



HTC 2023 Annual Report



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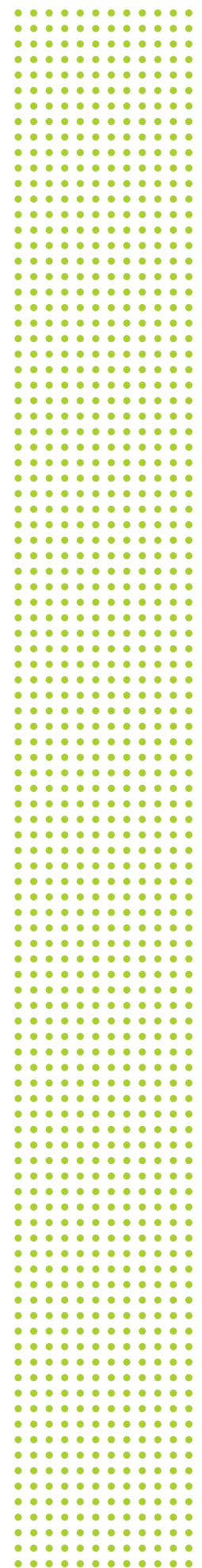
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**LETTER TO  
HTC  
SHAREHOLDERS**





# LETTER TO HTC SHAREHOLDERS

## Dear Shareholders,

2023 proved a challenging year for the global economy, with the IMF recording that global growth almost halved from 2021 levels while inflation almost doubled over the same period. The US and Europe saw a significant slowdown, creating a more challenging business environment. However, HTC remained clearly focused on its VIVERSE vision, continuing to invest in the strategic technologies that will drive our vision and the ecosystem, while optimizing resources to streamline our operations.

HTC opened 2023 with the launch of the cutting-edge VR headset, the VIVE XR Elite at CES in January, where it received numerous “Best of CES 2023” awards from leading media such as CNET, CNN, and Wired. It also won “Most Innovative Product” and “Best Mixed Reality Solution” at the XR Awards 2023, as well as the IDEA Bronze Award in the Consumer Tech category, amongst many others, reflecting how the innovative design, high specification and clever ergonomics impressed media and industry alike. HTC closed the year with the announcement that the VIVE Focus 3 was launched into space by NASA and ESA to provide mental health and fitness applications for the astronauts heading to the International Space Station; a new frontier for VR and for HTC.

HTC continued to work on delivering more true-to-life virtual collaboration and improved human connections in VR through the launch of several tools and accessories in 2023, including a range of VR trackers for physical activity, face and eye movement. This move towards greater realism online is important for the wider adoption of VIVERSE, HTC’s total solution to help customers fully realize immersive digital transformations and applications across B2C and B2B markets. Built on our advanced XR technologies, VIVERSE is HTC’s secure, fully device-agnostic platform for the next generation of the internet that brings people together to connect, collaborate and explore in vivid 3D virtual worlds.

While geographical restrictions relating to the COVID-19 pandemic were completely lifted worldwide by the end of 2023, it is clear that some aspects of the digital revolution catalysed by the pandemic have sustained, such as remote and hybrid working, requiring the adoption of virtual meetings for work, schooling and professional training, as well as reduced business travel. HTC’s VIVE VR systems and VIVERSE are well positioned to take advantage of this societal shift, as more of our lives go online to an internet that is increasingly 3D.

HTC continued to fulfil its potential in 2023, creating innovative products and services with clear market focus. In anticipating the brave new world of the immersive internet, HTC stands ready to meet the challenges and develop the right technologies and products to expedite the future. The company structure of semi-autonomous business units announced in 2021 has firmly embedded, with each business demonstrating maturity of business model and leadership in their respective fields over 2023, while the mother company HTC continues to provide strategy guidance and functional support to each business, along with maintaining a strong focus on achieving sustainable efficiencies across all of its operations. This strategy is now showing returns, and we remain firm in our belief that this is the right path for growth for HTC.

## Business Operations

Over the last few years, HTC’s business model has increasingly diversified to address new and emerging markets enabled by our core building block technologies of virtual and augmented reality, high speed connectivity such as 5G, artificial intelligence, and blockchain. 2023 proved no exception, with an innovative array of hardware, software, platforms and services.

### VIVE Systems

HTC continues to set the industry standard in premium VR through high-quality systems and accessories, as well as complementary platforms, software and services.

The VIVE XR Elite, launched at CES, combines Mixed Reality (MR) and VR capabilities into one compact, lightweight, powerful and highly versatile device. The full-color passthrough camera and hand-tracking capabilities enable a whole new dimension of MR scenarios. The sleek modular design can easily be transformed into a glasses form factor for different use cases.

The VIVE Focus 3 all-in-one enterprise headset continued to go from strength to strength, and is now widely adopted as the de facto standard in large-scale business deployments.

VIVE continued to build out the ecosystem with new trackers. The compact, versatile VIVE Ultimate Tracker introduced new technology that made it “self-tracking”; ideal for HTC VIVE’s standalone headsets VIVE XR Elite and VIVE Focus 3. The VIVE Full Face Tracker brings face and mouth tracking to VIVE XR Elite, allowing facial movements to be represented naturally in XR, and spoken words matching facial expressions in real-time, while the VIVE Focus 3 Eye Tracker brings realistic eye movements to virtual avatars and opens new avenues for research, gaze control, and more natural interactions.

## VIVERSE

The VIVERSE immersive internet platform continued to expand its product reach, develop innovative technologies and applications, and adhere to open and scalable standards. VIVERSE for Business was launched in 2023, providing customized metaverse solutions for enterprise comprising modular virtual spaces with a focus on data security and device compatibility. VIVERSE deepened its collaboration with e&, the United Arab Emirates’ telco, to bring the Middle East’s largest consumer electronics exhibition, GITEX GLOBAL, into the metaverse; the e& Universe became the first metaverse in the region to offer unique areas such as virtual personalized spaces, sporting events, and concerts.

VIVERSE collaborations in 2023 include BANDAI NAMCO Pictures with the second season of the original women’s golf anime IP *Birdie Wing – Golf Girls’ Story* and its first virtual fan meeting in VIVERSE; with ELLE Taiwan to extend ELLEverse with a college fashion course and NFTs; and with city governments on digital twins and smart city projects. VIVERSE won two international awards in 2023: the ICT Champion Awards’ “VR Platform of the Year” and the European Metaverse Awards’ “Best Consumer Metaverse Platform.” These honors not only highlight VIVERSE’s outstanding position in the industry, but also affirm its outstanding contributions in the metaverse area.

Finally, the VIVEPORT VR store continued to add high-quality PC VR games, MR/VR content and applications to its Infinity content library, and worked with China Mobile’s MIGU to launch the “Mobile Cloud VR PORT” store in 2023.

## G REIGNS

G REIGNS continues to help drive the 5G private network industry with the O-RAN architecture based on industry-leading technology. It is committed to optimizing and integrating 5G private networks through its REIGN CORE series for portable 5G private networks that allow enterprises to deploy a 5G private network in just 30 minutes, lowering the threshold for digital transformation for enterprises and providing the most cost-effective way to conduct field demonstrations. The latest REIGN CORE S2 series increases coverage and enables large-scale cases to fulfill the requirements of various 5G applications. G REIGNS works on customized requirements, leveraging more than 20 years of experience in communication technology, enabling enterprises to retain the scalability of expansion.

## HTC Smart Devices

HTC continues to create innovative smartphones for select markets. In May, the HTC U23 pro was launched to considerable acclaim. Featuring an all-day battery and wired or wireless charging, the HTC U23 pro is a camera for every situation. The HTC U23 pro boasts an 108MP OIS f/1.7 wide aperture main

camera, an ultra-wide angle and a strong macro lens, and Super Night Mode for clearer images in low light. Record in crisp 4K on the 120Hz OLED display with image stabilisation for ultra smooth motion. For gaming, video processing or social media, or even streaming your favourite apps to a VIVE XR Elite headset for a cinematic experience, the HTC U23 pro delivers commanding performance with 12GB of RAM.

## VIVE Arts

VIVE Arts is a global initiative aimed at enhancing artistic creation and understanding through the latest technologies. 2023 was an ambitious year for VIVE Arts, with the successful debut of a number of in-depth collaborations with internationally renowned art and cultural institutions, including *Horizon of Khufu*, an immersive exploration experience exhibition on the Egyptian pyramid of Khufu that opened to much acclaim in Shanghai; *Eternal Notre-Dame*, a virtual reconstruction of the fire-damaged cathedral in Paris, was exhibited at the National Museum of Science and Technology in Kaohsiung, Taiwan as the first stop of a global tour; and the award-winning *Le Bal de Paris de Blanca Li* was hugely popular at the Taiwan International Arts Festival, with real-life interaction and multi-person dancing. This experience is currently running as a repertory theater show in Taipei.

Supporting the major exhibition *Van Gogh in Auvers-su-Oise: The Final Months* at the Musée d’Orsay in Paris was *La Palette de Van Gogh* VR experience based on the last palette used by Van Gogh. VIVE Arts collaborations also included with London gallery Gazelli Art House on the first UK presentation of well-known multimedia artist Cheng Ran’s first VR work *Always I Distrust*, and with VIVERSE, Gray Area and Leonardo on immersive art experience in metaverse by creators with disabilities.

## VIVE ORIGINALS

VIVE Originals is devoted to producing original XR content and developing metaverse platforms with core technologies including volumetric capture, blockchain, and XR to explore the development of film, arts, music. It realizes profits through new business models such as the broadcast authorization of cross-domain content and exhibition and art collection transactions.

In 2023, VIVE Original’s BEATDAY music metaverse platform continued to collaborate with idols and singers, including renowned hip-hop singers to hold Taiwan’s first 6DoF virtual concert that combines cloud rendering technology, and collaborated with cheerleader Mizuki Lin using 3D volumetric capture photography to launch Taiwan’s first immersive interactive photobook. technology. BEATDAY also debuted collaboration with virtual idols this year, partnering with Taiwan’s leading VTuber studio Spring Fish to co-present Taiwan’s first online full-perspective VTuber concert *Illusionary*, where fans can interact with VTubers from all angles through avatars in a game-like manner during the concert.

## DeepQ

DeepQ develops precision personalized medical products and services to reduce costs and improve the effectiveness of healthcare. In 2023, DeepQ expanded its popular ‘Disease Control Butler’ app by continuing to optimize natural language processing, and adding monkeypox and dengue fever epidemic information, vaccine and vaccination information for autumn and winter, and epidemic risk information push services for specific groups such as medical institutions and health centers. It also enhanced its “Dr. Lan” Healthcare Linebot with an AI health education Q&A function to accurately answer public health education questions in natural language and reduce the workload of medical staff, as well as augmenting its DeepQ AI Platform to dramatically reduce learning thresholds and the cost of AI model training.

## Special Projects

The VIVE Mars series stands at the forefront of virtual production technology. In 2023, the VIVE Mars Cam introduced a number of innovations, including optimizations and enhancements, focusing on a user-friendly interface, improved tracking capabilities, and overall performance upgrades to simplify the virtual production process, making it more efficient and accessible.

In August, we launched and released FIZTrack, an encoder that tracks lens data and is deeply integrated with VIVE Mars CamTrack, allowing users to seamlessly control lens variations during the virtual product creation process. This year also saw the launch of a global reseller program to expand the global reach of the VIVE Mars series, and a series of honors and industry recognition, including the Best Show Award at IBC 2023, highlighting our leadership and innovative capabilities in the virtual production industry.

## Financial Performance

HTC’s continued focus on improving resource and process efficiency across our operations again paid off in 2023, with the Company achieving a gross margin of 41.3%, up from 39.2% in 2022 and 31.1% in 2021; a strong achievement in a tough industry environment. Operating margin came in at -97.2%, up from last year.

Over the year, HTC earned revenues of NTD 4.42 billion, with a gross profit of NTD 1.82 billion, and operating loss of NTD 4.29 billion, which translated to an earnings per share of -NTD 4.09, also an increase on 2022.

By emphasizing the streamlining of operational processes and procedures, HTC continues to improve resource efficiencies while ensuring product quality and throughput across the board. At the same time, the diversification of HTC’s portfolio, from being traditionally hardware-centric to a company providing complete hardware, software, platform and content solutions, positions HTC well to continue expanding its revenue bases.

## Environment, Social and Governance (ESG)

HTC’s ESG strategy, initiatives and achievements in sustainability in 2023 reflect HTC’s continued commitment to reducing its environmental impact and increasing its social responsibility. HTC has committed to near-term and long-term company-wide emission reduction targets in line with the scenario set by the Science Based Targets initiative (SBTi), whose goal is to accelerate companies’ shift towards achieving net-zero emissions by 2050.

Our efforts to improve sustainable operations gained wide recognition in 2023, with HTC again selected as a constituent of the prestigious FTSE4Good Index Series, and winning a silver medal for the second year in sustainability from EcoVadis, one of the world’s most trusted providers of business sustainability ratings, as well as Taiwan’s National Sustainability Development Award in the Enterprise category.

As a member of the CDP Supply Chain Member program, HTC works with its suppliers to address environmental risks to build a sustainable future. HTC improved its leadership level in both the CDP Supplier Engagement Rating and the Climate Change score in 2023. HTC also published its first stand-alone report on the Task Force on Climate-Related Financial Disclosures, reflecting the Company’s dedication to transparency and accountability in addressing climate-related risks and opportunities in business; this report was independently verified by 3rd party verification body SGS.

Finally, HTC received the Individual Performance award in Information Security Leadership at the 16th Taiwan Corporate Sustainability Awards, demonstrating its commitment to safeguarding sensitive information. These awards, which are linked to the United Nations’ Sustainable Development Goals, reflect HTC’s holistic approach to corporate responsibility.

Throughout our operations, HTC strives for brilliance, both in how we work and how our customers use our products. We will continue to focus on innovation, execution, and efficiency across the organization, and by anticipating market trends and pioneering technology implementation, we believe that we are on the right path for growth. HTC sincerely thanks our shareholders for sharing our vision.

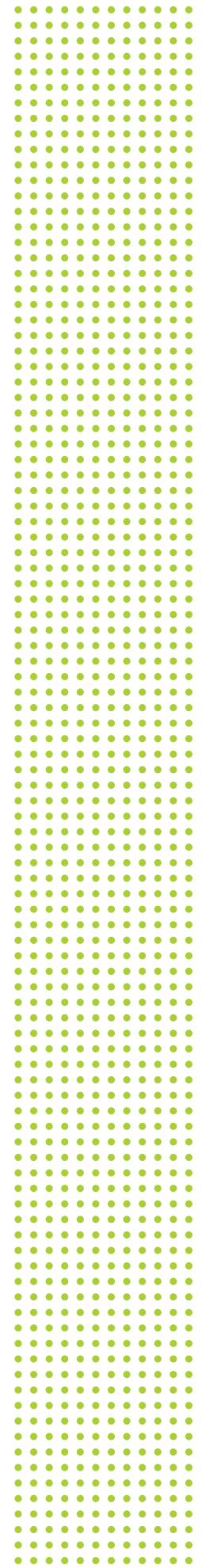
**HTC Corporation**

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, the immersive Internet.

At the heart of this is a bold innovative spirit to push 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.

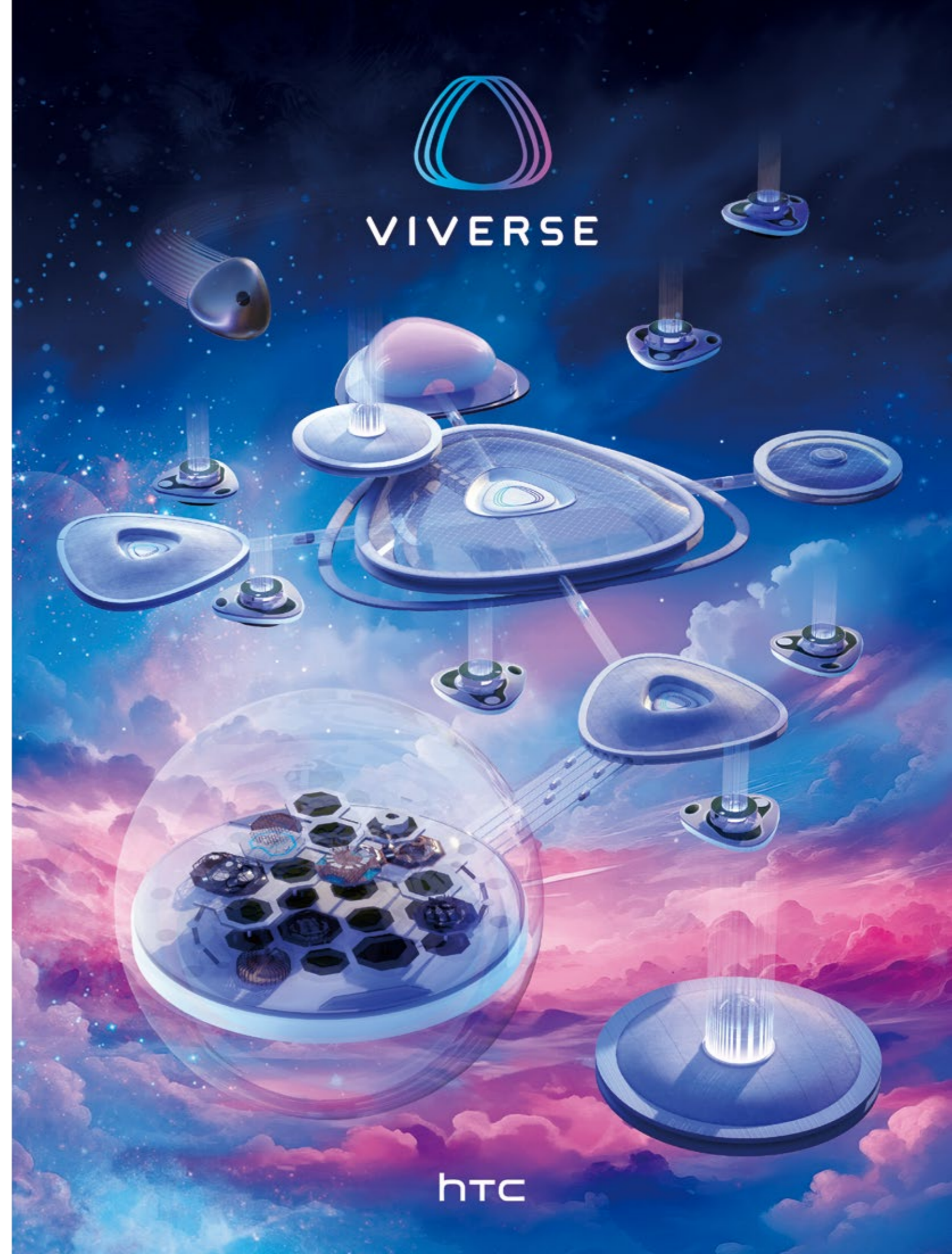
### Technology

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

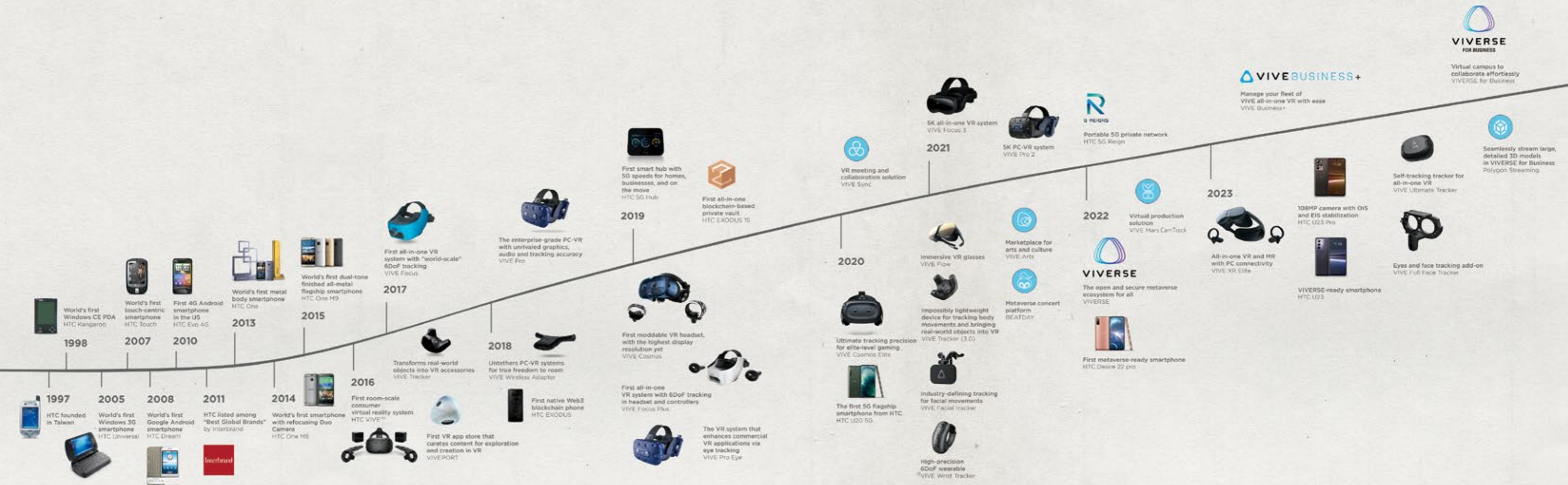
Imagination is one of the most powerful tools we know, and one we seek to unlock. A world where a continuum of immersive realities is possible, and experience is unbounded. Imagination that invents new ways to make life better for people and enable them to be the best they can be, help businesses achieve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

**David Bruce Yoffie**  
Director

**Chen-Kuo Lin**  
Independent Director

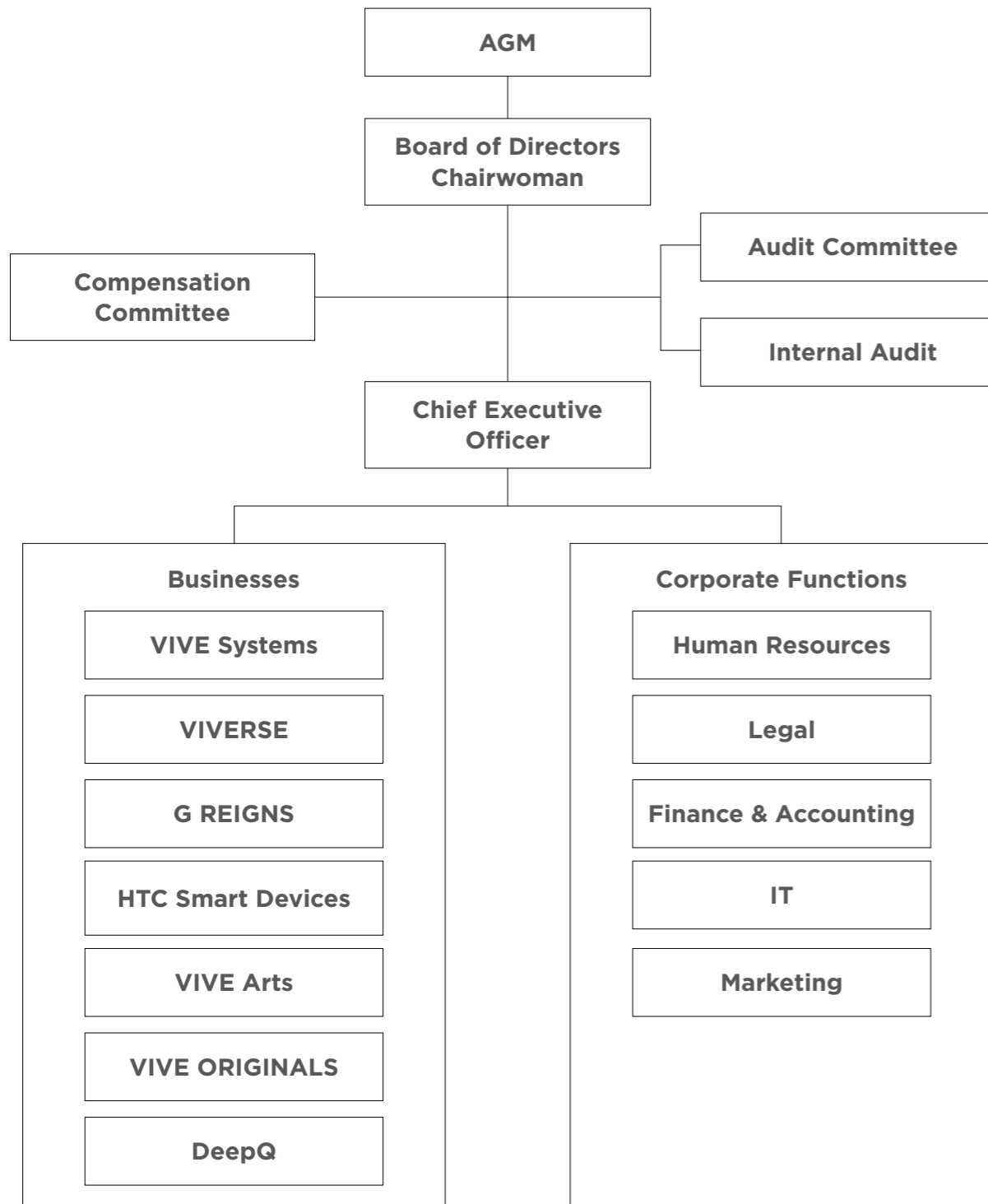
**Michael C. Lu**  
Independent Director

**Vincent Thai**  
Independent Director

**Hong-Chung Hsieh**  
Independent Director

## 2.5 Organization

### 2.5.1 Organization Chart



### 2.5.2 Businesses

#### VIVE Systems

creates fully immersive, premium-grade virtual reality products for everyone with breathtaking graphics and lifelike sounds.

#### G REIGNS

is 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.

#### VIVE Arts

continues its mission to enhance cultural appreciation through immersive technology, democratize creativity and preserve our cultural heritage for the world.

#### DeepQ

is focused on integrating AI into solutions that promote access to and improve the quality of healthcare.

#### VIVERSE

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 VR content on its VIVEPORT platform, in leveraging its virtual exhibition platform for enterprise and in building strong content and hardware partnerships to accelerate the expansion of the VR ecosystem.

#### HTC Smart Devices

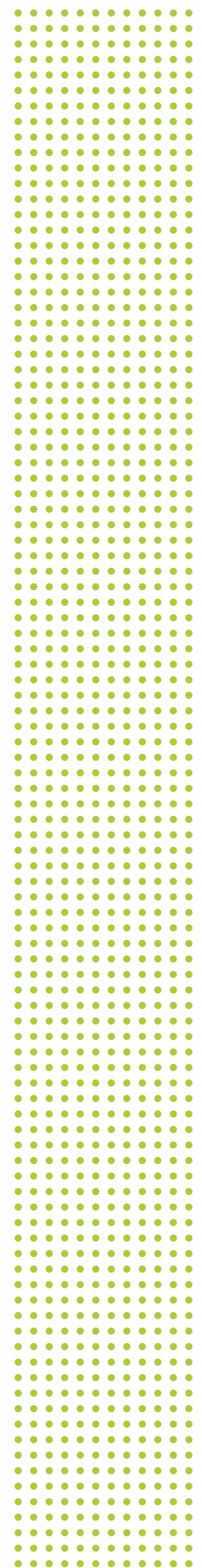
is focused on creating smartphone and connected devices that take full advantage of the latest technologies while supporting HTC's VIVERSE vision.

#### VIVE ORIGINALS

is 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.



