’s central vision of VIVERSE, while continuing to make strategic investments in the key building block technologies that enable the metaverse. In 2022, HTC saw revenues of NT\$ 4.41 billion, with an operating loss of NT\$4.40 billion. Net loss attributable to owners of the parent was NT\$3.41 billion, or an EPS of -NT\$4.13.

With business models now clearly laid out, and several divisions having entered the performance stage and starting to show good results, we firmly believe we are going in the right direction for the future.

Environment, Social and Governance (ESG)

HTC is committed to the highest standard of social care, environmental protection, and ethical integrity. We fully respect human rights and workplace rights. HTC is committed to cultivating talent as a corporate responsibility priority, and creating a workplace that is diverse, challenging, dynamic and positive.

In 2022, the ESG Office focused on key sustainability projects such as “Pathway to Net-Zero”, the “Task Force on Climate-Related Financial Disclosures (TCFD)”, and the “Sustainability Accounting Standards Board (SASB)”, and continued to participate in major worldwide ESG initiatives and ratings such as EcoVadis, the FTSE ESG Index, TCFD, and the Taiwan Corporate Sustainability Awards.

HTC takes energy saving, waste reduction and resource reuse into consideration from the very first stage of product design. For example, all power supply devices used for HTC products must comply with – and

often far exceed – the major international energy consumption specifications. A comprehensive eco-evaluation is conducted through product disassembly and material simulation, and with third-party verification, to ensure our material recycling rate complies with EU WEEE regulations. HTC will continue to follow the principles of reducing weight and increasing recycling rates, and will design new products with a view to the circular economy.

HTC’s sustainability efforts are being recognized globally. In 2022, HTC was honored to become a constituent of the FTSE4Good Index Series, a subset of the renowned FTSE ESG Index. Moreover, HTC improved its EcoVadis rating in 2022 from bronze to silver, demonstrating our improvement in the four key sustainability themes of Environment, Labor and Human Rights, Ethics, and Sustainable Procurement. HTC also participated in the 2022 TCSA and won the “Silver Grade of ESG Report ”.

In addition, HTC continues to participate in the annual CDP rating. In the 2022 Supplier Engagement Rating (SER) report, HTC received leadership level (A-), while in the 2022 Climate Change report released earlier by CDP, HTC continued to achieve management level (B). HTC is also committed to implementing a sustainable value chain and became a CDP Supply Chain Member at the beginning of 2023, joining the ranks of over 200 major purchasing organizations to drive environmental action through value chains. At the same time, HTC became a TCFD supporter at the end of the year, and published a TCFD independent report for the first time in 2023.

We are forging HTC’s path to net zero. We are aiming to implement fully paperless, digitalized, and optimized internal operations processes by the end of 2023, through comprehensively reviewing and optimizing every internal operation process. Our “Carbon Management Platform” aims for comprehensive implementation of corporate carbon emissions management and carbon reduction practices, while an internal carbon pricing mechanism will help achieve the important direction of long-term sustainability: Net-Zero. This is not only a commitment to promote global sustainability, but also aims to align employees’ mindsets and the Company’s culture to our ESG goals.

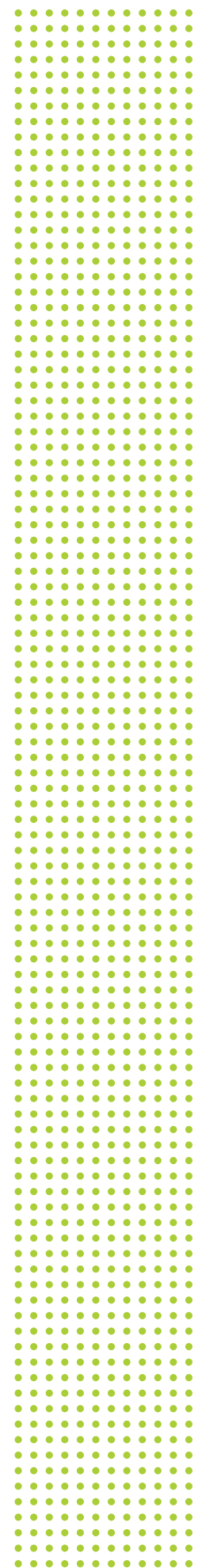
With all the outstanding innovation emerging from HTC’s business divisions as our vision of VIVERSE becomes a global reality, the Company is well placed to again play a leading role in the future of technology, and we would like to express our sincere appreciation to our shareholders for their faith in our vision.

HTC Corporation
Chairwoman and CEO





COMPANY PROFILE



COMPANY PROFILE

2.1 About HTC

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

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

As we live this philosophy, we employ powerful technologies and combine them in creative new ways in order to deliver this. At this time in history, building block technologies like VR, AR, 5G, AI, and blockchain are evolving and coming together in new ways with the potential to deliver utility and experiences previously unavailable. We called this VIVE Reality in 2018, and today we see our vision as VIVERSE.

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

Humanity

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

Technology

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

Imagination

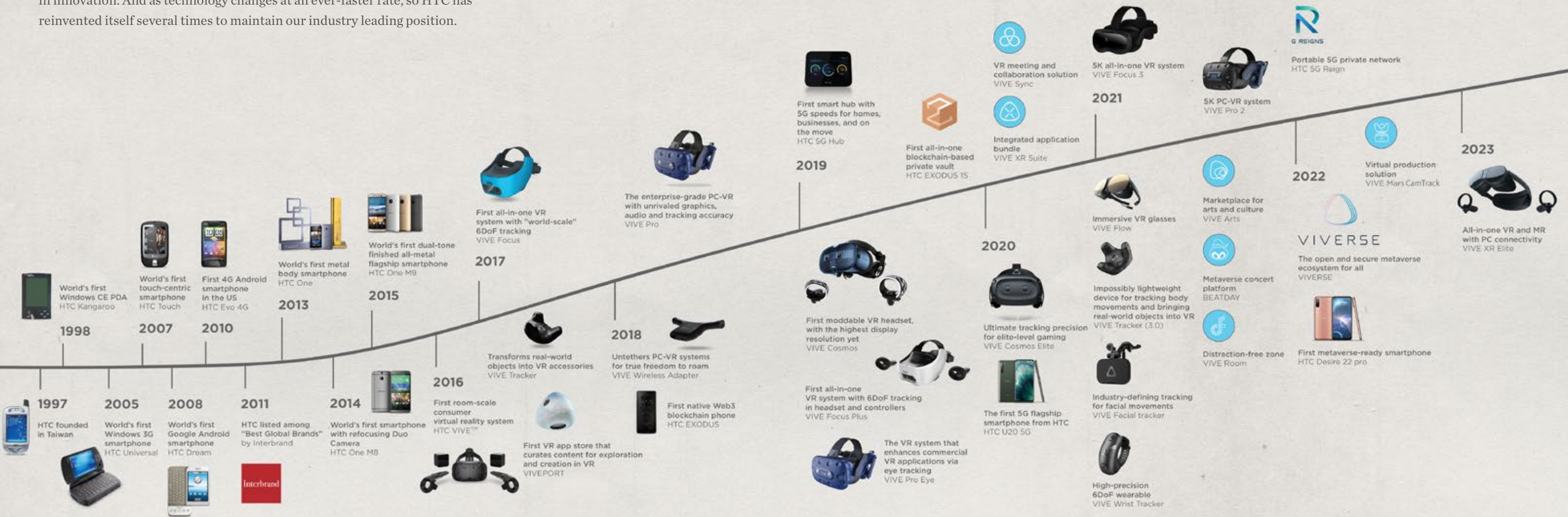
Imagination is one of the most powerful tools we know, and one we seek to unlock. A world where a continuum of immersive realities is possible, and experience is unbounded. Imagination that invents new ways to make life better for people and enable them to be the best they can be, help businesses achieve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

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



2.2 Company History

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



Professional PDA Designer

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

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

Smartphone Pioneer

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

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

HTC Brand

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

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

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

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

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

Diversification into Connected Devices and Virtual Reality

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

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

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

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

From VIVE Reality to VIVERSE

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

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

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

The scope of VIVE is all-encompassing. Along with developing focused solutions for consumers and for enterprise, HTC launched the VR for Impact program in 2017 in support of the United Nations’ Sustainable Development Goals, dedicated to encouraging the development of VR content that shows how VR can positively impact society and empower people. In early 2018, we announced a partnership with the World Economic Forum (WEF) to drive the VR/AR for Impact initiative going forward. HTC also has a strong VIVE Arts program, partnering with leading museums and art galleries around the world to enhance the exhibition experience through VR, and working with contemporary artists who are using VR as an art medium. VIVE ORIGINALS co-produces cutting edge VR movies and shorts with leading studios that have received wide acclaim at international film festivals, and are providing a window into the future direction of the movie-making craft.

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

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

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

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

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

2.3 Brand Strategy

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

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

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

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

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

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

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

- **Authenticity:** Being authentically true to the nature of our mission, and the belief that we can improve human lives and experience while creating value.
- **Entrepreneurial approach:** We are agile, attentive to costs, and aim to achieve maximum effectiveness through an obsessive and energetic approach to building our brand.

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

2.4 Board of Directors



Board of Directors

Cher Wang
Chairwoman

HT Cho
Director

Wen-Chi Chen
Director

Chen-Kuo Lin
Independent Director

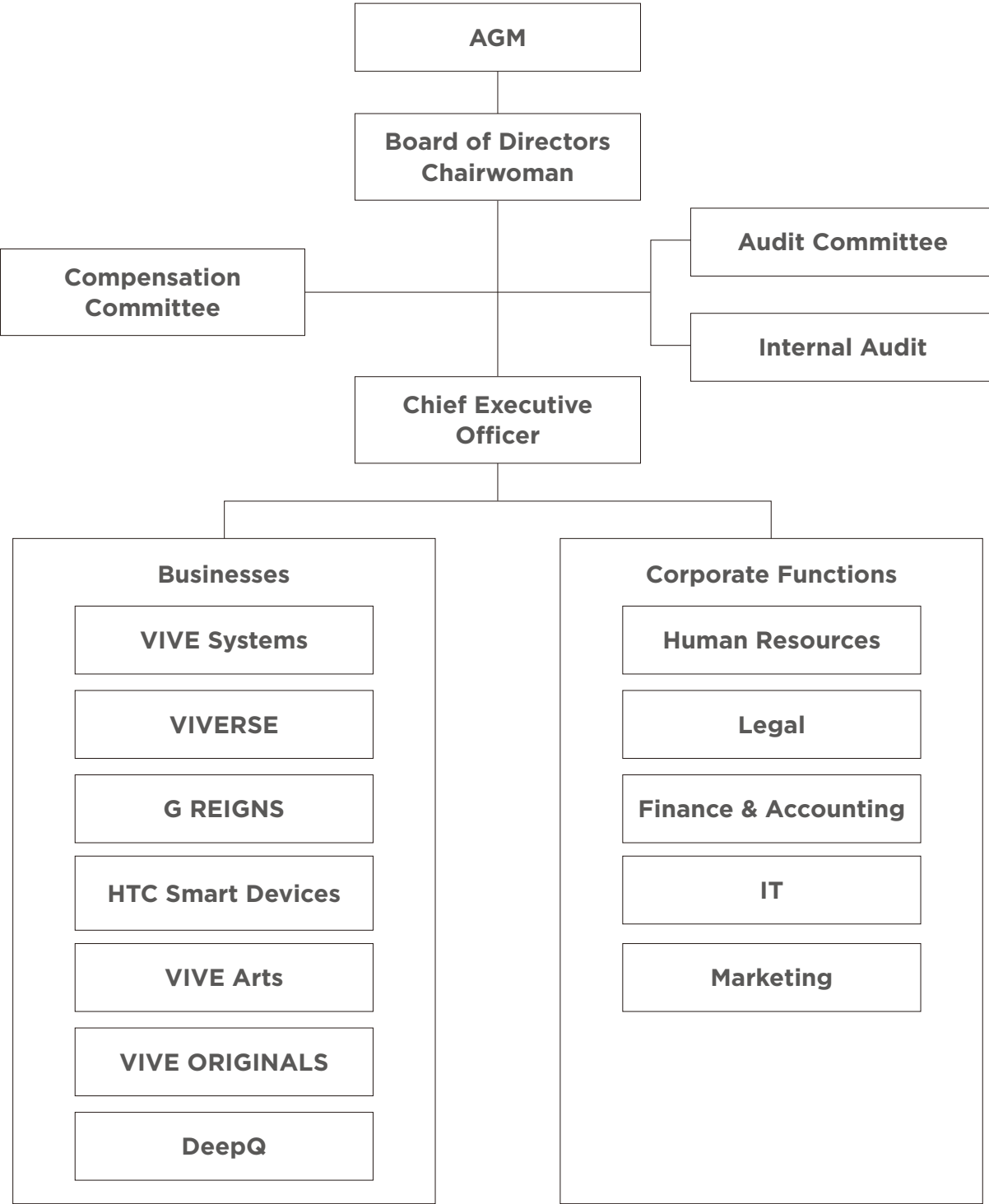
David Bruce Yoffie
Director

Michael C. Lu
Independent Director

Vincent Thai
Independent Director

2.5 Organization

2.5.1 Organization Chart

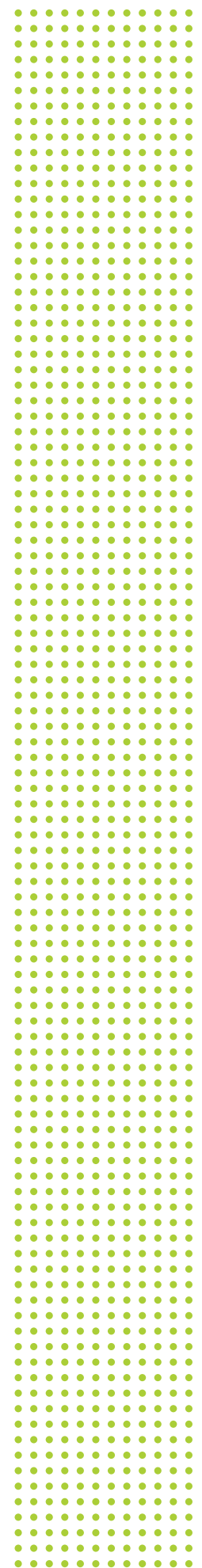


2.5.2 Businesses

<p>VIVE Systems</p> <p>creates fully immersive, premium-grade virtual reality products for everyone with breathtaking graphics and lifelike sounds.</p>	<p>VIVERSE</p> <p>is instrumental in the creation of HTC’s content ecosystem in the metaverse era. Through its advanced content, software and platform technologies, VIVERSE has grown the steady growth in both VR content on its VIVEPORT platform, leveraged its virtual exhibition platform for enterprise and built strong content and hardware partnerships to accelerate the expansion of the VR ecosystem.</p>
<p>G REIGNS</p> <p>has focused on the burgeoning 5G high speed connectivity, with a clear objective to provide total solutions, such as companion apps and devices, cross-platform SDKs and immersive terminals, to business partners and 5G phone users to enlarge VIVERSE.</p>	<p>HTC Smart Devices</p> <p>is focused on creating devices that take full advantage of the latest technologies while supporting HTC’s VIVERSE vision.</p>
<p>VIVE Arts</p> <p>continued its mission to enhance cultural appreciation through immersive technology, democratize creativity and preserve our cultural heritage for the world.</p>	<p>VIVE ORIGINALS</p> <p>dedicated to the development of authentic intellectual properties, and the co-production and distribution of original VR film, art, animation, music, culture and entertainment content.</p>
<p>DeepQ</p> <p>remained focused on integrating AI into solutions that promote access to and improve the quality of healthcare.</p>	



CORPORATE GOVERNANCE



CORPORATE GOVERNANCE

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

3.1.1Directors

														2023.04.18 Unit: Share; %						
Title	Nationality/ place of Registration	Name	Gender, age	Date Elected	Term Expires	Date First Elected	No. of shares held at time of election		No. of shares currently held		Shares currently held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualifications	Positions held concurrently in the company and/ or any other company	Other officer(s), director(s), or supervisor(s) with which the person has a relationship of spouse or relative within the second degree			
							Shares	%	Shares	%	Shares	%	Shares	%			Shares	%	Title	Name	Relationship	Remarks
Chairwoman & CEO	Republic of China	Cher Wang	Female 61-65	2022.06.17	2025.06.16	1999.04.30	32,272,427	3.91%	32,272,427	3.88%	22,391,389	2.69%	0	0.00%	<ul style="list-style-type: none">• Bachelor in Economics, University of California, Berkeley.• General Manager of the PC Division, First International Computer, Inc. (FIC)	<ul style="list-style-type: none">• Chairwoman and CEO, HTC Corporation• Director, VIA Technologies, Inc.• Chairwoman (Representative), H.T.C. (B.V.I) Corp.• Chairwoman (Representative), HTC Investment One (BVI) Corporation• Chairwoman (Representative), HTC Investment Corporation• Director, High Tech Computer Asia Pacific Pte. Ltd.• Director, (Representative), Xander International Corp.• Director, VIA Labs, Inc.• Director (Representative), TVBS Media Inc.• Director, Formosa Plastics Corporation• Director, Way-Chih Investment Co., Ltd.• Director, Hsin-Tong Investment Co., Ltd.• Director, Kun-Chang Investment Co, Ltd.• Director, CW & ET Link Inc• Director, Hon-Mou Investment Co., Ltd.• Director, Chuan Te Investment Co., LTD• Director, Li Way Investment Co., LTD• Chairwoman (Representative), Viveport Digital Corporation• Chairwoman (Representative), REIGN Technology Corporation• Chairwoman (Representative),VIVE Arts Corporation• Independent Non-executive Director, Lenovo Group Ltd.	Director	Wen-Chi Chen	Spouse	(Note 1)
Director	Republic of China	HT Cho	Male 71-75	2022.06.17	2025.06.16	2001.04.23	96,530	0.01%	96,530	0.01%	0	0.00%	0	0.00%	<ul style="list-style-type: none">• Electronic Engineering, National Taipei Institute of Technology.• EMBA, National Chiao Tung University• President & CEO, HTC Corporation.• Consulting Engineer, Digital Equipment Corporation.	<ul style="list-style-type: none">• Chairman, HTC Social Welfare Foundation• Chairman, HTC Education Foundation• Director, Chunghwa Telecom Foundation• Chairman & President, Atrust Computer Corporation• Chairman, Asia Pacific Fuel Cell Technologies, Ltd.	None	None	None	-

(Continued)

Title	Nationality/ place of Registration	Name	Gender, age	Date Elected	Term Expires	Date First Elected	No. of shares held at time of election		No. of shares currently held		Shares currently held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualifications	Positions held concurrently in the company and/ or any other company	Other officer(s), director(s), or supervisor(s) with which the person has a relationship of spouse or relative within the second degree			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Director	Republic of China	Wen-Chi Chen	Male 66~70	2022.06.17	2025.06.16	1999.04.30	22,391,389	2.71%	22,391,389	2.69%	32,272,427	3.88%	0	0.00%	<div>• MSCS, California Institute of Technology.</div> <div>• President, Symphony Laboratories.</div>	<div>• Chairman, VIA Labs, Inc.</div> <div>• Chairman & President, VIA Technologies, Inc.</div> <div>• Director, HTC Corporation</div> <div>• Chairman (Representative), Xander International Corp.</div> <div>• Chairman, VIA Labs, Inc.</div> <div>• Director (Representative), TVBS Media Inc.</div> <div>• Director, Way-Chih Investment Co., Ltd.</div> <div>• Director, Hsin-Tong Investment Co., Ltd.</div> <div>• Director, Kun-Chang Investment Co, Ltd.</div> <div>• Chairman (Representative), CW & ET Link Inc.</div> <div>• Director, Hon-Mou Investment Co., Ltd.</div> <div>• Director, Chuan Te Investment Co., LTD</div> <div>• Director, Li Way Investment Co., LTD</div> <div>• Director (Representative), Viveport Digital Corporation</div> <div>• Director (Representative), REIGN Technology Corporation</div> <div>• Director (Representative),VIVE Arts Corporation</div>	Chairwoman	Cher Wang	Spouse	-
Director	USA	David Bruce Yoffie	Male 66~70	2022.06.17	2025.06.16	2011.06.15	0	0.00%	0	0.00%	0	0.00%	0	0.00%	<div>• B.A. Brandeis University</div> <div>• M.A., Ph.D. Stanford University for academic qualification</div> <div>• Director, Charles Schwab</div> <div>• Director, Spotfire</div> <div>• Director, E Ink</div> <div>• Director, Intel Corporation</div> <div>• Director, Financial Engines, Inc.</div>	<div>• Max and Doris Starr Professor at Harvard Business School</div> <div>• Director, The National Bureau of Economic Research</div> <div>• Director, Ampere Computing</div> <div>• Director, Commonwealth Financial Network</div>	None	None	None	-
Independent Director	Republic of China	Chen-Kuo Lin	Male 81-85	2022.06.17	2025.06.16	2007.06.20	0	0.00%	0	0.00%	0	0.00%	0	0.00%	<div>• Bachelor in Economics, National Taiwan University.</div> <div>• Advanced study at the Department of Economics, Oklahoma State University.</div> <div>• Advanced study at the Department of Economics, Harvard University.</div> <div>• Chairman, Board of Tunghai University.</div> <div>• Minister, Ministry of Finance, Executive Yuan.</div> <div>• Chairman, Taiwan External Trade Development Council.(TAITRA)</div> <div>• Chairman, Taiwan Asset Management Corporation.</div> <div>• Professor, Department of Economics in National Taiwan University.</div> <div>• Chairman, Taiwan-Hong Kong Economic and Cultural Cooperation Council</div> <div>• Independent director and Compensation Committee member, Taiwan High Speed Rail Corporation.</div>	<div>• Chairman, Angel Hearts Family Social Welfare Foundation.</div> <div>• Chairman, New Mainstream Cultural Foundation.</div>	None	None	None	-
Independent Director	USA	Michael C. Lu	Male 56~60	2022.06.17	2025.06.16	2022.06.17	0	0.00%	0	0.00%	0	0.00%	0	0.00%	<div>• Bachelor of Art (B.A.) in Political Science and Human Biology, Stanford University</div> <div>• Master of Public Health (M.P.H.) in Epidemiology and Master of Science (M.S.) in Health and Medical Sciences, U.C. Berkeley</div> <div>• Medical Doctor, U.C. San Francisco</div> <div>• Doctor of Medicine, U.C. San Francisco</div> <div>• Senior Associate Dean for Academic, George Washington University</div> <div>• Director, Maternal and Child Health Bureau HRSA U.S. Department of Health and Human Services</div>	<div>• Dean, School of Public Health University of California, Berkeley</div>	None	None	None	(Note 2)

(Continued)

Title	Nationality/ place of Registration	Name	Gender, age	Date Elected	Term Expires	Date First Elected	No. of shares held at time of election		No. of shares currently held		Shares currently held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualifications	Positions held concurrently in the company and/ or any other company	Other officer(s), director(s), or supervisor(s) with which the person has a relationship of spouse or relative within the second degree			
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	Remarks
Independent Director	USA	Vincent Thai	Male 56-60	2022.06.17	2025.06.16	2019.06.21	0	0.00%	0	0.00%	0	0.00%	0	0.00%	<div>• UC Berkeley, Ca., USA</div> <div>• USC Undergrad Marketing, Ca., USA</div> <div>• Founder of Fun Creation, Inc</div> <div>• President of Placo Toys, Inc</div> <div>• General Manager of Best Consumer Products, Inc</div> <div>• Manager of M & D Toys, Inc</div> <div>• Chairman of Toy Plus Far East Ltd</div>	<div>• Founder & Chairman of Playmind Ltd</div> <div>• Founder & Chairman of National Products Ltd</div> <div>• Founder & Chairman of Sweet N Fun Ltd, world leader in gumball banks</div>	None	None	None	
Independent Director	Swiss Confederation	Josef Felder	Male 61-65	2019.06.21	2022.06.20	2007.06.20	500,000	0.06%	500,000	0.06%	0	0.00%	0	0.00%	<div>• Graduate of Advance Management Program (AMP), Harvard Business School, Boston</div> <div>• Deputy Director Crossair, Basel</div> <div>• Chief Executive Officer, FIG (Flughafen-Immobilien-Gesellschaft), Zürich</div> <div>• Chief Executive Officer, Flughafen Zürich AG, Zürich</div>	<div>• Independent Vice-Chairman AMAG Group AG, Zürich</div> <div>• Independent Vice-Chairman Luzerner Kantonalbank AG, Luzern</div> <div>• Independent Director Flughafen Zürich AG, Zürich</div> <div>• Independent Director Careal Property Group AG, Cham</div> <div>• Independent Director Gebrüder Knie Schweizer National-Circus AG, Rapperswil-Jona</div> <div>• Independent Chairman of Musikpunkt Hug Holding AG, Bülach</div> <div>• Independent Director Schiffahrtsgesellschaft Vierwaldstättersee (SGV) AG, Luzern</div>	None	None	None	(Note 3)

Note 1: To expediting decision-making for more dynamic execution, the Chairwoman concurrently serves as the CEO and no more than half of the directors will serve as employees and managers, so as to strengthen the supervision function of the Board of Directors.

Note 2: elected as a member of the Board of Directors on 2022.06.17.

Note 3: relieved of office on 2022.06.17.

(Concluded)

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

Qualification		No. of other public companies at which the person concurrently serves as an independent director	
Name	Professional Qualifications and Experience	Independence Analysis	
Chairwoman Cher Wang	1. Possess a background in economics and sales, and high-level professional management ability, and does not have any conditions specified in Article 30 of the Company Law. 2.For academic experience, please refer to “3.1.1 Directors” in this annual report.	N/A	0
Director HT Cho	1. Possess a engineering background and high-level professional management ability, and does not have any conditions specified in Article 30 of the Company Law. 2.For academic experience, please refer to “3.1.1 Directors” in this annual report.	N/A	0
Director Wen-Chi Chen	1. Possess engineering background and high-level professional management ability, and does not have any conditions specified in Article 30 of the Company Law. 2.For academic experience, please refer to “3.1.1 Directors” in this annual report.	N/A	0
Director David Bruce Yoffie	1. Possess a background in economics, and high-level professional management ability, and does not have any conditions specified in Article 30 of the Company Law. 2.For academic experience, please refer to “3.1.1 Directors” in this annual report.	N/A	0

(Continued)

Qualification		No. of other public companies at which the person concurrently serves as an independent director	
Name	Professional Qualifications and Experience	Independence Analysis	
Independent Director Chen-Kuo Lin	1. Possess a background in economics, and high-level professional management ability, and does not have any conditions specified in Article 30 of the Company Law. 2.For academic experience, please refer to “3.1.1 Directors” in this annual report.	All Independent Directors meet the following conditions: (1) Meet the relevant provisions of Article 14-2 of the Securities and Exchange Act and “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies “(Note 1) promulgated by the Financial Supervisory Commission.	0
Independent Director Michael C. Lu (Note 2)	1. Possess work experience required for business or corporate business, and does not have any conditions specified in Article 30 of the Company Law. 2.For academic experience, please refer to “3.1.1 Directors” in this annual report.	(2) A person (or under the name of another) and the person’s spouse and minor children do not hold any shares of the company.	0
Independent Director Vincent Thai	1. Possess extensive Experience in Leading Enterprises, and a background in high-level professional management ability, and does not have any conditions specified in Article 30 of the Company Law. 2.For academic experience, please refer to “3.1.1 Directors” in this annual report.	(3) No amount of remuneration for providing business, legal, financial, accounting and other services to the company or its affiliates in the last two years.	0
Independent Director Josef Felder (Note 3)	1. Possess a background in high-level professional management ability, and does not have any conditions specified in Article 30 of the Company Law. 2.For academic experience, please refer to “3.1.1 Directors” in this annual report.		

(Concluded)

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

Note 2: elected as a member of the Board of Directors on 2022.06.17.

Note 3: relieved of office on 2022.06.17.

3.1.3 Board Diversity and Independence

(1) Board Diversity

The Company has stipulated the board diversity policy in the “HTC Corporation Corporate Governance Principles.” The composition of the board of directors shall be determined by taking diversity into consideration. All members of the board shall have the knowledge, skills, and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the board of directors shall possess the abilities of making operational judgements, accounting and financial analysis, management administration, crisis management, and knowledge of the industry, an international market perspective, and abilities to lead and to make policy decisions.

Objective and implementation of board diversity policy: There are 7 Directors in the tenth Board of Directors; 3 of them are Independent Directors who constitute 43% of the Board. Our current directors are all industrial or academic experts with management experience in listed and global companies or in government institutes. Apart from possessing leadership and decision-making capabilities, an international outlook, and crisis management capabilities, our 3 independent directors also have expertise in finance and accounting, industrial knowledge, and operational insights: Independent Director Chen-Kuo

Lin served as the Minister of Ministry of Finance, Executive Yuan, Independent Director Michael C. Lu is the Dean of the School of Public Health at the University of California, Berkeley, and Independent Director Vincent Thai has experience in leading companies. Additionally, of the other 4 Directors, Chairwoman Cher Wang and Directors HT Cho, and Wenchi Chen all have significant management experience as a chairperson or president of listed companies; David Yoffie is a Max and Doris Starr Professor at Harvard Business School; they therefore possess capabilities relating to marketing, technology, management, industrial knowledge, and operational insight. In addition, HTC pays attention to gender equality among board members. At least one female director is the target to strengthen the structure of our Board. At present, male Directors constitute 86% and one female Director constitutes 14% of the Board, reaching our goal. The target of directors concurrently serving as company officers is less than one-third of the total number of the board members. We have one director serving as employee, constituting 14% of the Board, and over half of the Board does not hold positions in the company concurrently. One of the Independent Director serving for over nine years is still selected since his financial and accounting professionalism and experiences in business administration bring positive to the company’s operation strategy.

(2) Board Independence

All Directors are elected following nomination, with nomination election, and other compliance matters adhering fully to the relevant regulations of securities authorities. The Board is independent, which complies with paragraph 3 and 4 of Article 26-3 of the Securities and Exchange Act. Only Chairwoman Cher Wang and Director Wenchi Chen are spousal relationship. No spouse or family member within the second degree of kinship of the Independent Directors serves as the Director; none of the Independent Directors, their spouses or others holds the shares of the Company, or provides auditing, commercial, legal, financial, accounting etc. services and receives remuneration. The Board complies Article 3 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.

All independent directors maintain their independence within the scope of their duties, and have no interest relationship in the Company. Serving as the members of the Audit Committee, they are responsible for overseeing the fair presentation of the Company’s financial reports, the hiring (and dismissal), independence and performance of the Company’s CPA, the effective implementation of the Company’s internal control system, the Company’s risk management and control mechanism, and the Company’s compliance with relevant laws and regulations.

3.1.4 General Manager, Assistant General Managers, Deputy Assistant

													2023.04.18 Unit: Share; %			
Title	Nationality	Name	Gender	Date of appointment to position	Shares held		Shares held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualifications	Positions concurrently held in other companies at present	Other managerial officer(s) with which the person has a relationship of spouse or relative within the second degree			
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	Remarks
Chairwoman & CEO	Republic of China	Cher Wang	Female	2020.09.02	32,272,427	3.88%	22,391,389	2.69%	0	0.00%	<ul style="list-style-type: none">Bachelor in Economics, University of California, Berkeley.General Manager of the PC Division, First International Computer, Inc. (FIC)	<ul style="list-style-type: none">Chairwoman and CEO, HTC CorporationDirector, VIA Technologies, Inc.Chairwoman (Representative), H.T.C. (B.V.I) Corp.Chairwoman (Representative), HTC Investment One (BVI) CorporationChairwoman (Representative), HTC Investment CorporationDirector, High Tech Computer Asia Pacific Pte. Ltd.Director, (Representative), Xander International Corp.Director, VIA Labs, Inc.Director (Representative), TVBS Media Inc.Director, Formosa Plastics CorporationDirector, Way-Chih Investment Co., Ltd.Director, Hsin-Tong Investment Co., Ltd.Director, Kun-Chang Investment Co, Ltd.Director, CW & ET Link IncDirector, Hon-Mou Investment Co., Ltd.Director, Chuan Te Investment Co., LTDDirector, Li Way Investment Co., LTDChairwoman (Representative), Viveport Digital CorporationChairwoman (Representative), REIGN Technology CorporationChairwoman (Representative),VIVE Arts CorporationIndependent Non-executive Director, Lenovo Group Ltd.	Director	Wen-Chi Chen	Spouse	(Note 1)
Chief Financial Officer and Accounting Officer	USA	Peter Shen	Male	2016.06.20	0	0.00%	0	0.00%	0	0.00%	<ul style="list-style-type: none">M.S. in Business Administration, University of ColoradoChief Financial Officer, Inotera Memories, Inc.Vice President, Finance, Micron Technology, Inc.Financial Director, Jabil Circuit	<ul style="list-style-type: none">Director (Representative), HTC Investment CorporationDirector (Representative), HTC Investment (BVI) Corp.Director (Representative), HungXu Holding (BVI) Corp.Director (Representative), HTC VIVE Investment (BVI) CorpDirector (Representative), DeepQ Holding (BVI) Corp.Director (Representative), HTC VR Content (BVI) Corp.Director (Representative), HTC EUROPE CO., LTD.Chairperson (Representative), HTC Communication Co., Ltd.Director (Representative), HTC Holding B.V.Chairperson (Representative), HTC Communication Technologies (Shanghai) limitedDirector (Representative), S3 Graphics Co, Ltd.Chairperson (Representative), HTC Electronics (Shanghai) Co., Ltd.Chairperson (Representative), HTC Communication Technology (Beijing) Co., LtdChairperson (Representative), DeepQ Technology (Beijing) Co., LtdDirector (Representative), HTC NIPPON CorporationDirector (Representative), HTC Communication Canada, Ltd.Director (Representative), HTC Communication Solutions Mexico, S.A DE C.V.Director (Representative), HTC Servicios DE Operacion Mexico, S.A DE C.V.Director (Representative), HTC America Holding, Inc.Director (Representative), HTC America Inc.Director (Representative), HungXu Technology (BVI) Corp.Director (Representative), HTC VIVE TECH (HK) LimitedDirector (Representative), HTC VIVE TECH (Beijing) Co. LimitedDirector (Representative), DeepQ (BVI) Corp.	None	None	None	

(Continued)

Title	Nationality	Name	Gender	Date of appointment to position	Shares held		Shares held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualifications	Positions concurrently held in other companies at present	Other managerial officer(s) with which the person has a relationship of spouse or relative within the second degree			
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	Remarks
General Counsel and Corporate Governance Officer	Republic of China	ChiaTe Lu	Male	2020.11.09	0	0.00%	0	0.00%	0	0.00%	<ul style="list-style-type: none">• Bachelor of Arts, Diplomacy, National Chengchi University• Master of Laws (JD equivalent), National Chiao Tung University School of Law (Technology Law)• Master of Laws, Georgetown University Law Center, with WTO Certificate (International Legal Studies)• Master of Laws, Berkeley School of Law (Intellectual Property)	<ul style="list-style-type: none">• Director (Representative), High Tech Computer Asia Pacific Pte. Ltd.• Director (Representative), HTC Investment Corporation• Director (Representative), HungXu Holding (BVI) Corp.• Director (Representative), HTC VIVE Investment (BVI) Corp.• Director (Representative), DeepQ Holding (BVI) Corp.• Director (Representative), HTC Smartphone (BVI) Corp.• Director (Representative), HTC VR Content (BVI) Corp.• Director (Representative), Viveport Digital Corporation• Director (Representative), REIGN Technology Corporation• Director (Representative),VIVE Arts Corporation• Director (Representative), HTC EUROPE CO., LTD.• Director (Representative), HTC (Australia and New Zealand) PTY LTD• Director (Representative), HTC India Private Limited• Director (Representative), HTC Communication Co., Ltd.• Director (Representative), HTC HK, Limited• Director (Representative), HTC Communication Technologies (Shanghai) limited• Director (Representative), S3 Graphics Co, Ltd.• Executive Director (Representative), HTC Corporation (Shanghai WGQ)• Director (Representative), HTC Electronics (Shanghai) Co., Ltd.• Director (Representative), HTC Communication Technology (Beijing) Co, Ltd• Director (Representative), HTC NIPPON Corporation• President (Representative), HTC France Corporation• Director (Representative), HTC Nordic ApS• Director (Representative), HTC Germany GmbH• Director (Representative), HTC Poland sp z o.o.• Director (Representative), HTC Communication Canada, Ltd.• Director (Representative), HTC Middle East FZ-LLC• Director (Representative), HTC Communication Solutions Mexico, S.A DE CV.• Director (Representative), HTC Servicios DE Operacion Mexico, S.A DE CV.• Director (Representative), HTC America, Inc.• Director (Representative), One & Company Design, Inc.• Director (Representative), HTC America Content Services, Inc.• Director (Representative), Dashwire, Inc.• Director (Representative), Inquisitive Minds, Inc.• Director (Representative), HungXu Technology (BVI) Corp.• Director (Representative), HungXu Technology Corporation• Director (Representative), HTC VIVE TECH (HK) Limited• Director (Representative), HTC VIVE TECH (Beijing) Co. Limited• Director (Representative), DeepQ Technology (Beijing) Co., Ltd• Director (Representative), DeepQ (BVI) Corp.• Director (Representative) and Managerial Officer, DeepQ Technology Corp.• Director (Representative), Uomo vitruviano Corp.	None	None	None	
Chief Technology Officer	Republic of China	WH Liu	Male	2008.06.01	168,675	0.02%	0	0.00%	0	0.00%	<ul style="list-style-type: none">• Master in Electronic Engineering, National Taiwan University of Science and Technology.• The Chinese University of Hong Kong EMBA• Senior Manager, WM System Architecture Design.	<ul style="list-style-type: none">• Director (Representative), HTC Communication Technologies (Shanghai) Limited	None	None	None	
Senior VP	Republic of China	Adrian Tung	Male	2018.07.16	250	0.00%	0	0.00%	0	0.00%	<ul style="list-style-type: none">• Master in Electrical and Control Engineering, National Chiao Tung University	<ul style="list-style-type: none">• Managerial Officer, REIGN Technology Corporation• Director (Representative), InfoKeyVault Technology Co., Ltd.	None	None	None	

(Continued)

Title	Nationality	Name	Gender	Date of appointment to position	Shares held		Shares held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualifications	Positions concurrently held in other companies at present	Other managerial officer(s) with which the person has a relationship of spouse or relative within the second degree			
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	Remarks
Senior VP	Republic of China	Raymond Pao	Male	2018.07.16	80,000	0.01%	0	0.00%	0	0.00%	• Master in Electrical Engineering , University of Southern California • Master in Mechanical Engineering, National Taiwan University	None	None	None	None	
Chief Global Management Officer (Note 2)	Republic of China	Caleb OuYang	Male	2018.06.08	0	0.00%	0	0.00%	0	0.00%	• Bachelor in Marine Engineering, National Taiwan Ocean University	• Director (Representative), HTC (Australia and New Zealand) PTY LTD • Director (Representative), HTC India Private Limited • Director (Representative), HTC Communication Co., Ltd. • Director (Representative), HTC Electronics (Shanghai) Co., Ltd. • Director (Representative), HTC NIPPON Corporation • Director (Representative), HTC VIVE TECH (HK) Limited • Director (Representative), HTC VIVE TECH (Beijing) Co. Limited	None	None	None	
Note1: To expediting decision-making for more dynamic execution, the Chairwoman concurrently serves as the CEO and no more than half of the directors will serve as employees and managers, so as to strengthen the supervision function of the Board of Directors. Note 2: resigned from insider on 2022.10.31 due to the change to the role.																(Concluded)

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

3.2.1 Remuneration to Directors

Remuneration paid to Direcotrs												2022; Unit: NT\$ thousands										
Title	Name	Base compensation (A)		Retirement pay and pension (B)		Director profitsharing compensation (C)		Expenses and perquisites (D)		Sum of A+B+C+D and ratio to net income		Remuneration received by directors for concurrent service as an employee								Sum of A+B+C+D+E+F+G and ratio to net income	Remuneration received from investee enterprises other than subsidiaries or from the parent company	
		HTC	All Consolidated Entities	HTC	All Consolidated Entities	HTC	All Consolidated Entities	HTC	All Consolidated Entities	HTC	All Consolidated Entities	Salary, rewards, and special disbursements (E)		Retirement pay and pension (F)		Employee profit-sharing compensation (G)						
		HTC	All Consolidated Entities	HTC	All Consolidated Entities	HTC	All Consolidated Entities	HTC	All Consolidated Entities	HTC	All Consolidated Entities	HTC	All Consolidated Entities	HTC	All Consolidated Entities	Amount in cash	Amount in stock	Amount in cash	Amount in stock	HTC	All Consolidated Entities	
Chairwoman	Cher Wang	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None
Director	HT Cho	3,500	3,500	0	0	0	0	0	0	3,500	3,500	-0.10%	-0.10%	0	0	0	0	0	0	3,500	3,500	None
Director	Wen-Chi Chen	0	0	0	0	0	0	0	0	0	0	0%	0%	0	0	0	0	0	0	0	0	None
Director	David Bruce Yoffie	11,799	11,799	0	0	0	0	0	0	11,799	11,799	-0.35%	-0.35%	0	0	0	0	0	0	11,799	11,799	None
Independent Director	Chen-Kuo Lin	3,500	3,500	0	0	0	0	0	0	3,500	3,500	-0.10%	-0.10%	0	0	0	0	0	0	3,500	3,500	None
Independent Director	Michael C. Lu (Note 1)	3,854	3,854	0	0	0	0	0	0	3,854	3,854	-0.11%	-0.11%	0	0	0	0	0	0	3,854	3,854	None
(Continued)																						

		Remuneration paid to Direcotrs									
		Base compensation (A)		Retirement pay and pension (B)		Director profitsharing compensation (C)		Expenses and perquisites (D)		Sum of A+B+C+D and ratio to net income	
Title	Name	All Consolidated		All Consolidated		All Consolidated		All Consolidated		All Consolidated	
		HTC	Entities	HTC	Entities	HTC	Entities	HTC	Entities	HTC	Entities
Independent Director	Vincent Thai	1,521	1,521	0	0	0	0	0	0	1,521-0.04%	1,521-0.04%
Independent Director	Josef Felder (Note 2)	4,401	4,401	0	0	0	0	0	0	4,401-0.13%	4,401-0.13%

1. Please describe policies, systems, standards, and structures for independent director remuneration, and connection between remuneration amounts and borne duties, risks, time invested, and other factors:
The Directors’ remuneration is in accordance with the Company’s articles of incorporation, and is negotiated according to the degree of participation in the company’s operations and the value of its contribution, as well as the usual level of payment in the industry. The remuneration of each director remains unchanged, and the slight increase in the 2022 is due to exchange rate fluctuations.
2. Remuneration paid to Corporation directors by all companies included in financial statements for services other than disclosed in the table above: None.

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

Note 1: elected as a member of the Board of Directors on 2022.06.17.

Note 2: relieved of office on 2022.06.17.

(Concluded)

3.2.2 Remuneration paid to General Manager and Assistant General Managers

2022; Unit: NT\$ thousand														
		Salary (A) (Note 1)		Retirement pay and pension (B) (Note 2)		Rewards and special disbursements (C) (Note 3)		Employee profit-sharing compensation (D) (Note 4)				Sum of A+B+C+D and ratio to net income (Note 5)		Remuneration received from investee enterprises other than subsidiaries or from the parent company (Note 7)
		All Consolidated		All Consolidated		All Consolidated		HTC		All Consolidated		All Consolidated		
Title	Name	HTC	Entities (Note 6)	HTC	Entities (Note 6)	HTC	Entities (Note 6)	Cash	Stock	Cash	Stock	HTC	Entities (Note 6)	
Chief Financial Officer and Accounting Officer	Peter Shen													
General Counsel and Corporate Governance Officer	ChiaTe Lu													
Chief Technology Officer	WH Liu	44,396	49,401	1,069	1,069	34,536	34,536	0	0	0	0	80,000 -2.34%	85,006 -2.49%	None
Senior VP	Adrian Tung													
Senior VP	Raymond Pao													
Chief Global Management Officer (Note a)	Caleb OuYang													

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

Note 2: Pensions funded according to applicable law.

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

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

Note 5: The net loss after-tax in 2022 was NTD\$3,411,783 thousand.

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

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

Note 8: The chart above contains the personnel who have served as HTC’s General Manager and Assistant General Managers on December 31, 2022.

Note a: resigned from insider on 2022.10.31 due to the change to the role.

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

Remuneration paid to General Manager and Assistant General Managers

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

Note 1: Caleb OuYang, Raymond Pao
Note 2: WH Liu, ChiaTe Lu, Adrian Tung
Note 3: Peter Shen

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

2022; Unit: NT\$ thousand														
		Salary (A) (Note 1)		Retirement pay and pension (B) (Note 2)		Rewards and special disbursements (C) (Note 3)		Employee profit-sharing compensation (D) (Note 4)				Sum of A+B+C+D and ratio to net income (Note 5)		Remuneration received from investee enterprises other than subsidiaries or from the parent company (Note 7)
Title	Name	HTC	All Consolidated Entities (Note 6)	HTC	All Consolidated Entities (Note 6)	HTC	All Consolidated Entities (Note 6)	HTC		All Consolidated Entities (Note 6)		HTC	All Consolidated Entities (Note 6)	
								Cash	Stock	Cash	Stock			
Chief Financial Officer and Accounting Officer	Peter Shen	14,363	19,369	549	549	13,098	13,098	0	0	0	0	28,011 -0.82%	33,016 -0.97%	None
Vice President	Alvin Graylin	12,056	17,054	313	313	3,582	3,582	0	0	0	0	15,951 -0.47%	20,949 -0.61%	None
Vice President	Daniel O'Brien	0	12,086	0	322	0	4,608	0	0	0	0	0 0%	17,015 -0.50%	None
Vice President	Jeffrey Pohlman	0	9,492	0	298	0	2,304	0	0	0	0	0 0%	12,093 -0.35%	None
Vice President	Vincent Lam	0	9,794	0	375	0	1,843	0	0	0	0	0 0%	12,012 -0.35%	None
Note 1: Refers to the salaries, duty allowances, and severance pay paid to the managerial officers with the top five remuneration amounts in the most recent year.						Note 6: The total remuneration paid by all companies in the consolidated statements (including the Company) to the managerial officers with the top five remuneration amounts in the most recent year.								
Note 2: Pensions funded according to applicable law to the remuneration paid to the managerial officers with the top five remuneration amounts.						Note 7: Remunerations refer to salary, compensation, employee bonuses, and allowances relating to the conduct of business received by managerial officers with the top five remuneration amounts in their capacity as director, supervisor, or managerial officer of a non-subsidiary affiliate.								
Note 3: Refers to the remuneration paid to the managerial officers with the top five remuneration amounts, including various bonuses, incentives, travel expenses, special disbursements, allowances, accommodation, company car, other physical items, other compensations, etc., in the most recent year.						* Compensation information disclosed in this statement differs from the concept of income under the Income Tax Act. This statement is intended to provide information disclosure and not tax-related information.								
Note 4: Refers to the amount of employee compensation approved by the Board of Directors for managerial officers with the top five remuneration amounts in the most recent year.														
Note 5: The net loss after-tax in 2022 was NTD\$3,411,783 thousands.														

3.2.4 Employee Profit Sharing Granted to Management Team

None.

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

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

Title	Total remuneration as a percentage of net income			
	2021 (Note)		2022 (Note)	
	HTC	All Consolidated Entities	HTC	All Consolidated Entities
Directors	-0.93%	-0.93%	-0.84%	-0.84%
Supervisors	-	-	-	-
President and Vice Presidents	-1.95%	-2.18%	-2.34%	-2.49%

Note: FY2021 net loss was NT\$3,073,132 thousand, and FY2022 net loss was NT\$3,411,783 thousand

Remuneration policies, standards, packages:

HTC’s reward programs and policies are designed to support HTC’s business strategy and the focus of performance differentiation.

1. To motivate our insiders to contribute to business’s long-term success, their packages are set based on the industry’s market data and their personal performance. In additional to the country’s fixed bonus (such as two-month salary in Taiwan), when the company achieves profit in the fiscal year, no-less-than 4% profit can be proposed to pay employees’ extra bonus. The board of directors shall determine the payments methods by cash or by stocks.
2. The compensation for our Board of Directors is a fixed amount, determined based on their level of involvement in company operations and their contribution value, with reference to high-tech industry standards. In the event of profits during the Fiscal Year, the board of directors may allocate no more than 0.25% of the profits as surplus for director. The proposal will be decided by the board of directors and reported in the shareholders’ meeting.

Remuneration setting:

1. The insiders will be reviewed in accordance with the company’s “Performance Management Policy “and used as part of remuneration review. Board of Directors will be assessed by “Rules for Performance Evaluation of the Board of Directors”.

2. In addition to the performance appraisal, the company also conducts the insiders’ annual remuneration review based on the achievements of business goals, the market surveys of high-tech industry and the long-term plan of the organizational developments.
3. The rationales of insiders’ remuneration will be evaluated by the compensation committee and submit for the board of directors’ approval.

Business performances and future risks:

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

3.3 The State of the Company’s Implementation of Corporate Governance:

3.3.1 The state of operations of the Board of Directors:

A total of 5 meetings of the board of directors were held in 2022. Director attendance status is shown as follows:

Title	Name	No. of meetings attended in person	No. of meetings attended by proxy	In-person attendance rate (%)	Remarks
Chairwoman	Cher Wang	5	0	100%	
Director	HT Cho	5	0	100%	
Director	Wen-Chi Chen	5	0	100%	
Director	David Bruce Yoffie	4	1	80%	
Independent Director	Chen-Kuo Lin	5	0	100%	
Independent Director	Michael C. Lu	3	0	100%	Elected on June 17, 2022, should have attended 3 meetings.
Independent Director	Vincent Thai	5	0	100%	
Independent Director	Josef Felder	2	0	100%	Tenure expired on June 17, 2022, should have attended 2 meetings.

Other matters required to be recorded:

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

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

Board of Director	Agenda Content	Independent Director Opinions	The Company's responses to Independent Director Opinions	Resolutions
2022.03.17 (9-15)	Report on Company's derivative transactions for fourth quarter 2021	Approved	Not applicable	Approved by all directors in attendance.
	Proposal to amend the "Procedures for the Acquisition or Disposal of Assets" of the Company			
2022.04.29 (9-16)	Report on Company's derivative transactions for first quarter 2022	Approved	Not applicable	Approved by all directors in attendance.
2022.07.28 (10-2)	Report on Company's derivative transactions for second quarter 2022	Approved	Not applicable	Approved by all directors in attendance.
2022.10.31 (10-3)	Report on Company's derivative transactions for third quarter 2022	Approved	Not applicable	Approved by all directors in attendance.
	Proposal on the Company's 2023 Deloitte & Touche CPA service fee and evaluation of the independence and eligibility of the CPA			

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

2. There was no Directors’ abstention from discussion due to conflicts of interests in 2022.

3. The Company’s Board of Directors self- (or peer) evaluation cycle and period, scope of evaluation, evaluation method, and evaluation content are as follows: HTC’s Board of Directors approved the “Rules for Performance Evaluation of the Board of Directors” in November 2019 to enhance the function of Board of Directors. The Company completed self-assessments of Board performance in 2022 and reported the results to the Board of Directors at its first quarter meeting in 2023 for review and improvement. In Summary, the board of directors’ operating well and will continue to strengthen based on the evaluation results to enhance the effectiveness of corporate governance.

The Implementation of Board of Directors’ Evaluation

Evaluation Cycle	Evaluation period	Scope of Evaluation	Method of Evaluation	Evaluation content
Implemented every year.	2022	Included performance evaluations of the Board, individual directors	Internal self-evaluations were conducted on the Board, Board directors, and functional committees.	Assessment items for Board performance evaluations included five main aspects participation in corporate operations, enhancement of Board decision-making quality, Board composition and structure, director elections and continued training, and internal control.

(Continued)

Evaluation Cycle	Evaluation period	Scope of Evaluation	Method of Evaluation	Evaluation content
Implemented every year.	2022	Performance evaluations of the Audit committee	Audit committee performance self-evaluation	Assessment items for functional committee performance evaluations included five main aspects participation in corporate operations, recognition of functional committee responsibilities, enhancement of functional committee decision-making quality, composition of functional committees and election of committee members, and internal control.
Implemented every year.	2022	Performance evaluations of the Remuneration committee	Remuneration committee performance self-evaluation	Assessment items for functional committee performance evaluations included four main aspects participation in corporate operations, recognition of functional committee responsibilities, enhancement of functional committee decision-making quality, composition of functional committees and election of committee members
An external independent professional institution or a panel of external experts and scholars at least once every three years.	2022	Included performance evaluations of the Board	The company has commissioned the "Taiwan Corporate Governance Association" to conduct the external performance evaluation of the Board of Directors in 2022, and has submitted the report of the Company's Board of Directors on March 7, 2023. The external performance evaluation report of the Board of Directors has been disclosed on the Company's website.	The external performance evaluation aspects eight aspects of the Board of Directors, which include "composition of the Board of Directors", "guidance of the Board of Directors", "authorization of the Board of Directors", "supervision of the Board of Directors", "communication of the Board of Directors", "internal control and risk management", "self-discipline of the Board of Directors", "Others such as Board meetings, support systems".

(Concluded)

4. Measures taken to strengthen the functionality of the Board of Directors and the status of implementation during current and preceding fiscal years:
- (1) The Company has elected Independent Directors. In order to establish a well board governance system, sound supervision function and strengthen management functions, the Company has established the regulations governing procedure for Board of Directors’ Meetings according to the provisions of the securities authority. The main matters for discussion, operating procedures, matters to be recorded in the proceedings, the announcements and other matters to be followed shall be handled in accordance with the provisions of this code.
- (2) In accordance with the provisions of the securities regulatory authority, the Company passed the resolution of the Board of Directors on Jun. 21, 2019 and set up the Audit Committee to replace Supervisors and has held 4 meetings in 2022 to submit the resolutions of the Board of Directors to the implementation of corporate governance.
- (3) To improve the function of Board of Directors, HTC’s Board of Directors approved the “Rules for Performance Evaluation of the Board of Directors” in November 2019, and conduct internal performance assessment once a year and submitted to the Board of Directors for report by the end of the first quarter of following year.

3.3.2 The operational Information of the Audit Committee

A total of 4 meetings of the board of directors were held in 2022 as follows:

Title	Name	No. of meetings attended in person	No. of meetings attended by proxy	In-person attendance rate (%)	Remarks
Independent Director (Convener)	Chen-Kuo Lin	4	0	100%	
Independent Director	Michael C. Lu	2	0	100%	Elected on June 17, 2022, should have attended 2 meetings.
Independent Director	Vincent Thai	4	0	100%	
Independent Director	Josef Felder	2	0	100%	Tenure expired on June 17, 2022, should have attended 2 meetings.

Other matters required to be recorded:

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

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

Audit Committee meeting’s Date Session (Term-Sitting)	Agenda Content	Any Independent Director Had a Dissenting Opinion or Qualified Opinion
2022.03.04 (1-11)	Report on Company’s derivative transactions for fourth quarter 2021	The members of the Audit Committee approved all the proposals, and the Board of Directors approved all proposals in accordance with the recommendations of the Audit Committee.
	Submission of the Company’s consolidated financial reports for 2021	
	Proposal to amend the “Procedures for the Acquisition or Disposal of Assets” of the Company	
2022.04.28 (1-12)	Report on Company’s derivative transactions for first quarter 2022	
	Submission of the Company’s consolidated financial reports for first quarter 2022	
2022.07.26 (2-1)	Report on Company’s derivative transactions for the second quarter 2022	
	Adoption of the Company’s consolidated financial reports for the second quarter 2022	
2022.10.28 (2-2)	Report on Company’s derivative transactions for the third quarter 2022	
	Adoption of the Company’s consolidated financial reports for the third quarter 2022	
	Report on Company’s derivative transactions for the third quarter 2022	

- (2) There was no other resolutions, which was not approved by the Audit Committee but was approved by two thirds or more of all directors in 2022.

2. There were no recusals of independent directors due to conflicts of interests in 2022.

3. Annual work focus of the Audit Committee: Review the Company’s financial reports; accounting and internal control systems; transactions of major assets or derivatives; offering and issuance of securities; appointment, dismissal, or compensation of Certified Public Accountants (CPAs); matters involving director conflicts of interest; and appointment, dismissal and performance of financial, accounting, or internal audit directors.

4. Descriptions of the communications between the independent directors, the internal auditors, and the independent auditors in 2022 (which should include the material items, channels, and results of the audits on the corporate finance and/or operations, etc.):

(1) The Company’s internal audit managers periodically present internal audit reports to the Audit Committee and fully communicate status and results of audit implementation follow-up of improvements to defects. Internal audit managers not only periodically provide independent directors with written audit reports, but also present business reports based on suggestions from independent directors.

(2) CPAs periodically present annual and quarterly audits of financial reports and audit reports to the Audit Committee, and communicate other matters according to relevant laws.

(3) The aforementioned internal audit managers and CPAs also communicate with independent directors via email, phone, or face-to-face meetings as necessary.

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

Meeting Dates	Communications between the Independent Directors and the Internal Auditors	Communications between the Independent Directors and the Independent Auditors
2022.03.04 (1-11)	The 2021 Q4 Internal Auditor’s report.	The 2021 financial reports.
	The Company’s 2021 Internal Control Self-Assessment.	Matters of communication with governance
2022.04.28 (1-12)	The 2022 Q1 Internal Auditor’s report.	The 2022 Q1 consolidated financial reports.
		Matters of communication with governance.
2022.07.26 (2-1)	The 2022 Q2 Internal Auditor’s report.	The 2022 Q2 consolidated financial reports.
		Matters of communication with governance.
2022.10.28 (2-2)	The 2022 Q3 Internal Auditor’s report.	The 2022 Q3 consolidated financial reports.
	The 2023 audit plans.	2023 Deloitte & Touche CPA service fee for auditing and signing off Company’s financial statements.
		Matters of communication with governance.
Result: all of above matters were reviewed and/or approved by the Audit Committee whereupon independent directors raised no objection.		