# **CORPORATE GOVERNANCE**



# CORPORATE GOVERNANCE

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

### 3.1.1 Directors

2024.04.22 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	%			Title	Name	Relationship	Remarks
Chairwoman & CEO	Republic of China	Cher Wang	Female 66-70	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"> <li>• Bachelor in Economics, University of California, Berkeley.</li> <li>• General Manager of the PC Division, First International Computer, Inc. (FIC)</li> <li>• Chairwomen, VIA Technologies, Inc.</li> </ul>	<ul style="list-style-type: none"> <li>• Chairwoman and CEO, HTC Corporation</li> <li>• Director, VIA Technologies, Inc.</li> <li>• Director (Representative), H.T.C. (B.V.I) Corp.</li> <li>• Director (Representative), HTC Investment One (BVI) Corporation</li> <li>• Chairwoman (Representative), HTC Investment Corporation</li> <li>• Director, High Tech Computer Asia Pacific Pte. Ltd.</li> <li>• Director, (Representative), Xander International Corp.</li> <li>• Director, VIA Labs, Inc.</li> <li>• Director (Representative), TVBS Media Inc.</li> <li>• Director, Formosa Plastics Corporation</li> <li>• Director, Way-Chih Investment Co., Ltd.</li> <li>• Director, Hsin-Tong Investment Co., Ltd.</li> <li>• Director, Kun-Chang Investment Co, Ltd.</li> <li>• Director, CW &amp; ET Link Inc</li> <li>• Director, Hon-Mou Investment Co., Ltd.</li> <li>• Director, Chuan Te Investment Co., LTD</li> <li>• Director, Li Way Investment Co., LTD</li> <li>• Chairwoman (Representative), Viveport Digital Corporation</li> <li>• Chairwoman (Representative), REIGN Technology Corporation</li> <li>• Chairwoman (Representative),VIVE Arts Corporation</li> <li>• Independent Non-executive Director, Lenovo Group Ltd.</li> <li>• Chairwoman (Representative), Uomo vitruviano Corporation</li> <li>• Chairwoman (Representative), HungXu Technology Corporation</li> <li>• Chairwoman (Representative), DeepQ Technology Corporation</li> <li>• Chairwoman (Representative), HungYao Technology Corporation</li> <li>• Director (Representative), Asiaplay Taiwan Digital Entertainment Ltd.</li> </ul>	Director	Wen-Chi Chen	Spouse	(Note 1)

(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
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"> <li>• Electronic Engineering, National Taipei Institute of Technology.</li> <li>• EMBA, National Chiao Tung University</li> <li>• President &amp; CEO, HTC Corporation.</li> <li>• Consulting Engineer, Digital Equipment Corporation.</li> </ul>	<ul style="list-style-type: none"> <li>• Chairman, HTC Social Welfare Foundation</li> <li>• Chairman, HTC Education Foundation</li> <li>• Director, Chunghwa Telecom Foundation</li> <li>• Chairman &amp; President, Atrust Computer Corporation</li> <li>• Chairman, Asia Pacific Fuel Cell Technologies, Ltd.</li> </ul>	None	None	None	-
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%	<ul style="list-style-type: none"> <li>• MSCS, California Institute of Technology.</li> <li>• President, Symphony Laboratories.</li> </ul>	<ul style="list-style-type: none"> <li>• Chairman &amp; President, VIA Technologies, Inc.</li> <li>• Chairman (Representative), Xander International Corp.</li> <li>• Chairman, VIA Labs, Inc.</li> <li>• Director (Representative), TVBS Media Inc.</li> <li>• Director, Way-Chih Investment Co., Ltd.</li> <li>• Director, Hsin-Tong Investment Co., Ltd.</li> <li>• Director, Kun-Chang Investment Co, Ltd.</li> <li>• Chairman (Representative), CW &amp; ET Link Inc.</li> <li>• Director, Hon-Mou Investment Co., Ltd.</li> <li>• Director, Chuan Te Investment Co., LTD</li> <li>• Director, Li Way Investment Co., LTD</li> <li>• Director (Representative), Viveport Digital Corporation</li> <li>• Director (Representative), REIGN Technology Corporation</li> <li>• Director (Representative), VIVE Arts Corporation</li> <li>• Director (Representative), Uomo vitruviano Corporation</li> <li>• Director (Representative), HungXu Technology Corporation</li> <li>• Director (Representative), DeepQ Technology Corporation</li> <li>• Director (Representative), HungYao Technology Corporation</li> <li>• Director (Representative), Asiaplay Taiwan Digital Entertainment Ltd.</li> </ul>	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%	<ul style="list-style-type: none"> <li>• B.A. Brandeis University</li> <li>• M.A., Ph.D. Stanford University for academic qualification</li> <li>• Director, Charles Schwab</li> <li>• Director, Spotfire</li> <li>• Director, E Ink</li> <li>• Director, Intel Corporation</li> <li>• Director, Financial Engines, Inc.</li> </ul>	<ul style="list-style-type: none"> <li>• Max and Doris Starr Professor at Harvard Business School</li> <li>• Director, The National Bureau of Economic Research</li> <li>• Director, Ampere Computing</li> <li>• Director, Commonwealth Financial Network</li> </ul>	None	None	None	-
Independent Director	Republic of China	Chen-Kuo Lin	Male 86-90	2022.06.17	2025.06.16	2007.06.20	0	0.00%	0	0.00%	0	0.00%	0	0.00%	<ul style="list-style-type: none"> <li>• Bachelor in Economics, National Taiwan University.</li> <li>• Advanced study at the Department of Economics, Oklahoma State University.</li> <li>• Advanced study at the Department of Economics, Harvard University.</li> <li>• Chairman, Board of Tunghai University.</li> <li>• Minister, Ministry of Finance, Executive Yuan.</li> <li>• Chairman, Taiwan External Trade Development Council.(TAITRA)</li> <li>• Chairman, Taiwan Asset Management Corporation.</li> <li>• Professor, Department of Economics in National Taiwan University.</li> <li>• Chairman, Taiwan-Hong Kong Economic and Cultural Cooperation Council</li> <li>• Independent director and Compensation Committee member, Taiwan High Speed Rail Corporation.</li> </ul>	<ul style="list-style-type: none"> <li>• Chairman, Angel Hearts Family Social Welfare Foundation.</li> <li>• Chairman, New Mainstream Cultural Foundation.</li> </ul>	None	None	None	-

(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	
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%	<ul style="list-style-type: none"> <li>• Bachelor of Art (B.A.) in Political Science and Human Biology, Stanford University</li> <li>• Master of Public Health (M.P.H.) in Epidemiology and Master of Science (M.S.) in Health and Medical Sciences, U.C. Berkeley</li> <li>• Medical Doctor, U.C. San Francisco</li> <li>• Senior Associate Dean for Academic, George Washington University</li> <li>• Director, Maternal and Child Health Bureau HRSA U.S. Department of Health and Human Services</li> </ul>	<ul style="list-style-type: none"> <li>• Dean, School of Public Health University of California, Berkeley</li> </ul>	None	None	None	-
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%	<ul style="list-style-type: none"> <li>• UC Berkeley, Ca., USA</li> <li>• USC Undergrad Marketing, Ca., USA</li> <li>• Founder of Fun Creation, Inc</li> <li>• President of Placo Toys, Inc</li> <li>• General Manager of Best Consumer Products, Inc</li> <li>• Manager of M &amp; D Toys, Inc</li> <li>• Chairman of Toy Plus Far East Ltd</li> </ul>	<ul style="list-style-type: none"> <li>• Founder &amp; Chairman of Playmind Ltd</li> <li>• Founder &amp; Chairman of National Products Ltd</li> <li>• Founder &amp; Chairman of Sweet N Fun Ltd, world leader in gumball banks</li> </ul>	None	None	None	-
Independent Director	Republic of China	Hong-Chung Hsieh	Male 66-70	2023.06.16	2025.06.16	2004.06.16	0	0.00%	0	0.00%	0	0.00%	0	0.00%	<ul style="list-style-type: none"> <li>• Ph.D. Doctor of Philosophy, National Taiwan University</li> <li>• Master of Divinity, U.S The Southwestern Baptist Theological Seminary</li> <li>• Professor of Department of Pathology, National Taiwan University</li> <li>• Attending Physician of Department of Pathology, National Taiwan University Hospital</li> </ul>	<ul style="list-style-type: none"> <li>• Dean, Ling Leung Pastor and Missionary Theological Seminary</li> <li>• Dean, Bread of Life Pastoraal and Missionary Theological Seminary</li> </ul>	None	None	None	(Note 2)

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 2023.06.16.

(Concluded)

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

			2024.04.22
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 an 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

(Continued)

			No. of other public companies at which the person concurrently serves as an independent director
Qualification			
Name	Professional Qualifications and Experience	Independence Analysis	
Director Wen-Chi Chen	1. Possess an 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)

Name	Professional Qualifications and Experience	Independence Analysis	No. of other public companies at which the person concurrently serves as an independent director
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	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 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 compensation for providing business, legal, financial, accounting and other services to the company or its affiliates in the last two years.	0
Independent Director Hong-Chung Hsieh (Note 2)	1. Possess extensive Experience in Leading Enterprises, 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.		0

Note 1:

(Concluded)

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 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 compensation committee.

Note 2: elected as a member of the Board of Directors on 2023.06.16.

### 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 8 Directors in the tenth Board of Directors; 4 of them are Independent Directors. 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 4 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, Independent Director Vincent Thai has experience in leading companies, and Independent Director Hong-Chung Hsieh, is the Dean of Ling Leung Pastor and Missionary Theological Seminary and Bread of Life Pastoral and Missionary Theological Seminary. Additionally, among 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 present, one female Director constitutes 12.5% of the Board. The target of directors concurrently serving as company officers is less than 30% of the total number of the board members. At present, we have one director serving as an employee, constituting 12.5% of the Board; Independent Directors serve more than three terms, and no more than one-third of the seats are occupied.

#### (2) Board Independence

The tenth of the Board of Directors of the Company has a total of eight Directors, including four Independent Directors, accounting for 50% of the Board members; 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 compensation. 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

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	2024.04.22 Unit: Share; % 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"> <li>Bachelor in Economics, University of California, Berkeley.</li> <li>General Manager of the PC Division, First International Computer, Inc. (FIC)</li> <li>Chairwomen, VIA Technologies, Inc.</li> </ul>	<ul style="list-style-type: none"> <li>Chairwoman and CEO, HTC Corporation</li> <li>Director, VIA Technologies, Inc.</li> <li>Director (Representative), H.T.C. (B.V.I) Corp.</li> <li>Director (Representative), HTC Investment One (BVI) Corporation</li> <li>Chairwoman (Representative), HTC Investment Corporation</li> <li>Director, High Tech Computer Asia Pacific Pte. Ltd.</li> <li>Director, (Representative), Xander International Corp.</li> <li>Director, VIA Labs, Inc.</li> <li>Director (Representative), TVBS Media Inc.</li> <li>Director, Formosa Plastics Corporation</li> <li>Director, Way-Chih Investment Co., Ltd.</li> <li>Director, Hsin-Tong Investment Co., Ltd.</li> <li>Director, Kun-Chang Investment Co, Ltd.</li> <li>Director, CW &amp; ET Link Inc</li> <li>Director, Hon-Mou Investment Co., Ltd.</li> <li>Director, Chuan Te Investment Co., LTD</li> <li>Director, Li Way Investment Co., LTD</li> <li>Chairwoman (Representative), Viveport Digital Corporation</li> <li>Chairwoman (Representative), REIGN Technology Corporation</li> <li>Chairwoman (Representative),VIVE Arts Corporation</li> <li>Independent Non-executive Director, Lenovo Group Ltd.</li> <li>Chairwoman (Representative), Uomo vitruviano Corporation</li> <li>Chairwoman (Representative), HungXu Technology Corporation</li> <li>Chairwoman (Representative), DeepQ Technology Corporation</li> <li>Chairwoman (Representative), HungYao Technology Corporation</li> <li>Director (Representative), Asiaplay Taiwan Digital Entertainment Ltd.</li> </ul>	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"> <li>M.S. in Business Administration, University of Colorado</li> <li>Chief Financial Officer, Inotera Memories, Inc.</li> <li>Vice President, Finance, Micron Technology, Inc.</li> <li>Financial Director, Jabil Circuit</li> </ul>	<ul style="list-style-type: none"> <li>Director (Representative), HTC Investment Corporation</li> <li>Director (Representative), HTC Investment (BVI) Corp.</li> <li>Director (Representative), HungXu Holding (BVI) Corp.</li> <li>Director (Representative), HTC VIVE Investment (BVI) Corp</li> <li>Director (Representative), DeepQ Holding (BVI) Corp.</li> <li>Director (Representative), HTC VR Content (BVI) Corp.</li> <li>Director (Representative), HTC EUROPE CO., LTD.</li> <li>Chairperson (Representative), HTC Communication Co., Ltd.</li> <li>Director (Representative), HTC Holding BV.</li> <li>Chairperson (Representative), HTC Communication Technologies (Shanghai) limited</li> <li>Director (Representative), S3 Graphics Co, Ltd.</li> <li>Chairperson (Representative), HTC Electronics (Shanghai) Co., Ltd.</li> <li>Chairperson (Representative), HTC Communication Technology (Beijing) Co., Ltd</li> <li>Director (Representative), HTC NIPPON Corporation</li> <li>Director (Representative), HTC Communication Canada, Ltd.</li> <li>Director (Representative), HTC Communication Solutions Mexico, S.A DE C.V.</li> <li>Director (Representative), HTC Servicios DE Operacion Mexico, S.A DE C.V.</li> <li>Director (Representative), HTC America Holding, Inc.</li> <li>Director (Representative), HTC America Inc.</li> <li>Director (Representative), HungXu Technology (BVI) Corp.</li> <li>Director (Representative), HTC VIVE TECH (HK) Limited</li> <li>Director (Representative), HTC VIVE TECH (Beijing) Co. Limited</li> <li>Director (Representative), DeepQ (BVI) Corp.</li> <li>Chairperson (Representative), DeepQ Technology (Beijing) Co., Ltd</li> </ul>	None	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"> <li>Bachelor of Arts, Diplomacy, National Chengchi University</li> <li>Master of Laws (JD equivalent), National Chiao Tung University School of Law (Technology Law)</li> <li>Master of Laws, Georgetown University Law Center, with WTO Certificate (International Legal Studies)</li> <li>Master of Laws, Berkeley School of Law (Intellectual Property)</li> </ul>	<ul style="list-style-type: none"> <li>Director (Representative), High Tech Computer Asia Pacific Pte. Ltd.</li> <li>Director (Representative), HTC Investment Corporation</li> <li>Director (Representative), HungXu Holding (BVI) Corp.</li> <li>Director (Representative), HTC VIVE Investment (BVI) Corp.</li> <li>Director (Representative), DeepQ Holding (BVI) Corp.</li> <li>Director (Representative), HTC Smartphone (BVI) Corp.</li> <li>Director (Representative), HTC VR Content (BVI) Corp.</li> <li>Director (Representative), REIGN Technology Corporation</li> <li>Director (Representative), Viveport Digital Corporation</li> <li>Director (Representative), VIVE Arts Corporation</li> <li>Director (Representative), HTC EUROPE CO. LTD.</li> <li>Director (Representative), HTC (Australia and New Zealand) PTY LTD</li> <li>Director (Representative), India Private Limited</li> <li>Director (Representative), HTC Communication Co., Ltd.</li> <li>Director (Representative), HTC HK, Limited</li> <li>Director (Representative), HTC Communication Technologies (Shanghai) limited</li> <li>Director (Representative), S3 Graphics Co, Ltd.</li> <li>Executive Director (Representative), HTC Corporation (Shanghai WGQ)</li> <li>Director (Representative), HTC Electronics (Shanghai) Co., Ltd.</li> <li>Director (Representative), HTC Communication Technologies (Beijing) Limited</li> <li>Director (Representative), HTC NIPPON Corporation</li> <li>Director (Representative), HTC France Corporation</li> <li>Director (Representative), HTC Nordic ApS</li> <li>Director (Representative), HTC Germany GmbH</li> <li>Director (Representative), HTC Poland sp z o.o.</li> <li>Director (Representative), HTC Communication Canada, Ltd.</li> <li>Director (Representative), HTC Middle East FZ-LLC</li> <li>Director (Representative), HTC Communication Solutions Mexico, S.A DE C.V.</li> <li>Director (Representative), HTC Servicios DE Operacion Mexico, S.A DE C.V.</li> <li>Director (Representative), HTC America, Inc.</li> <li>Director (Representative), One &amp; Company Design, Inc.</li> <li>Director (Representative), HTC America Content Services, Inc.</li> <li>Director (Representative), Dashwire, Inc.</li> <li>Director (Representative), Inquisitive Minds, Inc.</li> <li>Director (Representative), Viverse Limited (Ireland)</li> <li>Director (Representative), HungXu Technology (BVI) Corp.</li> <li>Director (Representative), HungXu Technology Corporation</li> <li>Director (Representative), HTC VIVE TECH (HK) Limited</li> <li>Director (Representative), HTC VIVE TECH (Beijing) Co. Limited</li> <li>Director (Representative), DeepQ (BVI) Corp.</li> <li>Director (Representative) and Managerial Officer, DeepQ Technology Corp.</li> <li>Director (Representative), Uomo vitruviano Corp.</li> <li>Director (Representative), DeepQ Technology (Beijing) Corp</li> <li>Director (Representative), HungYao Technology Corporation</li> </ul>	None	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"> <li>Master in Electronic Engineering, National Taiwan University of Science and Technology.</li> <li>The Chinese University of Hong Kong EMBA</li> <li>Senior Manager, WM System Architecture Design.</li> </ul>	<ul style="list-style-type: none"> <li>Director (Representative), HTC Communication Technologies (Shanghai) Limited</li> </ul>	None	None	None	None

(Continued)



		Compensation paid to Directors										Compensation received by directors for concurrent service as an employee								Sum of A+B+C+D+E+F+G and ratio to net income		Compensation received from investee enterprises other than subsidiaries or from the parent company				
		Base compensation (A)		Retirement pay and pension (B)		Director profit sharing compensation (C)		Expenses and perquisites (D)		Sum of A+B+C+D and ratio to net income		Salary, rewards, and special disbursements (E)		Retirement pay and pension (F)		Employee profit-sharing compensation (G)				Sum of A+B+C+D+E+F+G and ratio to net income						
Title	Name	All Consolidated		All Consolidated		All Consolidated		All Consolidated		All Consolidated		All Consolidated		All Consolidated		HTC		All Consolidated Entities		All Consolidated						
		HTC	Entities	HTC	Entities	HTC	Entities	HTC	Entities	HTC	Entities	HTC	Entities	HTC	Entities	Amount in cash	Amount in stock	Amount in cash	Amount in stock	HTC	Entities					
Independent Director	Hong-Chung Hsieh (Note 1)	500	500	0	0	0	0	0	0	500	-0.01%	500	-0.01%	0	0	0	0	0	0	0	0	500	-0.01%	500	-0.01%	None

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

The total remuneration of directors in 2023 increased compared with last year, due to the election of an additional independent director in June 2023. Except for the addition of one independent director, there is no change in the remuneration of the other directors. The average remuneration of each director in 2023 will decrease compared with last year. The Directors' compensation 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.

2. Compensation paid to Corporation directors by all companies included in financial statements for services other than disclosed in the table above: None.

(Concluded)

\* 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 1: elected as a member of the Board of Directors on 2023.06.16.

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

		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)		Compensation 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)						
						Cash	Stock	Cash	Stock	HTC	All Consolidated Entities (Note 6)					
Chief Financial Officer and Accounting Officer	Peter Shen															
General Counsel and Corporate Governance Officer	ChiaTe Lu															
Chief Technology Officer	WH Liu	42,784	48,018	1,032	1,241	32,676	32,676	0	0	0	0	76,492	-2.25%	81,935	-2.41%	None
Senior VP	Adrian Tung															
Senior VP	Raymond Pao															

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 2023 was NTD\$3,395,757 thousand.

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

Note 7: Compensations 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, 2023.

\* 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.

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

Ranges of compensation 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	1 (Note 1)	1 (Note 1)
NT\$10,000,000 - NT\$15,000,000	3 (Note 2)	3 (Note 2)
NT\$15,000,000 - NT\$30,000,000	1 (Note 3)	
NT\$30,000,000 - NT\$50,000,000		1 (Note 3)
NT\$50,000,000 - NT\$100,000,000		
NT\$100,000,000 or above		
<b>Total</b>	<b>5</b>	<b>5</b>

Note 1: Raymond Pao

Note 2: WH Liu, ChiaTe Lu, Adrian Tung

Note 3: Peter Shen

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

2023; Unit: NT\$ thousand															
Title	Name	Salary (A) (Note 1)		Retirement pay and pension (B) (Note 2)		Rewards and special disbursements (C) (Note 3)		Employee profit-sharing compensation (D) (Note 4)				Sum of A+B+C+D and ratio to net income (Note 5)		Compensation 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			
		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	14,760	19,703	488	695	13,994	13,994	0	0	0	0	29,242 -0.86%	34,392 -1.01%	None	
Vice President	Alvin Graylin	9,339	13,990	200	271	662	1,746	0	0	0	0	10,201 -0.30%	16,007 -0.47%	None	
Vice President	Jeffrey Pohlman	0	10,422	0	251	0	3,950	0	0	0	0	0 0%	14,623 -0.43%	None	
Vice President	Vincent Lam	0	9,368	0	406	0	3,482	0	0	0	0	0 0%	13,256 -0.39%	None	
Vice President	Daniel O'Brien	0	12,002	0	0	0	1,244	0	0	0	0	0 0%	13,246 -0.39%	None	

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

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

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

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

Note 5: The net loss after tax in 2023 was NTD\$3,395,757 thousands.

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

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

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

### 3.2.4 Employee Profit Sharing Granted to Management Team

None.

### 3.2.5 Total compensation 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 compensation policies, standards, packages, procedures for setting compensation, and linkage to performance.

Total compensation 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 compensation as a percentage of net income			
	2022 (Note)		2023 (Note)	
	HTC	All Consolidated Entities	HTC	All Consolidated Entities
Directors	-0.84%	-0.84%	-0.87%	-0.87%
Supervisors	-	-	-	-
President and Vice Presidents	-2.34%	-2.49%	-2.25%	-2.41%

Note: FY2022 net loss was NT\$3,411,783 thousand, and FY2023 net loss was NT\$3,395,757thousand

Compensation policies, standards, packages:

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

- 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 addition 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.
- 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.

Compensation setting:

- The insiders will be reviewed in accordance with the company's "Performance Management Policy" and used as part of compensation review. Board of Directors will be assessed by "Rules for Performance Evaluation of the Board of Directors".
- In addition to the performance appraisal, the company also conducts the insiders' annual compensation review based on the achievements of business goals, the market surveys of high-tech industry and the long-term plan of the organizational developments.
- The rationales of insiders' Compensation will be evaluated by the compensation committee and submit for the board of directors' approval.

Business performances and future risks:

The compensation of the insider is based on the operating results and individual contribution and performances of the year. Insider's compensation will be reviewed by the compensation committee before provided to the board of directors for discussion and approval of the overall compensation. 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 4 meetings of the board of directors were held in 2023. 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	4	0	100%	-
Director	HT Cho	4	0	100%	-
Director	Wen-Chi Chen	4	0	100%	-
Director	David Bruce Yoffie	4	0	100%	-
Independent Director	Chen-Kuo Lin	4	0	100%	-
Independent Director	Michael C. Lu	4	0	100%	-
Independent Director	Vincent Thai	4	0	100%	-
Independent Director	Hong-Chung Hsieh	1	1	50%	Elected on June 16, 2023, 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
2023.03.07 (10-4)	Report on Company's derivative transactions for fourth quarter 2022	Approved	Not applicable	Approved by all directors in attendance.
2023.05.03 (10-5)	Report on Company's derivative transactions for first quarter 2023	Approved	Not applicable	Approved by all directors in attendance.
	Submission of the replacement of the auditors of the Company, and non-assurance services to be provided by Deloitte and Touche in 2023	Approved	Not applicable	Approved by all directors in attendance.
2023.08.02 (10-6)	Report on Company's derivative transactions for second quarter 2023	Approved	Not applicable	Approved by all directors in attendance.
	For the group's internal reorganization plan, the proposal to transfer 100% of Viveport Digital Corporation's outstanding shares to the Company's UK subsidiary, Viverse Limited	Approved	Not applicable	Approved by all directors in attendance.
	Proposal to add/amend the "Internal Control System" and "Internal Audit Implementation Rules" of the Company	Approved	Not applicable	Approved by all directors in attendance.
2023.11.06 (10-7)	Report on Company's derivative transactions for third quarter 2023	Approved	Not applicable	Approved by all directors in attendance.
	Proposal on the Company's 2024 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 2023.
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 2023 and reported the results to the Board of Directors at its first quarter meeting in 2024 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
Internal Board Performance Evaluation: Implemented every year.	January 1, 2023 to December 31, 2023	Included performance evaluations of the Board, individual directors	Internal self-evaluations by Board of directors, self-evaluations by Board members and members of functional committees	The performance evaluation of the board of directors includes five aspects: participation in the company's operations, improvement of the quality of board decision-making, composition and structure of the board of directors, selection and continuous training of directors, and internal control; The performance evaluation of board members includes six aspects: mastery of the company's goals and tasks, awareness of directors' responsibilities, participation in the company's operations, internal relationship management and communication, directors' professional and continuing training and internal control; The self-evaluation of the members of each functional committee includes five aspects: the degree of participation in the company's operation, the awareness of the responsibilities of the functional committee, the improvement of the decision-making quality of the functional committee, the composition and selection of members of the functional committee, and internal control.

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 2023 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.
  - (4) Board of Directors should attend 30 meetings in 2023 and attended 29 meetings in actual, with an actual attendance rate is 96.67%.

### 3.3.2 The operational Information of the Audit Committee

A total of 4 meetings of the board of directors were held in 2023 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	4	0	100%	-
Independent Director	Vincent Thai	4	0	100%	-
Independent Director	Hong-Chung Hsieh	2	0	100%	Elected on June 16, 2023, should have attended 2 meetings

Other matters required to be recorded:

- 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
2023.03.02 (2-3)	Report on Company's derivative transactions for fourth quarter 2022 Submission of the Company's consolidated financial reports for 2022	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.
2023.05.02 (2-4)	Report on Company's derivative transactions for first quarter 2023 Submission of the replacement of the auditors of the Company, and non-assurance services to be provided by Deloitte and Touche in 2023 Submission of the Company's consolidated financial reports for first quarter 2023	
2023.08.01 (2-5)	Report on Company's derivative transactions for the second quarter 2023 For the group's internal reorganization plan, the proposal to transfer 100% of Viveport Digital Corporation's outstanding shares to the Company's UK subsidiary, Viverse Limited Adoption of the Company's consolidated financial reports for the second quarter 2023 Proposal to add/amend the "Internal Control System" and "Internal Audit Implementation Rules" of the Company	
2023.11.03 (2-6)	Report on Company's derivative transactions for the third quarter 2023 Adoption of the Company's consolidated financial reports for the third quarter 2023 2024 Deloitte & Touche CPA service fee for auditing and signing off Company's financial statements	

- There were no other resolutions, which was not approved by the Audit Committee but was approved by two thirds or more of all directors in 2023.

- There were no recusals of independent directors due to conflicts of interests in 2023.

- Annual work focus of the Audit Committee: Review the Company's financial reports; evaluate the effectiveness of the internal control system; 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.

- Descriptions of the communications between the independent directors, the internal auditors, and the independent auditors in 2023 (which should include the material items, channels, and results of the audits on the corporate finance and/or operations, etc.):

- 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.
- 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.
- 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
2023.03.02 (2-3)	The 2022 Q4 Internal Auditor's report.	The 2022 financial reports.
	The Company's 2022 Internal Control Self-Assessment.	Matters of communication with governance
2023.05.02 (2-4)	The 2023 Q1 Internal Auditor's report.	The 2023 Q1 consolidated financial reports.
		Matters of communication with governance.
2023.08.01 (2-5)	The 2023 Q2 Internal Auditor's report. Proposal to add/amend the "Internal Control System" and "Internal Audit Implementation Rules" of the Company	The 2023 Q2 consolidated financial reports.
		Matters of communication with governance.
2023.11.03 (2-6)	The 2023 Q3 Internal Auditor's report. The 2024 audit plans.	The 2023 Q3 consolidated financial reports.
		2024 Deloitte & Touche CPA service fee for auditing and signing off Company's financial statements. Matters of communication with governance.

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

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

Evaluation item	Implementation Status		Summary description	Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	YES	NO		
1. Has the Company established and disclosed its Corporate Governance Best-Practice Principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	v		HTC adopted the “HTC Corporate Governance Principles”. The Corporate Governance Best-Practice Principles are formulated based on the company actual operation condition. All the information are legally disclosed on HTC website and the information transparency is advanced to maintain the legal rights of shareholders and stakeholders.	None
<b>2. Shareholding Structure &amp; Shareholders’ Rights</b>				
(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. Article 15 of “Procedures for Ethical Management and Guidelines for Conduct” prohibited the insider trading.	None
<b>3. Composition and Responsibilities of the Board of Directors</b>				
(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)

Evaluation item	Implementation Status		Summary description	Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	YES	NO		
(2) Has the Company voluntarily established other functional committees in addition to the Compensation committee and the audit committee?	v		There are 8 Directors in the tenth Board of Directors; 4 of them are Independent Directors who constitute 50% 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 4 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, Independent Director Vincent Thai has experience in leading companies, and Independent Director Hong-Chung Hsieh (elected on June 16, 2023) is the Dean of Ling Leung Pastor and Missionary Theological Seminary and Bread of Life Pastoral and Missionary Theological Seminary. 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 87.5% and one female Director constitutes 12.5% 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 12.5% 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.	None

(Continued)

Evaluation item	Implementation Status			Deviations from the Corporate Governance Best Practice 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 2023 internal performance self-evaluation of the Board of Directors, Directors and members of each functional committee in January 2024. The full score of each assessment is 5 points. The internal performance self-evaluation scores of the Board of Directors and Directors were 4.66 and 4.74 respectively, and the self-evaluation scores of the members of the functional committees were 4.63 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>In accordance with the provisions of the "Board of Directors Performance Evaluation Measures" of the Company, the performance evaluation of the Board of Directors is conducted by an external entity at least once every three years, and the last external evaluation of the performance of the Board of Directors of the Company was conducted in February 2023. The Company commissioned the "Taiwan Corporate Governance Association" to conduct an 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 Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	YES	NO	Summary description	
			<p>of the Board of Directors had been issued on March 1, 2023 and the evaluation report been published. The results of the external assessment have been submitted to the Board of Directors of the Company on March 7, 2023, and the detailed implementation is as follows:</p> <p>1. Assessment period: January 1, 2022 to December 31, 2022.</p> <p>2. 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>3. 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>4. Evaluation results:</p> <p>(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 Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	YES	NO	Summary description	
			<p>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.</p> <p>HTC has disclosed the "Board Performance Evaluation Measures" on HTC's website, and the relevant Board performance evaluation results have also been disclosed on the "Corporate Governance" page of HTC's website.</p>	
(4) Does the Company regularly evaluate its external auditors' independence?	v		In accordance with Article 29 of the Company's Code of Corporate Governance Practices, the Company shall regularly (at least once a year) assess the independence and competency of certified accountants, and the Audit Committee shall regularly assess the independence and competency of certified accountants every year and submit them to the Board of Directors for resolution. It shall be assessed in accordance with the independence and competency assessment standards (with reference to Article 47 of the Accountants Law and No. 10 of the Code of Professional Ethics for Accountants) and audit quality indicators (AQIs include professionalism, quality control, independence, supervision, innovation ability and other 5 aspects and 13 indicators). The results of the 2023 Certified Public Accountant Service Assessment were reviewed by the Audit Committee on November 3, 2023 and submitted to the Board of Directors for approval on November 6, 2023. The results were confirmed that the CPAs Pan-Fa Wang and Kuo-Tyan Hong of Deloitte & Touche both fulfilled the assessment standards for independence and competency. Refer to Note 1 for the independence assessment indicators of CPA, 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, please refer to Note 3.	None

(Continued)

Evaluation item	Implementation Status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	YES	NO	Summary description	
5. Has the Company established channels for communicating with its stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) and created a stakeholders section on its company website? Does the Company appropriately respond to stakeholders' questions and concerns on important corporate social responsibility issues?	v		HTC provides detailed contact information, including telephone numbers and email addresses, in the "contact us" section of its corporate website. We also have personnel in place to exclusively deal with messages to the spokesperson and investor mailboxes so that various interested parties will have channels to communicate with HTC. Please refer to 3.10 Sustainable Development (ESG)-Diversified Channels for Transparent Information Disclosure of the annual report.	None
6. Has the Company appointed a professional shareholder services agent to handle matters related to its shareholder meetings?	v		The Company has delegated CTBC Bank Co., Ltd. to be the shareholder service agency for handling AGM affairs.	None
7. Information Disclosure				
(1) Has the Company established a corporate website to disclose information regarding its financials, business, and corporate governance status?	v		The Company's website has an "Investor Relations" section which disclose information regarding the Company's finances, business matters, and corporate governance. This information is updated periodically and in a timely manner.	None
(2) Does the Company use other information disclosure channels (e.g., maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?	v		HTC has English and Chinese investor relations websites. Dedicated personnel have been assigned to collect and update information to websites. Chief Financial Officer has been appointed spokesperson and a spokesperson email address has been established.	None
(3) Does the company publish and report its annual financial report within two months after the end of the fiscal year, and publish and report its financial reports for the first, second, and third quarters as well as its operating statements for each month before the specified deadlines?		v	The Company follows relevant laws and regulations to announce and report the annual financial statements, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline. Please refer to Market Observation Post System for the aforementioned disclosure.	The Company announced and reported within the specified deadlines.
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		<p>(1) Employee rights and interests and employee care Please refer to "5.5 Labor Relations Management" of this Annual Report.</p> <p>(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.</p>	None

(Continued)

Evaluation item	Implementation Status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	YES	NO	Summary description	
			(3) Supplier relations and rights of interested parties HTC has adopted "Procedures for Transactions with Specific Companies, Group Enterprises, and Related Parties and Supplier Integrity Commitment Letter" to guarantee the rights and interests of HTC and interested parties. Purchasing contracts are also signed with suppliers to govern to transactions and cooperative efforts to protect the lawful rights and interests of all parties.	
			(4) Director training programs in 2023 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.	

(Continued)

Evaluation item	Implementation Status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	YES	NO	Summary description	
			(7) Liability insurance provided by HTC to the Board of Directors and Supervisors: Currently, HTC has purchased Liability Insurance for the Board of Directors, Supervisors, and key personnel (please refer to Note 4 for details), thereby transferring the risk arising from erroneous or improper conducts by Directors, or Officers.	
			9. Please indicate the improvement of the results of the Corporate Governance Evaluation System issued by the Company's Corporate Governance Center of the Taiwan Stock Exchange Co., Ltd. in the last year and provide priority measures and measures for those who have not yet improved. In 2022 ninth time "Corporate Governance Evaluation", the company was ranked 21% to 35% of listed company. Priority enhancement matters and measures: Disclose the specific management goals and implementation status of the board member diversity policy on the company's website and annual report.	

(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 relation.	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	
17.	Obtain a "audit quality indicators" issued by the certified public accountant.	v	

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

March 25, 2023

HTC Corporation

Gentlemen:

WE HAVE BEEN ENGAGED TO AUDIT THE FINANCIAL STATEMENTS OF HTC CORPORATION AS OF DECEMBER 31, 2023 AND FOR THE YEAR ENDED. THE AUDIT ENGAGEMENT TEAM MEMBERS MAKE THE DECLARATION OF COMPLYING WITH THE INDEPENDENCE REQUIREMENTS GOVERNED BY THE CODE OF ETHICS FOR PROFESSIONAL ACCOUNTANTS OF THE REPUBLIC OF CHINA.

1. The audit engagement team members, their spouses and dependents do not participate in the following conditions:
  - a. Holding a direct or material indirect financial interest with HTC Corporation.
  - b. Having a close business relationship which may impair independence with HTC Corporation and its director, independent director 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, independent director, 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, independent director, 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, independent director, 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

Pan-Fa Wang  
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	2023.10.03	2023.10.03	Securities and Futures Institute	Introduction to Corporate Management Rights Disputes and Commercial Incident Trial Law	3	-
		2023.10.03	2023.10.03	Securities and Futures Institute	Directors and Supervisors coping with Corporate Risk Management and Crisis Management	3	-
		2023.12.19	2023.12.19	Securities and Futures Institute	Space Technology Explosion: Global leading Key Technology Business Opportunities of SpaceX and Starlink	3	-
Director	HT Cho	2023.12.19	2023.12.19	Securities and Futures Institute	Space Technology Explosion: Global leading Key Technology Business Opportunities of SpaceX and Starlink	3	-
Director	Wen-Chi Chen	2023.07.04	2023.07.04	Taiwan Stock Exchange	2023 Cathay Sustainable Finance and Climate Change Summit	6	-
		2023.12.19	2023.12.19	Securities and Futures Institute	Space Technology Explosion: Global leading Key Technology Business Opportunities of SpaceX and Starlink	3	-
Independent Director	Chen-Kuo Lin	2023.12.05	2023.12.05	Taiwan Corporate Governance Association	2024 Global Economic and Industrial Development Trends	3	-
		2023.12.19	2023.12.19	Securities and Futures Institute	Space Technology Explosion: Global leading Key Technology Business Opportunities of SpaceX and Starlink	3	-
Independent Director	Michael C. Lu	2023.11.29	2023.11.29	Securities and Futures Institute	The compliance of insider equity trading regulations of listed companies' advocacy meeting in 2023	3	-
		2023.12.19	2023.12.19	Securities and Futures Institute	Space Technology Explosion: Global leading Key Technology Business Opportunities of SpaceX and Starlink	3	-
Independent Director	Vincent Thai	2023.11.29	2023.11.29	Securities and Futures Institute	The compliance of insider equity trading regulations of listed companies' advocacy meeting in 2023	3	-
		2023.12.19	2023.12.19	Securities and Futures Institute	Space Technology Explosion: Global leading Key Technology Business Opportunities of SpaceX and Starlink	3	-
Independent Director	Hong-Chung Hsieh	2023.09.14	2023.09.14	Securities and Futures Institute	Operational Practice of Audit Committee	3	-
		2023.11.21	2023.11.21	Securities and Futures Institute	Directors and Supervisors coping with Corporate Risk Management and Crisis Management	3	-
General Counsel and Corporate Governance Officer	ChiaTe Lu	2023.07.13	2023.07.13	Taiwan Stock Exchange and Taipei Exchange	Sustainable Development Action Plan of Listed Companies	3	-
		2023.09.15	2023.09.15	Taiwan Corporate Governance Association	How to do the BOD Meeting? Practical Sharing of common deficiencies in BOD Meeting of Listed Companies	3	-
		2023.09.26	2023.09.26	Taiwan Corporate Governance Association	Business Secret Risk and Management under Digital Transformation	3	-
		2023.11.10	2023.11.10	Taiwan Corporate Governance Association	American Corporate Governance: Historical Evolution and Latest Development	3	-
		2023.12.01	2023.12.01	Intellectual Property Office and Taiwan Association of Trade Secret Protection	Practice of Business Secret Litigation and Impact of generative AI on future of business secret protection	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: 2022.03.15 To: 2023.03.15	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: 2023.03.15 To: 2024.03.15	Renewal

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.

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

**Compensation Committee Members’ Information**

Title	Name	Professional Qualifications and Experiences	Independence Situation	Number of Independent Directors serve as Compensation Committee of other public corporations
Independent Director (Convener)	Chen-Kuo Lin	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, Playmind Ltd Founder & Chairman, National Products Ltd Founder & Chairman, Sweet N Fun Ltd Experience: Founder, Fun Creation, Inc President, Placo Toys, Inc General Manager, Best Consumer Products, Inc Manager, M & D Toys, Inc Chairman, Toy Plus Far East Ltd Education: UC Berkeley CA. USA USC Undergrad Marketing CA. USA	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
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		1

**The Operations of the Compensation Committee**

(1) The Corporation’s Compensation Committee has three people members; the committee members are appointed in accordance with the “Regulations Governing the Appointment and Exercise of Powers by the Compensation Committee of a Company whose Stock is Listed on the Stock Exchange or Traded Over the Counter.” The term of the current committee members is from June 17, 2022 to June 16, 2025. The Independent Director Chen-Kuo Lin was elected as convener by all committee members. The committee operates according to the “Charter of the Compensation 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 Compensation Committee convened 2 times in 2023, 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%	-
Member	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.

Compensation Committee meeting’s Date Session (Term-Sitting)	Agenda Content	Resolutions	The Company’s responses to Compensation Committee Opinions

2023.03.02 (5-2)	Proposal of adjustment of 2023 internal managers' compensation	All attended members approved	Approved
2023.08.01 (5-3)	Proposal of new independent director's compensation	All attended members approved	Approved

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

Pushing Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
1. Has the Company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development? Has the board of directors authorized senior management to handle related matters under the supervision of the board?	V		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 and the senior executives of the relevant authorities and responsible units as the members. The sustainability office has also established 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 of related issues.  The Board of Directors of the Company is responsible for supervising HTC's overall ESG management policy, strategy and target formulation and major resolutions, and supervising the effective operation of the ESG management mechanism. The key projects in 2023 include comprehensive paperless organization and operation, digitalization and optimization, construction of carbon management platform, and the project of the Industrial Development Administration of the Ministry of Economic Affairs - low-carbon and intelligent, and low-carbon process and supply chain transformation promotion project. Please refer to 3.10 of the annual report or "ESG Management" of the HTC ESG Report.	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		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.	None
3. Environmental Issues				(Continued)

Pushing Item	Implementation Status		Summary description	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No		
(1) Has the Company set an environmental management system designed to industry characteristics?	V		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 2023, 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 2024.  Related Certification URL: <a href="https://www.htc.com/tw/esg/certificate-report/">https://www.htc.com/tw/esg/certificate-report/</a>  Please refer to "Sustainability Management," "Climate Change Management" and "Sustainable Environment" of the HTC ESG Report.	None
(2) Does the Company endeavor to use energy more efficiently and to use renewable materials with low environmental impact?	V		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.  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.  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.  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.  Please refer to "Sustainable Agenda" of the HTC ESG Report.	None
(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		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 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 in 2023 for review to achieve the goal of sustainable operation.	None

(Continued)

Pushing Item	Implementation Status		Summary description	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons																			
	Yes	No																					
			<p>Starting from 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 “2031 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 10) 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> <p>Please refer to the “Climate Change Management” section of HTC’s Sustainability Report and the TCFD Independent Report.</p>																				
(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 (1) Scope 1 and 2: 42% reduction in 2030 compared with the base year, and 90% reduction in 2050 compared with the base year; (2) Scope 3: 25% reduction in 2030 compared with the base year, and 90% reduction in 2050 compared with the base year (the base year is 2021).</p> <p>Annual greenhouse gas emission information is disclosed using two major frameworks: ISO 14064-1:2018 verified information and GHG Protocol full-scope. For detailed scope and emission information, please refer to HTC Global Greenhouse Gas Emissions in the Past Three Years in the “Climate Change Management” chapter of the ESG Report. Water and waste information was verified by third-party unit and obtained ISO14001: 2015 version certificate and disclosed in the ESG report.</p> <p>The water use, and total weight of waste in 2022 and 2023 are as follows</p> <table border="1"> <thead> <tr> <th rowspan="2">Year</th> <th colspan="2">Water usage (Degree)</th> <th colspan="2">Total weight of waste (Metric Tons) (Taiwan)</th> </tr> <tr> <th>(Taiwan)</th> <th></th> <th>Hazardous substances</th> <th>Non-hazardous substances</th> </tr> </thead> <tbody> <tr> <td>2023</td> <td>85,378</td> <td></td> <td>9,956</td> <td>368.63</td> </tr> <tr> <td>2022</td> <td>85,260</td> <td></td> <td>9,772</td> <td>455.044</td> </tr> </tbody> </table> <p>Please refer to “Climate Change Management”, “Sustainable Environment” and “Sustainable Manufacturing Process” of the HTC ESG Report.</p>	Year	Water usage (Degree)		Total weight of waste (Metric Tons) (Taiwan)		(Taiwan)		Hazardous substances	Non-hazardous substances	2023	85,378		9,956	368.63	2022	85,260		9,772	455.044	None
Year	Water usage (Degree)		Total weight of waste (Metric Tons) (Taiwan)																				
	(Taiwan)		Hazardous substances	Non-hazardous substances																			
2023	85,378		9,956	368.63																			
2022	85,260		9,772	455.044																			

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>	None
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(Continued)

Pushing Item	Implementation Status		Summary description	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No		
			<p>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>The company has established the “HTC Code of Conduct” which regulates all regulations that should be followed, including relevant labor laws and regulations. Labor-management coordination meetings are held regularly, and labor representatives elected by employees hold regular meetings, in which labor rights and interests are discussed.</p> <p>New employees undergo an orientation training session and introduce 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 to new employees. Please refer to “Human Rights Management and Commitment” of the HTC ESG Report.</p>	
(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>In order to ensure a healthy and safe working environment for employees, effectively implement safety and health policies and internal communication, HTC has established a full-time occupational safety department in accordance with the law, which is responsible for the implementation of occupational safety and health and related work, and assists all factories to continuously promote ISO 45001 occupational safety and health management, ISO 14001 environmental management, ISO 50001 energy management system, and the occupational safety and health committee is formed by representatives of relevant units. 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 &amp; health regulations, hazard identification and risk assessment to reduce operational risks, standardization of hazardous chemical labeling and general rules, implementing contractor management, formulating the registration and monitorization of hazardous operations (elevated, sudden noise and confined space management, etc.), disseminate safety &amp; health</p>	None

(Continued)

Pushing Item	Implementation Status		Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	
		<p>information, etc., in order to implement Occupational Safety &amp; Health Management, Occupational Safety &amp; Health Education / Training, Standard Operating Procedures and Work Safety Analysis, Automatic Occupational Safety &amp; Health Inspection, Emergency Response, Health Management / Promotion, Occupational Safety &amp; Health Activities. These efforts aim to achieve full employee involvement and to reduce safety &amp; health risks 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. In 2023, there were no fires, and the number of recordable occupational accidents was 0.</p> <p>HTC adopts the international standard ISO45001 occupational safety and health management system to establish relevant management standards and continues to obtain and maintain the validity of the certificates. In 2023, the company's Taiwan business unit has continued to obtain ISO 45001: 2018 certificate. Related certification URL: <a href="https://www.htc.com/tw/esg/certificate-report/">https://www.htc.com/tw/esg/certificate-report/</a></p> <p>Please refer to "Occupational Health and Safety" of the HTC ESG Report.</p>	
(4) Has the Company established effective career development training programs for employees?	V	<p>Talents are HTC's most precious assets. It is also a key advantage in the pursuit of excellence, innovation, and sustainable management. According to the company's business development strategy, HTC has established a complete talent development system, formulated learning priorities for different levels, and provided corresponding training courses to expand human capital, create competitive advantages, and assist employees in continuous learning and improvement. Thus, talent development is considered an important management index. HTC connect training plan with performance management system in the hope that each employee to align with the organization's consensus and goals, and complement each other.</p> <p>In order to help the staff to have sufficient expertise to face the changeable challenges and keep pace with the market, with the five core competencies as the main axis, HTC builds a systematic learning and development blueprint, integrate internal and external training resources, and provide a diversified learning platform to improve the staff training plan and expand the learning benefits. HTC equips our colleagues with the professional knowledge and skills to meet the challenges of the future.</p> <p>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. These talents are expected to be the main drivers of the company's growth, and can continue to drive HTC's growth and development even facing difficulties and challenges.</p> <p>Please refer to "Talent Cultivation and Development" of the HTC ESG Report.</p>	None
(5) Does the company comply with the relevant laws and international standards with regards to customer health and safety, customer privacy, and marketing and labeling of products and services, and implement consumer protection and grievance policies?	V	<p>All of our products have been evaluated thoroughly in terms of customers' safety and health at the design stage. In 2023, there is no situation of product recall due to safety issue nor appeal filed due to health issue.</p> <p>HTC makes a promise of "Strict observation of contractual obligations and confidentiality commitment" to all customers. All information we provide to our customers is subject to clear policies and a system of strict internal control. In addition to technical data and hardware and software, information</p>	None

(Continued)

Pushing Item	Implementation Status		Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	
		<p>related to patents and other intellectual property rights of customers may be incorporated into our controlling system. We complete confidentiality agreements with all customers and suppliers in advance to maintain the absolute security of all the confidential information belonging to our corporate customers.</p> <p>HTC introduced the Personal Information Management System (PIMS) in 2018 to protect personal information in the product and internal management processes. HTC pays close attention to privacy protection laws in different countries (such as the EU, USA, Taiwan, China, Japan, Australia, and New Zealand), the relevant guidelines released by different authorities (such as regulations regarding cookies or other similar tools), and verdicts made in courts in other nations (such as verdicts regarding cross-border privacy rules in European courts).</p> <p>HTC has obtained ISO 27001 information security management system and ISO 27701 personal data privacy information management system certification and have been verified by third-party. DeepQ, the subsidiaries of HTC, has also obtained ISO 27001, ISO 27701 and ISO 27799 verification at the same time.</p> <p>Please refer to "Information Security Management" and "Customer Management" of the HTC ESG Report.</p>	
(6) Has the company formulated supplier management policies requiring suppliers to comply with relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and what is the status of their implementation?	V	<p>HTC, as a member of Responsible Business Alliance (BRA), follow the Responsible Business Alliance Code of Conduct and formulated an "HTC Supplier Code of Conduct", which aims to improve and enhance the environment, labor rights, ethics, health and safety, and expanding the social responsibility of our supply chain system. Irregular supplier meetings are also organized every year to promote relevant topics. In addition, HTC also conducts a regular assessment of the implementation of the Code as the basis for our further selection of business partners.</p> <p>Supplier management strategy and implementation of relevant compliance regulations (Implementation situation such as self-evaluation, coaching and education, performance evaluation of supplier), please refer to "Sustainable Supplier Chain" of the HTC ESG Report.</p>	None
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	<p>The content and structure of the Company's "Sustainability Report" are in accordance with the standards of the Global Reporting Initiative (GRI) and have been verified by a third-party verification unit in accordance with the AA1000 verification guidelines.</p>	None
6. If the Company has adopted its own sustainable development best practice principles based on the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviation from the principles in the Company's operations: HTC follows the HTC ESG Policy and has yet to define a Sustainable Development Principle. For Sustainable Development operational status, please refer to HTC ESG Report and Sustainable Development related information in our website: <a href="http://www.esg.htc.com/">http://www.esg.htc.com/</a>			
7. Other important information to facilitate better understanding of the company's promotion of sustainable development: Please refer to Sustainable Development related information in our website: <a href="http://www.esg.htc.com/">http://www.esg.htc.com/</a>			

Note: Equity method investment by the company

Concluded

### 3.3.6 Climate-related Information of Listed Companies

#### 1. Information on climate-related implementations

Item	Execution Status
1. Description on the Board and Management’s oversight and governance on climate related risks and opportunities	Please refer to section 3.10.3 of this report, “Climate Change Management - Governance” paragraph, or the “Climate Governance” chapter of the HTC TCFD report.
2. Description on how the identified climate risks and opportunities impact the company’s business, strategies, and finance (short, mid, long term)	Please refer to the “Strategy” chapter of the HTC TCFD report.
3. Description on the impact extreme climate events and transitional actions have on finance	Please refer to the “Strategy” chapter of the HTC TCFD report.
4. Description on how the climate risk identification, assessment, and management process is integrated in the overall risk management system	Please refer to section 3.10.3 of this report, “Climate Change Management - Risk Management” paragraph, or the “Risk Management Process” chapter of the HTC TCFD report.
5. Should scenario analysis is used to assess the Company’s resilience in face of climate change risks, explanations on the scenario, parameters, hypothesis, analysis factors and major financial impacts should be provided	Please refer to the “Scenario Analysis” chapter of the HTC TCFD report.
6. Should there be transitional programs in response to managing climate-related risks, please explain the program’s content and metrics and targets used to identify and manage physical and transitional risks	Please refer to section 3.10.3 of this report, “Climate Change Management - Metrics and Targets” paragraph, or the “Metrics and Targets” chapter of the HTC TCFD report.
7. Should the internal carbon pricing is used as the planning tool, the pricing mechanism should be explained	HTC plans to implement internal carbon pricing in 2024.
8. Should climate-related targets are in place, information such as their scope of action, GHG emissions, planned timeline, and yearly achieved progress should be stated; for targets achieved through carbon offset and RECs, the source of offset amount and number of RECs should be stated	Please refer to section 3.10.3 of this report, “Climate Change Management - Metrics and Targets” paragraph, or the “Metrics and Targets” chapter of the HTC TCFD report.
9. GHG inventory and assurance status, and reduction goals, strategies and specific action plans	See tables 1-1 and 1-2 below.

#### 1-1 Greenhouse Gas Inventory and Assurance Status for the Most Recent 2 Fiscal Years

##### 1-1-1 Greenhouse Gas Inventory Information

Describe the emission volume (metric tons CO<sub>2</sub>e), intensity (metric tons CO<sub>2</sub>e/NT\$ million), and data coverage of greenhouse gases in the most recent 2 fiscal years

- The parent company has been conducting inventory since 2008.
- Subsidiaries included in the consolidated financial report have been conducting inventory since 2021.

Annual greenhouse gas emission information is disclosed using the verification information based on ISO 14064-1:2018 and the GHG Protocol full scope inventory information. Starting from 2021, the company conducts regular annual inventories of the greenhouse gas emissions for the parent company and the subsidiaries included in the consolidated financial report (some subsidiaries in BVI are not included in the inventory scope). This ensures a comprehensive understanding of greenhouse gas usage and emissions, as well as verifying the effectiveness of reduction actions. For the past three years, the greenhouse gas inventory data has been compiled based on the operational control approach, summarizing the greenhouse gas emissions of the parent company and all subsidiaries included in the consolidated financial report. Detail emission data please refer to “HTC Global Greenhouse Gas Emissions in the Past Three Years” in the “Climate Change Management” chapter of the ESG Report.

Note1: Direct emissions (scope 1, i.e., emissions directly from sources owned or controlled by the Company), indirect energy emissions (scope 2, i.e., indirect greenhouse gas emissions from electricity, heat, or steam) and other indirect emissions (scope 3, i.e., emissions from company activities that are not indirect energy emissions, but originate from sources owned or controlled by other companies).

Note 2: The data coverage scope for direct emissions and indirect energy emissions shall comply with the schedule prescribed in the order issued under Article 10, paragraph 2 of the Regulations. Other indirect emissions information may be voluntarily disclosed.

Note 3: Greenhouse gas inventory standards: Greenhouse Gas Protocol (GHG Protocol) or ISO 14064-1 issued by the International Organization for Standardization (ISO).

Note 4: The intensity of greenhouse gas emissions may be calculated per unit of product/service or revenue, but at least the data calculated in terms of revenue (NT\$ 1 million) shall be disclosed.

#### 1-1-2 Greenhouse Gas Assurance Information

Describe the status of assurance for the most recent 2 fiscal years as of the printing date of the annual report, including the scope of assurance, assurance institutions, assurance standards, and assurance opinion.

The greenhouse gas inventory information for the past two years has only been verified by a third party under ISO 14064-1, without assurance. Our company plans to obtain assurance before the legal deadline.

#### 1-2 Greenhouse Gas Reduction Targets, Strategy, and Concrete Action Plan

Specify the greenhouse gas reduction base year and its data, the reduction targets, strategy and concrete action plan, and the status of achievement of the reduction targets.

##### **The greenhouse gas reduction base year and reduction targets**

##### **HTC SBTi Net Zero Target: (Based Year: 2021)**

- Scope 1 and 2 reduction targets are 42% reduction compared with the base year in 2030 (Absolute reduction of at least 4.2% per year), and 90% reduction compared with the base year in 2050
- Scope 3 reduction target is 25% reduction compared with the base year in 2030 (Absolute reduction of at least 2.5% per year); and 90% reduction compared with the base year in 2050

##### **Strategy and Concrete action plan:**

HTC has signed a commitment with SBTi in 2022 to set the company’s net zero pathway based on its published decarbonization guidelines and methodologies, aiming to achieve net zero emissions by 2050. By linking its core business with concrete quantified management, HTC has established a clear decarbonization pathway, including six major decarbonization strategies: “carbon management and policy,” “low-carbon operations,” “low-carbon products,” “low-carbon transportation,” and “value chain alignment,” with “carbon offsetting” as a final measure. In addition, the company submitted its SBTi target review in January 2024, moving towards the 2050 net zero goal through integrated efforts.

##### **The status of achievement of the reduction targets:**

Through the above measures, HTC has achieved its annual carbon reduction target in 2023. The total reduction of Scope 1 and 2 in 2023 is 11.3% compared with the base year, and the reduction of Scope 3 is 38.3% compared with the base year, both of which have reached the target!

For more details on carbon reduction metrics and targets, please refer to section “3.10.3 Climate Change Management/ Metrics & Targets” of this annual report or the HTC TCFD Report for the current year.

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

Evaluation item	Implementation Status		Summary description	Deviations from Ethical Corporate Management Best Practice Principles For TWSE/ TPEX Listed Companies and Reasons
	Yes	No		
<b>1. Establishment of Ethical Corporate Management Policies and Programs</b>				
(1) Does the company have an ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?	V		<p>HTC establishes the “Procedures for Ethical Management and Guidelines for Conduct” and the “Ethical Management Team”, which is responsible for corporate governance such as integrity management policies, anti-corruption, anti-bribery and compliance with applicable laws and regulations, formulating preventive plans and monitoring the implementation of integrity management, and reporting the implementation to HTC’s Board of Directors annually. The guidelines specify the matters to which HTC and its subsidiaries’ personnel should pay attention when engaging business activities under the integrity principles. The “Procedures for Ethical Management and Guidelines for Conduct” are posted on HTC’s website and are readily available for public inspection.</p> <p>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.</p>	None
(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		<p>HTC conducts an annual risk assessment of potential unethical conducts in the course of its business, including identifying the impact factors and possible impacts, conducting risk assessment, and planning risk management measures. For the risk management measures, the “Procedures for Ethical Management and Guidelines for Conduct” and “Code of Conduct” stipulate confidentiality requirements, prohibition on illegal political contributions, prohibition on charitable donations or sponsorship which is against internal policies, protection of HTC’s property and personal information, prohibition on unfair competition, prohibition on infringing intellectual property rights, product quality and safety, prohibition on offer or acceptance of improper benefits and inside trading, reporting unethical conduct. HTC also provides dedicated e-mail for Corruption incident report.</p>	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		<p>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. HTC reviews the aforementioned program annually as part of its internal audit process.</p>	None

(Continued)

Evaluation item	Implementation Status		Summary description	Deviations from Ethical Corporate Management Best Practice Principles For TWSE/ TPEX Listed Companies and Reasons
	Yes	No		
<b>2. Ethical Management Practice</b>				
(1) Does the company assess the ethics records of those it has business relationships with and include ethical conduct related clauses in the business contracts?	V		<p>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.</p>	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		<p>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.</p>	None
(3) Has the company established policies to prevent conflict of interests, provided appropriate communication and complaint channels, and properly implemented such policies?	V		<p>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.</p> <p>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.</p> <p>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.</p>	None
(4) Does the company have effective accounting and internal control systems in place to enforce ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit compliance with the systems to prevent unethical conduct or hire outside accountants to perform the audits?	V		<p>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.</p>	None

(Continued)

Evaluation item	Implementation Status		Summary description	Deviations from Ethical Corporate Management Best Practice Principles For TWSE/ TPEX Listed Companies and Reasons
	Yes	No		
			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.	
(5) Does the company provide internal and external ethical corporate management training programs on a regular basis?	V		HTC provides new employees with courses on the "Code of Conduct," confidentiality obligations, and prevention of insider trading during orientation and training, and conducts annual training programs on integrity management for employees to prevent unethical conducts. 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
<b>3. Implementation of Complaint Procedures</b>				
(1) Has the company established specific whistle-blowing and reward procedures, set up conveniently accessible whistle-blowing channels, and appointed appropriate personnel specifically responsible for handling complaints received from whistleblowers?	V		HTC employee handbook specifically provides that an employee who commits fraud, accepts bribes, misappropriate funds, or violates employment period non-competition clauses will be sanctioned by dismissal from employment. Complaints can be channeled through HTC's internal division supervisors, 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
(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

(Continued)

Evaluation item	Implementation Status		Summary description	Deviations from Ethical Corporate Management Best Practice Principles For TWSE/ TPEX Listed Companies and Reasons
	Yes	No		
(3) Has the company 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," "Procedures for Reporting and Handling of Violation of Ethical Management Policy" 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:			<ol style="list-style-type: none"> <li>All personnel of HTC are prohibited from offering or accepting improper benefits and bribes;</li> <li>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;</li> <li>HTC shall provide charitable donations or sponsorships in accordance with its internal regulations;</li> <li>Directors of HTC shall recuse themselves from board meetings to avoid conflict of interests in accordance with the law;</li> <li>HTC's personnel shall comply with internal intellectual property protection regulations;</li> <li>Unfair competition and insider trading shall be prohibited;</li> <li>HTC shall prevent products or services from harming stakeholders;</li> <li>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."</li> </ol>	
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)

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


**3.3.9 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)	1	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

**3.3.10 The state of implementation of HTC's internal control system  
(1) Internal control statement**




Internal Control System Statement


Date: March 5, 2024

HTC Corporation (HTC) states the following with regard to its internal control system for the year 2023, 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, 2023, 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 5, 2024, in which 8 of the 0 attending directors expressing dissenting opinions, and the remainder all affirmed the content of this Statement.



Chairwoman: \_\_\_\_\_ (signature)



President: \_\_\_\_\_ (signature)

**(2) Items to be disclosed in the CPA's audit report relating to evaluations of internal controls system entrusted to CPA: None**

**3.3.11 For the most recent fiscal year and during the current fiscal year up to the date of printing this annual report, there was not any violation penalty against the company or any disciplinary punishment by the company against its internal personnel for violation of internal control system that resulted in material impacts on equity of shareholders or stock price of the company.**

**3.3.12 Material Resolutions of the 2023 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
2023.06.16	Adoption of the Fiscal 2022 Business Report and Financial Statements.	The Fiscal 2022 Business Report and Financial Statements are submitted to the competent authority for reference and announcement in accordance with relevant regulations.
	Adoption of the Fiscal 2022 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 August 1, 2023.
	Approved to elect one additional Independent Director.	The registration was completed by the Ministry of Economic Affairs and been disclosed on the Company's website on August 1, 2023.
	Approved to release the newly-elected Director from non-competition restrictions	This proposal was approved and adopted as submitted.