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

Implementation Status				Deviations from the Corporate Governance BestPractice Principles for TWSE/TPEX Listed Companies and the reasons
Evaluation item	YES	NO	Summary description	
1. Has the Company established and disclosed its Corporate Governance Best-Practice Principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	v		In 2014, HTC adopted the “HTC Corporate Governance Principles”. Its provisions are based on the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies and are announced in the English and Chinese investor relations websites.	None
2. Shareholding Structure & Shareholders’ Rights				
(1) Does the Company have Internal Operation Procedures for handling shareholders’ suggestions, concerns, disputes and litigation matters. If yes, have these procedures been implemented accordingly?	v		To protect shareholders’ interests, HTC has appointed spokesperson and have dedicated staff to properly handle any questions or suggestions involving shareholders.	None
(2) Does the Company know the identity of its major shareholders and the parties with ultimate control of the major shareholders?	v		The Company has a good understanding of its major shareholders through shareholder registers provided by stock agents at book closures. A list of shareholders holding more than 5% of the shares in each quarter is declared and disclosed in accordance with the regulations.	None
(3) Has the Company built and implemented a risk management system and a firewall between the Company and its affiliates?	v		The division of responsibilities between HTC and its affiliates with respect to management of personnel, resources, and finances is clear. Risk assessments are rigorously performed and appropriate firewalls have been established. HTC conducts business with affiliates based on the principles of fairness and reasonableness and fully observe the operating Procedures for transactions with Specific Companies, Enterprise Groups and Related Parties and other related regulations. Terms and conditions, pricing, and payment methods are clearly prescribed in contracts to avoid non-arms-length transactions and financial tunneling.	None
(4) Has the Company established internal rules prohibiting insider trading of securities based on undisclosed information?	v		The company has adopted the “Operational Procedures for Handling Material Inside Information and Preventing Insider Trading” which stipulate that all employees, managers and directors of the Company must abide by the provisions of the Securities and Exchange Act, and any trade of securities conducted using undisclosed information is prohibited.	None
3. Composition and Responsibilities of the Board of Directors				
(1) Have a diversity policy and specific management objectives been adopted for the board and have they been fully implemented?			The Company has stipulated the board diversity policy in the “Corporate Governance Practice Principles”: the directors of the Company have diverse professional backgrounds and rich experience in business management, leadership decision-making, industry knowledge, international outlook, and financial and accounting analysis. The Directors’ educational background, gender, professional qualifications and working experience, please refer to the corporate governance report 3.1.1 the Information on the Company’s Directors.	None

(Continued)

Implementation Status				Deviations from the Corporate Governance BestPractice Principles for TWSE/TPEX Listed Companies and the reasons
Evaluation item	YES	NO	Summary description	
	v		There are 7 Directors in the tenth Board of Directors; 3 of them are Independent Directors who constitute 43% of the Board. Our current directors are all industrial or academic experts with management experience in listed and global companies or in government institutes. Apart from possessing leadership and decision-making capabilities, an international outlook, and crisis management capabilities, our 3 independent directors also have expertise in finance and accounting, industrial knowledge, and operational insights: Independent Director Chen-Kuo Lin served as the Minister of Ministry of Finance, Executive Yuan, Independent Director Michael C. Lu is the Dean of the School of Public Health at the University of California, Berkeley, and Independent Director Vincent Thai has experience in leading companies. Additionally, of the other 4 Directors, Chairwoman Cher Wang and Directors HT Cho, and Wenchi Chen all have significant management experience as a chairperson or president of listed companies; David Yoffie is a Max and Doris Starr Professor at Harvard Business School; they therefore possess capabilities relating to marketing, technology, management, industrial knowledge, and operational insight. In addition, HTC pays attention to gender equality among board members. At least one female director is the target to strengthen the structure of our Board. At present, male Directors constitute 86% and one female Director constitutes 14% of the Board, reaching our goal. The target of directors concurrently serving as company officers is less than one-third of the total number of the board members. We have one director serving as employee, constituting 14% of the Board, and over half of the Board does not hold positions in the company concurrently. One of the Independent Director serving for over nine years is still selected since his financial and accounting professionalism and experiences in business administration bring positive to the company’s operation strategy.	
(2) Has the Company voluntarily established other functional committees in addition to the remuneration committee and the audit committee?	v		The Company has set up a remuneration committee after the resolution of the Board of Directors on December 22th, 2011. The Board of Directors also resolved on June 21st, 2019 to set up the Audit Committee in accordance with Article 14-4 of Securities and Exchange Act. HTC established an ESG committee, with the chairwoman serving as the chairman of the committee and appointing first Chief Sustainability Officer, SVP Madeline Chen. Also setup the ESG Office as a full-time operation unit. Chief Sustainability Officer will report sustainable development (ESG) operations including execute performance to the Board at least once a year.	None

(Continued)

Evaluation item	Implementation Status			Deviations from the Corporate Governance BestPractice Principles for TWSE/TPEX Listed Companies and the reasons
	YES	NO	Summary description	
(3) Has the Company established rules and methodology for evaluating the performance of its Board of Directors, implemented the performance evaluations on an annual basis, and submitted the results of performance evaluations to the board of directors and used them as reference in determining salary/ compensation for individual directors and their nomination and additional office terms?	v		<p>The Board of Directors approved the “Rules for Performance Evaluation of the Board of Directors” in November 2019. Through self-assessment surveys via questionnaire, performance evaluation will be annually completed by the Board as a whole, by individual Directors, by the Audit Committee and by compensation Committee. An external independent professional institution or a panel of external experts and scholars at least once every three years.</p> <p>The Board of Directors are assessed on the following five aspects: 1. Involvement in the Company’s operation 2. Enhancement of the quality of the Board’s decision-making 3. Makeup and structure of the board 4. Election of Board members and continuing knowledge development 5. Internal controls</p> <p>The individual Directors are assessed on the following six aspects: 1. Understanding of the Company’s goals and mission 2. Awareness of director’s duties 3. Involvement in the Company’s operations 4. Internal relationship and communication 5. Director’s professionalism and continuing knowledge development 6. Internal controls</p> <p>The Audit Committee is assessed on the following five aspects: 1. Involvement in the Company’s operation 2. Awareness of the Audit Committee’s duties 3. Enhancement of the quality of the Audit Committee’s decision-making 4. Makeup of the Audit Committee and election of its members 5. Internal controls</p> <p>The Compensation Committee is assessed on the following four aspects: 1. Involvement in the Company’s operation 2. Awareness of the Compensation Committee’s duties 3. Enhancement of the quality of the Compensation Committee’s decision-making 4. Makeup of the Compensation Committee and election of its members</p> <p>The company has completed the 2022 internal performance self-evaluation of the Board of Directors, Directors and members of each functional committee. The internal performance self-evaluation scores of the Board of Directors and Directors were 4.62 and 4.69 respectively, and the self-evaluation scores of the members of the functional committees were 4.59 for the audit committee and 4.66 for the salary and compensation committee. In Summary, the Board of Directors’ operating well and will continue to strengthen based on the evaluation results to enhance the effectiveness of corporate governance.</p> <p>The Company commissioned the “Taiwan Corporate Governance Association” to conduct an external evaluation of the performance of the Company’s Board of Directors. The association and executive experts have no business dealings with the Company and are independent. The effectiveness</p>	None

(Continued)

Evaluation item	Implementation Status			Deviations from the Corporate Governance BestPractice Principles for TWSE/TPEX Listed Companies and the reasons
	YES	NO	Summary description	
			<p>of the Board of Directors had be issued on March 1, 2023 and the evaluation report been published on the Company’s website.</p> <p>External assessment period: January 1, 2022 to December 31, 2022.</p> <p>Evaluation method: The association reviewed the relevant documents required for evaluation provided by the Company, and appoint 2 evaluation experts to conduct video interviews and evaluations with the Chairwoman and President of the Company, Independent Director (convener of the Audit/ Compensation Committee), Corporate governance Officer and Internal Auditor.</p> <p>Evaluation criteria: including the composition of the Board of Directors, the guidance of the Board of Directors, the authorization of the Board of Directors, the supervision of the Board of Directors, the communication of the Board of Directors, the internal control and risk management, the self-discipline of the Board of Directors and others (Board meetings, support systems, etc.) The implementation experts refer to the materials and public information provided by the Company on the implementation of each indicator, conduct on-site interviews, and issue an evaluation report.</p> <p>Evaluation results: 1. Among the 7 Directors of the Company’s Board of Directors, including the chairwoman, 2 internal Directors, 1 external Director and 3 Independent Directors, 3 of them are foreign Directors. They not only possess professional practical experience but also exhibit the characteristic of nationality diversity. The overall composition of the Board aligns with the Company’s operational development and the achievement of strategic objectives. 2. The Chairwoman of the Company has a clear understanding of the future development needs of the Company, the challenges of the industrial environment, and the importance of independent directors to the company’s strategic decision-making and operation oversight. They proactively seek advice from Board members and actively solicit suggestions, allowing all Board members to fully express their opinions and effectively fulfill their guiding and supervisory roles; 3. The Company is committed to the sustainable operation and development of the enterprise, and actively implements corporate social responsibilities. In early 2022, the CSR committee was promoted to the ESG committee with the chairwoman as the convener, and a sustainable office was established to be responsible for planning and guiding the Company’s sustainable development. The implementation and operation related to the continuous development, and regularly report the implementation performance of the year and the implementation target of the next year to the Board of Directors every year, so that the Directors can fully</p>	

(Continued)

Evaluation item	Implementation Status			Deviations from the Corporate Governance BestPractice Principles for TWSE/TPEX Listed Companies and the reasons
	YES	NO	Summary description	
			understand the implementation results; 4. The Company conducts self-evaluation of the performance of the Board of Directors and each functional committee every year. During the self-evaluation process, the Directors are cautious and respond positively to the self-evaluation indicators. The evaluation results are discussed in the Board of Directors, which shows that Company’s Board of Directors is committed to the implementation of corporate governance. As well as the topic of improving the effectiveness of the Board of Directors, it attaches great importance to it; 5. The Company sets up a Corporate Governance Officer and a corporate governance office, assigns dedicated personnel to handle relevant affairs, effectively arranges the timetable and agenda of Board meetings, actively provides Directors’ training plans, information on Board issues, and notifies Directors of important information, etc. , to fully assist members of the Board of Directors in performing their duties.	
			The self-assessment and external assessment results of the Board of Directors during 2022 have been submitted to the Company’s Board of Directors on March 7, 2023 for review and improvement.	
(4) Does the Company regularly evaluate its external auditors’ independence?	v		The Audit Committee regularly assesses the independence and suitability of CPAs regularly every year and these assessments shall be submitted to the Board of Directors. The results of the 2022 evaluation were be submitted to the Board of Directors on October 31, 2022, confirming that the CPAs Chi-Ming Hsu and Kuo-Tyan Hong of Deloitte & Touche both fulfilled the assessment standards for independence and competency (Note 1), and a letter of declaration was provided by Deloitte and Touche (Note 2).	None
4. Does the Company appoint competent and appropriate corporate governance personnel and corporate governance officer to be in charge of corporate governance affairs including but not limited to furnishing information required for business execution by directors, assisting directors’ compliance of law, handling matters related to board meetings and shareholders’ meetings according to law, and recording minutes of board meetings and shareholders’ meetings)?	v		The Board of Directors appointed ChiaTe Lu, the General Counsel as the Corporate Governance Officer. The Corporate Governance Officer is in charge of assisting in related affairs, including handling of matters relating to Board, Audit Committee, Compensation Committee and Shareholders’ meetings in compliance with law, assistance in on boarding and continuing education of directors, provision of information required for performance of duties by directors, and assistance in directors’ compliance of law, etc. Training undertaken by the Corporate Governance Officer in 2022, please refer to Note 3.	None
5. Has the Company established channels for communicating with its stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) and created a stakeholders section on its company website? Does the Company appropriately respond to stakeholders’ questions and concerns on important corporate social responsibility issues?	v		HTC provides detailed contact information, including telephone numbers and email addresses, in the “contact us” section of its corporate website. We also have personnel in place to exclusively deal with messages to the spokesperson and investor mailboxes so that various interested parties will have channels to communicate with HTC.	None
			Please refer to 3.10 Sustainable Development (ESG)-Diversified Channels for Transparent Information Disclosure of the annual report.	

(Continued)

Evaluation item	Implementation Status			Deviations from the Corporate Governance BestPractice Principles for TWSE/TPEX Listed Companies and the reasons
	YES	NO	Summary description	
6. Has the Company appointed a professional shareholder services agent to handle matters related to its shareholder meetings?	v		The Company has delegated CTBC Bank Co., Ltd. to be the shareholder service agency for handling AGM affairs.	None
7. Information Disclosure				
(1) Has the Company established a corporate website to disclose information regarding its financials, business, and corporate governance status?	v		The Company’s website has an“Investor Relations”section which disclose information regarding the Company’s finances, business matters,and corporate governance. Thisinformation is updated periodically and in a timely manner.	None
(2) Does the Company use other information disclosure channels (e.g., maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?	v		HTC has English and Chinese investor relations websites. Dedicated personnel have been assigned to collect and update information to websites. Chief Financial Officer has been appointed spokesperson and a spokesperson email address has been established.	None
(3) Does the company publish and report its annual financial report within two months after the end of the fiscal year, and publish and report its financial reports for the first, second, and third quarters as well as its operating statements for each month before the specified deadlines?	v		The Company follows relevant laws and regulations to announce and report the annual financial statements, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline. Please refer to Market Observation Post System for the aforementioned disclosure.	None
8. Other important information helpful to understanding HTC’s corporate governance practices (including but not limited in employee rights and interests, employee care, investor relations, supplier relations and rights of Stakeholders, professional development of the Board of Directors, Supervisors, and managerial officers, status of implementation of risk management policies and standards for measurement of risk, status of customer-protection policy implementation, and liability insurance provided by HTC to the Board of Directors and Supervisors) :	v		(1) Employee rights and interests and employee care Please refer to “5.5 Labor Relations Management” of this Annual Report. (2) Investor relations HTC carries out its responsibility in the area of investor relations by endeavoring to enhance the transparency and timeliness of information disclosure. In addition to immediate announcement of material information and information disclosure. In addition to the regularly scheduled information disclosures above, HTC also participates in investment seminars held by local and overseas securities firms and investor/press conferences; and arranges meetings with domestic and foreign investors in order to further explain financial figures and operational results that have already been publicly released. (3) Supplier relations and rights of interested parties HTC has adopted “Procedures for Transactions with Specific Companies, Group Enterprises, and Related Parties and Supplier Integrity Commitment Letter” to guarantee the rights and interests of HTC and interested parties. Purchasing contracts are also signed with suppliers to govern to transactions and cooperative efforts to protect the lawful rights and interests of all parties.	None
				(Continued)

Implementation Status				Deviations from the Corporate Governance BestPractice Principles for TWSE/TPEX Listed Companies and the reasons
Evaluation item	YES	NO	Summary description	
			(4) Director training programs in 2022 please refer to Note 3 for details.	
			(5) Status of implementation of risk management policies and standards for measurement of risk: HTC has adopted relevant risk management policies and standards for measurement of risk, and has established a dedicated unit to carry out risk management and risk measurement. With respect to implementation, HTC has reassessed its business risks after transitioning into a brand company. Risk factors are also reflected in financial statement items such as bad debts and warranty reserves which are reviewed by Audit Committee and CPAs to ensure they are reasonable and appropriate.	
			HTC's management of potential risk associated with promotion of its global brand is explained below: 1. Exchange rate risk: Foreign exchange movements are monitored and managed / hedged by dedicated personnel. Reserves for on-book liabilities are valued at the exchange rate on the balance sheet date, reducing as much as possible the effects of currency fluctuations on HTC's business and finances. 2. Receivables risk: Receivables risk is managed effectively by the finance department to ensure receivables quality and lower the risk of bad debt. 3. Management of idle inventory: In addition to enhancing supplier management and demand forecast, idle inventory is attended to early and reserves for loss taken in an appropriate manner. 4. Global tax risk: To comply with global tax compliance, our company engaged with international tax advisory for periodical review. 5. Product design quality: To ensure quality of design, HTC has established a department for design quality, which is exclusively responsible for control and management of quality in hardware and software, product safety, and conformance with environmental regulations around the world. The department provides a complete range of product testing and certification.	
			(6) Status of customer-protection policy implementation: HTC strictly abides by the contracts it signs with customers to protect consumer rights and interests. Regular deliberation on and assessment of the Product Warranty Reserve for after-sales services ensures that allocations made to such reserves are reasonably sufficient and warranty responsibilities of the Company are adequately expressed.	
			(7) Liability insurance provided by HTC to the Board of Directors and Supervisors: Currently, HTC has purchased Liability Insurance for the Board of Directors, Supervisors, and key personnel (please refer to Note 4 for details), thereby transferring the risk arising from erroneous or improper conducts by Directors, or Officers.	

(Continued)

Implementation Status				Deviations from the Corporate Governance BestPractice Principles for TWSE/TPEX Listed Companies and the reasons
Evaluation item	YES	NO	Summary description	
9.			Please indicate the improvement of the results of the Corporate Governance Evaluation System issued by the Company's Corporate Governance Center of the Taiwan Stock Exchange Co., Ltd. in the last year and provide priority measures and measures for those who have not yet improved. The result of the 2021 “Corporate Governance Evaluation” conducted by Taiwan Stock Exchange Corporation, the company was ranked 21% to 35% of listed company. The improvement status in 2022 is as follow: The Company reports the communication status with various stakeholders to the Board of Directors; and the Company has established the “Ethical Management Team”, which is responsible for promoting the integrity management policy, anti-corruption, anti-bribery and compliance with laws and regulations and other corporate governance matters, formulating prevention plans and monitoring their implementation, and reporting such implementation to the Board of Directors.	

(Concluded)

Note 1: Independence assessment indicators of CPA

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

Note 2: Letter of declaration from Deloitte & Touche

October 7, 2022

HTC Corporation

Gentlemen:

WE HAVE BEEN ENGAGED TO AUDIT THE FINANCIAL STATEMENTS OF HTC CORPORATION AS OF DECEMBER 31, 2022 AND FOR THE YEAR ENDED. THE AUDIT ENGAGEMENT TEAM MEMBERS MAKE THE DECLARATION OF COMPLYING WITH THE INDEPENDENCE EWQOIREMENTS GOVERNED BY THE CODE OF ETHICS FOR PROFESSIONAL ACCOUNTANTS OF THE REPUBLIC OF CHINA.

1. The audit engagement team members, their spouses and dependents do not participate in the following conditions:
- a. Holding a direct or material indirect financial interests with HTC Corporation.

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

Very truly yours,
DELOITTE & TOUCHE

Chi-Ming Hsu
Partner



Kuo-Tyan Hong
Partner



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

Title	Name	Date of Training		Organization	Training	Hours	Notes
		From	To				
Chairwoman	Cher Wang	2022.11.22	2022.11.22	Securities and Futures Institute	Global economic and industrial technology development trends	3	
		2022.11.23	2022.11.23	Taiwan Corporate Governance Association	Corporate governance in coping with the changes of the international order	3	
		2022.11.23	2022.11.23	Taiwan Corporate Governance Association	Carbon Management Trends and Countermeasures towards Net-Zero	3	
Director	HT Cho	2022.11.22	2022.11.22	Securities and Futures Institute	Global economic and industrial technology development trends	3	
Director	Wen-Chi Chen	2022.05.20	2022.05.20	Securities and Futures Institute	2022 Insider Trading Prevention Promotion Conference	3	
		2022.11.22	2022.11.22	Securities and Futures Institute	Global economic and industrial technology development trends	3	
Independent Director	Chen-Kuo Lin	2022.11.22	2022.11.22	Securities and Futures Institute	Global economic and industrial technology development trends	3	
		2022.11.25	2022.11.25	Securities and Futures Institute	Supply Chain Information Security Threat Hunting - Opportunities for New Ventures in Taiwan	3	
Independent Director	Michael C. Lu	2022.10.25	2022.10.25	Taiwan Corporate Governance Association	Interpretation of Important Judgments on Corporate Governance: Focusing on Directors' Responsibilities	3	
		2022.10.26	2022.10.26	Securities and Futures Institute	The compliance of insider equity trading regulations of listed companies advocacy meeting in 2022	3	
		2022.11.22	2022.11.22	Securities and Futures Institute	Global economic and industrial technology development trends	3	
Independent Director	Vincent Thai	2022.12.08	2022.12.08	Securities and Futures Institute	Protection of Trade Secrets	3	
		2022.12.02	2022.12.02	Securities and Futures Institute	Discussion on Independent Directors and Audit Committee from Court Practice Cases	3	
		2022.12.08	2022.12.08	Securities and Futures Institute	Protection of Trade Secrets	3	
General Counsel and Corporate Governance Officer	ChiaTe Lu	2022.10.12	2022.10.12	Securities and Futures Institute	The compliance of insider equity trading regulations of listed companies advocacy meeting in 2022	3	
		2022.10.19	2022.10.19	Taiwan Corporate Governance Association	The 18th (2022) Corporate Governance Summit Forum — Improve the functions of directors and implement sustainable corporate governance	3	
		2022.11.22	2022.11.22	Securities and Futures Institute	Global economic and industrial technology development trends	3	
		2022.12.08	2022.12.08	Securities and Futures Institute	Protection of Trade Secrets	3	

Note 4: Directors’ and Officers’ Liability Insurance

No	Insured Object	Insurance Company	Insured Amount	Insurance Period	Notes
1	All Directors, Supervisors and juristic person directors’ representatives at investee companies and key personnel appointed by HTC	Fubon Insurance Co., Ltd.	US\$: 35,000,000	From: 2021.03.15 To: 2022.03.15	Renewal
2	All Directors, Supervisors and juristic person directors’ representatives at investee companies and key personnel appointed by HTC	Fubon Insurance Co., Ltd.	US\$: 35,000,000	From: 2022.03.15 To: 2023.03.15	Renewal

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

Compensation Committee Members’ Information

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

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

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

The Operations of the Compensation Committee

- (1) The Corporation’s Remuneration Committee has three people members; the committee members are appointed in accordance with the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.” Following election of Board members by the shareholders’ general meeting on June 17, 2022, the 10th committee members will serve until the next new members appointed by BOD. The Independent Director Chen-Kuo Lin was elected as convener by all committee members. The committee operates according to the “Charter of the Remuneration Committee” and convenes at least twice every year.
- (2) The main duties and annual tasks of the committee include formulating and regularly reviewing policies, systems, standards, and structure of evaluations on director and manager performance, salaries, and compensation, as well as regular assessment and formulation of director and manager salaries and compensation.

The Remuneration Committee convened 2 times in 2022, and the operational status of the committee is as follows:

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

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

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

Implementation Status				Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
Pushing Item	Yes	No	Summary description	
1. Has the Company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development? Has the board of directors authorized senior management to handle related matters under the supervision of the board?	V		<p>In early 2022, we upgraded CSR Committee to ESG (Environment, Social, and Governance) Committee, with the chairman serving as the chairman of the committee and appointing first Chief Sustainability Officer, SVP Madeline Chen. Also setup the ESG Office as a full-time operation unit, responsible for planning and guiding the company’s “sustainable development (ESG)” related implementation operations, and also regularly reports to the ESG Committee on the trends, impacts and performance. Chief Sustainability Officer will report sustainable development (ESG) operations including execute performance to the board at least once a year.</p> <p>The Board of Directors is responsible for supervising the overall ESG management policy, strategy and target setting, and major decision-making, as well as overseeing the effective operation of the ESG management mechanism at HTC. The ESG Committee reports ESG execution performance, annual strategy and targets, and significant ESG issues to the Board of Directors at least once a year.</p> <p>Please refer to 3.10 of the annual report or “ESG Management” of the HTC ESG Report.</p>	None
2. Does the company conduct risk assessments of environmental, social and corporate governance (ESG) issues related to the company’s operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?	V		<p>Please refer to 3.10 of this annual report or “HTC Material Issues and Boundary” and “Material Topics Management Approach Assessment” of the HTC ESG Report.</p>	None
3. Environmental Issues				
(1) Has the Company set an environmental management system designed to industry characteristics?	V		<p>HTC adopts the international standard ISO 14001 environmental management, ISO 14064-1 greenhouse gas inventory and ISO 50001 energy management system to establish relevant management standards, and continues to obtain and maintain the validity of the certificates. In 2021, the company’s Taiwan business unit has continued to obtain ISO14001: 2015 version, ISO 50001: 2018 version, and ISO 14064-1: 2018 version certificate in 2022.</p> <p>Related Certification URL: https://www.htc.com/tw/esg/certificate-report/</p> <p>Please refer to “Sustainability Management,” “Climate Change Management” and “Sustainable Environment” of the HTC ESG Report.</p>	None
(2) Does the Company endeavor to use energy more efficiently and to use renewable materials with low environmental impact?			<p>HTC has set up a “Sustainable Agenda” from five aspects: “sustainable environment, design, processes, product, and Supplier chain”. HTC promotes the idea of environmental sustainability comprehensively and implements it in every perspective of operation, showing HTC’s efforts in corporate sustainability actively.</p>	None

(Continued)

Implementation Status				Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
Pushing Item	Yes	No	Summary description	
	V		<p>Sustainable Environment — HTC is committed to protect environment, integrate the concept into our corporate culture, enhance employees’ awareness of environmental protection and caring, improve energy, water and waste management, and reduce the impact to biodiversity. In addition, HTC organizes environmental protection activities for our employees and further improve their environmental awareness. We believe that only through working together can we create more value for the environment and the society.</p> <p>Sustainable Design — HTC’s thinking on the development of sustainable products is to starts from the product life cycle, and adopts different measures at various stages through innovative thinking. It uses the concept of The Precautionary Principle to carefully select the ones with lower environmental risks. it complies with the internationally Restriction of Hazardous Substances Directive, reduces the environmental impact of products, and develops sustainable products that are more environmentally friendly.</p> <p>Sustainable manufacturing process – The VR devices by HTC combine new forms of operation, life, working, learning and traveling through green product design and help users to reach the goal of energy saving and carbon-reduction. For energy consumption during the production process, we have strengthened our management and introduced operation control center to reduce energy consumption and implement waste management.</p> <p>Please refer to “Sustainable Agenda” of the HTC ESG Report.</p>	
(3) Has the Company evaluated the potential risks and opportunities posed by climate change for its business now and in the future and adopted relevant measures to address them?	V		<p>To strengthen the company’s climate change governance and mitigate the threats posed by climate change, HTC has implemented the Task Force on Climate-related Financial Disclosures (TCFD) framework in 2022, in which designated members of the ESG committee participated in the project to identify relevant risk and opportunity factors, develop responses to major climate risks and opportunities, and formulate management indicators and goals. The company has also developed a Climate Change Management Policy, and has been submitted to the Board of Directors for review and supplementation to achieve the goal of sustainable operation.</p> <p>In 2022, HTC implemented a climate change risk and opportunity identification process based on the recommendations of the TCFD. We completed the risk and opportunity identification and assessed their financial impacts, then established corresponding measures and key indicator targets. HTC has defined short, medium, and long-term timeframes for climate-related risks and opportunities, setting “2022 to 2025” as the short-term, “2026 to 2030” as the medium-term, and “2030 to 2050” as the long-term. We conduct regular evaluations of climate risks and opportunities and periodically re-evaluate them based on these timeframes. The risk management team identified potential risks (a total of 9) and potential opportunities (a total of 8) that may arise from climate change factors through a workshop. The team evaluated the likelihood and impact of the risks and opportunities, and developed corresponding measures to address the top three risks and opportunities with the highest likelihood and impact.</p>	None

(Continued)

Implementation Status				Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons																							
Pushing Item	Yes	No	Summary description																								
Please refer to “Climate Change Management” of the HTC ESG Report and TCFD Report.																											
(4) Did the company collect data for the past two years on greenhouse gas emissions, volume of water consumption, and the total weight of waste, and establish policies for greenhouse gas reduction, reduction of water consumption, or management of other wastes?	V		<p>The company continuously monitors electricity, water and waste information, and discloses greenhouse gas emissions, water consumption and total waste weight in the ESG report every year. We have a sustainable environment management vision: Medium and long-term set reduction targets for Scope 1 and 2: 42% reduction in 2030 compared with the base year, and 90% reduction in 2050 compared with the base year (the base year is 2021). In terms of greenhouse gas information, both in 2021 and 2022 were verified by third parties and obtained ISO 14064-1: 2018 version certificate; water and waste information was verified by SGS and obtained ISO14001 certificate and disclosed in the ESG report.</p> <p>The greenhouse gas emissions, water use, and total weight of waste in Taiwan in 2021 and 2022 are as follows</p> <table><tr><th rowspan="2">Year</th><th colspan="2">Greenhouse Gas Emissions (t-CO₂e)</th><th colspan="3">Total weight of waste (metric Tons)</th></tr><tr><th>Scope 1</th><th>Scope 2</th><th>Water usage (Degree)</th><th>Hazardous substances</th><th>Non-hazardous substances</th></tr><tr><td>2022</td><td>153.623</td><td>7,559.065</td><td>85,260</td><td>9.772</td><td>457.353</td></tr><tr><td>2021</td><td>199.4583</td><td>8,124.9297</td><td>84,147</td><td>8.186</td><td>500.207</td></tr></table> <p>Please refer to “Climate Change Management”, “Sustainable Environment” and “Sustainable Manufacturing Process” of the HTC ESG Report.</p>	Year	Greenhouse Gas Emissions (t-CO ₂ e)		Total weight of waste (metric Tons)			Scope 1	Scope 2	Water usage (Degree)	Hazardous substances	Non-hazardous substances	2022	153.623	7,559.065	85,260	9.772	457.353	2021	199.4583	8,124.9297	84,147	8.186	500.207	None
Year	Greenhouse Gas Emissions (t-CO ₂ e)		Total weight of waste (metric Tons)																								
	Scope 1	Scope 2	Water usage (Degree)	Hazardous substances	Non-hazardous substances																						
2022	153.623	7,559.065	85,260	9.772	457.353																						
2021	199.4583	8,124.9297	84,147	8.186	500.207																						
4. Social Issues																											
(1) Has the company formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?	V		<p>HTC follows the Responsible Business Alliance Code of Conduct, we attach great importance to the human rights of labor, and the principle of equality and anti-discrimination is our core concept for multicultural employees. We provide equal and fair employment opportunities for employees. There is no race, gender, age, physical and mental disabilities, religion, ethnicity, or any other form of discrimination protected by relevant laws.</p> <p>HTC is committed to the highest standard of social care, environmental protection, and ethical integrity. We fully respect human rights and workplace rights. We have zero tolerance of any form of abusive labor conditions. HTC requires all suppliers to maintain the same standard of corporate responsibility and announces the “Modern Slavery Act Transparency Statement”. We collaborate with suppliers to abide by the latest statement to embody justice and human rights.</p> <p>We place great importance on employee integrity and uphold high ethical standards. The company has established the “HTC Code of Conduct” as the prime directive that directs all our employees in the performance of their work. Labor-management coordination meetings are held regularly, and labor representatives elected by employees hold regular meetings, in which labor rights and interests are discussed.</p>	None																							

(Continued)

Implementation Status				Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
Pushing Item	Yes	No	Summary description	
New employees undergo an orientation training session. They learn about the HTC corporate policy, the Code of Conduct for employees, ESH policy and ESG and anti-corruption, sexual harassment and human right issues such as Prevent illegal violations of duties courses were also included. An e-learning on-the-job training program is also provided that explains the HTC corporate principles using exemplary cases.				
Please refer to “Human Rights Management and Commitment” of the HTC ESG Report.				
(2) Has the Company established and implemented reasonable employee welfare measures (include salary/compensation, leave, and other benefits), and are business performance or results appropriately reflected in employee salary/compensation?	V		<p>HTC is committed to build an environment of high talent density. We provide competitive compensation, appropriate welfare measures and share the growing profits of the company. In terms of salary and welfare, we strictly comply with local labor laws. We promise no discrimination based on gender, ethnicity, skin color, country/ region of origin, age, religion or political affiliation or other similar considerations. We participate in global salary surveys every year to understand the market and provide salary higher than market average.</p> <p>Besides, we practice systematic performance evaluation every year. To effectively retain and incentivize talents and further promote innovation, wage will be adjusted based on the market and future development to make employees' wage correspond to corporate performance.</p> <p>For key talent, we provide retention awards and long-term incentives of 1 to 3-year term. For non-managerial employees, we provide employee stock purchase plan to combine their team performance and corporate growth, and encourage our employees.</p> <p>Please refer to “Salary and Welfare” of the HTC ESG Report.</p>	None
(3) Does the Company provide employees with a safe and healthy working environment, and implement regular safety and health education for employees?	V		<p>To ensure a safe and healthy workplace for our employees and to implement our safety and health policies & internal communication effectively, HTC has established our own Occupational Safety Department, a specialized unit in compliance with the regulations that is responsible for the integration and execution regarding occupational safety & health and related works. Other than that, providing assistance for all sites in regard to facilitating ISO 45001 occupational safety & health management, iso 14001 environment management, and ISO 50001 energy management system, and forming an occupational safety & health committee of representatives from relevant units jointly are a part of the department's responsibilities as well.</p> <p>Develop an occupational safety and health management plan every year based on the state of safety and health management. The implementation focuses include: compliance with occupational safety & health regulations, hazard identification and risk assessment to reduce operational risks, standardization of hazardous chemical labeling and general rules, implementing contractor management, formulating the registration and monitorization of hazardous operations (elevated, sudden noise and confined space management, etc.), disseminate safety & health</p>	None

(Continued)

Implementation Status				Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
Pushing Item	Yes	No	Summary description	
			information, etc., in order to implement Occupational Safety & Health Management, Occupational Safety & Health Education / Training, Standard Operating Procedures and Work Safety Analysis, Automatic Occupational Safety & Health Inspection, Emergency Response, Health Management / Promotion, Occupational Safety & Health Activities. These efforts aim to achieve full employee involvement and to reduce safety & health risks and further prevent occupational accident. We planned relevant health service activities, aiming at keeping all employees' safety, health and welfare and prevent occupational and environmental hazards and diseases.	
			HTC adopts the international standard ISO45001 occupational safety and health management system to establish relevant management standards, and continues to obtain and maintain the validity of the certificates. In 2022, the company's Taiwan business unit has continued to obtain ISO 45001: 2018 certificate.	
			Related certification URL: https://www.htc.com/tw/esg/certificate-report/	
			Please refer to “Occupational Health and Safety” of the HTC ESG Report.	
(4) Has the Company established effective career development training programs for employees?	V		Employees are HTC's most precious assets. It is also a key advantage in the pursuit of excellence, innovation, and sustainable management. In accordance with the needs of business strategy development, HTC plans the talent development system as a whole and gives corresponding customized training to employees of different levels to enhance the company's overall human capital and create competitive advantages. Thus, talent development is considered a important management index. We connect training plan with performance valuation system in the hope that the employees hold the same target as the company.	None
			In order to help the staff to have sufficient expertise to face the changeable challenges and keep pace with the market, HTC is also offering a series of soft skills courses, providing inviting well-known lecturers in the field to strengthen the five core competencies of all employees.	
			In the face of fierce global competition and rapid changes in the industrial environment, HTC also actively cultivates talents who can quickly adapt to highly changing environments and have an international perspective. The system's design not only combines the core values of HTC and the strategic direction of organization but also strengthens the leadership competencies. We hope our leaders can continue to lead the growth and development of HTC in the face of difficulties and challenges.	
			Please refer to “Talent Cultivation and Development” of the HTC ESG Report.	
(5) Does the company comply with the relevant laws and international standards with regards to customer health and safety, customer privacy, and marketing and labeling of products and services, and implement consumer protection and grievance policies?	V		All of our products have been evaluated thoroughly in terms of customers' safety and health at the design stage. In 2022, there is no situation of product recall due to safety issue nor appeal filed due to health issue.	None

(Continued)

Implementation Status				Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
Pushing Item	Yes	No	Summary description	
			HTC makes a promise of “Strict observation of contractual obligations and confidentiality commitment” to all customers. All information we provide to our customers is subject to clear policies and a system of strict internal control. In addition to technical data and hardware and software, information related to patents and other intellectual property rights of customers may be incorporated into our controlling system. We complete confidentiality agreements with all customers and suppliers in advance to maintain the absolute security of all the confidential information belonging to our corporate customers.	
			HTC introduced the Personal Information Management System (PIMS) in 2018 to protect personal information during the product and internal management processes. HTC pays close attention to privacy protection laws in different countries (such as the EU, USA, Taiwan, China, Japan, Australia, and New Zealand), the relevant guidelines released by different authorities (such as regulations regarding cookies or other similar tools), and verdicts made in courts in other nations (such as verdicts regarding cross-border privacy rules in European courts).	
			HTC has obtained ISO 27001 information security management system and ISO 27701 personal data privacy information management system certification in 2021.	
			Please refer to “Information Security Management”, “Customer Management” and “Sustainable Design” of the HTC ESG Report.	
(6) Has the company formulated supplier management policies requiring suppliers to comply with relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and what is the status of their implementation?	V		HTC follow the Responsible Business Alliance Code of Conduct and formulated an “HTC Supplier Code of Conduct”, which aims to protect the environment with our supply chain partners, safeguard the human rights of our workers, their ethics, safety and health, and extend this social responsibility to the supply chain system. And organize irregular supplier meetings every year to promote relevant topics. In addition, HTC also conducts a regular assessment of the implementation of the Code as the basis for our further selection of business partners.	None
			Please refer to “Sustainable Supplier Chain” of the HTC ESG Report.	
5. Does the company refer to international reporting standards or guidelines when preparing its sustainability report and other reports disclosing non-financial information? Does the company obtain third party assurance or certification for the reports above?	V		HTC Publish ESG Report since 2012, Report follow the Global Reporting Initiative (GRI) Standards have passed AA1000 verification by an impartial third-party and received the confirmation statement.	None
6. If the Company has adopted its own sustainable development best practice principles based on the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviation from the principles in the Company's operations: HTC follows the HTC ESG Policy and has yet to define a Sustainable Development Principle. For Sustainable Development operational status, please refer to HTC ESG Report and Sustainable Development related information in our website: http://www.esg.htc.com/				
7. Other important information to facilitate better understanding of the company's promotion of sustainable development: Please refer to Sustainable Development related information in our website: http://www.esg.htc.com/				

Concluded

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

Implementation Status				Deviations from Ethical Corporate Management Best Practice Principles For TWSE/ TPEx Listed Companies and Reasons
Evaluation item	Yes	No	Summary description	
1. Establishment of Ethical Corporate Management Policies and Programs				
(1) Does the company have an ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?	V		HTC also establishes the “Procedures for Ethical Management and Guidelines for Conduct” and the “Ethical Management Team”, which is responsible for corporate governance issues such as integrity management policies, anti-corruption, anti-bribery and compliance with applicable laws and regulations, formulating preventive plans and monitoring their implementation, and reporting their implementation to HTC’s Board of Directors annually. The guidelines specify the matters to which HTC and its subsidiaries’ personnel should pay attention when conducting business under the guiding principle of integrity. The “Procedures for Ethical Management and Guidelines for Conduct” are posted on HTC’s website and are readily available for public inspection.	None
			The Board of Directors and the executive management declare that they will comply with HTC’s “Procedures for Ethical Management and Guidelines for Conduct” and will not offer, promise, request or accept, directly or indirectly, any improper advantage, or commit any other unlawful or dishonest act, or breach any fiduciary duty, in order to obtain or maintain an advantage in the course of conducting business, and that they will comply with the Securities and Exchange Act and will not engage in insider trading using undisclosed information of which they are aware, or disclose it to others.	
(2) Whether the company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates, within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in Article 7, paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/ TPE Listed Companies?	V		The “Procedures for Ethical Management and Guidelines for Conduct” and “Code of Conduct” describe Corporate Confidentiality, prohibition on illegal political contributions, prohibition on charitable donations or sponsorship which is against internal policies, protection of HTC’s property and personal information, fair trade, prohibition of infringing intellectual property rights, product quality and safety, prohibition on offer or acceptance of improper benefits, Competition, Inside Trading, impeach to prevent unethical conduct. HTC also provides dedicated e-mail for Corruption incident report.	None
(3) Does the company clearly set out the operating procedures, behavior guidelines, and punishment and appeal system for violations in the unethical conduct prevention program, implement it, and regularly review and revise the plan?	V		HTC’s unethical conduct prevention program includes the “Procedures for Ethical Management and Guidelines for Conduct”, “Procedures for Reporting and Handling of Violation of Ethical Management Policy” and “Code of Conduct”, which specify the procedures and behavioral guidelines for preventing unethical conduct, and violations of the employee code of conduct will be dealt with in accordance with the reward and punishment system in the employee handbook.	None

(Continued)

Implementation Status				Deviations from Ethical Corporate Management Best Practice Principles For TWSE/ TPEx Listed Companies and Reasons
Evaluation item	Yes	No	Summary description	
2. Ethical Management Practice				
(1) Does the company assess the ethics records of those it has business relationships with and include ethical conduct related clauses in the business contracts?	V		When signing purchasing or engineering contracts with suppliers, HTC consistently requires the suppliers to cooperate by signing an Integrity Policy Statement or Supplier Integrity Commitment Letter, to expressly provide that its business partners will uniformly comply with national laws and refrain from using unethical conduct to gain advantages in business or work (for example by offering kickbacks, entertainment, or other improper benefits). The signed terms and conditions expressly stipulate that HTC will voluntarily terminate its dealings with any cooperating firm that violates the Integrity Policy. HTC will seek compensation for damages if any breach of commitment happens due to the violation of the policy in order to consistently maintain a relationship of integrity between HTC and its business counterpart.	None
(2) Has the company set up a dedicated unit to promote ethical corporate management under the board of directors, and does it regularly (at least once a year) report to the board of directors on its ethical corporate management policy and program to prevent unethical conduct and monitor their implementation?	V		HTC has designated the “Ethical Management Team” as the dedicated unit to promote the policy of integrity management, and allocated sufficient resources and appropriate personnel to handle the revision, implementation, explanation, consultation service of the “Procedures for Ethical Management and Guidelines for Conduct”, registration of the report and supervise the implementation of the Procedures and Guidelines. “Ethical Management Team” reports to the Board of Directors at least once a year on the implementation of the policy of integrity management and ensures the implementation of the HTC’s integrity management philosophy under the supervision of the Board of Directors.	None
(3) Has the company established policies to prevent conflict of interests, provided appropriate communication and complaint channels, and properly implemented such policies?	V		HTC has set out high ethical standards in the “Procedures for Ethical Management and Guidelines for Conduct” and “Code of Conduct,” employees are prohibited from offering or accepting improper benefits. In addition, in its employment agreements and employee handbook, it expressly stipulates non-competition provisions for the period of employment, to prevent conflicts of interest.	None
			Also, in its Rules of Procedure for Board of Directors Meetings, it has duly set out a system for recusal and avoidance of conflicts of interest by directors, for compliance in the operations of the board of directors.	
			We have designated an internal independent whistleblower e-mail: anti-corruption@htc.com, for employees and outsiders to report employees’ violation of the employee code of conduct or other dishonest or improper behavior	

(Continued)

Implementation Status				Deviations from Ethical Corporate Management Best Practice Principles For TWSE/ TPEx Listed Companies and Reasons
Evaluation item	Yes	No	Summary description	
(4) Does the company have effective accounting and internal control systems in place to enforce ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit compliance with the systems to prevent unethical conduct or hire outside accountants to perform the audits?	V		HTC has established an accounting system that takes into account the characteristics of its industry and is based on applicable laws and regulations and generally accepted accounting principles. The system provides a basis for compliance in HTC's accounting affairs (including the types and formats of accounting evidence, account books, accounting classifications, and financial statements, and the rules and procedures for handling various kinds of accounting matters). The system enables the regular provision of reliable accounting information for reference by the management. The implementation of the operational procedures and rules of the accounting system ensures that HTC's business operations proceed according to rigorous procedural rules, with mutual checking and reconciliation between various operations, to prevent any occurrence of abuses, ensuring the security of HTC's assets. HTC has taken into account its overall operational activities in designing and faithfully implementing its internal control system. It regularly reviews the internal control system to ensure the continuous effectiveness of its design and implementation in light of changes in HTC's internal and external environment. The internal auditors conduct regular or irregular site audits of audited units according to annual audit plans based on the results of risk assessment, and may require audited units to present documents, accounting books, and supporting evidence for document audits; special audits on specific matters may be conducted as well when necessary. Those audit projects are reported periodically to the board of directors.	None
(5) Does the company provide internal and external ethical corporate management training programs on a regular basis?	V		During the induction training for new employees, courses such as employee code of conduct, confidentiality obligations and prevention of insider trading are given to new employees. The "Procedures for Ethical Management and Guidelines for Conduct" and "Code of Conduct" are also published on the company's internal website for colleagues' reference at any time.	None
3. Implementation of Complaint Procedures				
(1) Has the company established specific whistle-blowing and reward procedures, set up conveniently accessible whistle-blowing channels, and appointed appropriate personnel specifically responsible for handling complaints received from whistleblowers?	V		HTC employee handbook specifically provides that an employee who commits fraud, accepts bribes, misappropriate funds, or violates employment period non-competition clauses will be sanctioned by dismissal from employment. Complaints can be channeled through HTC's internal division supervisors, Independent Directors or Supervisors, and Ethical Management Team. Disciplinary measures are administered by the human resources department. HTC has designated an internal independent whistleblower e-mail: anti-corruption@htc.com, for employees and outsiders to report employees' violation of the employee code of conduct or other dishonest or improper behavior, and we will keep the identity of the whistleblower confidential to prevent the whistleblower from being mistreated due to the whistleblower incident.	None

(Continued)

Implementation Status				Deviations from Ethical Corporate Management Best Practice Principles For TWSE/ TPEx Listed Companies and Reasons
Evaluation item	Yes	No	Summary description	
(2) Has the company established standard operation procedures for investigating the complaints received, follow-up measures taken after investigation, and mechanisms ensuring such complaints are handled in a confidential manner?	V		HTC has established the "Procedures for Reporting and Handling of Violation of Ethical Management Policy", which specify the process for reporting corruption incidents. If it is confirmed that the person concerned has violated the relevant laws and regulations or HTC's integrity management policy, HTC will request the person concerned to immediately cease all violating conducts and take appropriate actions against the person concerned, and take legal action if necessary. When needed, the relevant internal departments will review the relevant internal control system and operating procedures, and propose improvement measures to prevent the recurrence of the same behavior.	None
(3) Has the company adopted proper measures to protect whistleblowers from retaliation for filing complaints?	V		HTC has established the "Procedures for Reporting and Handling of Violation of Ethical Management Policy", and will keep the identity of the whistleblower and the contents of the whistleblower's report that may lead to the knowledge of the whistleblower's identity confidential. HTC undertakes to protect the whistleblower from improper treatment as a result of his/her Report, except in the case of false or malicious allegations.	None
4. Strengthening Information Disclosure Does the company disclose its ethical corporate management policies and the results of their implementation on its website and the Market Observation Post System (MOPS)?	V		HTC discloses its "Procedures for Ethical Management and Guidelines for Conduct" and "Code of Conduct" on its Corporate Social Responsibility's website both in Chinese and English, the Corporate Responsibility webpage also discloses Supplier Code of Conduct to require supplier's business shall be ethical.	None
5. HTC has established the "Procedures for Ethical Management and Guidelines for Conduct" per the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies, which specifically regulate the following matters to which HTC and part of its subsidiaries' personnel should pay attention when conducting business: 1) All personnel of HTC are prohibited from offering or accepting improper benefits and bribes; 2) HTC and its personnel shall make political contributions in accordance with the Political Contributions Law and shall not use them to obtain commercial benefits or trading advantages; 3) HTC shall provide charitable donations or sponsorships in accordance with its internal regulations; 4) Directors of HTC shall recuse themselves from board meetings to avoid conflict of interests in accordance with the law; 5) HTC's personnel shall comply with internal intellectual property protection regulations; 6) Unfair competition and insider trading shall be prohibited; 7) HTC shall prevent products or services from harming stakeholders; 8) HTC shall conduct its business activities in a fair and transparent manner based on the principle of integrity. Anyone who discovers corruption, unethical or other unlawful acts against the rights and interests of HTC can file a report through the corruption reporting mailbox; HTC's Board of Directors conducts its business in accordance with the applicable law, including the recusal of interests; HTC attaches great importance to the protection of intellectual property rights, and any employee's access to HTC's information assets is strictly controlled; there is no difference between HTC's operations and the "Procedures for Ethical Management and Guidelines for Conduct."				
6. Other important information helpful to understanding HTC's exercise of good faith in management: HTC has always upheld the five major ideals of honesty, humble, simplicity, energy, and innovation as its highest criteria for operations. Everyone within the company, from the highest levels to the lowest, is asked to strictly uphold the spirit of these five ideals, as well as abiding by all laws, regulations, and rules. HTC has also formulated internal rules to ensure the exercise of good faith in management and the observance of laws and regulations.				

(Concluded)

3.3.7 For information on HTC’s Guidelines for Corporate Governance and other codes of practice, please refer to the HTC website at www.htc.com

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

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

Certified details of employees whose jobs are related to the release of the company’s financial information

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

3.3.9 The state of implementation of HTC’s internal control system

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HTC Corporation
Internal Control System Statement

Date: March 7, 2023

HTC Corporation (HTC) states the following with regard to its internal control system for the year 2022, based on the findings of a self-assessment:

1. HTC is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and management. HTC has established such a system aimed at providing reasonable assurance in achieving objectives related to the effectiveness and efficiency of operations (including profits, performance, and safeguarding of assets), reliability, timeliness, transparency of reporting, and the compliance with applicable laws, regulations and bylaws.

2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three goals mentioned above. Furthermore, the effectiveness of an internal control system may change along with changes in the environment or circumstances. Nevertheless, the internal control system of HTC contains self-monitoring mechanisms, and HTC takes corrective actions as soon as a deficiency is identified.

3. HTC evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the “Regulations Governing the Establishment of Internal Control Systems by Public Companies” (herein below, the “Regulations”). The internal control system evaluation criteria stated in the Regulations classify internal control into five key elements based on the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communications, and (5) monitoring activities. Each key element further contains several items. Please refer to the Regulations for details.

4. HTC has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.

5. Based on the findings of the evaluation mentioned above, HTC believes that as of December 31, 2022, its internal control system (including its supervision and management of subsidiaries), which encompasses internal controls for understanding of the degree of achievement of operational effectiveness and efficiency objectives, reliability, timeliness, transparency of reporting, and compliance with applicable laws, regulations and bylaws, was effectively designed and operating, and reasonably assured of achieving the above-stated objectives.

6. This Statement will become a major part of the content of HTC's Annual Report and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

7. This statement has been passed by the Board of Directors in their meeting held on March 7, 2023, in which 0 of the 7 attending directors expressing dissenting opinions, and all affirmed the content of this Statement.

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HTC Corporation

Chairwoman:

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(signature)

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限公股國
司份有

President:

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(signature)

3.3.10 For the most recent fiscal year and during the current fiscal year up to the date of printing this annual report, there was no legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system.

3.3.11 Material Resolutions of the 2022 Shareholders Meeting and Board of Directors Meetings during the most recent fiscal year and the current fiscal year up to the date of printing of this annual report.

Date	Material resolutions	Implementation Status
2022.06.17	Adoption of the Fiscal 2021 Business Report and Financial Statements.	The Fiscal 2021 Business Report and Financial Statements are submitted to the competent authority for reference and announcement in accordance with relevant regulations.
	Adoption of the Fiscal 2021 deficit compensation proposal.	Adopted according to the resolution, no dividends were distributed.
	Approved the amendment to the Company’s Articles of Incorporation	The registration was completed by the Ministry of Economic Affairs and been disclosed on the Company’s website on July 15, 2022.
	Approved the amendment to the “Procedures for the Acquisition or Disposal of Assets” of the Company.	It has been processed in accordance with the revised and disclosed on the Company’s website on June 17, 2022.
	Approved the amendment to the “Rules of Procedure for Shareholders Meetings” of the Company.	It has been processed in accordance with the revised and disclosed on the Company’s website on June 17, 2022.
	Approved the election of new Directors (include Independent Director)	The registration was completed by the Ministry of Economic Affairs and been disclosed on the Company’s website on July 15, 2022.
	Approved to release the newly-elected Directors (include Independent Director) from non-competition restrictions	This proposal was approved and adopted as submitted.

Material Resolutions of the Board of Directors Meetings

Date	Material resolution
2022.03.07	1. HTC Board of Directors approved the 2021 consolidated financial statements 2. HTC Board of Directors approved the deficit compensation of 2021 3. HTC Board of Directors approved the convening of 2022 Annual General Shareholders Meeting
2022.04.29	1. HTC Board of Directors approved to acquire 100% of HTC Europe Co. Ltd.’s outstanding shares from HTC Netherlands B.V. for the group’s internal reorganization plan 2. HTC Board of Directors approved the 2022 first quarter consolidated financial statements 3. HTC Board of Directors approved the appointment of the Corporate Governance Officer of the Company
2022.06.17	1. HTC Board of Directors approved to the election of Chairperson

(Continued)

Date	Material resolution
2022.07.28	1. HTC Board of Directors approved the 2022 second quarter consolidated financial statements 2. HTC Board of Directors approved the record date of exercising employee stock option certificates
2022.10.31	1. HTC Board of Directors approved the 2022 third quarter consolidated financial statements 2. HTC Board of Directors approved the record date of exercising employee stock option certificates
2023.03.07	1. HTC Board of Directors approved the 2022 consolidated financial statements 2. HTC Board of Directors Approved the Deficit Compensation of 2022 3. HTC Board of Directors Approved the Convening of 2023 Annual General Shareholders Meeting 4. HTC Board of Directors approved the record date of exercising employee stock option certificates

(Concluded)

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

3.3.13 A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report, of the company’s chairman, President, principal accounting officer, principal financial officer, internal auditor, Corporate Governance Officer and principal research and development officer

3.4 Information on Certified Public Accountants (CPAs) Fees

3.4.1 Scale of information on CPA professional fees

Amount unit: NT\$ thousands						
Name of accounting firm	Name of CPAs	Period covered by the CPA audit	Audit fees	Non-audit fees	Total	Remarks
Deloitte & Touche	Chi-Ming Hsu	2022.01.01-2022.12.31	8,420	2,698	11,118	Transfer pricing report and international tax consultation
	Kuo-Tyan Hong					

3.4.2 The company does not change its accounting firm.

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

3.5 The Company Replaces Its Certified Public Accountant Within the Last Two Fiscal Years: None.

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

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

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

Unit: Shares					
Title	Name	2022		2023.01.01-2023.04.18	
		Shareholding increase (or decrease)	Pledged shareholding increase (or decrease)	Shareholding increase (or decrease)	Pledged shareholding increase (or decrease)
Chairwoman & CEO	Cher Wang	0	0	0	0
Director	HT Cho	0	0	0	0
Director	Wen-Chi Chen	0	0	0	0
Director	David Bruce Yoffie	0	0	0	0
Independent Director	Chen-Kuo Lin	0	0	0	0
Independent Director	Michael C. Lu (Note 1)	0	0	0	0
Independent Director	Vincent Thai	0	0	0	0
Independent Director	Josef Felder (Note 2)	0	0	0	0
Chief Finance Officer and Accounting Officer	Peter Shen	0	0	0	0
General Counsel and Corporate Governance Officer	ChiaTe Lu	0	0	0	0
Chief Technology Officer	WH Liu	0	0	0	0
Senior VP	Adrian Tung	0 (588,000)	0	0	0
Senior VP	Raymond Pao	0	0	0	0
Chief Global Management Officer	Caleb OuYang (Note 3)	60,000 (150,000)	0	0	0

Note 1: elected as a member of the Board of Directors on 2022.06.17.
Note 2: relieved of office on 2022.06.17.
Note 3: resigned from insider on 2022.10.31 due to the change to the role.

3.7.2 Stock transfer with related party: None

3.7.3 Stock Pledged with related party: None

3.8 Relationships Among the Top 10 Shareholders

2023.04.18									
		Shareholding		Shareholding of spouse and minor children		Total shareholding by nominee arrangements		Specify the name of the entity or person and their relationship to any of the other top 10 shareholders with which the person is a related party or has a relationship of spouse or relative within the 2 nd degree (Note 2)	
Name (Note 1)	Shares	%	Shares	%	Shares	%	Name of entity or individual	Relationship	Remarks
Way-Chih Investment Co., LTD. (Representative: Su-Lan Chiang)	43,819,290	5.27%	0	0.00%	0	0.00%	Way-Lien Technology Inc., Hon-Mou Investment Co., Ltd., Kun-Chang Investment Co, Ltd. Cher Wang Wen-Chi Chen	Same Chairwoman Same Chairwoman Same Chairwoman Director Director	
Way-Lien Technology Inc. (Representative: Su-Lan Chiang)	38,588,231	4.64%	0	0.00%	0	0.00%	Way-Chin Technology Inc., Hon-Mou Investment Co., Ltd., Kun-Chang Investment Co, Ltd. Cher Wang Wen-Chi Chen	Same Chairwoman Same Chairwoman Same Chairwoman Director Director	
Cher Wang	32,272,427	3.88%	22,391,389	2.69%	0	0.00%	Way-Chin Technology Inc., Way-Lien Technology Inc., Hon-Mou Investment Co., Ltd., Kun-Chang Investment Co, Ltd. Wen-Chi Chen	Director Director Director Director Spouse	
Hon-Mou Investment Co., Ltd.	23,197,081	2.79%	0	0.00%	0	0.00%	Way-Chin Technology Inc., Way-Lien Technology Inc., Kun-Chang Investment Co, Ltd. Cher Wang Wen-Chi Chen	Same Chairwoman Same Chairwoman Same Chairwoman Director Director	
Wen-Chi Chen	22,391,389	2.69%	32,272,427	3.88%	0	0.00%	Way-Chin Technology Inc., Way-Lien Technology Inc., Hon-Mou Investment Co., Ltd., Kun-Chang Investment Co, Ltd. Cher Wang	Director Director Director Director Spouse	
Mitsubishi UFJ Morgan Stanley Securities Co.,Ltd. – Equity Trading Division (Proprietary Trading Desk) for Tri-Party SBL Trading	12,643,000	1.52%	0	0.00%	0	0.00%	None	None	
Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds	10,062,301	1.21%	0	0.00%	0	0.00%	None	None	

(Continued)

		Shareholding		Shareholding of spouse and minor children		Total shareholding by nominee arrangements		Specify the name of the entity or person and their relationship to any of the other top 10 shareholders with which the person is a related party or has a relationship of spouse or relative within the 2 nd degree (Note 2)	
Name (Note 1)	Shares	%	Shares	%	Shares	%	Name of entity or individual	Relationship	Remarks
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	9,674,079	1.16%	0	0.00%	0	0.00%	None	None	
Kun-Chang Investment Co, Ltd.	9,322,824	1.12%	0	0.00%	0	0.00%	Way-Chin Technology Inc., Way-Lien Technology Inc., Hon-Mou Investment Co., Ltd., Cher Wang Wen-Chi Chen	Same Chairwoman Same Chairwoman Same Chairwoman Same Chairwoman Director Director	
Citi Bank (Taiwan) in custody for the investment account of Poluning Development National Fund Co., Ltd	6,500,204	0.78%	0	0.00%	0	0.00%	None	None	

Note 1 : The top 10 shareholders shall all be listed; for institutional shareholders, the name of the entity and the name of its representative shall be listed separately.
Note 2 : Mutual relationships of shareholders, including judicial and natural persons, shall be disclosed.

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

Comprehensive shareholding ratio							2023.03.31 Unit: thousands Shares; NTD thousands; %	
		Investments by HTC Investments directly or indirectly controlled by directors, supervisors, and managers of HTC		Investments directly or indirectly controlled by directors, supervisors, and managers of HTC		Total investments		
Long-term investments (Note)		Shares/Investment Amount	%	Shares/Investment Amount	%	Shares/Investment Amount	%	
H.T.C. (B.V.I.) Corp.		1,476,202 thousands Shares	100%	0	0%	1,476,202 thousands Shares	100%	
High Tech Computer Asia Pacific Pte. Ltd.		238,783 thousands Shares	100%	0	0%	238,783 thousands Shares	100%	
HTC Investment Corporation		30,000 thousands Shares	100%	0	0%	30,000 thousands Shares	100%	

(Continued)

Long-term investments (Note)	Investments by HTC Investments directly or indirectly controlled by directors, supervisors, and managers of HTC		Investments directly or indirectly controlled by directors, supervisors, and managers of HTC		Total investments	
	Shares/Investment Amount	%	Shares/Investment Amount	%	Shares/Investment Amount	%
HTC Europe Co., Ltd.	104,061 thousands Shares	100%	0	0%	104,061 thousands Shares	100%
HTC Holding B.V.	NTD13 thousands	0.01%	NTD6,815,370 thousands	99.99%	NTD6,815,383 thousands	100%
HTC Investment One (BVI) Corporation	333,733 thousands Shares	100%	0	0%	333,733 thousands Shares	100%
HTC Investment (BVI) Corp.	26,000 thousands Shares	100%	0	0%	26,000 thousands Shares	100%
HungXu Holding (BVI) Corp.	7,000 thousands Shares	100%	0	0%	7,000 thousands Shares	100%
HTC VIVE Investment (BVI) Corp.	10,000 thousands Shares	100%	0	0%	10,000 thousands Shares	100%
DeepQ Holding (BVI) Corp.	16,500 thousands Shares	100%	0	0%	16,500 thousands Shares	100%
HTC Smartphone (BVI) Corp.	33 thousands Shares	100%	0	0%	33 thousands Shares	100%
HTC VR Content (BVI) Corp.	1,710 thousands Shares	100%	0	0%	1,710 thousands Shares	100%
REIGN Technology Corporation (Republic of China)	24,000 thousands Shares	100%	0	0%	24,000 thousands Shares	100%
Viveport Digital Corporation	35,000 thousands Shares	100%	0	0%	35,000 thousands Shares	100%
VIVE Arts Corporation	500 thousands Shares	100%	0	0%	500 thousands Shares	100%
VRChat, Inc.	0	0%	79,257 thousands Shares	36.2%	79,257 thousands Shares	36.2%
East West Artists, LLC	0	0%	1,200 thousands Shares	30%	1,200 thousands Shares	30%
Steel Wool Games Inc	0	0%	10,822 thousands Shares	49%	10,822 thousands Shares	49%
Surgical Theater, LLC	0	0%	46 thousands Shares	16.3%	46 thousands Shares	16.3%
MOR Museum Inc.	0	0%	437 thousands Shares	25%	437 thousands Shares	25%
Engage XR Holdings PLC	0	0%	48,284 thousands Shares	16.64%	48,284 thousands Shares	16.64%
HTC (Australia and New Zealand) Pty. Ltd.	0	0%	400 thousands Shares	100%	400 thousands Shares	100%
HTC Philippines Corporation	0	0%	859 thousands Shares	100%	859 thousands Shares	100%
HTC India Private Limited	0	0%	500 thousands Shares	100%	500 thousands Shares	100%
HTC HK, Limited	0	0%	37,626 thousands Shares	100%	37,626 thousands Shares	100%
S3 Graphics Co., Ltd.	0	0%	386,339 thousands Shares	100%	386,339 thousands Shares	100%
HTC Servicios DE Operacion Mexico, S.A DE C.V.	0	0%	50 thousands Shares	100%	50 thousands Shares	100%
HTC Netherlands B.V.	0	0%	143,882 thousands Shares	100%	143,882 thousands Shares	100%
HTC South Eastern Europe Limited Liability Company	0	0%	0.15 thousands Shares	100%	0.15 thousands Shares	100%
HTC Communication Solutions Mexico, S.A DE C.V.	0	0%	50 thousands Shares	100%	50 thousands Shares	100%
HTC Belgium BVBA/SPRL	0	0%	19 thousands Shares	100%	19 thousands Shares	100%

(Continued)

Long-term investments (Note)	Investments by HTC Investments directly or indirectly controlled by directors, supervisors, and managers of HTC		Investments directly or indirectly controlled by directors, supervisors, and managers of HTC		Total investments	
	Shares/Investment Amount	%	Shares/Investment Amount	%	Shares/Investment Amount	%
HTC NIPPON Corporation	0	0%	56 thousands Shares	100%	56 thousands Shares	100%
HTC France Corporation	0	0%	11,000 thousands Shares	100%	11,000 thousands Shares	100%
HTC Nordic ApS.	0	0%	80 thousands Shares	100%	80 thousands Shares	100%
HTC Italia SRL	0	0%	NTD51,056 thousands	100%	NTD51,056 thousands	100%
HTC Germany GmbH	0	0%	25 thousands Shares	100%	25 thousands Shares	100%
HTC Iberia, S.L.U.	0	0%	3 thousands Shares	100%	3 thousands Shares	100%
HTC Poland sp. z o.o.	0	0%	4.7 thousands Shares	100%	4.7 thousands Shares	100%
HTC Communication Canada, Ltd.	0	0%	1,500 thousands Shares	100%	1,500 thousands Shares	100%
HTC Communication Sweden AB	0	0%	1,000 thousands Shares	100%	1,000 thousands Shares	100%
HTC Middle East FZ-LLC	0	0%	3.5 thousands Shares	100%	3.5 thousands Shares	100%
HTC America Holding, Inc.	0	0%	371,617 thousands Shares	100%	371,617 thousands Shares	100%
HTC America, Inc.	0	0%	1 thousands Shares	100%	1 thousands Shares	100%
One & Company Design, Inc.	0	0%	60 thousands Shares	100%	60 thousands Shares	100%
HTC America Innovation, Inc.	0	0%	1 thousands Shares	100%	1 thousands Shares	100%
Dashwire, Inc.	0	0%	0.1 thousands Shares	100%	0.1 thousands Shares	100%
HTC America Content Services, Inc.	0	0%	31 thousands Shares	100%	31 thousands Shares	100%
Inquisitive Minds, Inc.	0	0%	0.1 thousands Shares	100%	0.1 thousands Shares	100%
HungXu Technology (BVI) Corp.	0	0%	3,000 thousands Shares	100%	3,000 thousands Shares	100%
HungXu Technology Corporation	0	0%	100 thousands Shares	100%	100 thousands Shares	100%
VIVE Arts Limited	0	0%	6,000 thousands Shares	100%	6,000 thousands Shares	100%
DeepQ (BVI) Corp.	0	0%	164,700 thousands Shares	100%	164,700 thousands Shares	100%
DeepQ Technology Corp.	0	0%	39,521 thousands Shares	100%	39,521 thousands Shares	100%
HTC VIVE TECH (HK) Limited	0	0%	68,000 thousands Shares	100%	68,000 thousands Shares	100%
Uomo Vitruviano Corp.	0	0%	5,000 thousands Shares	100%	5,000 thousands Shares	100%
Viveport Corporation	0	0%	8,028 thousands Shares	100%	8,028 thousands Shares	100%
REIGN Technology Corporation (Cayman)	0	0%	8,998 thousands Shares	100%	8,998 thousands Shares	100%
DeepQ Holding Corporation	0	0%	4,450 thousands Shares	100%	4,450 thousands Shares	100%
VIVE Arts Holding Corporation	0	0%	5,560 thousands Shares	100%	5,560 thousands Shares	100%
Viverse Limited (UK)	0	0%	4,023 thousands Shares	100%	4,023 thousands Shares	100%
Viverse Limited (Ireland)	0	0%	3,762 thousands Shares	100%	3,762 thousands Shares	100%

Note: Investments accounted for using the equity method. (Concluded)

3.10 Sustainable Development (ESG)

As an international brand and to fulfill its corporate social responsibilities and respect for international human rights, in addition to following the Responsible Business Alliance Code of Conduct, HTC also include economic, environment and social sustainability issues. In early 2022, HTC escalated the original CSR Committee to ESG Committee with Chairwoman Cher Wang as the Chair of Committee, SVP Madeline Chen as Chief Sustainability Officer, and members of executives as ESG committee members. The committee is responsible for decision-making on economic, environmental and social topics, and founded the ESG Office to assist in formulating sustainable strategies, connect sustainable development issues from various departments, and continue to promote sustainable development responsibilities. The ESG office is responsible for connecting HTC and external stakeholders, including the communication and feedbacks from important supply chain partners. Also regularly report to the ESG Committee on the trends, impacts and performance of relevant sustainability topics. There are several task forces under the committee to deal with various ESG issues and link up the sustainable development goals of various departments. Through a clear organization and division of labor, taking into account the economic, environmental and social aspects, and implementing the sustainable management of enterprises in daily operations with practical actions.