**Material Resolutions of the Board of Directors Meetings**

Date	Material resolution
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
2023.05.03	1. HTC Board of Directors approved the 2023 first quarter consolidated financial statements 2. HTC Board of Directors approved the record date of exercising employee stock option certificates
2023.08.02	1. HTC Board of Directors approved the 2023 second quarter consolidated financial statements 2. HTC Board approved to transfer 100% of Viveport Digital Corporation's shares to HTC UK subsidiary, Viverse Limited 3. HTC Board of Directors approved the record date of exercising employee stock option certificates

(Continued)

Date	Material resolution
2023.11.06	1. HTC Board of Directors approved the 2023 third quarter consolidated financial statements 2. HTC Board of Directors approved the record date of exercising employee stock option certificates
2024.03.01	1. HTC Board of Directors approved the 2023 consolidated financial statements 2. HTC Board of Directors approved the deficit compensation of 2023 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 certificate

(Concluded)

**3.3.13 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.**

**3.3.14 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

Name of accounting firm	Name of CPAs	Period covered by the CPA audit	Audit fees	Non-audit fees	Total	Remarks	Amount unit: NT\$ thousands
Deloitte & Touche	Pan-Fa Wang	2023.01.01-2023.12.31	8,150	4,980	13,130	Project counseling, transfer pricing report and international tax consultation, etc	
	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:

### 3.5.1 About former CPA

Replacement Date	2023.05.03 (Date of Board Resolution)		
Replacement reasons and explanations	Due to internal adjustment of Deloitte & Touche, CPA Chi-Ming Hsu and CPA Kuo-Tyan Hong are replaced by CPA Pan-Fa Wang and CPA Kuo-Tyan Hong as from the first quarter of 2023		
Describe if the Company terminated the CPA or if the CPA did not accept the appointment	Status	Parties	CPAs
	Terminated the appointment		Not applicable
	No longer accepted (continued) appointment		Not applicable
Reasons for issuing audit reports other than unqualified audit reports over the past two years	None		
Differences with the company	Yes	Accounting principles or practices	
		Disclosure of financial reports	
		Audit scope or steps	
		Other	
	No	√	
Remarks/specify details:	None		
Other disclosures (according to Items 1-4 to 1-7 of Paragraph 6, Article 10 of these principles)	None		

### 3.5.2 Regarding the successor CPA

Name of accounting firm	Deloitte & Touche
Name of CPAs	Pan-Fa Wang and Kuo-Tyan Hong
Date of appointment	2023.05.03 (Date of Board Resolution)
Consultant comments and opinions on accounting treatments or principles regarding specific transactions and possible comments issued by the CPA on Company financial reports prior to engagement	None
Succeeding CPA's written opinion of disagreement with former CPA	None

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

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

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

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

Unit: Shares

Title	Name	2023		2024.01.01-2024.04.22	
		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	0	0	0	0
Independent Director	Vincent Thai	0	0	0	0
Independent Director	Hong-Chung Hsieh (Note)	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	0	0	0
Senior VP	Raymond Pao	0	0	0	0

Note: elected as a member of the Board of Directors on 2023.06.16.

**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

2024.04.22

Name (Note 1)	Shareholding		Shareholding of spouse and minor children		Total shareholding by nominee arrangements		Specify the name of the entity or person and their relationship to any of the other top 10 shareholders with which the person is a related party or has a relationship of spouse or relative within the 2nd degree (Note 2)	Remarks
	Shares	%	Shares	%	Shares	%		
Way-Chih Investment Co., LTD. (Representative: Su-Lan Chiang)	43,819,290	5.26%	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
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
Way-Lien Technology Inc. (Representative: Su-Lan Chiang)	30,588,231	3.68%	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
Hon-Mou Investment Co., Ltd. (Representative: Su-Lan Chiang)	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
Kun-Chang Investment Co, Ltd. (Representative: Su-Lan Chiang)	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 Director Director
Citi Bank (Taiwan) in custody for the investment account of Poluning Development National Fund Co., Ltd	6,127,204	0.74%	0	0.00%	0	0.00%	None	None
JIAN - KAI PROPERTY MANAGEMENT CO., LTD. (Representative: Bo-Qian Liu)	5,387,000	0.65%	0	0.00%	0	0.00%	None	None
Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds	5,188,301	0.62%	0	0.00%	0	0.00%	None	None

(Continued)

Name (Note 1)	Shareholding		Shareholding of spouse and minor children		Total shareholding by nominee arrangements		Specify the name of the entity or person and their relationship to any of the other top 10 shareholders with which the person is a related party or has a relationship of spouse or relative within the 2nd degree (Note 2)		Remarks
	Shares	%	Shares	%	Shares	%	Name of entity or individual	Relationship	
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	4,985,079	0.60%	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. (Concluded)

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

2024.03.31 Unit: thousands Shares; NTD thousands; %

Long-term investments (Note)	Investments by HTC		Investments directly or indirectly controlled by directors, supervisors, and managers of HTC		Total investments	
	Shares/Investment Amount	%	Shares/Investment Amount	%	Shares/Investment Amount	%
H.T.C. (B.V.I.) Corp.	1,476,202 thousands Shares	100%	0	0%	1,476,202 thousands Shares	100%
High Tech Computer Asia Pacific Pte. Ltd.	238,783 thousands Shares	100%	0	0%	238,783 thousands Shares	100%
HTC Investment Corporation	34,287 thousands Shares	100%	0	0%	34,287 thousands Shares	100%
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%

(Continued)

Long-term investments (Note)	Investments by 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 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%
VIVE Arts Corporation	500 thousands Shares	100%	0	0%	500 thousands Shares	100%
HungYao Technology Co, Ltd.	10 thousands Shares	100%	0	0%	10 thousands Shares	100%
East West Artists, LLC	0	0%	1,200 thousands Shares	30%	1,200 thousands Shares	30%
Steel Wool Games Inc	0	0%	10,822 thousands Shares	49%	10,822 thousands Shares	49%
Surgical Theater, LLC	0	0%	46 thousands Shares	16.3%	46 thousands Shares	16.3%
MOR Museum Inc.	0	0%	437 thousands Shares	25%	437 thousands Shares	25%
Engage XR Holdings PLC	0	0%	62,780 thousands Shares	11.96%	62,780 thousands Shares	11.96%
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 CV.	0	0%	51 thousands Shares	100%	51 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 CV.	0	0%	51 thousands Shares	100%	51 thousands Shares	100%
HTC Belgium BVBA/SPRL	0	0%	19 thousands Shares	100%	19 thousands Shares	100%
HTC NIPPON Corporation	0	0%	56 thousands Shares	100%	56 thousands Shares	100%
HTC France Corporation	0	0%	11,000 thousands Shares	100%	11,000 thousands Shares	100%
HTC Nordic ApS.	0	0%	80 thousands Shares	100%	80 thousands Shares	100%
HTC Italia SRL	0	0%	NTD51,056 thousands	100%	NTD51,056 thousands	100%
HTC Germany GmbH	0	0%	25 thousands Shares	100%	25 thousands Shares	100%
HTC Iberia, S.L.U.	0	0%	3 thousands Shares	100%	3 thousands Shares	100%
HTC Poland sp. z o.o.	0	0%	5 thousands Shares	100%	5 thousands Shares	100%
HTC Communication Canada, Ltd.	0	0%	1,500 thousands Shares	100%	1,500 thousands Shares	100%
HTC Middle East FZ-LLC	0	0%	4 thousands Shares	100%	4 thousands Shares	100%

(Continued)

Long-term investments (Note)	Investments by 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 America Holding, Inc.	0	0%	371,617 thousands Shares	100%	371,617 thousands Shares	100%
DeepQ Holding Corporation	0	0%	61,700 thousands Shares	100%	61,700 thousands Shares	100%
Vive Arts Holding Corporation	0	0%	5,960 thousands Shares	100%	5,960 thousands Shares	100%
Viverse Holding Corporation	0	0%	16,917 thousands Shares	100%	16,917 thousands Shares	100%
REIGN Technology Corporation	0	0%	32,000 thousands Shares	100%	32,000 thousands Shares	100%
DeepQ (BVI) Corp.	0	0%	164,700 thousands Shares	100%	164,700 thousands Shares	100%
REIGN Technology Corporation (Republic of China)	0	0%	28,000 thousands Shares	100%	28,000 thousands Shares	100%
Viverse Limited (UK)	0	0%	22,250 thousands Shares	100%	22,250 thousands Shares	100%
Viverse Limited (Ireland)	0	0%	13,461 thousands Shares	100%	13,461 thousands Shares	100%
Viveport Digital Corporation	0	0%	35,000 thousands Shares	100%	35,000 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%	32,000 thousands Shares	100%	32,000 thousands Shares	100%
HungXu Technology Corporation	0	0%	15,700 thousands Shares	100%	15,700 thousands Shares	100%
VIVE Arts Limited	0	0%	3,100 thousands Shares	100%	3,100 thousands Shares	100%
DeepQ Technology Corp.	0	0%	39,521 thousands Shares	100%	39,521 thousands Shares	100%
VRChat, Inc.	0	0%	79,257 thousands Shares	36.2%	79,257 thousands Shares	36.2%
HTC VIVE TECH (HK) Limited	0	0%	68,000 thousands Shares	100%	68,000 thousands Shares	100%
Uomo Vitruviano Corp.	0	0%	5,000 thousands Shares	100%	5,000 thousands Shares	100%

Note: Investments accounted for using the equity method.

(Concluded)

### 3.10 Sustainable Development (ESG)

As an international brand and to fulfill its corporate social responsibilities and respect for international human rights, 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 material topics, stakeholders engagement, execution performance and strategy and targets for the previous year to the Audit Committee at least once a year. The key projects in 2023 included “Internal Operations Processes- Fully Paperless, Digitalized, and Optimized”, “Carbon management platform construction”, “The project of the Industrial Bureau of the Ministry of Economic Affairs: Low-carbon manufacturing process and supply chain transformation promotion”. In 2024, we will continue to promote the second phase of paperless processes, and carry out “Low-carbon manufacturing process and supply chain transformation promotion Project”. We will utilize a carbon management platform to conduct ISO 14064-1 greenhouse gas inventory and ISO 14067 product carbon footprint inventory, and conduct third-party verification. At the same time, we will begin to introduce an internal carbon pricing program.

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, DEI, human right 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 Topics Management

HTC’s ESG topics 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 2023, including (1) employees, (2) suppliers/contractors, (3) consumers/customers, (4) shareholders and investors, (5) local communities, academic institutions & NGOs, (6) government regulatory 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 23 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 397 valid questionnaires were received, and the weights were adjusted to prevent bias due to the high proportion of certain types of stakeholders.

After selected and generated by the ESG Office, 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 13 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 14 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 2023 Material Topics Boundaries

2023 HTC Material Topics Boundaries Matrix (HTC to External Environment) Economic Environmental Social

			Likelihood			
High	Low		High	Low		
★ Circular Economy and Product Life Cycle	★ Innovation Management		★ Talent Attraction and Retention	★ Innovation Management		
★ Climate Change	★ Talent Attraction and Retention		★ Economic Performance	★ Corporate Governance		
★ Economic Performance	★ Waste Management		★ Integrity Management			
★ Corporate Governance	★ Social Investment and Contribution	Occupational Safety and Health	Employment/ Labor Relationship	★ Human Right, Diversity and Inclusiveness	★ Information Security and Privacy Protection	
★ Risk Management	★ Information Security and Privacy Protection	Salary and Benefits	Training and Career Development	★ Circular Economy and Product Life Cycle	★ Social Investment and Contribution	
★ Energy Management	★ Sustainable Supply Chain	Employment/ Labor Relationship	Occupational Safety and Health	★ Climate Change	★ Sustainable Supply Chain	
Water Resource Management			Salary and Benefits	★ Energy Management	★ Risk Management	
				★ Waste Management		
		Customer Privacy, Safety and Health Management				
		Regulation Compliance	Training and Career Development	Water Resource Management	Customer Privacy, Safety and Health Management	
		★ Integrity Management	Biodiversity	Biodiversity	Regulation Compliance	
		★ Human Right, Diversity and Inclusiveness				

★ Major Topics

2023 HTC Material Topics Boundaries Matrix (External Environment to HTC) Economic Environmental Social

★ Circular Economy and Product Life Cycle ★ Climate Change ★ Waste Management	★ Economic Performance	High	★ Circular Economy and Product Life Cycle ★ Sustainable Supply Chain	★ Risk Management	
			★ Talent Attraction and Retention ★ Energy Management		
			★ Energy Management ★ Information Security and Privacy Protection ★ Risk Management Water Resource Management		★ Talent Attraction and Retention Salary and Benefits Occupational Safety and Health ★ Climate Change Customer Privacy, Safety and Health Management
Occupational Safety and Health ★ Talent Attraction and Retention ★ Corporate Governance ★ Social Investment and Contribution ★ Risk Management Water Resource Management	Employment/ Labor Relationship Salary and Benefits ★ Integrity Management Customer Privacy, Safety and Health Management Regulation Compliance	Likelihood	Training and Career Development ★ Human Right, Diversity and Inclusiveness	★ Innovation Management ★ Economic Performance ★ Information Security and Privacy Protection	
★ Sustainable Supply Chain	Biodiversity ★ Innovation Management ★ Human Right, Diversity and Inclusiveness Training and Career Development		Water Resource Management Biodiversity	Employment/ Labor Relationship ★ Waste Management ★ Social Investment and Contribution	★ Corporate Governance ★ Integrity Management
High	Negative Impact to HTC Operation		Low	Positive Impact to HTC Operation	High

★ Major Topics

Stakeholders Engagement

Stakeholder	Significance to HTC	Concerned Issues	Communication channel / Frequency and response method	Appeal channel
Shareholders and Investors	Shareholders and investors' support have positive impact to the sustainability of HTC	Corporate Governance Innovation Management Economic Performance ESG Management Regulation Compliance Social Investment and Contribution	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
Consumers/ Enterprise customers	Consumers build strong customer relationships by providing first-class customer experience; corporate customers enhance company value and pursue growth through cooperation and product and business development, and gradually improve corporate sustainable operations.	Corporate Governance Economic Performance Customer Privacy, Safety and Health Management Innovation Management Information Security and Privacy Protection Circular Economy and Product Life Cycle Climate Change	Consumers (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	Customer service hotline: 0809-090-166, mobilephone please call: 02-2162-6788 ESG E-mail: esg@htc.com

(Continued)

Stakeholder	Significance to HTC	Concerned Issues	Communication channel / Frequency and response method	Appeal channel
Employees	HTC upholds the people-oriented belief. Employees are the most valuable asset and the key to innovation	Regulation Compliance Economic Performance Talent Attraction and Retention Human Right, Diversity and Inclusiveness Occupational Safety and Health Salary and Benefits Training and Career Development Employment/ Labor Relationship	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	HR Hotline Employee helpline e-mail
Suppliers/ Contractors	Suppliers are indispensable partners for corporates to realize continuing operating growths. Contractors provide a safe working environment helping build up a sense of cohesiveness and improve corporate image.	Regulation Compliance Economic Performance Information Security and Privacy Protection Climate Change Circular Economy and Product Life Cycle Sustainable Supply Chain Occupational Safety and Health Innovation Management	Suppliers: 1. Supplier communication conference- Irregular 2. Guidance and audit for suppliers - Yearly 3. Cooperation project with suppliers for addressing ESG and greenhouse gas issues Contractors: 1. Induction training. - Weekly 2. Patrol inspection in the facility. - Irregular 3. Coordinative organization meetings. - Quarterly	E-Mail: esg@htc.com
Government regulatory 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.	Economic Performance Innovation Management Corporate Governance Integrity Management Regulation Compliance ESG Management Climate change Human Right, Diversity and Inclusiveness	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, academic institutions & NGOs	Communicating with community residents, academic institutions and non-governmental organizations will help HTC better understand market needs, promote technological innovation, and practice corporate social responsibility	Waste Management Climate Change Energy Management Information Security and Privacy Protection Regulation Compliance Water Resource Management Social Investment and Contribution Human Right, Diversity and Inclusiveness Talent Attraction and Retention	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 3. Attending academic conferences, interviews or questionnaires. - Irregular	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. Although the epidemic has gradually slowed down in 2023, HTC Health Center continues to provide free rapid screening services and implement strict ventilation and disinfection measures in the screening area to create an independent and safe working environment.

#### 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 2023, there were 131 telephone consultation services visits. In order to promote diversity and equality, professional organizations are invited to share articles on diverse topics every month, including workplace interpersonal relationships, management and leadership skills, DEI diversity and inclusion, and daily fitness to relieve stress.

#### 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, electric heating pads and far infrared therapy equipment, 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 3,528 visits in 2023.
- (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 2023, 24 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 interaction, so we have the HTC Gallery in our Taipei office as a venue for art exhibitions. Every season, we invite different artists from both domestic and international backgrounds to exhibit their works in the gallery, making it a creative and vibrant platform for artistic exchange. In addition to helping local young artists showcase their creativity and works, we collaborate with professional galleries in Taiwan and abroad to bring their artworks to a broader office space and open them to school groups and the general public in the community, thereby enhancing HTC's interaction and exchange with society and the local community. The gallery also aims to enhance the cultural atmosphere within HTC and inspire creativity, adding a trendy and artistic culture to the workplace environment. In 2023, the artists exhibited include Chiu Kuo-Feng with "In-Factor Signature", Bluerider Art with "Genesis" international artists collective exhibition, Yan Ke-fu with "The Road Here" personal exhibition, and IDEAS print studio-Artists collective exhibition.

## 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. There were 28,749 visits in 2023. 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.

## Environmental Maintenance and Green Landscaping

The factories and offices disclosed in the boundary organization report this year have been established in industrial and commercial areas after environmental consideration and evaluation. The relevant environmental protection has been implemented in compliance with local regulations and internal environmental policies and specifications that have no significant impact on the local ecosystem and animal and plant species.

With the policy of dedication to sustainable environments, HTC is committed to deliver landscaped green spaces in both Taoyuan 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. These tree species and diverse vegetation provide a wide range of ecosystem conservations, including mitigating soil erosion, regulating climate, providing habitats for various organisms, and contributing to better air quality. We carefully considered the growth conditions and characteristics of different tree species to maintain ecological balance and biodiversity while ensuring their successful integration within the local ecosystem.

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. Regular pest control measures are taken quarterly to prevent dengue fever and other pests, and environmental pesticides are sprayed in water accumulation areas near the plant to reduce the density of vector mosquitoes. The annual management fees for our green environment maintenance amounts to NT\$ 23.67 million which is used to provide a fresh and green office environment for HTC employees in 2023.

## 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 2023.

### 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 2023, 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.

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 experience. To strengthen the HTC 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 metrics & targets.

HTC 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. The Policy was submitted to the Board of Directors for deliberation and implementation in May 2023, with the objective of realizing the goal of corporate sustainable management.

In addition, HTC has published first independent TCFD report, which has been ranked as “Practitioner” by SGS’s TCFD performance evaluation in 2023. We continue to publish the annual TCFD report in 2024 and has been recognized by SGS - the highest level of TCFD performance evaluation “Pioneer”. For details of the TCFD independent report, please refer to the HTC TCFD Report: <https://www.htc.com/us/esg/esg-report/>

### Governance

The Board of Directors is responsible for the final decision-making and deliberation of HTC’s climate change governance and management structure. An ESG Committee is established under the Board of Directors to implement relevant topics and resolutions regarding climate change management. Led by the Chief sustainability officer, the ESG Committee is responsible for implementing climate change

management policies and major resolutions deliberated by the Board of Directors, integrating resources and progress of climate actions in different departments, and comprehensively evaluating climate change risks alongside other corporate risks.

Several work groups have been set up under the committee to respond to ESG topics across multiple areas and collect sustainable development topics from each department to continually promote corporate social responsibility with the aim of implementing corporate sustainable management with equal consideration across the economy, environment, and society. Relying on clear organization and labor division, relevant departments are included in the management actions in cross-departmental meetings to drive the sustainable development and innovation of HTC as a whole, and to ensure the inclusion of relevant policies and measures in daily operations of the company.

Designated members of the ESG Committee have established a TCFD risk management group to participate in the projects together. The ESG Office was set up under the committee to continually track and review the fulfillment status of each climate change related program, and to regularly review domestic and international climate governance policies and industry practices to adjust climate risk assessments accordingly. ESG office reports the trends, impacts, and performance on relevant ESG topics to the ESG Committee; and the Chief sustainability officer/ ESG committee regularly reports these actions to the Board of Directors/ Audit Committee every year.

The ESG Office is responsible for the company’s overall “Greenhouse Gas Inventory and Verification Scheduling”, and reported to the Board of Directors that “the parent company already completed greenhouse gas inventory” in April 2022. Since the first quarter of 2023, the ESG Office reported the scheduling of parent companies and subsidiaries, and submits the implementation progress to the Board of Directors for control on a quarterly basis. HTC has established a Climate Change Management Policy which was submitted to the Board of Directors for deliberation and implementation in May 2023, with the objective of realizing the goal of corporate sustainable management.

### Risk Management

To strengthen corporate governance and enhance stable operations and sustainable development, HTC has established a Risk Management Policy as the criteria for risk management based on each type of risk. It has also set up a full-time unit to implement risk management and measurement work of the company, and establish a sound risk management mechanism. The ESG Office is responsible for the management of risks related to climate change and ESG, and the overall arrangement of the TCFD risk management group to measure risk. In the risk management organization, the Board of Directors is the highest decision-making unit for risk management. The ESG Committee was established under the Board of Directors to deliberate the risk management policy, and review the management reports of material risk topics.

When identifying risks, HTC conducts qualitative and quantitative management of each risk through an analysis of the operating environment and coverage of each business and operating activity. The company

lists different types of risk measurement methods as the basis for risk management, and uses various kinds of information to measure the possibility of risk events and degree of impact on the company. Through risk analysis, the company evaluates the risk levels and provides necessary information as the basis for risk evaluation and response. After evaluating and summarizing risks, each responsible unit establishes appropriate response measures to address the risks faced, and controls them within an acceptable level. Each responsible unit also monitors the risks of their business, proposes relevant responsive countermeasures, and provides risk evaluation forms to the TCFD risk management group of the ESG Committee. These risk evaluation forms are summarized by the risk management group and then presented to the ESG Committee. The ESG Committee then measures and monitors the quality of overall risk management, and reports risk evaluation results and work progress to the Board of Directors periodically.

HTC has established a Climate Change Management Policy and Climate Change Risk Management Process. In 2022, the company launched a process for identifying risks and opportunities of climate change, completed risk and opportunity identification, and evaluated the financial impact in accordance with the risk evaluation mechanism recommended by the TCFD. HTC defines climate-related risks and opportunities in three different intervals, i.e., short term, medium term, and long term, and evaluates climate-related risks and opportunities accordingly. Relevant response measures have been established to deal with top three risks and opportunities with the highest possibility of occurrence and impact. Starting from 2022, the company will re-evaluate risks every year and adjust response strategies based on the top three most likely and high-impact risks and opportunities, while focusing on the implementation results of relevant indicator targets.

## Strategy

### Identifying Risks and Opportunities

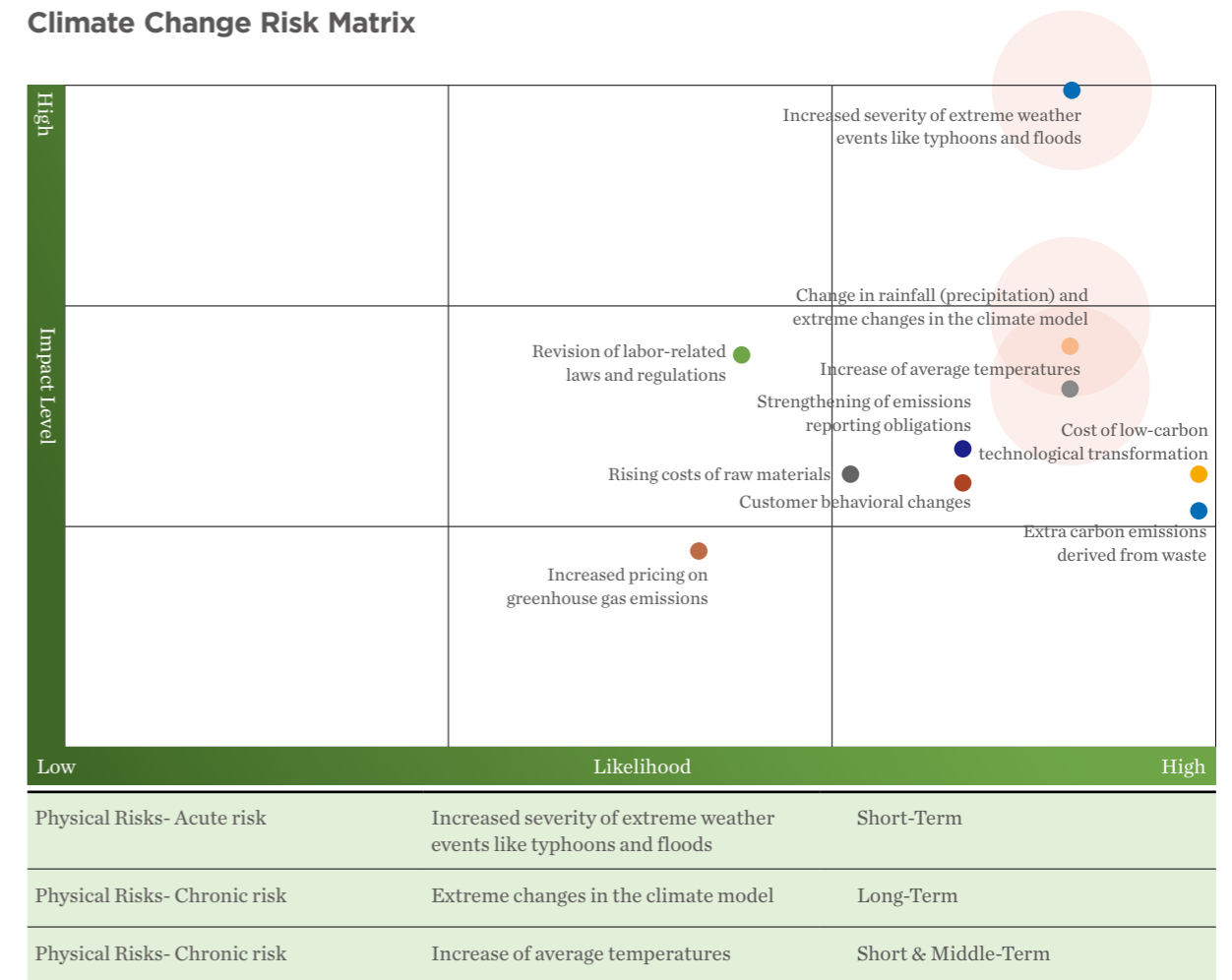
Adhering to the corporate vision and sustainability responsibility, HTC includes climate change related risks in the scope of evaluation and tracking, and continues to pay attention to the climate risks that impact operations, including international regulatory norms and extreme weather conditions. Furthermore, based on the climate change risk and opportunity evaluation framework recommended by the TCFD, the setting of climate change scenarios, and the risks and opportunities derived therefrom, HTC evaluates the risks and opportunities of climate change in operations, and further discusses relevant responsive strategies as well as metrics and targets regarding high-impact risks and opportunities, and specific measures for climate management.

The specific process for identifying risks and opportunities related to climate change is shown as follows:

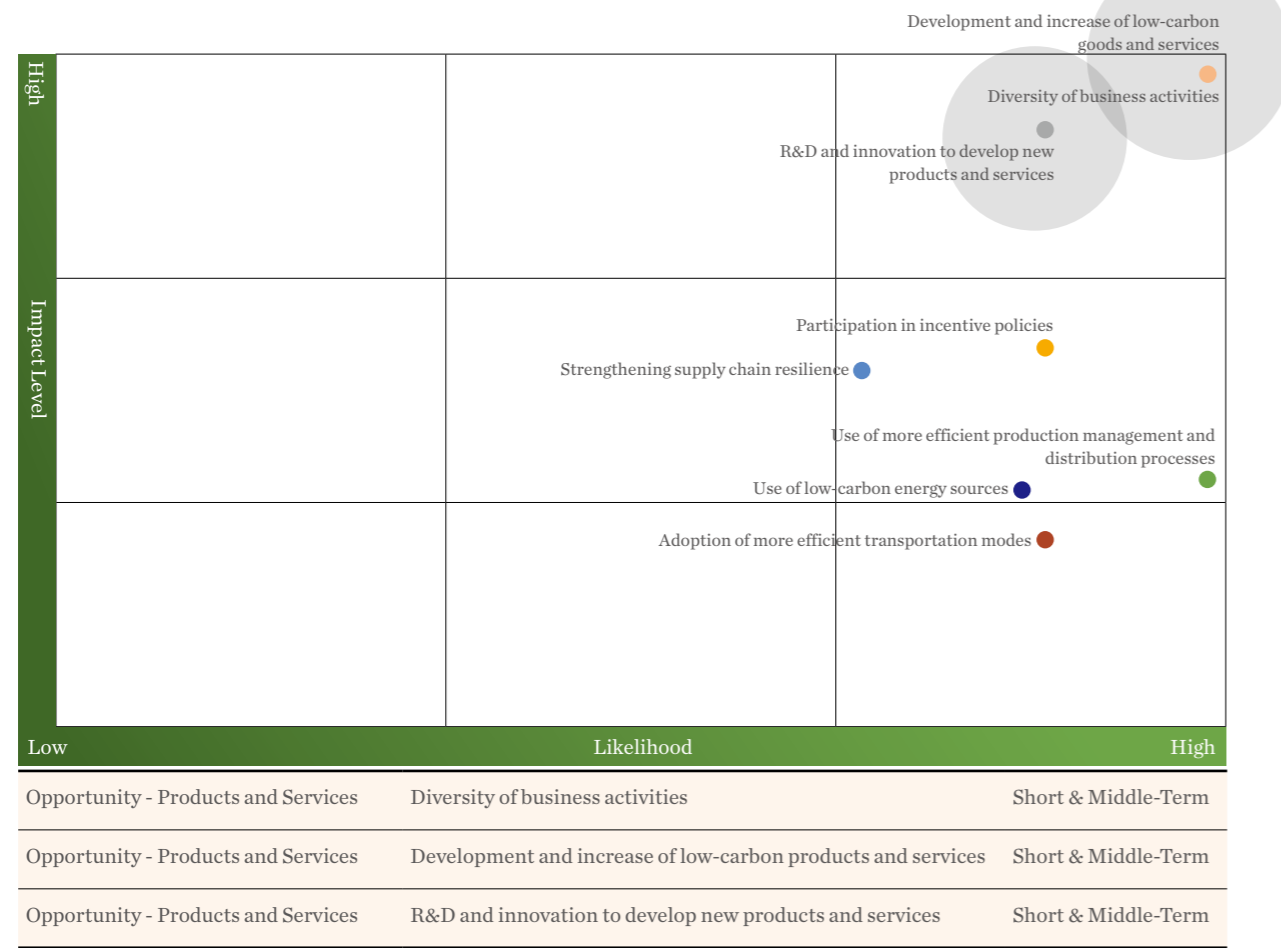
A. Setting of Climate Change Scenarios	B. Evaluation of Impact on the Operating Environment	C. Identification of Climate Risks and Opportunities
Two climate change scenarios: SSP5-8.5: Temperature increase of 6°C SBTi 1.5°C and NDC: Temperature increase of 1.5°C	Evaluate the influence and impact of climate change on the operating environment and stakeholders.	Establish matrixes of risks and opportunities to confirm the risks and opportunities of climate change.

Three high-risk factors and three high-opportunity factors in HTC have been identified. The climate change risks matrix and climate change opportunities matrix are shown in the following diagram.

### Climate Change Risk Matrix



### Climate Change Opportunity Matrix



### Metrics & Targets

HTC has signed a commitment with SBTi in 2022 to set the company’s net zero pathway based on its published decarbonization guidelines and methodologies, aiming to achieve net zero emissions by 2050. By linking its core business with concrete quantified management, HTC has established a clear decarbonization pathway, including six major decarbonization strategies: “carbon management and policy,” “low-carbon operations,” “low-carbon products,” “low-carbon transportation,” and “value chain engagement,” with “carbon offsetting” as a final measure. In addition, the company submitted its SBTi target review in January 2024, moving towards the 2050 net zero goal through integrated efforts.

For more details on carbon reduction metrics and targets, please refer to the TCFD Independent Report of the company for the current year.

#### HTC SBTi Net Zero Target: (Based Year: 2021)

- Scope 1 and 2 reduction targets are 42% reduction compared with the base year in 2030, and 90% reduction compared with the base year in 2050
- Scope 3 reduction target is 25% reduction compared with the base year in 2030; and 90% reduction compared with the base year in 2050

In 2023, the total global emissions of greenhouse gases of HTC Group approximately 27,226 tCO<sub>2</sub>e. Compared with the base year of 2021, the variation of greenhouse gases included in greenhouse gas inventory did not exceed the significance threshold of 3% in 2023. As a whole, CO<sub>2</sub> was the major greenhouse gas generated by HTC; CH<sub>4</sub>, N<sub>2</sub>O and HFC emissions accounted for a very minimal ratio. PFC, SF<sub>6</sub>, and NF<sub>3</sub> emissions were maintained at 0. HTC expanded the scope of greenhouse emission inventory and external verification to scope 3 in 2014. Relying on the upstream / midstream / downstream greenhouse gas inventory in the complete value chain, HTC accurately identifies the categories and activities with most intensive greenhouse gas emissions to provide suggestions for carbon emission reduction and climate transition strategies.

### HTC Group Global Greenhouse Gas Emissions in the Past Three Years

Based Year	2021 (Unit: t-CO <sub>2</sub> e)			Verified by		
ISO14064-1	GHG Protocol		2021	2022	2023	ISO14064-1(%)
Category 1	Scope 1		209.6461	179.1419	163.7687	99.9%
Category 2	Scope 2 Location Based		8,828.4273	8,165.1838	7,850.1365	99.9%
	Scope 2 Market based		8,828.4273	8,165.1838	7,850.1365	99.9%
Category 4-6	Scope 3		31,143.5240	26,210.1295	19,211.8767	15.5%
Total			40,181.5975	34,554.4552	27,225.7818	40.3%
Revenue (NTD\$ Million)			5,253	4,409	4,418	
Intensity (t-CO <sub>2</sub> e/NTD\$ Million)			1.72	1.89	1.81	
Number of increases and decreases compared to the previous year (Metric tons)			N/A	-5,627.1423	-7,328.6733	
Increase/decrease compared to the previous year (%)			N/A	-14%	-21.2%	
Scope 1+2 vs Based Year (%)			0%	-7.7%	-11.3%	
Scope 3 vs Based Year (%)			0%	-15.8%	-38.3%	
Note	<ul style="list-style-type: none"> <li>• The scope of inventory covers the main global operating sites of HTC below (since some subsidiaries belong to BVI, they are not included in the scope): Taiwan, mainland China, Japan, the United States, the UK, and Poland.</li> <li>• Power Conversion CO<sub>2</sub> equivalent emissions are calculated in accordance with the power emission coefficient (0.495 kg/CO<sub>2</sub>e) of the year announced by the Energy Administration.</li> <li>• The carbon emissions of overseas subsidiaries were determined according to the power coefficient of each country.</li> <li>• GWP: IPCC 2014 5th Assessment Report (AR5)</li> <li>• Intensity = (Scope 1 + Scope 2) / Revenue (NTD\$ Million)</li> <li>• Verified by ISO14064-1 %: The scope verified under ISO14064-1 for the year 2023 is determined based on the results of the materiality analysis.</li> </ul>					

## Overview of HTC’s Energy and Climate Change Management

HTC has established clear six major carbon reduction strategies to manage and adapt climate change indicators such as carbon emissions. We invest significant resources and manpower each year to improve and advance related goals. We firmly believe that through the implementation of these policies, we can gradually move towards a net zero pathway and contribute to sustainable development.

Strategy	Year - Key results
Carbon Management and Policy	<ul style="list-style-type: none"> <li>● 2008 - HTC began to participate in CDP and regularly reported carbon risk and carbon management planning, systems, and results regarding climate change.</li> <li>● 2008 - Implementation of ISO 14064-1:2006 Greenhouse Gas Inventory, and conducting the revision process for the ISO 14064-1:2018 edition in 2022, in order to address international greenhouse gas and global warming issues, and establish and plan carbon reduction strategies and actions.</li> <li>● 2009 - HTC included all its plants in Taiwan in the organizational boundaries of inventory. 2010 - 2015 will include China factory areas in the scope of investigation and carry out external verification.</li> <li>● 2011 - Implementing the ISO 50001 energy management system, and upgrading to the ISO 50001:2018 edition in 2020, to establish energy-saving strategies and actions needed to address climate change and extreme weather issues, in order to achieve the goal of sustainable business operation for the enterprise.</li> <li>● 2022 - we signed a commitment with SBTi to set HTC’s greenhouse gas emission reduction targets and net zero carbon emission goals based on its published decarbonization guidance tools and methodologies, demonstrating our commitment to achieve net zero emissions by 2050.</li> <li>● 2022- Starting from April 2022, quarterly reports on the “Greenhouse Gas Inventory and Verification Scheduling” and the progress of implementation will be submitted to the board for control.</li> <li>● 2023 - Submit the “Climate Change Management Policy” to the board for review and implementation; introduce the HTC Carbon Management Platform, which has been launched in early 2024.</li> <li>● 2024 - Expand the investigation of 14064-1 boundary, focusing on HTC Group for investigation and conducting third-party verification; initiate the “Low-Carbon Manufacturing Process and Supply Chain Transformation Promotion Plan”; implement internal carbon pricing.</li> </ul> <p>For details on the annual “Carbon Management and Policy” strategy and performance, please refer to this chapter.</p>
Low-Carbon Operations	<ul style="list-style-type: none"> <li>● 2012 - HTC established a complete energy management system in its Taipei office. The total number of physical monitoring points exceeded 7,000, and the total number of software points exceeded 20,000.</li> <li>● 2013 - The Taipei office obtained a Green Building Label from the Ministry of the Interior and LEED Gold certification from the U.S. Green Building Council.</li> <li>● 2023- Through energy-saving management, a total of 370,620 kWh of electricity was saved, resulting in a reduction of 184 tCO<sub>2</sub>e in carbon emissions. The Taiwan site uses renewable energy, achieving a carbon reduction of 10.789 tCO<sub>2</sub>e.</li> <li>● 2024 - Implementing the “Low-Carbon Manufacturing Process and Supply Chain Transformation Promotion Project”- “Energy management and optimization” and “Process intelligence for carbon reduction” projects.</li> </ul> <p>For details on the annual “Low-Carbon Operations” strategy and performance, please refer to section “3.10.4 Sustainable Agenda/ Sustainable Environment” or the chapter on “Sustainable Environment” and “Sustainable Manufacturing Process” in the ESG report.</p>

Low-Carbon Products	<p><b>HTC began product environmental impact inventory and analysis using the life cycle evaluation method in 2010.</b></p> <ul style="list-style-type: none"> <li>● 2010 - HTC participated in the product environmental information disclosure coaching program organized by the Industrial Development Bureau of the Ministry of Economic Affairs, and cooperated with 19 suppliers to complete the Environmental Product Declaration (EPD).</li> <li>● 2011 - HTC participated in the product low-carbon design system coaching program organized by the Industrial Development Bureau of the Ministry of Economic Affairs, and completed coaching of carbon footprint analysis and low-carbon design for 15 major suppliers.</li> <li>● 2013 - HTC cooperated with 11 suppliers to complete the first smartphone (HTC One) in the world with an ISO/TS14067 product carbon footprint inventory certificate.</li> <li>● 2014- HTC established carbon reduction targets and action programs by providing major suppliers with detailed life cycle inventory analysis data.</li> <li>● 2015 - HTC cooperated with eight suppliers to complete carbon footprint checks for two products.</li> <li>● 2016 - HTC completed the water footprint analysis and products checks.</li> <li>● 2022 - VIVE Flow: 1st HTC VR product to complete ISO 14067 Product carbon footprint verification.</li> </ul>
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(Continued)

Strategy	Year - Key results
Low-Carbon Products	<ul style="list-style-type: none"> <li>● 2023 –VR product packaging design has made significant progress, with the release of the VIVE XR Elite in 2024. The product packaging is made of 100% recyclable materials, with 99.99% being paper-based. 99% of the packaging is made from recycled materials, which is beneficial for reducing environmental impact.</li> <li>● 2024/03 –The VIVE XR Elite annual VR product carbon footprint inventory and report generated through HTC’s carbon management platform has passed ISO 14067 verification.</li> </ul> <p>For details on the annual “Low-Carbon Product” strategy and performance, please refer to section “3.10.4 Sustainable Agenda/ Sustainable Products” or the chapter on “Sustainable Products” in the ESG report.</p>
Low-Carbon Transportation	<p><b>Operating Base</b></p> <ul style="list-style-type: none"> <li>● Form 2012 - our operating locations have provided bicycle parking spaces to encourage employees to ride low-pollution green energy transportation devices.</li> <li>● 2020 –HTC fully promoted the use of online meetings to replace physical meetings, with approximately 37,000 online meetings held throughout the year, estimated to reduce about 25 tCO<sub>2</sub>e. In January 2021, the online employee conference was the annual highlight event, estimated to reduce about 30 tCO<sub>2</sub>e.</li> <li>● 2021- operational sites are gradually installing electric vehicle dedicated charging stations to enhance charging convenience, and encourage employees to purchase electric vehicles.</li> <li>● 2024- Shuttle services at operational sites will be further optimized through passenger count statistics to improve service frequency.</li> </ul> <p><b>Product Transportation</b></p> <ul style="list-style-type: none"> <li>● From 2016 - The global warehouse setup strategy aims to optimize distribution patterns and reduce the distance to international air/sea ports by adjusting warehouse locations. Through a comprehensive review, it is possible to significantly reduce carbon emissions from transportation by approximately 38.6%.</li> <li>● 2023- Product transportation is carried out through combined shipping to reduce overall transportation carbon emissions. The average combined shipping rate for air, sea, and land transportation in 2023 reached 72%.</li> <li>● 2023- Choose low-carbon transportation and gradually increase shipping and rail transportation. Compared to VIVE Flow in 2022, the proportion of maritime transportation for VIVE XR Elite in 2023 has increased by 25%.</li> </ul> <p>For details on the annual “Low-Carbon Transportation” strategy and performance, please refer to this chapter or the “Sustainable Products” section in the ESG report.</p>
Value chain Engagement	<ul style="list-style-type: none"> <li>● 2018-2019 - HTC became a member of the CDP Supply Chain Program and invited suppliers to participate in and respond to a climate change questionnaire. In the first year, HTC invited key suppliers with an annual reply rate of 48%; in 2019, the suppliers’ response rate reached 61%.</li> <li>● 2023 - Through the CDP Supply Chain Program, we have expanded invitations to 128 Critical suppliers to participate in the CDP Climate Change Questionnaire; and have been honored to be listed on the CDP – Supplier Engagement Rating Leaderboard (A).</li> <li>● 2024 - Implementing the “Low-Carbon Manufacturing Process and Supply Chain Transformation Promotion Project”- Supply Chain Engagement Project.</li> </ul> <p>For details on the annual “Value chain Engagement” strategy and performance, please refer to section “3.10.4 Sustainable Agenda/ Sustainable Supply Chain” or the chapter on “Sustainable Supply Chain “ in the ESG report.</p>

(Concluded)

## 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. 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 108.26 kWh/m<sup>2</sup> Yr in 2023.

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	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 157,221 kWh, including 14,316 kWh in 2023. 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 2023, the solar panels have accumulated a total of 804,952 kWh. The purchase and sale contract with Taipower was terminated on November 29, 2023 and changed to self-use. From January to November, a total of 141,872 kWh was sold back to Taipower and the self-consumption power in December is 7,479 kWh, and the total power generation is 149,351 kWh.
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.
Electric vehicles and bicycles	The Taipei office has already set up four dedicated charging piles for electric vehicles and provided bicycle parking spaces to encourage employees to ride low-pollution green energy transportation equipment. It will continue to add dedicated charging piles for electric vehicles to improve charging convenience. In 2023, 8 more charging piles will be added, bringing a total of 12 charging piles to the building.
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. Replace two one-to-one split air conditioners in 2023.

### 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. Total amount of domestic waste water treated in 2023 was 18,174 tons. By optimizing the water quality of sewage discharge, we help the water quality of Nankan River (an upstream tributary of Dongmen River) to be managed according to the overall planning of government agencies, and restore ecological protection closely related to biodiversity. The Taipei office is equipped with a rainwater recycling system and air-conditioning condensed water recycling, which is used for watering toilets and plants to effectively save water resources. In 2023, a total of 3,522 tons of rainwater was recycled, effectively saving water resources.

### 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 2023 was NT\$ 1.266 million, and from 2012 to 2023, a total of NT\$33.946 million was spent on products with the green product label.

## Sustainable Design

HTC’s thinking on the development of sustainable products is to start 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 confirm 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: modular design, enhancement of energy efficiency, recyclability design, and reduction of hazardous substances with the serious intention to make our products truly ‘green’ and competitive.

### Modular Design

The VIVE XR Elite headsets have a detachable battery, which allows users to easily replace the battery by themselves rather than having to discard the whole device. This not only extends the product’s usable lifespan but also reduces waste and optimizes usage of nonrenewable resources. In addition to battery modules, peripheral accessories related to HTC VIVE products will also develop in the direction of modular design in the future, which not only has the potential for customization, but also allows accessories to be repaired independently, improving product quality and maintainability. These advantages not only help improve the competitiveness of products, but also help reduce environmental impact.

### Enhancement of Energy Efficiency

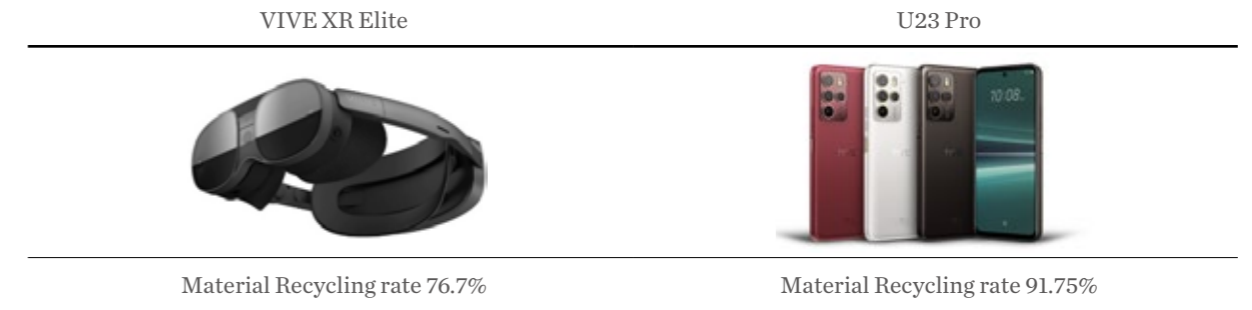
We concentrate on energy-saving from the early design and research and development phase. All power supplies used for HTC products must comply with the relevant international energy consumption specifications, including Energy Star (U.S.), California Energy Commission (U.S.), Energy-related Products 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 0.025W, which is much lower than the standard by 75%. 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 2023, The VIVE XR Elite series battery holder adopts a large-capacity power design and can last up to 2 hours of battery life. 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. From products to accessories, HTC also carefully considers the recyclable design of accessories. In the past, we used plastic materials to package and fix wires. Starting in 2023, we will introduce a material fixation method using paper circles.

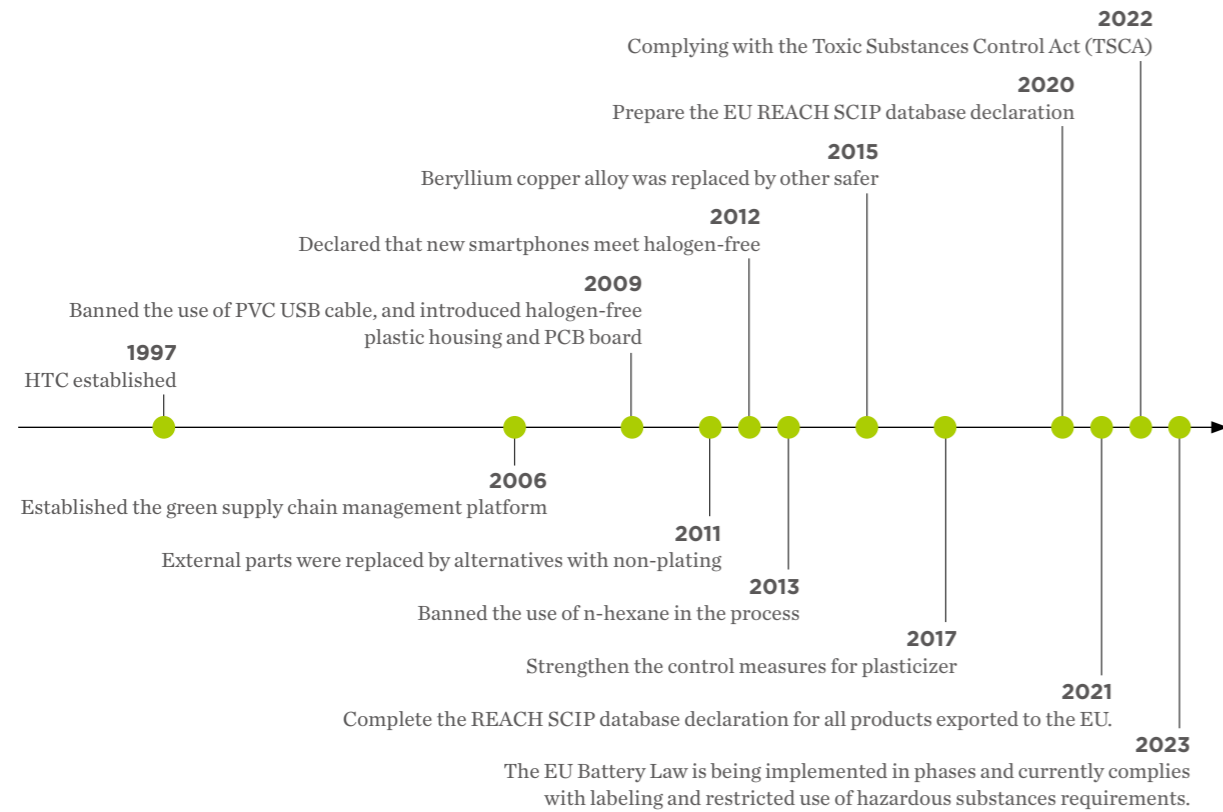


In response to Europe’s promotion of circular economy laws, France has adopted a consumer information labeling law based on product classification principles called the “Triman logo”. This label contains the product information and classified collection graphics required by consumers. HTC follows the regulations and labels different product contents. By adding classification information to the products, the products can be correctly classified and recycled.

### 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 2023, our recycled resources reached 267.98 metric tons and the benefit of recycling reached \$NT 5,050 thousands, waste recycling rate increased from 56.89% in 2011 to 83.58% in 2023. By 2023 the accumulated savings and earnings from the recycling of waste had reached NT\$92.26 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 XR ELITE 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, we used the newly established HTC carbon management platform to conduct a comprehensive carbon footprint assessment of each stage of VIVE XR Elite production in early 2024, 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 92.64 kgCO<sub>2</sub>e, 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.



VIVE XR ELITE ISO 14067 Product Carbon Footprint Verification Opinion: <https://www.htc.com/us/esg/certificate-report/>

Life cycle stage	Material	Manufacture	Distribution	Use	Disposal	Total
GHG Emissions (kgCO <sub>2</sub> e)	22.720	45.041	19.148	5.548	0.187	92.64
%	24.5%	48.6%	20.7%	6.0%	0.2%	100.00%



**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)	2023 Rigid Box (VIVE XR Elite)
Photos			
Volume	375x338x126.5(H) 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"> <li>• Our new packaging uses more recycled materials.</li> <li>• Uses of corrugated board make it lighter and more durable.</li> <li>• Implement optimal pallet stacking that can reduce our carbon footprint.</li> </ul>	<ul style="list-style-type: none"> <li>• Printings made in minimalistic monochrome and features explained with simple illustrations highlight the elegance and quality of the product.</li> <li>• Minimal space configurations and light-weight product with a compact look. Changes the bulky impression the market has on VIVE products.</li> </ul>	<ul style="list-style-type: none"> <li>• printing with minimalistic monochrome design and using simple ink printing techniques, showcasing the elegant quality of the product.</li> <li>• 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.</li> </ul>

**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 56.39%. 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**

The Company followed the Responsible Business Alliance (RBA) Code of Conduct to formulate the “HTC Supplier Code of Conduct”. We are committed to improving and enhancing the environment, labor rights, code of ethics, safety and health, and expanding the social responsibility of the supply chain system.

We also hold supplier meetings periodically every year to promote relevant issues. To ensure effective implementation, supply chain ESG management and plans are formulated and implemented after discussions between the procurement unit and the sustainability office, which are supervised by the ESG Committee.

For details on other policies and performance related to the supply chain, please refer to the Sustainability Report, and the “HTC Supplier Code of Conduct” can be downloaded from the official website. (<https://www.htc.com/tw/esg/stakeholders/supply-chain/>).

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

Definition of HTC Critical Supplier	Due to differences in industry characteristics and supplier category attributes, critical suppliers are defined based on purchase amount (annual transaction amount is the top 80% of the total purchase amount for direct suppliers), substitutability, strategy and technological leadership.	
Management Mechanism	New Supplier Management	New suppliers must pass the new supplier assessment and sign the HTC (RBA) Code of Conduct before they can become an official supplier. 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, on-site audits are also conducted.
	Quarterly Evaluations	During the quarterly supplier business review meeting, key suppliers are evaluated on their sustainability performance through the ESG scorecard based on the five major aspects of labor, environment, health and safety, ethics, and quarterly project performance. Each aspect is assessed in terms of legal compliance, performance exceeding legal requirements, and management system certification, and the sustainability performance of key suppliers is verified to be included in the priority supplier selection considerations.
	Yearly On-site Audit	<p>Since the implementation of “Supply Chain Social Responsibility Audits and Performance Evaluations” in 2011, we have adopted the latest version of the RBA Code of Conduct, which includes: labor, health and safety, environment, ethics, and management systems. We introduced the RBA Risk Assessment Platform in 2023 to assess high-risk suppliers through information such as supplier country risks, manufacturing processes and product categories, as well as the RBA Self-Assessment Questionnaire (SAQ). We also encourage suppliers to actively implement the Validated Assessment Program (VAP) to expand the usage scope of audit results and enhance overall industry responsibility and compliance.</p> <p>In 2023, a total of 69 suppliers (100 factories) underwent the high-risk supplier assessment process. A total of 36 audits (number of factories) were conducted, all of which were carried out on-site. Nearly 90% adopted the RBA Validated Audit Process (RBA VAP), with details provided in the “2023 On-site Audit Results Analysis”. The comprehensive assessment showed that among the high-risk suppliers, 41% have already implemented RBA VAP. We will further identify high-risk suppliers that have not implemented RBA VAP for on-site audits in 2024.</p> <p>In response to the identified deficiencies, HTC not only requires suppliers to provide corrective measures but also offers them the Company’s experience in the implementation management systems for reference. If the audit results are below standard, these suppliers are placed on the priority list for on-site audits in the following year to prevent similar incidents from occurring again. There were no suppliers whose audit results did not meet the standards in the current year.</p>

### Supply Chain Climate Engagement

To truly reduce environmental harm in a meaningful way, companies must connect with their entire supply chain and take collective action to assess and reduce supply chain climate risks. HTC’s net-zero commitment represents not only HTC’s determination to promote zero-carbon transformation, but also an oath to work with the supply chain to take positive actions towards low-carbon transformations. We are committed to reducing value chain carbon emissions by 25% in 2030 compared with the base year (2021) through initiatives, establishment of supplier climate capabilities, and supply chain greenhouse gas management strategies.

HTC uses various supply chain projects combined with education and training to enhance the supply chain’s ability to respond to sustainable development challenges. We continue to invite suppliers to participate in supplier ESG communication meetings, CDP project briefings, and provide relevant social and environmental responsibility management training, so that suppliers can understand the latest knowledge and trends. We provide suppliers, HTC management, and industry experts with opportunities for multilateral communication. In the series of annual supplier communication meetings, we shared the latest international corporate sustainability trends and climate change mitigation and adaptation, as well as HTC’s project goals related to supply chain ESG management.

In 2023, we focused our communication on the digitization of carbon management, strengthening supply chain climate management capabilities through the CDP supply chain program, and the new HTC supply chain carbon management system. Based on the life cycle assessment (LCA) carbon footprint system, we will effectively collect and manage carbon emissions at the supply chain end to build the foundation for the HTC’s net-zero carbon emissions promotion.

The “Supply Chain Engagement Plan” and “Supply Chain Carbon Management Platform” will be launched in 2024. We will guide ten local suppliers in building carbon inventory capabilities and setting carbon reduction actions and goals. At the same time, the supply chain carbon management platform was launched simultaneously in January 2024.

## Supply Chain GHG Management



HTC has made onto CDP's 2023 Supplier Engagement Leaderboard, which is the highest grade of Supplier Engagement Rating (Grade A). Among more than 11,500 companies around the world that participated in the rating, only 450+ companies can receive this highest honor.

To make truly meaningful reductions in harm to the environment, businesses must cascade action down the entire supply chain. We're proud to have earned a place as a leading company on CDP's 2023 Supplier Engagement Leaderboard, for taking action to measure and reduce climate risk within our supply chain. "As a Supplier Engagement Leader, HTC is demonstrating supply chain leadership, a prerequisite for the transition towards a net-zero, nature-positive future." - Simon Fischweicher, Director of Supply Chain and Reporter Services, CDP.

HTC became a CDP Supply Chain Member in 2023 and further integrated supply chain CDP performance into the ESG scorecard to manage the environmental impacts caused by the supply chain and incorporate supplier rating results into procurement evaluations, thereby advancing the overall supply chain's ability to address climate change.

In 2023, HTC collaborated with CDP to host a CDP briefing session for HTC suppliers. The session provided international information and management trends related to climate issues. Through CDP's explanation, it helped the supply chain better understand the content of the CDP questionnaire responses, including issues related to transformation plans and the usage procedures for CDP's website and online response system (ORS). This initiative aimed to help suppliers grasp the significance of climate information disclosure and enhance the quality of their disclosures. We also look forward to more companies joining the ranks of climate management.

In 2023, the CDP questionnaire response rate for Critical suppliers reached 94%. Among them, over 70% of suppliers reported on Scope 1/Scope 2, 77% included climate issues in board-level oversight, 62% set carbon reduction targets, and 30% used renewable energy. We will continue to communicate with tier-1 suppliers, gradually expand our influence, and work with upstream suppliers to deepen the carbon management capabilities of the industry chain.

### 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 2023, 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 Investment and Contribution

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 2023, benefiting a total of 235 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**

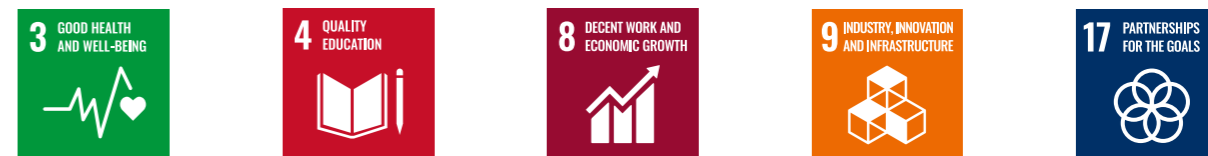
We conduct character education seminars to promote core education emphasizing the development of well-rounded character and lifelong learners. Through principal workshops, we promote this nationwide, and invite schools to organize character education leadership teams to help establish consensus and formulate 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 2nd round of awarding 13 schools was completed in 2023, and the selection process for the 3rd round of schools is ongoing in 2024.