The Board of Directors is responsible for supervising the overall ESG management policy, strategy and target setting, and major decision-making, as well as overseeing the effective operation of the ESG management mechanism at HTC. Chief Sustainability Officer reports to the Board of Directors at least once a year. The ESG committee held its first meeting in March 2022, during which it decided on the ESG focus planning items for the year and assigned dedicated representatives from the committee to form an ESG work group responsible for promoting ESG focus work items. The ESG work group conducts review meetings every two weeks to review the progress of each project.

The ESG Committee reports the significant ESG issues, stakeholders engagement, execution performance and strategy and targets for the previous year to the Audit Committee at least once a year. They key projects for 2022 included net-zero pathway planning and strategy, climate change risk assessment and response measures, sustainable accounting standard and indicator information disclosure, product carbon footprint inventory and verification, and greenhouse gas inventory and verification schedule. The key projects in 2023 are gradually being carried out, including "Internal Operations Processes- Fully Paperless, Digitalized, and Optimized", "Carbon management platform construction", "The project of the Industrial Bureau of the Ministry of Economic Affairs- Big to small, low-carbon and smart upgrades," and is expected to introduce Internal carbon pricing" in the second half of the year.

To strengthen employees’ awareness and knowledge of ESG, the ESG office publishes two newsletters “ESG Office Newsletter” and “ESG Office Weekly News.” The former one irregularly publishes the Company’s important information of ESG such as its awards, highlights in ESG Reports, and etc. to intensify the ESG cognition in the company. The later one delivers popular ESG news, including Net Zero Emissions, carbon tax, CBAM, green energy and etc. for our colleagues to have the latest updates of ESG issues. These implements help the Company to promote ESG related strategies and targets.

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

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

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

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

ESG Issue Management Process

HTC’s ESG issue management uses materiality analysis as an important guideline for formulating long-term sustainable goals and communicating with stakeholders. In materiality analysis, GRI guidelines and AA1000 AP 2018 responsibility principle standards are adopted, and the four principles of inclusiveness, materiality, responsiveness, and impact are used to respond to the needs of stakeholders and focus on the disclosure of major topics, and these are further used for the judgment of disclosure of relevant actions, performance and results.

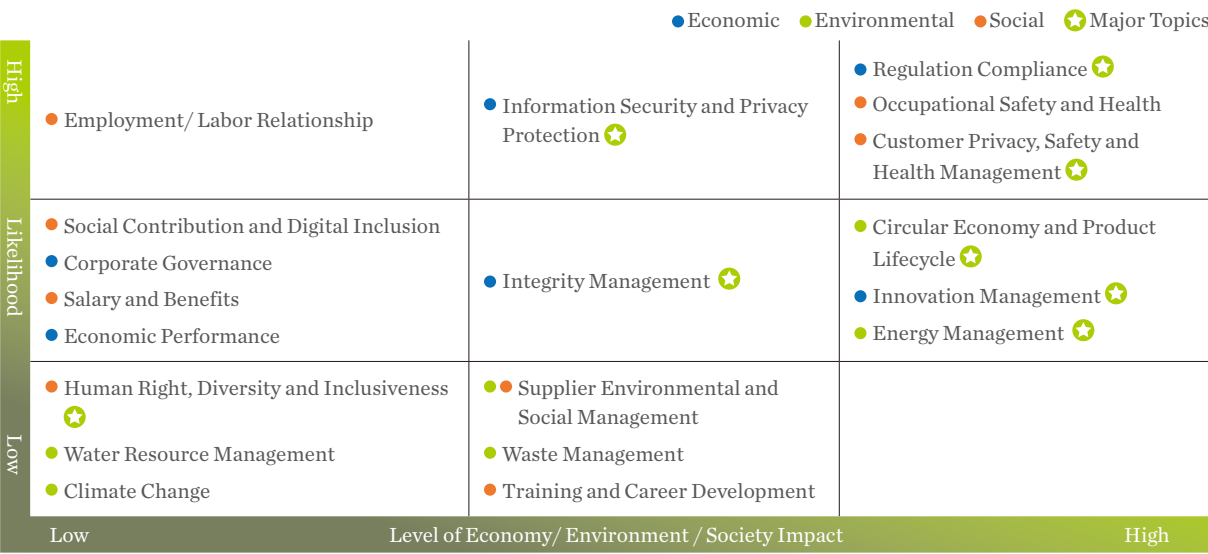
Based on industry and operating activities, as well as indicators such as interaction with the company, dependence, responsibility, attention, and influence, HTC evaluates stakeholders from multiple perspectives and identifies eight key stakeholders in 2022, including (1) employees, (2) suppliers/contractors, (3) consumers/customers, (4) shareholders and investors, (5) academic institutions, (6) local communities, (7) media & NGOs, and (8) rating agencies.

In addition to stakeholders, ESG Office also considers product services and operating activities, business relationships with the value chain, interested entities related to HTC (including subsidiaries and affiliated companies), sustainability context and human rights topics and etc. Based on GRI, SASB indicators, domestic and foreign corporate trends, peer ESG reports and other indicators, screen the issues of concern, focus on 19 sustainable topics that are highly relevant to the company covering economic, environmental, and social aspects, and distribute questionnaires to each stakeholder. All the items in the questionnaire use the two major indicators of impact and possibility, and provide them to stakeholders in a five-point manner to identify possible or existing impacts. A total of 168 valid questionnaires were received, and the weights were adjusted to prevent bias due to the high proportion of certain types of stakeholders.

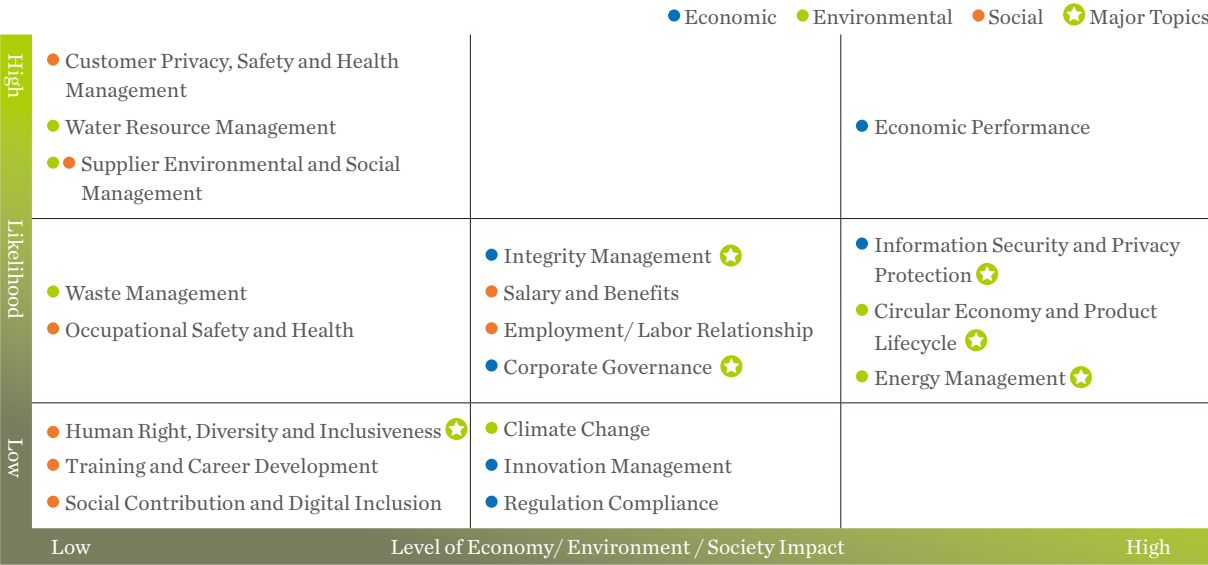
After the 8 candidate major topics of positive and negative impacts were generated, a major topics discussion meeting was held internally, and the Chief Sustainability Officer also attended the discussion. The meeting discussed according to the company’s development strategy, industry status, value chain practice and expert advice to confirm the degree of impact and positive/ negative/ potential impact of topics on the economy, environment, society and human rights, identified and ranked 8 major topics of the year, and strengthened the disclosure of “human rights, diversity and inclusion”, one of the core spirits of GRI 2021, and finally output 9 major topics this year. The ESG Office reports the results to the Audit Committee for presentation to the Board of Directors, and serves as the main line of information disclosure in this year’s ESG Report.

HTC 2022 Material Topics Boundaries

2022 HTC Material Topics Boundaries Matrix (Positive Impacts)



2022 HTC Material Topics Boundaries Matrix (Negative Impacts)



Stakeholders Engagement

Stakeholder	Significance to HTC	Concerned Issues	Communication channel / Frequency and response method	Appeal channel
Investors	Shareholders and investors' support have positive impact to the sustainability of HTC	<div>● Finance & business information disclosure</div> <div>● Compliance with laws and regulations</div> <div>● Operation Status</div> <div>● Corporate governance</div> <div>● Risk management</div>	1. Shareholder conference- Yearly 2. Annual report- Yearly 3. Monthly revenue statement- Monthly 4. Visiting investors- Irregular 5. Market Observation Post System- Irregular 6. Investor Relationship Website- Standing 7. Spokesperson- Standing	Investor Liaison : Tel: +886-2-8912-4138 E-mail: ir@htc.com Company spokesperson and investor relations: spokesman@htc.com
Enterprise customers	Improving company's value and the pursue of growth, and further completing corporate sustainability gradually through cooperation and business development with enterprise customers	<div>● Product quality</div> <div>● Service quality</div> <div>● Price competitiveness</div> <div>● On-time delivery</div> <div>● Green products</div> <div>● Carbon footprint/ carbon disclosure</div> <div>● Restricted substance management</div> <div>● Corporate sustainability</div> <div>● Human rights</div>	1. Business review with key customers (QBR meeting). - Quarterly 2. Reply to customer inquiries. - From time to time 3. Customer audit and replies to customer's questionnaires. - By customer request 4. Meeting the customer requirements about environmental and social responsibilities. - By customer request	E-Mail: esg@htc.com
Consumers	Strengthening customer relations through providing customer experiences of high quality	<div>● Pre-sales consulting</div> <div>● After-service</div> <div>● Product quality</div> <div>● Service quality</div>	Daily ongoing - 1. Local service contact channels in 10 languages to provide customers with real-time communication and assistance. 2. Websites in different languages for customers to give feedback and to access information in a real-time manner (over 60 established) 3. Dedicated email boxes for different functions (Support, Copyright, Security, etc.) to provide convenient customer contact with HTC 4. Automated support survey invitations to collect customer satisfaction feedback 5. Immediate corrective actions in place based on customer's insights	Customer service hotline: 0809-090-166, please call: 02-2162-6788
Employees	HTC upholds the people-oriented belief. Employees are the most valuable asset and the key to innovation	<div>● Learning & growth</div> <div>● Working environment /labor conditions</div> <div>● Wage/welfare</div> <div>● Health & safety</div> <div>● Career development</div> <div>● Work-life balance</div>	1. Department quarterly meeting. - Irregular 2. One-on-one interview with supervisors. - Irregular 3. Annual performance appraisal/ interview. - 2/ Yearly 4. New employee seminar. – 2/ Monthly 5. Employee assistance hotline and mailbox, Health Center, Employee Aid Scheme. - From time to time 6. Labor-management meeting. - Quarterly	Manufacturing employees company ext. 38585 Other general employees company ext. 28585 Employee helpline e-mail HelpMe_8585@htc.com
Suppliers	Suppliers are indispensable partners for corporates to realize continuing operating growths	<div>● Raw material quality</div> <div>● Price competitiveness</div> <div>● Continuously stable supply</div> <div>● Supply chain management</div> <div>● Compliance with various regulations</div> <div>● Regulatory compliance</div> <div>● Technical capability</div> <div>● Cooperation with logistics/ transportation providers to conduct effective packing</div> <div>● Working environment & health</div> <div>● Machine/equipment safety</div> <div>● Carbon management</div>	1. Supplier communication conference- Irregular 2. Guidance and audit for suppliers - Yearly 3. Cooperation project with suppliers for addressing CSR and greenhouse gas issues – Yearly	E-Mail: esg@htc.com

(Continued)

Stakeholder	Significance to HTC	Concerned Issues	Communication channel / Frequency and response method	Appeal channel
Contractors	Providing a safe working environment helping build up a sense of cohesiveness and improve corporate image	<ul style="list-style-type: none">• Construction safety & health	1. Induction training. - Weekly 2. Patrol inspection in the facility. – Irregular 3. Coordinative organization meetings. - Quarterly	E-Mail: esg@htc.com
Governmental Agencies	The foundation of the Company is to build an excellent external environment for the corporation, by following the legal guidelines, cooperating with government policies, and earning trust, support, and collaboration with the government.	<ul style="list-style-type: none">• Corporate governance• Compliance with laws and regulations• Innovative products and services• Human Rights• Energy and climate change	1. Official document, E-mail, Visit, Act and regulations database. - Irregular 2. Meeting such as Forums, Seminars etc. -Irregular	E-Mail: esg@htc.com
Local Communities	Improving corporate image through maintaining positive relationship with local communities	<ul style="list-style-type: none">• Environmental impact• Shaping the Corporate image• Economic contribution• Social concerns• Public welfare• Cultivation of talent	1. Positive employee engagement in public interest activities. - Irregular 2. HTC cooperation with governmental agencies and non-profit organizations in eco, environmental and other public welfare activities. – Monthly	E-Mail: esg@htc.com

(Concluded)

3.10.1 Employee Health and Care

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

Prevention and Control of COVID-19

In 2022, the rapid spread of COVID-19 variants caused a significant worsening of the pandemic, resulting in significant changes to the daily work and life of employees. HTC followed the professional guidance and epidemic prevention measures of the Central Epidemic Command Center, and continued to revise and add epidemic prevention related management measures and purchase necessary epidemic prevention materials based on the epidemic prevention experience in 2020 to 2021. HTC also required company employees, visitors, and contracted vendors to cooperate with relevant epidemic prevention measures, ensuring that epidemic prevention measures were implemented in every office, dining area, and fitness area of the building.

In 2022, during a severe period of the COVID-19 pandemic, HTC implemented internal epidemic management measures, which included working from home and setting up infrared thermometers at the

entrance to automatically detect employee temperatures for those who needed to enter the office due to work requirements. Meetings and training sessions were conducted using the TEAMS video conferencing system, replacing the previous practice of group classes and meetings, and effectively managing the risk of cross infection. We also make sure the sanitation and disinfection of the public environment are being done properly. Our janitors have gotten used to clean the buttons/ panels inside and outside of the elevators, the chairs and tables, the door handles, televisions and air conditional buttons of the conference rooms as well as the dining and coffee areas. The company is thoroughly disinfected with bleach every week. The prevention of Covid-19 has become part of the indispensable routine of daily health management.

In terms of personnel management, employees are required to fill out and provide feedback on health declarations. Depending on the severity of the pandemic and work requirements, each department arranged a number of employees working from home and used the TEAMS video conferencing system for work communication. To control the number of people working in the office, HTC has implemented a rotating shift approach to reduce employee gatherings and minimize carbon emissions due to transportation. If an employee returning to Taiwan from a business trip has respiratory symptoms and fever, they should seek medical attention immediately to confirm their physical condition. If a rapid screening test is positive, they should immediately report it to the company’s health center and supervisor for follow-up. Depending on their physical condition and after discussion with their department supervisor, they may apply for work from home. During the severe period of the COVID-19 pandemic, HTC set up employee rapid screening stations next to the company health center for employees, contracted vendors, and resident vendors entering the company. The screening frequency is adjusted on a rolling basis depending on the pandemic situation to ensure the safety of the company environment. This control measure has made all employees feel at ease and has safeguarded the health and safety of all employees, their families, and their friends. If an employee or their family member has health concerns, they can apply for a self-testing kit after being evaluated and confirmed by the health center. During the pandemic, visitors were not allowed to enter the company’s work environment for business-related affairs.

Valuing Employee Health

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

We have formulated health service plans such as Four Regulations of the Labor Health Protection to promote employees’ safety, health and welfare, and prevent occupational and environmental harm and injuries.

Noting that potential harms from work and the environment can impact employees’ health, the health center in accordance with the requirements of the Occupational Safety and Health Law and four rules provides employees thorough health services, including The Prevention of Abnormal Workload-triggered Disorder, The Prevention of Ergonomic Hazards, The Protection of Maternal Health, and The Prevention of Unlawful Infringement in Performance of Duties. Categorized management was implemented based on the results of health check-ups to prioritize the care of employees with high or medium health risks. Doctors from contracted hospitals and health center nurses conducted health risk assessments and arranged for interviews, health consultations, health guidance, and regular follow-ups based on the assessment results. We planned relevant health promotion activities and provided health information to enable employees to not only have the correct health knowledge but also to move towards a healthy lifestyle in their daily lives and cultivate self-health management abilities. We strive to have a positive impact on our employees and their families, implementing comprehensive health care mechanisms, and creating a healthy and vibrant work environment.

HTC has been working with professional institutions since February 2009 to provide employees with psychological counseling and guidance with respect to working career, relationships, family and parenting, gender sentiments, mental illness, and physical and mental stress. Each year, employees can enjoy unlimited telephone consultations and 6 free face-to-face consultation services, which are paid in full by the company. In 2022, there were 466 telephone consultation services visits. The analysis and recommendation on employee consultation topics are reported regularly to the Occupational Safety and Health Committee.

Starting from the first quarter of 2022, the Taipei Health Center has added eye training devices and medical-grade far-infrared treatment devices to provide comprehensive health care. Employees can flexibly arrange time during work to rest and receive treatment, relieve eye fatigue and discomfort, restore clear vision, promote circulation of cells in the body’s organs, and increase vitality. This year, the numbers of users were 20 and 105, respectively, due to the COVID-19 pandemic. According to the employee satisfaction survey, the provision of the eye training machine and the medical-grade far-infrared treatment device by the company was highly appreciated, as it showed that the company cares about the employees’ well-being. Employees who work with electronic devices and are in a fast-paced work environment found that taking short and moderate breaks with these devices was effective in reducing eye fatigue and discomfort, which increased work efficiency.

Valuing Female Employees and Maternal Health Protection Plan

HTC values the workplace contributions of female employees equally. Therefore, we strive to establish a truly gender-equal corporate culture by adjusting service offerings and improving environmental facilities to address the inconveniences that women may experience during menstruation and pregnancy. The physical and mental caring mechanisms we provide for our female employees include:

- (1) A female cancer-screening program is part of the annual health check. This includes the choice of a pap smear, CA-125, a breast ultrasound exam, or a mammogram.

- (2) Consideration for the physiological needs of female workers, providing a comfortable environment for rest, the loan of free hot pads, menstrual pain assessment, health knowledge and education, physician consultation or referrals and so on.
- (3) Exclusive car and motorcycle parking spaces for pregnant women were set up near the entrance and exit of the parking lot.
- (4) Taking care of breastfeeding employees. We create a friendly environment for breastfeeding. We provide a warm and comfortable nursing environment, ultraviolet milk bottle disinfection devices, microcomputer thermos, and comfortable sofa, refrigerator for breast milk storage, and infant breast-feeding-related publications and light music. HTC has 7 Breastfeeding room in Taiwan that was visited 3,714 visits in 2022.
- (5) HTC has launched the Motherhood Health Protection Program, which includes all female employees one year after childbirth or breastfeeding women as protected subjects. In accordance with the Program, the list survey, risk identification, individual medical consultations, work assignment and work/ return to work, and other procedures were carried out. By the end of 2022, 19 female employees completed the risk classification and protective measures, indicating the considerably safe work enjoyment and contents.

Creating a Happy Workplace

HTC recognizes that employee creativity is our most valuable asset, and frequent cross-departmental communication can inspire out-of-the-box thinking. Therefore, in the design of the Taipei office space, we have planned many areas where employees can interact with each other anytime. These areas include the criss-crossing sky bridges in the middle of the building, offices connected to different departments on both sides, and communication spaces extending from the floor like transparent boxes. We hope that through these spaces, we can promote opportunities for cooperation between departments and allow creativity to freely flow.

HTC believes that sharing is the best form of interaction, and therefore, in its Taipei office, it has established the HTC Gallery as a venue for art exhibitions. In addition to helping local young artists showcase their creativity and works, the gallery is also open to schools and the public for visits, in order to promote interaction and communication between HTC, the society, and the local community. HTC hopes that through the gallery, employees can be inspired and come up with creative ideas for the company’s brand and products, adding a fresh and artistic touch to the workplace environment.

HTC Gallery showcased the solo exhibition “One Flower, One World” by artist Te-Chung Hung in March 2022. By closely studying the world of flowers, we can discover the powerful life force within them. The exhibition showcased the artist’s use of materials, lines, and colors to express the purest vitality. In June, HTC invited Reverend Stanley Fung, a clergyman of the Christian Church and an artist in the visual arts, and Chen-Pin Lin, a metal weaving artist, to jointly create an “*Abide in Me and I in Him*” exhibition filled with recordings of natural images and handmade weaving. During the challenging COVID-19 pandemic in Taiwan, we remain committed to providing our employees with a diverse and creative workplace environment. In September, through the work “*Limited Memory*” of artist Ming-Feng Hsu, we reflected on the intricate interplay between human memory and image recordings with the backdrop of technological

advancements. Throughout the continued exhibitions at the Gallery, the COVID-19 pandemic in Taiwan gradually improved. In December, we once again collaborated with the AN INA. gallery from South Korea to present a joint exhibition featuring four South Korean artists, showcasing their digital LED art, modern Korean landscape paintings, photography combined with weaving art, and unique glass lens image book art. These creations allowed employees to return to the workplace environment and immerse themselves in an atmosphere of innovation, art, and joy.

A Five Star Gym

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

In consideration of the 2022 COVID-19 pandemic, we have made new arrangements for gym in order to provide our staff with an environment where they can train and be free of risks associated with the pandemic. Including managing available training areas and machines to maintain social distancing, limiting the capacity, making sure all surfaces are disinfected and providing sanitizer, as well as sterilized the entire site, including the floor mats. A total of 13,204 people used the gym in 2022. Due to COVID-19, although the gym is kept open, HTC hope colleagues can have era to maintain exercise habits and promote health, but avoid gatherings and reduce classes quantity.

Environmental Maintenance and Green Landscaping

With the policy of dedication to sustainable environments, HTC is committed to deliver landscaped green spaces in both our headquarters and Taipei offices. The Taipei Office building horticulture planning adhered to the concept of environmental protection and open parks. The planting area on the first floor reached 41% of the total base area. According to the topographic planning, large trees totaling 260 were planted, including camphor trees, Liquidambar, Podocarpus, Taxodium distichum, and cherry trees. Additionally, the plan designated eight shrub planting areas and one ecological pool area to plant about 3,200 plants. In Taoyuan headquarters area, there are over 131 green plants on the grounds, such as Camphor and the Taiwan Golden-rain Tree.

In order to improve the quality of work environment and green ecology of employees, plant pots that can purify indoor air quality and reduce carbon dioxide concentration in the office. Potted plants such as eucalyptus, Dracaena, Aglaonema and Peace Lily are placed in the Taipei office. In the headquarters, potted plants such as Peperomia obtusifolia, Snake Plant, Lime pothos, and Philodendron. Different plants are added according to different festivals to enhance the atmosphere of different festivals and provide a fresh office environment for employees. The annual management fees for our green environment maintenance amounts to NT\$1.58 million which is used to provide a fresh and green office environment for HTC employees.

To improve the quality of the employees and the nearby resident, HTC is committed to the cleanliness of the building and its surrounding environment, regularly applying drugs every quarter to eliminate dengue fever and pest control, and spraying the environment indoors and outdoors with the ditch and puddles to reduce the density index of the vector mosquitoes. To prevent dengue fever and other vector-borne diseases, we assign staff to regularly patrol areas around the factory with water buildup. In addition, we hire qualified vector control companies every quarter to conduct vector control operations, in order to reduce the vector mosquito density and effectively maintain the health and safety of the community. In 2022, the total investment amounted to NT\$28.97 million in environmental cleansing, hygienic medicine, planting and greening, and other horticultural maintenance costs.

Drinking Water Quality Control

Quality of the drinking water directly affects employee’s health and management of the drinking water are closely related to the quality of the water. It is part of the daily life not to be missed. To implement standard and norms for the drinking water, HTC has adopted a complete plan for inspecting the drinking fountains, through which periodic maintenance, inspection on water quality, and disclosure of the records are to be carried out thoroughly according to the Drinking Water Management Act. The drinking fountains are to be maintained by EPA (Environmental Protection Administration)-approved professional agencies who will collect samples and check quality of the water every three months. They will inform in detail about the records maintained and the outcome of water inspection. This information will be posed in areas near the drinking fountains. The total plate count and Coliform of drinking water all passed the test in 2022.

3.10.2 Environment, Safety and Health

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

Every year, we also formulate an occupational safety and health management plan based on the state of safety and health management. The implementation focuses include: compliance with safety & health regulations, hazard identification and risk assessment to reduce operational risks, standardization of hazardous chemical labeling and general rules, implementing contractor management, formulating the registration and monitorization of hazardous operations (elevated, sudden noise and confined space management, etc.), disseminate safety & health information, etc., in order to implement Occupational Safety & Health Management, Occupational Safety & Health Education / Training, Standard Operating Procedures and Work Safety Analysis, Automatic Occupational Safety & Health Inspection, Emergency Response, Health Management / Promotion, Occupational Safety & Health Activities. These efforts aim to achieve full employee involvement and to reduce safety & health risks. We have emergency response plans that will be implemented in the event of an emergency caused by human error or natural disasters, such as fire, explosion, typhoon, an accidental leak, mechanical injury, infectious disease, or an earthquake. As identification of the nature of the emergency, taking the necessary measures and examination of standard operating procedures. In addition, personnel evacuation drills are held regularly. In 2022, the Taipei Office and Taoyuan Factory will hold self-defense fire-fighting group training and building evacuation drills in accordance with laws and regulations, in order to minimize the impact on the health and safety of relevant personnel and company property.

Environment Protection, Occupational Safety, Health and Energy Policy

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

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

HTC has introduced its management system for occupational safety and health to realize its commitment for continuous improvement through putting operation of the management system in full practice. We

placed our focus on “management on safety and health”, “education and training for safety and health”, “SOP and work safety analysis”, “work safety check”, “emergency response”, “management and promotion for health”, and “activities for safety and health” to fully prevent occupational hazards from taking place.

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

To strengthen our employees’ concepts about safety and health, during the new employee training included in the onboarding process and the job-change training for current employees, we educate and train our employees on general safety & health, how to handle dangerous substances and hazardous substances, as well as other education or training courses required by laws and regulations. Safety trainings held every half a year, and will be carried out in accordance with the emergency response procedure to reinforce their ability in responding to emergencies. In 2021, our employees had a 71% completion rate. In 2022, the participation rate of Taipei Office was 78%, and that of our factory in Taoyuan is 88%.

Regular and irregular inspections are conducted on various work environments, vehicles, equipment, facilities, and fire safety measures. In addition to ensuring a safe working environment, safety measures, safety and hygiene education records of employees, and pre-, during-, and post-use inspection of machinery and equipment are also checked during on-site inspections and audits. This includes the detection and measurement of organic solvents, free radiation dose, and infrared detection in the work environment. For employees engage in operations involve handling hazardous substances or under risky working environment (such as handling organic solvents, operating in an environment that lacks oxygen, etc.) and special operations (forklifts, etc.), the employees should be provided with safety & health education for the operators and for employees on-the-job, related training will be provided according to regulations, risk acknowledgement of dangerous chemicals, and workplace right infringement prevention.

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

At present, HTC adopts the international standard ISO 14001: 2015 environmental management system and ISO 45001: 2018 occupational safety and health management system and continuously maintains the validity of the certificate. The head office and plants have formulated environmental protection, occupational safety, health, and energy policies, and are responsible for implementing and promoting relevant management within the plants. Setting corresponding goals based on the policies is required to systematically implement supporting management actions and integrate them into daily management.

3.10.3 Climate Change Management

With its advantage in mobile technology and our effort in product innovation, HTC includes the issue of climate change into our VIVERSE vision, providing a completed solution for corporations and the society, and creates a better life experiences. To strengthen the company’s climate change governance and mitigate the threats posed by climate change, HTC has implemented the Task Force on Climate-related Financial Disclosures (TCFD) framework in 2022, in which designated members of the ESG committee participated in the project to identify relevant risk and opportunity factors, analyze the possible transition and physical risks/ opportunities, and actively respond to the impacts. We build a risk framework according to four core elements: governance, strategy, risk management, and indices and goal.

The company has also developed a Climate Change Management Policy and conducted a full-scoped carbon emissions analysis, calculation, and assessment based on SBTi methodology, and planned a net-zero carbon pathway, as well as formulated corresponding short-, medium-, and long-term decarbonization strategies and management indicators. These had been submitted to the Board of Directors for review in May and will be implemented to achieve the goal of sustainable operation.

In addition, HTC officially became a supporter of the TCFD at the end of the year. To date, there are over 4,000 organizations globally supporting the TCFD, and over 110 companies or organizations in Taiwan have joined as TCFD supporters. HTC, together with many other well-known Taiwanese companies, supports the TCFD initiative with concrete actions to disclose climate-related financial information, and will publish its first independent TCFD report , which has been ranked as “Practitioner” by SGS’s TCFD performance evaluation in 2023.

In 2008, HTC introduced ISO 14064-1:2006 Greenhouse Gas Inventory and revised the standard to ISO 14064-1:2018 in 2022. We hope to effectively control the boundaries and carbon emissions of the company’s organization and product reports. Together with the ISO 50001 Energy Management System (currently ISO 50001:2018) introduced in 2011, we are able to better understand the company’s internal energy usage, related legal requirements, and energy baseline, which will act as the basis for our energy performance indicators and short-, mid-, and long-term improvement goals. On the one hand, HTC continues to optimize production management systems to reduce energy consumption through “introducing energy management systems” and “energy conservation actions”. On the other hand, the

company improves product energy consumption through energy conservation actions. We continue to stipulate and promote energy conservation strategies and action plans, reducing energy waste due to habits or incorrect information. HTC also actively manages its supply chain and strengthens green product design to reduce the use of hazardous substances in products and packaging materials. With our positive support and influence, HTC aims to help global users of smart mobile devices gradually move towards smarter and lower-carbon work lives and lifestyles.

HTC’s primary energy usage is electricity. In order to reduce electricity usage, we have been continuously promoting various energy efficiency management measures, such as energy-saving improvements and management plans for building lighting and air conditioning equipment. In 2022, our Taoyuan factory and Taipei office consumed a total of 14,850,815 kWh of electricity, and through management efforts, we were able to save 164,884.440 kWh, equivalent to 593.584 GJ, and reduce our carbon emissions by 83.926 tCO₂e.

The total greenhouse gas emissions of HTC’s Taiwan facilities in 2022 were 9,360.162 tCO₂e (categories 1 to 6). The change in greenhouse gas emissions compared to the baseline year of 2021 did not exceed the significant threshold of 3%. Overall, CO₂ represents the largest proportion of HTC’s greenhouse gas emissions, while emissions of CH₄, N₂O, and HFCs only account for a very small percentage. PFC, SF₆, and NF₃ emissions continue to be 0. Since 2014, HTC has gradually expanded the scope of greenhouse gas emissions inventory and external verification to scope 3, in order to quantify and monitor greenhouse gas emissions and create better revenue ecological benefits. Scope 3 greenhouse gas emissions cover the upstream and downstream of a company Through a complete greenhouse gas inventory, the company can accurately identify the categories and activities with the highest greenhouse gas emissions intensity in the value chain, providing directions for emission reduction and climate transformation strategies.

HTC not only conducts regular greenhouse gas inventory and verification every year, but also voluntarily discloses our climate change risks and opportunities, carbon emission information and data, and management mechanisms and strategies through CDP, in order to address the increasingly important carbon risk issues around the world, reduce market risks caused by carbon emission regulations, and enhance our competitive advantages. In 2022, HTC continued to receive a B rating for management in the CDP Climate Change assessment (the international average is C). HTC was recognized with an A- rating for leadership in the CDP Supplier Engagement Rating (SER) in 2022, where the international average was C. The SER assesses supplier engagement performance using selected questions from the CDP Climate Change questionnaire, which include governance, targets, scope 3 emissions, and value chain engagement.

Furthermore, HTC continued to conduct carbon emissions questionnaire surveys in our supply chain in 2022, actively exerting our corporate influence and calling on our supply chain partners to jointly conduct deeper assessments and actions for climate change. The response rate from suppliers reached 100% in 2022. In early 2023, HTC joined CDP as a Supply Chain Member, along with over 200 other companies (combined purchasing power of over US\$5.5 trillion), to drive sustainable practices across the entire value chain.

3.10.4 Sustainable Agenda

As a global leader in the innovative design of virtual reality, HTC is committed to controlling and reducing the impact of its operations on the natural environment. We recognize that reducing the environmental impact of the manufacturing process is an important part of achieving sustainable developments for the company. To this end, HTC has set up a “Sustainable Agenda” from five aspects: “a sustainable environment, design, processes, product and supply chain.” HTC promotes the concept of environmental sustainability and integrates it into all aspects of corporate operations, demonstrating HTC’s active pursuit of corporate responsibility for sustainable development.

Sustainable Environment

Green Plant

In 2013, HTC’s Taipei office received the green building mark from Ministry of the Interior and the golden LEED (Leadership in Energy & Environmental Design) certification from the U.S. Green Building Council (USGBC), offering its employees an excellent and comfortable low-carbon work environment. The requirement for energy-efficient design and use of high-efficiency equipment was implemented during project planning, design, and construction phases. Examples included the full use of LED lighting, ice storage system, energy-regenerating elevators, e-Tag smart parking management system, etc. The fully-integrated energy management system was utilized to attain a full real-time management and improve energy efficiency. In 2022, reach 1,892 tCO₂e and the total amount accumulated for reduction in carbon emission since inauguration of the building has reached 19,706 tCO₂e. Issues are discovered through cross referential comparisons between the data measured and data from currently-available database, and the analysis for improvement is then conducted in order to adopt a better plan on energy efficiency. Issues are categorized into design-oriented, operation-oriented, and management-oriented, which are then traced back to the original system for improvement and assessment on economic effectiveness in order to achieve continuous improvement on energy efficiency, with the EUI (Energy Usage Intensity) of Taipei office amounted to only 106 KWH/m² Yr in 2022.

To create a low carbon life, we use only green energy, which includes the use of solar panels, eco-cooler air conditioners, and other low carbon emission sources like electric cars.

Energy-saving program Descriptions	Energy-saving program Descriptions
Solar panels	Taipei Office 1 has solar panels that generate electricity used for lighting the staircases and basement in 2012. The cumulative total number of solar panels since it was built has reached 142,905 kWh, including 12,670 kWh in 2022. Taoyuan plant is set to install solar energy system on the roofs; the total capacity is 180kW. By means of internal line parallel series, the power was sold in bulk and included in Taipower supply system to solve the power shortage problem in Taiwan. From the installation of solar panels to December 2022, a total of 663,480 kWh has been generated, with 145,432 kWh generated in 2022.
Heat pumps for air conditioning	We installed a heat pump system in the Taipei offices to provide hot water for showering in the staff gymnasium and hot water for cleaning in the kitchen. Besides providing heat, it can also provide partial cooling energy. The iced water produced during the heat exchange can be used for air conditioning. This system provides hot water and cold air at the same time.

(Continued)

Energy-saving program Descriptions	Energy-saving program Descriptions
Electric vehicles and bicycles	Four Tesla superchargers were installed, and bicycle parking is provided in our Taipei offices. HTC will continue to increase the number of electric vehicle charging stations to improve the convenience of charging and encourage employees to use low-emission green transportation.
Air conditioners are gradually replaced by R410A	Traditional R22 refrigerants contain fluorocarbons, which are the main reason for the depletion of the ozone layer that protects the earth from most ultraviolet radiation. Therefore, in order to save the ozone layer, existing split air conditioning systems that use R22 refrigerants will be gradually replaced with those using R410A refrigerants. One 10kW one-to-one split air conditioning unit was replaced in 2022.

(Concluded)

Water Resource Management

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

Since dry process is used on the production line in our plant, there would be no industrial waste water generated and all water use would be from office and the dormitory where our colleagues live in. With a large area inside the plant used for greenery and tree planting, HTC aims to water those plants and greenery using the recycled and reprocessed water without increase in use of running water. Total amount of domestic waste water treated in 2022 was 16,630 metric tons, and the amount of recycling for the treated waste water was 8,401 metric tons.

Since implementation of the water-saving plan in 2014, the accumulated total amount of waste water recycled for watering and gardening plants reached 1,150,038 tons, about 460 standard swimming pools. (The standard swimming pool is calculated at 2,500 metric tons.) The system was set up for recycling rainwater and condensed water from air conditioning. The water is then used in toilets and plants watering for effective water use.

Green Procurement

In order to practice the concept of environmental protection, HTC integrates the concept of environmental protection into daily use products, and purchases environmentally friendly products based on the principle of “recyclable, low pollution, and resource saving.” We strictly abide by the procurement specifications, explicitly give priority to environmental protection products, and further integrate this principle into our corporate culture, so as to reduce the burden on the environment and protect the earth. The procurement amount in 2022 was NT\$761,000, and from 2012 to 2022, a total of NT\$32.68 million was spent on products with the green product label.

Sustainable Design

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

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

Enhancement of Energy Efficiency

We concentrate on energy-saving from the early design and research and development phase. All power supplies used for HTC products must comply with the relevant international energy consumption specifications, including Energy Star (U.S.), California Energy Commission (U.S.), Energy-related Products and are approved with energy efficiency verification by third-party verification companies. All of their energy efficiency meets the criteria of Level VI which is the highest and defines the standby power shall be less than 0.1W. The lowest consumption of currently use chargers is 0.027W, which is much lower than the standard by 73%. The power adapters that HTC uses are already compliant with the new version of the EU Regulation for External Power Supplies (EU 2019/1782), which requires the introduction of mandatory labeling and energy efficiency testing result documents.

As for the energy consumption during battery charging process, we took the regulations of the US Department of Energy (DOE) and the Natural Resources Canada (NRCan) as the standards to improve the efficiency of charging and reduce the loss of energy after the battery is fully charged as much as possible, allowing the overall energy consumption to reach minimum and thus achieve the goal of energy saving and carbon reduction. In the new VIVE products in 2022, the battery life of the wrist tracker can last up to 4 hours. Not only does it have a built-in LED indicator to show the battery status, but its performance in terms of unit energy consumption (UEC) also significantly outperforms regulatory standards.

Recyclability Design

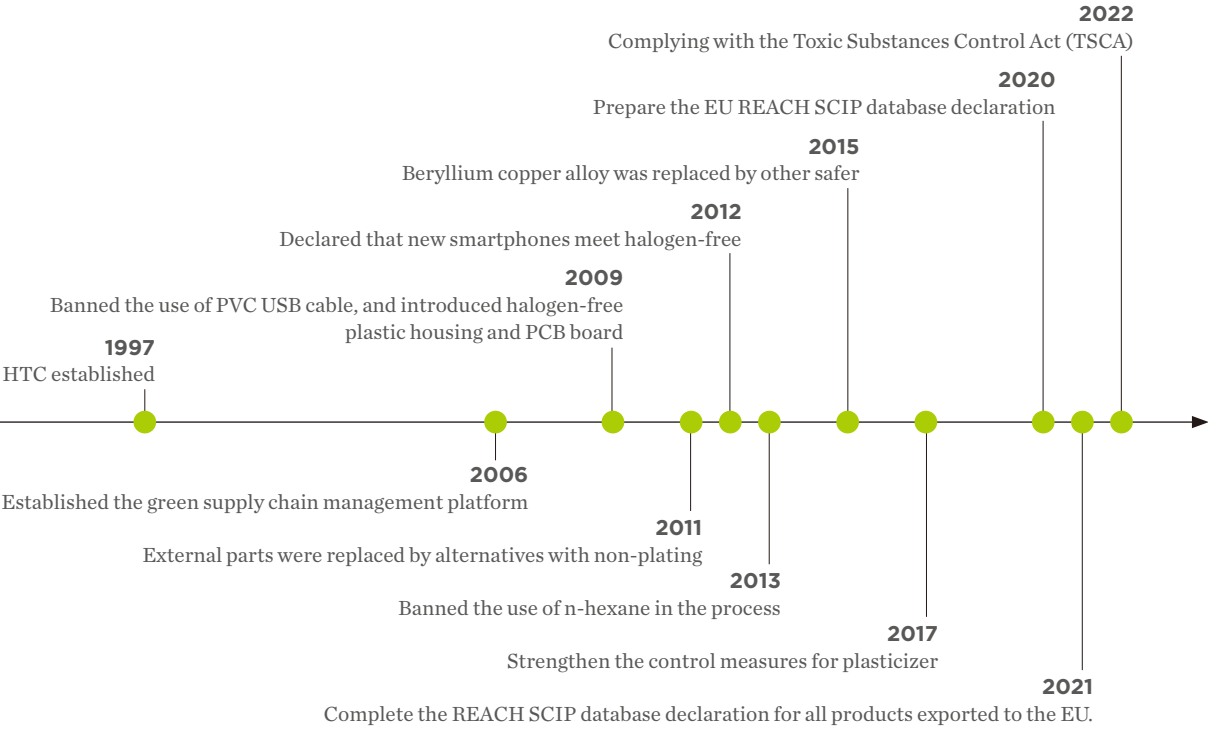
In the early stage of product development, we consider waste reduction and resource reuse, and conduct a complete evaluation of the product’s recyclable design status. Through product disassembly and material simulation, the material composition ratio and relative recovery rate of the product are estimated,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

VIVE Wrist Tracker	VIVE Flow	Desire 22 Pro
		
Material Recycling rate 75.5%	Material Recycling rate 79%	Material Recycling rate 75%

Reduction of Hazardous Substances

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

HTC Hazardous Substance Control schedule



Sustainable manufacturing process

Management of Waste and Hazardous Substances

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

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

In addition, active promotion of concept of waste reduction through concrete measures like classification, recycling and management at the front end for employees to reduce waste generation as well as setting dedicated areas for general garbage, resource recycling, and kitchen waste to facilitate resource recycling and reuse, reduce amount of waste produced, and improve on the cleanliness of the environment. In 2022, our recycled resources reached 349 tons and the benefit of recycling reached \$NTD0.49 million, waste recycling rate rose from 56.89% in 2011 to 84.22% in 2022. By 2022 the accumulated savings and earnings from the recycling of waste had reached NT\$91.75 million.

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

Sustainable Product

Taking circular economy as the direction for development.

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

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

VIVE Flow Product Carbon Footprint

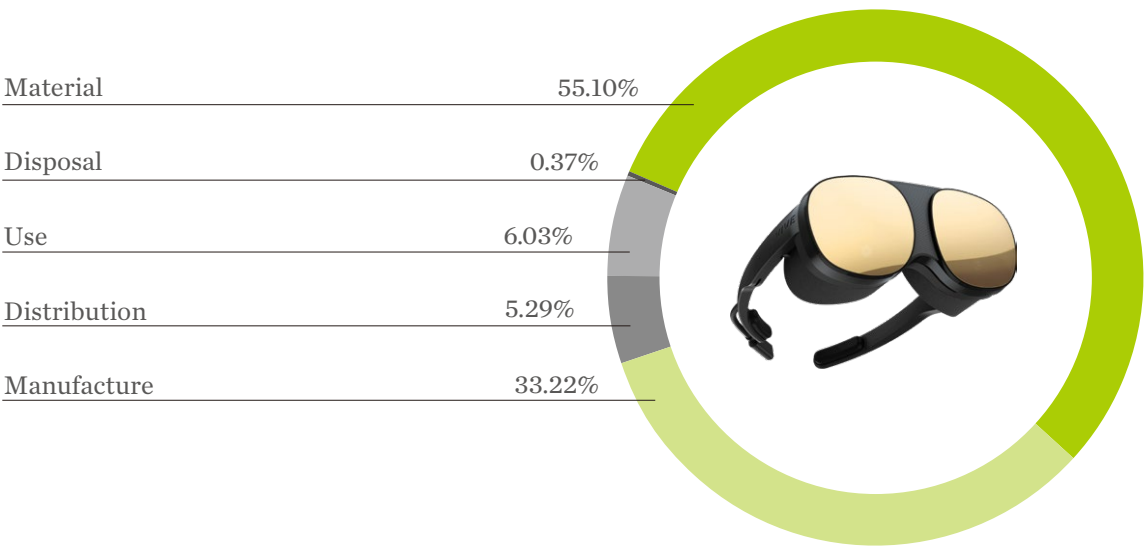
As a leading brand in virtual reality industry, HTC has been committed to environmental protection and sustainability. To reduce the impact of products to the environment, HTC conducted a comprehensive carbon footprint assessment of each stage of VIVE Flow production in 2022, including raw material selection and packaging methods, and obtained ISO 14067: 2018 verification statement, covering from cradle to grave. Product carbon footprint is an analysis of greenhouse gas emissions throughout the product life cycle, including the acquisition of raw materials, manufacturing, distribution, use, disposal and other stages. The carbon footprint of each VIVE Flow (including packaging) is 34.83 kgCO₂e, and the main carbon emission hotspots are concentrated in the raw material manufacturing and distribution and product manufacturing stage. When developing new products in the future, we will be committed to sustainable design and sustainable supply chain promotion. In addition, since the electricity consumption in the manufacturing process is the main carbon hotspot, we can also improve the efficiency of electricity consumption in the future. HTC is committed to improving carbon emissions in every process, and providing products to consumers that are more green, environmentally friendly, and healthy, and integrating the spirit of sustainability into the entire life cycle of each product.



Complete verification report: <https://www.htc.com/us/esg/certificate-report/>

VIVE Flow GHG emission of each life cycle stage:

Life cycle stage	Material	Manufacture	Distribution	Use	Disposal	Total
GHG Emissions kgCO ₂ e	19.193	11.570	1.841	2.100	0.129	34.83
Percentage	55.10%	33.22%	5.29%	6.03%	0.37%	100.0%



Environmentally friendly with sustainable packaging

HTC taking environmentally friendly and sustainable development as the primary concern when designing lightweight packaging, ensuring the protection and of the product and aesthetic while at the same time reducing impact of the packaging to the environment. All packaging materials HTC uses for its products fully comply to EU and US regulations on packaging, and all printing ink used on HTC product packaging are low volatile or soy ink that comply to standards from American Soy Association. We put a lot of effort into packaging design to ensure all the packaging materials are in line with the principle of environmentally friendly and sustainable development, minimizing impact of the product packaging to the environment.

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

	2021 Pizza Box (FOCUS 3)	2021 Rigid Box (VIVE Flow)	2022 Rigid Box (VIVE XR Elite)
Photos			
Volume	375x338x126.5 mm	184x91x123(H) mm	288x278x130(H) mm
Weight (g)	820g	240g	777.5g
Number of transportation pallets	54pcs	420pcs	84pcs
ECO features	<ul style="list-style-type: none">•Our new packaging uses more recycled materials.•Uses of corrugated board make it lighter and more durable.•Implement optimal pallet stacking that can reduce our carbon footprint.	<ul style="list-style-type: none">•Printings made in minimalistic monochrome and features explained with simple illustrations highlight the elegance and quality of the product.•Minimal space configurations and light-weight product with a compact look. Changes the bulky impression the market has on VIVE products.	<ul style="list-style-type: none">•printing with minimalistic monochrome design and using simple ink printing techniques, showcasing the elegant quality of the product.•Making efforts to replace some plastic bag packaging with paper-based packaging. The main device is protected with fiber bag, showing fine quality of the product.

Sustainable supply chain

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

HTC was founded in Taiwan and is a Taiwanese company whose operations and procurement drives developments of related sectors. Except for certain key parts and components, our general procurement

policy is to use raw materials and equipment originating in Taiwan to the greatest extent possible. The amount of local procurement of raw materials account for 53.84%. We not only require our suppliers to provide quality services and products, but also measure our supply chain against stringent ethical and environmental standards.

The HTC Supplier social responsibility Assessment and Audit

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

A Quick Look at the HTC Supply Chain Management

Definition of HTC Critical Supplier	Owing to differences of industry characteristics and supplier category, HTC identifies critical supplier and major audit for reference by following two principles: 1. Direct suppliers accounting for top 80% of the total purchasing expenses. 2. According to the mechanical components which vary based on technology, markets and purchase annually, ESG Office and sourcing departments define critical suppliers of current year based on different situations every year.
	New Supplier Management <ul style="list-style-type: none">•All supplier candidates are required to fill in a self-assessment questionnaire, and the contents of the questionnaire are designed based on HTC’s five major supplier behavior criteria of labor, environment, health and safety, ethics, and management systems. For high-risk suppliers, actual audits are also conducted. Since 2016, the weight of social responsibility-related issues in the new supplier self-assessment questionnaire has been increased.
Management Mechanism	Quarterly Evaluations <ul style="list-style-type: none">•In the quarterly supplier business review meetings, the performance of key suppliers on ESG-related issues is confirmed and included in the screening considerations. Yearly On-site Audit <ul style="list-style-type: none">•”Supply Chain Social Responsibility Compliance Audit” has been implemented since 2011. Every year, HTC will based on initial risk determination (including geographic, location, products, news etc.) to execute “Supply Chain Social Responsibility Compliance Audit”.•In 2017, an addition was made in the manufacturing process. According to the RoHS and REACH directives, hazardous substances subject to control are required to be audited.•In 2022, a total of 101 suppliers were assessed for risks, and 9 suppliers with a risk score of over 30% were selected for on-site audits. Five of them were exempted from the audits for providing the RBA VAP report for the current year. The remaining four audits were postponed to Q2 2023 due to the COVID-19 pandemic. As of the end of April, all on-site audits have been completed.•In 2023, we plan to introduce the RBA risk assessment tool to further improve the risk assessment of our suppliers and effectively reduce risks.

The Green Supply Chain Management System

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

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

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

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

Responsible Procurement of Minerals

HTC supports the US Dodd-Frank Wall Street Reform and Consumer Protection Act and follows the Responsible Minerals Initiative (RMI) to incorporate conflict minerals into its supplier management. HTC does not support conflict minerals and requires its suppliers to avoid using minerals such as gold (Au), tantalum (Ta), tin (Sn), and tungsten (W) sourced from conflict zones in the Democratic Republic of Congo and neighboring countries in order to reduce the impact of mining issues.

Since 2012, HTC has included conflict minerals issues in its procurement contracts, supplier code of conduct, purchase order terms, supplier social responsibility management procedures, and supplier social responsibility audits, requiring suppliers to comply with the “HTC Conflict Minerals Procurement Policy” to ensure that conflict minerals are not used. Each year, we use the Conflict Minerals Reporting Template (CMRT) of the Responsible Minerals Initiative (RMI) to investigate the sources of metal mines of our suppliers, effectively managing the supply chain and reducing default risks. In 2022, all minerals used in HTC products were sourced from qualified smelters. HTC has included “cobalt” and “mica” in its metal mine source investigations in 2020 and 2022, respectively, using the Responsible Minerals Initiative’s Extended Minerals Reporting Template (EMRT). The response rate for this year’s survey was 100%.

3.10.5 Social Engagement

HTC has always defined caring for society and promoting public welfare as our cause. We have long been and continue to be a supporter and sponsor of the “HTC Foundation”. With people-oriented values, we cultivate a culture of character. As we pursue corporate growth and promote technological development and creativity, we invest more into society in terms of urban culture, care for disadvantaged families, and provide opportunities for underprivileged children to receive education. This shapes HTC’s unique corporate culture in terms of the humanistic spirit.

HTC has also leveraged our industry expertise to create more possibilities for society through technological research and development and innovative approaches. In recent years, the company has been committed to developing innovative products that not only respond to the United Nations’ Sustainable Development Goals (SDGs) set in 2015 with our core technologies, but also to practicing social care, meeting the various types of people’s needs, and actively implementing corporate sustainability.

Promotion of Character Education - HTC Foundation

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

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

Accomplishments:

Character Town

HTC foundation not only launches character education in schools but also signs “Character Town” with various towns in Taiwan. Character Learning Course is launched on a monthly or quarterly basis, promoting a character theme and lead by example to learn character lessons together. Group discussion and experience sharing with different themes and related to work will be arranged timely. Participants include public service units and other non-profit organizations; public service units such as units directly under the county government, township offices, prisons, Ministry of Resources and Electricity, etc. Parts of institutes turn into membership in the character association. Leaders in the institutes encourage good deed via communication and integration of thoughts, which becomes the internal operating mechanism.

Many Blessings Courses

The HTC Education Foundation is committed to the development of character education for young people. It hopes to shape character through joint efforts by schools, parents, and society. Following the principle of “lighting a candle rather than cursing the darkness”, “the foundation has established the ”Many Blessings Course” for junior and senior high school students. These free courses each last for five weeks. They include three hours of training and activity per week. A total of 10 classes in five schools will be implemented in 2022, benefiting a total of 237 students. The students get the energy to move forward and make changes inspired by their instructors and volunteers. They are encouraged to become leaders who can actively serve the public and use their own power to change the world.

Character Education School Subsidy Program

We conduct character education seminars to promote core education emphasizing the development of well-rounded character and lifelong learners. Through principal workshops, we promote this nationwide, and invite schools to organize character education leadership teams to help establish consensus and formulate practical plans through character education practice program briefings. After the aforementioned activities, schools at the level of high schools and below that are committed to comprehensive and extensive character education to shape the campus character culture may apply for a project plan to the association. The association will conduct preliminary review, and then form a review panel consisting of external experts, retired principals or teachers who are concerned about character education. The selected schools can receive an annual award of NNT\$200,000 to NT\$300,000 for a period of three years to promote character education within the school. Before the end of the three-year period, they must hold a public presentation of the results. The first round of awarding 42 schools was completed in 2022, and the selection process for the second round of schools is ongoing in 2023.

HTC Responds to UN Sustainable Development Goals

In 2015, the United Nations passed the 17 Sustainable Development Goals. These goals not only ensure peace and prosperity, but also provide a blueprint for specific goals for the next 15 years, guiding the direction for achieving sustainable development. This is a global call for medium- to long-term action, aimed at promoting the responsibility and power of businesses, governments, and society to achieve a more sustainable future.

As a global citizen, it is also HTC’s responsibility to fulfill the United Nations Sustainable Development Goals. We have incorporated the SDGs into our business management and development plans to ensure the achievement of gender equality, empower female employees and provide them with benefits, and to focus on green sustainability in our production processes, promoting responsible consumption and production. Additionally, we collaborate with external organizations to develop products and services that enhance the quality of health and medical care. We fully utilize innovative technologies to promote good health and well-being for people of all ages. We have established multiple partnerships with teams from different fields to accelerate the implementation of the goals, working together to promote a better life for humanity and achieve the vision of a sustainable world.



Good Health and Well-being

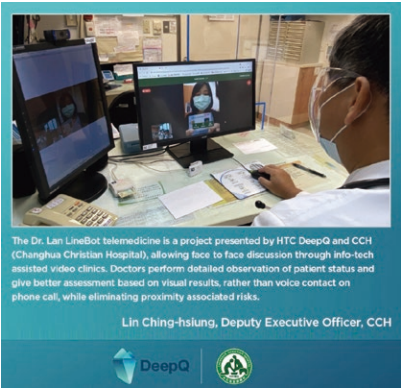
In today’s rapidly changing medical technology environment, continuous innovation and development of convenient medical services have become an indispensable part. HTC uses technology to benefit the public and brings more complete solutions for human health and medical care. Linebot, jointly developed by HTC DeepQ and the CDC, ChangHua Christian Hospital, and Chi Mei Medical Center, is based on AI technology and provides diversified medical services, aiming to improve people’s quality of life and happiness.

Developing Medical Services with CDC

HTC DeepQ cooperated with the CDC to develop Disease Control Butler (DCB) to provide related information of COVID -19, and pandemic prevention information, decrees and health education propaganda, etc. As of the end of December 2022, the user number of DCB has reached 10.43 million, effectively assisting the National Health Command Center (NHCC)’s policy to deliver to the public. “Taiwan V-Watch Vaccination Report System” helps track people’s health status after being vaccinated against COVID -19. The released a new feature of filling in vaccine doses and labels for minors, and allowing parents to fill in their children’s vaccination records and health status. In addition, the team also cooperated with the CDC to develop “Campus Influenza Vaccination System” (CIVS) and has been went on a trial run in 22 counties, 381 schools in Taiwan, helping students and parents track the vaccination schedule and information.



HTC DeepQ providing the public with a choice of multiple health services with Chi-Mei Hospital and Changhua Christian Hospital



HTC DeepQ Healthcare cooperated Changhua Christian Hospital to launch the Linebot of “Dr. Lan,” the first AI and blockchain healthcare chatbot across 10 hospitals in Taiwan, providing the public with a choice of multiple consultation methods providing thorough healthcare by on-site, video or telephone consultation. As of the end of December 2022, the user number of Dr. Lan has reached 33 thousand.

In June 2022, HTC DeepQ cooperated with Chi-Mei Hospital to launch “Chi-Yi Butlert” healthcare linebot, which provides the public with more convenient quick access to medical services in

various branches of Chi Mei Hospital, including appointment registration, consultation progress query, consultation reminder, COVID-19 vaccine appointment and self-paid PCR test, medication delivery progress, medication refilling appointment, appointment for visiting a sick, emergency messages, etc. The user number has reached 7.5 thousands as of the end of 2022.

4

QUALITY
EDUCATION

Quality Education

In the digital age, education tends to be more diverse, interactive and integrated. The Digital Twins Science Popularization Laboratory Project of the Hsinchu City Cultural Bureau and artist Zeng Wu’s “Of Whales” work demonstrate technology, culture and sustainability through virtual-real integration and UI/UX design. These ideas bring more possibilities for future education and society.

The Digital Twin Science Laboratory Project of Hsinchu City’s Cultural Affairs Bureau



The Digital Twin Science Laboratory is designed for students aged 6 to 12. It combines interactive experiences in both virtual and physical environments, as well as the participation of children, youth, and online communities. The project also utilizes software and hardware integration and UI/UX design, allowing audiences to use, share, and create together. The laboratory showcases the technology, culture, and sustainability of Hsinchu City, and brings together the new generation to convey a better future.

VIVE Arts work with educative value of sustainable environment



American filmmaker and artist Wu Tsang presented Of Whales, inspired by Herman Melville’s Moby Dick, exploring the topic of ocean from the modern perspective. Wu Tsang collaborated with the French Studio Albyon with game engine Unity. The work is staged on a 16-meter LED screen and played continuously. The design echoes a day-to-night cycle and the deep dive of a sperm whale, offering a poetic reinterpretation of the whale’s story ‘from below’ the surface of the ocean. Audience can reflect on the theme of the racial and labor inequality and human’s invention to nature in the novel.

8

DECENT WORK AND
ECONOMIC GROWTH

Decent Work and Economic Growth

“Promoting inclusive and sustainable economic growth” has always been the common goal of the world, and the development of innovative technology has brought us solutions. BEATDAY, the brand under VIVE ORIGINALS, has successfully brought a new entertainment experience to the audience, and at the same time promoted the development of Taiwan’s virtual reality entertainment industry. Through cross-border cooperation with other brands in different fields, it demonstrates the possibility of multiple applications and creates a brand new social entertainment ecology. BEATDAY is not only a major breakthrough for the entertainment industry, but also an important contribution to the goal of inclusive and sustainable economic growth.