**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.



**Use immersive technology to promote art and culture and preserve cultural assets**

VIVE Arts is the first to apply immersive technologies such as VR, XR, and the metaverse to the art and cultural sectors, pioneering groundbreaking digital art pieces and experiences. This effort sparks infinite creativity among artists and creators while also preserving the world’s heritage and culture. This kind of innovation not only provides audiences with new ways of participation and expanding their horizons, but also elevates art to a whole new level.

VIVE Arts is the first to apply immersive technologies such as VR, XR, and the metaverse to the art and cultural sectors, pioneering groundbreaking digital art pieces and experiences. This effort sparks infinite creativity among artists and creators while also preserving the world’s heritage and culture. In 2023, VIVE Arts specially participated in the “Future Content Field Demonstration Project” of the TAICCA, and jointly invested NT\$1,100 million with G REIGNS, hoping to jointly help promote Taiwan’s 5G entertainment and media industry to the world.

VIVE Arts has been collaborated with over 50 artistic insitutions around the world. In 2023, VIVE Arts has completed 7 major international collaborations including:

The VIVE Arts partnered project The Horizon of Khufu - Immersive Expedition was exhibited at Shanghai HKRI TaikooHui in May, 2023. This project is the world’s very first immersive virtual reality expedition based on the recreation of the interior and surroundings of the Pyramid of Khufu in Egypt. It took three

years for Excurio, a brand created by French studio Emissive and the Giza Project team of Harvard University to work together to realize this project, and brought to Asia for the first time by the company The Metaverse Project.

In May, VIVE Arts partnered with Gazelli Art House in London to present the UK premiere of Always I Distrust, the first VR artwork by the celebrated multimedia artist Cheng Ran. Always I Distrust debuted in 2020 as part of the opening exhibition of the X Museum, Beijing and is commissioned by K11 Art Foundation and VIVE Arts.

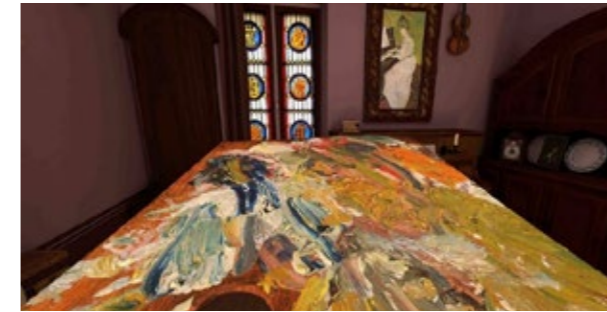
Notre-Dame de Paris suffered a tragic fire on April 15, 2019. In addition to the reconstruction plan receiving worldwide attention and support, the question of how to use the latest technology to recreate the historical and artistic value of Notre-Dame de Paris was an important milestone in the revitalization of world cultural heritage. In August 2023, through the joint planning of HTC and VIVE Arts, Eternal Notre-Dame was successfully introduced to Taiwan and exhibited at the National Museum of Science and Technology in Kaohsiung for eight months. This exhibition is also the first stop of a global tour for the experience. Through the form of virtual reality experience, Notre Dame Eternal takes the audience on a 45-minute in-depth tour of Notre Dame de Paris, allowing them to appreciate the rise and history of this magnificent space, and completely revealing the important cultural relics and artistic assets in its collection.

Using HTC's leading metaverse technologies, VIVE Arts and VIVERSE joined hands with Gray Area and Leonardo to jointly fund creators with disabilities to create immersive art works. Artists Indira Allegra and Melissa Malzkuhn created two artwork prototypes for VIVERSE, which were exhibited at the Gray Area Festival in San Francisco in October 2023. In November 2023, VIVE Arts and the Esther Schipper Gallery in Berlin jointly commissioned and presented a new virtual reality work Metaone by the artist Ben Elliot.

VIVE Arts' 2023 landmark institutional partnership was majestically opened at the Musée d'Orsay in Paris, France on October 3. In addition to supporting the major exhibition Van Gogh in Auvers-Oise: The Last Months as a sponsor, VIVE Arts also served as a co-producer of the exhibition's virtual reality experience Van Gogh's Palette, providing the Musée d'Orsay the museum's first ever VR experience. Van Gogh's Palette uses the last palette used by Van Gogh as a starting point to construct a virtual scene inspired by the painter's world and use of color, allowing viewers to have a unique perspective and interactive experience engaging with important paintings by the artist from this period.

The immersive work Le Bal de Paris de Blanca Li, which won the best VR experience at the 2021 Venice Film Festival, was on the opening program of the 2023 TIFA Taiwan International Arts Festival in February 2023 and has become an absolute hit. In December of the same year, VIVE Arts, Surprise Lab and the Taiwan Cultural Content Initiative collaborated to upgrade the VR content for the first time and create a long-term fixed-length narrative, which was brought to the audience at the National Taiwan Science Education Center in Shilin. A new sensory experience integrating real-life interaction, multi-person dancing, and 5G and large-area multi-person real-time entertainment tracking technology (Location-Based Entertainment, LBE), Le Bal implements a realistic and engaging interactive experience.

Looking forward to 2024, VIVE Arts will continue to delve into the field of combining art with technology to create unforgettable artistic experiences. In addition to continuing to deepen exploration in areas such as XR technology, blockchain, and Web 3.0, the rapid advancement of technology will further change the way art is created, presented, and experienced. VIVE Arts will continue to work with the world's most influential artists and cultural institutions to bring innovative and inspiring artistic content to audiences around the world.



▲ VIVE Arts collaborated with the Musée d'Orsay to present the virtual reality experience Van Gogh's Palette.



▲ VIVE Arts recreates the popular VR immersive interactive experience *Le Bal de Paris* in Taipei. Put on Chanel's virtual haute couture and embark on a gorgeous adventure that spans virtuality and reality.



▲ VIVE Arts and EXCURIO presented the first exhibition of *the Horizon of Khufu - Immersive Expedition* in Asia.



▲ *The Eternal Notre-Dame* VR exhibition has been well received by visitors on social media with its vivid immersive experience.

## Contribute to the public with technology and promote social health and welfare

Continuous innovation and development of convenient medical services have become an indispensable part of today's rapidly evolving healthcare technology landscape. HTC leverages technology to benefit the public, bringing more comprehensive solutions to human health and medical care. Linebot, developed by HTC DeepQ in cooperation with the Taiwan Centers for Disease Control, Changhua Christian Hospital, Chi Mei Medical Center and other institutions, uses AI technology as the basis to provide diversified medical services, aiming to improve people's quality of life and happiness. Future medical education also needs to integrate modern technology. By introducing the DeepQ AI Platform, doctors and patients can diagnose and receive treatment faster and more accurately, contributing greatly to public health.

**Continuous collaborating with CDC and promoting healthcare services to the public**



HTC DeepQ cooperated with CDC to develop Disease Control Butler 3.0 (DCB 3.0) to provide related information of COVID-19, and pandemic prevention information, decrees and health education propaganda, etc. As of the end of 2023, the user number of DCB has reached 10.44 million, with active users of 25,100, effectively assisting the NHCC’s policy to deliver to the public. The system updates domestic infectious disease-related screening, treatment, and preventive medication hospital query map data every week, as well as important domestic and foreign epidemic statistical data to ensure the timeliness and accuracy. In response to seasonal changes, and according to different age groups and identities, users are provided with opening vaccination times, vaccination instructions and FAQs for influenza vaccine, COVID-19 XBB, and pneumococcal vaccine during autumn and winter. In addition, 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. In 2023, Taiwan V-Watch has completed its phased tasks and terminated related services due to the easing of the COVID-19 epidemic. 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, and expanded to all counties across Taiwan in 2023, helping students and parents track the vaccination schedule and information.

In 2023, DeepQ continued to provide assistance to the domestic medical industry with its unique innovative products – Disease Control Butler (DCB) and Disease Containment Expert chatbots, and stood out in the National Innovation Award and winning the Excelsior Award. In the future, DeepQ will continue to fully use its advantages of scientific and technological innovation and be committed to human health and make greater contributions to social development.



**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. In 2023, the introduction of AI health education Q&A function can accurately answer public health education questions in natural

language and reduce the workload of medical staff. As of the end of 2023, the user number of Dr. Lan has reached 37 thousand.

Besides, 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. As of the end of 2023, the user number of Chi-Yi Butler has reached 19,000.

**DeepQ AI Platform**



To accelerate the introduction of medical-related artificial intelligence, future medical education needs to rely on modern technology. HTC DeepQ launched medical application “DeepQ AI Platform” in September 2019, allowing doctors to train AI themselves to judge medical images, and to easily complete AI model development without investing high hardware costs through cloud. In 2023, the version update provides more complete AI insight reports, related deep learning quantitative metrics and statistics, new built-in pre-training models and datasets, model re-optimization shortcuts, and the model deployment of related management and monitoring tools, which can significantly improve doctors’ independent training and optimization model capabilities, as well as the management and application of model deployment. For example, a medical center developed thoracic X-Ray pneumothorax AI model detection technology. Through the

AI model, it actively detects an average of more than 5,000 thoracic X-Ray shots per month and actively reports via text messages. After the introduction, the emergency notification rate has been greatly improved (increased by approximately 13%) as well as the notification rate within 2 hours (increased by approximately 14%), and significantly shorten notification time (by approximately 50%).

In 2023, DeepQ AI Platform continued to cooperate with Machay Hospital, Changhua Christian Hospital, Hualien Tzuchi Hospital and Shin Kong Hospital to promote how to conduct medical imaging model research and application without programming, and will continue to publish relevant results.

**Customizing virtual environment simulation to support the mental health of astronauts**

HTC VIVE, in partnership with XRHealth and Nord-Space Aps, has sent the first virtual reality headset VIVE Focus 3 to the space to support astronauts during their important mission. Nord-Space Aps



▲ A VR virtual reality experiment conducted during the 80th parabolic flight event of the European Space Agency (ESA) between November 14 and 25, 2022. This VR simulator was developed to train astronauts in zero gravity conditions.

has launched an initiative to support the psychological well-being of astronauts during their space missions. The isolated and highly stressful environment can take a toll on their mental health. By utilizing virtual reality technology, this initiative aims to provide a stimulating and supportive environment for astronauts, helping them maintain their mental balance. VIVE set out to solve these challenges with unique solutions, configuring the VIVE Focus 3 headset to the microgravity conditions of space. Our team developed a special tracking methodology which utilized a controller as an anchor point to solve the tracking and locationing problem of using

VR headsets in microgravity environment. The VR therapy includes immersive 360° videos that act as powerful tools to help astronauts in the realms of relaxation and meditation and also attractive contents such as sunsets, swimming with dolphins etc. to support astronauts' mental health.

### Use VR to expand educational horizons and create diverse learning channels

Education is the cornerstone of social inclusion and equity. In the digital age, education is becoming more diverse, interactive, and integrated. Therefore, SDG 4 emphasizes the importance of quality education. HTC's "Digital Twin Science Laboratory Project" not only provides ten teaching courses suitable for children aged 6 to 12 but also showcases a comprehensive learning and exploration journey of the metaverse through three major thematic virtual laboratories. Additionally, through the 5G and metaverse new technology learning demonstration school program, innovative technology is integrated with teaching, offering students a more vivid and immersive collaborative learning experience. These brilliantly echo the core values of SDG 4, creating more possibilities for education and society in the future.

### Collaborating with Hsinchu City Goernment to build a smart and DEI Cultural metaverse city

Hsinchu City Government and HTC work together to build a city of humanities, science and technology. Under the guidance of the Ministry of Digital Affairs, the Department of Industrial Technology of the Ministry of Economy and the Industrial Technology Research Institute, the "Digital Twin Science Popularization Laboratory" was jointly launched. It will last for three years, with free admission and ten lesson plans suitable for children aged 6 to 12 years old, using three major themed virtual laboratories to



▲ Virtual laboratory lesson plan 1-Co-creation hall, learn about silicon

demonstrate the all-round learning and exploration process in the Metaverse. In addition, you can also experience functions such as interact, chat and photo shooting etc. of the metaverse space through online platforms. The exhibition showcased Hsinchu's local glass craftsmanship, science park semiconductors and other themes, with the concept of sustainable development of renewable energy ran through it. The exhibition design combined elements such as cutting-edge technology, geographical features, history, culture, and artistic aesthetics, and was inspired by the characteristic "wind" of Hsinchu City, presenting a multifaceted and elegant appearance. This exhibition not only provides a learning experience in the virtual space, but also establishes a digital and physical integration space in reality, creating a futuristic digital technology city.

### Partnering with the Ministry of Education and building an educational metaverse

Under the guidance of the Department of Information and Technology Education of the Ministry of Education, HTC teamed up with the 5G New Technology Learning Demonstration School Counseling Program Office, National Pingtung University, National Kaohsiung University and the Miaoli County Government Education Department to demonstrate learning through 5G and the new technology of metaverse. The project integrates innovative technology with teaching to provide students with a more vivid and rich immersive learning experience.



We also held the "Educational Metaverse Open Class Observation and Results Presentation" at Tongxiao Elementary School in Miaoli County. Teachers and students entered the

"Educational Metaverse Classroom" constructed by VIVERSE to conduct interdisciplinary and interesting learning courses, breaking through geographical restrictions and achieving resource sharing learning experience. This event is not only the first of its kind in Taiwan, but also demonstrates the open and equal learning concept, provides teachers and students with a new way of learning together, and realizes HTC's commitment to technological innovation and the future of education.

## Inspire the diverse spirit of innovation and open up cross-sector applications for the Metaverse industry

“Promoting inclusive and sustainable economic growth” has always been a common goal around the world, and the development of innovative technologies has provided us with related solutions. VIVE ORIGINALS leveraged the BEATDAY metaverse brand to successfully provide audiences with new entertainment experiences and promote the development of Taiwan’s virtual reality entertainment industry. Through cross-sector cooperation with other brands in different fields, we have demonstrated the possibilities of diverse applications and created a new social entertainment ecosystem. BEATDAY is not only a major breakthrough for the entertainment industry, but also an important contribution to achieving the goal of inclusive and sustainable economic growth.

### Creating brand value—the brand new BEATDAY entertainment experience metaverse



To subvert people’s understanding of culture, VIVE ORIGINALS uses innovative technology to create the world’s first music metaverse brand BEATDAY, which not only provides audiences with a new entertainment experience but also promotes the development of Taiwan’s virtual reality entertainment industry. In addition, VIVE ORIGINALS also elevates BEATDAY to the metaverse, allowing the audience to experience the splendor and richness of the metaverse in BEATDAY. By watching the metaverse concert, the audience not only avoid the risks caused by participating in large-scale events during the epidemic but also reduce the energy consumption and transportation carbon emissions of attending physical events. This not only contributes to environmental protection, but also reflects an environmentally friendly attitude towards when enjoying entertainment.

In 2023, BEATDAY held the following event:

1. Collaborating with famous drama IP Light the Night and launched interactive drama Light the Night 2700: Redhat Killer
2. Working with 77Ke and HIM and presenting the new song Wonderland metaverse concert, the first physical and virtual concert format
3. Launching Vtuber concert Illusionary in collaboration with Springfish Studio, integrating 6Dof 3D motion capturing technology, and allows virtual idols to break the 2D images on online audio and video platforms in the past and provide an extremely realistic and immersive experience
4. Inviting renowned hip-hop singers to hold *Taiwan Roar-Beef* mix virtual concert that combines cloud

rendering technology for the first time, allowing users to easily enjoy a unique free-perspective fantasy concert across platforms.

### Holding 2023 VIVE & VIVERSE Developers Meetup

VIVERSE is committed to creating an open and diverse metaverse ecosystem and growing together with global partners. HTC cooperated with the Minister of Digital Affairs and TAICCA to invite new generation directors, cultural workers and digital industry developers to promote technology and Cultural and economic development. This event attracted hundreds of innovative entrepreneurs to explore new opportunities in content creation and application development.

VIVERSE has created a full range of application cases at home and abroad, such as virtual fashion design exhibitions, virtual reality shows and online Vtuber concerts, including virtual fashion design exhibitions in cooperation with ELLEverse and Shih Chien University, Light the Wild - TV virtual reality show, Taiwan’s first online full-view Vtuber concert, and the e& Universe created in cooperation with e&. It also demonstrates the potential of the metaverse in educational applications, allowing schoolchildren to have a deeper understanding of knowledge content. These cases highlight the versatility and diversity of the VIVERSE platform and present the potential of the Metaverse in various fields.

### Accelerate industrial innovation with a solid technological foundation and promote virtual and physical sustainable living

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 Forging Program takes advantage of the opportunities in the metaverse market and integrates technologies such as 5G, AIoT and XR to promote demonstrative services using the metaverse virtual town concept, aiming to drive new business opportunities and value. The first virtual production system suite launched by HTC VIVE, VIVE Mars CamTrack, is combined with the new VIVERSE 3D visualization technology to provide convenience, affordability, and professional features, making virtual production easier. It has become an important part of Taiwan’s metaverse innovation ecosystem.

### HTC Metacity: creating a future life the combines virtuality and reality

The future of AI is the metaverse. Metacity created by HTC is a city that integrates virtuality and reality. It is also a more open, diverse and inclusive virtual world where everyone can enjoy the convenience and fun brought by technology. People can experience various activities in the virtual world through technologies such as VR and AR, such as visiting museums and art galleries, attending concerts and sports events, and conducting virtual socializing and shopping.



▲ HTC and the Kaohsiung City Government join forces to create the VIVERSE Meta City (from left: Kaohsiung City Mayor Chi-Mai Chen, HTC Board Member Wen-Chi Chen, HTC Senior Vice President of Global Sales and Marketing Charles Huang).  
▲ Mayor Chen Chi-Mai becomes the first Meta Resident of Meta City.

HTC MetaCity is still in its early stages of development, but it has already making some progress. For example, HTC cooperated with the Kaohsiung City Government to create the “Yancheng Demonstration City”, which moved Kaohsiung’s famous attractions and culture into virtual world. It also opened 20,000 “Virtual Homes” in the metaverse for free stay. People can decorate their own exclusive space, and enter the Kaohsiung City’s unique digital twin virtual exhibition hall from “your own home” to watch a football game immersively, or participate in the world’s first Beatday concert, Christmas and New Year parties, travel sharing sessions and other activities.

HTC expects to launch more innovative applications and services in Metacities to provide people with a richer virtual world experience. HTC Meta City is expected to develop rapidly in the next few years and become an important part of people’s daily lives.

### Participating the Minister of Economic Affairs’ A+ Industrial Innovation R&D Program



Taiwan’s software field faces problems such as a small market and lack of brand awareness, and the metaverse market provides an opportunity to solve these problems. In this context, the Kaohsiung Metaverse Innovative Service Application Plan integrates 5G, AIoT, XR and other technologies, and promotes demonstration services based on the metaverse virtual town concept. This plan aims to create a metaverse ecosystem with technology integration innovation and business sustainability, hoping to spread from Kaohsiung to the world and create the value of metaverse’s emerging industries.

In order to make progress in the development and integration of key technologies, we have proposed a number of development and integration projects with reference to the seven-layer key structure of the metaverse. These projects include financial integration technology, open platforms, image capture and shooting technology, panoramic live broadcast technology, action expression

capture and infrastructure integration, etc., allowing all walks of life to enter the world of the metaverse and create new business opportunities.

### VIVE Mars CamTrack: Virtual Production Solution

HTC VIVE launched a turnkey virtual production product, VIVE Mars CamTrack, which makes complicated virtual production fast, easy, and affordable by consolidating the entire camera tracking workflow into a compact, plug-and-play module with professional-grade features. In the past, virtual scenes and action scenes in Hollywood movies often cost tens of millions of dollars, but now, due to technological advancement, it has brought about an unimaginably simple production process, shortening the setup time from hours to minutes, and high-quality images can be captured at an affordable price that even small production studios can afford. This not only allows filmmakers and content creators to fully unleash their creative potential, but also provides creators who want to join the VTuber industry with the opportunity to quickly realize their dreams.



with a number of local film and television producers, such as the “2023 48H International Virtual Production Shooting Competition” co-organized by VIVE Mars, Fengsui Vision, Shih Hsin University, and the Asian Virtual Human Association, which attracted a total of 56 teams from colleges around the world. This not only gave all participating students a deeper understanding of virtual production technology, but also verified the efficiency improvement that virtual production technology can bring when applied to real shooting, and took this opportunity to cultivate visual effects, film and television talents. In addition, the Reappearance Imaging team used VIVE Mars virtual production tracking technology to complete the filming of the movie Old Fox, which won four awards at this year’s Golden Horse Awards, showing that virtual production technology has become the latest mainstream.

It is worth mentioning that BlizzCon 2023 Carnival has made HTC VIVE Mars the official partner of this BlizzCon. BlizzCon is an annual feast for video game fans around the world. VIVE Mars virtual production is combined with Blizzard’s popular masterpiece Overwatch 2 to bring an unprecedented experience to live fans. Using the latest virtual production technology, fans can interact with their favorite Overwatch 2 characters on the spot. And after the on-site experience is over, you can get a 1-minute video, which allows fans to collect short videos and share them with their own community.

## Strength the means of implementation and revitalize the global partnership for sustainable development

As a company committed to promoting the usage of VR and generative AI technologies in medical education, HTC Medical VR actively cooperates with Taiwan’s top hospitals, schools, and enterprises. Through innovative VR teaching methods, we are committed to cultivating medical talents and promoting sustainable development. For example, we collaborated with the College of Nursing of Asia University to promote SDG metaverse projects. We also partnered with Shin Kong Hospital to establish a medical metaverse, demonstrating HTC Medical VR’s active contributions to promoting diverse partnerships and promoting the sustainability vision.

### HTC, Far EasTone Telecommunications and Taipei Computer Association establish “Multiverse Application Alliance”



▲ Launching ceremony of the founding conference of the Multiverse Application Alliance

Global Sales VP Charles Huang and Far EasTone Telecommunications Executive Vice General Manager and Chief Information Officer Hu Demin as co-chairmen. The alliance will focus on “retail e-commerce”, “medical care”, “green sustainability”, “manufacturing industry”, “culture and entertainment”, “education and learning”, and “public welfare governance”, and lead seven key theme services, calling on relevant metaverse industry players to join and set sail. The alliance’s founding meeting attracted 49 founding members and many government guests, demonstrating the importance and support from all walks of life for the development of the metaverse.

This alliance aims to create a metaverse ecosystem and help Taiwan become the best metaverse application field in the world. It also promotes and accelerates the digital transformation of the industry, strengthens Taiwan’s competitiveness and expands business opportunities. By completing the basic environment for metaverse applications, developing key software, hardware and platform services, establishing field demonstrations and connecting resources and policy initiatives, we will inspire new metaverse business models, form an industrial value chain, and become an international metaverse application strategy partner. In addition, the alliance integrates elements of metaverse applications and provides a full range of services, which will become another important opportunity for domestic industry players to leap onto the international stage.

HTC announced the establishment of the “Multiverse Application Alliance” at the “2023 Smart City Exhibition”. This alliance is the first of its kind to have a dual-chairman system, with HTC

### HTC Medical VR cultivating global medical talents



▲ Teachers can easily use the Virti VR lesson plan development platform to create VR interactive teaching materials to improve student learning effectiveness.

with doctors and patients to improve patient safety and medical quality. The Virti platform can improve students’ learning effectiveness and confidence, and can objectively evaluate learning results and tutoring intervention methods to expand teachers’ teaching capabilities.

### HTC Medical VR collaborating with Taichung Veterans General Hospital to promote CPR XR training program

HTC Medical VR and Taichung Veterans General Hospital worked together to develop a cutting-edge CPR XR training program. This innovative solution uses the latest virtual reality technology to combine VIVE hand trackers, precise gesture recognition technology and XR Elite head-mounted displays to create a forward-looking CPR training experience that not only breaks the space constraints in traditional CPR training. Despite equipment limitations, it also provides highly realistic simulations of emergency



▲ HTC Medical VR collaborates with Taichung Veterans General Hospital to promote a CPR XR training program, combined with VIVE hand trackers, to break the space and equipment limitations of traditional CPR training and improve first aid skills.

HTC Medical VR has cooperated with Taiwan’s top hospitals and schools, combined with the developer Virti VR lesson plan platform, and has held a total of 80 workshops as of 2023, trained more than 2,500 medical professionals and student users, and produced 200 high-quality lesson plans. In addition, it has cooperated with 10 medical centers to use VR and generative AI teaching plans to train clinical skills, integrate care across teams, and communicate

situations, allowing trainers to practice emergency rescue skills in simulated environments, such as situations such as pregnant women falling on the road.

In addition, this solution can provide instant feedback on the rescuer’s operations through an accurate technical evaluation system, thereby effectively improving training efficiency and effectiveness. This not only demonstrates the importance of

technological innovation in improving the quality of medical training, but also demonstrates HTC Medical VR's leading position in promoting the advancement of medical technology. Through such cooperation, we are committed to improving the first aid skills of the public and medical personnel, further ensuring patient safety, and demonstrating our firm commitment to social responsibility.

### HTC Medical VR cooperates with Shin Kong Hospital to establish a medical metaverse for international medical and pharmacist training

HTC Medical VR and Shin Kong Hospital continue to cooperate and develop, and in 2023, VR technology and generative AI simulation training were successfully integrated into the professional training of medical staff and pharmacists. This collaboration not only brings the latest advances in international medical technology into clinical practice, but also demonstrates how technology can break the boundaries of traditional medical education and services. The VR health checkup experience project jointly developed by both parties breaks through language and cultural barriers, allowing patients around the world to have an in-depth understanding of and experience the top health checkup services of Shin Kong Hospital. This not only improves patient satisfaction, but also establishes an international brand image for the hospital.

In addition, through cooperation with the "Virti AI Virtual Human Teaching Plan Production Platform", Shin Kong Hospital successfully integrated the latest generative AI technology and created multiple AI virtual patient teaching plans. These teaching plans provide pharmacists with opportunities to interact with virtual patients. Practical learning and consultation training are carried out in realistic medical scenarios to further shorten training time. This move not only speeds up the training of professional talents, but also lays the foundation for improving the overall quality and efficiency of medical services, demonstrating its leadership in promoting medical education innovation and technology application.



▲ HTC Medical VR and Shin Kong Hospital successfully combined VR technology and generative AI simulated training and integrated it into the professional training of medical professionals and pharmacists.



▲ HTC Medical VR cooperates with Shin Kong Hospital to develop international medical VR, which not only improves patient satisfaction but also establishes an international brand image for the hospital.

### HTC Medical VR collaborates with Taipei Hospital of the Ministry of Health and Welfare to bring VR technology into operating rooms to alleviate patients' anxiety and pain

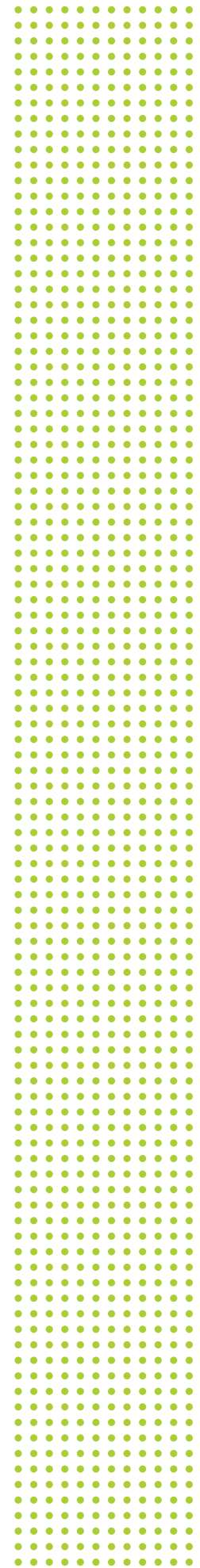
HTC Medical VR cooperates with Taipei Hospital of the Ministry of Health and Welfare to apply VR innovative technology in the field of clinical surgery, opening a new chapter in improving patient experience and reducing surgical anxiety. Through the "Virtual Surgery - VR Comfortable World Adventure" project, VR technology effectively transforms patients' feelings about surgery, reduces worries and fears before traditional surgery, and provides psychological peace of mind to patients' families. Personalized VR content creates an immersive environment that effectively reduces patients' anxiety and pain during surgery. Combining local anesthesia with VR application not only improves the success rate of surgery, but also significantly improves patient satisfaction and makes an outstanding contribution to improving the overall medical experience.



▲ HTC Medical VR cooperated with Taipei Hospital of the Ministry of Health and Welfare to bring VR technology into the operating room to alleviate patient anxiety and pain.



# **CAPITAL AND SHARES**



# CAPITAL AND SHARES

2024.04.22 Unit: Share

## 4.1 Capital and Shares

### 4.1.1 Capitalization:

2024.04.22 Unit: Share; NT\$

Month/ Year	Price	Authorized		Paid-in		Sources of capital	Remark	
		Shares	Amount	Shares	Amount		Capital increase by assets other than cash	Other
03/2022	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
05/2023	10	1,000,000,000	10,000,000,000	831,092,086	8,310,920,860	Issuance new shares of Employee Stock Ownership Plans	None	Note 1 Note 2
08/2023	10	1,000,000,000	10,000,000,000	831,437,986	8,314,379,860	Issuance new shares of Employee Stock Ownership Plans	None	Note 1 Note 2
11/2023	10	1,000,000,000	10,000,000,000	831,642,486	8,316,424,860	Issuance new shares of Employee Stock Ownership Plans	None	Note 1 Note 2
03/2024	10	1,000,000,000	10,000,000,000	832,037,986	8,320,379,860	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

Type of stock	Authorized Capital			Remark
	Outstanding shares (Note)	Unissued Shares	Total	
Common Stock	832,329,236	167,670,764	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 22, 2024, the Company's total shares outstanding were 832,329,236 shares, among which 291,250 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.