The New BEATDAY Metaverse Experience Creates Brand Value

In order to disrupt people’s understanding of culture, VIVE ORIGINALS used innovative technologies to create the world’s first music Metaverse brand, BEATDAY, which not only provides audiences with new entertainment experiences, but also promotes the development of Taiwan’s virtual reality entertainment industry. In addition, VIVE ORIGINALS has elevated BEATDAY to the level of Metaverse, allowing audiences to experience the wonders and richness of the Metaverse through BEATDAY.

By watching the Metaverse concerts, the risk of gathering during the pandemic can be reduced for the audience, while also reducing the energy consumption and transportation carbon emissions of physical events. This can help promote environmental benefits, while providing entertainment. In 2022, BEATDAY collaborated with a fashion magazine and the NFT “ZombieClub” by Shawn Yue. This collaboration not only crossed boundaries in terms of content co-creation but also demonstrated the versatile application of volumetric photography technology. The production team specially created an exclusive zombie-themed scene. BEATDAY upgraded its platform social function by adding a matchmaking feature for Shi Shi’s “Jagi” concert with a Qixi Festival theme. It is the first to combine high-quality entertainment content and free social functions in the Metaverse, creating a new ecology of Metaverse community entertainment. Lala Hsu’s Metaverse concert featured triple A quality visuals and incorporated surreal performance effects, breaking the traditional framework of online concerts.





Industry, Innovation and Infrastructure

In the era of globalization and digitalization, innovation is one of the goals pursued by enterprises. The Ministry of Economic Affairs’ A+ Enterprise Innovation R&D Quenching Plan takes advantage of the opportunities in the metaverse market and integrates technologies such as 5G, AIoT, and XR to promote demonstration services with the concept of metaverse Virtual Township, hoping to drive new business opportunities and values. HTC VIVE presented the first virtual production system suite VIVE Mars CamTrack, bringing convenience, affordability and professional features, making virtual production easier and becoming an important part of Taiwan metaverse’s innovation ecosystem.

Participation in the Ministry of Economic Affairs’ A+ Enterprise Innovation and R&D Program



The Metaverse market offers an opportunity to address issues in the Taiwanese software industry, such as small market size and lack of brand recognition. The “Kaohsiung Metaverse Innovation Service Application Program” combines technologies such as 5G, AIoT, and XR, and promotes demonstration services based on the concept of virtual town-building in the Metaverse. The aim is to create a Metaverse ecosystem that integrates technological innovation and sustainable business operations, and expand the emerging Metaverse industry value from Kaohsiung to the world. Based on the seven-layered structure of the Metaverse, we have proposed multiple development and integration projects for key

technology R&D and integration. These projects include cash flow integration technology, open platforms, image capture technology, panoramic live broadcasting technology, motion and expression capture, and infrastructure integration, which will allow people from all walks of life to enter the Metaverse and create new business opportunities.

VIVE Mars CamTrack : Virtual Production Solutions



In the traditional film industry, whether it is Hollywood or independent production, it is often high budget and high cost to construct shooting scenes for virtual images. Production crews and equipment have to be moved to locations around the world, and sets and electricity are expensive. HTC VIVE launched VIVE Mars CamTrack, a solution that makes virtual production easier. The plug-and-play compatibility, with no additional software required, and portability

make it easy to shoot in many different scenarios. In addition, VIVE Mars CamTrack is affordable and comes with professional-grade features. VIVE Mars CamTrack includes multi-cam tracking, with support for up to three cameras, and automated calibration for camera offset and lens distortion. Genlock and Timecode offers synchronized output between real and virtual actors, and the robust wiring helps reduce latency. VIVE Mars CamTrack is a powerful solution that makes virtual production efficient and affordable.



Global Partners

As a company dedicated to promoting the application of VR technology in medical education, HTC Medical VR actively cooperates with top hospitals, schools and enterprises in Taiwan to cultivate medical talents and promote sustainable development through innovative VR teaching methods. For example, we have cooperated with the Asia University College of Nursing to promote the SDGs metaverse project, and cooperated with Shin Kong Hospital to establish a medical metaverse, showing the positive contributions made by HTC Medical VR in promoting multiple partnerships and promoting sustainable vision.

HTC Medical VR Trains Professional Medical Personnel Around the World



HTC Medical VR has collaborated with top hospitals and schools in Taiwan to develop a customized Virti VR teaching platform. In 2022, we held 70 workshops and trained more than 2,000 healthcare professionals and student users, producing 160 high-quality teaching cases. We have also partnered with 7 medical centers to use VR teaching materials in clinical skill, cross-team integrated care, and doctor-patient communication training, improving patient safety and healthcare quality. The Virti platform can enhance students’ learning and confidence, and can objectively evaluate learning outcomes and guide intervention methods, expanding the capabilities of teachers.

Metaverse Project to Promote SDGs with the College of Nursing of Asia University



HTC Medical VR partnered with the College of Nursing of Asia University to promote the sustainable development SDGs Metaverse project, cultivating VR and Metaverse related talent together and organizing teaching events and industry-academia cooperation. We established the “Nursing Metaverse Base” together, organizing Metaverse teaching materials workshops and using Virti VR teaching plan production platform. This innovative VR learning method allows students to cultivate skills and empathy in advance, and passes on the experience of teachers forever. HTC has also extended this to other institutions,

offering sustainable development Metaverse micro-courses and organizing the “Exploring a New Era of Nursing Education: Metaverse Innovation and Application Symposium” at the end of the year. 230 people participated in the “Metaverse ∞ Sustainable Development Goals (SDGs)” seminar and workshop, sharing their practical experiences and expanding the effectiveness of sustainable development.

HTC Medical VR Collaborated with Shin Kong Hospital to Establish the Medical Metaverse

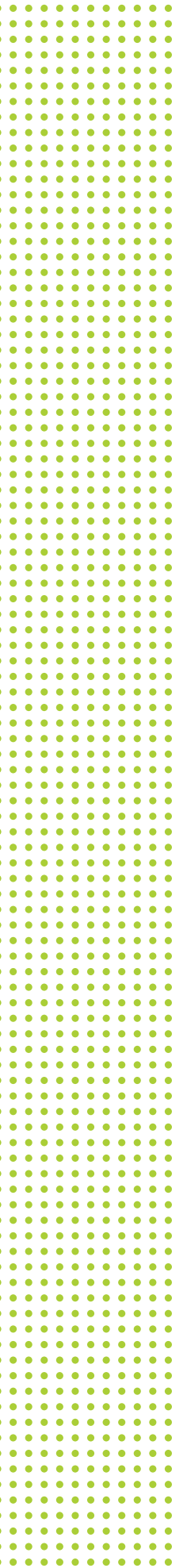


Shin Kong Hospital collaborated with HTC Medical VR to create a VR medical Metaverse, addressing the challenges of cross-team training during the COVID-19 pandemic. Through various VR teaching materials, a 360-degree virtual training environment is provided to help respiratory therapists and nurses understand their roles and key care processes. VR technology can save resources and improve the quality of medical care in intensive care units. More than 50 medical staff who received VR medical training reported a significant increase in satisfaction, up to 95%

satisfaction. Moreover, their test scores also showed an average improvement of more than 10 points, indicating that VR technology has resulted in significant changes and improvements in medical training.



CAPITAL AND SHARES



CAPITAL AND SHARES

4.1Capital and Shares

4.1.1Capitalization:

2023.04.18 Unit: Share; NT\$								
		Authorized		Paid-in		Remark		
Month/ Year	Price	Shares	Amount	Shares	Amount	Sources of capital	Capital increase by assets other than cash	Other
07/2021	10	1,000,000,000	10,000,000,000	818,929,385	8,189,293,850	Issuance new shares of Employee Stock Ownership Plans	None	Note 1
11/2021	10	1,000,000,000	10,000,000,000	819,458,185	8,194,581,850	Issuance new shares of Employee Stock Ownership Plans	None	Note 1
03/2022	10	1,000,000,000	10,000,000,000	824,504,985	8,245,049,850	Issuance new shares of Employee Stock Ownership Plans	None	Note 1
05/2022	10	1,000,000,000	10,000,000,000	824,927,385	8,249,273,850	Issuance new shares of Employee Stock Ownership Plans	None	Note 1
08/2022	10	1,000,000,000	10,000,000,000	826,258,985	8,262,589,850	Issuance new shares of Employee Stock Ownership Plans	None	Note 1
11/2022	10	1,000,000,000	10,000,000,000	827,581,585	8,275,815,850	Issuance new shares of Employee Stock Ownership Plans	None	Note 1
04/2023	10	1,000,000,000	10,000,000,000	829,403,586	8,294,035,860	Issuance new shares of Employee Stock Ownership Plans	None	Note 1 Note 2

Note 1 Approval Document No.: The 24 April 2019 Letter No. Financial-Supervisory-Securities-1080311185 of the Securities and Futures Bureau of the Financial Supervisory Commission, Executive Yuan

Note 2 Approval Document No.: The 12 July 2019 Letter No. Financial-Supervisory-Securities-1080322622 of the Securities and Futures Bureau of the Financial Supervisory Commission, Executive Yuan

2023.04.18 Unit: Share

Type of stock	Authorized Capital			Remark
	Outstanding shares (Note)	Unissued Shares	Total	
Common Stock	831,311,986	168,688,014	1,000,000,000	Of our authorized capital, 80,000,000 shares are reserved for the exercise of stock warrants, preferred shares with warrants, or corporate bonds with warrants

Note: As of April 18, 2023, the Company's total shares outstanding were 831,311,986 shares, among which 1,908,400 shares were issued for employees' exercising their employee stock options, which is the reason why such change in share numbers hasn't been filed with the competent authority.

4.1.2Shareholder structure:

2023.04.18						
Structure	Shareholder					
	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of shareholders	1	14	398	156,146	500	157,059
Shareholding	14	7,189,807	139,082,693	579,182,449	105,857,023	831,311,986
Holding percentage	0.00%	0.86%	16.73%	69.68%	12.73%	100.00%

4.1.3Distribution of ownership:

2023.04.18 Each share has a par value of NT\$10

Common Stock Shareholder Ownership (Unit: share)	Number of Shareholders	Ownership	Ownership (%)
1 ~ 999	55,729	3,471,104	0.42%
1,000 ~ 5,000	83,845	159,799,123	19.21%
5,001 ~ 10,000	9,271	73,034,557	8.79%
10,001 ~ 15,000	2,771	35,659,130	4.29%
15,001 ~ 20,000	1,706	31,548,996	3.80%
20,001 ~ 30,000	1,394	35,913,822	4.32%
30,001 ~ 40,000	693	24,819,896	2.99%
40,001 ~ 50,000	400	18,542,383	2.23%
50,001 ~ 100,000	733	53,020,354	6.38%
100,001 ~ 200,000	296	41,628,114	5.01%
200,001 ~ 400,000	111	30,528,706	3.67%
400,001 ~ 600,000	40	19,362,897	2.33%
600,001~ 800,000	13	9,128,556	1.10%
800,001 ~ 1,000,000	7	6,230,811	0.75%
Over 1,000,001	50	288,623,537	34.71%
Total	157,059	831,311,986	100.00%

Preferred stock: None

4.1.4 List of principal shareholders:

Name of principal shareholders	2023.04.18 Each share has a par value of NT\$10	
	Shares	
	Current Shareholding	Percentage
Way-Chih Investment Co., LTD.	43,819,290	5.27%
Way-Lien Technology Inc.	38,588,231	4.64%
Cher Wang	32,272,427	3.88%
Hon-Mou Investment Co., Ltd.	23,197,081	2.79%
Wen-Chi Chen	22,391,389	2.69%
Mitsubishi UFJ Morgan Stanley Securities Co.,Ltd. – Equity Trading Division (Proprietary Trading Desk) for Tri-Party SBL Trading	12,643,000	1.52%
Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds	10,062,301	1.21%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	9,674,079	1.16%
Kun-Chang Investment Co, Ltd.	9,322,824	1.12%
Citi Bank (Taiwan) in custody for the investment account of Poluning Development National Fund Co., Ltd	6,500,204	0.78%

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

Item		Unit: NT\$/ Thousand Shares		
		Year	2021	2022
Market price per share	Highest market price		97.30	88.40
	Lowest market price		27.70	42.10
	Average market price		43.94	57.36
Net worth per share (Note)	Before distribution		33.02	30.81
	After distribution		33.02	Note
Earnings (loss) per share	Weighted average shares (thousand shares)		819,721	826,261
	Earnings (loss) per share		(3.75)	(4.13)
Dividends per share	Cash dividends		-	-
	Stock dividends	Dividends from retained earnings	-	-
		Dividends from capital surplus	-	-
	Accumulated undistributed dividend		-	-
Return on investment	Price/Earnings ration		N/A	N/A
	Price/Dividend ratio		N/A	N/A
	Cash dividend yield		0%	0%

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

4.1.6 Dividend policy and Implementation Status:

Dividend Policy in Articles of Incorporation

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

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

- (1) To pay taxes.
- (2) To cover accumulated losses, if any.
- (3) To appropriate 10% legal reserve unless the total legal reserve accumulated has already reached the amount of the Company’s authorized capital.
- (4) To recognize or reverse special reserve return earnings. If there is a shortfall in the amount of “net increase in the fair value of investment real property accumulated in the preceding period” and “net reduction of other benefits accrued in the preceding period”, the same amount of special reserve shall be proposed from the unallocated reserve in the preceding period prior to the distribution of the reserve, and if there is still a shortfall, it shall be credited to the current period for items other than net profit after tax after the current period.
- (5) The board of directors shall propose allocation ratios for any remainder profit after withholding the amounts under subparagraphs 1 to 4 above plus any unappropriated retained earnings of previous years based on the dividend policy above and propose such allocation ratio at the shareholders’ meeting.

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

HTC will not distribute stock dividends at the 2023 Annual Shareholders’ Meeting.

The dividend policy to be revised at this shareholders’ meeting is as follows:None.

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

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

HTC will not distribute stock dividends at the 2023 Annual Shareholders’ Meeting.

4.1.8 Compensation of Employees, Directors, and Supervisors

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

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

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

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

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

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

HTC will not distribute Employee Compensation at the 2023 Annual Shareholders’ Meeting; therefore it is not applicable.

The actual distribution of employee, director, and supervisor’s compensation for 2021

No distribute for employee, director, and supervisor compensation in 2021.

4.1.9 Buy-back of corporation shares: None

4.2 Issuance of Corporate Bonds: None.

4.3 Status of Preferred Shares: None.

4.4 Global Depositary Receipts

2023.04.18

Issue Date	2003.11.19		
Issuance and Listing	Luxembourg		
Total amount	USD 105,182,100.60		
Offering price per GDR	USD 15.4235		
Units issued	9,015,121 units (note)		
Underlying securities	Cash offering and common shares from selling shareholders		
Common shares represented	36,060,497 shares (note)		
Rights and obligations of GDR holders	Same as that of common share holders		
Trustee	Not applicable		
Depository bank	Citibank, N.A.–New York		
Custodian bank	Citibank Taiwan Limited		
GDRS outstanding	381,735 units		
Apportionment of expenses for issuance and maintenance	All fees and expenses such as underwriting fees, legal fees, listing fees and other expenses related to issuance of GDRS were borne by HTC and the selling shareholders in proportion to the actual sale of share, while maintenance expenses such as annual listing fees and accounting fees were borne by HTC.		
Terms and conditions in the deposit agreement and custody agreement	See deposit agreement and custody agreement for details		
Closing price per GDR	2022	High	USD 12.4
		Low	USD 5.65
		Average	USD 9.03
	2023.01.01-2023.04.18	High	USD 9.15
		Low	USD 7.55
		Average	USD 8.30

Note: The total number of units issued includes the 6,819,600 units originally issued (representing 27,278,400 shares of common stock) plus additional units issued in stock dividends in past years on common shares underlying the overseas depository receipts, as itemized below.
18 August 2004: dividends issued on common shares underlying the overseas depository receipts in the amount of 216,088 additional units (representing 864,352 common shares)
12 August 2005: dividends issued on common shares underlying the overseas depository receipts in the amount of 70,290 additional units (representing 281,161 common shares)
1 August 2006: dividends issued on common shares underlying the overseas depository receipts in the amount of 218,776 additional units (representing 875,107 common shares)
20 August 2007: dividends issued on common shares underlying the overseas depository receipts in the amount of 508,556 additional units (representing 2,034,224 common shares)
21 July 2008: dividends issued on common shares underlying the overseas depository receipts in the amount of 488,656 additional units (representing 1,954,626 common shares)
9 August 2009: dividends issued on common shares underlying the overseas depository receipts in the amount of 170,996 additional units (representing 683,985 common shares)
3 August 2010: dividends issued on common shares underlying the overseas depository receipts in the amount of 311,805 additional units (representing 1,247,223 common shares)
26 July 2011: dividends issued on common shares underlying the overseas depository receipts in the amount of 210,354 additional units (representing 841,419 common shares)

4.5 Employee Share Warrants

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

4.5.1 Issuance of employee share warrants and impact to shareholders’equity

2023.04.18 / Unit: share and NT\$				
Employee Stock Options Granted	3 rd Grant	4 th Grant	5 th Grant	6 th Grant
Effective registration date and the total number of units	August 19, 2014 19,000,000 units	August 19, 2014 1,000,000 units	April 24, 2019 20,000 units	July 12, 2019 10,000,000 units
Issue (Grant) Date	October 31, 2014	August 11, 2015	May 16, 2019	November 12, 2019
Number of units issued (Note 1)	19,000,000	1,000,000	20,000	10,000,000
Number of units still available for issuance	0	0	0	0
Percentage of Shares Exercisable to Outstanding Common Shares (Note 2)	2.30%	0.12%	2.42%	1.21%
Option Duration	The duration of the stock warrants is 10 years. The stock warrants and rights and interests therein may not be transferred, pledged, given to others, or disposed in any other manner, except by succession.	The duration of the stock warrants is 10 years. The stock warrants and rights and interests therein may not be transferred, pledged, given to others, or disposed in any other manner, except by succession.	The duration of the stock warrants is 10 years. The stock warrants and rights and interests therein may not be transferred, pledged, given to others, or disposed in any other manner, except by succession.	The duration of the stock warrants is 10 years. The stock warrants and rights and interests therein may not be transferred, pledged, given to others, or disposed in any other manner, except by succession.
Source of Option Shares	New Common Share	New Common Share	New Common Share	New Common Share
Vesting Schedule(%)	After 2 full years have elapsed from the time the stock warrant holder is allocated the employee stock warrants, the warrant holder may exercise the share purchase rights according to the schedule set out below. Percentage of share purchase rights that may be exercised according to the time elapsed since the allocation of the stock warrants (cumulative) Two full years have elapsed: 60% Three full years have elapsed: 100%	After 2 full years have elapsed from the time the stock warrant holder is allocated the employee stock warrants, the warrant holder may exercise the share purchase rights according to the schedule set out below. Percentage of share purchase rights that may be exercised according to the time elapsed since the allocation of the stock warrants (cumulative) Two full years have elapsed: 60% Three full years have elapsed: 100%	After 2 full years have elapsed from the time the stock warrant holder is allocated the employee stock warrants, the warrant holder may exercise the share purchase rights according to the schedule set out below. Percentage of share purchase rights that may be exercised according to the time elapsed since the allocation of the stock warrants (cumulative) Two full years have elapsed: 60% Three full years have elapsed: 100%	After 3 full years have elapsed from the time the stock warrant holder is allocated the employee stock warrants, the warrant holder may exercise the share purchase rights according to the schedule set out below. Percentage of share purchase rights that may be exercised according to the time elapsed since the allocation of the stock warrants (cumulative) Three full years have elapsed: 75% Four full years have elapsed: 100%
Shares Exercised	0	159,000	9,577,200	2,850,501
Value of Shares Exercised	NTD 0	NTD 8,665,500	NTD 339,990,600	NTD 99,910,060
Shares Unexercised (Note 3)	1,872,200 shares	90,000 shares	5,518,800 shares	3,249,999 shares
Adjusted Exercise Price Per Share	NTD 134.5	NTD 54.5	NTD 35.5	NTD 35.05
Percentage of Shares Unexercised to Outstanding Common Shares (Note 2)	0.23%	0.01%	0.66%	0.39%
Impact to Shareholders’ Equity	Dilution to shareholder’s equity is limited	Dilution to shareholder’s equity is limited	Dilution to shareholder’s equity is limited	Dilution to shareholder’s equity is limited

Note 1: For the 3rd, 4th and 6th Grants, each stock warrant unit may be used to purchase one share of common stock of HTC. For the 5th Grant, each stock warrant unit may be used to purchase one thousand shares of common stock of HTC.

Note 2: The information is calculated based on the issued shares, 831,311,986.

Note 3: The number of invalid shares due to resignation was deducted.

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

2023.04.18 / Unit: share and NT\$													
					Exercised				Unexercised				
	Title	Name	Number of Option Acquired	Number of Op-tion Acquired / Number of Op-tion Issued (Note1)	Number of Option	Exercise Price per Shares (NTD)	Option amount	Number of Option / Number of Option Issued (Note1)	Number of Option	Unexercised Price per Shares (NTD) (Note 3)	Option amount	Number of Option / Number of Option Issued (Note 1)	
Managers	Chief Financial Officer and Accounting Officer	Peter Shen	3,460,000 shares	0.42%	515,000 shares	NTD 35.5	NTD 18,282,500	0.06%	2,945,000 shares	NTD 134.5, NTD 54.5, NTD 35.5 and NTD 35.05	NTD 159,830,000	0.35%	
	General Counsel and Corporate Governance Officer	ChiaTe Lu											
	Chief Technology Officer	WH Liu											
	Senior VP	Adrian Tung											
	Senior VP	Raymond Pao											
	Chief Global Management Officer (Note a)	Caleb OuYang											
Employee (Note 2)		Alan Chen	4,585,000 shares	0.55%	2,795,000 shares	NTD 35.5 , NTD 35.05	NTD 89,974,250	0.34%	1,932,500 shares	NTD 134.5, NTD 54.5, NTD 35.5 and NTD 35.05	NTD 93,521,375	0.23%	
		Alvin Graylin											
		Asii Wu											
		Charles Huang											
		Daniel Gong											
		Daniel O'Brien											
		James Liao											
		Joseph Lin											
		Madeline Chen											
		Richard Tsai											
Note 1: The information is calculated based on the issued shares, 831,311,986.													
Note 2: The top 10 employees are granted employee stock options are without managerial position.													
Note 3: The unexercised price per shares is calculated by the unexercised option amount to unexercised number of options.													
Note a: resigned from insider on 2022.10.31 due to the change to the role.													

4.6 New Restricted Employee Stock

4.6.1 Status of Employee Restricted Stock: None

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

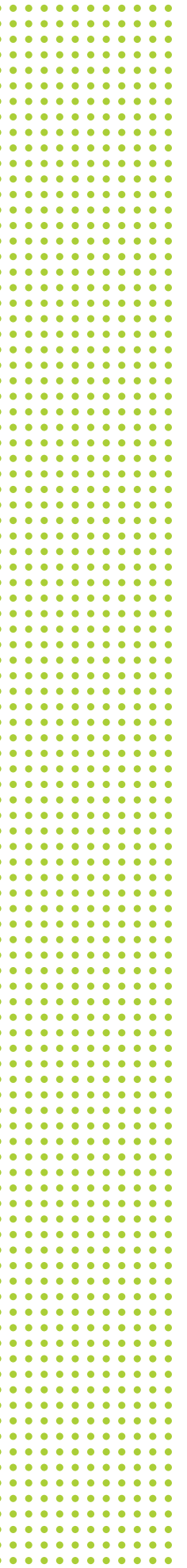
4.7 Issuance of New Shares for Mergers and Acquisitions:

None.

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



BUSINESS OPERATIONS



BUSINESS OPERATIONS

5.1 Business Activities

5.1.1 Business Scope

Since the founding of HTC, our vision has been to combine technology with humanity to unleash the imagination. VIVERSE, HTC’s version of the metaverse, represents the culmination of that vision. As the world gradually eased pandemic restrictions over 2022, HTC doubled down on this vision, leveraging the corporate restructure completed last year to become a holistic VIVERSE company, with all business areas working towards enabling, expanding, or enhancing the metaverse. With premium products brought to market throughout the year across hardware, software, platforms and content, and new services starting to see success in the market, HTC remains well-positioned to take full advantage of the global trend towards a truly immersive internet.

VIVE Systems

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

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

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

At CES 2019, HTC launched a range of brand-new products, including VIVE Pro Eye, VIVE Cosmos, VIVEPORT Infinity, and VIVE Reality System. The revolutionary hardware and software designs as well

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

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

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

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

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

VIVE XR Elite

VIVE XR Elite combines Mixed Reality (MR) and Virtual Reality (VR) capabilities into one compact, lightweight, powerful and highly versatile device – perfect for gaming, fitness, productivity and more.

VIVE XR Elite includes a full color RGB passthrough camera, and hand-tracking, which enables a whole new dimension of MR scenarios. This can include playing games where the characters are running on your furniture, having real-time overlays on musical instruments like a piano so you can learn, and even having the ultimate workstation with multiple virtual screens while still being able to use your real-world keyboard and mouse.

VIVE XR Elite can be connected easily to a PC via USB-C to access PCVR content from VIVEPORT and Steam and supports wireless PC streaming over WiFi or the latest generation - WiFi 6E with low latency and great graphics.

VIVE XR Elite takes versatility to the next level. It has a sleek modular design that can easily be transformed into a glasses form factor - simply remove the battery and fit the VIVE XR Elite temple pads. Change the physical configuration so it works best for whichever situation you’re in, whether that’s at home, in the office, or traveling on a plane.

With four wide FOV cameras, exceptional 6DoF spatial accuracy, a depth sensor and hand-tracking developers have lots of options to incorporate in VR and MR content for accurate movement to enhance your overall experience.

VIVE XR Elite has both physical controllers and hand-tracking to achieve all-important accuracy when gaming, for productivity and even learning scenarios. VIVE Wrist Tracker is also compatible to deliver enhanced hand tracking, or it can be attached to objects you want to track in XR.

The visual impact is sharp with a wide 110 FOV, 4K resolution which results in a crisp image all running on a smooth 90Hz refresh rate. VIVE XR Elite has adjustable lenses so you can take off your glasses and still enjoy a clear picture with greater comfort. Find your perfect sweet spot without having to remove the headset, with a built-in fine-adjustable IPD slider placed on the outside of the headset.

Find the perfect balance of comfort and performance with VIVE XR Elite’s beautifully compact design. The full headset weighs just 625g including the battery, which is placed at the back for balance and is



curved for optimal comfort, and delivers up to two hours of full XR use. The battery is removable and hot swappable, so you can keep going whether it’s changing to another power source or changing to another battery. It has 30-watt fast charging and is charged via USB-C power delivery.

VIVE Flow

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

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

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

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

VIVE Pro 2

VIVE Pro 2 was named a CES® 2022 Innovation Awards Honoree in the Virtual & Augmented Reality category at the Consumer Electronics Show (CES), the largest



international consumer electronics event in the United States. Featuring a stunning 5K high-resolution display and a wide 120-degree field of view (FOV), the VIVE Pro 2 delivers visual effects that are excellently smooth, detailed and crystal clear.

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

VIVE Focus 3

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

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

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

In order to offer a wearing experience that is most comfortable and convenient and lasts for a longer session, the VIVE Focus 3 is equipped with a curved and fitting swappable battery pack, as well as a new strap that makes



the helmet a natural counterweight. Changing of VIVE Focus 3’s battery pack only takes a few seconds; such a swift battery changing enables the continuous use of the device even after it has been used all day long. In addition, only 30 minutes of recharging is required for reaching a 50% charge; the LED indicator light shows the instant battery level. The VIVE Focus 3 is equipped with a new directional speaker that has a pair of built-in drivers, rendering a life-like and immersive audio effect. Its open-back audio design allows users to immerse themselves in the VR world while being alerted to external sounds. Its distinctively directional audio frequency design can reduce sound leakage. This minimizes the risk that the neighboring person would hear the voice when a meeting is conducted and so ensures privacy.

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

VIVE Wrist Tracker

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

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

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

VIVE Tracker 3.0

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

VIVE Focus 3 Facial Tracker

The new VIVE Focus 3 Facial Tracker makes it easy for users to naturally convey their emotions – and read others’ intentions – in real time. Its mono tracking camera captures expressions through 38 blend shapes

across the lips, jaw, cheeks, chin, teeth, and tongue to precisely capture true-to-life facial expressions and mouth movements on avatars.

With a 60Hz tracking rate and optimized runtime for facial tracking, users can synchronize lips to voice with minimal latency and enjoy lifelike interactions in high fidelity. VIVE Focus 3 Facial Tracker setup is easy, as the module seamlessly connects to VIVE Focus 3 headsets through the built-in USB Type-C port with no need for add-ons or adaptors.

The benefits of facial tracking are vast, improving soft skills in presentation coaching, customer service management, training, and more. Users can track and improve their emotional preparedness, helping to achieve better real-life outcomes across many applications, from education and healthcare to human resources and creative industries.

Most recently at XR creative studio Agile Lens, we’ve been able to leverage VIVE Focus 3’s facial and eye-tracking technology for an unprecedented portable and expressive experience for live actors. With VIVE Business Streaming’s data transfer capabilities to desktop applications, HTC VIVE Wrist Tracker, and our work with cloud computing, we see a future where performers can put on a headset anywhere, anytime, and perform as a full-body avatar to a global audience without the need for a computer.

VIVE Focus 3 Eye Tracker

The VIVE Focus 3 Eye Tracker opens new avenues for research, gaze control, and more natural interactions. Bringing realistic eye movements and blinks to virtual avatars delivers true-to-life virtual collaboration and improves human connections in VR through expressive, non-verbal interactions. By analyzing eye movement, attention, and focus, businesses can open the door to deeper user behavior analysis.

The dual camera setup with supporting IR illuminators is capable of capturing data for gaze origin and direction, pupil size and position, and eye openness. The lightweight module easily attaches magnetically to VIVE Focus 3 without impacting the headset’s balanced ergonomics, and the existing VIVE Focus 3 adjustable IPD works uninterrupted to help users find their viewing sweet spot.

VIVE Focus 3 Eye Tracker allows you to see what users see to understand intentions and improve feedback, perfect for training and education scenarios. Measure duration and locate direction with heat mapping and gaze tracking to gain insights about performance and interaction to improve outcomes. VIVE Focus 3 Eye Tracker also offers insight into how users naturally interact with a product, allowing companies to improve the experience by uncovering actionable insights about user intent.

The VIVE Focus 3 Eye Tracker also makes implementing gaze control easy, whether that’s for improving accessibility, or giving people a different way to enjoy immersive content.

Eye tracking also enables foveated rendering, so the headset can intelligently allocate GPU workload and optimize graphic fidelity in the user’s line of sight - reducing rendering workloads on GPUs.

Location based software suite

In **Location-Based Entertainment (LBE) Mode**, game space is easy to define. VIVE Focus 3 can scale up single-tracking areas up to 1,000 m2 (33m x 30m) — about the size of 4 adjacent tennis courts — while maintaining smooth, free-roaming, inside-out 6DoF tracking with sub-millimetre accuracy. And the game space can be a tailored, from simple rectangular spaces through to irregular shapes with cutouts and alcoves.

Map Sharing, co-location made easy. Multiple users, one map. Share a headset’s room setup map with multiple headsets to achieve instant multiuser experiences where users can see and interact with each other in the same physical and virtual environment. Map Sharing not only eliminates the need to perform a room setup for each headset individually, but also saves time and resources-allowing for simple, quick, and scalable deployment. Multiple maps, multiple headsets. With the Group Management feature, different maps can easily be assigned to a large number of headsets through intranet Wi-Fi connections.

Scale up user rotation with **Visual Odometry (VO) mode**. This makes it super-simple to get users straight into the VR experience. VO is the process of determining the position and orientation of a headset through headset-captured images while the headset is in use. VO Mode allows users to bypass the environment setup process so they can jump right into 6DoF experiences as soon as they put on their headsets. Quickly deploy LBE or VR-based training programs in different environments instantaneously.

Simulator VR mode – 3DoF to 6DoF simulation. Simulator VR Mode is a unique 6DoF VR solution for motion platform experiences such as cars, training simulators, and amusement park rides. A fixed VIVE Focus 3 controller or VIVE Wrist Tracker is used to convert a 3DoF environment into a 6DoF experience, providing more natural interactions that help prevent motion sickness. The capability to track in low-light environments makes Simulator VR Mode perfect for closed-cabin training simulators and movie theaters alike.

Marker-based tracking — similar to QR codes, ArUco codes are easily reproducible visual trackers that provide unique ID points and extra position information to VR headsets in real time. ArUco codes can provide additional tracking points to reduce positional drift, and they can act as unique markers to align virtual scenes and assets with real-world environments for more immersive experiences. With ArUco markers, Vive Focus 3 headset can instantly detect and align the coordination in a shared space . Marker-based location sharing is ideal for eliminating the typical cumbersome setup processes involved with multiuser VR experiences — such as calibrating each headset from a specific starting point in the play area.

VIVE Business Streaming (VBS)

VBS vastly improves the wireless capabilities for VIVE Focus 3. Dedicated IP configuration is now supported, and multiple headsets can be used on the same network – with support for Wi-Fi 5, Wi-Fi 6, and Wi-Fi 6E. VBS can now adaptively adjust wireless streaming settings to maintain a consistently stable connection

Because Wi-Fi 6E is a high-bandwidth protocol, it can accommodate concurrent VR streaming to more devices than previous Wi-Fi standards while still maintaining high-fidelity visuals. This will enable businesses to expand their VR layout to cover more users, while at the same time improving the quality of visuals and reducing latency.

Both hand tracking and the new VIVE Wrist Tracker are natively supported in VBS. VIVE Wrist Tracker is able to bring new levels of precision and reliability to hand tracking. With the VBS, VIVE Focus 3 hand tracking now works with PC-VR applications, supporting both OpenVR Skeletal Input and the OpenXR Hand Tracking API. This means that VIVE Wrist Tracker’s advanced hand tracking is compatible with the majority of PC-VR content that uses hand tracking, including SteamVR Home and The Lab.

In addition, VBS also allows VIVE Wrist Trackers to be used like a VIVE Tracker, so you’ll be able to use them to track objects similar to how you would with a VIVE Tracker 3.0.

VIVERSE

In 2022, VIVEPORT continued to introduce high-quality games and applications, adds diversity of content and virtual experiences to the Infinity content library, and continues to optimize the developer platform interface of VIVEPORT, maintaining steady user growth.

In order to allow more users to enjoy more immersive experiences in different situations, VIVEPORT cooperated with the technology start-up company Holoride to transform the monotonous driving process into an interesting immersive experience. Passengers can experience Holoride’s “flexible content” during the driving process and match with the vehicle’s movement. Therefore, the game experience can be adjusted based on the actual route length and type, driving style, location, and creating more possibilities for in-car entertainment.

VIVEPORT also partnered with China Mobile MIGU to establish a joint marketplace, leveraging both parties’ strengths in content and technology to create a platform for pan-entertainment VR that is both large-scale and high-quality, video and interactive immersive content. The joint marketplace and VIVEPORT’s content ecosystem can reach VR hardware and software manufacturers and end-users in China through China Mobile’s channels and also cooperate with well-known IP manufacturers around the world to gather more content application developers.

In part of adapting to new standards, VIVEPORT leads the industry by adding support for GSXR (General Standard for XR). GSXR is an XR interoperability standard proposed and jointly promoted by China Mobile and other industry partners. With the support of GSXR, VIVEPORT will be able to attract more developers to list more diverse content on the VIVEPORT platform.

In terms of content and IP, VIVEPORT and BANDAI NAMCO Pictures (BNP) co-created *BIRDIE WING - The Story of a Golf Girl* episode 1 was released in April 2022, and episode 2 was set to be released in April 2023. This work is the first animated IP invested by VIVERSE and received positive reviews after its release. VIVEPORT will release a series of related content products based on this IP in 2023, which is an important milestone in the VIVERSE strategy.

In 2022, at the Mobile World Congress (MWC), HTC unveiled its latest metaverse platform VIVERSE for the first time. Since its launch of the VIVE in 2015, HTC’s VIVE Reality vision is to achieve ultimate integration of technology and humanity, unleashing people’s boundless imagination. VIVERSE is the next chapter to realize this vision by creating a new world that is full of learning, creating, exploring, training, and entertainment, enabling the realization of the VIVE Reality vision. VIVERSE is an immersive, boundless new world made up of hardware, software, and content. VIVERSE adheres to open and expandable standards, creating more open and universal applications for businesses or individual users.

In order to provide a richer and more complete experience journey for VIVERSE, in 2022, HTC has partnered with strategic partners to achieve the following:

In terms of open standards, VIVERSE has formed the “Metaverse Standards Forum” with metaverse heavyweights such as Meta, Microsoft, Qualcomm, Sony Interactive Entertainment, Epic Games, etc. This forum aims to establish industry development standards, making the digital worlds of each company interoperable. Through the unified standards, it will help to realize the standardization of metaverse-related hardware and applications, and will promote the further development of business opportunities. The manufacturers that participated in the formulation of the standards can also better seize the opportunity. In addition, VIVERSE has also joined the VRM Consortium, which is responsible for formulating avatar standards and is composed of 13 Japanese companies including pixiv. At the same time, the VRM Consortium and VIVERSE will work together to promote the development of avatar standards.

In terms of platform features, VIVERSE has partnered with pixiv, Japan’s largest illustration exchange platform, to provide users with the ability to share illustrations, comics, and novels through the use of the 3D character modeling software “VRoid Studio.” This allows users to customize their virtual character’s (Avatar) hairstyle, face, body, clothing, and more, enabling them to express their creativity and imagination within the VIVERSE platform. Additionally, VIVERSE has also partnered with Sketchfab, a world-renowned 3D asset platform, to allow users to directly browse over one million freely-available 3D models. This partnership opens a vast 3D asset library for creators on VIVERSE and significantly expands their opportunities for creative self-expression within the metaverse.

In terms of digital asset NFTs, VIVERSE has partnered with renowned Japanese artist Mr. Shu Yamamoto to launch *Step into Cat Art*, which offers digital collectible NFTs related to the “Cat Museum,” including works such as *Cat Cathedral* and *Creating Cats*. VIVERSE has also partnered with the Minghua Theater Troupe and famous Taiwanese cartoonist Wei Tsung-cheng to launch *Minghua Theater Troupe Pirate King NFT Limited Edition Card Pack*, which transforms traditional “operetta” art into NFTs and preserve them permanently. Furthermore, VIVERSE announced a collaboration with public television, launching 12 limited-edition *Monster Fruit School* NFTs, allowing classic characters from “Monster Fruit School” to coexist in the metaverse and promoting the exchange between different generations and Taiwan’s creative works. Finally, VIVERSE is also collaborating with ZombieClub, a strategy alliance led by Shawn Yue, to provide a new Web 3.0 metaverse experience and launching *AWAKEN* metaverse NFT album with the iconic Cantonese singer.

In terms of virtual events, VIVERSE has not only partnered with famous artist FAMEME to launch the first FAMEME VIVERSE work *FAMETAVERSE*, but also collaborated with many creators from different fields to curate and showcase their creative works within the metaverse, turning VIVERSE into a new and innovative platform for creative works to be presented in multiple forms. VIVERSE also collaborated with Chinese singer Jeric Chan to allow fans to transform into virtual avatars and enjoy his real-life music and music videos within the metaverse, experiencing the creative possibilities of the integration of virtual and real worlds. Additionally, VIVERSE also partnered with Chivas Regal and Asian brand ambassador Lisa to hold their first virtual world event “Regal Planet,” allowing users and fans to create custom avatars and meet K-pop idols within the Regal Planet.

In terms of famous exhibitions, VIVERSE has partnered with the Kaohsiung City Government to create the “LOG ING- Logging into the Metaverse” special exhibition as part of the Taiwan Design Exhibition, using visual, content, and haptic technology to guide visitors through the current development and imagined future of the metaverse. VIVE Arts also partnered with Art Basel to showcase new virtual reality works by artists Albert Oehlen and Tseng Wu at the Basel Exhibition Center, while also featuring interviews and live streaming within VIVERSE, allowing audiences unable to attend the exhibition to learn about the new creative techniques of these two artists remotely.

In terms of enterprise partners, VIVERSE announced a partnership with CTBC Bank and Far Eastern Int’l Bank to provide financial services within the metaverse. CTBC Bank will target customers who have logged into the metaverse, combining gaming and learning to launch the first activity within VIVERSE, integrating financial services into the metaverse space and continuously creating a new form of interactive experience.

In the fashion and trends industry, VIVERSE announced a collaboration with fashion platform ELLE to create ELLEverse, exciting stepping stone and launching of fashion metaverse spaces, fashion shows, and exclusive collaborations within VIVERSE. Users will be able to use ELLEverse’s exclusive fashion accessories within VIVERSE, and VIVERSE and ELLEverse will also partner with celebrities to create exclusive Avatars, providing more interesting possibilities and committed to creating the most fashionable and attractive aspect of the metaverse.

For telecommunications partners, VIVERSE has reached a close strategic partnership agreement with Taiwan’s telecommunications triumvirate - Chunghwa Telecom, Taiwan Mobile and Far EasTone Telecommunications - to build special high-quality metaverse contents, and bring innovative activities and business opportunities to users. VIVERSE also partnered with United Arab Emirates Telecommunications Group e& for an all-around cooperation, creating “e& Universe” using VIVERSE’s advanced technology, marking a revolutionary moment in the history of metaverse development. e& and VIVERSE will bring consumers an infinite world of possibilities, and unprecedented rich experiences.

G REIGNS

G REIGNS continues to invest efforts to the 5G private network industry with the O-RAN architecture; with leading industry technology. It is committed to the optimization and integration of 5G private networks, and at the same time strengthens and innovates the connection between the virtual and the real world.

G REIGNS launched the Reign Core portable 5G private network, the purpose is to quickly and painlessly allow enterprises to import 5G private networks, and it only takes 30 minutes to deploy a private 5G network. Its advantage is to lower the threshold for digital transformation for enterprises. With the simplest structure and the most efficient cost, with 5G private network the enterprises can conduct field demonstrations.

Not only the portable series, depends on different customization, G REIGNS is more focused on the project, with the design capabilities of communication software for more than 20 years. This capability let the 5G private network optimize the software and hardware network and integrate the test with high reliability, retain the scalability of expansion, so that after the demonstration, enterprises can carry out expansion planning according to long-term needs, so as to promote the ecological development of the 5G private network industry.

HTC Smart Devices

Announced June 2022, HTC Desire 20 pro is designed for immersive experiences in a world where the physical, digital, and virtual interconnect. With the capacity to run or obtain 2D and 3D content on extended reality (XR) devices, HTC Desire 22 pro is the easiest route to VIVERSE while offering an outstanding smartphone experience with an impressive cinematic display, excellent performance, and AI-assisted cameras.

Unlock endless possibilities with optimized performance and connectivity to 5G, Wi-Fi, and Bluetooth, which make virtual navigation fast and easy. Visit metaverse communities in VIVERSE using a browser or pair HTC Desire 22 pro with VIVE Flow to explore them in VR. With screen casting, you can access your mobile apps while immersed and stream media in a private cinema experience.

Desire 22 pro’s crisp 1080 x 2412 resolution and smooth 120 Hz refresh rate present images, videos, and games in stunning clarity. Enjoy a rich view of the metaverse without a VR headset using VIVERSE, your gateway to cross-platform collaborations, virtual events, entertainment, and more.

Enjoy improved CPU performance and faster graphics rendering with the Qualcomm Snapdragon 695 5G. The 4520 mAh battery powers a wide range of VIVERSE experience and more, offering fast charging, wireless charging, and even reverse charging for your VIVE Flow or other connected devices, so the switch between realities can be seamless.

Capture stunning detail anytime, anywhere with the 64 MP main, 13 MP ultrawide, and 5 MP depth-sensing back cameras or the 32 MP front-facing camera. Add cinematic flair to different life moments with features like video stabilization, night mode, and 120 fps slow motion. 5G connectivity and a powerful core make uploading, livestreaming, and editing captured content a breeze.

VIVE Mars CamTrack

The world of Virtual Production welcomed HTC’s Vive Mars with open arms as it addressed widespread pain points by expediting setup times, portability, and simplicity of use for Camera Tracking in Virtual Production. VIVE Mars CamTrack allows for the physical camera to be integrated into a virtual world created with Unreal Engine. A process that previously took hours has now been reduced to mere minutes with a lightning-speed setup time. Actors who previously had to imagine what their virtual setting would look like after a lengthy post-production process can now interact with their virtual backdrop in real-time, making for a more entertaining, realistic performance. The VIVE Mars CamTrack’s Early Bird Program launched in April of 2022 and, by August, the CamTrack was officially available to the general public. In such a short amount of time over 200 studios globally have used the VIVE Mars CamTrack. Having already expedited the workflows for plenty of studios, we look forward to continuing to revolutionize the virtual production process with the VIVE.

VIVE Arts

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

In 2021, VIVE Arts Limited is officially established with a new brand identity and an online art trading platform. VIVE Arts continued to play a crucial role in this sector by offering museums and cultural institutions the tools to engage with their audiences using immersive technology.

VIVE Arts had an amazing and productive 2022 collaborating on long-standing as well as new partnerships with world leading culture institutions to co-produce one-of-a-kind immersive experiences. VIVE Arts launched four major partnership projects this year. Starting in April 2022 and in collaboration with Serpentine Galleries in London, VIVE Arts launched its second VR commission with renowned French artist Dominique Gonzalez-Foerster: *Alienarium*. In the same month, VIVE Arts returned to La Biennale di Venezia as part of the 59th International Art Exhibition. Continuing HTC’s support of the previous Venice Biennale, VIVE Arts was invited by curator Cecilia Armani to present a Special Project by award-winning artist and filmmaker, Wu Tsang. *Of Whales* is a large-scale film and sound installation developed utilizing game engine technology, namely Unity, and staged on a 16-meter LED screen in the historic Arsenale.

Following two previous presentations as VR partner in 2018 and 2019 at Art Basel Hong Kong, in June 2022, VIVE Arts debuted at Art Basel in Basel with two VR works from renowned artists Albert Oehlen and Wu Tsang, entitled *Basement Drawing*, and *A mighty mass emerges* respectively. To conclude institutional partnerships for 2022, VIVE Arts was delighted to partner with the Triennale di Milano to present its first ever VR exploration titled *1923: Past Futures* at the 23rd International Exhibition, *Unknown Unknowns: An Introduction to Mysteries*.

Simultaneously, VIVE Arts has been further developing and strengthening its business model by collaborating with partners to license and distribute various immersive digital content, including two major large-scale location-based virtual reality experiences, *Horizon of Khufu* and *Eternal Notre-Dame* produced by French production company Emissive. VIVE Arts also partnered with Backlight and Blanca Li Company to tour *Le Bal de Paris*, a unique immersive mixed reality theatre performance, which will launch in Taipei in early 2023. In addition, VIVE Arts is in discussion with many exhibition companies across the Greater China Area and APEC region to secure opportunities and establish the initiative as a thought leader in the art and technology sector and thus further amplify VIVE and VIVERSE.

In 2021, VIVE Arts launched its NFT Marketplace for all forms of digital art, combining industry leading expertise in metaverse technologies with a range of bespoke services. In October 2022, the platform launched *Metaverse Avatar*, a unique collection of NFT artworks by emerging and established Chinese artists, curated by the HK-based art collective Screen Art. In December 2022, VIVE Arts launched *Head in the Clouds*, the first digital collectible (NFT) project by London-based Icelandic artist Kristjana S. Williams. The project features three NFT collections: unique editions generated from three core artworks, *Heart of Nature*, *Contemplating Skeleton* and *Drifting Skeleton*. This is the second collaboration between VIVE Arts and Kristjana S. Williams, following their work together on A Curious Game of Croquet, a VR experience that was presented as part of the Victoria & Albert Museum’s 2021 blockbuster exhibition *Alice: Curiouser and Curiouser*. The works presented in the collections offer a range of artistic interpretations on the concept of virtual identity in the ever-evolving metaverse space and position VIVE Arts as an innovator and help to establish a community in the Web 3 space.

Looking to 2023 and beyond, immersive digital art experiences are quickly becoming the most popular and important genre in the cultural sector. Apart from XR technology, blockchain and Web 3.0. technology have made a great impact in the art world and will continue shaping the future of how we see art. VIVE Arts is well-positioned to continue to offer innovative and inspiring exhibitions to people around the world, in partnership with the most influential artists and cultural institutions.

VIVE ORIGINALS

A content brand and platform under HTC VIVE, HTC VIVE ORIGINALS is devoted to producing original XR content and develop metaverse platform with core technologies including volumetric capture, blockchain, and XR to explore the development of film, arts, music, and the metaverse industries to achieve the brand’s goal of “creating entertainment experiences with cultural value in the virtual world for people.”

Since its foundation in 2016, the team has created eleven projects: six VR 360° films (*The Deserted* and *5x1* composed of five episodes) winning 3 major awards and nominated at 43 international film festivals, followed by the immersive animation *Gloomy Eyes* winning 2 major awards and nominated at 6 international film festivals. Moreover, the interactive VR work *INORI* and *An Ode to Moss* were also highly recognized and were nominated at 5 international film festivals; Asia’s first dough figurine stop-motion VR animation *The Sick Rose* was also selected to 8 different international film festivals, and received recognition at SXSW together with “BEATDAY - The Beginning - Mini VR Concert.” The team continues to work on new XR interactive content, including the *Fang-Yi Sheu biography volumetric VR film*, which is supported by Taiwan Creative Content Agency (TAICCA), and *The Sick Rose: AR Pop-up Story Book*.

VIVE ORIGINALS realizes profits through new business models such as the broadcast authorization of cross-domain content and exhibition and art collection transactions. For example, the Museum of National Taipei University of Education and the Sao Paulo Taiwan Film Festival were authorized to broadcast *The Deserted*. We are actively striving to cooperate with government in technology application investment, in order to expand market size and develop industrial value. The VR work *Prayer* in collaboration with Miwa Komatsu was released in 20 digital editions, which sold out in 2022.

The holographic metaverse entertainment platform “BEATDAY” has launched a series of activities, including the metaverse beta test concert with Amazing Show, The Rappers, and Shi Shi. The first metaverse NFT Zombie Party in history, NFT “ZombieClub,” was held in collaboration with GQ and Shawn Yue. In addition, we managed to enter the commercial market with the Lala Hsu Metaverse Concert, and achieved a good record of selling out the first concert.

Moreover, the “BEATDAY” platform also launched the world’s first metaverse immersive drama *Light the Night 2700: Little Red Riding Hood Killing Song*, which is the first attempt to use volumetric capture technology to shoot dramas and holographically record the wonderful performances of actors, creating a new metaverse drama mode. For this project, we set up a “Light the Night 5G volumetric photography experience station” at the Linsen North Road. Users will be able to use the mobile app that combines

location-based services and augmented reality (AR) to virtually visit Taipei neighborhoods and look for clues and limited-edition virtual treasures, providing users with a comprehensive entertainment experience.

“BEATDAY” also created a metaverse advertising agency model by inviting brand owners to join BEATDAY and build a metaverse concept store, which pioneers a business model that integrates virtual reality with advertising spaces in virtual street scenes, providing customers with exclusive custom virtual props to jointly create digital innovation feedback and marketing models.

DeepQ

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

Disease Control Butler (DCB)

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

During the COVID-19 pandemic period, DCB can effectively deliver important pandemic information to the public in real time, enhance the public’s awareness of pandemic prevention, and deepen the relationship and trust between the public and the government. In 2022, DCB continued to optimize natural language processing questions and answers, as well as flu vaccine promotion. As of the end of December 2011, the user number of DCB has reached 10.43 million, effectively assisting the NHCC’s policy to deliver to the public.

Taiwan V-Watch – COVID-19 Vaccination Report System

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

People only need to scan the exclusive QR code of “Taiwan V-Watch” at the vaccination site, and they can easily join the health report tracking system. The DCB reminds people to report their daily symptoms

through regular LINE push broadcasts, and also based on the content of people’s reports to give appropriate care and response in the most approachable way, so that the public can easily track their health and also help the CDC to study the post-vaccination response to COVID-19.

In March 2022, Taiwan V-Watch responds to the rapid changes in the pandemic situation and cooperates with the government’s pandemic prevention policy. It released a new feature of filling in vaccine doses and labels for minors, and allowing parents to fill in their children’s vaccination records and health status to assist CDC in the vaccination responses and related analysis reported by this group.

“Dr. Lan” Healthcare Linebot of Changhua Christian Hospital

In January 2019, HTC DeepQ Healthcare cooperated Changhua Christian Hospital to launch the Linebot of “Dr. Lan”. Dr. Lan is the first AI and blockchain healthcare chatbot across 10 hospitals in Taiwan. It strengthens the information security of inter-hospital care network through the medical blockchain technology. One-click activation of 10 hospitals to provide comprehensive care for upgrading the quality and experience of the whole healthcare process in patient journey.

The outbreak of COVID-19 in February 2020, ”Dr. Lan” provides telemedicine consultation service to home quarantined people. After seeing a doctor, the family member of the patient can bring their health insurance card to the “drive-thru” counter outside the hospital to pick up medicines without entering the hospital.

In June 2021, National Health Insurance Administration to open telemedicine during the severe pandemic period. The Linebot of “Dr. Lan” upgraded the telemedicine again. The doctor can continually stay in the original consultation room to see patients by on-site, video or telephone consultation, to provide the public with a choice of multiple consultation methods.

“Chi-Yi Butler” Healthcare Linebot of Chi-Mei Hospital

In June 2022, HTC DeepQ cooperated with Chi-Mei Hospital to launch “Chi-Yi Butlert” healthcare linebot, which provides the public with more convenient quick access to medical services in various branches of Chi Mei Hospital, including appointment registration, consultation progress query, consultation reminder, COVID-19 vaccine appointment and self-paid PCR test, medication delivery progress, medication refilling appointment, appointment for visiting a sick, emergency messages, etc.

DeepQ AI Platform

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

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

In 2022, the version will be updated successfully, adding functions of model deployment and backstage management, model optimization and retraining, and training and inference insight reporting functions, which not only help doctors improve and optimize model training by themselves, but also accelerate applications of model deployment.

Medical VR

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

3D Organon is the world’s first virtual reality anatomy teaching application, combining leading technologies of the VIVE series of head-mounted displays, including XR Elite. to create Extended Reality (XR) and A forward-looking application for global multiplayer connections. The application supports 16 languages around the world, built-in more than 12,000 realistic human structures and organs, 550 sets of physiological animations, 18 microscopic anatomical models, combined with virtual reality stereoscopic images, users can manipulate bones in 3D space, muscles, blood vessels, organs, and other anatomical structures, examining structures from all angles. Not only does it support virtual reality platforms, but it also supports different operating systems across platforms. It has also launched a new VR ultrasound simulator training function this year, greatly enhancing students’ learning interests and effectiveness.

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

Virti can improve learning confidence, 75% training effect, save 40% training time, and prolong memory by 230% compared to traditional teaching methods. We have teamed up with partner Virti to expand the successful model of the HTC VR workshop to the global market and other vertical field applications, receiving continuous positive feedback from the market.

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

5.1.2 Industry Overview

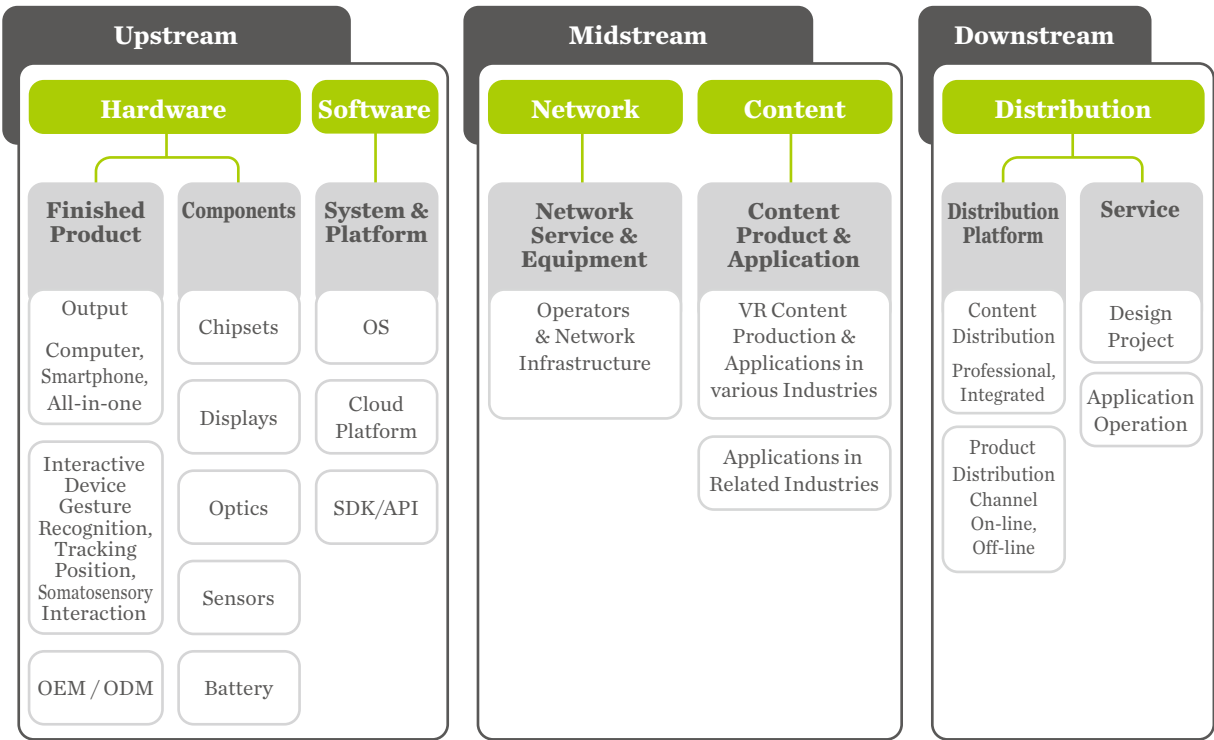
Virtual Reality

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

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

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

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



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

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

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

Another major development direction of VR is to develop useful applications for professional use. From the perspective of the currently known application industries, medical and architectural professional

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

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

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

Since more tech firms and hardware manufacturers are also actively entering (or reentering) the VR industry, headsets and platforms have more market competitions. To make VR headsets more lightweight, comfortable, and stylish, more VR brand are adopting pancake lenses in their latest products, such as Quest Pro from Meta and the new HTC product — VIVE XR Elite.

The on-going experience of the global pandemic since 2020 has greatly accelerated the digitization of almost all activities, which is also simultaneously enriching the Metaverse concept and realizing different use cases for a digital virtual world. Thus, people see 2021 as the first year of the Metaverse. The Metaverse is widely regarded as an “always-live” and persistent virtual ecosystem where people can meet, interact, socialize, work, learn, and play games. These systems will also have to meet the data demands of millions, billions of people. And that’s where blockchain and cryptocurrencies come in. The Metaverse will be built on the foundation of blockchain technologies, and cryptocurrencies will enable its economy. This means that Blockchain and NFTs will play a vital role in the Metaverse, providing verifiable, undisputed ownership of characters, in-game items, or even virtual real estate.

To realize social, gaming, shopping, office, and educational scenes in virtual space, immersion, low latency, and being unbound by space are three essential elements. Advanced high-performance communication networks will play an important role. In fact, since the development of 5G, all sectors have regarded immersive and virtual-reality technologies and services as key applications that complement 5G communication technologies. Therefore, the continuous development and improvement of 5G wireless communication technologies will lay a solid foundation for realizing the Metaverse.

With the rise of the Metaverse topic, telecommunication operators have found new hope. According to research by Ericsson AB’s Consumer & Industry Lab, if telecommunications operators can successfully launch innovative applications and services that support the Metaverse on 5G communication infrastructure, their revenues have the potential to increase by one-third. By 2030, global telecommunications operators could obtain revenue of up to \$712 billion, truly realizing the monetization of 5G investments. Although it is not possible to accurately estimate how many Metaverse applications will occur, it is expected that early Metaverse applications such as advanced augmented and immersive media services will account for 40% of the 5G application service market by 2030.

There are now many examples of Metaverse applications, which are spreading and being used in many fields by combining 3D/XR, blockchain, Digital Twin, 5G, and other technologies. These applications can be divided into two parts: those aimed at the general public and those aimed at institutions.

In the section aimed at the general public, the main areas include entertainment, cities, and retail applications. In the entertainment field, it is mainly based on the large audience base of game socialization. From the direction of adding activities and creating worlds, it opens up the appearance of the Metaverse, and then attracts industries other than entertainment, it is highly malleable, and the content generation ecology is also the key to its development. such as Sandbox to create digital assets, earn while playing P2E as entry points to develop. In the development of twin cities, it is mainly based on government support or leadership, and the content mainly aims to promote social mobility, promote tourism and public services and other transformations, and gradually expand various industry services. It also has high malleability, such as Japan’s promotion of virtual Shibuya, which is a classic city example of the Metaverse. Finally, in the retail application, it focuses on linking consumer attention through NFT, 3D/XR, and other technologies, and creating innovative services such as post-epidemic digital transformation, experience economy, innovative marketing, and OMO. For example, Isetan Mitsukoshi’s twin department store, which provides social, pet care, salesperson services, and product guidance. Metaverse applications in the field of general public have high malleability, and its development depends on the content generation ecology and user-facing it is based on, with different development directions according to demand.

On the other hand, in the institutional sector, the prototype of the metaverse is mainly used for educational, office and industrial applications. In the field of education, the popularity of educational metaverse applications is gradually increasing due to the impact of the pandemic. Many people hope to have a more immersive, deeper experience and to break away from traditional educational models, such as Labster’s scenario-based science, which allows students to experience safe experiments and realistic learning in a metaverse environment. In the field of office, in order to meet the needs of different stages and situations of enterprises, the ability to integrate virtual and physical tools as well as the “virtual + physical” hybrid working mode will become an important option for future work. Such as Gather’s virtual office service, which uses office scenarios to provide video conferencing, whiteboard collaboration, and space adjustments. Finally, in industrial applications, digital twins are an important trend in industrial transformation, which has entered the stage of market deployment in recent years and can be considered as the foundation of the future industrial metaverse. For example, Siemens’ introduction of industrial twins mechanisms helps production ends to collect, simulate and optimize various devices and production






efficiency. These institutional applications will help improve work, learning, and production efficiency and bring more innovation and immersive experiences to people.

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

HTC has always been committed to making the future life better and actively promoting the VIVE Reality vision through the integration of technology and humanity, to create a better metaverse experience.

5G and Smart Devices

Figure Communication Technology Evolution

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

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

Recently the sales growth of the smartphone sector has slowed, partly due to the maturation and standardization of the hardware functions found on mobile phones, and partly due to developed markets

including Europe and the United States have reached a saturation point, leading to longer life cycles and slower replacement rates for all mobile phone products.

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

Smartphone market continued paying attention on 5G topic in 2021, while countries recovering back to 5G infrastructure, mobile processor manufacturers roll out low-end and middle-end processors, global 5G smartphone penetrate rate rapidly raised to around 40%. It was estimated that 5G smartphone will have larger scope than 4G smartphone to be the mainstream of the market in 2022. In 2022, 5G communication continued to become a market trend, prompting the continuous roll out of 5G network construction in various countries and resulting in a 5G mobile phone penetration rate of over 50%. Looking forward to 2023, the penetration rate of 5G mobile phones is expected to exceed 60%. Among them, mobile phones supporting Sub-6 GHz 5G are still the mainstream. It is worth noting that the growth rate of 5G users is higher than the growth rate of 5G mobile phone sales, indicating that the killer application of 5G mobile phones has not yet appeared, coupled with the reduction in the number of major innovations in mobile phone specifications and the longer average replacement cycle for consumers.

5.1.3 Progress in Research & Development

Virtual Reality

VIVE XR Elite, as the most awarded VR headset of CES® 2023, combines Mixed Reality (MR) and Virtual Reality (VR) capabilities into one compact, lightweight, powerful and highly versatile device – perfect for gaming, fitness, productivity and more.

The visual impact is sharp with a wide 110 FOV, 4K resolution which results in a crisp image all running on a smooth 90Hz refresh rate. VIVE XR Elite includes a full color RGB passthrough camera, and hand-tracking, which enables a whole new dimension of MR scenarios. With four wide FOV cameras, exceptional 6DoF spatial accuracy, a depth sensor, hand-tracking and capacitive sensing for your finger movements on the controllers, developers have lots of options to incorporate in VR and MR content for accurate movement to enhance your overall experience.

VIVE XR Elite can be connected easily to a PC via USB-C to access PCVR content from VIVEPORT and Steam and supports wireless PC streaming over WiFi or the latest generation - WiFi 6E with low latency and great graphics.

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

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

As a flagship-level standalone device, the **VIVE Focus 3** offers total solutions for commercial VR activities; powered by Qualcomm’s updated Snapdragon™ XR2 platform that features stunning performance, it provides an optimum immersive experience and an outstanding wearing experience. The VIVE Focus 3 stores all tracking data in the headset’s encrypted partition (on-device end), as opposed to any cloud storage spaces to protect users’ privacy.

Featuring an industry-leading 5K resolution, a 90Hz refresh rate, a wide 120-degree field of view (FOV) closest to human eyes and RGB sub-pixel display, the VIVE Focus 3 offers optimum visual immersion to an extent.

The VIVE Focus 3 is equipped with a new directional speaker that has a pair of built-in drivers, rendering a life-like and immersive audio effect. Its open-back audio design allows users to immerse themselves in the VR world while being alerted to external sounds. Its distinctively directional audio frequency design can reduce sound leakage. This minimizes the risk that the neighboring person would hear the voice when a meeting is conducted and so ensures privacy.

VIVE Wrist Tracker, a new lightweight and versatile VR Tracker from VIVE, designed for our award-winning VIVE Focus 3. VIVE Wrist Tracker is 85% smaller than a VIVE Focus 3 controller, and 50% lighter at just 63g. It is also intuitive to use, with a simple one-button pairing feature to connect wirelessly to VIVE Focus 3, and can easily be worn on the wrist or attached to objects so they can be tracked in 3D space. VIVE Wrist Tracker delivers up to four hours of constant use, with an LED indicator to show you the battery status, and is charged via USB-C connector.

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

The new **VIVE Focus 3 Facial Tracker** makes it easy for users to naturally convey their emotions – and read others’ intentions – in real time. Its mono tracking camera captures expressions through 38

blend shapes across the lips, jaw, cheeks, chin, teeth, and tongue to precisely capture true-to-life facial expressions and mouth movements on avatars. With a 60Hz tracking rate and optimized runtime for facial tracking, users can synchronize lips to voice with minimal latency and enjoy lifelike interactions in high fidelity.

The dual camera setup with supporting IR illuminators on **VIVE Focus 3 Eye Tracker** is capable of capturing data for gaze origin and direction, pupil size and position, and eye openness, opening new avenues for research, gaze control, and more natural interactions. Bringing realistic eye movements and blinks to virtual avatars delivers true-to-life virtual collaboration and improves human connections in VR through expressive, non-verbal interactions and makes implementing gaze control easy. Eye tracking also enables foveated rendering, so the headset can intelligently allocate GPU workload and optimize graphic fidelity in the user’s line of sight - reducing rendering workloads on GPUs.

In **Location based software suite** (LBE) Mode, VIVE Focus 3 can scale up single-tracking areas up to 1,000 m2 (33m x 30m) — about the size of 4 adjacent tennis courts — while maintaining smooth, free-roaming, inside-out 6DoF tracking with sub-millimetre accuracy. And the game space can be a tailored, from simple rectangular spaces through to irregular shapes with cutouts and alcoves.

Map Sharing, co-location made easy. Multiple users, one map. Share a headset’s room setup map with multiple headsets to achieve instant multiuser experiences where users can see and interact with each other in the same physical and virtual environment. Map Sharing not only eliminates the need to perform a room setup for each headset individually, but also saves time and resources-allowing for simple, quick, and scalable deployment.

Scale up user rotation with **Visual Odometry (VO) mode**. This makes it super-simple to get users straight into the VR experience. VO is the process of determining the position and orientation of a headset through headset-captured images while the headset is in use. VO Mode allows users to bypass the environment setup process so they can jump right into 6DoF experiences as soon as they put on their headsets. Quickly deploy LBE or VR-based training programs in different environments instantaneously.

Simulator VR Mode is a unique 6DoF VR solution for motion platform experiences such as cars, training simulators, and amusement park rides. A fixed VIVE Focus 3 controller or VIVE Wrist Tracker is used to convert a 3DoF environment into a 6DoF experience, providing more natural interactions that help prevent motion sickness. The capability to track in low-light environments makes Simulator VR Mode perfect for closed-cabin training simulators and movie theaters alike.

Marker-based tracking, similar to QR codes, ArUco codes are easily reproducible visual trackers that provide unique ID points and extra position information to VR headsets in real time. ArUco codes can provide additional tracking points to reduce positional drift, and they can act as unique markers to align virtual scenes and assets with real-world environments for more immersive experiences. With ArUco markers, Vive Focus 3 headset can instantly detect and align the coordination in a shared space . Marker-based location sharing is ideal for eliminating the typical cumbersome setup processes involved with multiuser VR experiences.

VIVE Business Streaming (VBS) vastly improves the wireless capabilities for VIVE Focus 3. Dedicated IP configuration is now supported, and multiple headsets can be used on the same network – with support for Wi-Fi 5, Wi-Fi 6, and Wi-Fi 6E. Both hand tracking and the new VIVE Wrist Tracker are natively supported in VBS. With the VBS, VIVE Focus 3 hand tracking now works with PC-VR applications, supporting both OpenVR Skeletal Input and the OpenXR Hand Tracking API. This means that VIVE Wrist Tracker’s advanced hand tracking is compatible with the majority of PC-VR content that uses hand tracking, including SteamVR Home and The Lab.* VBS also allows VIVE Wrist Trackers to be used like a VIVE Tracker, so you’ll be able to use them to track objects similar to how you would with a VIVE Tracker (3.0).

VIVERSE

The technology for the research and development of the VIVERSE platform currently covers three main parts: Avatar, Market, and World.

In the process of using VIVERSE, users first create an avatar. Users can take a selfie to generate a virtual headshot, use a cartoon or realistic design, or even shape a unique avatar through personalized accessories. After that, users can explore various virtual worlds in VIVERSE through the avatar. The Avatar service is built based on the VRM open standard, which allows users to easily create a avatar and change various clothing, hairstyles, body shapes, and facial features. Users can also download VRM models from other websites and use them in the VIVERSE platform. Meanwhile, the Avatar also supports users to input body movements, eye tracking, gesture operation, etc through wearable devices.

In addition to allowing users to use Avatar to explore and visit virtual worlds in VIVERSE, users can also communicate with text, voice, and body movements with other users in the World, or watch video streams with friends. VIVERSE is a service built based on WebXR technology, and users can directly use the service via browser on devices like smartphones, tablets, PCs, VR, and so on. In VIVERSE, all scenes and objects can be bound to NFT digital assets. Users can import digital assets into the virtual world and showcase their digital collection.

The launch of the Market allows global users to easily enter the NFT world, and enjoy the most user-friendly and intuitive shopping process and unique game-like features. Users can purchase NFT digital collectibles without the need to understand blockchain, and the shopping experience is similar to online shopping, convenient and fast. The purchased NFTs can be used freely on the VIVERSE platform, and for users who use blockchain applications, they can transfer it to their cryptocurrency wallet and use it on other platforms. Currently, the Market digital asset mall supports the ERC721 standard of Ethereum and Polygon blockchain. The Market not only provides direct purchase ways, but also introduces NFT blind box mechanism and will open up auction feature in the future.

5G and Smart Devices

The 5G private network solution provided by G REIGNS can be combined with multiple applications, such as live broadcast, co-performance in different places, smart manufacturing, remote control, etc. In 2022, G REIGNS has successfully integrated the virtual reality (8 virtual reality users at the same time, we are the leader in this field) and AGV (4 remote driving vehicles at the same time) with 5G private network. We will continue to cooperate with world-renowned software and hardware companies to create a cloud-based end-to-end 5G private network solution. Quickly build a 5G private network through a suitcase-sized device, allowing enterprises and specific activities to use the 5G network more flexibly with low cost, so as to meet real-time video surveillance, multi-person connection, XR, 4K, 8K video and video traffic Application scenarios, simulation training, remote education and training, collaborative product design, etc., create multiple commercial solutions.

For large fields, a one-to-multible RU architecture is provided to improve coverage, so that the network environment of large fields can be applied at high speed, large bandwidth, and low latency.

Outdoor venues also provide high-power base station configurations, this could make large outdoor venues to also enjoy high-quality 5G network environments. Emerging technology applications such as self-driving cars and traffic monitoring of smart transportation continue to optimize the industrial advantages of Taiwanese companies through the verification of various scenarios and the implementation of technologies.

In order to optimize the Internet of Things, it provides the ability to maintain a low latency of 9ms for multiple terminals. Operational data can be extracted on demand to minimize downtime, cut operating costs, increase productivity and solve maintenance issues.

HTC continues to cultivate the smartphone market. In June 2022, it launched the world’s first smartphone to be deeply integrated and applied to the metaverse platform VIVERSE: the HTC Desire 22 Pro. It is optimized for virtual reality devices and is fully compatible with the immersive VIVE Flow VR Glasses to display applications. With more than 20 years of leading technology and advantages in mobile communication and VR virtual reality, HTC opens the door to the metaverse for consumers through smartphones, which are an inseparable part of everyone’s daily life.

Healthcare

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

In September 2017, HTC DeepQ Healthcare cooperated with the CDC in Taiwan to develop the “LINE @ chatbot - Disease Control Butler (DCB).” The chatbot was upgraded to Version 2.0 to extend counseling

services in 2018. In addition to the infectious diseases that users often suffer at home, users can also consult the DCB before going abroad to learn about local epidemics and related epidemic prevention information. In May 2019, Disease Control Butler (DCB) was upgraded to version 3.0, which provides vaccination consultation and reminders for pregnant women and infants. As long as the parent enters the child’s birth date, the DCB will actively provide infant vaccination information to help calculate the vaccination day, health assessment before vaccination, inquiries at nearby vaccination institutions, vaccination reminders, etc. If you have any health education questions, you can ask him directly. In 2020, in response to the COVID-19 pandemic, DCB was upgraded to provide the most instant news of COVID-19, and related pandemic prevention information, quickly check the stock of masks for nearby pharmacies, decrees or health education propaganda, NHCC (National Health Command Center) news, and COVID-19 press conference live online, fake news clarification area, etc. In March 2021, HTC DeepQ cooperated with the CDC to build a new service “Taiwan V-Watch Vaccination Report System”, to track whether people have adverse reactions after being vaccinated against COVID-19, so that people can use the DCB to easily report the health status after vaccination. In May 2021, the LineBot of DCB added the function of 1922 SMS Contact Tracing System. The public can use the LineBot of DCB to scan the QR code of the store for automatically bringing in the place code, and then send it to 1922 to complete the user location and contact information tracing. It will assist the CDC investigation of COVID-19 infection. During the COVID-19 pandemic period, DCB can effectively deliver important pandemic information to the public in real time, enhance the public’s awareness of pandemic prevention, and deepen the relationship and trust between the public and the government. In 2022, DCB continued to optimize natural language processing questions and answers, as well as flu vaccine promotion. As of the end of December 2011, the user number of DCB has reached 10.43 million, effectively assisting the NHCC’s policy to deliver to the public.

In May 2018, “DeepQ AI Platform” launched to dramatically reduce learning thresholds and the cost of AI model training through an acceleration technology and system, optimized training environment, built-in multiple AI models, fully automated parameter adjustments, and a simple user interface. It is composed of DeepQ AIP workstation and NVIDIA DGX-1 and designed to operate inside a hospital IT environment. In September 2019, it began to be promoted and sold to hospitals in Taiwan. DeepQ AI Platform is easy to learn and use, and can complete tasks that used to take ten weeks in three days. It allows doctors to train AI model to interpret medical images without the coding ability and deep learning program design. It is used in medical AI model training applications. It is a brand new design concept “DaaD (Doctor as a Developer)”. In 2020, it has been successfully sold to the medical centers in Taiwan. Doctors can develop AI models according to clinical needs from workflow for clinical research or workflow improvement. In 2021, the cloud version of “DeepQ AI Platform” launched to provide individual doctors or a small number of project teams to easily complete AI model development without investing high hardware costs. In 2022, the version will be updated successfully, adding functions of model deployment and backstage management, model optimization and retraining, and training and inference insight reporting functions, which not only help doctors improve and optimize model training by themselves, but also accelerate applications of model deployment.

In January 2019, HTC DeepQ Healthcare cooperated Changhua Christian Hospital to launch the Linebot of “Dr. Lan”. Dr. Lan is the first AI and blockchain healthcare chatbot across 10 hospitals in Taiwan. It

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

In June 2022, HTC DeepQ cooperated with Chi-Mei Hospital to launch “Chi-Yi Butlert” healthcare linebot, which provides the public with more convenient quick access to medical services in various branches of Chi Mei Hospital, including appointment registration, consultation progress query, consultation reminder, COVID-19 vaccine appointment and self-paid PCR test, medication delivery progress, medication refilling appointment, appointment for visiting a sick, emergency messages, etc.

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

In addition to cooperating with global medical virtual reality developers, such as 3D Organon virtual reality anatomy teaching, Virti VR immersive learning platform, Nanome VR computer-aided drug design system, etc., and developed a variety of objective structured clinical tests (Objective Structured Clinical Examination, OSCE) applications, such as foot therapy, P3 laboratory personal protective equipment training, pharmacist dispensing, hemodialysis accident simulation, basic life-saving training, traditional Chinese medicine acupuncture, and other VR simulation training, in addition to accelerating related vertical applications, it also cultivates the ability of schools and hospitals to create self-made VR teaching plans, and integrate VR teaching materials into training. , enhance students’ interest and effectiveness in

learning, and expand teachers’ teaching energy. Through HTC Medical VR, hospitals and schools have held several lesson plan design and production workshops, leading students to familiarize themselves with VR technology, select themes, design lesson plans, actually shoot and produce, and publish the results. When the teaching unit can make its own VR lesson plans, VR technology is truly rooted in teaching training. At present, it has cooperated with many medical centers, teaching hospitals, and medical universities to develop a variety of VR teaching materials, which can improve the training effect and prolong memory time.

Research & development expenditures

R&D Expenditures in Recent Years

Item	Unit: NT\$ millions		
	2021	2022	2023 Q1
Worldwide R&D Expenditures	2,256	2,356	636
Percentage of Worldwide Revenue	43%	53%	65%

5.1.4 Business Development

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

HTC’s pioneering work on the metaverse, from the soundness of our investments in the fundamental building block technologies of VR/AR, AI, 5G and blockchain over the last eight years, to the ability of our more autonomous and focused businesses to execute our strategy, has placed us firmly on the map of key metaverse players, as recognised by global analyst firms as well as within the industry and media, with HTC earning Fast Company acclaim as one of the most innovative augmented and virtual reality companies of 2022.

To ensure the metaverse meets its full potential, HTC is strongly promoting open standards and privacy by design, as well as closer collaboration with partners – including thousands of content developers – to support interoperability, and in 2022 joined the Metaverse Standards Forum to further promulgate our vision, as well as the VRM Consortium for formulating avatar standards.

Across the spectrum of HTC’s portfolio, HTC’s premium products continue to garner high acclaim across media, the industry and customers, with the VIVE Pro 2 gaining a CES innovation award amongst many others in 2022, while the VIVE XR Elite launched in early 2023 earned considerable consumer acclaim and multiple ‘best in show’ awards at Mobile World Congress. Ensuring our businesses maintain such high standards for quality, design and functionality remains a key focus for HTC as the parent company, as well as continuing to drive process optimization, targeted investment, and efficient resource allocation.

5.2 Markets and Sales Overview

5.2.1 Market Analysis

Virtual Reality

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

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

The report conducted by Grand View Research, Virtual Reality Market Size, Share & Trends Analysis Report 2022 – 2030, indicates that the global virtual reality market size is expected to expand at a compound annual growth rate (CAGR) of 15.0% from USD 28.42 billion in 2022 to USD 87.00 billion in 2030. The head-mounted display (HMD) is expected to dominate the market during the forecast period among all device segments. The gesture-tracking device (GTD) segment, which includes sensors, processors, VR projectors, large-screen displays, and multiple projection systems, is expected to register the fastest CAGR of 17.4% among all device segments in the coming years.

Over 2022-2030, the report revealed that there will be a rapid growth at 17.0% CAGR for software segment (e.g., Training, simulation tools, gamification), mainly attributed to the ability of collecting data and feedbacks from the software.

With more cutting-edge technologies and products released in the market, VR will keep growing and integrating deeper into every aspect of people’s daily lives in the coming years.

In terms of software and platform, from the technology map currently covered by the Meta Universe platform, it can be divided into several parts such as multi-application scenarios, experience design and services, space simulation and perception, intelligent devices and interfaces, cloud-based services, and decentralized services. These parts include many innovative technologies and advanced methods such as blockchain technology, WebXR, VR/AR, 3D modeling and rendering, virtual artificial intelligence and so on.

If we analyze the Meta Universe platform from the perspective of centralization and decentralization, we can see that the development of different platforms has obvious differences. Centralized platforms focus on building a single platform to attract all users, while decentralized platforms provide more autonomy and choice for users.

In the centralized Meta Universe platform, Meta sees Meta Universe as a new generation of 3D socializing, entertainment and working fields. It hopes to successfully transform into a “Meta Universe Company” by expanding the VR hardware market while developing application software and platform services. The goal is to attract all users to settle in a single platform, and make Meta Universe a part of everyone’s life. While Roblox primarily targets “school-aged children” as users and creates a “mass creation” space through easy-to-use “development engine/editor tools”, building an interactive platform that is suitable for learning, working, entertainment, creation, shopping and socializing.

However, on the decentralized Meta Universe platform, users will have more autonomy and more options. For example, Decentraland is a decentralized virtual world platform that allows users to rent or purchase virtual land and create virtual content, and ensures the permanence and uniqueness of content through decentralized blockchain technology. On a decentralized platform, users will have more control and choice and can achieve economic value through the holding and trading of virtual land. On the other hand, Sandbox is a decentralized NFT game based on Ethereum, where players can use Sandbox to create, sell, purchase, and monetize NFTs in virtual and real-world scenes, achieving the effect of earning while playing. These types of decentralized platforms not only give users more control and choice but also can achieve economic value and benefits.

HTC’s strategy in the development of Meta Universe is to adopt a flexible, both-hardware-and-software strategy. In terms of hardware, from VR glasses, to VIVE headsets of different generations, to the launch of Meta Universe smartphones, through a parallel strategy, it aims to meet the needs of different users. In terms of software, it is from VIVEPORT VR app store, to VIVE Wave all-in-one ecosystem, to the VIVERSE Meta Universe platform launched in 2022, it aims to build the Meta Universe infrastructure and key system functions in a steady and pragmatic way, and with an open architecture, to embrace various vendors in the Meta Universe, expecting to make the global Meta Universe ecosystem more robust and developed.

VIVERSE, the Metaverse platform, has the following characteristics when facing global Metaverse platform vendors:

- (1) Open standards and interoperability: Based on WebXR/OpenXR standards, utilizing blockchain, universal 3D models, and virtual avatars to promote an open, accessible, and compatible environment, and cooperate with global content and platform vendors.
- (2) Support for multiple platform hardware devices: VIVERSE uses a Hybrid App and web-based platform architecture, supports multiple platform hardware devices, allowing users to access services using smartphones, tablets, PCs, or VR devices and expand cooperation with other hardware vendors.
- (3) Friendly content economy: VIVERSE supports both Web2 and Web3 models, with a creator economy concept, supports multiple payment methods to continuously provide a friendly development environment for Metaverse content.
- (4) Security and privacy: VIVERSE platform introduces privacy and security design review processes to ensure that products and services comply with privacy protection and information security requirements, and meet the needs of both consumers and enterprise users.

5G and Smart Devices

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

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

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

5.2.2 Product Marketing

Virtual Reality

HTC was established in 1997, and began marketing its own brand of “HTC” smartphones globally in 2007, successfully transitioning from being an original equipment manufacturer (OEM) to managing its own brand. Starting in 2014, we observed that the smartphone market had entered a stage of intense competition, prompting us to undergo another transformation by leveraging our existing culture of innovation and operating models, leading to us developing technologies related to metaverse and cultivating a relevant ecosystem.

In terms of hardware, HTC VIVE builds up a complete ecosystem and presents diverse VR devices for different markets. VIVE launched 5K high-resolution PCVR device VIVE Pro 2 and all-in-one device VIVE Focus 3 for commercial market, as well as compact immersive VR glasses VIVE Flow for consumer market, letting consumers to join metaverse easily. With its outstanding capability in hardware and software design, HTC has won 160 top innovative product awards globally. Featuring a stunning 5K high-resolution display and a wide 120-degree field of view (FOV), the VIVE Pro 2 delivers visual effects that are excellently smooth, detailed and crystal clear, and was named a CES® 2022 Innovation Awards Honoree.

Right after CES 2022, HTC VIVE demo new and unique VR experiences at the indicative event of innovation, creative content and cross-field, South By Southwest 2022 (SXSW 2022). At the event, HTC showcased four topics of VR VR entertainment, health, gaming, and human interaction, broadening its portfolio in the VR industry and driving innovation through its partnerships with MyndVR and holoride.

HTC VIVE and its partner MyndVR, the leading provider of VR solutions for senior care, bring innovation into the growing VR healthcare market and provide a brand-new long-term care for the seniors, helping them overcome social isolation and loneliness. MyndConnect™ helps the seniors by virtually connecting them with remote family members and friends and share real-time VR experiences in the metaverse leveraging the immersive VR glasses — VIVE Flow and the award-winning all-in-one device — VIVE Focus 3.

At SXSW 2022, HTC VIVE showcased the revolutionary in-car entertainment system developed by the entertainment startup holoride during a joyride around the city of Austin. Equipped with Pioneer’s Pack, the system was implemented in designated Audi car models in mid-November, upgrading the passenger cabin into an immersive VR space where passengers can enjoy a range of games and applications. It simultaneously integrates real-time driving data to provide more flexible and interactive media content. This dynamic virtual space can transform a daily car ride into a never-before-seen entertainment experience. The lightweight and easy-to-wear VIVE Flow immersive VR glasses are the perfect travel companion for passengers. By combining the technologies of holoride and Audi, passengers can easily enjoy different entertainment during their journey, allowing them to play games, watch movies, and TV shows at any time.

In addition, HTC VIVE launched Eye Tracker and Facial Tracker designed for VIVE Pro 2 in 2021. Its mono tracking camera captures expressions through 38 blend shapes across the lips, jaw, cheeks, chin, teeth, and tongue to precisely capture true-to-life facial expressions and mouth movements on avatars. The benefits of facial tracking are vast, improving soft skills in presentation coaching, customer service management, training, and more. In addition to facial and eye expressions, VIVE Tracker captures full-body movement precisely, making it easy for users to naturally convey their emotions – and read others’ intentions – in real time.

In 2022, we launched Eye Tracker and Facial Tracker for all-in-one VR VIVE Focus 3, bringing a new dimension to human interactions in all-in-one VR devices ecosystem. With a 60Hz tracking rate and optimized runtime for facial tracking, users can synchronize lips to voice with minimal latency and enjoy lifelike interactions in high fidelity. VIVE Focus 3 Facial Tracker setup is easy, as the module seamlessly connects to VIVE Focus 3 headsets through the built-in USB Type-C port with no need for add-ons or adaptors.

The dual camera setup with supporting IR illuminators on VIVE Focus 3 Eye Tracker is capable of capturing data for gaze origin and direction, pupil size and position, and eye openness. The lightweight module easily attaches magnetically to VIVE Focus 3 without impacting the headset’s balanced ergonomics, and the existing VIVE Focus 3 adjustable IPD works uninterrupted to help users find their viewing sweet spot.

VIVE Focus 3 comes with rich professional VR hardware and software ecosystem. The three compatible accessories VIVE Focus 3 Eye Tracker, VIVE Focus 3 Facial Tracker, and VIVE Focus 3 Wrist Tracker provide flexibility for businesses when building immersive VR content and functions.

HTC has always adhered to its original intention along the way. Whether in terms of hardware devices or software applications, it has always been committed to developing products that make consumers feel novel and new, and hopes to expand the global and domestic virtual reality ecosystem. HTC VIVE’s mission is to combine innovative technologies with customer needs and expectations to unleash boundless imaginations to improve people’s lives. HTC VIVE is committed to designing top-notch headsets that meet customers’ needs while providing professional software, platforms, and services to create the world’s best immersive experience. Helping businesses face today’s critical challenges while enabling quick and easy access to VR.

In view of this, HTC VIVE launched a brand-new consumer flagship all-in-one device, combining Mixed Reality (MR) and Virtual Reality (VR) capabilities — VIVE XR Elite at CES 2023, receiving excellent review from media including CNN, CNET etc. and awarded Best of CES 2023. This made in Taiwan XR device — VIVE XR Elite combines the features popular with VIVE Focus and VIVE Flow customers, and includes a full-color high-resolution RGB passthrough camera and hand tracking, enabling a whole new dimension of MR scenarios. This can include playing games where the characters are running on your furniture, having real-time overlays on musical instruments like a piano so you can learn, and even having the ultimate workstation with multiple virtual screens while still being able to use your real-world keyboard and mouse.

HTC’s determines to continue to create a new era of XR application. VIVE XR Elite is a highly versatile device. VIVE XR Elite can be connected easily to a PC via USB-C to access PCVR content from VIVEPORT and Steam and supports wireless PC streaming over Wi-Fi or the latest generation - Wi-Fi 6E with low latency and great graphics. You can even stream content wirelessly from a compatible Android phone to VIVE XR Elite, which opens a whole new world of entertainment. In the headset, you’ll enjoy viewing on your own personal cinema screen of 300 inches. That includes content from services like Netflix and Disney+ or games like Fortnite, and you can even connect a Bluetooth controller to your phone for a full gaming experience.

VIVE XR Elite marks HTC VIVE’s continued commitment towards corporate social responsibility. Its environment-first packaging is 99.9% paper, made from 99% recycled materials, and is 100% recyclable.

As the virtual reality ecosystem develops and matures, technology education has become the key to talent development in the new era. HTC understands its responsibilities as a global virtual reality innovation design leader and should contribute to the future education environment in Taiwan and the world. Through the “VIVE X Accelerator Program”, HTC provides high-quality development partner resources, technology, and guidance to explore together the infinite possibilities of XR technology in the field of education. The global virtual reality industry is developing at an unimaginable speed. The epidemic has accelerated digital transformation and business model transformation, creating a demand trend for a large number of XR talents and content production. To consolidate Taiwan’s XR talents and achieve sustainable development, it is necessary to cultivate from the start with talents, expand XR core technology and take root. Therefore, HTC continues to use industry-university cooperation programs and holds “Metaverse Innovative Teaching Camp” in various regions in Taiwan to enable teachers and students to understand metaverse, promote cross-device application, and reduce digital gap.

Furthermore, HTC has established a comprehensive metaverse teaching platform that assists teachers in lesson preparation, teaching, and sharing learning resources. In the future, this platform may even cater to students in remote areas, and allow more teachers to participate in the VIVERSE open platform to create diverse learning content together. By introducing students in Taiwan to virtual reality in basic education, and collaborating with leading universities in teacher education to cultivate innovative VR teaching experiences, HTC aims to implement innovative VR teaching in elementary and middle schools across the country.

In November 2022, Discovery Channel invited HTC to share our insights on how the post-pandemic era has inspired the company to deepen our efforts in education through HTC VIVE, and how we have led cultural and educational transformations through technological innovations by creating a platform for sharing learning resources. During the pandemic, face-to-face interactions were severely limited. For students, the inability to attend school in person also raised concerns about decreased learning. The sense of virtual contact of HTC’s Metaverse is the perfect solution, breaking the limitations of reality on creativity. It provides museums, curators, and artists with a new narrative method and creative medium, bringing new interactions and cultural experiences. On the other hand, through the simulated interactions

of avatars, teachers can directly observe and feel the learning behavior of the students, deepening the effects of teaching. Even in the post-pandemic era, it can be used to help teachers provide differentiated guidance more efficiently, opening a new door for learning and taking it to another level.

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

In the same year, HTC VIVE and e& have created a historic moment in the development of the metaverse with the launch of e& Universe, built with VIVERSE technology - introducing a world of possibilities for consumers to enjoy vibrant experiences at every destination. HTC and e& held a signing ceremony at Gitex 2022, announcing their long-term partnership in metaverse ecosystem, and showcased two scenarios. The first demonstration brought audience into an ultramodern future venue. e& universe enables users at the event and people at home to log in via a wide range of devices including smartphones, tablets, PCs and VR, and explore the exhibition virtually and interact. Secondly, e& showcased e& universe’s personal spaces which can be customized with artwork, and users can gather together to watch sports or films, as well as host social events. Using VIVERSE’s technology means it’s easy to create immersive social experiences which can run on a wide range of devices, with impressive graphics, with privacy and security at its core.

Following the successful deployment of several partner projects, VIVERSE offers Platform As A Service features with the launch of the versatile and customizable VIVERSE for Business” at MWC 2023. It has traditionally been challenging for an organization to build its own immersive virtual space, but with VIVERSE for Business, companies can choose from pre-made building blocks, allowing for easy, modular designs covering everything from Avatar Design and Communication Functions, through to the look and feel of the space itself. At Mobile World Congress 2023, VIVERSE and our partner Cityscape demonstrated how this modular approach means that organizations can choose the size and style of their virtual space, and then add branding effortlessly. Modules include Common Spaces, Reception Space, Showroom Space, Team Space, Meeting Space, and Auditorium Space, to choose and build from. Businesses can also customize spaces with their own branding. VIVERSE for Business is built to be accessed by employees and customers on a range of devices, including; smartphone, tablet, desktop PC, laptop PC, or XR device.

HTC is demonstrating the breadth and depth of our innovation across the building block technologies that have always underpinned our VIVERSE vision. Through vivid simulation, people are able to enjoy the benefit of remote collaboration, training, and selling opportunities, and create a new world full of learning, creativity, exploration, training, and entertainment.

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

VIVELAND

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

In order to domestic development of 5G and contribute to Taiwan’s future 5G hardware and software industry, in 2021, we cooperated with the Kaohsiung City Government to jointly promote the development of Kaohsiung’s 5G and XR innovative applications, and build VIVELAND into a 5G private network experimental field. In April the first experimental field of 5G SA private network and edge cloud VR solution in Kaohsiung VIVELAND was officially opened to the public. HTC and the Kaohsiung City Government work together to build the Asian New Bay Area into an important technology industry development settlement in southern Taiwan, promoting local prosperity and creating jobs in the country.

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

VIVE ORIGINALS

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

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

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

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

In 2020, HTC VIVE ORIGINALS began to venture into curating and actualized its aim of “creating entertainment experiences with cultural value in the virtual world for people” by collaborating with Ambassador Theatres at the Spring Center in Taipei to build a commercial VR theatre, leading to the first physical landing of *Venice VR Expanded* of the Venice Film Festival in Taipei. Besides, it took part in Taiwan Creative Content Fest (TCCF) by curating a two-day international forum. Outstanding domestic

and foreign speakers were invited to share on technology innovation and application, along with the screening of two original works by the team: *An Ode to Moss: Musical Wander* and *Curious Alice*.

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

In 2022, “BEATDAY” collaborated with GQ and Shawn Yue on the NFT “ZombieClub” to hold the first BEATDAY metaverse “NFT Zombie Party” in history. Furthermore, “BEATDAY” launched the world’s first login method to link “ZombieClub” NFT with a virtual wallet and Discord, which immediately set a record with thousands of people simultaneously partying in the Metaverse. “BEATDAY” invited Golden Melody Award-winner Shi Shi to spend Valentine’s Day with fans online, which focused on community functions such as adding friends and voice calls and successfully started conversations among fans. Lala Hsu’s first metaverse concert after the Golden Melody Awards broke through the framework of traditional online concerts and realized the ultimate imagination of fans about the metaverse. It has been highly praised by the entertainment industry and holds a record for ticket sales at a debut concert. “BEATDAY” also launched the world’s first immersive drama *Light the Night 2700: Little Red Riding Hood Killing Song*. The story unfolds in the virtual Linsen North Block in six hundred years time. It is the first immersive experience combining “drama,” “game” and “music” in the metaverse, integrating ten cross-industry processes, including animation, concert, volumetric photography, 3D motion capture, film and television production, stage play, gaming, mobile apps, 5G technology, and mobile positioning offline services. We invited the new generation singer-songwriter Julia Wu to sing three original songs, giving the audience a concert that combines plot and puzzle game elements, which greatly upgraded the sensory enjoyment of the metaverse.

VIVE Arts

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

doing so, VIVE Arts’ mission addresses a diverse, global audience and contributes to the knowledge and enjoyment of our cultural heritage.

For instance, in 2019 VIVE Art formed a groundbreaking partnership with Musée du Louvre in Paris; the most visited museum in the world with 10.2 million visitors per year to present the Museum’s first VR experience, *Mona Lisa: Beyond the Glass*. An extended home version is available on VIVEPORT and all other major VR and mobile VR platforms, making the content accessible to the maximum number of audience possible. Reigniting the Renaissance spirit of innovation across art and technology in today’s context, this extraordinary partnership and exhibition generated enthusiastic responses across global media, including *The New York Times*, BBC, *Wall Street Journal*, *Financial Times*, *Guardian*, *The Times*, and *Art Newspaper*, and further established VIVE Arts’ position as the most visible industry leader in art and technology.

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

In 2022, VIVE Arts explored iterative ways of working, supporting Wu Tsang’s work at La Biennale di Venezia’s 59th International Art Exhibition *The Milk of Dreams* which received the highest number of visitors in its 127 year history and then reimagining the digital installation as a VR work presented in the VIVE Flow at Art Basel in Basel. VIVE Arts continues to serve as a pioneer and thought leader in the digital art space, engaging new audiences by commissioning leading contemporary artists to create groundbreaking artworks using the latest technologies. In 2021, VIVE Arts launched a new NFT art trading platform as part of the VIVERSE ecosystem. The platform is designed to bridge the art world and crypto space; supporting artists to integrate XR and blockchain technology in their practice and to build a strong and loyal community of artists and collectors. The inaugural NFT collection, *Timeless Mucha*, was a limited edition NFT collection of iconic artworks by Alphonse Mucha (1860 - 1939) developed in partnership with the Mucha Foundation. Through the launch of NFT collection ‘*Head in the Clouds*‘ by Kristjana S. Williams in 2022, VIVE Arts is making its mark in the Web3 space, quickly expanding its communities on Discord and Twitter.

Over the past five years, VIVE Arts has pioneered the use of immersive technologies in the art and culture sector, inspiring boundary-pushing artists, creators and leading international institutions to use immersive and blockchain technologies for the first time, creating ground-breaking digital artworks and experiences. Building on HTC’s long-standing commitment to arts and culture, VIVE Arts develops digital

innovation projects which bring new dimensions to artistic practice and preserve the world’s heritage and culture, offering new ways to engage and extend access to wider audiences.

VIVE Arts is building a rich ecosystem that supports its community and amplifies creativity and experimentation, bringing all forms of digital art to audiences through international exhibitions, art world events and digital first approaches, including its own NFT platform and other parts of the VIVERSE ecosystem.

5G and Smart Device

5G is the next generation of Radio Access Technology with features such as large capacity, high data transmitting speed, low latency and enhanced network stability. These features have opened up new opportunities for smart factories, smart ports, smart remote controls, IoT networks, cloud industries among other new applications. The introduction of 5G is also seen as the key technology to the transition of markets and industries in the next few years. HTC’s achievements in 5G, XR and AI areas are widely recognized across the globe. In recent years, HTC has also shown our solid know-how regarding the 5G system integration. Not only did we focus the 5G O-RAN power within the country, we also reached out to innovative companies with our key technologies to develop 5G application solutions together.

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

In 2022, G REIGNS, a subsidiary focusing on 5G total solution of HTC, has participated in the Mobile World Congress 2022 and exhibited REIGN Core, the latest portable 5G Mobile Local Network solution developed jointly with Lumen Technologies. REIGN Core’s core design aims to work seamlessly with Open RAN and allows it the ability to be paired with a variety of hardware components, such as equipment from Supermicro and Lumen Technologies and achieve its goal: creating 5G Local Network solutions, through buiding a lite-version of 5G Mobile Local Network in less than 30 minutes, providing corporations with convenient and cost-effective 5G Local Network applications. This high-mobility, versatile and flexible 5G solution is suitable for exhibition, presentation, education, various development scenarios among other purposes.

This year in MWC 2023, G REIGNS launched a brand new private 5G solution to market, called REIGN CORE S2. Smaller, faster, and with an even larger 5G coverage area of 10,000 square meters, REIGN CORE S2 is built to O-RAN standards and is highly portable for easy deployment in offices, pop-up spaces, warehouses, and more. REIGN CORE S2 was being used at HTC’s MWC booth to transmit real-time video from the VIVE Mars CamTrack x VIVE Originals demo, in high-definition and exquisite detail.

HTC G REIGNS aims to provide enterprises with high-value, flexible, scalable, and secure 5G technology applications. We are committed to introducing advanced wireless technology into the market in response to the arrival of next-generation mobile network infrastructure and edge applications. We are actively establishing ecosystem partnerships for 5G, edge computing, artificial intelligence, and machine learning, incorporating innovation into the development of 5G digital transformations. In the future, we will focus on applications such as smart factories, ultra-low latency networks, the Internet of Things, and smart cities, bringing about an efficiency revolution for different industries.

To establish Taiwan’s competitiveness in the 5G industry and seize opportunities in both the domestic and international 5G markets, HTC G REIGNS has been actively collaborating with Taiwanese and American network operators through the Taiwan-US Technology Trade and Investment Cooperation Framework (TTIC) since last year. We are also utilizing the advantages of Taiwan’s semiconductor and ICT industries to form a national alliance for 5G, integrating domestic 5G ORAN (Open Radio Access Network) solutions to make Taiwan the most reliable and high-quality partner in the global 5G supply chain.

Based on this, in December 2022, the Industrial Development Bureau of the Ministry of Economic Affairs led a delegation of 10 network communication companies, including HTC, to participate in the “US-Taiwan Image Exhibition” in the United States. The exhibition received high international attention. During the exhibition, HTC signed a memorandum of cooperation with US-based Lumen Technologies to combine HTC’s portable 5G open network solution and AR/VR technology with Lumen Technologies’ edge remote computing technology and propose 5G application solutions in education, smart healthcare, entertainment and other fields, thereby helping both parties expand into the US market.

Following that, in March 2023, a technology cooperation memorandum was signed with the Industrial Development Bureau of the Ministry of Economic Affairs, the American Institute in Taiwan, the National Telecommunications and Information Administration, and the Open RAN Policy Coalition as witnesses. The cooperation agreement includes integrating DeepSig’s OmniPHY® 5G software into G REIGNS’ 5G private network solution, as well as providing closer collaboration on AI-driven virtualized radio access network (vRAN) to accelerate the development of new network business opportunities in the next generation of networks under the Taiwan-US cooperation.

In addition, with the development potential of the global 5G commercial market, HTC has partnered with Microsoft Taiwan to launch a domestic cloud-native 5G enterprise private network solution, providing an opportunity for post-pandemic industry upgrades. This will assist global enterprises in maximizing the development of 5G and edge networks, as well as realizing the diversification of VR and AR applications. Microsoft and HTC’s collaboration to build an efficient 5G enterprise private network solution will accelerate the deployment of 5G smart applications in enterprises. Since joining the “Taiwan 5G AIoT Innovation Park Promotion Program” in Kaohsiung in 2020, HTC has promoted various 5G innovative services for 5G AIoT, smart factories, remote collaboration, live performances, and more. The 5G field trial solution set up at the VIVELAND virtual reality park in Kaohsiung combines HTC’s 5G enterprise private network solution with Azure for Operators, a solution specifically designed by Microsoft for telecommunications operators. It provides over 60 virtualized network functions (VNFs) and cloud-native

network functions (CNFs) virtual networks, and through Microsoft’s secure and compliant data centers, the HTC 5G enterprise private network solution is deployed globally.

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

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

In mid-2022, HTC announces the release of its first-ever “Metaverse Smartphone,” the Desire 22 pro, enabling users to enter HTC’s “VIVERSE” ecosystem. The 5G smartphone supports wireless and reverse wireless charging, and has an IP67 rating for dust and water resistance and is perfectly compatible with immersive VR glasses — VIVE Flow, unleashing the full possibility to explore virtual world. It is the most convenient and indispensable device to enter metaverse.

With over 20 years of accumulated leading technologies and advantages in mobile communications and virtual reality, HTC opens the door to the Metaverse for consumers through their smartphones, which are now indispensable in daily life. The HTC Desire 22 pro can be said to be the first step in combining mobile phones with Metaverse applications and introducing the combination in the global mass consumer market. To facilitate users’ quick access to the innovative Web 3.0 Metaverse experience, the HTC Desire 22 pro comes with pre-loaded VIVERSE-related applications:

- VIVERSE, which provides quick access to the Metaverse, allows users to trade digital assets and create various shared virtual spaces through Market and World.
- VIVE Avatar, which makes it easy to create virtual avatars, supports VRM standards for full-body avatars. Users can freely participate in various virtual events and experiences, such as art exhibitions, concerts, business meetings, and more, using their customized virtual avatars in VIVERSE.
- VIVE Wallet, which provides secure and easy management of personal virtual assets, allows users to store their digital assets in VIVE Wallet and purchase NFTs directly from VIVE Market. In the future, the Wallet can also be used as a digital pass for VIVERSE, giving users control over their own digital assets.
- VIVE App, which is perfectly integrated with VIVE Flow. Through the above-mentioned VIVERSE-related applications, consumers can easily enter the Metaverse using their most familiar smart mobile devices, create their own exclusive worlds, and even explore and trade digital assets including Ethereum and Polygon cryptocurrencies.

During the HTC Desire 22 pro launch event, HTC announced its collaboration with the Kaohsiung and Taoyuan city governments, financial and banking institutions, the three major telecom companies, Taiwan’s arts and cultural institutions, and multiple creators to jointly create the VIVERSE Metaverse world, providing a new Web 3.0 Metaverse experience and creating a new world where people can communicate, play, and learn. We also aim to provide a consumer shopping and economic model comparable to the real world.



The HTC Desire 22 pro is powered by a Qualcomm Snapdragon 695 5G chip, and has 8GB of RAM and 128GB of storage. It has FHD 6.6-inch display with a 1,080 x 2,412 pixel resolution and a 120 Hz refresh rate, brining users vivid video and gaming immersive experiences even without VR headset. In addition, the HTC Desire 22 pro comes with a 4,520mAh battery, supporting wireless and reverse wireless charging, and has an IP67 rating for dust and water resistance, letting gamers to shuttle back and forth between VIVERSE and daily life, co-work and play cross platforms easily and safely.

Continuing its classic design of three-camera system at the back, the HTC Desire 22 pro comes with a 64-megapixel main, 13-megapixel 123° ultrawide, 5-megapixel depth-sensing cameras and 32-megapixel front-facing camera. With seamless integration between the four cameras, the HTC Desire 22 pro features anti-shake dynamic photography, night mode, 120 fps smooth slow motion, and facial recognition unlock functions, providing users with creative and secure features at their fingertips. The HTC Desire 22 pro, with its high performance and great specifications, is an excellent 5G product for consumers in 2022.

Healthcare

In 2022, HTC DeepQ has hold 4 lectures on medical education. More than 100 medical educators and medical practitioners participated to promote how to use the zero-coding “DeepQ AI Platform” for medical imaging model for research and application. In addition, HTC DeepQ has hold the “DeepQ AI Platform” workshop with the AI/medical research and education department of 5 medical centers in Taiwan, attracting more than 100 clinical professionals and researchers to participate, which have promoted AI Platform trial, product quotation and cooperation proposal.

By the end of 2022, DeepQ assisted the users of “DeepQ AI Platform”, Hualien Tzu Chi Hospital to share their product use results at the Taiwan Healthcare+ EXPO, and several medical imaging AI application results were also exhibited at the venue.

HTC Medical VR integrates the resources of the global medical VR ecosystem, cooperates with hospitals and schools, promotes innovative teaching and learning methods, cultivates medical professionals in Taiwan, and improves the quality of medical care. HTC cooperated with British developer partners to introduce the “VR immersive learning platform - Virti” into medical education and patient communication training. The Medical VR team has developed customized VR lesson plans through VR workshops with top hospitals and schools in Taiwan. As of 2022, the team has held 70 workshops and trained over two thousand medical personnel and professors and students to develop over 160 high-quality VR simulations. HTC Medical VR has also collaborated with the School of Nursing at National Yang-Ming Chiao Tung University to write a virtual reality lesson plan design manual, accelerating the sharing of lesson plan experiences. Currently, 7 medical centers are collaborating with HTC Medical VR to hold VR workshops and use them in clinical training lesson development, resulting in outstanding teaching contributions, such as the National Taiwan University Hospital, Taichung Veterans General Hospital, Shin Kong Wu Ho-Su Memorial Hospital, Far Eastern Memorial Hospital, National Yang Ming Chiao Tung University, Taipei Medical University, and Chang Gung University, etc., to develop VR teaching plans for clinical skills training, cross-team integrated care, patient communications, Da Vinci surgery training, neonatal emergency care, anesthesiology, medication dispensing handling, dietitian supervision of meals, chronic disease care, and doctor-patient communication, etc., to improve patient safety and medical quality.

HTC Medical VR and the College of Nursing at Asia University are working together to promote the sustainable development of the SDGs metaverse project by signing the “Intent to Cooperate for the Promotion of the Universe Application” and promoting the cultivation of metaverse-related talents, teaching activities, academic seminars or production-research cooperation. They also jointly established the “Nursing Metaverse Lab” to hold metaverse material development workshops. By introducing innovative application thinking and using the Virti platform, even nurses and students without engineering or design backgrounds can quickly produce custom metaverse materials that provide actual VR experiences, integrating them into nursing teaching courses, making the metaverse a new opportunity for flip education and cultivating more competitive intelligent healthcare talents. This innovative VR learning approach allows students to understand the real situations that will occur in future internship or employment healthcare scenes during their school years, cultivate skills in advance, and prepare and practice before caring patients. At the same time, it cultivates a human-centered empathy and accelerates the learning effect, and permanently inherits the teacher’s experience. In addition to the College of Nursing, it is also promoted to other colleges, and a sustainable development metaverse micro-course is opened. All six colleges and students in Asia University participate, creating a sustainable development VR simulations. At the end of the year, the “Exploring a New Era of Nursing Education: Universe ∞ Sustainable Development SDGs” training and workshop was held to discuss the trend of metaverse and sustainable development SDGs in nursing education development and showcase the results of promoting innovative nursing metaverse education applications. Nurses, teachers, engineers, graduate students, and others from medical institutions, technology care industries, nursing schools, and other nursing supervisors across Taiwan have registered, with a total of 230 people participating in physical and online training, sharing practical experiences, and expanding the results of sustainable development.

Shin Kong Wu Ho-Su Memorial Hospital partners HTC Medical VR to create a VR medical metaverse and solve the challenges of cross-team COVID-19 training during the pandemic. Since 2020, the COVID-19

pandemic has wreaked havoc and Shin Kong Hospital’s education and training courses were forcibly suspended for three months with the spread of the virus and the impact of quarantine policies. Shin Kong Hospital and HTC Medical VR have teamed up to develop multiple VR lesson plans using innovative technology and create a 360-degree virtual cross-team integrated training material. As a result, respiratory therapists and nurses can choose from different perspectives to understand their role and critical care processes in cross-team care. In addition to saving training resources for personal protective equipment during the pandemic, VR technology allows medical professionals in the ICU to complete training in a safe virtual environment before caring for patients, thus improving the quality of medical care in the ICU.

Furthermore, through VR-assisted analysis of learning behavior, clinical decision-making can be improved, and medical professionals can understand their role in the team and the responsibilities of each position, accelerating the training process for cross-team care. Shin Kong Hospital has applied VR medical simulation technology to the COVID-19 ICU team. Over than 50 people have received VR medical training, and compared to traditional physical training, the satisfaction of those trained has been significantly improved to 95%. Their test scores have improved by over 10 points on average.

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

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

Favorable factors for the company’s development prospects

1. The capabilities of R&D innovation and integration

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

2. The Open Architecture Expands Partners

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

3. The rich and diverse application platforms

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

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

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

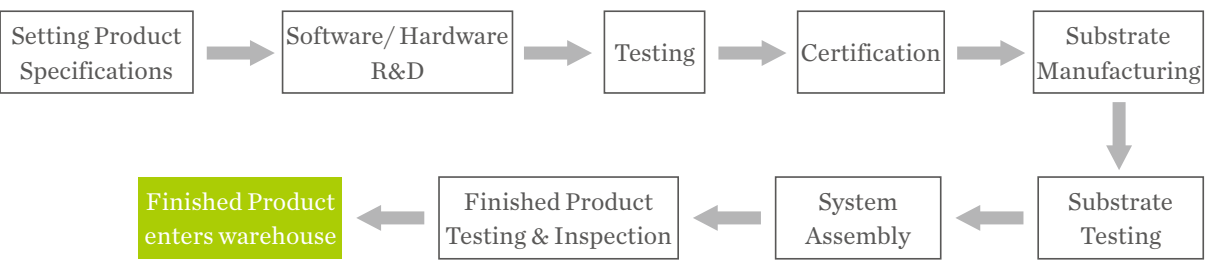
1. More active cooperation with various industries. Promote various 5G and VR/AR - related commercial applications in the enterprise application field, and provide valuable feedback through service and content, so as to accelerate the popularization of 5G networks and drive the development of the overall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

5.2.3 Key Functionalities and Manufacturing Processes for Primary Product Lines

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

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

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



5.2.4 The supply of major materials

Major Material	Supplier
CPU Chips	Qualcomm
Logic IC	TI, Nexperia, VIA
PCB	Unitech, TPT, Career, Unimicron-FPC
Connector	Molex, I-PEX, Panasonic, Hirose
Memory	SK hynix, Samsung, Kioxia, SanDisk
LCD	JDI, Tianma, BOE

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

Major suppliers representing at least 10% of gross purchase

Unit: NT\$ millions

Supplier Code	2021		
	Amount	%	Relation to HTC
Others	3,113	100	None
Total	3,113	100	

Unit: NT\$ millions

Supplier Code	2022		
	Amount	%	Relation to HTC
A	262	13	None
B	236	12	None
Others	1,535	75	None
Total	2,033	100	

Unit: NT\$ millions			
2023 Q1			
Supplier Code	Amount	%	Relation to HTC
A	117	24	None
Others	366	76	None
Total	483	100	

Major customers representing at least 10% of gross revenue

Unit: NT\$ millions			
2021			
Customer Code	Amount	%	Relation to HTC
B	574	11	None
Others	4679	89	None
Total	5,253	100	

Unit: NT\$ millions			
2022			
Customer Code	Amount	%	Relation to HTC
Others	4,409	100	None
Total	4,409	100	

Unit: NT\$ millions			
2023 Q1			
Supplier Code	Amount	%	Relation to HTC
A	125	13	None
Others	850	87	None
Total	975	100	

5.2.6 Production for the Most Recent Two-Year Period

Unit: 1,000 units / NT\$ millions			
2021 (Note)			
	Production Capacity	Production Quantity	Production Value
Virtual Reality, 5G, Smartphones and Connected Devices (accessories)	7,470	438	3,112
Total	7,470	438	3,112

Unit: 1,000 units / NT\$ millions			
2022 (Note)			
	Production Capacity	Production Quantity	Production Value
Virtual Reality, 5G, Smartphones and Connected Devices (accessories)	7,130	336	1,813
Total	7,130	336	1,813

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

5.2.7 Sales for the Most Recent Two-Year Period

Unit: 1,000 units / NT\$ millions				
2021 (Note)				
	Domestic Sales		Export Sales	
	Quantity	Value	Quantity	Value
Virtual Reality, 5G, Smartphones and Connected Devices (accessories)	90	631	940	4,344
Total	90	631	940	4,344

Unit: 1,000 units / NT\$ millions				
2022 (Note)				
	Domestic Sales		Export Sales	
	Quantity	Value	Quantity	Value
Virtual Reality, 5G, Smartphones and Connected Devices (accessories)	37	260	400	3,753
Total	37	260	400	3,753

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

5.3 Statistics Related to the Structure of Human Resources at HTC

		Dec. 31, 2021	Dec. 31, 2022	Mar. 31, 2023
Employee	Direct Labor	515	472	466
	Indirect Labor	1,663	1,701	1,708
	Total	2,178	2,173	2,174
Average Age		38.89	39.45	39.65
Average Year of Service		8.15	8.39	8.54
Education	Ph.D.	2.02%	1.79%	1.84%
	Master's	36.73%	37.92%	38.18%
	Bachelor's/Associate	43.30%	44.09%	43.97%
	Other	17.95%	16.20%	16.01%

5.4 Environmental Protection Expenditures

Smart phones and VR devices are the two major products of HTC. Among our manufacturing process, soldering fumes are our only source of air pollution. There is no wastewater being produced in our process, and only some wastes are produced by certain operations. In order to comply with pollution control regulations and minimize the impact on the environment, we have been allocating a lot of our resources to establish pollution control facilities and appoint a professional organization that has obtained a qualified certificate to operate the sewage treatment plant on its behalf, and is responsible for various pollution prevention and control work. Through training and auditing, we aim to pursue our pollution control policies and achieve our goal of reducing our impact on the environment. In addition to that, we engage the service of a professional technician to do Exposure Risk Assessments and that of a qualified inspection company to do Workplace Inspections for us on a regular basis. We have managed to comply with every regulation in every test half year. Other than being certified by the Occupational Safety and Health Management System ISO 45001: 2018 Edition and the Energy Management System ISO50001: 2018 Edition in 2020, we have also been certified by the Environmental Management System ISO 14001: 2015 Edition and have received a Greenhouse Gas Emissions Verification Announcement of the ISO 14064-1: 2018 Edition. We aim to m achieve the purpose of safe work, effective pollution prevention, effective energy management, energy saving and carbon reduction, and achieve the environmental protection purpose of “Cleaner Production”.

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

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

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

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

Fiscal Year				Expenditures (estimated) Unit: NT\$ thousand
Item	Anticipated Equipment Purchases / Expenditures	Anticipated Benefits		
2022	1. Implementation of energy-saving light fixtures, 2-way time-controlled light fixtures. 2. Introduction of energy-saving air conditioning facilities. 3. Waste water retreatment for landscape irrigation within the campus. 4. Advocating and promotion of water-saving and energy-saving activities. 5. Advocating of garbage classification and resource reuse activities. 6. Greening of campus landscape.	1. Use of energy-saving light fixtures like LEDs to achieve reduction of energy waste and effective saving of power through 2-way time controlled. 2. Air conditioning systems fitted with inverters to save energy. 3. Waste water treatment and then used for landscape irrigation to reduce use of tap water. 4. Advocating kitchens to reach target of water saving through water saving management measures. 5. Advocating and strengthening resource recycling and reuse to reduce environmental pollution from garbage. 6. Campus landscape greening to fight warming and achieve the effect of energy saving.		134
2023	1. Implementation of energy-saving light fixtures, 2-way time-controlled light fixtures. 2. Introduction of energy-saving air conditioning facilities. 3. Waste water retreatment for landscape irrigation within the campus. 4. Advocating and promotion of water-saving and energy-saving activities. 5. Installing faucet sensors. 6. Advocating of garbage classification and resource reuse activities. 7. Greening of campus landscape. 8. Solar panels	1. Use of energy-saving induction light fixtures like LEDs to achieve reduction of energy waste and effective saving of power through 2-way time controlled. 2. Air conditioning systems fitted with inverters to save energy. Replacing old refrigerant-based air conditioning units with chilled water units. 3. Waste water treatment and then used for landscape irrigation to reduce use of tap water. 4. Advocating kitchens to reach target of water saving through water saving management measures. 5. Faucet sensors are installed in public areas, such as toilets and cafeterias, to reduce water waste. 6. Advocating and strengthening resource recycling and reuse to reduce environmental pollution from garbage. 7. Campus landscape greening to fight warming and achieve the effect of energy saving. 8. 180 kW solar power module expansion project		9,500

(Continued)

Fiscal Year			
Item	Anticipated Equipment Purchases / Expenditures	Anticipated Benefits	Expenditures (estimated) Unit: NT\$ thousand
2024	1. Implementation of energy-saving light fixtures, 2-way time-controlled light fixtures. 2. Introduction of energy-saving air conditioning facilities. 3. Waste water retreatment for landscape irrigation within the campus. 4. Advocating and promotion of water-saving and energy-saving activities. 5. Sensor type faucet construction 6. Advocating of garbage classification and resource reuse activities. 7. Greening of campus landscape. 8. Solar panels	1. Use of energy-saving induction light fixtures like LEDs to achieve reduction of energy waste and effective saving of power through 2-way time controlled. 2. Control the temperature of the air conditioning system, install a timer and frequency converter to save energy, and replace old refrigerant-based air conditioning units with chilled water units. 3. Waste water treatment and then used for landscape irrigation to reduce use of tap water. 4. Advocating kitchens and dorms to reach target of water saving through water saving management measures. 5. Install sensor faucets in public areas such as toilets and restaurants to reduce water waste 6. Advocating and strengthening resource recycling and reuse to reduce environmental pollution from garbage. 7. Campus landscape greening to fight warming and achieve the effect of energy saving. 8. 180 kW solar power module expansion project	9,300

(Concluded)

Environmental protection and employee health & occupational safety measures Environmental protection:

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

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

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

Associated procedures include:

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

Employee occupational safety and health:

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

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

Green product research and development:

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

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

5.5 Labor Relations Management

HTC offers employees opportunities to develop professional skills and knowledge; sharpen proactive and positive attitudes toward professional responsibilities; internalize serious and responsible work values; adopt honest and forthright work habits and pursue excellence in all tasks and responsibilities in order

to create an exceptional work environment. We provide our employees with engaging challenges as well as skills / knowledge of value to their career growth. We firmly believe that a positive, energetic work environment boost morale and innovation.

Employee recruitment

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

Employee development

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

In order to help the staff to have sufficient expertise to face the changeable challenges and keep pace with the market, HTC is also offering a series of soft skills courses in 2022, either physically or online, inviting well-known lecturers in the field to strengthen the five core competencies of all employees (Teamwork, Customer Focus, Driving for Result, Planning & Organizing, Communication & Influencing). In the face of fierce global competition and rapid changes in the industrial environment, HTC also actively cultivates talents who can quickly adapt to highly changing environments and have an international perspective, and tailors a series of leadership courses for managers at different levels. The system’s design not only combines the core values of HTC and the strategic direction of organization but also strengthens the three leadership competencies: Leading People, Leading Change, Strategic Thinking & Decision Making. We hope our leaders can continue to lead the growth and development of HTC in the face of difficulties and challenges.

Further, we’ve continued to facilitate the “Thinker Forum”. Globally recognized experts share insights into market trends, the latest technologies, and technology trends, combining with cultural and artistic sensibilities to lead HTC staff to face global technology development and challenges confidently. In January 2022, we invited BSI (The British Standards Institution) Northeast Asia General Manager, Peter Pu, to share “2022 Latest Global Risk Trends - Sustainability Challenges and Opportunities under Technology Development” online, so that more staff can be familiar with this topic and catch up on the necessary trends for HTC to enter the next 25 years.