### 4.1.2 Shareholder structure:

2024.04.22

Structure	Shareholder					Total
	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	
Number of shareholders	1	13	410	156,985	481	157,890
Shareholding	14	7,886,807	134,895,127	612,846,989	76,700,299	832,329,236
Holding percentage	0.00%	0.95%	16.21%	73.62%	9.22%	100.00%

### 4.1.3 Distribution of ownership:

2024.04.22 Each share has a par value of NT\$10

Common Stock Shareholder Ownership (Unit: share)	Number of Shareholders	Ownership	Ownership (%)
1 - 999	61,889	3,833,320	0.46%
1,000 - 5,000	77,976	151,444,142	18.20%
5,001 - 10,000	9,355	73,102,029	8.78%
10,001 - 15,000	2,879	37,015,474	4.45%
15,001 - 20,000	1,781	32,920,397	3.96%
20,001 - 30,000	1,432	36,725,145	4.41%
30,001 - 40,000	730	26,279,420	3.16%
40,001 - 50,000	457	21,033,245	2.53%
50,001 - 100,000	799	57,215,694	6.87%
100,001 - 200,000	329	45,632,312	5.48%
200,001 - 400,000	147	40,248,616	4.84%
400,001 - 600,000	41	19,435,082	2.34%
600,001 - 800,000	16	10,836,732	1.30%
800,001 - 1,000,000	9	7,910,765	0.95%
Over 1,000,001	50	268,696,863	32.27%
Total	157,890	832,329,236	100.00%

Preferred stock: None

#### 4.1.4 List of principal shareholders:

2024.04.22 Each share has a par value of NT\$10

Name of principal shareholders	Shares	
	Current Shareholding	Percentage
Way-Chih Investment Co., LTD.	43,819,290	5.26%
Cher Wang	32,272,427	3.88%
Way-Lien Technology Inc.	30,588,231	3.68%
Hon-Mou Investment Co., Ltd.	23,197,081	2.79%
Wen-Chi Chen	22,391,389	2.69%
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	6,127,204	0.74%
JIAN - KAI PROPERTY MANAGEMENT CO., LTD.	5,387,000	0.65%
Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds	5,188,301	0.62%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	4,985,079	0.60%

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

Unit: NT\$/ Thousand Shares

Item	Year	2024.01.01-2024.03.31			
		2022	2023	2024.01.01-2024.03.31	
Market price per share	Highest market price	88.40	69.30	55.60	
	Lowest market price	42.10	43.90	45.15	
	Average market price	57.36	55.66	49.03	
Net worth per share (Note)	Before distribution	30.81	27.41	-	
	After distribution	30.81	Note	-	
Earnings (loss) per share	Weighted average shares (thousand shares)	826,261	831,249	-	
	Earnings (loss) per share	(4.13)	(4.09)	-	
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 2024 Shareholders Meeting.

#### 4.1.6 Dividend policy and Implementation Status:

##### Dividend Policy in Articles of Incorporation

Because the Company is a technology and capital-intensive enterprise in its growing phase, the Company sets a policy to allocate dividends with consideration to factors such as the Company's current and future investment climate, demand for working capital, competitive environment at home and globally, capital budget, as well as the interests of the shareholders, balanced dividends, and long-term financial planning of the Company. Every year, the board of directors shall propose the allocation ratio and propose it at the shareholders' meeting. The earnings may be allocated in cash dividends or stock dividends, provided that the ratio of cash dividends may not be less than 50% of the 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 total paid-in 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 2024 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 2024 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 and director 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 2024 Annual Shareholders' Meeting; therefore it is not applicable.

##### The actual distribution of employee, director, and supervisor's compensation for 2022

No distribute for employee, director, and supervisor compensation in 2022.

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

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

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

#### 4.4 Global Depository Receipts

2024.04.22

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	364,287 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	2023	High	USD 9.15
		Low	USD 5.45
	2024.01.01-2024.04.22	Average	USD 7.30
		High	USD 7.05
		Low	USD 5.10
		Average	USD 6.07

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

2024.04.22 / Unit: share and NT\$

Employee Stock Options Granted	3 <sup>rd</sup> Grant	4 <sup>th</sup> Grant	5 <sup>th</sup> Grant	6 <sup>th</sup> Grant
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)	2.28%	0.12%	2.40%	1.20%
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	9,868,200	3,816,651
Value of Shares Exercised	NTD 0	NTD 8,665,500	NTD 350,321,100	NTD 133,773,618
Shares Unexercised (Note 3)	1,649,200 shares	90,000 shares	5,142,800 shares	4,027,599 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)	0.20%	0.01%	0.62%	0.48%
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, 832,329,236.

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

2024.04.22 / Unit: share and NT\$

Title	Name	Number of Option Acquired	Number of Op-tion Acquired / Number of Op-tion Issued (Note1)	Exercised			Number of Option /Number of Option Issued (Note1)	Unexercised				
				Number of Option	Exercise Price per Shares (NTD)	Option amount		Number of Option	Unexercised Price per Shares (NTD)	Option amount	Number of Option /Number of Option Issued (Note 1)	
Managers	Chief Financial Officer and Accounting Officer	3,310,000 shares	0.40%	365,000 shares	NTD 35.5	NTD 12,957,500	0.04%	2,945,000 shares	NTD 134.5, NTD 54.5, NTD 35.5 and NTD 35.05	NTD 157,430,000	0.35%	
	General Counsel and Corporate Governance Officer											ChiaTe Lu
	Chief Technology Officer											WH Liu
	Senior VP											Adrian Tung
	Senior VP											Raymond Pao
Employee (Note 2)	Alan Chen	4,391,000 shares	0.53%	2,297,500 shares	NTD 35.5, NTD 35.05	NTD 81,476,875	0.28%	2,153,500 shares	NTD 134.5, NTD 54.5, NTD 35.5 and NTD 35.05	NTD 98,191,375	0.26%	
	Alvin Graylin											
	Asii Wu											
	Charles Huang											
	Daniel Gong											
	Daniel O'Brien											
	Harvey Chang											
	Joseph Lin											
	Madeline Chen											
	Richard Tsai											

Note 1: The information is calculated based on the issued shares, 832,329,236

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

## 4.6 New Restricted Employee Stock

4.6.1 Status of Employee Restricted Stock: None.

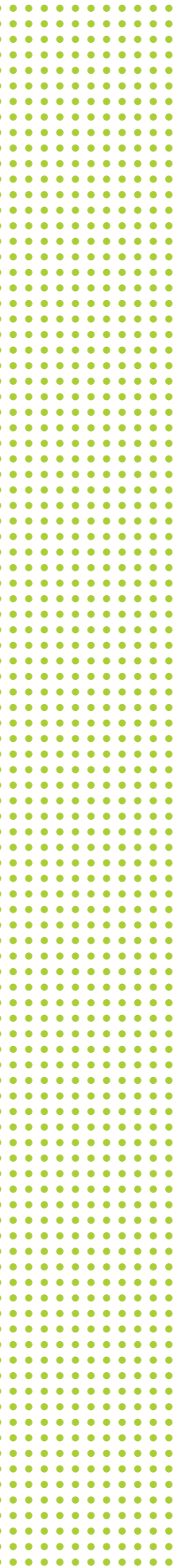
4.6.2 Restricted employee stock to management team and to top 10 employees: None.

## 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.

While geographical restrictions relating to the COVID-19 pandemic were completely lifted worldwide by the end of 2023, it is clear that some aspects of the digital revolution catalysed by the pandemic have become embedded in society, and the concept of Web4 has further developed as well. HTC remains well-positioned, taking full advantage of the global trend and dedicates to completing the VIVERSE ecosystem. HTC continued to fulfil its potential in 2023, creating innovative products and services with clear market focus, with each business demonstrating maturity of business model and leadership in their respective fields.

### VIVE System

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 the Consumer Electronics Show (CES), including the Best of CES 2018 Awards and the Coolest VR Innovation at CES. This further strengthens VIVE's leading role in the VR ecosystem. On the other hand, 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, providing 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.

In 2020, we launched the VIVE Cosmos External Tracking Faceplate, allowing VIVE Cosmos users to experience the mobility of the inside-out tracking system and the accuracy of the outside-in precision tracking feature, 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. 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.

In 2022, HTC launched the new tracking accessory for the VIVE Focus 3, the VIVE Wrist Tracker. It is the first inside-out tracker designed for all-in-one headsets, worn on the arm like a wristwatch. The tracker provides precise tracking of movements from fingertips to the elbow, offering a lightweight and easy-to-set-up design. It only requires activation and wireless connection to the VIVE Focus 3 for immediate use.

In 2023, HTC unveiled the groundbreaking VIVE XR Elite at CES, continuing to elevate the unparalleled immersive virtual and augmented reality experiences. VIVE XR Elite provides an outstanding 6DoF spatial experience. It introduces hand tracking functionality for both VR and MR experiences, incorporating

tracking technology systems. This allows intuitive interaction using hands for activities, facilitated by natural hand movements and fingertip gestures. Combined with the new VIVE positional tracker and VIVE facial tracker, it smoothly captures character movements and subtle facial expressions in the virtual environment, enhancing the overall immersive sensation in virtual environments and games.

### 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 inter-pupillary distance (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 FOV 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 CES, the largest international consumer electronics event in the United States. Featuring a stunning 5K high-resolution display and a wide 120-degree FOV, the VIVE Pro 2 delivers visual effects that are excellently smooth, detailed and crystal clear.

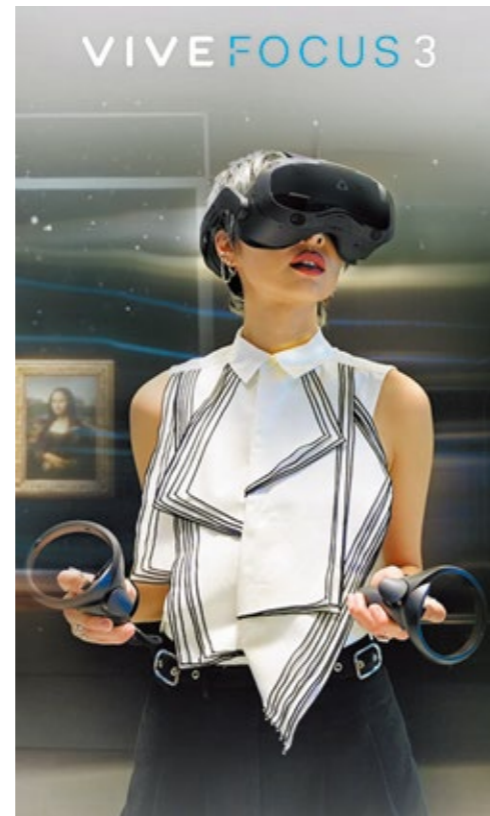
The VIVE Pro 2 features an adjustable IPD function, balanced front-rear weight distribution, an adjustable strap and a quickly-scaled knob that allows adjustments to wearing configurations for different users. Aside from supporting third-party earphones, VIVE Pro 2 also features a set of headphones that 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 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.

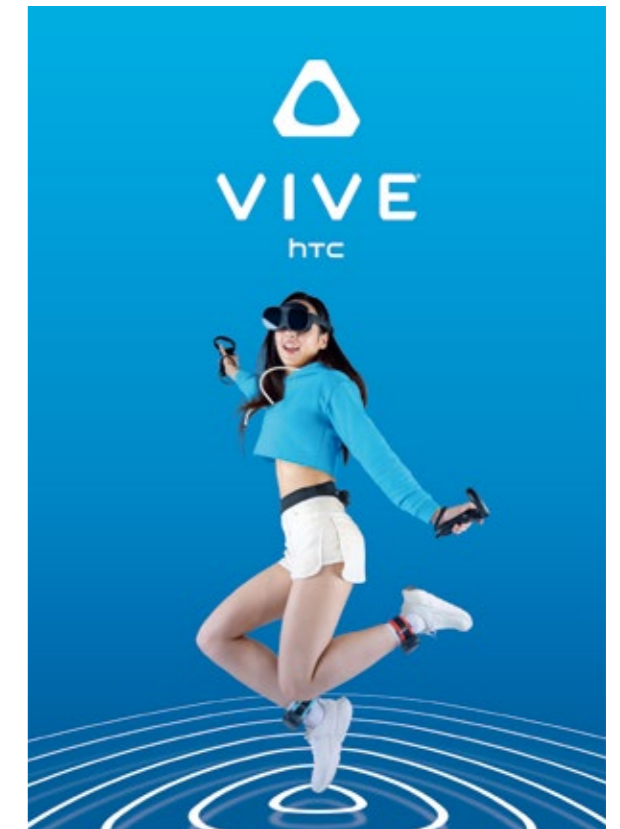
In order to offer a wearing experience that is most comfortable and convenient and lasts for a longer session, the VIVE Focus 3 is equipped with a curved and fitting swappable battery pack, as well as a new strap that makes the helmet a natural counterweight. Changing of VIVE Focus 3's battery pack only 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 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 controllers on the market, the redesigned controller offers more intuitive use experience; one single recharge can last for 15 hours.

### VIVE Ultimate Tracker

VIVE Ultimate Tracker is compact, versatile, and with two wide-FOV cameras and new technology which essentially makes it "self-tracking". This makes it perfect for HTC VIVE's standalone headsets VIVE XR Elite and VIVE Focus 3, with support coming for OpenXR, SteamVR based PC VR setups in the near future.

Built for versatility, the VIVE Ultimate Tracker uses a standard 1/4"-20 UNC mount and has a pogo pin interface, allowing it to attach to a variety of objects. This opens the door to many use cases such as mocap for film and games, industry-specific objects for VR training, dancing in VRChat, and more. VIVE is also releasing developer documentation and the 3D CAD file publicly so that people can design their own bespoke mounts.



Up to five VIVE Ultimate Trackers can be used simultaneously per headset, delivering exceptional multi-point full-body tracking. Additionally, VIVE Ultimate Tracker supports PC VR streaming and is compatible with existing VIVE Tracker supported PC content.

### **VIVE Full Face Tracker**

VIVE Full Face Tracker, a plug-and-play module that brings face and mouth tracking to VIVE XR Elite through a simple USB-C connection.

It allows facial movements to be represented naturally in XR, capturing up to 38 blend shapes across the lips, teeth, tongue, cheeks, nose, and chin at a 60 Hz tracking rate. This means that even subtle facial expressions are accurately portrayed, and spoken words match facial expressions in real-time.

VIVE Full Face Tracker can accurately track eye movements at 120 frames per second. It also sports an innovative auto-calibration feature: the tracker detects your IPD and automatically calibrates the headset for viewing comfort and clarity. This feature allows multiple users to share the same headset without having to manually reset the IPD slider every time. And of course, users can still adjust the diopters directly on the VIVE XR Elite headset to ensure sharp visuals.

### **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.

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. The VIVE Focus 3 Eye Tracker also makes implementing gaze control easy, 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.

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. It offers insight into how users naturally interact with a product, allowing companies to improve user experiences.

### **Virtual Reality Solution: AXON Partners with HTC VIVE to Create Next-Generation Police Training**

In recent years, new virtual reality training technologies have entered the public eye, gradually changing the traditional training methods for police officers and armed security personnel. VR training allows police officers to learn in “real-world” scenarios anytime, anywhere, while enabling VR trainers to provide real-time feedback and guidance. Recognizing this trend, Axon has partnered with HTC VIVE to explore the infinite potential of VR training.

The focus of their VR training includes de-escalating violent conflicts, restoring mental health, empathy training, and non-lethal force training, with a mission to protect lives and provide robust support for law enforcement and security agencies, making policing safer and smarter. In collaboration with HTC VIVE, Axon provides two main VR solutions for local police: community engagement training and simulator training. Trainee officers wear VIVE Focus 3 during the training, immersing themselves in realistic crisis scenarios. Faced with emergency situations, trainees must make optimal decisions among multiple paths to further ease tension, defuse crises, and save lives.

Props in the simulator training include a VR-tracked taser controller and a training-specific firearm. In the simulator module, trainee officers encounter various scenarios involving disputes, such as potential domestic violence situations. Fully immersed in an “open world” environment like high-end video games, trainee officers can knock on virtual doors and interview the protagonists of the cases. The interviewees may respond with various reactions, from obvious hostility or emotional excitement to gradually becoming friendly. Trainee officers must make correct decisions to ensure the safety of both parties, understand the background of the incident reported via a distress call, and, if necessary, deploy weapons. Additionally, simulator training includes essential skills practice, such as stun gun range exercises and firearms shooting ranges, helping trainee officers repeat necessary skills. Axon plans to launch the simulator training in the United States and Canada through subscription services or standalone solutions and aims to expand globally in the future.

### **VIVE Streaming**

With VIVE Streaming vastly improves the wireless capabilities for VIVE Focus 3 to enjoy variety of PC contents. VIVE Streaming brings the same technology to consumer on VIVE XR Elite.

VIVE Streaming supports wireless and USB streaming and also different VIVE accessories for consumers to enjoy high quality PC contents. VIVE Streaming extends to support MR with passthrough to show off the high quality passthrough on VIVE XR Elite.

VIVE Streaming also enables VIVE Ultimate Tracker be simply used as VIVE Tracker. It by default is compatible to all existed PC contents designed for VIVE Tracker and also VIVE Tracker accessories, like tennis racket, etc. Body tracking contents, like VRChat, now works with VIVE Ultimate Tracker over VIVE Streaming.

## 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.

## VIVE Business+

VIVE Business+ is a web-based enterprise-level management software and service solution designed for efficient batch registration and synchronized management of multiple VIVE all-in-one devices. It offers an efficient, convenient, and comprehensive solution. Through remote monitoring and configuration updates, it optimizes and expands your applications. Additionally, by accessing advanced features, you can unleash the hardware potential of VIVE all-in-one devices.

VIVE Business+ provides a quick registration method, allowing device managers to swiftly register VIVE devices and create one or multiple groups for their devices, enabling fast and effective deployment of updates. With the group management feature, device managers can easily configure a large number of devices by adding or removing them from groups, changing group settings, and managing software updates for all group devices, all of which can be done wirelessly.

Monitor the status of registered devices briefly on the dashboard, checking battery levels and other essential data for both headsets and controllers. In device details, you can monitor the current display screen of the device during any content usage, making it ideal for various training, teaching, and esports broadcasting applications. This feature allows trainers, teachers, and platform controllers to easily synchronize content for device users.

VIVE Business+ offers remote commands, allowing device managers to remotely reset, shut down, pair controllers, and push content to registered devices. Additionally, batch switching of group device location tracking modes and system user interfaces is possible, enhancing the immersion of device users in content and facilitating quick entry into virtual experiences. This capability increases the usage frequency of different user batches, making it easy to deploy event experiences and VR training programs in various environments.

## VIVE Wave™

VIVE Wave™, an open platform and toolset that will enable easy Mobile VR content development and high-performance device optimization for third party partners. The VIVE Wave™ VR SDK offers an open interface enabling interoperability between numerous mobile VR headsets and accessories, supporting mainstream game engines. This allows players with different VR devices an easy access to your extraordinary content.

## 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 m<sup>2</sup> (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.

**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.

In November 2023, ESA (European Space Agency) and NASA (National Space Administration) launched Vive Focus 3 to the international space station. Astronaut Andreas Mogensen performed a human initiative VR mental health and VR fitness program by Simulator VR mode. This breakthrough in technological boundaries makes the dream of VR in any environment (even Micro-gravity) come true.

**Marker-based Tracking (ArUco)** — 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.

## VIVERSE

In 2023, VIVEPORT continued to introduce high-quality PC VR games and applications to add a variety of content and virtual experiences to its Infinity content library. It also followed the launch of the all-in-one XR VIVE XR Elite and VIVE Ultimate Tracker, introducing popular games and applications such as *Hubris*, *LES MILLS BODY COMBAT*, and VRChat all-in-one versions that are well-received by players. It also supports game developers in publishing large-scale all-in-one games with multiple OBB expansion files on VIVEPORT, deepening the connection with the XR industry market demand. VIVEPORT will continue to optimize the user and developer interface to promote the steady growth of user numbers and satisfaction.

The CMCC VRPORT store, jointly launched by VIVEPORT and China Mobile's MIGU, was also officially launched in 2023. As the industry's first 5G+XR joint store, the two sides have leveraged their content and technical advantages to provide thousands of high-quality XR content. In addition, VIVEPORT also launched many high-quality contents that is compatible with the Chinese XR interoperability standard GSXR (General Standard for XR). Among them, Neuro Hacker has been praised by many players. Through its support for GSXR, VIVEPORT will also expand its store business to all-in-one devices by other hardware partners such as NOLOVR, YVR, and Skyworth, creating a VIVEPORT ecosystem that is interconnected, mutually beneficial, and mutually compatible.

In 2022, at Mobile World Congress (MWC), HTC unveiled its latest metaverse platform VIVERSE for the first time, which includes “Avatar” that can be used across devices and platforms, a 3D space “World”, and a digital store “Market”. In 2023, HTC upgraded the mobile app and launched a VR app, further realizing the VIVERSE vision of providing a complete metaverse solution for consumers and businesses. In 2023, VIVERSE continued to expand its product reach, develop innovative technologies and applications, and adhere to open and scalable standards. It provides users with immersive interactive experiences that are not limited by time or space, and it provides creators with new creation modes and tools with low entry barriers.

VIVERSE also deepened strategic partnerships with global business partners in 2023, and continued to drive the development of the ecosystem, bringing diverse and innovative applications to various industries:

In the IP and ACG (Animate, Comic, Game) field, VIVERSE and BANDAI NAMCO Pictures (BNP) continue to promote strategic cooperation. The second season of the original women's golf anime IP *BIRDIE WING - Golf Girls' Story* co-created by the two companies was released in April 2023 and received rave reviews worldwide. In June, the official Nintendo Switch game of the same name authorized by *BIRDIE WING* was released globally and participated in the international event Tokyo Game Show, attracting the attention and heated discussion of fans of the original work. In addition, *BIRDIE WING* also held its first virtual fan meeting in VIVERSE in March, inviting the animation producers to appear in the platform in the avatar of the protagonist, overcoming the limitations of time and space to interact with fans, and deepening the connection with the fan community. Looking ahead to 2024, the strategic cooperation between VIVERSE and Bandai Namco Pictures will continue to be active, bringing new forms of content works to global ACG fans.

In the field of film and television entertainment, VIVERSE collaborated with Taiwanese television station TVBS to launch the *Crossing the Dinosaur Age* virtual space extension of the annual reality show *Light the Wild*. In addition to watching the show, viewers can also enter the virtual world for different experiences and game challenges.

VIVERSE also collaborated with Warner Music Taiwan to continue the *NANA JUMP* project and launched a virtual space centered on the worldview of the virtual singer and VTuber NANA. Using VIVERSE's expertise in 3D visualization and interactive technology, virtual idols can break through the two-dimensional framework and present new sensory experiences and interactive modes in the metaverse, demonstrating the infinite possibilities of entertainment expression in the new era. VIVERSE will continue to develop innovative solutions to provide a platform for VTubers and other new forms of content creators to fully express themselves.

In the fashion field, VIVERSE's collaboration with ELLE Taiwan to create ELLEverse has extended to industry-university cooperation. VIVERSE and Department of Fashion Design, Shih Chien University, have jointly launched a virtual fashion course. The fashion designs created by students walked the runway at the two-day graduation fashion show and the metaverse show. The fashion-empowered NFTs were also simultaneously launched on the VIVERSE Market. This will help Taiwanese fashion students keep pace with global trends and achieve sustainable fashion from design and production to exhibition and issuance. It also provides a new platform and sustainable business model for emerging designers.

In the field of art, VIVERSE and VIVE Arts collaborated with Gray Area, a cultural incubator in San Francisco, and Leonardo, a nonprofit think tank, to fund the creation of immersive art by disabled creators at the Criptech Metaverse Lab event. This effort aimed to shape the future of immersive technology, and demonstrated how metaverse technology can be used to foster new connections and inclusion through meaningful design. The prototypes were exhibited at the Gray Area Festival in San Francisco in October 2023.

In the telecommunications field, VIVERSE continued to deepen its cooperation with e&, the United Arab Emirates’ telecommunications group, to provide more efficient and intelligent solutions. Not only did it break down the barriers of time and space by bringing the Middle East’s largest consumer electronics exhibition, GITEX GLOBAL, into the metaverse, the “e& Metaverse and Solutions” (e& Universe) jointly created by the two companies also became the first metaverse in the region to offer unique areas such as virtual personalized spaces, sporting events, and concerts. The partnership will also launch more collaborations in 2024.

In the field of digital twins and smart cities, VIVERSE partnered with city governments to lead cities towards a more intelligent, efficient, and sustainable future through industry-government collaboration. VIVERSE partnered with Hsinchu City Government to create the “Digital Twin Science Popularization Lab” metaverse, which offers three thematic laboratories: culture, technology, and sustainability. This allows citizens to explore learning spaces that are difficult to build in the real world, and understand the significance of the virtual and real spaces. The online-offline interaction mechanism designed in the exhibition area truly demonstrates the digital future of the fusion of the virtual and real. In addition, VIVERSE also partnered with the Kaohsiung City Government to use 3D simulation technology to create digital twins of the National Kaohsiung Center for the Arts (Weiwuying), the Kaohsiung Music Center, the Kaohsiung Museum of Fine Arts, the Kaohsiung Arena, and the Pier-2 Art Center. In the virtual venues, it hosted live broadcasts of events and exhibitions. It also offered citizens the opportunity to exchange for a virtual house in the Kaohsiung Metacity, allowing remote citizens to experience the local charm of the city and open up more possibilities for interaction beyond geographical limitations.

In 2023, VIVERSE further met the needs of the global market by launching “VIVERSE for Business,” a highly customized solution for enterprise customers. This business solution integrates 3D panoramic views into daily collaboration, realizing an immersive work mode, providing new experiences for remote collaboration, learning, and sales, and providing customized virtual space, effectively enhancing productivity, connectivity, and engagement. VIVERSE for Business ensures enterprise-level security and privacy while offers a comprehensive solution that seamlessly integrate customers’ existing systems and resources, and creates a new immersive virtual space through design-ready modules and innovative artificial intelligence functions. VIVERSE for Business is committed to becoming a leader in immersive digital experiences, and will work with enterprises to promote digital transformation and open up new business opportunities.

VIVERSE also launched its exclusive 3D streaming technology “Polygon Streaming,” which brings revolutionary progress to the seamless integration of the real and virtual worlds. This technology can easily display 3D models of any size on the web, and supports cross-platform and multiple devices. In addition to seamlessly integrating with VIVERSE and VIVERSE for Business platforms, it can also empower various industries to meet their business needs. Polygon Streaming can quickly disassemble high-quality 3D models and stream them to end devices such as computers, phones, and XR devices, realizing the best visual and interactive experience. Unlike traditional cloud rendering technology, this technology provides more possibilities for creating metaverse scenes and brings more efficient and cost-saving 3D display and collaboration experiences to various industries.

VIVERSE has been highly recognized by the industry, and won two international awards in 2023: the ICT Champion Awards for VR Platform of the Year and the European Metaverse Awards for Top Metaverse Platform - Consumer. These honors not only highlight VIVERSE’s outstanding position in the industry, but also affirm its outstanding contributions in the field of metaverse. VIVERSE will continue to work hard to build an open and diverse metaverse ecosystem, and grow together with global partners and developers to promote the continuous development of the metaverse field.

## G REIGNS

G REIGNS continues to delve into the 5G private network industry with the O-RAN architecture with an industry-leading technology. It is committed to optimizing and integrating 5G private networks that strengthen and innovate the connection between the virtual and the real world at the same time.

G REIGNS launched the REIGN CORE series for portable 5G private network. The purpose is to allow enterprises to import 5G private networks rapidly for only 30 minutes to deploy. Moreover, its advantage is to lower the threshold for digital transformation for enterprises with the simplest structure and the most cost-effective way to conduct field demonstrations.

Apart from the portable series, G REIGNS exerts more effort on customized requirements with more than 20 years of design capabilities of the software. This capability lets the 5G private network optimize the software and hardware network and integrate the test with high reliability to retain the scalability of expansion. After the demonstration, enterprises can carry out expansion planning according to long-term needs to promote the ecological development of the 5G private network industry.

## Smart Devices

### HTC U23 Series

HTC launched a new member of the HTC U family— the HTC U23 series, including HTC U23 pro and HTC U23, in May 2023. Combining years of leading technologies in AR, VR and MR, the HTC U23 series brings a brand-new entertainment experience. Consumers can travel through different worlds where reality and reality blend through their smartphones.

HTC U23 pro is equipped with five powerful cameras. The main camera is powered by 108MP OIS AND EIS stabilization. It also has a 120-degree ultrawide angle cam, a macro cam and a bokeh cam. Scenery shooting function; the main camera of HTC U23 pro is also equipped with a large aperture of f/1.7 and HDR vivid presentation. Whether it is a sunrise or sunset scene or you want to capture the changes in ambient light and shadow, you can easily record every wonderful moment.

HTC U23 is equipped with a practical four-cam combination, with a 64-megapixel main camera, 120-degree ultrawide-angle, and bokeh functions. As for the front camera, HTC U23 series are equipped with a 32-megapixel beauty selfie camera and 10-level beauty adjustment.

The HTC U23 series adheres to the thoughtful design of the U series for you. Both models are equipped with 4,600 mAh large-capacity batteries, supplemented by excellent energy-saving efficiency, ensuring that users have powerful battery life without worries. It supports 30W fast charging and is equipped with wireless and reverse charging functions that are rarely supported by similar models. The reverse charging function can be used as a mobile power source. The 6.7-inch large screen and 120Hz adjustable refresh rate can be adjusted according to needs whether watching dramas or playing games, making the picture more stable and the experience smoother.

Together with the HTC U23 series, VIVERSE App, the newly revised VIVERSE convenient entrance, is launched. VIVERSE App is perfectly adapted to the mobile experience. You can use the AR virtual and real integration function to create various avatars with unique personal characteristics and enjoy new forms of social interaction; you can freely shuttle through different “ Worlds” to experience the newly upgraded VIVERSE space, participate in a variety of “Events” that feel like being on the spot, purchase digital assets through the “Market” and place them in your personal space. VIVERSE App integrates all experiences into it, and you can connect all functions with one-click login.