HTC provides flexible and diverse learning resources such as online learning, online magazines, and other cloud-based learning resources, as well as language training and external training grants to encourage employees to keep growing and pursue their dreams. There have been many restrictions on physical training activities during the past three years due to the pandemic, but HTC still continued to train talents through digital teaching materials, online synchronous courses, external training and on-the-job training., with a total of about NT\$208 million and a total of about 18,507 training hours in 2022.

Employee benefits and employee satisfaction

Comprehensive employee benefits

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

Employee activities

In 2022, as we continue to prioritize the safety and wellbeing of our employees throughout the pandemic, we provide a diverse interface for employees, subsidize and reward employees to participate in community activities, encourage employees to develop sports and leisure interests during leisure time, enhance life experience and improve employee health.

Employee awards

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

As COVID-19 prolonged and swept across the globe in 2022, HTC has complied and followed the information provided by The Central Epidemic Control Center, formulated epidemic prevention management measures, purchased essential epidemic prevention items, and required company employees, visitors, and outsourcing vendors to cooperate with relevant epidemic prevention measures.

Throughout the epidemic prevention period, HTC has strengthened its internal epidemic management. Aside from establishing an epidemic prevention response team, HTC also strictly managed the entry and exit of personnel and the itineraries of personnel on business trips, strengthening sanitation and disinfection of work and public environments, and constantly issued health-related announcements to raise awareness. What’s more, HTC purchased COVID-19 rapid antigen tests for employees, set up screening and care stations in the open area, set up infrared thermometers at the gate and on each floor, implemented elevator crowd control, closed gyms and restaurants (provide lunch boxes instead) when the epidemic is severe, offered Work From Home (WFH) and video conferencing options in lieu of working in office, amongst other epidemic prevention measures to fully protect and safeguard employees’ rights and interests at work in a safe environment.

Employee retention

Specialist retention plan:

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

Long service awards:

Awards are presented at a company-wide ceremony that recognizes employees who have provided with 5-year, 10-year, 15-year, 20-year and 25-year of services.

Internal transfer assistance:

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

Compensation and retirement benefits

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

HTC’s retirement policy has been in place, as required by law, since the company was founded. Starting in November 1999, HTC began to contribute an amount equal to 2 percent of each employee’s salary into the corporate retirement fund. This system was replaced in 2004 when HTC began contributing an amount equal to 8 percent of each employee’s salary into a general labor retirement fund managed by a labor retirement fund supervisory board. With the enactment of the new retirement system on 1 July 2005, employees hired under the previous retirement scheme that opted not to switch to the new retirement system were permitted, with supervisory approval, to adjust the current 8 percent contribution downward to 2 percent. As of May 2022, since the amount of corporate retirement fund already met the minimum requirement, the Ministry of Labor had granted us approval to postpone funding for one year.

Labor negotiations and measures to protect employee rights

HTC is committed to fostering an atmosphere of trust in its labor relations and places great importance on internal communications. Labor relations meetings are convened once every quarter (at least 4 regular meetings per year), with labor represented by 14 elected employee representatives. Meeting minutes are kept to ensure follow-on action and track results. HTC further offers employees various channels through which to submit opinions, suggestions and complaints, which may be delivered via a telephone hotline, e-mail address or physical mail as well as made known through HTC’s regular employee opinion surveys. During the most recent fiscal year and as of the printing date of this annual report, labor relations management have been harmonious with no losses resulting from labor-management conflicts; and no loss of this type is expected in the future.

HTC has established the corporate labor union since 2015. We keep communication with members of the labor union and respect their opinions, and discuss employee feedbacks at labor-management meetings every quarter. As of the end of 2022, the corporate labor union has not proposed any demand for collective agreement.

5.6 Principal Contractual Agreements

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

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

5.7 Management of Information Security

5.7.1 Information security management organization and policy

Risk Management of Personal Information Protection and Information Security HTC strives to protect confidential information and personal information in HTC’s possession which brings benefit and trust to the relationship between HTC and partners, customers, and/or consumers. In order to effectively manage the potential risk of data protection and information security, HTC continuously optimizes the “Privacy Information Management System” and “Information Security Management System”, and keeps promoting

data protection and information security by a privacy and security taskforce which is comprised of Legal, Product Security and Information Security departments.

5.7.2 Adoption and certification of international standards

HTC’s “Privacy Information Management System” is established in compliance with Taiwan Personal Data Protection Act and applicable data protection regulations in other countries (such as EU General Data Protection Regulation, U.S. Children’s Online Privacy Protection Rule, U.S. California Consumer Privacy Act), and in line with the data protection requirements under ISO 27701 Privacy Information Management System HTC Personal Information Management System is implemented across employee awareness training, product design and development, vendor management, and information security incident management. HTC obtained the BS 10012 certification in December 2018 and obtained the ISO 27001 and ISO 27701 certification in August 2021 and August 2022. HTC follows data privacy engineering requirements from the product design phase (including privacy by design and privacy by default) throughout the product development process and implements privacy and security review process (including the Building Security in Maturity Model (BSIMM) methodology) to ensure the products and services are compliant with data protection and information security requirements. Also, HTC offers multiple data subject right request submission channels (depending on the regions where the user is located) for users to exercise his or her rights to access, delete or correct the data in HTC’s possession.

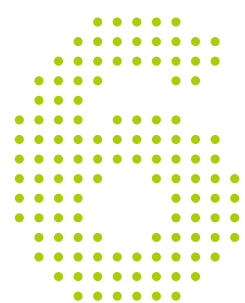
5.7.3 Information security measures in response to COVID-19

In response to potential cybersecurity threats that may arise from working from home during the COVID-19 pandemic outbreak, HTC continues to promote various information security measures, and has established and implement “Work from Home (WFH) Information Security Process”, including remote connection security, remote video conferencing security, remote collaboration tool security, system security, network security, physical security, data security, among others, to strengthen employees’ information security awareness during WFH. HTC also follows the “Guidelines for Real-name Registration Measures” announced by the Central Epidemic Command Center of the government to ensure that the health declaration survey required for epidemic control is conducted in accordance with the specific purposes and categories of personal data stipulated by the Personal Data Protection Act. Personal data is collected and managed by health center professionals who fulfill their responsibility of protecting the data after collection. The personal data usage period is 28 days from the date of collection. The personal data will be deleted at the end of the period.

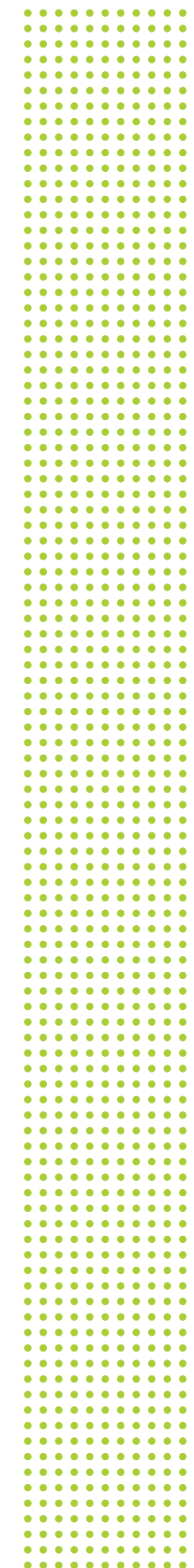
5.7.4 Information security architecture and mechanism

Furthermore, there have been endless cases of ransomware worldwide. In order to fight against ransomware to keep the company’s competitiveness, in addition to complying with ISO 27001 information security management system, implementing daily operation management to ensure information confidentiality, availability, and integrity, HTC has also established security mechanisms such as firewalls, intrusion detection, and anti-virus systems. And all HTC employees must complete the HTC Privacy and Security Awareness Mandatory Training and pass the exam every year (training topic includes: the importance of data protection, important notice on processing of company information, key information security controls, important notice on processing of personal information, vendor assessment, reminders for social media, marketing campaign, information security and data protection, introduction to information security threats, and provision of company’s resources related to data protection and information security). The employees involved in software product planning, development, testing, system administration, operation, and vendor management must also complete the “Product Software Security Process Keynote” and the “Information Protection Guideline” training and exams. As for software product developers and related employees must additionally complete training and exams of Threat Modeling and secure programming guidelines for critical languages. HTC also sends the Privacy and Security Newsletter monthly, which encloses up-to-date information about privacy and security and summaries of HTC privacy and security policies, and topics in 2022 includes HTC WFH Information Security Process, New PHP Information-stealing Malware, notice on policies updates, sharing of regulations related to privacy and security, etc. HTC conducts annual privacy and security audit every year to ensure the effective implementation of management systems and reduce the risk. In addition, HTC requires vendors and partners to comply with applicable regulations related to data protection and HTC privacy and security requirements to mitigate information security and ransomware risk. The assessment on information security controls for vendors and partners is including but not limited to: their information security policy, information security organization, human resource management, communication and operational security, security incident management, business continuity management, physical security, access control, and vulnerability management.

During 2022, HTC has not discovered any significant cyberattack or incident, which had or was likely to have a significant negative impact on company business or operation, nor has it been involved in any legal procedure or investigation related to such cyberattack or incident.



FINANCIAL STATUS, OPERATING RESULTS AND RISK MANAGEMENT





FINANCIAL STATUS, OPERATING RESULTS AND RISK MANAGEMENT

6.1 Financial Status

Item	2022	2021	Unit: NT\$ thousands	
			Difference	%
Current Assets	27,585,609	26,435,790	1,149,819	4
Properties, plant and equipment	7,036,248	7,485,331	(449,083)	(6)
Intangible Assets	81,321	34,334	46,987	137
Other Assets	11,737,058	10,229,502	1,507,556	15
Total Assets	46,440,236	44,184,957	2,255,279	5
Current Liabilities	13,727,123	14,568,530	(841,407)	(6)
Non-current Liabilities	7,153,953	2,393,525	4,760,428	199
Total Liabilities	20,881,076	16,962,055	3,919,021	23
Capital Stock	8,295,153	8,245,050	50,103	1
Capital Surplus	16,160,271	16,005,339	154,932	1
Retained Earnings	4,909,467	8,189,019	(3,279,552)	(40)
Other Equity	(3,805,731)	(5,216,506)	1,410,775	27
Total Stocks Equity	25,559,160	27,222,902	(1,663,742)	(6)

Note: All numbers above are based on consolidated financial statements.

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

Current assets and non-current liabilities increased mainly due to the drawdown of bank loans.

Other assets increased primarily due to the strategic investment in metaverse related industry to revitalize cash.

Retained earnings decreased mainly due to losses in 2022.

Other equity decreased mainly due to the fluctuation of international exchange rates, affecting the translation of the financial statements of foreign operations.

6.2 Operating Results

Item	Unit: NT\$ thousands, except (Loss) Earnings per share			
	2022	2021	Difference	%
Revenues	4,408,823	5,253,279	(844,456)	(16)
Gross Profit	1,729,978	1,636,057	93,921	6
Operating Loss	(4,403,831)	(4,116,434)	(287,397)	(7)
Non-operating Income and Expenses	989,780	1,011,869	(22,089)	(2)
Net (Loss) Income before Tax	(3,414,051)	(3,104,565)	(309,486)	(10)
Net (Loss) Income from Continuing Operations	(3,411,783)	(3,101,817)	(309,966)	(10)
Non-Continuing Operations Loss	-	-	-	-
Net (Loss) Income	(3,411,783)	(3,101,817)	(309,966)	(10)
Other Comprehensive Income and Loss for the Year, Net of Income Tax	1,543,006	100,084	1,442,922	1,442
Total Comprehensive Income for the Year	(1,868,777)	(3,001,733)	1,132,956	38
(Loss) Profit for the Year Attributable to Owners of the Parent	(3,411,783)	(3,073,132)	(338,651)	(11)
(Loss) Profit for the Year Attributable to Non-Controlling Interest	-	(28,685)	28,685	100
Total Comprehensive (Loss) Income Attributable to Owners of the Parent	(1,868,777)	(2,972,424)	1,103,647	37
Total Comprehensive Loss Attributable to Non-Controlling Interest	-	(29,309)	29,309	100
(Loss) Earnings Per Share- Basic	(4.13)	(3.75)	(0.38)	(10)
(Loss) Earnings Per Share- Diluted	(4.13)	(3.75)	(0.38)	(10)

Note: All numbers above are based on consolidated financial statements.

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

2022 revenue decreased mainly due to fewer shipments. Nonetheless, changes in product mix helped improvements in gross profit and gross profit margin.

Furthermore, the pandemic easing in 2022 had led to the increase in marketing and advertising activity expenses, resulting in an increase in net losses before income tax in 2022 compared with the previous period.

6.3 Cash Flows

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

Item	Year		Difference
	2022	2021	
Cash Flow Ratio (%)	(27.25)	(30.86)	3.61
Cash Flow Adequacy Ratio (%)	(2,063.47)	(2,617.72)	554.25
Cash Flow Reinvestment Ratio (%)	(9.48)	(12.46)	2.98

Less net cash outflow from operating activities in 5 years was primarily due to HTC’s austerity policy, resulting in an increase in cash flow adequacy ratio from the prior year.

6.3.2 Analysis of cash liquidity in the coming year

HTC expects that its cash on-hand at the end of 2022 is sufficient to cover its capital expenditures and cash needs in the coming year.

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

6.4.1 Review and analysis of material capital expenditures and funding sources

Material capital expenditure and funding sources: None

Anticipated benefits: None

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

6.6 Investment Diversification in Recent Years

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

6.7 Competitive Advantages, Business Growth and Assessment of Risks

6.7.1 Interest, forex, and inflation rate risks and mitigating measures
Impact on HTC profitability:

Item	2022 (NT\$1,000 or %)
Net Interest Income	169,605
Net Forex Income	35,940
Net Interest Income as percentage of Net Revenue	3.85%
Net Interest Income as percentage of Earnings Before Tax	-4.97%
Net Forex Income as percentage of Net Revenue	0.82%
Net Forex Income as percentage of Earnings Before Tax	-1.05%

Note: Calculated on HTC consolidated financial numbers

Working capital required to support HTC business operations over recent years has been supplied mainly from cash on hand. As the corporation has not taken out long-term loans, fluctuations in interest rates have had no effect on the Company’s liabilities. HTC is prudent in its financial policies, and our asset

allocation decisions prioritize security and fluidity, with most funds kept in time deposit accounts. In 2022, HTC interest income totaled NT\$ 170 million.

HTC’s revenues are denominated primarily in US dollars (USD) and euros (EUR). Manufacturing costs are denominated primarily in US dollars. Forex fluctuations have the potential to impact HTC revenues, operating costs and operating profits. Apart from efficient management of the quality and payment cycles of its foreign currency denominated accounts receivable, HTC uses forward exchange contracts to minimize its forex risk. At the end of 2022, financial derivatives held by HTC related to exchange risk were valued at USD 205 million, EUR 42 million, GBP 173 million, JPY 1,000 million, CAD 3.5 million, CNH 230.082 million, SGD 190.39 million, HKD 39 million and AUD 9 million. Fair value of the derivatives changes as a result of forex fluctuations. An increase of 1% in the quoted exchange rate of any one of the abovementioned currencies against the NT dollar would result in a derivative holding gain to HTC of approximately NT\$154.334 million.

During 2022, the US dollar against to the NT dollar fluctuated from 1:27.68 to 1:30.72. Net exchange income gain during 2022 totaled NT\$ 35.940 million. Under effective management by the Company, negative effects of exchange rate fluctuations on profits in recent years have been minimal.

During 2022, the inflation in Taiwan was approximately 2.95%, 8.1% in North American and 8.3% in European markets. Although the inflation rose sharply, overall, it had no significant impact on HTC profits.

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

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

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

VIVERSE has planned to focus on five aspects for its development in 2023, sociability, interactivity, scalability, user experience, and AI assistance. In terms of sociability, VIVERSE will introduce a friend system, allowing users to make friends and participate in fun activities together, as well as engage in one-on-one or group chats. In terms of interactivity, VIVERSE will continue to optimize the body and facial tracking systems, making interactions between users more realistic and natural; moreover providing a more diverse range of accessory systems, allowing users to purchase accessories on the Market and use them on their avatars. At the same time, VIVERSE will also continue to optimize rendering performance, enabling users to create high-quality scenes and increase interactive experiences, allowing users to

play games together and earn rewards in the virtual world. In terms of scalability, VIVERSE will create various modular scenes to meet specific application scenarios, and even allow users to use creative tools to customize their own virtual world; VIVERSE will also introduce AR elements and coordinate systems, so that the application can extend to mixed reality application scenarios. Because of different display and input methods across multiple device platforms. VIVERSE will also continue to optimize user experience and performance, allowing users of different terminal devices to have the best experience. Lastly, VIVERSE will use AI to filter out inappropriate text or speech, and enhance the AI virtual assistant function to improve user experience.

G REIGNS continues to improve in 5G technology, and the gradual development of 5G large-scale commercial use and 5G vertical industry applications will promote the development of 5G transmission network related skills, standards and industrialization. The 5G network not only meet the requirements of the recent 5G fronthaul and midhaul for high speed, large bandwidth, flexible connection, low latency, low cost, and intelligence, but also meet the requirements of network construction with characteristics such as control and high-precision synchronization. In 2023, in addition to Reign core, REIGN CORE S series will be launched. Together with HUB and RHUB, it will increase the coverage and enable large-scale cases to have high-speed, large-bandwidth, and low-latency efficacy.

G REIGNS will also develop services that meet the telecom operators’ requirement, such as SMS, PWS, EPS Fallback, etc. In the future, face the medium and long-term 5G business development, such as large-scale flexible VPN networking, management and control of soft and hard network slice resources, and dynamic interconnection of regional edge clouds and other key transmission requirements, it can be a leader in the 5G industry.

In 2022, a total of 974 R&D workers joined HTC globally. In addition to those in Taiwan, we have many R&D employees coming from Europe, America, and Asia. We expect that the different cultural backgrounds of our diverse employees will fuse and fuel innovative thinking, so as to support HTC in the development and launch of products that meet consumer needs in different regions and with different cultural characteristics.

Since our establishment, HTC has invested heavily in cultivating R&D talent and developing technical innovation. Currently, our in-house R&D employees make up 45% of all HTC’s global employees, the investment of which is about 54% of the total revenue. With this strength of innovation, HTC has special insight into industry trends and the outstanding capability for meeting consumer demand. This puts HTC always in the lead.

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

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

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

As the world gradually eased pandemic restrictions over 2022, HTC doubled down on this vision, leveraging the corporate restructure completed in 2021 to become a holistic VIVERSE company, with all business areas working towards enabling, expanding, or enhancing the metaverse. With premium products brought to market throughout the year across hardware, software, platforms, contents, and new services starting to see success in the market, HTC remains well-positioned to take full advantage of the global trend towards a truly immersive internet.

To ensure the metaverse meets its full potential, HTC is strongly promoting open standards and privacy by design, as well as closer collaboration with partners – including thousands of content developers – to support interoperability, and in 2022 joined the Metaverse Standards Forum to further promulgate our vision, as well as the VRM Consortium for formulating avatar standards.

Ensuring our businesses maintain such high standards for quality, design and functionality remains a key focus for HTC as the parent company, as well as continuing to drive process optimization, targeted investment, and efficient resource allocation.

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

HTC manages corporate risk with a focus on sustaining value for the shareholders and stakeholders. We have established an appropriate control mechanism after careful consideration of all the various operational uncertainties that ensures a rapid response to uncertainty, as well as to any attendant risks and opportunities. Such careful risk management enhances our ability to create value. As of the publication of our 2022 Annual Report, there have been no incidents jeopardizing our corporate image change.

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

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

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

In response to global market demand for VR devices and smart devices, in addition to the continuous review and improvement of manufacturing processes to improve production capabilities, quality, and cost savings, HTC also reviews the utilization of current plants and equipment, and further more to apply the

international brand of EMS production of high-end portable devices to maximize the benefit. There is no demand for plant expansion.

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

Purchase:

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

Sales:

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

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

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

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

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

6.7.12 Material impacts upon shareholders’ equity or prices for the company’s securities as a result of any litigation, non-litigious proceeding, or administrative dispute involving the Company or a company director, supervisor, general manager, de facto responsible person, or major shareholder with a stake of more than 10 percent, and the matter was finalized or remained pending:

None.

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

Response Measures to COVID-19

In 2022, during a severe period of the COVID-19 pandemic, HTC implemented internal epidemic management measures, which included working from home and setting up infrared thermometers at the entrance to automatically detect employee temperatures for those who needed to enter the office due to work requirements. Meetings and training sessions were conducted using the TEAMS video conferencing system, replacing the previous practice of group classes and meetings, and effectively managing the risk of cross infection. We also make sure the sanitation and disinfection of the public environment are being done properly. Our janitors have gotten used to clean the buttons/ panels inside and outside of the elevators, the chairs and tables, the door handles, televisions and air conditional buttons of the conference rooms as well as the dining and coffee areas. The company is thoroughly disinfected with bleach every week.

In terms of personnel management, employees are required to fill out and provide feedback on health declarations. Depending on the severity of the pandemic and work requirements, each department arranged a number of employees working from home and used the TEAMS for work communication. To control the number of people working in the office, HTC has implemented a rotating shift approach to reduce employee gatherings. If an employee returning to Taiwan from a business trip has respiratory symptoms and fever, they should seek medical attention immediately. If a rapid screening test is positive, they should immediately report it to the company’s health center and supervisor for follow-up. Depending on their physical condition and after discussion with their department supervisor, they may apply for work from home.

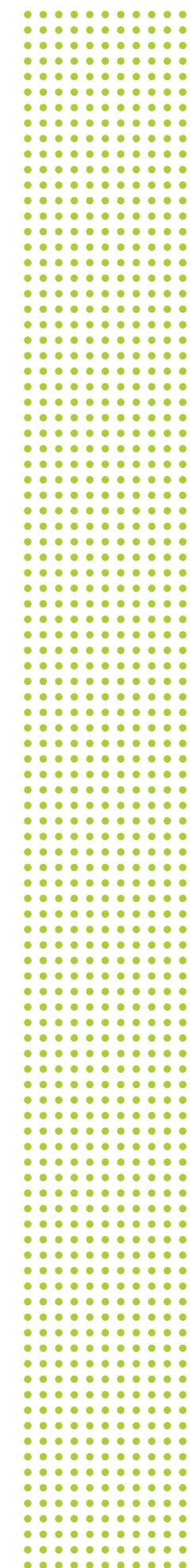
In addition to protecting every employee, HTC cooperates with the Ministry of Health and Welfare of the Executive Yuan, utilizing DeepQ AI platform, the “Epidemic Stop Magical Power” chatbot to help track home quarantine and home isolation personnel and reduce the workload for the healthcare manpower,

practicing the corporate responsibility of giving back to the society. DeepQ also upgraded the previous Disease Control Butler dialogue robot to provide relevant information on the prevention of COVID-19, quickly check nearby pharmacies and mask stock, government orders or health education propaganda, command center news, COVID-19 press conference live online, false news clarification area and other functions, and the introduction of medical natural language processing (MNLP) function, which can analyze keywords in the conversation and give accurate reply information. We also cooperated with Taipei Tzu Chi Hospital and Taiwan Society of Simulation in Acute and Critical Care Medicine to establish the “COVID-19 VR Medical Simulation Training Center”, so that medical students can correctly learn the procedures of clinical care of COVID-19 and how to correctly collect tests. HTC continues to innovative technologies such as artificial intelligence, virtual reality, and medical blockchain to help the world fight against the epidemic.

6.8 Other Important Matters: None.



AFFILIATE INFORMATION AND OTHER SPECIAL NOTES

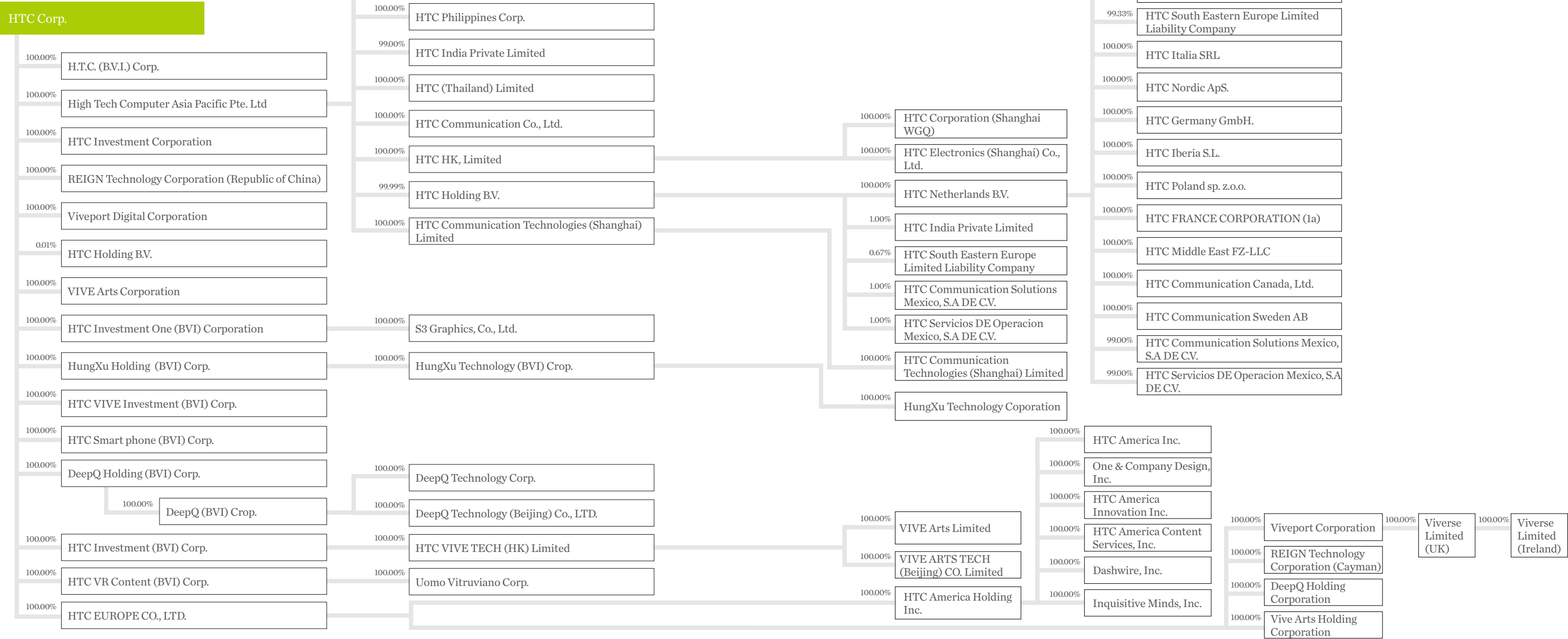


AFFILIATE INFORMATION
AND OTHER SPECIAL
NOTES

7.1 Affiliates

7.1.1 HTC affiliated companies chart

Holding company and subsidiaries:



Reciprocal affiliation: None

7.1.2 HTC affiliated companies

Amount in thousands				
Company	Date of Incorporation	Place of Registration	Capital Stock	Business Activities
Investor:				
HTC Corporation	1997.05.15	No.23, Xinghua Rd., Taoyuan Dist., Taoyuan City 330, Taiwan, R.O.C.	NTD 827,581,585	Principally engaged in the design, manufacture and marketing of PDA phones, smartphones, handheld devices and virtual reality devices, as well as the provision of related technologies and after services
Investee:				
H.T.C. (B.V.I.) Corp.	2000.08.01	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola VG1110	NTD 4,534,517 (USD147,620)	International holdings and general investing activities
High Tech Computer Asia Pacific Pte. Ltd.	2007.07.12	#13-00 Robinson 77 Singapore 068896	NTD 6,669,689 (SGD291,573)	International holdings, marketing, repair and after-sales services
HTC Investment Corporation	2008.07.24	1F, No. 88 Section 3, Zhongxing Road, Xindian District, New Taipei City 231, Taiwan, R.O.C.	NTD 300,000	General investing activities
HTC Investment One (BVI) Corporation	2011.06.20	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola VG1110	NTD 10,251,443 (USD 333,733)	Holding S3 Graphics Co., Ltd. and general investing activities
HTC Investment (BVI) Corp.	2015.07.29	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola VG1110	NTD 798,655 (USD 26,000)	General investing activities
HungXu Holding (BVI) Corp.	2015.08.31	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola VG1110	NTD 215,023 (USD 7,000)	International holdings
DeepQ Holding (BVI) Corp.	2017.03.08	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola VG1110	NTD 506,839 (USD 16,500)	International holdings
HTC VIVE Investment (BVI) Corp	2016.09.01	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola VG1110	NTD 307,175 (USD 10,000)	General investing activities
HTC Smart phone (BVI) Corp.	2017.07.19	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola VG1110	NTD 1,014 (USD 33)	International holdings
HTC VR Content (BVI) Corp.	2017.07.05	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola VG1110	NTD 52,527 (USD1,710)	International holdings
REIGN Technology Corporation (Republic of China)	2021.09.30	12F, No. 88 Section 3, Zhongxing Road, Xindian District, New Taipei City 231, Taiwan, R.O.C.	NTD 240,000	Development of 5G network
Viveport Digital Corporation	2021.10.01	11F, No. 88 Section 3, Zhongxing Road, Xindian District, New Taipei City 231, Taiwan, R.O.C.	NTD 260,000	Research, development of virtual reality software
VIVE Arts Corporation	2022.12.13	15F, No. 88 Section 3, Zhongxing Road, Xindian District, New Taipei City 231, Taiwan, R.O.C.	NTD 5,000	Digital art
HTC EUROPE CO., LTD.	2003.07.09	Salamanca Wellington Street Slough Berkshire England SL11YP	NTD 3,857,209 (GBP 104,061)	International holdings, marketing, repair and after-sales services
HTC (Australia and New Zealand) PTY LTD.	2007.08.28	SUITE 1 LEVEL 7 , 60-62 YORK STREET, SYDNEY NSW 2000	NTD83,330 (AUD 4,000)	Marketing, repair and after-sales services

(Continued)

Company	Date of Incorporation	Place of Registration	Capital Stock	Business Activities
HTC Philippines Corporation	2007.12.06	Unit 32 3/F Worldnet Business Center Zeta Bldg 191, Salcedo St Legaspi Village, Makati City 1229	NTD 6,144 (USD 200)	Marketing, repair and after-sales services
HTC (Thailand) Limited	2007.11.06	No. 9, G Tower, Level 33, Unit No. 3325, Rama 9 Road, Huaykwang Sub-district, Huaykwang District, Bangkok	NTD 22,234 (THB 25,000)	Marketing, repair and after-sales services
HTC India Private Limited	2008.01.30	C-109 and C-110, First Floor, M3M, Cosmopolitan, Golf Course Exptionion Road, Gurugram, Haryana-122002	NTD 1,856 (INR 5,000)	Marketing, repair and after-sales services
HTC Communication Co., Ltd.	2008.12.29	1F, D Building, China Core Science Park, No. 2557 Jinke Road, Pilot Free Trade Zone, Shanghai China	NTD 3,916,481 (USD 127,500)	Sale of smart handheld devices and electronic components
HTC HK, Limited	2006.08.26	31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong	NTD148,231 (HKD 37,626)	International holdings, marketing, repair and after-sales service
HTC Holding B.V.	2009.08.18	Van Boshuizenstraat 12 unit 1.25, 1083 BA Amsterdam, the Netherlands	NTD 6,813,418 (EUR 208,242)	International holdings
HTC Communication Technologies (Shanghai) Limited	2011.08.01	2F, D Building, China Core Science Park, No. 2557 Jinke Road, Pilot Free Trade Zone, Shanghai China	NTD 122,870 (USD 4,000)	Design, research and development of application software
S3 Graphics Co, Ltd.	2001.01.03	P.O. Box 709 George Town Grand Cayman	NTD 9,461 (USD 308)	Design, research and development of graphics technology
HTC Corporation (Shanghai WGQ)	2007.07.09	Room 405, Building 2, No. 255, Meisheng Road, Pilot Free Trade Zone, Shanghai China	NTD 46,076 (USD 1,500)	Repair and after-sales services
HTC Electronics (Shanghai) Co., Ltd.	2007.01.22	Room 123, No. 2502, Hunan Road, Kangqiao Industrial Zone, Pudong New District, Shanghai, China	NTD 89,357 (USD 2,909)	Manufacture and sale of smart handheld devices and electronic components
HTC Communication Technology (Beijing) Co., Ltd.	2014.06.04	Floor 6 601-9, No.7, Courtyard 1, Zhongguancun East Road, Haidian District, Beijing	NTD 46,297 (RMB 10,500)	Design, research and development of application software
HTC Netherlands B.V.	2009.11.11	Van Boshuizenstraat 12 unit 1.25, 1083 BA Amsterdam, the Netherlands	NTD4,707,639 (EUR 143,882)	International holdings, marketing, repair and after-sales service
HTC Belgium BVBA/SPRL	2006.10.12	Havenlaan 86/c , box 204 iV 1000 Brussels	NTD622 (EUR 19)	Marketing, repair and after-sales services
HTC NIPPON Corporation	2006.03.22	Habiulu Nishi-Shinbashi 7th floor, 2-35-2, Nishi-Shinbashi, Minato-ku, Tokyo	NTD 66,260 (JPY 285,000)	Sale of smart handheld devices and electronic components
HTC FRANCE CORPORATION	2010.04.02	83-85 boulevard de Charonne 75011 Paris	NTD 359,906 (EUR 11,000)	Marketing, repair and after-sales services
HTC South Eastern Europe Limited Liability Company	2010.04.27	Kifissias 90, Marousi 15125, Athens, Greece	NTD 147 (EUR 4.5)	Marketing, repair and after-sales services
HTC Italia SRL	2007.02.19	C/o Studio Gargani & Associati, Via Nicolò Tartagli, 11, 00197 Roma, Italy	NTD 327 (EUR 10)	Marketing, repair and after-sales services
HTC Germany GmbH.	2010.09.06	Friedrich-Ebert-Anlage 36, 60325 Frankfurt am Main, Germany	NTD 818 (EUR 25)	Marketing, repair and after-sales services

(Continued)

Company	Date of Incorporation	Place of Registration	Capital Stock	Business Activities
HTC Nordic ApS.	2010.07.01	c/o Redmark, Sommervej 31 C, Hasle, 8210 Aarhus V	NTD 352 (DKK 80)	Marketing, repair and after-sales services
HTC Iberia S.L.	2010.10.08	Conde de Vilches, 19, Madrid, 28028, Spain	NTD 98 (EUR 3)	Marketing, repair and after-sales services
HTC Poland sp. z o.o.	2010.09.01	Jerozolimskie Business Park, Al. Jerozolimskie 146A, 02-305 Warszawa, Poland	NTD 1,633 (PLN 234)	Marketing, repair and after-sales services
HTC Communication Canada, Ltd.	2011.01.25	2900-550 Burrard Street, Vancouver BC V6C 0A3, Canada	NTD 46,076 (USD 1,500)	Marketing, repair and after-sales services
HTC Communication Sweden AB	2011.09.26	Box 45063, 10430 Stockholm	NTD 2,936 (SEK 1,000)	Marketing, repair and after-sales services
HTC Middle East FZ-LLC	2012.07.08	DIC building no.3, office no.316, Dubai Internet City, Dubai	NTD 29,273 (AED 3,500)	Marketing, repair and after-sales services
HTC Communication Solutions Mexico, S.A DE C.V.	2015.04.01	Paseo de la Reforma 505 piso 32 Col Cuauhtemoc. Cp 06500 Mexico DF.	NTD 79 (MXN 50)	Marketing, repair and after-sales services
HTC Servicios DE Operacion Mexico, S.A DE C.V.	2015.04.01	Paseo de la Reforma 505 piso 32 Col Cuauhtemoc. Cp 06500 Mexico DF.	NTD 79 (MXN 50)	Human resource management
HTC America Holding Inc.	2010.04.23	308 Occidental Ave S 3rd floor, Seattle, WA 98104	NTD 2,123,040 (USD 69,115)	International holdings
DeepQ Holding Corporation	2021.11.05	89 Nexua Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands	NTD 2,734 (USD 89)	International holdings
Vive Arts Holding Corporation	2021.11.05	89 Nexua Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands	NTD 1,720 (USD 56)	International holdings
Viveport Corporation	2021.08.27	89 Nexua Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands	NTD 154,509 (USD 5,030)	International holdings
REIGN Technology Corporation (Cayman)	2021.08.27	89 Nexua Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands	NTD 2,765 (USD 90)	International holdings
HTC America Inc.	2003.01.06	308 Occidental Ave S 3rd floor, Seattle, WA 98104	NTD689,546 (USD 22,448)	Sale of smart handheld devices and electronic components
One & Company Design, Inc.	2003.10.04	2700 18th Street San Francisco, CA,USA, 94110	NTD 1,006 (USD 36)	Design, research and development of application software
HTC America Innovation Inc.	2010.04.23	308 Occidental Ave S 3rd floor, Seattle, WA 98104	NTD 92,153 (USD 3,000)	Design, research and development of application software
HTC America Content Services, Inc.	2011.03.28	308 Occidental Ave S 3rd floor, Seattle, WA 98104	NTD1,016,749 (USD 33,100)	Online/download media services
Dashwire, Inc.	2006.08.11	850 New Burton Road, Suite 201 Dover DE 19904	NTD 0.003 (USD 0.0001)	Cloud Synchronization Technology design and management
Inquisitive Minds, Inc.	2008.12.04	2700 18th Street, San Francisco, CA USA 94110	NTD 0.031 (USD 0.001)	Development and sale of Digital Education Platform
HungXu Technology (BVI) Corp.	2015.08.31	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola VG1110	NTD 9,215 (USD 300)	International holdings
HungXu Technology Corporation	2015.12.21	8F, No. 88 Section 3, Zhongxing Road, Xindian District, New Taipei City 231, Taiwan, R.O.C.	NTD 1,000	Research, development and sale of virtual reality devices

(Continued)

Company	Date of Incorporation	Place of Registration	Capital Stock	Business Activities
HTC VIVE TECH (Beijing) Co. Limited	2017.06.02	RM 601 ,601-3, 6F, VIA Building, Building 7, No.1 Zhongguancun East Road, Hadian District , Beijing	NTD 24,574 (USD 800)	Research, development and sale of virtual reality devices
VIVE ARTS LIMITED	2017.06.23	Salamanca, Wellington Street, Slough, Berkshire, United Kingdom SL1 1YP	NTD 184,305 (GBP 6,000)	Digital art
DeepQ (BVI) Corp.	2017.03.02	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola VG1110	NTD 505,917 (USD 16,470)	International holdings
DeepQ Technology Corp.	2017.06.21	13F., No. 207-5, Sec. 3, Beixin Rd.,Xindian Dist, New Taipei City 231, Taiwan	NTD 395,212	Health technology and health care business
DeepQ Technology (Beijing) Co., Ltd	2017.12.21	1101-1, 11th Floor, Building 7, No.1,Zhongguancun East Road, Haidian District, Beijing	NTD 92,153 (USD 3,000)	Development and marketing of software technology
HTC VIVE TECH (HK) Limited	2017.06.21	Unit 1606, 16/F., Citicorp Centre, No. 18 Whitfield Road, Causeway Bay, Hong Kong	NTD208,879 (USD 6,800)	Research, development and sale of virtual reality devices
Uomo vitruviano Corp.	2017.09.15	11F, No. 88 Section 3, Zhongxing Road, Xindian District, New Taipei City 231, Taiwan, R.O.C.	NTD50,000	Software development of virtual reality

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

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

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

Industries covered by the businesses operated by all affiliates:

Principally engaged in the design, manufacture and marketing of PDA phones, smartphones, handheld devices and virtual reality devices, as well as the provision of related technologies and after-sales services.

Division of labor among all affiliates:

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

- (1)

The primary business of HTC Holding B.V., HungXu Holding (BVI) Corp., HTC America Holding Inc., HungXu Technology (BVI) Corp., DeepQ Holding (BVI) Corp., HTC Smart phone (BVI) Corp., HTC VR Content (BVI) Corp., DeepQ (BVI) Corp., Viveport Corporation, DeepQ Holding Corporation, REIGN Technology Corporation (Cayman) and VIVE Arts Holding Corporation are international holdings.
- (2)

The primary business of H.T.C. (B.V.I.) Corp. is international holdings and general investing activities.

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

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

			Unit: NT\$ thousands, except shareholding	
Company	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	Investment Holding Percentage
Investor:				
HTC Corporation	Chairwoman	Cher Wang	32,272,427 shares	3.88%
	Director	Wen-Chi Chen	22,391,389 shares	2.69%
	Director	HT Cho	96,530 shares	0.01%
	Director	David Bruce Yoffie	-	-
	Independent Director	Chen-Kuo Lin	-	-
	Independent Director	Michael C. Lu	-	-
	Independent Director	Vincent Thai	-	-
Investee:				
H.T.C. (B.V.I.) Corp.	Chairwoman	HTC Corporation Representative: Cher Wang	1,476,201,760 shares	100.00%
High Tech Computer Asia Pacific Pte. Ltd.	Director	HTC Corporation Representative: Cher Wang, ChiaTe Lu, Chow Hong Luen Irwin	238,783,139 shares	100.00%
HTC Investment Corporation	Chairperson	HTC Corporation Representative: Cher Wang	30,000,000 shares	100.00%
	Director	HTC Corporation Representative: Peter Shen, ChiaTe Lu	30,000,000 shares	100.00%
	Supervisor	HTC Corporation Representative: Hui-Mei Tseng	30,000,000 shares	100.00%
HTC Investment One (BVI) Corporation	Director	HTC Corporation Representative: Cher Wang	333,733,246 shares	100.00%
HTC Investment (BVI) Corp.	Director	HTC Corporation Representative: Peter Shen	26,000,000 shares	100.00%
HungXu Holding (BVI) Corp.	Director	HTC Corporation Representative: Peter Shen, ChiaTe Lu	7,000,000 shares	100.00%
HTC VIVE Investment (BVI) Corp.	Director	HTC Corporation Representative: Peter Shen, ChiaTe Lu	10,000,000 shares	100.00%
DeepQ Holding (BVI) Corp.	Director	HTC Corporation Representative: Peter Shen, ChiaTe Lu	16,500,000 shares	100.00%
HTC Smartphone (BVI) Corp.	Director	HTC Corporation Representative: ChiaTe Lu	33,066 shares	100.00%
HTC VR Content (BVI) Corp.	Director	HTC Corporation Representative: Peter Shen, ChiaTe Lu	1,710,000 shares	100.00%
REIGN Technology Corporation (Republic of China)	Chairperson	HTC Corporation Representative: Cher Wang	24,000,000 shares	100.00%
	Director	HTC Corporation Representative: Wen-Chi Chen, ChiaTe Lu	24,000,000 shares	100.00%
	Supervisor	HTC Corporation Representative: Richard Chang	26,000,000 shares	100.00%
(Continued)				

Company	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	Investment Holding Percentage
Viveport Digital Corporation	Chairperson	HTC Corporation Representative: Cher Wang	26,000,000 shares	100.00%
	Director	HTC Corporation Representative: Wen-Chi Chen, ChiaTe Lu	26,000,000 shares	100.00%
	Supervisor	HTC Corporation Representative: Richard Chang	26,000,000 shares	100.00%
VIVE Arts Corporation	Chairperson	HTC Corporation Representative: Cher Wang	500,000 shares	100.00%
	Director	HTC Corporation Representative: Wen-Chi Chen, ChiaTe Lu	500,000 shares	100.00%
	Supervisor	HTC Corporation Representative: Richard Chang	500,000 shares	100.00%
HTC EUROPE CO., LTD.	Director	HTC Corporation Representative: Peter Shen, ChiaTe Lu	104,061,442 shares	100.00%
HTC (Australia and New Zealand) PTY LTD	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: ChiaTe Lu, Cha-Li Ou Yang, Elson Pow	400,000 shares	100.00%
HTC Philippines Corporation	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: Ralph Wang, Dannie Liu, Majorie L. Elic, Juancho S. Ong, Edgardo C. Abenis	858,765 shares	100.00%
HTC (Thailand) Limited	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: Peter Shen, ChiaTe Lu	10,000,000 shares	100.00%
HTC India Private Limited	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: ChiaTe Lu, Cha-Li Ou Yang, Rohit Sharma	495,000 shares	99.00%
	Director	HTC Holding B.V. Representative: ChiaTe Lu, Cha-Li Ou Yang, Rohit Sharma	5,000 shares	1.00%
HTC Communication Co., Ltd.	Chairperson	High Tech Computer Asia Pacific Pte. Ltd. Representative: Peter Shen	USD 127,500 thousands	100.00%
	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: ChiaTe Lu	USD 127,500 thousands	100.00%
	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: Cha-Li Ou Yang	USD 127,500 thousands	100.00%
	Supervisor	High Tech Computer Asia Pacific Pte. Ltd. Representative: Hui-Mei Tseng	USD 127,500 thousands	100.00%
HTC HK, Limited	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: ChiaTe Lu	37,625,626 shares	100.00%
HTC Holding BV.	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: Peter Shen, Robert Bron	EUR 208,242 thousands	99.99%
	Director	HTC Corporation Representative: Peter Shen, Robert Bron	EUR 0.28 thousands	0.01%
HTC Communication Technologies (Shanghai) Limited	Chairperson	High Tech Computer Asia Pacific Pte. Ltd. Representative: Peter Shen	USD 4,000 thousands	100.00%
	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: ChiaTe Lu	USD 4,000 thousands	100.00%
	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: WH Liu	USD 4,000 thousands	100.00%
	Supervisor	High Tech Computer Asia Pacific Pte. Ltd. Representative: Hui-Mei Tseng	USD 4,000 thousands	100.00%

(Continued)

Company	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	Investment Holding Percentage
S3 Graphics Co, Ltd.	Director	HTC Investment One (BVI) Corporation Representative: Peter Shen, ChiaTe Lu	386,338,516 shares	100.00%
HTC Corporation (Shanghai WGQ)	Executive Director	HTC HK, Limited Representative: ChiaTe Lu	USD 1,500 thousands	100.00%
	Supervisor	HTC HK, Limited Representative: Hui-Mei Tseng	USD 1,500 thousands	100.00%
HTC Electronics (Shanghai) Co., Ltd.	Chairperson	HTC HK, Limited Representative: Peter Shen	USD 2,909 thousands	100.00%
	Director	HTC HK, Limited Representative: ChiaTe Lu	USD 2,909 thousands	100.00%
	Director	HTC HK, Limited Representative: Cha-Li Ou Yang	USD 2,909 thousands	100.00%
	Supervisor	HTC HK, Limited Representative: Hui-Mei Tseng	USD 2,909 thousands	100.00%
HTC Communication Technology (Beijing) Co., Ltd	Chairperson	HTC Communication Technologies (Shanghai) limited Representative: Peter Shen	RMB 10,500 thousands	100.00%
	Director	HTC Communication Technologies (Shanghai) limited Representative: ChiaTe Lu	RMB 10,500 thousands	100.00%
	Supervisor	HTC Communication Technologies (Shanghai) limited Representative: Hui-Mei Tseng	RMB 10,500 thousands	100.00%
HTC Netherlands B.V.	Representative	HTC Holding B.V.	143,881,816 shares	100.00%
HTC Belgium BVBA/SPRL	Director	HTC Netherlands B.V. Representative: Gilbert Ng, TMF Management	18,549 shares	100.00%
HTC NIPPON Corporation	Director	HTC Netherlands B.V. Representative: Peter Shen, ChiaTe Lu, Cha-Li Ou Yang, Kojima Masakatin	56,000 shares	100.00%
HTC France Corporation	President	HTC Netherlands B.V. Representative: ChiaTe Lu	11,000,000 shares	100.00%
HTC South Eastern Europe Limited Liability Company	Administrator	HTC Netherlands B.V. Representative: Nikitas Glykas	149 shares	99.33%
	Administrator	HTC Holding B.V. Representative: Nikitas Glykas	1 share	0.67%
HTC Nordic ApS	Director	HTC Netherlands B.V. Representative: Charles Huang, ChiaTe Lu	80,000 shares	100.00%
HTC Italia SRL	Director	HTC Netherlands B.V. Representative: (Liquidator) Gilbert Ng	EUR 10 thousands	100.00%
HTC Germany GmbH	Director	HTC Netherlands B.V. Representative: ChiaTe Lu	25,000 shares	100.00%
HTC Iberia S.L.U.	Director	HTC Netherlands B.V. (Liquidated)	3,006 shares	100.00%
HTC Poland sp z o.o.	Director	HTC Netherlands B.V. Representative: ChiaTe Lu	4,687 shares	100.00%
HTC Communication Canada, Ltd.	Director	HTC Netherlands B.V. Representative: Peter Shen, Daniel O'Brien, ChiaTe Lu	1,500,000 shares	100.00%
HTC Communication Sweden AB	Director	HTC Netherlands B.V. (Liquidator) Lars Thron	1,000,000 shares	100.00%
HTC Middle East FZ-LLC	Director	HTC Netherlands B.V. Representative: ChiaTe Lu	3,500 shares	100.00%
HTC Communication Solutions Mexico, S.A DE C.V.	Director	HTC Netherlands B.V. Representative: Peter Shen, ChiaTe Lu	49,500 shares	99.00%
	Director	HTC Holding B.V. Representative: Peter Shen, ChiaTe Lu	500 shares	1.00%

(Continued)

Company	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	Investment Holding Percentage
HTC Servicios DE Operacion Mexico, S.A DE C.V.	Director	HTC Netherlands B.V. Representative: Peter Shen, ChiaTe Lu	49,500 shares	99.00%
	Director	HTC Holding B.V. Representative: Peter Shen, ChiaTe Lu	500 shares	1.00%
HTC America Holding, Inc.	Director	HTC EUROPE CO., LTD. Representative: Peter Shen	371,617,151 shares	100.00%
DeepQ Holding Corporation	Director	HTC EUROPE CO., LTD. Representative: Cher Wang	4,450,000 shares	100.00%
VIVE Arts Holding Corporation	Director	HTC EUROPE CO., LTD. Representative: Cher Wang	5,560,000 shares	100.00%
Viveport Corporation	Director	HTC EUROPE CO. LTD Representative: Cher Wang	8,028,000 shares	100.00%
REIGN Technology Corportion (Cayman)	Director	HTC EUROPE CO. LTD Representative: Cher Wang	8,998,000 shares	100.00%
HTC America, Inc.	Director	HTC America Holding, Inc. Representative: Peter Shen, ChiaTe Lu	1,000 shares	100.00%
One & Company Design, Inc.	Director	HTC America Holding, Inc. Representative: ChiaTe Lu	60,000 shares	100.00%
HTC America Innovation, Inc.	Director	HTC America Holding, Inc. Representative: Hui-Mei Tseng	1,000 shares	100.00%
HTC America Content Services, Inc.	Director	HTC America Holding, Inc. Representative: ChiaTe Lu	31,000 shares	100.00%
Dashwire, Inc.	Director	HTC America Holding, Inc. Representative: ChiaTe Lu	100 shares	100.00%
Inquisitive Minds, Inc.	Director	HTC America Holding, Inc. Representative: ChiaTe Lu	100 shares	100.00%
HungXu Technology (BVI) Corp.	Director	HungXu Holding (BVI) Corp. Representative: Peter Shen, ChiaTe Lu	3,000,000 shares	100.00%
HungXu Technology Corp.	Chairperson	HungXu Technology (BVI) Representative: Peter Shen	100,000 shares	100.00%
	Director	HungXu Technology (BVI) Representative: ChiaTe Lu	100,000 shares	100.00%
	Director	HungXu Technology (BVI) Representative: Cha-Li Ou Yang	100,000 shares	100.00%
HungXu Technology Corp.	Supervisor	HungXu Technology (BVI) Representative: Hui-Mei Tseng	100,000 shares	100.00%
HTC VIVE TECH (Beijing) Co. Limited	Chairperson	HTC VIVE TECH (HK) Limited Representative: Peter Shen	USD 800 thousands	100.00%
	Director	HTC VIVE TECH (HK) Limited Representative: ChiaTe Lu	USD 800 thousands	100.00%
	Director	HTC VIVE TECH (HK) Limited Representative: Cha-Li Ou Yang	USD 800 thousands	100.00%
	Supervisor	HTC VIVE TECH (HK) Limited Representative: Hui-Mei Tseng	USD 800 thousands	100.00%
VIVE ARTS LIMITED	Director	HTC VIVE TECH (HK) Limited. Representative: Cher Wang	6,000,0000 shares	100.00%
DeepQ (BVI) Corp.	Director	DeepQ Holding (BVI) Corp Representative: Peter Shen, ChiaTe Lu	164,700,000 shares	100.00%

(Continued)

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

(Concluded)

7.1.6 Operational highlights of HTC affiliated companies

Unit: NT\$ thousands								
Company	Capital Stock	Assets	Liabilities	Net Worth	Net Sales	Income (Loss) from Operation	Net Income (Net of Tax)	EPS (Net of Tax)
Investor:								
HTC Corporation	\$ 8,295,153	\$ 47,415,627	\$ 21,856,467	\$ 25,559,160	\$ 3,146,199	(\$ 4,021,832)	(\$ 3,411,783)	(\$ 4.13)
Investee:								
H.T.C. (B.V.I.) Corp.	4,534,517	2,659,114	-	2,659,114	-	39,849	46,403	0.03
High Tech Computer Asia Pacific Pte. Ltd.	6,669,689	12,410,701	737	12,409,964	3,707	137,525	143,564	0.60
HTC Investment Corporation	300,000	142,344	169	142,175	520	(413)	760	0.03
HTC Investment One (BVI) Corporation	10,251,443	412,803	-	412,803	-	(408)	4,209	0.01
HTC Investment (BVI) Corp.	798,655	3,718,132	-	3,718,132	37,213	(40,092)	(27,437)	(1.06)
HungXu Holding (BVI) Corp.	215,023	222,455	440	222,015	-	14,631	14,638	2.09
HTC VIVE Investment (BVI) Corp	307,175	258,141	-	258,141	171	171	(42,975)	(4.30)
DeepQ Holding (BVI) Corp.	506,839	266,638	-	266,638	-	(70,006)	(70,063)	(4.25)
HTC Smart phone (BVI) Corp.	1,014	571	35	536	-	-	(91)	(2.76)

(Continued)

Company	Capital Stock	Assets	Liabilities	Net Worth	Net Sales	Income (Loss) from Operation	Net Income (Net of Tax)	EPS (Net of Tax)
HTC VR Content (BVI) Corp.	\$ 52,527	\$ 25,552	\$ -	\$ 25,552	\$ -	(\$ 18,721)	(\$ 18,721)	(\$ 10.95)
REIGN Technology Corporation (Republic of China)	240,000	202,867	26,676	176,191	53,031	(55,972)	(55,941)	(2.33)
Viveport Digital Corporation	260,000	89,399	48,288	41,111	1,400	(202,313)	(201,942)	(7.77)
VIVE Arts Corporation	5,000	5,000	-	5,000	-	(17)	(17)	(0.03)
HTC EUROPE CO., LTD	3,857,209	10,214,494	494,773	9,719,721	207,119	168,953	673,353	6.47
HTC (Australia and New Zealand) PTY LTD.	83,330	211,745	15,253	196,492	24,436	1,154	800	2.00
HTC Philippines Corporation	6,144	6,441	-	6,441	-	-	-	-
HTC (Thailand) Limited	22,234	22,012	101	21,911	-	(557)	(527)	(0.05)
HTC India Private Limited	1,856	205,228	67,306	137,922	1,949	(227)	(258)	(0.52)
HTC Communication Co., Ltd.	3,916,481	1,951,246	265,900	1,685,346	571,972	(65,469)	(54,992)	-
HTC HK, Limited	148,231	4,428,965	6,989	4,421,976	23,021	105,733	105,640	2.81
HTC Holding B.V.	6,813,418	1,020,918	14,736	1,006,182	-	68,514	68,500	-
HTC Communication Technologies (Shanghai) Limited	122,870	564,172	17,081	547,091	97,090	6,071	18,156	-
S3 Graphics Co, Ltd.	9,461	95,569	-	95,569	-	-	3	-
HTC Corporation (Shanghai WGQ)	46,076	85,367	36	85,331	-	(217)	8,465	-
HTC Electronics (Shanghai) Co., Ltd.	89,357	4,186,413	24,442	4,161,971	-	(4,203)	96,171	-
HTC Communication Technology (Beijing) Co., Ltd.	46,297	123,561	10,833	112,728	88,526	4,780	5,661	-
HTC Netherlands B.V.	4,707,639	1,077,200	27,833	1,049,367	1,319	71,880	69,119	0.48
HTC Belgium BVBA/SPRL	622	25,756	6,924	18,832	33,274	1,584	1,568	82.53
HTC NIPPON Corporation	66,260	320,217	82,035	238,182	162,700	1,757	1,650	29.46
HTC FRANCE CORPORATION	359,906	72,032	36,972	35,060	15,030	716	(279)	(0.03)
HTC South Eastern Europe Limited Liability Company	147	4,864	2,668	2,196	-	-	-	-
HTC Nordic ApS.	352	10,843	734	10,109	5,542	247	187	2.34
HTC Italia SRL	327	5,266	3,015	2,251	-	(193)	(200)	-
HTC Germany GmbH.	818	107,298	2,988	104,310	29,510	1,150	766	30.64
HTC Iberia S.L.	98	22,431	3	22,428	-	(222)	(222)	(74.00)
HTC Poland sp. z o.o.	1,633	6,948	3,068	3,880	28,109	1,355	470	94.00

(Continued)

Company	Capital Stock	Assets	Liabilities	Net Worth	Net Sales	Income (Loss) from Operation	Net Income (Net of Tax)	EPS (Net of Tax)
HTC Communication Canada, Ltd.	\$ 46,076	\$ 76,069	\$ 2,274	\$ 73,795	\$ -	(\$ 3)	\$ 118	\$ 0.08
HTC Communication Sweden AB	2,936	5,416	(24)	5,440	-	(27)	699	0.70
HTC Middle East FZ-LLC	29,273	62,875	1,279	61,596	27,664	1,287	1,141	285.25
HTC Communication Solutions Mexico, S.A DE C. V.	79	23,122	16,424	6,698	102	3	(334)	(6.55)
HTC Servicios DE Operation Mexico, S.A DE C. V.	79	7,717	2,446	5,271	50	1	(13)	(0.25)
HTC America Holding Inc.	2,123,040	2,815,013	2,831	2,812,182	-	(24,738)	160,829	0.43
DeepQ Holding Corporation	2,734	1,536	-	1,536	-	-	-	-
VIVE Arts Holding Corporation	1,720	1,536	-	1,536	-	-	-	-
Viveport Corporation	154,509	157,741	-	157,741	-	3,913	3,914	0.49
REIGN Technology Corporation (Cayman)	2,765	1,536	-	1,536	-	-	-	-
HTC America Inc.	689,546	1,424,333	145,213	1,279,120	1,384,850	41,558	32,498	32,498.00
One & Company Design, Inc.	1,106	2,970	65	2,905	-	-	-	-
HTC America Innovation Inc.	92,153	732,774	161,579	571,195	185,065	8,816	15,780	15,780.00
HTC America Content Services, Inc.	1,016,749	99,420	94,096	5,324	85,577	(62,667)	(65,065)	(2,098.87)
Dashwire, Inc.	0.003	1,606	56,708	(55,102)	-	-	-	-
Inquisitive Minds, Inc.	0.031	31,191	2,725	28,466	-	(29)	(29)	(290.00)
HungXu Technology (BVI) Corp.	9,215	16,710	69	16,641	-	14,898	14,632	4.88
HungXu Technology Corp.	1,000	205,158	189,101	16,057	715,033	18,120	14,897	148.97
HTC VIVE TECH (Beijing) Co. Limited	24,574	24,823	2,262	22,561	-	(49)	2,810	-
VIVE ARTS LIMITED	184,305	150,708	2,499	148,209	1,896	(30,421)	(5,606)	(0.93)
DeepQ (BVI) Corp.	505,917	266,269	39	266,230	-	(69,949)	(70,007)	(0.43)
DeepQ Technology Corp.	395,212	208,079	14,380	193,699	13,560	(76,702)	(75,811)	(1.92)
DeepQ Technology (Beijing) Co., Ltd	92,153	82,004	66	81,938	-	(400)	5,898	-
HTC VIVE TECH (HK) Limited	208,879	170,789	304	170,485	-	(304)	(14,620)	(0.22)
Uomo vitruviano Corp.	50,000	38,583	15,047	23,536	5,691	(25,523)	(18,649)	(3.73)

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

7.1.7 Consolidated financial statements of HTC affiliated companies

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

7.1.8 Affiliates report

There were no circumstances requiring preparation of an Affiliates Report.

7.2 Private Placement Securities in 2022 and as of the Date of This Annual Report: None.

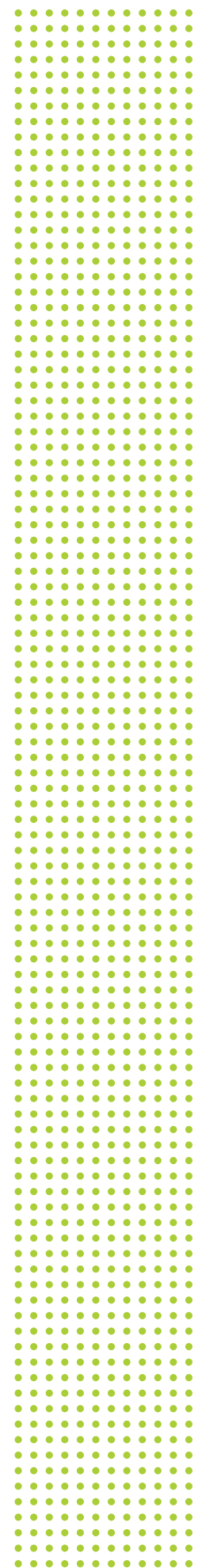
7.3 Status of HTC Common Shares and GDRS Acquired, Disposed of, and Held By Subsidiaries in 2022 as of the Date of This Annual Report: None.

7.4. Any Events in 2022 as of the Date of This Annual Report: That Had Significant Impacts on Shareholders’ Right or Security Prices as Stated in Item 2 Paragraph 3 of Article 36 of Securities and Exchange Law of Taiwan: None.

7.5 Other Necessary Supplement: None.



FINANCIAL INFORMATION



FINANCIAL INFORMATION

8.1 Abbreviated Balance Sheets for the Past Five Fiscal Years

8.1.1. Abbreviated Balance Sheets - IFRS

Unit: NT\$ thousand						
		Year				
Item		2022	2021	2020	2019	2018
Current Assets		5,231,940	5,127,325	6,643,929	14,722,869	28,067,272
Property, plant and equipment		6,462,620	6,633,450	6,876,940	7,171,857	7,638,244
Intangible Assets		31,707	32,108	31,848	27,068	33,668
Other Assets		35,689,360	33,228,336	33,688,316	33,048,001	34,152,320
Total Assets		47,415,627	45,021,219	47,241,033	54,969,795	69,891,504
Current Liabilities	Before Appropriation	14,831,382	15,569,555	17,118,814	19,915,673	24,566,928
	After Appropriation	Note	15,569,555	17,118,814	19,915,673	24,878,076
Non-current Liabilities		7,025,085	2,228,762	229,680	200,352	155,738
Total Liabilities	Before Appropriation	21,856,467	17,798,317	17,348,494	20,116,025	24,722,666
	After Appropriation	Note	17,798,317	17,348,494	20,116,025	25,033,814
Capital Stock		8,295,153	8,245,050	8,186,444	8,188,086	8,188,135
Capital Surplus		16,160,271	16,005,339	15,761,158	15,594,766	15,576,268
Retained Earnings	Before Appropriation	4,909,467	8,189,019	11,415,513	14,805,990	24,491,992
	After Appropriation	Note	8,189,019	11,415,513	14,805,990	24,180,844
Other Equity		(3,805,731)	(5,216,506)	(5,470,576)	(3,735,072)	(3,087,557)
Treasury Stock		-	-	-	-	-
Total Equities	Before Appropriation	25,559,160	27,222,902	29,892,539	34,853,770	45,168,838
	After Appropriation	Note	27,222,902	29,892,539	34,853,770	44,857,690

Note: Subject to change after 2022 shareholders’ meeting resolution

8.1.2. Abbreviated Consolidated Balance Sheets - IFRS

Unit: NT\$ thousand							
		Year					As of
Item		2022	2021	2020	2019	2018	2023.3.31
Current Assets		27,585,609	26,435,790	28,682,927	35,668,753	48,460,206	28,153,747
Property, plant and equipment		7,036,248	7,485,331	7,666,798	7,888,181	8,425,886	6,930,487
Intangible Assets		81,321	34,334	101,943	108,877	1,181,256	80,664
Other Assets		11,737,058	10,229,502	8,614,669	9,069,016	9,643,471	11,569,297
Total Assets		46,440,236	44,184,957	45,066,337	52,734,827	67,710,819	46,734,195
Current Liabilities	Before Appropriation	13,727,123	14,568,530	14,775,024	17,276,071	22,317,100	13,139,955
	After Appropriation	Note	14,568,530	14,775,024	17,276,071	22,628,248	Note
Non-current Liabilities		7,153,953	2,393,525	337,737	461,473	173,851	8,333,956
Total Liabilities	Before Appropriation	20,881,076	16,962,055	15,112,761	17,737,544	22,490,951	21,473,911
	After Appropriation	Note	16,962,055	15,112,761	17,737,544	22,802,099	Note
Capital Stock		8,295,153	8,245,050	8,186,444	8,188,086	8,188,135	8,310,921
Capital Surplus		16,160,271	16,005,339	15,761,158	15,594,766	15,576,268	16,205,598
Retained Earnings	Before Appropriation	4,909,467	8,189,019	11,415,513	14,805,990	24,491,992	4,253,603
	After Appropriation	Note	8,189,019	11,415,513	14,805,990	24,180,844	Note
Other Equity		(3,805,731)	(5,216,506)	(5,470,576)	(3,735,072)	(3,087,557)	(3,509,838)
Treasury Stock		-	-	-	-	-	-
Non-controlling Interest		-	-	61,037	143,513	51,030	-
Total Equities	Before Appropriation	25,559,160	27,222,902	29,953,576	34,997,283	45,219,868	25,260,284
	After Appropriation	Note	27,222,902	29,953,576	34,997,283	44,908,720	Note

Note: Subject to change after 2022 shareholders’ meeting resolution

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

8.2.1. Abbreviated Statements of Comprehensive income – IFRS

Item	Year				
	2022	2021	2020	2019	2018
Revenues	3,146,199	4,629,364	4,882,966	8,550,208	22,205,824
Gross Profit (Loss)	782,460	1,019,564	644,081	433,955	(750,644)
Operating (Loss) Income	(4,021,832)	(4,087,196)	(6,338,292)	(8,402,665)	(12,437,947)
Non-operating Income and Expenses	588,356	967,232	375,661	(800,564)	29,437,368
Net (Loss) Income Before Tax	(3,433,476)	(3,119,964)	(5,962,631)	(9,203,229)	16,999,421
Net (Loss) Income from Continuing Operations	(3,411,783)	(3,073,132)	(5,949,942)	(9,358,078)	12,068,202
Non-Continuing Operations Loss	-	-	-	-	-
Net (Loss) Income	(3,411,783)	(3,073,132)	(5,949,942)	(9,358,078)	12,068,202
Other Comprehensive Income and Loss For The Year – Net of Income Tax	1,543,006	100,708	823,961	(640,906)	(568,106)
Total Comprehensive (Loss) Income For The Year	(1,868,777)	(2,972,424)	(5,125,981)	(9,998,984)	11,500,096
Basic (Loss) Earnings Per Share	(4.13)	(3.75)	(7.27)	(11.43)	14.72
Diluted (Loss) Earnings Per Share	(4.13)	(3.75)	(7.27)	(11.43)	14.50

8.2.2. Abbreviated Consolidated Statements of Comprehensive income – IFRS

Item	Year					As of
	2022	2021	2020	2019	2018	2023.3.31
Revenue	4,408,823	5,253,279	5,805,708	10,014,966	23,740,610	975,316
Gross Profit	1,729,978	1,636,057	1,564,764	2,028,111	515,018	397,609
Operating Loss	(4,403,831)	(4,116,434)	(6,391,393)	(9,850,256)	(13,963,613)	(965,789)
Non-operating Income and Expenses	989,780	1,011,869	364,844	430,827	31,192,095	280,405
Net (Loss) Income before Tax	(3,414,051)	(3,104,565)	(6,026,549)	(9,419,429)	17,228,482	(685,384)
Net (Loss) Income from Continuing Operations	(3,411,783)	(3,101,817)	(6,022,598)	(9,413,070)	12,024,901	(683,669)
Non-Continuing Operations Loss	-	-	-	-	-	-
Net (Loss) Income	(3,411,783)	(3,101,817)	(6,022,598)	(9,413,070)	12,024,901	(683,669)
Other Comprehensive Income and Loss for the Period, Net of Income Tax	1,543,006	100,084	814,141	(647,414)	(565,847)	323,698
Total Comprehensive (Loss) Income for the Period	(1,868,777)	(3,001,733)	(5,208,457)	(10,060,484)	11,459,054	(359,971)
(Loss) Profit for the Year Attributable to Owners of the Parent	(3,411,783)	(3,073,132)	(5,949,942)	(9,358,078)	12,068,202	(683,669)
(Loss) Profit for the Year Attributable to Non-Controlling Interest	-	(28,685)	(72,656)	(54,992)	(43,301)	-
Total Comprehensive Income Attributable to Owners of the Parent	(1,868,777)	(2,972,424)	(5,125,981)	(9,998,984)	11,500,096	(359,971)
Total Comprehensive Income Attributable to Non-Controlling Interest	-	(29,309)	(82,476)	(61,500)	(41,042)	-
Basic (Loss) Earnings Per Share	(4.13)	(3.75)	(7.27)	(11.43)	14.72	(0.82)
Diluted (Loss) Earnings Per Share	(4.13)	(3.75)	(7.27)	(11.43)	14.50	(0.82)

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

Year	CPA Firm	Certified Public Accountant	Auditor’s Opinion
2018	Deloitte & Touche	Wen-Yea Shyu and Kwan-Chung Lai	Unqualified Opinion with emphasis matter
2019	Deloitte & Touche	Wen-Yea Shyu and Kwan-Chung Lai	Unqualified Opinion
2020	Deloitte & Touche	Chi-Ming Hsu and Kuo-Tyan Hong	Unqualified Opinion
2021	Deloitte & Touche	Chi-Ming Hsu and Kuo-Tyan Hong	Unqualified Opinion
2022	Deloitte & Touche	Chi-Ming Hsu and Kuo-Tyan Hong	Unqualified Opinion

8.3. Financial Analysis for the Past Five Fiscal Years

8.3.1. Financial Analysis – IFRS

		Year				
Item		2022	2021	2020	2019	2018
Capital Structure Analysis	Debt Ratio (%)	46	40	37	37	35
	Long-term Fund to Fixed Assets Ratio (%)	504	444	438	489	593
Liquidity Analysis	Current Ratio (%)	35	33	39	74	114
	Quick Ratio (%)	28	24	32	64	101
	Debt Services Coverage Ratio	(24)	(66)	(1,088)	(1,269)	8,892
Operating Performance Analysis	Average Collection Turnover (Times)	8.98	8.81	9.75	13.64	12.58
	Days Sales Outstanding	41	41	37	27	29
	Average Inventory Turnover (Times)	1.82	2.52	2.21	2.31	2.87
	Average Payment Turnover (Times)	0.36	0.49	0.46	0.72	1.64
	Average Inventory Turnover Days	201	145	165	158	127
	Fixed Assets Turnover (Times)	0.48	0.69	0.70	1.15	2.56
	Total Assets Turnover (Times)	0.07	0.10	0.10	0.14	0.33

(Continued)

		Year				
Item		2022	2021	2020	2019	2018
Profitability Analysis	Return on Total Assets (%)	(7.15)	(6.58)	(11.63)	(14.98)	17.89
	Return on Equity (%)	(12.93)	(10.76)	(18.38)	(23.39)	30.60
	Ratio of Income before Tax to Paid-in Capital (%)	(41.39)	(37.84)	(72.84)	(112.40)	207.61
	Net Margin (%)	(108.44)	(66.38)	(121.85)	(109.45)	54.35
	Basic Earnings Per Share (NT\$)	(4.13)	(3.75)	(7.27)	(11.43)	14.72
Cash Flow	Cash Flow Ratio (%)	(27.35)	(37.97)	(46.57)	(52.84)	(48.38)
	Cash Flow Adequacy Ratio (%)	(3,178.31)	(3,720.56)	(1,230.30)	(1,109.66)	(862.49)
	Cash Flow Reinvestment Ratio (%)	(10.46)	(16.67)	(22.13)	(27.02)	(22.47)
Leverage	Operating Leverage	-	(0.07)	0.04	0.09	0.19
	Financial Leverage	0.97	0.99	1.00	1.00	1.00

(Concluded)

1. Financial Structure and solvency

Capital structure and liquidity ratios increased due to HTC’s drawdown of its bank loans, resulting in increases in cash balance, long term loan and interest expense.

2. Operating ability

Inventory turnover rate decreased and inventory turnover days increased mainly due to the stock preparation for new products.

3. Profitability

2022 revenue decreased mainly due to fewer shipments. Nonetheless, changes in product mix helped improvements in gross profit and gross profit margin. Furthermore, the pandemic easing in 2022 had led to more marketing and advertising activities and thus increase operating expenses, resulting in an increase in net losses before income tax in 2022 compared with the previous period.

4. Cash flow

Less net cash outflow from operating activities in 5 years was primarily due to HTC’s austerity policy, resulting in an increase in cash flow adequacy ratio from the prior year.

8.3.2. Consolidated Financial Analysis - IFRS

Item		Year					As of 2023.03.31
		2022	2021	2020	2019	2018	
Capital Structure Analysis	Debt Ratio (%)	45	38	34	34	33	46
	Long-term Fund to Fixed Assets Ratio (%)	465	396	394	448	538	485
Liquidity Analysis	Current Ratio (%)	201	181	194	206	217	214
	Quick Ratio (%)	188	168	182	190	197	201
	Debt Services Coverage Ratio	(23)	(58)	(407)	(489)	8,998	(12)
Operating Performance Analysis	Average Collection Turnover (Times)	8.04	9.95	10.57	7.68	4.28	7.10
	Days Sales Outstanding	45	37	35	48	85	51
	Average Inventory Turnover (Times)	1.40	1.76	1.65	1.92	2.68	1.31
	Average Payment Turnover (Times)	0.48	0.63	0.66	0.96	1.91	0.41
	Average Inventory Turnover Days	261	207	221	190	136	279
	Fixed Assets Turnover (Times)	0.61	0.69	0.75	1.23	2.47	0.56
	Total Assets Turnover (Times)	0.10	0.12	0.12	0.17	0.35	0.08
Profitability Analysis	Return on Total Assets (%)	(7.28)	(6.86)	(12.29)	(15.60)	17.91	(1.38)
	Return on Equity (%)	(12.93)	(10.86)	(18.60)	(23.53)	30.50	(2.69)
	Ratio of Income before Tax to Paid- in Capital (%)	(41.16)	(37.65)	(73.62)	(115.04)	210.41	(8.25)
	Net Margin (%)	(77.39)	(59.05)	(103.74)	(93.99)	50.65	(70.10)
	Basic Earnings Per Share (NT\$)	(4.13)	(3.75)	(7.27)	(11.43)	14.72	(0.82)
Cash Flow	Cash Flow Ratio (%)	(27.25)	(30.86)	(50.64)	(53.08)	(42.55)	(10.45)
	Cash Flow Adequacy Ratio (%)	(2,063.47)	(2,617.72)	(2,561.76)	(855.67)	(646.86)	(2,384.80)
	Cash Flow Reinvestment Ratio (%)	(9.48)	(12.46)	(20.21)	(22.79)	(17.62)	(3.40)
Leverage	Operating Leverage	(0.21)	(0.23)	(0.12)	(0.11)	0.19	(0.06)
	Financial Leverage	0.97	0.99	1.00	1.00	1.00	0.95

1. Financial Structure and solvency

Capital structure and liquidity ratios increased due to HTC’s drawdown of its bank loans, resulting in increases in cash balance, long term loan and interest expense.

2. Operating ability

Inventory turnover rate decreased and inventory turnover days increased mainly due to the stock preparation for new products.

3. Profitability

2022 revenue decreased mainly due to fewer shipments. Nonetheless, changes in product mix helped improvements in gross profit and gross profit margin. Furthermore, the pandemic easing in 2022 had led to the increase in marketing and advertising activity expenses, resulting in an increase in net losses before income tax in 2022 compared with the previous period.

4. Cash flow

Less net cash outflow from operating activities in 5 years was primarily due to HTC’s austerity policy, resulting in an increase in cash flow adequacy ratio from the prior year.

8.4. Audit Committee Review Report

HTC CORPORATION
Audit Committee Review Report

The Board of Directors has prepared the Company’s 2022 Business Report, Financial Statements and proposal for deficit compensation. HTC Corporation’s Financial Statements have been audited and certified by Chi-Ming Hsu CPA, and Kuo-Tyan Hong CPA, of Deloitte & Touche and an audit report relating to the Financial Statements has been issued. The Business Report, Financial Statements and proposal for deficit compensation have been reviewed and considered to be complied with relevant rules by the undersigned, the Audit Committee of HTC Corporation. According to relevant requirements of the Securities and Exchange Act and the Company Law, we hereby submit this report.

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

March 7, 2023

8.5. INDEPENDENT AUDITORS’ REPORT

The Board of Directors and Shareholders
HTC Corporation

Opinion

We have audited the accompanying parent company only financial statements of HTC Corporation, which comprise the parent company only balance sheets as of December 31, 2022 and 2021, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of HTC Corporation as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and 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 Financial Statements section of our report. We are independent of HTC Corporation in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The descriptions of the key audit matters of the parent company only financial statements for the year ended December 31, 2022 are as follows:

Revenue Recognition

HTC Corporation mainly sells virtual reality products to end customers via its subsidiaries. We analyzed and realized that some end customers’ sales with certain indicators, such as higher revenue growth rate and higher gross profit margin compared to last year. As such end customers’ revenue on the overall the parent company only financial statements is significant; we identified the occurrence of such revenue recognized from these end 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 subsidiaries’ 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.

Responsibilities of Management and those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing HTC Corporation’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate HTC Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing HTC Corporation’s financial reporting process.

Auditors’ Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 parent company only 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 parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of HTC Corporation’s internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on HTC Corporation’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause HTC Corporation to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within HTC Corporation to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 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 parent company only financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such parent company only financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors’ report and the accompanying parent company only financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors’ report and parent company only financial statements shall prevail.

HTC CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2022 AND 2021

ASSETS	(In Thousands of New Taiwan Dollars)			
	2022		2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 3,097,943	7	\$ 2,923,024	6
Financial assets at fair value through profit or loss - current (Notes 7 and 29)	50,051	-	107,071	-
Trade receivables, net (Note 10)	160,934	-	81,093	-
Trade receivables - related parties, net (Notes 10 and 30)	51,084	-	334,284	1
Other receivables (Note 10)	26,115	-	10,513	-
Current tax assets (Note 25)	3,823	-	6,965	-
Inventories (Note 11)	893,131	2	1,024,696	2
Prepayments (Notes 12 and 30)	251,242	1	294,853	1
Other current financial assets (Notes 9 and 31)	559,987	1	344,242	1
Other current assets	137,630	-	584	-
Total current assets	5,231,940	11	5,127,325	11
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Note 8)	101,761	-	2,395	-
Investments accounted for using the equity method (Note 13)	30,057,106	64	27,639,945	61
Property, plant and equipment (Notes 14 and 30)	6,462,620	14	6,633,450	15
Right-of-use assets (Note 15)	295	-	2,777	-
Investment properties, net (Note 16)	1,932,812	4	2,034,163	5
Intangible assets	31,707	-	32,108	-
Deferred tax assets (Note 25)	2,963,192	6	3,124,430	7
Refundable deposits	56,727	-	2,718	-
Net defined benefit asset - non-current (Note 21)	494,809	1	346,814	1
Other non-current financial assets (Notes 9 and 31)	76,794	-	69,208	-
Other non-current assets (Note 12)	5,864	-	5,886	-
Total non-current assets	42,183,687	89	39,893,894	89
TOTAL	\$ 47,415,627	100	\$ 45,021,219	100

(Continued)

LIABILITIES AND EQUITY	(In Thousands of New Taiwan Dollars)			
	2022		2021	
	Amount	%	Amount	%
CURRENT LIABILITIES				
Short-term borrowings (Note 17)	\$ 2,640,000	6	\$ 2,600,000	6
Financial liabilities at fair value through profit or loss - current (Notes 7 and 29)	81,169	-	81,706	-
Note and trade payables (Notes 18 and 30)	6,666,929	14	6,393,192	14
Other payables (Notes 19 and 30)	4,362,529	9	5,189,332	12
Current tax liabilities (Note 25)	11,630	-	10,511	-
Provisions - current (Note 20)	901,816	2	1,088,864	2
Lease liabilities - current (Note 15)	301	-	2,516	-
Other current liabilities (Note 19)	167,008	-	203,434	1
Total current liabilities	14,831,382	31	15,569,555	35
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 17)	6,800,000	15	2,000,000	5
Deferred tax liabilities (Note 25)	82,333	-	91,487	-
Lease liabilities - non-current (Note 15)	-	-	301	-
Guarantee deposits received (Note 29)	142,752	-	136,974	-
Total non-current liabilities	7,025,085	15	2,228,762	5
Total liabilities	21,856,467	46	17,798,317	40
EQUITY (Note 22)				
Share capital - ordinary shares	8,295,153	18	8,245,050	18
Capital surplus	16,160,271	34	16,005,339	36
Retained earnings				
Legal reserve	9,108,539	19	12,335,031	27
Special reserve	3,080,480	6	3,080,480	7
Accumulated deficits	(7,279,552)	(15)	(7,226,492)	(16)
Other equity	(3,805,731)	(8)	(5,216,506)	(12)
Total equity	25,559,160	54	27,222,902	60
TOTAL	\$ 47,415,627	100	\$ 45,021,219	100

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

(Concluded)

HTC CORPORATION

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	(In Thousands of New Taiwan Dollars, Except Loss Per Share)				
	2022		2021		
	Amount	%	Amount	%	
OPERATING REVENUE (Notes 23 and 30)	\$ 3,146,199	100	\$ 4,629,364	100	
OPERATING COST (Notes 11, 24 and 30)	2,363,739	75	3,609,800	78	
GROSS PROFIT	782,460	25	1,019,564	22	
UNREALIZED GAIN	(211,474)	(7)	(315,723)	(7)	
REALIZED GAIN	315,723	10	58,511	2	
REALIZED GROSS GAIN	886,709	28	762,352	17	
OPERATING EXPENSES (Notes 24 and 30)					
Selling and marketing	1,038,481	33	1,070,362	23	
General and administrative	1,638,788	52	1,516,408	33	
Research and development	2,231,272	71	2,262,778	49	
Total operating expenses	4,908,541	156	4,849,548	105	
OPERATING LOSS	(4,021,832)	(128)	(4,087,196)	(88)	
NON-OPERATING INCOME AND EXPENSES					
Interest income (Note 24)	34,330	1	9,791	-	
Other income (Notes 24 and 30)	1,029,588	33	766,694	17	
Other gains and losses (Notes 14 and 24)	(836,535)	(27)	(220,827)	(5)	
Finance costs (Note 24)	(136,092)	(4)	(46,458)	(1)	
Share of the profit or loss of subsidiaries	497,065	16	458,032	10	
Total non-operating income and expenses	588,356	19	967,232	21	
LOSS BEFORE INCOME TAX	(3,433,476)	(109)	(3,119,964)	(67)	
INCOME TAX BENEFIT (Note 25)	21,693	1	46,832	1	
LOSS FOR THE YEAR	(3,411,783)	(108)	(3,073,132)	(66)	

(Continued)

	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 21)	\$ 151,806	5	\$ 18,480	-	
Unrealized loss on investments in equity instruments designated as at fair value through other comprehensive income	(634)	-	(945)	-	
Share of the comprehensive income of subsidiaries - items that will not be reclassified to profit or loss	(154,641)	(5)	917,604	20	
Income tax relating to items that will not be reclassified to profit or loss (Note 25)	(18,217)	(1)	(2,218)	-	
	(21,686)	(1)	932,921	20	
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations	1,564,692	50	(832,213)	(18)	
Other comprehensive income and loss for the year, net of income tax	1,543,006	49	100,708	2	
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	\$ (1,868,777)	(59)	\$ (2,972,424)	(64)	
LOSS PER SHARE (Note 26)					
Basic	\$ (4.13)		\$ (3.75)		

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

(Concluded)

HTC CORPORATION

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

	Share Capital		Retained Earnings			Other Equity			Total Equity
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Accumulated Deficits	Exchange Differences on Translation of Foreign Operations	Unrealized Losses on Financial Assets at Fair Value Through Other Comprehensive Income		
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	
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)	
Other comprehensive income and loss for the year ended December 31, 2021	-	-	-	-	16,262	(832,213)	916,659	100,708	
Issuance of shares due to exercise of employee share options	58,606	149,445	-	-	-	-	-	208,051	
Share-based payments	-	94,736	-	-	-	-	-	94,736	
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	(169,624)	-	169,624	-	
BALANCE, DECEMBER 31, 2021	8,245,050	16,005,339	12,335,031	3,080,480	(7,226,492)	(4,360,449)	(856,057)	27,222,902	
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)	
Other comprehensive income and loss for the year ended December 31, 2022	-	-	-	-	133,589	1,564,692	(155,275)	1,543,006	
Issuance of shares due to exercise of employee share options	50,103	123,122	-	-	-	-	-	173,225	
Share-based payments	-	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	\$ 8,295,153	\$ 16,160,271	\$ 9,108,539	\$ 3,080,480	\$ (7,279,552)	\$ (2,795,757)	\$ (1,009,974)	\$ 25,559,160	

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

HTC CORPORATION

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	(In Thousands of New Taiwan Dollars)	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	\$ (3,433,476)	\$ (3,119,964)
Adjustments for:		
Depreciation expense	287,483	382,966
Expected credit loss reversed on trade receivables	(15,000)	(20,000)
Finance costs	136,092	46,458
Interests income	(34,330)	(9,791)
Compensation costs of employee share-based payments	30,952	85,999
Share of the profit or loss of subsidiaries	(497,065)	(458,032)
Net gain on disposal of property, plant and equipment	(5)	(478)
Net (gain) loss on disposal of intangible assets	(44)	150
Impairment loss on non-financial assets	4,022	141,055
Unrealized gain on sales	211,474	315,723
Realized gain on sales	(315,723)	(58,511)
Gain from lease modifications	-	(4)
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 trade receivables	(64,841)	75,267
Decrease in trade receivables - related parties	283,200	32,896
(Increase) decrease in other receivables	(8,857)	8,808
Decrease (increase) in inventories	127,859	(207,119)
Decrease (increase) in prepayments	43,611	(71,905)
Increase in other current assets	(137,046)	(141)
Decrease in other non-current assets	3,553	2,948
Increase (decrease) in trade payables	273,737	(1,974,937)
Decrease in other payables	(845,480)	(1,032,573)
Decrease in provisions	(187,048)	(128,990)
Decrease in other current liabilities	(36,426)	(101,813)
Cash used in operations	(4,116,875)	(6,034,595)
Interest received	27,647	15,014
Interest paid	(126,784)	(46,458)
Income tax refunded	159,821	155,035
Net cash used in operating activities	(4,056,191)	(5,911,004)

(Continued)

	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	\$ (100,000)	\$ -
Payments for property, plant and equipment	(13,226)	(23,692)
Proceeds from disposal of property, plant and equipment	9,945	6,051
Increase in refundable deposits	(54,009)	(471)
Payments for intangible assets	(30,273)	(498)
Proceeds from disposal of intangible assets	30,517	88
Increase in other financial assets	(223,331)	-
Decrease in other financial assets	-	2,201,043
Dividends received	-	582,288
Net cash (used in) generated from investing activities	(380,377)	2,764,809
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
Proceeds from guarantee deposits received	5,778	-
Refund of guarantee deposits received	-	(7,038)
Repayment of the principal portion of lease liabilities	(2,516)	(3,422)
Employee share options executed	173,225	208,051
Net cash outflow on acquisition of subsidiaries	(405,000)	(100,000)
Net cash generated from financing activities	4,611,487	3,797,591
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	174,919	651,396
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	2,923,024	2,271,628
CASH AND CASH EQUIVALENTS, END OF THE YEAR	\$ 3,097,943	\$ 2,923,024

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

(Concluded)

HTC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

HTC Corporation (the “Company”) was incorporated on May 15, 1997 under the Company Act of Taiwan, the Republic of China. The Company is engaged in designing, manufacturing, assembling, processing, and selling smart mobile and virtual reality devices and after-sales service.

In March 2002, the Company had its stock listed on the Taiwan Stock Exchange. On November 19, 2003, the Company listed some of its shares of stock on the Luxembourg Stock Exchange in the form of global depositary receipts.

The parent company only financial statements are presented in the Company’s functional currency, New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The parent company only financial statements were approved by the Company’s board of directors and authorized for issue on March 7, 2023.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the amendments to the 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 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

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
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
(Concluded)	

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.
Note 2: 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 financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of the above standards and interpretations will have on the Company’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

Basis of Preparation

The parent company only financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value, and net defined benefit assets which are measured at the fair value of plan assets less the present value of the defined benefit obligation.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 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).
- c. Level 3 inputs are unobservable inputs for the asset or liability.

When preparing its parent company only financial statements, the Company used equity method to account for its investment in subsidiaries and associates. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owner of the Company in its parent company only financial statements, adjustments arising from the differences in accounting treatment between parent company only basis and parent company only basis were made to investments accounted for by equity method, share of profit or loss of subsidiaries and associates, share of other comprehensive income of subsidiaries and associates and unappropriated earnings (accumulated deficits), as appropriate, in the parent company only financial statements.

Classification of Current and Non-current Assets and Liabilities

- Current assets include:
- 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.

Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer’s previously held interest in the acquiree, the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that present the ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests’ proportionate share of the recognized amounts of the acquiree’s identifiable net assets.

Foreign Currencies

In preparing the parent company only financial statements, transactions in currencies other than the entity’s functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise except for:

- a. Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- b. Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income

and reclassified from equity to profit or loss on disposal of the net investments.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting the parent company only financial statements, the assets and liabilities of the Company’s foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity.

On the disposal of a foreign operation (i.e. a disposal of the Company’s entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences are recognized in other comprehensive income.

Inventories

Inventories consist of raw materials, finished goods, work-in-process and semi-finished goods are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated

costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

Investments in Subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

Subsidiaries are the entities controlled by the Company.

Under the equity method, investments in a subsidiary are initially recognized in the parent company only balance sheet at cost and adjusted thereafter to recognize the Company’s share of the profit or loss and other comprehensive income of the subsidiaries. The Company also recognizes the changes in the equity of subsidiaries attributable to the Company.

Changes in the Company’s ownership interests in subsidiaries that do not result in the Company’s loss of control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amounts of the investment and the fair value of the consideration paid or received is recognized directly in equity.

When the Company’s share of losses of a subsidiary equals or exceeds its interest in that subsidiary (which includes any carrying amount of the investment in subsidiary accounted for by the equity method and long-term interests that, in substance, form part of the Company’s net investment in the subsidiary), the Company continues recognizing its share of further losses.

Any excess of the cost of acquisition over the Company’s share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company’s share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the entire financial statements of the invested company. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes the reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed

the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits and losses from downstream transactions with a subsidiary are eliminated in full. Profits and losses from upstream with a subsidiary and side stream transactions between subsidiaries are recognized in the Company’ parent company only financial statements only to the extent of interests in the subsidiary that are not related to the Company.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment loss.

Properties, plant and equipment in the course of construction are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

For a transfer from the property, plant and equipment classification to investment properties, the deemed cost of the property for subsequent accounting is its carrying amount.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

Intangible Assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

Impairment of Tangible and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified. Corporate assets are allocated to the individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

Before the Company recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories, property, plant and equipment and intangible assets related to the contract applicable under IFRS 15 shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Company expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable

amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

a. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

1) Measurement category

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost, and investments in equity instruments at FVTOCI.

a) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends or interest earned on such financial assets are recognized in other income; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 29 to the 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 does not reduce the carrying amount of the financial asset.

3) **Derecognition of financial assets**

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

b. **Equity instruments**

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual

arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company’s own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company’s own equity instruments.

c. **Financial liabilities**

1) **Subsequent measurement**

Except the following situation, all financial liabilities are measured at amortized cost using the effective interest method:

- Financial liabilities at FVTPL
- Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or is designated as at FVTPL.

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividends paid on the financial liability. Fair value is determined in the manner described in Note 29 to the 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 within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Provisions

Provisions, including those arising from contractual obligation specified in service concession arrangement to maintain or restore infrastructure before it is handed over to the grantor, are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

a. **Warranty provisions**

The Company provides warranty service for one year to two years. The warranty liability is estimated on the basis of evaluation of the products under warranty, past warranty experience, and pertinent factors.

b. **Onerous contracts**

Onerous contracts are those in which the Company’s unavoidable costs of meeting the contractual obligations exceed the economic benefits expected to be received from the contract. The present obligations

arising under onerous contracts are recognized and measured as provisions.

Revenue Recognition

The Company identifies the contract with the customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

a. Revenue from the sale of goods

Revenue from the sale of goods comes from sales of electronic equipment. Sales of electronic equipment are recognized as revenue when the goods are delivered to the customer’s specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers, and bears the risks of obsolescence. Trade receivables are recognized concurrently.

b. Revenue from the rendering of services

Revenue from the rendering of services comes from product design, online subscription content service, device examinations, and extended warranty services.

c. Licensing revenue

The Company does not promise to undertake activities that will change the functionality of software in software licensing transaction. Furthermore, such software remains functional without the updates and the technical support. Therefore, the upfront royalty is recognized as revenue when the patents subsequent usage occurs.

Leases

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

a. The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The current lease contract of the Company are all operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

When a lease includes both land and building elements, the Company assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Company. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

b. The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable

lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee’s incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

Borrowing Costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than those stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Employee Benefits

Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Company’s defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plans except that remeasurement is recognized in profit or loss.

Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Company can no longer withdraw the offer of the termination benefit and when the Company recognizes any related restructuring costs.

Share-based Payment Arrangements

Share-based payment transactions of the Company

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company’s estimate of equity instruments that will eventually vest, with a corresponding increase in capital surplus - employee share options. The fair value determined at the grant date of the equity-settled share-based payments is recognized as an expense in full at the grant date when the share options granted vest immediately.

Restricted shares for employees are recognized as other equity - unearned employ’s bonus on the date of grant, with a corresponding increase in capital surplus - restricted shares for employees.

At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to

vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the capital surplus - employee share options and capital surplus - restricted shares for employees.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current tax

According to the Income Tax Law, an additional tax on unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years’ tax liabilities are added to or deducted from the current year’s tax provision.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the parent company only financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and

interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred tax

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Accrued Marketing Expenses

The Company accrues marketing expenses on the basis of agreements and any known factors that would significantly affect the accruals. In addition, depending on the nature of relevant events, the accrued marketing expenses are accounted for as an increase in marketing expenses or as a decrease in revenues.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company’s accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Company considers the inflation and interest rate fluctuations when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key Sources of Estimation Uncertainty

a. Valuation of inventories

Inventories are measured at the lower of cost or net realizable value. Judgment and estimation are applied in the determination of net realizable value at the end of reporting period.

Inventories are usually written down to net realizable value item by item if those inventories are damaged, have become wholly or partially obsolete, or if their selling prices have declined. The estimation of net realizable value is based on current market conditions and historical experience in the sale of product of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

As of December 31, 2022 and 2021, the carrying amounts of inventories were NT\$893,131 thousand and NT\$1,024,696 thousand, respectively.

b. Realization of deferred tax assets

Deferred tax assets should be recognized only to the extent that the entity has sufficient taxable temporary differences or there is other convincing evidence that sufficient taxable profit will be available. Management applies judgment and accounting estimates to evaluate the realization of deferred tax assets. Management

takes expected sales growth, profit rate, duration of exemption, tax credits, tax planning and etc. into account when making accounting judgement and estimates. Any changes in the global economy, industry environment and regulations may result in material adjustments to deferred tax assets.

As of December 31, 2022 and 2021, the carrying amounts of deferred tax assets were NT\$2,963,192 thousand and NT\$3,124,430 thousand, respectively.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2022	2021
Cash on hand	\$ 410	\$ 560
Checking accounts and demand deposits	585,415	1,885,023
Time deposits (with original maturities within three months)	<u>2,512,118</u>	<u>1,037,441</u>
	<u>\$ 3,097,943</u>	<u>\$ 2,923,024</u>

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

	December 31	
	2022	2021
Deposit	0.01%-0.86%	0.01%-0.14%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2022	2021
<u>Financial assets - current</u>		
Financial assets held for trading		
Derivative financial assets (not under hedge accounting)		
Foreign exchange contracts	<u>\$ 50,051</u>	<u>\$ 107,071</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 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/USD	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	\$ 575	\$ 734
Unlisted shares	101,186	1,661
	\$ 101,761	\$ 2,395

The Company invested in equity investments in domestic companies for the medium and long-term strategic purposes. These investments were expected to make profits through long-term investment and promote the development of the metaverse industry. 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	\$ 635,853	\$ 412,486
Restricted demand deposits	928	964
	\$ 636,781	\$ 413,450
Current	\$ 559,987	\$ 344,242
Non-current	76,794	69,208
	\$ 636,781	\$ 413,450

For details of pledged other financial assets, refer to Note 31 to the financial statements.

10. TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2022	2021
Trade and overdue receivables		
At amortized cost		
Trade receivables	\$ 173,053	\$ 142,406
Trade receivables - related parties	51,084	334,284
Overdue receivables	73,927	71,529
Less: Allowances for impairment loss	(12,119)	(61,313)
Less: Allowances for impairment loss - overdue receivables	(73,927)	(71,529)
	\$ 212,018	\$ 415,377
Other receivables		
Interest receivables	\$ 7462	\$ 779
Others	34,766	9,734
Less: Allowances for impairment loss	(16,113)	-
	\$ 26,115	\$ 10,513

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,

December 31, 2022	Non Yet Due	1-90 Days	91-180 Days	Over 181 Days	Total
Expected credit loss rate	0%-4%	4%-40%	10%-100%	100%	
Gross carrying amount	\$ 196,622	\$ 18,332	\$ 8,187	\$ 996	\$ 224,137
Loss allowance (Lifetime ECL)	(2,131)	(2,739)	(6,253)	(996)	(12,119)
Amortized cost	\$ 194,491	\$ 15,593	\$ 1,934	\$ -	\$ 212,018

interest was charged at 1%-18% per annum on the outstanding balance. The Company adopted a policy of dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit rating information is obtained from independent rating agencies where available or, if not available, the Company uses other publicly available financial information or its own trading records to rate its major customers. The Company’s exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved annually.

In order to minimize credit risk, management has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue receivables. In addition, the Company reviews the recoverable amount of each individual trade receivable at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, management considers the Company’s credit risk to have significantly reduced.

The Company uses the expected credit loss during the duration to recognize the allowance for losses of accounts receivable. The expected credit loss during the duration is mainly based on the customer’s past default record, current financial situation and industrial economic situation.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty without realistic prospect of recovery. For trade receivables that have been written off, The Company continues to engage in enforcement activities to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables.

December 31, 2021

	Non Yet Due	1-90 Days	91-180 Days	Over 181 Days	Total
Expected credit loss rate	0%-4%	4%-40%	10%-100%	100%	
Gross carrying amount	\$ 421,250	\$ -	\$ 751	\$ 54,689	\$ 476,690
Loss allowance (Lifetime ECL)	(5,873)	-	(751)	(54,689)	(61,313)
Amortized cost	<u>\$ 415,377</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 415,377</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>\$ 102,152</u>	<u>\$ 132,842</u>

11. INVENTORIES

	December 31	
	2022	2021
Finished goods	\$ 281,048	\$ 290,991
Work-in-process	-	11,393
Semi-finished goods	73,630	84,303
Raw materials	536,091	558,702
Inventory in transit	<u>2,362</u>	<u>79,307</u>
	<u>\$ 893,131</u>	<u>\$ 1,024,696</u>

The cost of inventories written down recognized as operating costs for the years ended December 31, 2022 and 2021 were NT\$3,821 thousand and NT\$140,447 thousand, respectively.

12. PREPAYMENTS

	December 31	
	2022	2021
Prepaid expenses	\$ 128,691	\$ 169,537
Prepaid royalty	57,184	50,782
Prepaid Software and hardware maintenance	37,771	45,971
Prepaid service	25,446	25,240
Prepaid equipment	5,864	5,886
Prepayments to suppliers	<u>2,150</u>	<u>3,323</u>
	<u>\$ 257,106</u>	<u>\$ 300,739</u>
Current	\$ 251,242	\$ 294,853
Non-current	<u>5,864</u>	<u>5,886</u>
	<u>\$ 257,106</u>	<u>\$ 300,739</u>

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2022	2021
Investment in subsidiaries	<u>\$ 30,057,106</u>	<u>\$ 27,639,945</u>

Investments in Subsidiaries

	December 31	
	2022	2021
Unlisted equity investments		
H.T.C. (B.V.I.) Corp.	\$ 2,659,114	\$ 2,199,051
High Tech Computer Asia Pacific Pte. Ltd.	12,409,964	20,383,727
HTC Investment Corporation	142,175	146,394
PT. High Tech Computer Indonesia	-	62
HTC Holding B.V.	13	13
HTC Investment One (BVI) Corporation	412,803	368,239
HTC Investment (BVI) Corp.	3,718,132	3,611,492
HTC VIVE Holding (BVI) Corp.	222,015	186,960

(Continued)

	December 31	
	2022	2021
HTC VIVE INVESTMENT (BVI) Corp.	258,141	287,626
DeepQ Holding (BVI) Corp.	266,638	336,764
HTC Smartphone (BVI) Corp.	536	564
HTC VR Content (BVI) Corp.	25,552	44,059
REIGN Technology Corporation	176,191	32,049
Viveport Digital Corporation	41,111	42,945
VIVE Arts Corporation	5,000	-
HTC EUROPE CO., LTD.	<u>9,719,721</u>	<u>-</u>
	<u>\$ 30,057,106</u>	<u>\$ 27,639,945</u>

(Concluded)

At the end of the reporting period, the proportion of ownership and voting rights in subsidiaries held by the Company were as follows:

Name of Subsidiaries	December 31	
	2022	2021
H.T.C. (B.V.I.) Corp.	100.00%	100.00%
High Tech Computer Asia Pacific Pte. Ltd.	100.00%	100.00%
HTC Investment Corporation	100.00%	100.00%
PT. High Tech Computer Indonesia	-	1.00%
HTC Holding B.V.	0.01%	0.01%
HTC Investment One (BVI) Corporation	100.00%	100.00%
HTC Investment (BVI) Corp.	100.00%	100.00%
HTC VIVE Holding (BVI) Corp.	100.00%	100.00%
HTC VIVE INVESTMENT (BVI) Corp.	100.00%	100.00%
DeepQ Holding (BVI) Corp.	100.00%	100.00%
HTC Smartphone (BVI) Corp.	100.00%	100.00%
HTC VR Content (BVI) Corp.	100.00%	100.00%
REIGN Technology Corporation	100.00%	100.00%
Viveport Digital Corporation	100.00%	100.00%
VIVE Arts Corporation	100.00%	-
HTC EUROPE CO., LTD.	100.00%	-

Refer to Note 13 to the financial statements for the year ended December 31, 2022 for the details of the subsidiaries indirectly held by the Company.

The Company invested and established REIGN Technology Corporation on September 30, 2021 with the amount of NT\$40,000 thousand. REIGN Technology Corporation is engaged in 5G set-ups with apps associated and after-sale services. The Company acquired the equity interests of 100%, and is accounted for under the equity method.

The Company invested and established Viveport Digital Corporation on October 1, 2021 with the amount of NT\$60,000 thousand. Viveport Digital Corporation is engaged in interactive contextual experience services. The Company acquired equity interests of 100%, and accounted the investment under the equity method.

The Company invested and established VIVE Arts Corporation on December 13, 2022 with the amount of NT5,000 thousand. VIVE Arts Corporation is engaged in digital art services. The Company acquired equity interests of 100%, and accounted the investment under the equity method.

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.

The Company and its subsidiary, High Tech Computer Asia Pacific Pte. Ltd., acquired equity interests of 1% and 99%, respectively, in PT. High Tech Computer Indonesia and acquired equity interests of 0.01% and 99.99%, respectively, in HTC Holding B.V. As a result, PT. High Tech Computer Indonesia and HTC Holding B.V. are considered subsidiaries of the Company.

The share of net income or loss and other comprehensive income from subsidiaries under equity method were accounted for based on the audited financial statements.

14. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2022	2021
Carrying amounts		
Land	\$ 4,566,756	\$ 4,566,756
Buildings	1,859,565	2,005,609
Machinery and equipment	14,947	39,786
Other equipment	<u>21,352</u>	<u>21,299</u>
	<u>\$ 6,462,620</u>	<u>\$ 6,633,450</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	\$ 4,566,756	\$ 3,637,269	\$ 2,764,873	\$ 544,609	\$ 11,513,507
Additions	-	-	6,786	16,089	22,875
Disposals	-	-	(78,822)	(15,759)	(94,581)
Reclassification	-	-	-	(197)	(197)
Transferred into investment properties	-	(6,712)	-	-	(6,712)
Balance, end of the year	<u>4,566,756</u>	<u>3,630,557</u>	<u>2,692,837</u>	<u>544,742</u>	<u>11,434,892</u>
<u>Accumulated depreciation</u>					
Balance, beginning of the year	-	1,631,660	2,621,744	518,748	4,772,152
Depreciation expenses	-	145,755	22,214	15,392	183,361
Disposals	-	-	(69,411)	(15,230)	(84,641)
Reclassification	-	-	-	(82)	(82)
Transferred into investment properties	-	(6,423)	-	-	(6,423)
Balance, end of the year	-	<u>1,770,992</u>	<u>2,574,547</u>	<u>518,828</u>	<u>4,864,367</u>
<u>Accumulated impairment</u>					
Balance, beginning of the year	-	-	103,343	4,562	107,905
Impairment losses recognized	-	-	-	-	-
Disposals	-	-	-	-	-
Balance, end of the year	-	-	<u>103,343</u>	<u>4,562</u>	<u>107,905</u>
Net book value, end of the year	<u>\$ 4,566,756</u>	<u>\$ 1,859,565</u>	<u>\$ 14,947</u>	<u>\$ 21,352</u>	<u>\$ 6,462,620</u>

	2021				
	Land	Buildings	Machinery and Equipment	Other Equipment	Total
<u>Cost</u>					
Balance, beginning of the year	\$ 4,566,756	\$ 3,604,485	\$ 2,924,118	\$ 647,037	\$ 11,742,396
Additions	-	1,909	21,775	4,317	28,001
Disposals	-	-	(181,020)	(106,745)	(287,765)
Reclassified from investment properties	-	<u>30,875</u>	-	-	<u>30,875</u>
Balance, end of the year	<u>4,566,756</u>	<u>3,637,269</u>	<u>2,764,873</u>	<u>544,609</u>	<u>11,513,507</u>
<u>Accumulated depreciation</u>					
Balance, beginning of the year	-	1,457,146	2,708,074	592,888	4,758,108
Depreciation expenses	-	153,824	94,639	27,032	275,495
Disposals	-	-	(180,969)	(101,172)	(282,141)
Reclassified from investment properties	-	<u>20,690</u>	-	-	<u>20,690</u>
Balance, end of the year	-	<u>1,631,660</u>	<u>2,621,744</u>	<u>518,748</u>	<u>4,772,152</u>
<u>Accumulated impairment</u>					
Balance, beginning of the year	-	-	102,786	4,562	107,348
Impairment losses recognized	-	-	608	-	608
Disposals	-	-	(51)	-	(51)
Balance, end of the year	-	-	<u>103,343</u>	<u>4,562</u>	<u>107,905</u>
Net book value, end of the year	<u>\$ 4,566,756</u>	<u>\$ 2,005,609</u>	<u>\$ 39,786</u>	<u>\$ 21,299</u>	<u>\$ 6,633,450</u>

For the year ended December 31, 2021, the Company determined that the carrying amounts of some of equipment were expected to be unrecoverable. Thus, it recognized impairment losses of NT\$608 thousand classified as other gains and losses. Refer to Note 24 to the

financial statements for details.

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives as follows:

Buildings	5-50 years
Machinery and equipment	3-6 years
Other equipment	3-5 years

The major component parts of the buildings held by the Company included plants, electro-powering machinery and engineering systems, etc., which are depreciated over their estimated useful lives of 40 to 50 years, 20 years and 5 to 10 years, respectively.

The Company designated parts of its real estate as for lease and for its own use. The parts for lease are reclassified to investment properties and the parts for its own use are classified under property, plant and equipment. Both are accounted for in accordance with the applicable accounting standards. For details, refer to Note 16 to the financial statements.

Property pledged as collateral for bank borrowings are set out in Note 31 to the financial statements for details.

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

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2022	2021
<u>Carrying amounts</u>		
Buildings	<u>\$ 295</u>	<u>\$ 2,777</u>
	For the Year Ended December 31	
	2022	2021
Additions to right-of-use assets	<u>\$ -</u>	<u>\$ 2,810</u>
Depreciation charge for right-of-use assets		
Buildings	<u>\$ 2,482</u>	<u>\$ 3,418</u>

b. Lease liabilities

	December 31	
	2022	2021
<u>Carrying amounts</u>		
Current	<u>\$ 301</u>	<u>\$ 2,516</u>
Non-current	<u>\$ -</u>	<u>\$ 301</u>

Discount rate for lease liabilities were as follows:

	December 31	
	2022	2021
Buildings	2%	2%

c. Material lease-in activities and terms

The Company leases certain buildings for the use of plants and offices with original lease terms of 2 to 3 years. The Company does not have bargain purchase options to acquire the buildings at the end of the lease terms. In addition, the Company is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor’s consent.

d. Other lease information

Lease arrangements under operating leases for the leasing out of investment properties are set out in Note 16 to the financial statements.

	For the Year Ended December 31	
	2022	2021
Expenses relating to short-term leases	<u>\$ 2,617</u>	<u>\$ 3,360</u>
Total cash outflow for leases	<u>\$ (5,162)</u>	<u>\$ (6,871)</u>

The Company leases certain office equipment and other equipment which qualify as short-term leases and low-value asset leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

16. INVESTMENT PROPERTIES, NET

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

	2022	2021
<u>Cost</u>		
Balance, beginning of the year	\$ 3,254,444	\$ 3,294,926
Additions	-	-
Disposals	-	(9,607)
Reclassification	<u>6,712</u>	<u>(30,875)</u>
Balance, end of the year	<u>3,261,156</u>	<u>3,254,444</u>
		(Continued)

	2022	2021
<u>Accumulated depreciation</u>		
Balance, beginning of the year	\$ 1,220,281	\$ 1,146,525
Depreciation expense	101,640	104,053
Disposals	-	(9,607)
Reclassification	<u>6,423</u>	<u>(20,690)</u>
Balance, end of the year	<u>1,328,344</u>	<u>1,220,281</u>
Net book value, end of the year	<u>\$ 1,932,812</u>	<u>\$ 2,034,163</u>
(Concluded)		

The abovementioned investment properties were leased out for 3 years. The lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating leases of investment properties as of December 31, 2022 and 2021 were as follows:

	December 31	
	2022	2021
Year 1	\$ 575,665	\$ 335,646
Year 2	575,665	9,203
Year 3	<u>329,657</u>	<u>9,116</u>
	<u>\$ 1,480,987</u>	<u>\$ 353,965</u>

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

Main buildings	40-50 years
Electricity distribution system	20 years
Air-conditioning	5-10 years
Others	3-5 years

The fair value of the investment properties were measured by referencing appraisal reports completed by independent qualified professional appraisers on December 31, 2022 and 2021. The fair values as of December 31, 2022 and 2021 were NT\$3,845,577 thousand and NT\$3,884,317 thousand, respectively. The fair values in the appraisal reports were measured by using Level 3 inputs, and were arrived at by referencing market evidence of transaction prices for similar properties.

The investment properties pledged as collateral for bank borrowings are set out in Note 31 to the financial statements for details.

17. 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 were 1.71%-2.36% and 1.20%-1.36% per annum, respectively, 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 Company drew out NT\$5,000,000 thousand and NT\$1,800,000 thousand from its part A and B syndicated loans, respectively, on December 31, 2022, at the range of interest rate from 2.13%-2.41% p.a.

The Company pledged land and buildings as collateral for the long-term borrowings (refer to Note 31 to the financial statements for details.).

18. NOTES PAYABLE AND TRADE PAYABLES

	December 31	
	2022	2021
Notes payable	\$ -	\$ 58
Trade payables	6,616,305	6,391,872
Trade payables - related parties	<u>50,624</u>	<u>1,262</u>
	<u>\$ 6,666,929</u>	<u>\$ 6,393,192</u>

The average payment term is two to four months. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms. The Company periodically negotiates with vendors to amend payment obligations. Amendments, based on their nature, are adjusted in operating cost or expense.

19. OTHER LIABILITIES

	December 31	
	2022	2021
<u>Other payables</u>		
Accrued expenses	\$ 4,357,511	\$ 5,184,981
Payables for purchase of equipment	<u>5,018</u>	<u>4,351</u>
	<u>\$ 4,362,529</u>	<u>\$ 5,189,332</u>
(Continued)		

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	\$ 1,082,960	\$ 5,904	\$ 1,088,864
Provisions (reversed) recognized	(39,055)	1,529	(37,526)
Utilized	(163,245)	(3,297)	(166,542)
Effect of foreign currency exchange differences	<u>17,020</u>	<u>-</u>	<u>17,020</u>
Balance, end of the year	<u>\$ 897,680</u>	<u>\$ 4,136</u>	<u>\$ 901,816</u>

	December 31	
	2022	2021
<u>Other current liabilities</u>		
Advance receipts	\$ 76,220	\$ 117,023
Agency receipts	13,851	23,389
Others	<u>76,937</u>	<u>63,022</u>
	<u>\$ 167,008</u>	<u>\$ 203,434</u>
(Concluded)		

Accrued Expenses

	December 31	
	2022	2021
Services	\$ 2,408,722	\$ 2,200,032
Marketing	997,662	1,380,664
Salaries, bonuses and compensation	609,461	888,529
Materials and molding expenses	89,019	481,564
Import, export and freight	17,387	43,701
Repairs, maintenance and sundry purchase	15,314	26,602
Others	<u>219,946</u>	<u>163,889</u>
	<u>\$ 4,357,511</u>	<u>\$ 5,184,981</u>

20. PROVISIONS

	December 31	
	2022	2021
Warranties	\$ 897,680	\$ 1,082,960
Others	<u>4,136</u>	<u>5,904</u>
	<u>\$ 901,816</u>	<u>\$ 1,088,864</u>

	2021		
	Warranty Provision	Others	Total
Balance, beginning of the year	\$ 1,207,610	\$ 10,244	\$ 1,217,854
Provisions recognized (reversed)	33,447	(1,820)	31,627
Utilized	(155,376)	(2,520)	(157,896)
Effect of foreign currency exchange differences	(2,721)	-	(2,721)
Balance, end of the year	<u>\$ 1,082,960</u>	<u>\$ 5,904</u>	<u>\$ 1,088,864</u>

The Company provides warranty services for its customers. The warranty period varies by product and is generally one to two years. The warranties are estimated based on an evaluation of the products under warranty, historical warranty trends, and pertinent factors.

Others are mainly onerous contracts in which the Company’s unavoidable costs of meeting the contractual obligations exceed the economic benefits expected to be received from the contract. The present obligations arising under onerous contracts are recognized and measured as provisions.

21. RETIREMENT BENEFIT PLANS

Defined Contribution Plans

The pension plan under the Labor Pension Act (the “LPA”) is a defined contribution plan. Based on the LPA, the Company makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages.

The total expenses recognized in the statement of comprehensive income were NT\$64,696 thousand and NT\$98,034 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, contributions payable was NT\$17,084 thousand and NT\$22,266 thousand, respectively, and the amounts were paid subsequent to the end of the reporting period.

Defined Benefit Plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated based on the years of services and the average monthly salaries of the six months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee’s name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the following year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (“the Bureau”); the Company has no right to influence the investment policy and strategy. The Company had applied a suspension of pension contribution to the pension fund from May 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 balance sheets in respect of the obligation 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	<u>\$ (304,336)</u>	<u>\$ 635,618</u>	<u>\$ 331,282</u>
Current service cost	(4,604)	-	(4,604)
Net interest (expense) income	<u>(1,519)</u>	<u>3,175</u>	<u>1,656</u>
Recognized in profit or loss	<u>(6,123)</u>	<u>3,175</u>	<u>(2,948)</u>
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)
	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>

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 rate	1.500%	0.500%
Expected rate of salary increase	4.000%	4.000%

If a probable and reasonable change occurs in each significant actuarial assumption while all other assumptions remain constant, the present value of the defined benefit obligation would (increase) decrease as follows:

	December 31	
	2022	2021
Discount rate		
0.25% increase	<u>\$ 5,629</u>	<u>\$ 9,712</u>
0.25% decrease	<u>\$ (5,854)</u>	<u>\$ (10,129)</u>
Expected rate 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	\$ -	\$ -
The average duration of the defined benefit obligation	12.98 years	14.04 years

22. EQUITY

Share Capital

a. Ordinary shares

	December 31	
	2022	2021
Number of shares authorized (in thousands of shares)	1,000,000	1,000,000
Shares authorized	\$ 10,000,000	\$ 10,000,000
Number of shares issued and fully paid (in thousands of shares)	829,515	824,505
Shares issued	\$ 8,295,153	\$ 8,245,050

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

	December 31	
	2022	2021
<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	246,494	295,334
	\$ 16,160,271	\$ 16,005,339

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 27 to the financial statements for details.

Retained Earnings and Dividend Policy

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

- a. To pay taxes.
- b. To cover accumulated losses, if any.
- c. To appropriate 10% legal reserve unless the total legal reserve accumulated has already reached the amount of the Company’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.

	(The Accumulated Deficits Off-setting) Appropriation of Earnings		Dividends Per Share (NT\$)	
	For 2021	For 2020	For 2021	For 2020
Legal reserve used to offset accumulated deficits	\$ 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	\$ 3,279,552

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.

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 2022 and 2021 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:

Other Equity Items

a. Exchange differences on translation of foreign operations

Exchange differences relating to the translation of the results and net assets of the Company’s foreign operations from their functional currencies to the Company’s presentation currency (New Taiwan dollars) were recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve were reclassified to profit or loss on the disposal of the foreign operation.

b. Unrealized gains or losses on financial assets at FVTOCI

Unrealized gains or losses on financial assets at FVTOCI represents the cumulative gains and losses arising from the revaluation of financial assets at FVTOCI that have been recognized in other

comprehensive income. The cumulative unrealized gains or losses will not be reclassified to profit or loss on disposal of the equity investments.

23. OPERATING REVENUE

a. Disaggregation of revenue

	For the Year Ended December 31	
	2022	2021
Sale of goods	\$ 2,929,274	\$ 4,511,946
Other operating income	<u>216,925</u>	<u>117,418</u>
	<u>\$ 3,146,199</u>	<u>\$ 4,629,364</u>

b. Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Trade receivables (Note 10)	<u>\$ 212,018</u>	<u>\$ 415,377</u>	<u>\$ 503,540</u>
Contract liabilities (classified under advance receipts)	<u>\$ 122,913</u>	<u>\$ 112,344</u>	<u>\$ 233,091</u>

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

a. Interest income

	For the Year Ended December 31	
	2022	2021
Interest income		
Bank deposits	<u>\$ 34,330</u>	<u>\$ 9,791</u>

b. Other income

	For the Year Ended December 31	
	2022	2021
Rental income	\$ 672,738	\$ 707,144
Impairment losses of accounts receivables reversed	104,469	-
Others	<u>252,381</u>	<u>59,550</u>
	<u>\$ 1,029,588</u>	<u>\$ 766,694</u>

c. Other gains and losses

	For the Year Ended December 31	
	2022	2021
Net gain on the disposal of property, plant and equipment	\$ 5	\$ 478
Net gain (loss) on the disposal of intangible assets	44	(150)
Net foreign exchange (loss) gain	(590,927)	57,627
Net gain on valuation of financial instruments at fair value through profit or (loss) gain	(31,118)	25,365
Impairment loss recognized on non-financial assets (Note 14)	(201)	(608)
Other expenses	<u>(214,338)</u>	<u>(303,539)</u>
	<u>\$ (836,535)</u>	<u>\$ (220,827)</u>

d. Finance costs

	For the Year Ended December 31	
	2022	2021
Interest on bank loans	\$ 135,050	\$ 45,243
Interest on lease liabilities	29	89
Others	<u>1,013</u>	<u>1,126</u>
	<u>\$ 136,092</u>	<u>\$ 46,458</u>

e. Gain on reversal of impairment loss 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	\$ 183,361	\$ 275,495
Investment properties	101,640	104,053
Right-of-use assets	<u>2,482</u>	<u>3,418</u>
	<u>\$ 287,483</u>	<u>\$ 382,966</u>
An analysis of depreciation - by function		
Operating costs	\$ 32,713	\$ 41,566
Operating expenses	153,130	237,347
Other expenses	<u>101,640</u>	<u>104,053</u>
	<u>\$ 287,483</u>	<u>\$ 382,966</u>

g. Employee benefits expense

	For the Year Ended December 31	
	2022	2021
Short-term benefits	<u>\$ 1,558,896</u>	<u>\$ 2,277,165</u>
Post-employment benefits (Note 21)		
Defined contribution plans	64,696	98,034
Defined benefit plans	<u>3,811</u>	<u>2,948</u>
	<u>68,507</u>	<u>100,982</u>
Share-based payments (Note 27)		
Equity-settled share-based payments	<u>30,952</u>	<u>85,999</u>
Separation benefits	<u>(83,325)</u>	<u>54,562</u>
Total employee benefits expense	<u>\$ 1,575,030</u>	<u>\$ 2,518,708</u>
An analysis of employee benefits expense - by function		
Operating costs	\$ 287,030	\$ 313,648
Operating expenses	1,371,325	2,150,498
Other losses	<u>(83,325)</u>	<u>54,562</u>
	<u>\$ 1,575,030</u>	<u>\$ 2,518,708</u>

h. Employees’ compensation and remuneration of directors and supervisors

In compliance with its Articles of Incorporation, the Company accrues compensation of employees and remuneration of directors and supervisors at rates of no less than 4% and of no more than 0.25%, respectively, of net profit before income tax, compensation of employees and remuneration of directors and supervisors. No compensation of employees and remuneration of directors and supervisors were estimated as the Company reported net losses for the years ended December 31, 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 employees’ compensation and remuneration of directors and supervisors approved in the meetings of the board of directors in 2022 and 2021, see disclosures in the Market Observation Post System.

i. Impairment loss on non-financial assets (reversed)

	For the Year Ended December 31	
	2022	2021
Inventories (included in operating costs)	\$ 3,821	\$ 140,447
Intangible assets (included in other gains and losses)	201	-
Property, plant and equipment (included in other gains and losses)	<u>-</u>	<u>608</u>
	<u>\$ 4,022</u>	<u>\$ 141,055</u>

j. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2022	2021
Foreign exchange gains	\$ 549,493	\$ 497,762
Foreign exchange losses	(1,140,420)	(440,135)
Valuation (loss) gain arising from financial instruments at fair value through profit or loss	<u>(31,118)</u>	<u>25,365</u>
	<u>\$ (622,045)</u>	<u>\$ 82,992</u>

25. 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	\$ -	\$ -
Deferred tax	<u>(21,693)</u>	<u>(46,832)</u>
	<u>(21,693)</u>	<u>(46,832)</u>
Adjustments for previous years		
Current tax	(155,560)	(144,865)
Deferred tax	<u>155,560</u>	<u>144,865</u>
	<u>-</u>	<u>-</u>
Income tax benefit recognized in profit or loss	<u>\$ (21,693)</u>	<u>\$ (46,832)</u>

A reconciliation of accounting loss 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>\$ (3,433,476)</u>	<u>\$ (3,119,964)</u>
Income tax benefit calculated at 20% in 2022 and 2021, respectively	(686,695)	(623,993)
Effect of expenses that were not deductible in determining taxable profit	5,321	9,174
Share of the profit or loss of subsidiaries	(99,413)	(91,606)
Effect of temporary differences and loss carryforward	<u>759,094</u>	<u>659,593</u>
Income tax benefit recognized in profit or loss	<u>\$ (21,693)</u>	<u>\$ (46,832)</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>

c. Current tax assets and liabilities

	December 31	
	2022	2021
Current tax assets		
Tax refund receivable	<u>\$ 3,823</u>	<u>\$ 6,965</u>
Current tax liabilities		
Income tax payable	<u>\$ 11,630</u>	<u>\$ 10,511</u>

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	Closing Balance
Deferred tax assets				
Temporary differences				
Allowance for loss on decline in value of inventory	\$ 43,499	\$ (5,298)	\$ -	\$ 38,201
Unrealized profit	58,996	(19,480)	-	39,516
Unrealized royalties	303,740	16,020	-	319,760
Unrealized marketing expenses	96,647	(26,811)	-	69,836
Unrealized warranty expense	129,955	(22,233)	-	107,722
Unrealized contingent losses on purchase orders	708	(212)	-	496
Financial instruments at FVTPL	-	3,734	-	3,734
Others	129,257	(55,841)	-	73,416
Loss carryforwards	<u>2,361,628</u>	<u>(51,117)</u>	<u>-</u>	<u>2,310,511</u>
	<u>\$ 3,124,430</u>	<u>\$ (161,238)</u>	<u>\$ -</u>	<u>\$ 2,963,192</u>
Deferred tax liabilities				
Temporary differences				
Defined benefit plans	\$ 41,617	\$ (457)	\$ 18,217	\$ 59,377
Financial instruments at FVTPL	3,044	(3,044)	-	-
Others	<u>46,826</u>	<u>(23,870)</u>	<u>-</u>	<u>22,956</u>
	<u>\$ 91,487</u>	<u>\$ (27,371)</u>	<u>\$ 18,217</u>	<u>\$ 82,333</u>

	2021			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Allowance for loss on decline in value of inventory	\$ 62,531	\$ (19,032)	\$ -	\$ 43,499
Unrealized profit	10,933	48,063	-	58,996
Unrealized royalties	321,489	(17,749)	-	303,740
Unrealized marketing expenses	112,564	(15,917)	-	96,647
Unrealized warranty expense	144,912	(14,957)	-	129,955
Unrealized contingent losses on purchase orders	1,229	(521)	-	708
Others	141,361	(12,104)	-	129,257
Loss carryforwards	<u>2,422,508</u>	<u>(60,880)</u>	<u>-</u>	<u>2,361,628</u>
	<u>\$ 3,217,527</u>	<u>\$ (93,097)</u>	<u>\$ -</u>	<u>\$ 3,124,430</u>
Deferred tax liabilities				
Temporary differences				
Defined benefit plans	\$ 39,753	\$ (354)	\$ 2,218	\$ 41,617
Financial instruments at FVTPL	9,931	(6,887)	-	3,044
Others	<u>34,649</u>	<u>12,177</u>	<u>-</u>	<u>46,826</u>
	<u>\$ 84,333</u>	<u>\$ 4,936</u>	<u>\$ 2,218</u>	<u>\$ 91,487</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>\$ 84,060,798</u>	<u>\$ 79,024,697</u>
Deductible temporary differences	<u>\$ 2,987,777</u>	<u>\$ 3,802,261</u>

f. Information about unused loss carry-forward

Loss carryforwards as of December 31, 2022 comprised of:

Remaining Carrying	Expiry Year
\$ 4,068,142	2024
22,459,646	2025
22,167,741	2026
17,905,848	2027
11,997,453	2029
7,733,406	2030
4,467,600	2031
<u>4,813,517</u>	2032
<u>\$ 95,613,353</u>	

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

As of December 31, 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 Company’s tax returns through 2020 had been assessed by the tax authorities.

26. LOSS PER SHARE

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

The loss and weighted average number of ordinary shares outstanding for the computation of loss per share were as follows:

Net Loss for the Years

	For the Year Ended December 31	
	2022	2021
Net loss for the year	<u>\$ (3,411,783)</u>	<u>\$ (3,073,132)</u>

Number of Shares

	Unit: In Thousands of Shares For the Year Ended December 31	
	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>

27. SHARE-BASED PAYMENT ARRANGEMENTS

Employee Share Option Plan of the Company

Qualified employees of the Company were granted 19,000 thousand options in October 2014. Each option entitles the holder to subscribe for one ordinary share of the Company. The options granted are valid for 10 years and exercisable at certain percentages after the second anniversary from the grant date.

Qualified employees of the Company were granted 1,000 thousand options in August 2015. Each option entitles the holder to subscribe for one ordinary share of the Company. The options granted are valid for 10 years and exercisable at certain percentages after the second anniversary from the grant date.

Qualified employees of the Company were granted 20 thousand options in May 2019. Each option entitles the holder to subscribe for one thousand ordinary shares of the Company. The options granted are valid for 10 years and exercisable at certain percentages after the second anniversary from the grant date.

Qualified employees of the Company were granted 10,000 thousand options in November 2019. Each option entitles the holder to subscribe for one ordinary share of the Company. The options granted are valid for 10 years and exercisable at certain percentages after the second anniversary from the grant date.

The exercise price equals to the closing price of the Company’s ordinary shares on the grant date. For any subsequent changes in ordinary shares, the exercise price is adjusted accordingly.

Information on employee share options are as follows:

	For the Year Ended December 31			
	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
Shares granted	(4,899)	35.36	(5,861)	35.50
Shares forfeited	<u>(719)</u>		<u>(4,273)</u>	
Balance, end 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.

adequacy of cash flows generated from operations; as the situation would allow, the Company pays dividends, issues new shares, repurchases shares, and issues or repurchases bond.

The Company is not subject to any externally imposed capital requirements.

Compensation Cost of Share-based Payment Arrangements

Compensation cost of share-based payment arrangement recognized was NT\$30,952 thousand and NT\$85,999 thousand for the years ended December 31, 2022 and 2021, respectively.

29. FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments That Are Not Measured at Fair Value

Financial instruments not carried at fair value held by the Company include financial assets measured at cost. The management considers that the carrying amounts of financial assets not measured at fair value approximate their fair value or the fair value are not measured reliably.

Fair Value of Financial Instruments That Are Measured at Fair Value on a Recurring Basis

a. Fair value hierarchy

December 31, 2022	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial instruments				
Foreign exchange contracts	<u>\$ -</u>	<u>\$ 50,051</u>	<u>\$ -</u>	<u>\$ 50,051</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares and emerging market shares	\$ 575	\$ -	\$ -	\$ 575
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>101,186</u>	<u>101,186</u>
	<u>\$ 575</u>	<u>\$ -</u>	<u>\$ 101,186</u>	<u>\$ 101,761</u>
Financial liabilities at FVTPL				
Derivative financial instruments				
Foreign exchange contracts	<u>\$ -</u>	<u>\$ 81,169</u>	<u>\$ -</u>	<u>\$ 81,169</u>

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial instruments				
Foreign exchange contracts	\$ -	\$ 107,071	\$ -	\$ 107,071
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares and emerging market shares	\$ 734	\$ -	\$ -	\$ 734
Domestic unlisted shares	-	-	1,661	1,661
	\$ 734	\$ -	\$ 1,661	\$ 2,395
Financial liabilities at FVTPL				
Derivative financial instruments				
Foreign exchange contracts	\$ -	\$ 81,706	\$ -	\$ 81,706

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 at FVTOCI
Financial Assets	Equity Instruments
Balance at January 1, 2022	\$ 1,661
Purchase	100,000
Recognized in other comprehensive income	(475)
Balance at December 31, 2022	\$ 101,186

For the year ended December 31, 2021

	Financial Assets at FVTOCI
Financial Assets	Equity Instruments
Balance at January 1, 2021	\$ 2,884
Recognized in other comprehensive income	(1,223)
Balance at December 31, 2021	\$ 1,661

c. Valuation techniques and inputs applied to Level 2 financial instruments at fair value.

Financial Instruments	Valuation Techniques and Inputs
Derivatives - foreign currency contracts	Discounted cash flow: Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

d. Valuation techniques and inputs applied to Level 3 financial instruments at fair value

Fair value measurements categorized within Level 3 of the fair value hierarchy are investments in equity instruments. The lack of quoted prices in an active market places these financial assets in the Level 3 category, in which fair values are based on valuation provided by market participants or quoted prices of the counter party. Quantitative information has not been disclosed since the relationship between significant unobservable inputs and fair value cannot be fully controlled.

e. Valuation process for Level 3 financial instruments at fair value

The investment department will assess the reliability, independence, and consistency of the information sources to confirm whether the valuation is representative of the exercise price. Adjustments are made to ensure the rationality of the valuation presented.

f. Sensitivity analysis of Level 3 fair value measurements with respect to alternative replacement assumptions

A sensitivity analysis of replacement assumptions for the valuation of Level 3 financial instruments at fair value is not required since the valuation model used by the Company is reasonable and not internally constructed.

Categories of Financial Instruments

	For the Year Ended December 31	
	2022	2021
Financial assets		
Financial assets at FVTPL		
Held for trading	\$ 50,051	\$ 107,071
Amortized cost (Note 1)	4,029,522	3,765,082
Financial assets at FVTOCI		
Equity instruments	101,761	2,395
Financial liabilities		
Financial liabilities at FVTPL		
Held for trading	81,169	81,706
Amortized cost (Note 2)	20,626,061	16,342,887

Note 1: These balances include financial assets measured at amortized cost which comprise of cash and cash equivalents, other financial assets, trade receivables (includes related parties), other receivables and refundable deposits.

Note 2: These balances include financial liabilities measured at amortized cost, which comprise of short-term borrowings, notes and trade payables, other payables, agency receipts, long-term borrowings and guarantee deposits received.

Financial Risk Management Objectives and Policies

The Company’s major financial instruments include equity and debt investments, trade receivables, other receivables, borrowings, notes payable and trade payables and other payables. The Company’s Corporate Treasury function provides services to the business and coordinates access to domestic and international financial markets. It also monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze the exposures by degree and magnitude of risks. These risks include market risk, credit risk and liquidity risk.

The Company sought to minimize the effects of these risks by using derivative financial instruments and non-derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Company’s policies, which are approved by the board of directors. The policies provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies is reviewed by the internal auditors on a continuous basis. The Company has not entered into or traded financial instruments, including derivative financial instruments, for speculative purposes.

The Corporate Treasury function reports quarterly to the Company’s audit committee and board of directors in order to monitor risks and implement policies to mitigate risk exposures.

a. Market risk

The Company’s activities exposed it primarily to the financial risks of changes in foreign currency exchange rates. The Company has entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk.

There was no change to the Company’s exposure to market risks or the manner in which these risks were managed and measured.

1) Foreign currency risk

The Company undertook transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arose. Exchange rate exposures are managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Company’s foreign currency denominated monetary assets, monetary liabilities, and derivatives which are exposed to foreign currency risk at the end of the reporting period are set out in Note 34 to the 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
For the year ended			
December 31, 2022			
USD	\$ 163,875	\$ (91,828)	
EUR	(1,334)	(7,480)	
RMB	(8,251)	(64,877)	
JPY	44	(2,526)	
			(Continued)

	Pre-tax Profit or Loss	Equity
GBP	(64,936)	-
SGD	(42,714)	(43,566)
<u>For the year ended</u>		
<u>December 31, 2021</u>		
USD	127,034	(81,967)
EUR	(1,285)	(6,355)
RMB	(3,167)	(63,337)
JPY	(1,523)	(2,593)
GBP	(58,343)	-
SGD	(37,078)	(38,357)
		(Concluded)

2) Interest rate risk

The carrying amounts of the Company’s financial assets and financial liabilities with exposure to interest rates at the end of reporting period were as follows:

	December 31	
	2022	2021
Fair value interest rate risk		
Financial assets	\$ 3,147,970	\$ 1,449,927
Financial liabilities	301	20,817
Cash flow interest rate risk		
Financial assets	-	-
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\$9,440 thousand and a cash inflow of NT\$4,600 thousand, respectively.

3) Other price risk

The Company was exposed to equity price risk through its investments in domestic listed shares and emerging

market shares and domestic unlisted shares.

If equity prices had been 1% higher/lower, pre-tax other comprehensive income for the years ended December 31, 2022 and 2021 would have increased/decreased by NT\$1,018 thousand and NT\$24 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 financial statements.

c. Liquidity risk

The Company’s current liabilities exceeds current assets by NT\$9,599,505 thousand. The Company is able to meet all of its contract obligations with managing the Taiwan and overseas cash and cash equivalents positions through a consolidated structure. Resulting in no liquidity risk of inability to provide sufficient funds to fulfil its obligations.

The Company manages liquidity risk to ensure that the Company possesses sufficient financial flexibility by maintaining adequate reserves of cash and cash equivalents and reserving financing facilities, and also monitor liquidity risk of shortage of funds by the maturity date of financial instruments and financial assets.

1) Liquidity risk tables for non-derivative financial liabilities

The following table details the Company’s remaining

contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash

flows of financial liabilities from the earliest date on which the Company is required to pay. The table includes both interest and principle cash flows.

<u>December 31, 2022</u>	Less Than 3 Months	3 to 12 Months	Over 1 Year
Short-term borrowings	\$ 1,450,000	\$ 1,190,000	\$ -
Notes and trade payables	1,258,581	5,408,348	-
Other payables	3,739,350	623,179	-
Lease liabilities	301	-	-
Agency receipts	13,851	-	-
Long-term borrowings	-	-	6,800,000
Guarantee deposits received	-	-	142,752
	<u>\$ 6,462,083</u>	<u>\$ 7,221,527</u>	<u>\$ 6,942,752</u>

<u>December 31, 2021</u>	Less Than 3 Months	3 to 12 Months	Over 1 Year
Short-term borrowings	\$ 1,600,000	\$ 1,000,000	\$ -
Notes and trade payables	1,387,392	5,005,800	-
Other payables	3,609,507	1,579,825	-
Lease liabilities	895	1,651	301
Agency receipts	23,389	-	-
Long-term borrowings	-	-	2,000,000
Guarantee deposits received	-	-	136,974
	<u>\$ 6,621,183</u>	<u>\$ 7,587,276</u>	<u>\$ 2,137,275</u>

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.

<u>December 31, 2022</u>	Less Than 3 Months	3 Months to 1 Year	Over 1 Year
<u>Net settled</u>			
Foreign exchange contracts	<u>\$ 29,522</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Gross settled</u>			
Foreign exchange contracts			
Inflows	\$ 13,816,389	\$ -	\$ -
Outflows	(13,872,433)	-	-
	<u>\$ (56,044)</u>	<u>\$ -</u>	<u>\$ -</u>

<u>December 31, 2021</u>	Less Than 3 Months	3 Months to 1 Year	Over 1 Year
<u>Net settled</u>			
Foreign exchange contracts	<u>\$ 10,091</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Gross settled</u>			
Foreign exchange contracts			
Inflows	\$ 25,491,810	\$ -	\$ -
Outflows	(25,477,732)	-	-
	<u>\$ 14,078</u>	<u>\$ -</u>	<u>\$ -</u>

3) Bank credit limit

	December 31	
	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 general credit limit		
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.

30. RELATED-PARTY TRANSACTIONS

The Names and Relationships of Related-parties

Related-party	Relationship with the Company
H.T.C. (B.V.I) Corp.	Subsidiary
High Tech Computer Asia Pacific Pte. Ltd.	Subsidiary
PT. High Tech Computer Indonesia	Subsidiary (Note 2)
HTC (Australia and New Zealand) PTY LTD.	Subsidiary
HTC (Thailand) Limited	Subsidiary
HTC India Private Limited	Subsidiary
HTC Communication Co., Ltd.	Subsidiary
HTC HK, Limited	Subsidiary
HTC Communication Technologies (SH)	Subsidiary
HTC Vietnam Services One Member Limited Liability Company	Subsidiary (Note 3)
HTC Communication (BJ) Tech Co.	Subsidiary
HTC Netherlands BV.	Subsidiary
HTC EUROPE CO., LTD.	Subsidiary
VIVE Arts Limited	Subsidiary
HTC Belgium BVBA/SPRL	Subsidiary
HTC NIPPON Corporation	Subsidiary
HTC FRANCE CORPORATION	Subsidiary
HTC Germany GmbH.	Subsidiary
HTC Poland sp. z o.o.	Subsidiary
HTC South Eastern Europe Limited Liability Company	Subsidiary

(Continued)

Related-party	Relationship with the Company
HTC Communication Canada, Ltd.	Subsidiary
HTC Communication Sweden AB	Subsidiary
HTC Middle East FZ-LLC	Subsidiary
HTC Communication Solutions Mexico, S.A DE C.V.	Subsidiary
HTC America Inc.	Subsidiary
One & Company Design, Inc.	Subsidiary
HTC America Innovation Inc.	Subsidiary
HTC America Content Services, Inc.	Subsidiary
Dashwire, Inc.	Subsidiary
Inquisitive Minds, Inc.	Subsidiary
HTC Belgium BVBA, Russia Branch	Subsidiary
DeepQ Technology Corp.	Subsidiary
HTC BRASIL	Subsidiary (Note 1)
DeepQ Technology (Beijing)	Subsidiary
HTC Malaysia Sdn. Bhd.	Subsidiary (Note 4)
Viveport Digital Corporation	Subsidiary
REIGN Technology Corporation	Subsidiary
HungXu Tech Corp.	Subsidiary
Uomo vitruviano Corp.	Subsidiary
VIA Technologies Inc.	Its chairman is HTC's director
Xander International Corp.	Its chairman is HTC's director
VIA Labs, Inc.	Its chairman is HTC's director
Way Chih Investment Co., Ltd.	Its director is HTC's chairwoman
HTC Education Foundation	Its chairman is HTC's director
Nan Ya Plastics Corporation	Its director and HTC's chairwoman are relatives
Employees' Welfare Committee	Employees' Welfare Committee of HTC
Kun Chang Investment Co., Ltd.	Its director is HTC's chairwoman
ASIAPLAY TAIWAN DIGITAL ENTERTAINMENT LTD.	Its director is HTC's chairwoman
Chengdu Weiai New Economic Technology Institute	Subsidiary of associates
HTC Social Welfare and Charity Foundation	Its chairman is HTC's director
Chinese Christian Faith and Love Foundation	Its director is HTC's chairwoman
TVBS Media Inc.	Its director is HTC's chairwoman
Hung-Mao Investment Co., Ltd	Its significant shareholder is HTC's chairwoman
	(Concluded)

Note 1: 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.

Note 2: 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

Note 3: 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.

Note 4: 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.

Operating Sales

	For the Year Ended December 31	
	2022	2021
Subsidiaries		
HTC America Inc.	\$ 482,637	\$ 1,491,123
HTC Communication Co., Ltd.	413,666	666,709
HTC NIPPON Corporation	103,566	195,635
Others	21,469	358
Other related parties	<u>5,190</u>	<u>3,934</u>
	<u>\$ 1,026,528</u>	<u>\$ 2,357,759</u>

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

	December 31	
	2022	2021
Subsidiaries		
HTC America Inc.	\$ 624	\$ 286,127
Uomo vitruviano Corp.	14,000	-
HTC NIPPON Corporation	33,764	43,821
Others	<u>2,696</u>	<u>4,336</u>
	<u>\$ 51,084</u>	<u>\$ 334,284</u>

Products sold to all related parties will be lower than those sold to outsiders, except for some related parties who have no comparison with those sold to third parties. No guarantees had been given or received for trade receivables from related parties. Trade receivables from related parties were assessed to have no debt risk, hence no bad debt expense had been recognized for the years ended December 31, 2022 and 2021.

Purchase

	For the Year Ended December 31	
	2022	2021
<u>Purchase</u>		
Subsidiaries	\$ -	\$ 5,392
Other related parties	<u>3,518</u>	<u>6,084</u>
	<u>\$ 3,518</u>	<u>\$ 11,476</u>

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

	December 31	
	2022	2021
Subsidiaries	\$ 50,199	\$ -
Other related parties	<u>425</u>	<u>1,262</u>
	<u>\$ 50,624</u>	<u>\$ 1,262</u>

Purchase prices for related parties and third parties were similar. The outstanding balances of trade payables to related parties are unsecured and will be settled in cash.

Compensation of Key Management Personnel

	For the Year Ended December 31	
	2022	2021
Short-term benefits	\$ 102,257	\$ 88,406
Post-employment benefits	1,069	951
Share-based payments	<u>3,592</u>	<u>23,942</u>
	<u>\$ 106,918</u>	<u>\$ 113,299</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

Lease Expense

	For the Year Ended December 31	
	2022	2021
Other related parties	<u>\$ 613</u>	<u>\$ 1,128</u>

The Company leased meeting rooms and dormitories owned by other related party under an operating lease agreement.

Lease Arrangements - the Group Is Lessor Arrangements under Operating Leases

The Group leases out part of the offices to its associate under operating lease with lease term of 3 years, and the rental is based on similar asset's market rental rates and fixed lease payments are received monthly. As of December 31, 2022, the gross lease payments to be received are NT\$4,571 thousand. The amounts of lease income recognized for the years ended December 31, 2022 and 2021 were both NT\$4,571 thousand, respectively.

Acquisition of Property, Plant and Equipment

	Price	
	For the Year Ended December 31	
	2022	2021
Other related parties	\$ 80	\$ 91

Services, Marketing and Commission Expenses

	For the Year Ended December 31	
	2022	2021
Subsidiaries		
HungXu Tech Corp.	\$ 715,033	\$ -
HTC Communication Technologies (SH)	97,002	161,691
HTC EUROPE CO., LTD.	240,312	287,635
HTC America Innovation Inc.	186,592	185,611
Others	279,404	247,012
	\$ 1,518,343	\$ 881,949

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

	December 31	
	2022	2021
Subsidiaries	\$ 1,390,322	\$ 1,086,016
Other related parties	2,045	315
	\$ 1,392,367	\$ 1,086,331

The subsidiaries provided services such as overseas business activities, research and development, technical support, business consulting and after-sales maintenance for the Company, and all service fees, advertising fees and commission fees are taken into account.

Other Related-party Transactions

Other related parties provide property management and media publicity to the Company. The cost and fee were NT\$236 thousand and NT\$0 thousand for the years ended December 31, 2022 and 2021, 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\$9,289 thousand for the years ended December 31, 2022 and 2021, respectively.

31. PLEDGED ASSETS

As of December 31, 2022 and 2021, the 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 bond.

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	712,922	781,774
	\$ 5,036,752	\$ 5,196,068

32. 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.

33. 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 as well as going concern assumption.

34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant financial assets and liabilities denominated in foreign currencies were as follows:

Unit: In Thousands of Foreign Currencies					
December 31					

For the years ended December 31, 2022 and 2021, realized and unrealized net foreign exchange (loss) gain were NT\$(622,045) thousand and NT\$82,992 thousand, respectively. It is impractical to disclose net foreign

exchange gains or losses by each significant foreign currency due to the variety of the foreign currency transactions.

35. SIGNIFICANT CONTRACTS

The Company specializes in the research, design, manufacture and sale of smart mobile devices and virtual

reality devices. To enhance the quality of its products and manufacturing technologies, the Company has patent agreements, as follows:

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

36. SEPARATELY DISCLOSED ITEMS

- a. Information about significant transactions and investees:

1) Financing provided to others (None)

2) Endorsements/guarantees provided (None)

3) Marketable securities held (excluding investments in subsidiaries, associates and jointly controlled entities) (Table 1)

4) Marketable securities acquired or disposed of at cost or prices of at least NT\$300 million or 20% of the paid-in capital (Table 2)

5) Acquisition of individual real estate at cost of at least NT\$300 million or 20% of the paid-in capital (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) 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 8).

HTC CORPORATION AND SUBSIDIARIES

TABLE 1

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.	-	//	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		
	<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		
HLJ technology Co., Ltd.		//	//	948	19,046	1.02	19,046	Note 3	
<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		

(Continued)

Holding Company	Marketable Securities Type and Name of Issuer	Relationship of Issuer to the Holding Company	Financial Statement Account	At the End of the Year				Note
				Shares (In Thousand)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
HTC Investment (BVI) Corp.	<u>Listed shares</u>							
	Intuit Inc.	-	Financial assets at fair value through other comprehensive income - current	1	\$ 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	
	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	
	<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	

(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.	Glowstick Entertainment Inc.	-	Financial assets at fair value through other comprehensive income - non-current	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	-	
	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	

(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.	Z-Emotion	-	Financial assets at fair value through other comprehensive income - non-current	-	\$ 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.	''	''	-	-	-	-	
	KALEIDOSCOPE VR INC.	''	''	-	3,685	-	3,685	
	COGNITIVEVR INC.	''	''	-	3,685	-	3,685	
	Limitless Entertainment, Limited	''	''	-	-	-	-	
	AuroraTech Company	''	''	-	2,304	-	2,304	
	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	

(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.	MyndVR LLC	-	Financial assets at fair value through profit or loss - non-current	-	\$ 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	
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.							(Concluded)
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.							

HTC CORPORATION AND SUBSIDIARIES

TABLE 2

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

TABLE 3

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		
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	Note
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

TABLE 4

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		
					Amount	Action Taken	in Subsequent Period	Allowance for Bad Debt	
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

TABLE 5

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

(Continued)

Investor Company	Investee Company	Location	Main Business Activity	Original Investment Amount		At the End of the Year			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				Beginning Balance	Ending Balance	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
HTC Corporation	Viveport Digital Corporation	11F., No. 88, Sec. 3, Zhongxing Rd., Xindian Dist., New Taipei City	Interactive scenario experience services	\$ 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)	
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 Expention 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 Expention 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	

(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 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)	
	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	

(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			
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)	
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

TABLE 6

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)	\$	-	\$	-	\$	-	\$	-
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.	(US\$	49,845		1,500)	-	-	49,845	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			-	-	4,106,585	96,171	100.00	96,171	4,161,971	-
						(US\$	133,000)					(US\$	133,000)				
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.	(US\$	4,125,897		127,500)	-	-	4,125,897	(54,992)	100.00	(54,992)	1,685,346	-
												(US\$	127,500)			(Note 3)	
HTC Communication Technologies (Shanghai) Limited	Design, research and development of application software	US\$	4,000	〃			120,799			-	-	120,799	18,156	100.00	18,156	547,091	-
						(US\$	4,000)					(US\$	4,000)				
(Continued)																	

(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	
		US\$			\$	
Ji Jhih Suo 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.	\$ (US\$	249,678 8,000)
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.		-
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.		-
Beijing Transmission Weiku Technology Co., Ltd.	Research and development of virtual reality contents	RMB	64	〃		-
Beijing Seven Vision Virtual Technology Co., Ltd.	Research and development of virtual reality contents	RMB	1,087	〃		-
YC Virtual Reality Technology Co., Ltd.	Research and development of virtual reality contents	RMB	5,342	〃		-
Shenzhen Shengda Education Technology Co., Ltd.	Research and development of virtual reality contents	RMB	950	〃		-
Shanghai Duowei Network Technology Co., Ltd.	Research and development of virtual reality contents	RMB	133	〃		-
Shanghai Chaoshi Business Management Partnership (Limited Partnership)	Research and development of virtual reality contents	RMB	100	〃		-
Beijing WEWOD Entertainment Technology Co., Ltd.	Research and development of virtual reality contents	RMB	1,812	〃		-
Zhijing (Shanghai) Technology Co., Ltd.	Research and development of virtual reality contents	RMB	4,771	〃		-
Shanghai Judao Network Technology Co., Ltd.	Research and development of virtual reality contents	RMB	142	〃		-
Shanghai Lenqiy Information Technology Co., Ltd.	Research and development of virtual reality contents	RMB	3,000	〃		-
Beijing Yuanji Technology Co., Ltd.	Research and development of virtual reality contents	RMB	-	〃		-
Qinhuangdao Shiyi Technology Co., Ltd.	Research and development of virtual reality contents	RMB	685	〃		-
Hefei Yao An Technology Co., Ltd.	Research and development of virtual reality contents	RMB	12,208	〃		-
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.		-
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	(US\$	24,067 800)
DeepQ Technology (Beijing)	Development and marketing of software technology	US\$	3,000	Investment in company located in mainland China indirectly through DeepQ (BVI) Corp.	(US\$	89,732 3,000)

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						
\$ -	\$ -	\$ 249,678 (US\$ 8,000)	\$ -	10.32	\$ -	\$ -	\$ -
-	-	-	5,661	100.00	5,661	112,728	-
-	-	-	(5,508)	26.05	(1,435)	93,074	-
-	-	-	-	6.00	-	737	-
-	-	-	-	8.00	-	737	-
-	-	-	-	1.32	-	-	-
-	-	-	-	6.88	-	1,543	-
-	-	-	-	5.00	-	2,280	-
-	-	-	-	20.00	-	1,235	-
-	-	-	-	1.50	-	6,614	-
-	-	-	-	2.00	-	282	-
-	-	-	-	2.00	-	2,216	-
-	-	-	-	3.00	-	1,464	-
-	-	-	-	5.00	-	2,205	-
-	-	-	-	5.00	-	2,205	-
-	-	-	-	2.00	-	4,409	-
-	-	-	-	3.00	-	26,455	-
-	-	24,067 (US\$ 800)	2,810	100.00	2,810	22,561	-
-	-	89,732 (US\$ 3,000)	5,898	100.00	5,898	81,938	-

(Concluded)

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.

HTC CORPORATION

TABLE 7

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

TABLE 8

INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2022

Name of Major Shareholder	(Number of Shares: Shares)	
	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.

8.6. INDEPENDENT AUDITORS’ REPORT

The Board of Directors and Shareholders
HTC Corporation

Opinion

We have audited the accompanying consolidated financial statements of HTC Corporation and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 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

ASSETS	(In Thousands of New Taiwan Dollars)			
	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	27,585,609	59	26,435,790	60
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	18,854,627	41	17,749,167	40
TOTAL	\$ 46,440,236	100	\$ 44,184,957	100

(Continued)

LIABILITIES AND EQUITY	(In Thousands of New Taiwan Dollars)			
	2022		2021	
	Amount	%	Amount	%
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	13,727,123	30	14,568,530	33
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	7,153,953	15	2,393,525	5
Total liabilities	20,881,076	45	16,962,055	38
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	25,559,160	55	27,222,902	62
TOTAL	\$ 46,440,236	100	\$ 44,184,957	100

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

(Concluded)

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 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)	2,678,845	61	3,617,222	69
GROSS PROFIT	1,729,978	39	1,636,057	31
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	2,356,224	54	2,262,491	43
Total operating expenses	6,133,809	139	5,752,491	109
OPERATING LOSS	(4,403,831)	(100)	(4,116,434)	(78)
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)	(23,499)	-	(102,300)	(2)
Total non-operating income and expenses	989,780	23	1,011,869	19
LOSS BEFORE INCOME TAX	(3,414,051)	(77)	(3,104,565)	(59)
INCOME TAX BENEFIT (Note 27)	2,268	-	2,748	-
LOSS FOR THE YEAR	(3,411,783)	(77)	(3,101,817)	(59)
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)	(18,217)	-	(2,218)	-
	(21,686)	-	932,921	18

(Continued)

	(In Thousands of New Taiwan Dollars, Except Loss Per Share)			
	2022		2021	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	\$ 1,564,692	35	\$ (832,837)	(16)
Other comprehensive income and loss for the year, net of income tax	1,543,006	35	100,084	2
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	\$ (1,868,777)	(42)	\$ (3,001,733)	(57)
NET LOSS FOR THE YEAR ATTRIBUTABLE TO				
Owners of the parent	\$ (3,411,783)	(77)	\$ (3,073,132)	(58)
Non-controlling interests	-	-	(28,685)	(1)
	\$ (3,411,783)	(77)	\$ (3,101,817)	(59)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO				
Owners of the parent	\$ (1,868,777)	(42)	\$ (2,972,424)	(57)
Non-controlling interests	-	-	(29,309)	-
	\$ (1,868,777)	(42)	\$ (3,001,733)	(57)
LOSS PER SHARE (Note 28)				
Basic	\$ (4.13)		\$ (3.75)	

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					Equity Attributable to Owners of the Parent					Non-controlling Interests	Total Equity
	Share Capital		Retained Earnings			Other Equity						
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Accumulated Deficits	Exchange Differences on Translating Foreign Operations	Unrealized Losses on Financial Assets at Fair Value Through Other Comprehensive Income	Total				
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	\$ 8,295,153	\$ 16,160,271	\$ 9,108,539	\$ 3,080,480	\$ (7,279,552)	\$ (2,795,757)	\$ (1,009,974)	\$ 25,559,160	\$ -	\$ 25,559,160		

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	(3,740,037)	(4,495,147)

(Continued)

	(In Thousands of New Taiwan Dollars)	
	2022	2021
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
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	37,912	10,951
Net cash (used in) generated from investing activities	(844,083)	1,538,779
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	173,225	208,051
Net cash generated from financing activities	4,955,638	3,831,229
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	996,828	(673,784)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,368,346	201,077
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	16,576,907	16,375,830
CASH AND CASH EQUIVALENTS, END OF THE YEAR	\$ 17,945,253	\$ 16,576,907

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 depositary receipts.

The functional currency of HTC is New Taiwan dollars. The consolidated financial statements are presented in New Taiwan dollars since HTC is the ultimate parent of the Group.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by HTC’s board of directors and authorized for issue on March 7, 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’ 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:

	December 31	
	2022	2021
Deposit	0.01%-0.86%	0.01%-0.14%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2022	2021
<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

(Continued)

	December 31	
	2022	2021
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>
		(Concluded)

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

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:

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

	December 31	
	2022	2021
<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	<u>41,122</u>	<u>26,220</u>
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.

<u>December 31, 2022</u>					
	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>
<u>December 31, 2021</u>					
	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>

12. PREPAYMENTS

	December 31	
	2022	2021
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	<u>-</u>	<u>4,037</u>
	<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	% of Ownership		Remark
			December 31		
			2022	2021	
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)
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	-

Investor	Investee	Main Businesses	% of Ownership		Remark
			December 31		
			2022	2021	
High Tech Computer Asia Pacific Pte. Ltd.	HTC Vietnam Services One Member Limited Liability Company	Marketing, repair and after-sales services	-	-	7)
	HTC Myanmar Company Limited	//	-	-	8)
HTC Investment One (BVI) Corporation	S3 Graphics Co., Ltd.	Design, research and development of graphics technology	100.00	100.00	-
HTC Communication Technologies (SH)	HTC Communication (BJ) Tech Co.	Design, research and development of application software	100.00	100.00	-
HTC HK, Limited	HTC Corporation (Shanghai WGQ)	Smart mobile devices examination and after-sale services and technique consultations	100.00	100.00	-
	HTC Electronics (Shanghai) Co., Ltd.	Manufacture and sale of smart mobile devices and virtual reality devices	100.00	100.00	-
	HTC Myanmar Company Limited	Marketing, repair and after-sales services	-	-	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 Servicios DE Operacion Mexico, S.A DE C.V.	Human resources management	1.00	1.00	-
HTC Netherlands B.V.	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 Servicios DE Operacion Mexico, S.A DE C.V.	Human resources management	99.00	99.00	-

Investor	Investee	Main Businesses	% of Ownership		Remark
			December 31		
			2022	2021	
HTC EUROPE CO., LTD.	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	-
	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.	Hung Xu TECH (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)
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 (BVI) Corp.	DeepQ Technology Corp.	Medical technology and health care	100.00	100.00	-
	DeepQ Technology (Beijing)	Development and marketing of software technology	100.00	100.00	-
HTC Investment (BVI) Corporation	VRChat, Inc.	Development of virtual reality contents	-	-	12)
	HTC VIVE TECH (HK) Limited	Research, development and sale of virtual reality devices	100.00	-	11)
VRChat, Inc.	VRChat Ca. Development Inc.	Development of virtual reality contents	-	-	12)
HTC VR Content (BVI) Corp.	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

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

Investments in Associates - Associates That Are Not Individually Material

	December 31	
	2022	2021
<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	December 31	
	2022	2021
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%

Range of discount rate for lease liabilities was as follows:

	December 31	
	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.

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

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

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

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

	2022		
	Land	Buildings	Total
Cost			
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	7,573	22,683	30,256
Balance, end of period	240,285	3,769,899	4,010,184
Accumulated depreciation			
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	-	268	268
Balance, end of period	-	1,427,617	1,427,617
Net book value, end of period	\$ 240,285	\$ 2,342,282	\$ 2,582,567

	2021		
	Land	Buildings	Total
Cost			
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	(12,218)	(16,476)	(28,694)
Balance, end of period	161,443	3,445,047	3,606,490
Accumulated depreciation			
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	-	(290)	(290)
Balance, end of period	-	1,228,035	1,228,035
Net book value, end of period	\$ 161,443	\$ 2,217,012	\$ 2,378,455

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:

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

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

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

	2022			
	Patents	Goodwill	Other Intangible Assets	Total
Cost				
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	9,502,140	485,865	630,604	10,618,609
Accumulated amortization				
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	9,391,055	-	364,847	9,755,902
Accumulated impairment				
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	111,085	485,865	184,436	781,386
Net book value, end of the year	\$ -	\$ -	\$ 81,321	\$ 81,321

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

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

	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	<u>(244,050)</u>	<u>(14,285)</u>	<u>(13,673)</u>	<u>(272,008)</u>
Balance, end of the year	<u>8,591,790</u>	<u>437,868</u>	<u>532,076</u>	<u>9,561,734</u>
<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>

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
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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

	December 31	
	2022	2021
<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

	December 31	
	2022	2021
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

	December 31	
	2022	2021
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	(3,131)	(3,392)	(6,523)
Balance, end of the year	<u>\$ 1,120,410</u>	<u>\$ 5,904</u>	<u>\$ 1,126,314</u>

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	<u>\$ (304,336)</u>	<u>\$ 635,618</u>	<u>\$ 331,282</u>
Current service cost	(4,604)	-	(4,604)
Net interest (expense) income	<u>(1,519)</u>	<u>3,175</u>	<u>1,656</u>
Recognized in profit or loss	<u>(6,123)</u>	<u>3,175</u>	<u>(2,948)</u>
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>7440</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)
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>

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

	December 31	
	2022	2021
<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

	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	\$ -	\$ -

	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, which was proposed by the Company’s board of directors on March 7, 2023, was as follows:

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

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:

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

	For the Year Ended December 31	
	2022	2021
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

	December 31, 2022	December 31, 2021	January 1, 2021
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

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

b. Other income

	For the Year Ended December 31	
	2022	2021
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

	For the Year Ended December 31	
	2022	2021
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
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>

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

(Continued)

	For the Year Ended December 31	
	2022	2021
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>
	(Concluded)	

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>

(Continued)

	For the Year Ended December 31	
	2022	2021
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>

	2022				
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Translation Adjustment	Closing Balance
Deferred tax assets					
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>
Deferred tax liabilities					
Temporary differences					
Financial instruments at FVTPL	\$ 3,044	\$ (3,044)	\$ -	\$ -	\$ -
Defined benefit plans	41,617	(457)	18,217	-	59,377
Others	<u>49,429</u>	<u>(23,692)</u>	<u>-</u>	<u>96</u>	<u>25,833</u>
	<u>\$ 94,090</u>	<u>\$ (27,193)</u>	<u>\$ 18,217</u>	<u>\$ 96</u>	<u>\$ 85,210</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>

c. Current tax assets and liabilities

	December 31	
	2022	2021
Current tax assets		
Tax refund receivable	<u>\$ 254,257</u>	<u>\$ 178,560</u>
Current tax liabilities		
Income tax payable	<u>\$ 208,604</u>	<u>\$ 49,542</u>

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:

	2021				
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Translation Adjustment	Closing Balance
Deferred tax assets					
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>
Deferred tax liabilities					
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
119,798	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	
	For the Year Ended December 31	
	2022	2021
Basic loss per share	<u>\$ (4.13)</u>	<u>\$ (3.75)</u>

The loss and weighted average number of ordinary shares outstanding used for the computation of loss per share are as follows:

Net Loss for the Years

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

Shares

	Unit: In Thousands of Shares	
	For the Year Ended December 31	
	2022	2021
Weighted average number of ordinary shares used in the computation of basic loss per share	826,261	819,721

29. DISPOSAL OF SUBSIDIARIES

VRChat, Inc. issued new shares in June 2021. The Group did not subscribe for these newly issued shares at its existing ownership percentage, which resulted in a decrease in its ownership interest from 50.37% to 36.20%. As the Group lost control over VRChat, Inc. and its subsidiary, this investment has since been accounted for under the equity method accordingly.

a. Consideration received from the disposal

	VRChat, Inc. and Its Subsidiary
Total consideration received	\$ -

b. Analysis of assets and liabilities on the date control was lost

	VRChat, Inc. and Its Subsidiary	
Current assets		
Cash and cash equivalents	\$	68,432
Trade receivables		5,868
Current liabilities		
Other payables	(	805)
Other current liabilities	(	9,565)
Net assets disposed of	\$	63,930

c. Gain on disposal of subsidiaries

	VRChat, Inc. and Its Subsidiary	
Fair value of shares owned	\$	830,123
Consideration received		-
Net assets disposed of	(	63,930)
Non-controlling interests		31,728
Goodwill disposed of	(	62,593)
Effect of foreign currency exchange differences	(	2,399)
Gain on disposals	\$	732,929

d. Net cash outflow on disposal of subsidiaries

	VRChat, Inc. and Its Subsidiary	
Consideration received in cash and cash equivalents	\$	-
Less: Cash and cash equivalent balances disposed of	(	68,432)
	\$	(68,432)

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.

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	(719)		(4,273)	
Balance, ending of the year	14,779	47.94	20,397	45.16
Options exercisable, end of the year	12,399		5,603	

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

	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.

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.

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:

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.

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.

32. FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments That Are Not Measured at Fair Value

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	<u>\$ -</u>	<u>\$ 81,169</u>	<u>\$ -</u>	<u>\$ 81,169</u>
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	
	Derivatives	Others	Equity Instruments	Total
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 at FVTPL		Financial Assets at FVTOCI	
	Derivatives		Equity Instruments	Total
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

	December 31	
	2022	2021
<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</u>				
<u>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</u>				
<u>December 31, 2021</u>				
USD		127,034	(	81,967)
EUR	(	1,285)	(	6,355)
RMB	(	3,167)	(	63,337)
JPY	(	1,523)	(	2,953)
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:

	December 31	
	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.

maturity date of financial instruments and financial assets.

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

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
Net settled			
Foreign exchange contracts	<u>\$ 29,522</u>	<u>\$ -</u>	<u>\$ -</u>
Gross settled			
Foreign exchange contracts			
Inflows	\$ 13,816,389	\$ -	\$ -
Outflows	(13,872,433)	-	-
	<u>\$ (56,044)</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2021	Less Than 3 Months	3 Months to 1 Year	Over 1 Year
Net settled			
Foreign exchange contracts	<u>\$ 10,091</u>	<u>\$ -</u>	<u>\$ -</u>
Gross settled			
Foreign exchange contracts			
Inflows	\$ 25,491,810	\$ -	\$ -
Outflows	(25,477,732)	-	-
	<u>\$ 14,078</u>	<u>\$ -</u>	<u>\$ -</u>

3) Bank credit limit

	December 31	
	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>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.

Related-party	Relationship with the Company
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

(Concluded)

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

(Continued)

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	\$ 3,518	\$ 6,084

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	3,592	23,942
	\$ 117,588	\$ 120,250

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.	7,064	17,461
	\$ 7,064	\$ 31,301

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.	-	1,132
	\$ 887	\$ 3,031

Lease Expense

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

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	\$ 80	\$ 91

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	712,922	781,774
	\$ 5,036,752	\$ 5,196,068

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.

Contract Type	Contractor	Term	Description	Restrictive Covenants
Patent License	Qualcomm Incorporated	December 20, 2000 to the following dates:	Authorization to use CDMA technology to manufacture and sell units, royalty payment based on agreement.	No
		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.		
Patent License	InterDigital Technology Corporation	December 31, 2003 to the expiry dates of these patents stated in the agreement.	Authorization to use TDMA and CDMA technologies; royalty payment based on agreement.	No
Patent License	KONINKLIJKE PHILIPS NV.	December 23, 2019 - December 31, 2024	Authorization to use UMTS/LTE patents and portable feature patents; royalty payment based on agreement.	No

39. SEPARATELY DISCLOSED ITEMS

- a. Information about significant transactions and investees:

1) Financing provided to others (None)

2) Endorsements/guarantees provided (None)

3) Marketable securities held (excluding investments in subsidiaries, associates and jointly controlled entities) (Table 1)

4) Marketable securities acquired or disposed of at cost or prices of at least NT\$300 million or 20% of the paid-in capital (Table 2)

5) Acquisition of individual real estate at cost of at least NT\$300 million or 20% of the paid-in capital (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

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:

- 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:

	December 31	
	2022	2021
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:

	For the Year Ended December 31	
	2022	2021
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:

	For the Year Ended December 31	
	2022	2021
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

TABLE 1

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.	-	//	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		
	<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		
HLJ technology Co., Ltd.		//	//	948	19,046	1.02	19,046	Note 3	
<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		

(Continued)

Holding Company	Marketable Securities Type and Name of Issuer	Relationship of Issuer to the Holding Company	Financial Statement Account	At the End of the Year				Note
				Shares (In Thousand)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
HTC Investment (BVI) Corp.	<u>Listed shares</u>							
	Intuit Inc.	-	Financial assets at fair value through other comprehensive income - current	1	\$ 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	
	<u>Convertible bonds</u>							
	Modrokr 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	-	
	Apmetrix, 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	

(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.	Glowstick Entertainment Inc.	-	Financial assets at fair value through other comprehensive income - non-current	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	-	
	<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	

(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	Z-Emotion	-	Financial assets at fair value through other comprehensive income - non-current	-	\$ 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	
	Convertible bonds							
	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.	"	"	-	-	-	-	
	KALEIDOSCOPE VR INC.	"	"	-	3,685	-	3,685	
	COGNITIVEVR INC.	"	"	-	3,685	-	3,685	
	Limitless Entertainment, Limited	"	"	-	-	-	-	
	AuroraTech Company	"	"	-	2,304	-	2,304	
	Convertible bonds							
	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	

(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	Immersv, Inc.	-	Financial assets at fair value through profit or loss - non-current	-	\$ 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	
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.							(Concluded)
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.							

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

TABLE 2

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Nature of Relationship	Beginning Balance (Note 1)		Acquisition		Disposal				(In Thousands of New Taiwan Dollars)	
					Shares		Shares		Carrying Amount		Gain (Loss) on Disposal		Ending Balance (Note 1)	
					(In Thousands)	Amount	(In Thousands)	Amount	Amount	Amount	Amount	Amount	(In Thousands)	Amount
HTC Electronics (Shanghai) Co., Ltd.	<u>Unlisted equity investments</u>													
	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
(Continued)														

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 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.													
(Concluded)														

HTC CORPORATION AND SUBSIDIARIES

TABLE 3

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		% of Total	Payment Terms	Abnormal Transaction		Notes/Accounts Payable or Receivable			Note
			Purchase/Sale	Amount			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

TABLE 4

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		
					Amount	Action Taken	in Subsequent Period	Allowance for Bad Debt	
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

TABLE 5

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)	
H.T.C. (B.V.I.) Corp.	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
	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)	
High Tech Computer Asia Pacific Pte. Ltd.	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)	
	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	-	-	

(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.	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 Exption 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 Exption 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)	
	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	

(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 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)	
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

TABLE 6

(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			\$	3,312	\$	-	-	\$	-
						(US\$	100)			(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	-	-	49,845	8,465	100.00	8,465	85,331		-
						(US\$	1,500)			(US\$	1,500)					
HTC Electronics (Shanghai) Co., Ltd. (Note 5)	Manufacture and sale of smart mobile devices and virtual reality devices	US\$	2,909	〃			4,106,585	-	-	4,106,585	96,171	100.00	96,171	4,161,971		-
						(US\$	133,000)			(US\$	133,000)					
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	-	-	4,125,897	(54,992)	100.00	(54,992)	1,685,346	(Note 3)	-
						(US\$	127,500)			(US\$	127,500)					
HTC Communication Technologies (Shanghai) Limited	Design, research and development of application software	US\$	4,000	〃			120,799	-	-	120,799	18,156	100.00	18,156	547,091		-
						(US\$	4,000)			(US\$	4,000)					
Ji Jhih Suo 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	-	-	249,678	-	10.32	-	-		-
						(US\$	8,000)			(US\$	8,000)					
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		-
Beijing Transmission Weiku Technology Co., Ltd.	Research and development of virtual reality contents	RMB	64	〃			-	-	-	-	-	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		-

(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	
Shanghai Lenqiy Information Technology Co., Ltd.	Research and development of virtual reality contents	RMB	3,000	Investment in company located in mainland China through the own funds of HTC Communication Co., Ltd.	\$	-
Beijing Yuanji Technology Co., Ltd.	Research and development of virtual reality contents	RMB	-	〃		-
Qinhuangdao Shiyi Technology Co., Ltd.	Research and development of virtual reality contents	RMB	685	〃		-
Hefei Yao An Technology Co., Ltd.	Research and development of virtual reality contents	RMB	12,208	〃		-
Red Landmark (Beijing) Culture Technology Co., Ltd.	Production of radio and television programs	RMB	12,077	〃		-
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)	
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)	
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.

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

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.									

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						
\$ -	\$ -	\$ -	\$ -	3.00	\$ -	\$ 1,464	\$ -
-	-	-	-	5.00	-	2,205	-
-	-	-	-	5.00	-	2,205	-
-	-	-	-	2.00	-	4,409	-
-	-	-	-	3.00	-	26,455	-
-	-	24,067 (US\$ 800)	2,810	100.00	2,810	22,561	-
-	-	89,732 (US\$ 3,000)	5,898	100.00	5,898	81,938	-
(Concluded)							

TABLE 7

HTC CORPORATION AND SUBSIDIARIES

TABLE 8

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.

HTC CORPORATION AND SUBSIDIARIES

TABLE 9

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.

Code of Conduct

This Code of Conduct is a set of guidelines to provide high ethical standards for employees in HTC Group in conducting HTC Group’s business activities. All employees in HTC Group must follow these ethical standards regardless of their position, grade, and location.

This Code of Conduct applies to HTC Corporation, its subsidiaries, any incorporated foundation in which its accumulated contributions from HTC Corporation, direct or indirect, exceed 50 percent of the total funds of the foundation, and other institutions or juristic persons substantially controlled by HTC Corporation (collectively, “HTC Group” or the “Company”).

This Code of Conduct is superior to any other local regulations except certain mandatory laws/acts issued by the local government. Any violation of this Code of Conduct and applicable policies may cause disciplinary action up to and including the termination. Employees are responsible for understanding and complying with this Code of Conduct as well as other applicable HTC polices/rules.

Content

1.0 General Guidelines

While maintaining a work culture that ensures the company’s success, HTC Group strives to treat each employee with fairness and dignity. HTC Group is also committed to complying with the labor laws of each country it operates in. Meanwhile, employees are under duties of confidentiality to HTC Group, and have responsibilities to protect HTC Group’s assets and comply with internal company rules and external laws and regulations.

1.1 Work Environments

HTC Group is committed to establishing a safe and healthy workplace, free from recognized hazards, for employees in accordance with local laws and regulations, and is thoroughly dedicated to creating a work environment which is free of harassment (including sexual harassment) and discrimination for employees. Any language or behavior that would endanger physical or mental health of an employee is strictly prohibited, and the employee who becomes aware of such language or behavior shall report to the competent authority immediately.

1.2 Equal Opportunity

HTC Group’s employment policy shall comply with all applicable laws and regulations. Hiring decisions are based on HTC Group’ s business needs and the applicant’ s abilities, and HTC Group provide equal employment opportunities for all applicants and employees without regard to non-job-related factors, such as race, color, social class, language, religion, political affiliation, national origin, gender, sexual orientation, marital status, appearance, disability, previous union membership. Everyone in HTC Group shall be treated with dignity, respect and honesty. This principle applies to all areas of employment, including but not limited to, recruitment, hiring, training, promotion, compensation, benefits, transfer, and club or recreational activities.

1.3 Confidentiality

During the employment with HTC Group and thereafter, all employees shall maintain strict confidentiality of Confidential Information (as defined below) about HTC Group, its customers and vendors/suppliers that they learn or hold during their employment to ensure its security and confidentiality and to prevent unauthorized use, disclosure or dissemination. Except for the use of Confidential Information under purposes of the disclosure and company rules, each employee shall not disclose it to a third party in any manner without the prior written consent of HTC Group. “Confidential Information” means all non-public information, in relation to technique, finance, production, sales, or operations, that learned or possessed by HTC Group with intentions to keep confidential, whether or not such information (A) is owned by HTC Group, HTC Group’s customers or vendors/suppliers, or any third party with which HTC Group desires to establish a business relationship; (B) is in oral, written, drawn or electronic media form; (C) is subject matter for the application of patents, trademarks, copyrights, or other intellectual property rights; or (D) is labeled with “Confidential” or an equivalent word. Confidential information may include, but is not limited to the following:

- 1) Business plans, manufacturing and marketing plans, procurement plans, product development plans, product design records, product test plans and reports, product software and source codes, product pricing, product appearance, personnel information, financial information, customer lists, vendors/supplier lists, distributor lists, raw materials and product inventory

- information, all quality records, trade secrets, and other information related to the Company’s business activities;
- 2) Computer programs, including their related documents and databases in the process of development ;
- 3) Discoveries, concepts, ideas, designs, sketches, engineering drawings, specifications, circuit layouts, circuit diagrams, mechanical drawings, flow charts, production processes, procedures, models, molds, samples, components, troubleshooting guides, chips and other know-how; and
- 4) A third party’s proprietary information that the Company has a duty of confidentiality pursuant to contracts or required by applicable laws.

1.4 Protection of Assets and Personal Data

The Company’s assets are not limited to tangible assets, such as equipment and facilities, but also include intangible assets, such as know-how and intellectual property rights. Each employee shall protect, keep and use the Company’s assets properly, and shall not use the Company’s assets for self-interest. The collection, processing, and use of personal data of personnel in HTC Group shall be in accordance with applicable data protection laws. Except as permitted by law, personal data of personnel in HTC Group shall not be disclosed or shared arbitrarily.

1.5 Fair Trade

Each employee shall treat all vendors/suppliers, customers and competitors fairly, and may not obtain improper benefits through manipulation, concealment, or misuse of the information learned by virtue of their positions, or through misrepresentation of important matters, or through other unfair trading practices. HTC Group shall engage in business activities in accordance with applicable competition laws and regulations, and may not fix prices, make rigged bids, establish output restrictions or quotas, or share or divide markets by allocating customers, vendors/suppliers, territories, or lines of commerce.

1.6 Prohibition of Infringement of Intellectual Property Rights

Intellectual property, such as copyright, trademarks, patents, and trade secrets, is protected by relevant laws and regulations. Each employee shall comply with applicable laws and regulations, HTC Group’s internal operating procedures and contractual agreements related to intellectual property. Except as permitted by law, HTC Group Personnel may not use, disclose, dispose of or

damage intellectual property without the prior consent or authorization of the intellectual property rights holder to avoid intellectual property infringement.

2.0 Vendors/Suppliers and Customers Relationship

It is a basic principle in Company business operations to maintain a good relationship with our vendors/suppliers and customers.

2.1 Firm and Rational Attitude

In order to establish long-term and stable relationships with our customers and vendors/suppliers, each employee shall provide necessary and accurate information about our products and services. In securing and negotiating business, all employees shall attempt to establish long-term relationships with our customers and vendors/suppliers by providing essential and accurate information about our products and services. Each employee shall demonstrate their professionalism with a sincere, firm, and rational attitude while dealing with customers and vendors/suppliers. Unnecessary conflicts caused by irrational attitudes or emotional languages are strictly prohibited.

2.2 Product Quality and Safety

The Company is committed to pursue excellence and maintain quality at all times, and strives to continuously improve the quality of its products and services in accordance with applicable laws and regulations related to safety to achieve world-class competitiveness and create benefits for its customers and vendors/suppliers. To ensure HTC Group’s valuable reputation and the benefit of its customers and vendors/suppliers, all employees must comply with HTC Group’s procedures and standards for product quality and safety assurance.

2.3 Performance of Contracts

Company contracts must be performed not only in accordance with the requirements of each contract, but also in compliance with all laws and regulations applicable to our industry. Any unfair or unreasonable terms and conditions shall be avoided. Purchasing decisions must be made in the best interests of HTC Group in considering the suitability, quality, price, and delivery of products or services provided by vendors/suppliers; special offers based on personal preference are not allowed. Purchasing agreements/sales contracts and related evaluation information shall be fully and clearly documented. The information of customers and vendors/suppliers, including but not limited to their names, price, delivery terms, payment terms, is considered

Confidential Information of HTC Group, and shall be properly protected by each employee to prevent leakage or misuse of information.

2.4 Prohibition on Offering or Accepting Improper Benefits / Accepted Social Custom

All employees shall not offer, accept, promise, or request, directly or indirectly, any Benefits from customers, vendors/suppliers, or business-related personnel to establish business relationship or influence commercial transactions, except under one of the following circumstances: (1) the conduct is undertaken to meet business needs and is in accordance with local courtesy, convention, or custom during domestic (or foreign) visits, reception of guests, promotion of business, and communication and coordination; (2) participation in ordinary social activities based on accepted social custom, commercial purposes, or development of relationships; (3) invitations to guests or attendance at commercial activities or factory visits in relation to business needs, when the method of fee payment, number of participants, class of accommodations, and the time period for the event or visit have been specified in advance; (4) other situations that are in line with accepted social custom and are of an occasional nature, where the market value of such Benefits is no more than NT\$3,000 or US\$100, provided that the total market value of such Benefits offered to the same party or coming from the same source within a single fiscal year shall not exceed NT\$6,000 or US\$2,00.

In the event of any of the above exceptions, employees shall report to their department head before the Benefit is offered or after it is received.

Benefit herein means any money, gratuity, gift, commission, position, service, preferential treatment, rebate, facilitating payment, entertainment, dining, or any other item of value in whatever form or name.

2.5 Business Travel

All employees are responsible for ensuring that their business travels are intended to further company business interests, and the business travel expenses, such as accommodations, meal and hospitality, shall be reasonable, economical, and in accordance with applicable company policies. As representatives of the Company, employees shall be aware that certain venues, whose entertainment nature or atmosphere may impact negatively on the Company’s reputation, such as a sexually-oriented site or similar environment, are not appropriate for business-related meetings or activities. These venues are not acceptable even if the expenses incurred are not paid by the

Company. Recreational activities such as golf hospitality, that are not at employees’ own expense, shall be minimized even if such activities are common in the industry and in line with accepted social custom.

3.0 Conflict of Interest

All employees must avoid engaging in activities that compete with the Company’s business or interfere with the performance of their duties.

3.1 Non-compete

All employees shall not engage in or carry on, for the benefit of their own or others, with their own name or the name of others, any business the same as or similar to the business of HTC Group, nor shall they invest in the entity carrying on such business exceeding 5% of its paid-in capital or its total number of issued shares.

All employees are prohibited to work either part-time or full-time for any competitors, customers, vendors/suppliers, subcontractors or outsourcers of HTC Group, nor may they provide services to or receive payments from such third parties. If any employee is invited to serve as a lecturer, or a director, supervisor, executive, consultant, service provider of a third party, the approval from the local top manager of Company is needed in advance. Even if an invitation is not the type mentioned above, permission from a top manager is still required. In general, employees are not restricted from being directors or supervisors of charitable or community organizations. After obtaining appropriate approval, employees are allowed to serve as directors, supervisors, executives, consultants, service providers of other companies provided that these companies are invested by HTC Group or not HTC Group’s competitors or service providers of such competitors.

3.2 Insider Trading

All employees shall not trade stocks or other equal-type securities of HTC Group or other companies, with their own name or the name of others, based on inside information, nor shall they disclose inside information to others in any way to make others have the opportunity to use such information for the aforesaid trading. Such inside information means information that have a material impact on the price of the securities of the issuing company and that is not normally known to persons outside the issuing company, such as a joint research and development project between the issuing company and its partner. The purpose of prohibition of insider trading is to maintain the fairness of trading in the securities market and to protect investors. The employee who engages in insider trading will lead to disciplinary actions due to violation of company rules, and

will also be subject to criminal penalties for violating the law.

4.0 Report

If there is any violation of this Code of Conduct or other unethical conduct or misconduct, every employee has a duty to report such incident with specific evidence. The Company will conduct an investigation, keep the informant’s identity and the content of the report confidential, and protect the informant from improper treatment due to the report.

Report a corruption issue: anti-corruption@htc.com



HTC Corporation



Chairwoman: Cher Wang