### VIVE Mars CamTrack

2023 has been pivotal for our flagship virtual production product, the VIVE Mars series. We have witnessed significant progress in the series and have strategically expanded its influence and coverage.

This year, the VIVE Mars Cam has introduced a number of innovations, including several optimizations and enhancements, focusing on a user-friendly interface, improved tracking capabilities, and overall performance upgrades. These improvements are designed to simplify the virtual production process, making it more efficient and accessible.

In August, we launched and released FIZTrack. This tool tracks lens data and is deeply integrated with our VIVE Mars CamTrack, allowing users to seamlessly control lens variations during the virtual product creation process. The introduction of FIZTrack has made the VIVE Mars series even more versatile in virtual production environments.

Another major initiative in 2023 was the launch of our global reseller program. This program has expanded the global impact of the VIVE Mars series, enabling resellers to promote and support our products, thereby enhancing customer service and satisfaction.

In terms of honors and industry recognition, we were awarded the Best Show Award at IBC 2023, highlighting our leadership and innovative capabilities in the virtual production industry. This prestigious award underscores our commitment to excellence.

Looking forward, the VIVE Mars series will continue to innovate and expand. Our goal is to further enhance our products, expand our global footprint, and deepen our engagement with the virtual

production community. The VIVE Mars series stands at the forefront of virtual production technology. The achievements in 2023 are not just milestones but stepping stones to future innovations. We remain committed to pushing the boundaries of what is possible in virtual production.

### 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 70 meaningful partnerships with leading museums and cultural institutions globally.

In 2021, VIVE Arts Limited was 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.

2023 was an ambitious year for VIVE Arts as the initiative successfully debuted a number of in-depth collaborations with internationally renowned art and cultural institutions. VIVE Arts has not only continued existing long-term partnerships, but also expanded to many new and forward-looking collaborations and industry angles. VIVE Arts completed seven large-scale international cooperation projects in 2023. In May, the VIVE Arts supported *Horizon of Khufu*, an immersive exploration experience exhibition on the Pyramids of Khufu opened to much acclaim at HKRI Taikoo Hui in Shanghai. The exhibition lasted for four months. This project is the world’s first immersive experience to scan, survey and model the interior and surroundings of the Pyramids of Khufu in Egypt. It took Excurio, created by the French Emissive Studio and the Giza Project team of Harvard University, three years to complete the experience and was introduced to Asia for the first time by VIVE Arts. In June, VIVE Arts collaborated with London gallery Gazelli Art House to organize the first UK presentation of well-known multimedia artist Cheng Ran’s first VR work *Always I Distrust* (2020). The VR work was originally jointly commissioned by K11 Art Foundation and VIVE Arts and debuted at the opening exhibition of X Art Museum in Beijing in 2020.

Notre-Dame de Paris suffered a tragic fire on April 15, 2019. In addition to the reconstruction plan receiving worldwide attention and support, the question of how to use the latest technology to recreate the historical and artistic value of Notre-Dame de Paris was an important milestone in the revitalization of world cultural heritage. In August 2023, through the joint planning of HTC and VIVE Arts, *Eternal Notre-Dame* was successfully introduced to Taiwan and exhibited at the National Museum of Science and Technology in Kaohsiung for eight months. This exhibition is also the first stop of a global tour for the experience. Through the form of virtual reality experience, *Notre Dame Eternal* takes the audience

on a 45-minute in-depth tour of Notre Dame de Paris, allowing them to appreciate the rise and history of this magnificent space, and completely revealing the important cultural relics and artistic assets in its collection.

Using HTC's leading metaverse technologies, VIVE Arts and VIVERSE joined hands with Gray Area and Leonardo to jointly fund creators with disabilities to create immersive art works. Artists Indira Allegra and Melissa Malzkuhn created two artwork prototypes for VIVERSE, which were exhibited at the Gray Area Festival in San Francisco in October 2023. In November 2023, VIVE Arts and the Esther Schipper Gallery in Berlin jointly commissioned and presented a new virtual reality work *Metaone* by the artist Ben Elliot. Elliot imagined a virtual paradise that represented a future world where history, nature, technology, and science are intertwined and empowered. The work is divided into four distinct environments, allowing viewers to explore advanced ideas and values through an immersive experience.

VIVE Arts' 2023 landmark institutional partnership was majestically opened at the Musée d'Orsay in Paris, France on October 3. In addition to supporting the major exhibition *Van Gogh in Auvers-Oise: The Last Months* as a sponsor, VIVE Arts also served as a co-producer of the exhibition's virtual reality experience *Van Gogh's Palette*, providing the Musée d'Orsay the museum's first ever VR experience. *Van Gogh's Palette* uses the last palette used by Van Gogh as a starting point to construct a virtual scene inspired by the painter's world and use of color, allowing viewers to have a unique perspective and interactive experience engaging with important paintings by the artist from this period. This experience uses the VIVE XR Elite virtual reality headset, allowing viewers to immerse themselves in Van Gogh's world.

The immersive work *Le Bal de Paris de Blanca Li*, which won the best VR experience at the 2021 Venice Film Festival, was on the opening program of the 2023 TIFA Taiwan International Arts Festival in February 2023 and has become an absolute hit. In December of the same year, VIVE Arts, Surprise Lab and the Taiwan Cultural Content Initiative collaborated to upgrade the VR content for the first time and create a long-term fixed-length narrative, which was brought to the audience at the National Taiwan Science Education Center in Shilin. A new sensory experience integrating real-life interaction, multi-person dancing, and 5G and large-area multi-person real-time entertainment tracking technology (Location-Based Entertainment, LBE), *Le Bal* implements a realistic and engaging interactive experience.

Looking forward to 2024, VIVE Arts will continue to delve into the field of combining art with technology to create unforgettable artistic experiences. As immersive digital art experiences flourish, we are committed to becoming the most trend-setting and eye-catching presence in the cultural field. In addition to continuing to deepen exploration in fields such as XR technology, blockchain, and Web 3.0, the rapid advancement of technology will further change the way art is created, presented, and experienced. VIVE Arts will continue to work with the world's most influential artists and cultural institutions to present innovative and inspiring artistic content to audiences around the world.

## 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: 6 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, BEATDAY 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 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.

In 2023, BEATDAY continued to collaborate with idols and singers, inviting renowned hip-hop singers Green Father BJ, Suhf, and Aquaman to hold Taiwan’s first virtual concert that combines cloud rendering technology. Users can easily experience 6DoF performances on PC or mobile devices via a browser. In addition to concerts, BEATDAY also developed a new product line, collaborating with cheerleader Mizuki Lin to launch Taiwan’s first immersive interactive photobook. Using 3D volumetric capture photography technology, viewers can interact with Mizuki Lin in free perspectives through smartphones and VR, representing Beatday’s entering the sports entertainment market.

In addition to real-life idols, BEATDAY also made its debut collaboration with virtual idols this year, partnering with Taiwan’s leading VTuber studio Springfish to co-present Taiwan’s first online full-perspective VTuber concert *Illusionary*. Using a brand-new 6DoF performance format, fans can interact with VTubers in all angles through avatars in a game-like manner during the concert. Due to the enthusiastic market response, VIVE ORIGINALS has launched a full VTuber industry plan, covering VTuber IP cultivation, operation, 3D online performances, and LBE performances.

## 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, National Health Command Center (NHCC) 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. In 2023, DeepQ assisted the CDC in adding monkeypox and dengue fever epidemic information, vaccine and vaccination

information for autumn and winter, and providing epidemic risk information push services for specific groups such as medical institutions and health center. As of the end of December 2023, 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.

In 2023, Taiwan V-Watch has completed its phased tasks and terminated related services due to the easing of the COVID-19 epidemic.

### “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.

In 2023, the introduction of AI health education Q&A function can accurately answer public health education questions in natural language and reduce the workload of medical staff.

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

In June 2022, HTC DeepQ cooperated with Chi-Mei Hospital to launch “Chi-Yi Butler” 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.

In 2023, the version update provides more complete AI insight reports, related deep learning quantitative metrics and statistics, new built-in pre-training models and datasets, model re-optimization shortcuts, and the model deployment of related management and monitoring tools, which can significantly improve doctors’ independent training and optimization model capabilities, as well as the management and application of model deployment.

### Medical VR

HTC Medical VR team is committed to the vertical application of virtual reality and generative AI 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 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. In 2023, there was an increased development of generative AI virtual humans, allowing users to create their own virtual patient applications for clinical training. This significantly reduced training costs and greatly enhanced learning outcomes. Additionally, it enabled clinical instructors to upgrade the training AI models themselves.

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.

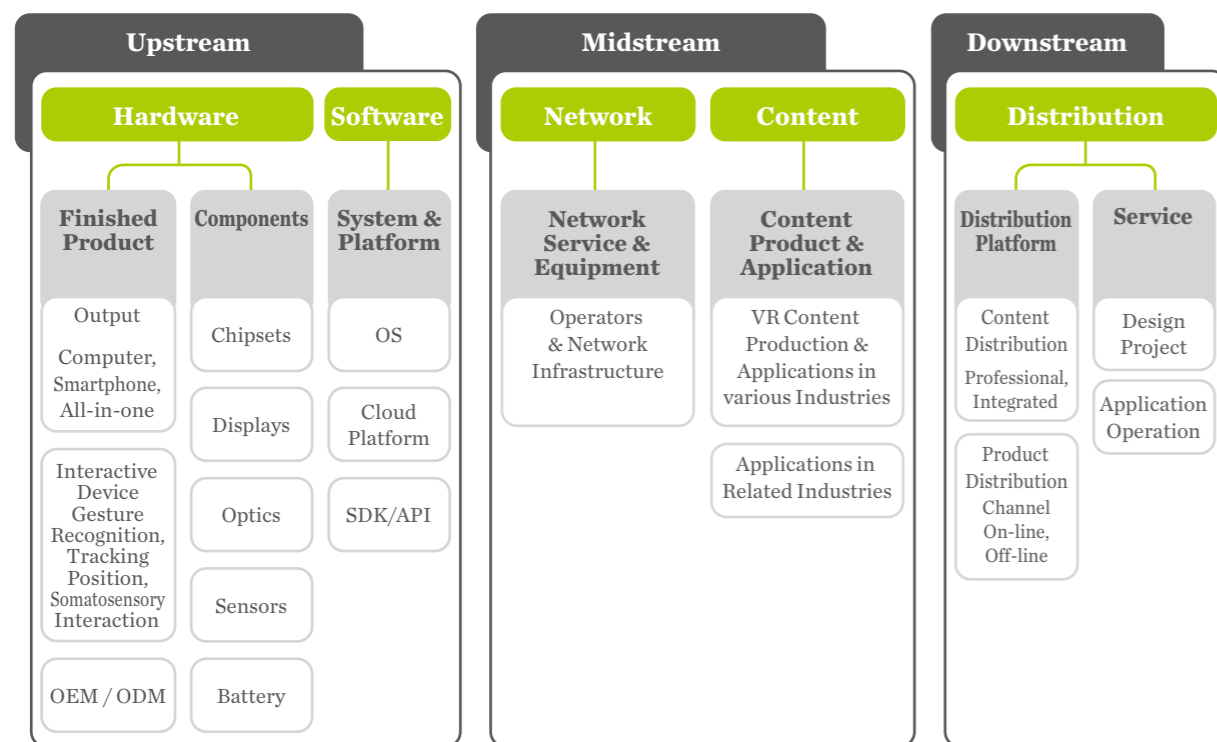
## 5.1.2 Industry Overview

### 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. In 2023, we witnessed some changes in the VR hardware landscape. Established players like HTC VIVE and Meta welcomed Apple to the market with its first VR headset, Vision Pro. This highly anticipated device boasts high-resolution displays and eye-tracking technology, enabling intuitive navigation methods through gaze control. However, in the more affordable-priced market, the Chinese headset manufacturer Pico reportedly underwent downsizing and restructuring within its VR division. While VR headsets have been the main attraction in the virtual world, 2023 saw a thrilling expansion in the realm of VR accessories. HTC VIVE Ultimate Tracker, offering precise accuracy tracking in a compact format without the need for additional base stations and can connect up to 5 Trackers to deliver multi-point full-body tracking. Sony’s mocopi tracker joined the party too, offering an easy and convenient solution for full-body tracking, lowering barriers for consumers to bring avatars into the virtual world.

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.

The global pandemic in the past few years 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

### Communication Technology Evolution

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

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%.

The number of new 5G users in 2023 increased significantly by about 63% compared to 2022. The total number of global 5G users will also exceed the 1.6 billion mark with the growth of the total number of users exceeding original expectations. Although some markets are facing economic challenges and geopolitical uncertainty, the growth in the number of 5G users continues to show resilience. Signs of recovery in the smartphone market can also be observed from the growth of 5G. 5G mobile phones accounted for 62% of smartphone shipments in 2023, while it was only 57% in 2022. In addition, new 5G smartphones are coming out one after another. Even though the global economy has not yet fully recovered, the general trend of 5G remains unchanged and the impact is relatively low. It is worth noting that the application of artificial intelligence (AI) in mobile phones is expected to become the key to the recovery and growth of the smartphone market in the future.

### 5.1.3 Progress in Research & Development

#### Virtual Reality

**VIVE XR Elite**, as the most awarded VR headset of CES 2023, combines MR and VR capabilities into one compact, lightweight, powerful and highly versatile device.

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.

**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 FOV, the VIVE Pro 2 delivers visual effects that are excellently smooth, detailed and crystal clear.

The VIVE Pro 2 features an adjustable 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 all VIVE Trackers and 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 FOV 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 and so ensures privacy.

**VIVE Ultimate Tracker** uses two wide-FOV cameras to track its own location in 3D spaces with precise accuracy without the need for external tracking solutions like base stations. It is perfect for HTC VIVE’s standalone headsets VIVE XR Elite and VIVE Focus 3, and also supports PC VR streaming and is compatible with existing VIVE Tracker supported PC content. It will support OpenXR, SteamVR based PC VR setups in the near future.

The VIVE Ultimate Tracker uses a standard 1/4”-20 UNC mount and has a pogo pin interface, allowing it to attach to a variety of objects. This opens the door to many use cases. VIVE is releasing developer documentation and the 3D CAD file publicly so that people can design their own bespoke mounts. Up to five VIVE Ultimate Trackers can be used simultaneously per headset, delivering exceptional multi-point full-body tracking.

**VIVE Full Face Tracker**, a plug-and-play module that brings face and mouth tracking to VIVE XR Elite. It captures up to 38 blend shapes across the lips, teeth, tongue, cheeks, nose, and chin at a 60 Hz tracking rate. This means that even subtle facial expressions are accurately portrayed, and spoken words match facial expressions in real-time.

VIVE Full Face Tracker can accurately track eye movements at 120 frames per second. It also sports an innovative auto-calibration feature: the tracker detects your IPD and automatically calibrates the headset for viewing comfort and clarity. This feature allows multiple users to share the same headset without having to manually reset the IPD slider every time.

**The VIVE Focus 3 Eye Tracker** equipped with 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 VIVE Focus 3 Eye Tracker demonstrate powerful and realistic non-verbal expressiveness in interactions such as virtual meetings, chat groups and also 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.

**Virtual Reality Solution: AXON Partners with HTC VIVE to Create Next-Generation Police Training.** VR training allows police officers to learn in “real-world” scenarios anytime, anywhere, while enabling VR trainers to provide real-time feedback and guidance.

In collaboration with HTC VIVE, Axon provides two main VR solutions for local police: community engagement training and simulator training. Trainees use the industry leading VIVE Focus 3 and a VR-tracked taser controller and a training-specific firearm. In the simulator module, trainee officers encounter various scenarios involving disputes and must make correct decisions.

**VIVE Streaming** supports wireless and USB streaming and also different VIVE accessories for consumers to enjoy high quality PC contents. VIVE Streaming extends to support MR with passthrough to show off the high quality passthrough on VIVE XR Elite.

VIVE Streaming also enables VIVE Ultimate Tracker be simply used as VIVE Tracker. It by default is compatible to all existed PC contents designed for VIVE Tracker and also VIVE Tracker accessories, like tennis racket, etc. Body tracking contents, now works with VIVE Ultimate Tracker over VIVE Streaming.

**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 as well. With the VBS, VIVE Focus 3 hand tracking now works with the majority of PC-VR applications that uses hand tracking, including SteamVR Home and The Lab, and support OpenVR Skeletal Input and the OpenXR Hand Tracking API. VBS also allows VIVE Wrist Trackers to be used like a VIVE Tracker, so you’ll be able to use them to track objects.

**VIVE Business+** is a web-based enterprise-level management software and service solution designed for efficient batch registration and synchronized management of multiple VIVE all-in-one devices. Through remote monitoring and configuration updates, device managers can easily configure a large number of devices by adding or removing them from groups, enabling fast and effective deployment of updates. VIVE Business+ offers remote commands, allowing device managers to remotely reset, shut down, pair

controllers, and push content to registered devices and monitor the status of registered devices, checking battery levels and other essential data. Device managers can also monitor the current display screen of the device, making it easy to deploy event experiences and VR training programs in various environments and improve users' immerse experiences.

**VIVE Wave™**, an open platform and toolset that will enable easy Mobile VR content development and high-performance device optimization for third party partners. The VIVE Wave™ VR SDK offers an open interface enabling interoperability between numerous mobile VR headsets and accessories, supporting mainstream game engines. This allows players with different VR devices an easy access to your extraordinary content.

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** – 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. In November 2023, ESA (European Space Agency) and NASA (National Space Administration) launched Vive Focus 3 to the international space station. Astronaut Andreas Mogensen performed a human initiative VR mental health and VR fitness program by Simulator VR mode. This breakthrough in technological boundaries makes the dream of VR in any environment (even Micro-gravity) come true.

**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.

## VIVERSE

In 2023, VIVERSE underwent a comprehensive overhaul of its overall functionality. The features became more diversified and the performance was significantly improved, providing more innovative solutions and a smoother, more efficient 3D immersive experience for users, developers, and partners.

VIVERSE World continued to innovate on the technical side, introducing the game engine PlayCanvas, which supports high-quality graphical effects such as 3D models, lighting, shadows, and particle effects. This provides content creators with a new and convenient creative process that can run seamlessly across platforms. VIVERSE Avatar also developed motion capture functionality, making the movements of avatars more natural and realistic. This enhances the immersion, making the virtual experience more realistic and strengthening the interaction and connection between users. To save development time and costs, VIVERSE launched the Avatar SDK, an avatar development kit. Upon its release, VIVERSE established technical exchanges and implemented applications with ACCESS, a leading Japanese in-car entertainment company. This attracted more industry partners to join the metaverse ecosystem.

In the emerging virtual economy, VIVERSE Market provides a safe and convenient trading platform that allows content creators to create personalized online stores and monetize their content, while also allowing users and collectors to easily trade various types of digital assets. In terms of social functions, VIVERSE adopts a decentralized social networking protocol architecture, using the ActivityPub protocol. This protocol is considered to be the common language of social media platforms, allowing different websites and applications to communicate effectively with each other. Users can easily conduct text or voice conversations in private or group settings across different devices and platforms. It is important to note that users can truly own their own friend lists, and in a secure environment, they can communicate freely in a more open social space.

In terms of new products, VIVERSE launched the commercial metaverse solution “VIVERSE for Business” in 2023, providing a fast and effortless solution for enterprises to tailor their own virtual offices, meeting rooms, brand showrooms, and more with its unique design-ready virtual space modules that also supports cross-device use. VIVERSE for Business emphasizes the data security and privacy of businesses, and has obtained multiple enterprise-level cybersecurity certifications while at the same time preserves the integrity of enterprises' existing business systems and resources in the virtual space. Leveraging our robust and secure infrastructure, cloud storage, and flexible integrated system, VIVERSE for Business enables seamless integration with enterprises' existing resources, including ERP, CRM, and third-party applications.

VIVERSE's proprietary 3D rendering technology, Polygon Streaming, has the ability to quickly decompose complex 3D models and stream them to various devices. This achieves high accuracy, image quality,

and smooth visual effects and solves the problem of smoothness of large 3D scenes, allowing any size of 3D scene to be accurately presented. This represents a major advancement in the visual effects of the metaverse. Additionally, it combines AI commercial applications and AI assistants to provide users with a richer and more realistic experience in the virtual environment, creating new virtual experiences, and drive the development of metaverse technology.

## 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 (10 virtual reality users connect at the same time, we are the leader in this field) and AGV (4 remote driving vehicles connect 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 — 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. — and create multiple commercial solutions.

For large fields, a one-to-multiple 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.

The number of new 5G users in 2023 increased significantly by about 63% compared with 2022 and the total number of global 5G users will also exceed 1.6 billion. The growth of the total number of users exceeds original expectations by about 63% and it will continue to show resilience. Signs of smartphone recovery can also be observed from the growth of 5G. 5G mobile phones accounted for 62% of smartphone shipments in 2023, which was only 57% in 2022. In addition, with new 5G smartphones coming out one after another, the general trend of 5G remains unchanged and the impact is relatively low even if the global economy has not yet fully recovered. It is worth noting that the application of AI on mobile phones is expected to become the key to the recovery and growth of the smartphone market in the future.

The new mid-to-high-end 5G mobile phones HTC launched in 2023, U23 pro and U23 series are favored by consumers and past loyal HTC customers thanks to their complete specifications and reasonable prices. Looking forward to 2024, HTC plans to launch mid-to-high-end 5G mobile phones, continuing the sales momentum of the U23 series, and brings consumers a complete experience in terms of software and hardware.

## 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. In 2023, DeepQ assisted the CDC in adding monkeypox and dengue fever epidemic information, vaccine and vaccination information for autumn and winter, and providing epidemic risk information push services for specific groups such as medical institutions and health center. As of the end of December 2023, 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 2023, the version update provides more complete AI insight reports, related deep learning quantitative metrics and statistics, new built-in pre-training models and datasets, model re-optimization shortcuts, and the model deployment of related management and monitoring tools, which can significantly improve doctors’ independent training and optimization model capabilities, as well as the management and application 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 2023, the introduction of AI health education Q&A function

can accurately answer public health education questions in natural language and reduce the workload of medical staff.

In June 2022, HTC DeepQ cooperated with Chi-Mei Hospital to launch “Chi-Yi Butler” 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.

## Research & development expenditures

### R&D Expenditures in Recent Years

Item	2022	2023	2024 Q1
Worldwide R&D Expenditures	2,356	2,684	640
Percentage of Worldwide Revenue	53%	61%	108%

Unit: NT\$ millions

### 5.1.4 Business Development

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.

In 2023, we not only launched the VIVE XR Elite, winning numerous “Best of CES 2023” awards from leading media such as CNET, CNN, and Wired, but also continued to work on delivering more true-to-life virtual collaboration and improved human connections in VR through the launch of several tools and accessories. In terms of platform, software and services, VIVERSE, HTC’s total solution to help customers fully realize immersive digital transformations and applications across B2C and B2B markets, has also moved further forward. HTC continued to create innovative products and services with clear market focus, with each business demonstrating maturity of business model and leadership in their respective fields.

Some aspects of the digital revolution catalysed by the pandemic have become embedded in society, and the concept of Web4 has further developed as well. HTC remains well-positioned, taking full advantage of the global trend. HTC continues to improve operation efficiencies and diversify HTC’s portfolio, from being traditionally hardware-centric to a company providing complete hardware, software, platform and content solutions, dedicating to completing the VIVERSE ecosystem.

## 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.

The metaverse integrates a variety of cutting-edge technologies, among which virtual reality, augmented reality, artificial intelligence, blockchain, and the advent of the 5G/6G era will redefine the way we live, work, and socialize. These technologies will provide more possibilities for innovation and development to the industry.

- **Socialization and entertainment applications:** The metaverse elevates socialization and entertainment to a brand new level. People can interact with friends in virtual spaces, participate in virtual events, and even host social events in the virtual world. This expands the scope and forms of socialization and entertainment, creating new possibilities.

- **Business and educational applications:** The metaverse also has great potential in business and education. Enterprises can use the metaverse to conduct virtual meetings, training, and product demonstrations, reducing costs in terms of time and space. At the same time, learners can have immersive educational experiences in a virtual environment to improve the effects of learning.
- **The rising virtual economy:** With the application of blockchain technology, the metaverse will form a virtual economy in which digital assets, virtual currencies, and NFTs (non-fungible tokens) circulate within the virtual space, which will create possibilities for new business models and value exchanges.
- **Technical standards and security:** The development of the metaverse will also require the formulation of shared technical standards to ensure interoperability between different platforms and applications. At the same time, security and privacy protection issues will also become challenges that must be solved. VIVERSE actively participates in international organizations to discuss and formulate standards and supports many open standards. It has passed multiple information security ISO certifications to ensure user security and privacy.

KPMG pointed out in its 2022 analysis that in the next ten years, higher education and vocational training may occur more frequently in the metaverse, including virtual experiences in boardroom and work settings. Businesses and governments will rely on the power of the metaverse to share information, deliver services, and collaborate in unprecedented ways.

VIVERSE for Business provides a comprehensive metaverse solution for enterprises to quickly adopt flexible and modular services, seamlessly integrating and upgrading their existing workflows.

In addition to commercial applications, 25% of emerging IoT applications will be combined with digital twins in 2024 according to predictions by the World Economic Forum (WEF). In addition, according to a 2021 report by ABI Research, which specializes in studying the information communication technology market, it is expected that more than 500 cities around the world will use digital twin technology for urban planning by 2025. By 2030, it is estimated that utilizing digital twins for urban planning will save up to \$280 billion in costs, including in aspects such as energy and utilities, transportation, safety, and infrastructure. Taking Dubai in the United Arab Emirates as an example, the city aims to become one of the top ten metaverse economies globally and the global hub for metaverse communities. It is expected to attract 1,000 companies from the blockchain and metaverse sectors by 2030, creating over 40,000 job opportunities.

VIVERSE's collaboration with the Kaohsiung City Government on the metaverse town-building project has initiated the prelude to global digital twin cities, making urban production and operations more efficient, promoting livable and convenient urban living spaces, and achieving the sustainable development of urban ecological environments. Furthermore, VIVERSE continues to work on the digital twin city project with our partner e&, and we look forward to launching partnership projects with more cities around the world in the future.

## 5G and Smart Devices

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

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.

Looking back at the poor shipment momentum of Android phones in 2022, some brands have excessive inventories, and may have even delayed the release of new products to manage and control inventories. In terms of the overall shipment volume of smartphones, due to the global economy remaining subdued in 2022 with inflation and price indices surging, many governments used interest rate hikes as a means to curb inflation, leading to lower consumer confidence and reduced demand. Additionally, uncertainties such as geopolitical conflicts contributed to a significant decline in overall smartphone market shipments in 2022 compared to 2021.

However, high inflation and the appreciation of the US dollar have reduced the purchasing power of Europe, the United States and emerging markets. In addition, market demand in China continues to be sluggish due to poor economic prospects and lack of consumer confidence. The smartphone market in 2023 followed the footsteps of 2022 and also fell into a slump. On the other hand, HTC has always maintained a cautious approach in smartphone product planning and supply chain management. Therefore, in 2022, HTC did not face the inventory issues that some other brands encountered. Benefiting from this, HTC launched the new U23 Pro and U23 series high-end 5G smartphones in 2023. These devices

gained favor among consumers and loyal HTC customers due to their comprehensive specifications and reasonable prices. Despite of the market trend, HTC achieved good sales performance. Senao, a Taiwanese sales channel, specifically pointed out that the HTC U23 series drove brand growth, making HTC the brand with the highest sales increase in 2023. Looking ahead to 2024, HTC plans to continue launching mid-to-high-end 5G mobile phones, maintaining the sales momentum of the U23 series and bringing more complete experiences in terms of software and hardware to consumers.

## 5.2.2 Product Marketing

### Virtual Reality

HTC has begun to lay out key advantages very early. When HTC entered the VR field in 2015, it began to build the entire metaverse ecosystem. Today, HTC not only has advanced XR devices, but has also transformed into a company that provides software, content, platform and service. HTC Chairwoman mentioned at 2019 MWC that new technologies are coming together in completely new ways. The keys to drive our VIVE reality version would be VR, AR, AI, Web 4.0 and 5G, and we have devoted substantial resources to innovate in these key areas. In the past few years, we have accumulated experience in many successful enterprise cases. In fact, XR applications have been widely adopted by many companies in various fields. The top six applications include remote collaboration, education, training, medicine, design and various exhibitions. These experiences have allowed HTC to develop its global layout and overall ecosystem. It provides important nutrients and is the cornerstone of our development.

HTC VIVE continues to develop the XR ecosystem and business applications in vertical fields, and announced a number of ecosystem application progress at the 2023 MWC, including the launch of VIVERSE for Business, a simple and intuitive way to organize and build virtual collaboration spaces way; HTC VIVE also launched a new MR Gasket for VIVE XR Elite, making it more convenient for users and business needs who need to use it in large quantities, and can enhance the diverse experience of virtual and real integration.

The combination of VIVE head-mounted display device and VIVE Location-Based Software Suite has become the global service standard for location-based multi-person immersive experience. It is perfect for creating themed experiences and exhibitions in large venues, so it is very suitable for amusement parks, museums, galleries, cultural institutions and large-scale training scenarios. The breathtaking *The Horizon of Khufu - Immersive Expedition* was first held in Lyon, France in 2023. It attracted more than 150,000 visitors in just one year, and the exhibition plan quickly expanded to nine locations around the world. HTC has also joined hands with the Musée d'Orsay to deeply interpret Van Gogh's final works through a unique immersive experience. Good content requires good media presentation, and VIVE has become the preferred brand for museum performances.

VIVE Arts, a team dedicated to combining art and innovative technology, has collaborated with Emissive, a content partner under HTC VIVE and accelerator VIVE X, brought the VR virtual reproduction content

*Eternal Notre Dame* to Taiwan and it will be grandly displayed at the Kaohsiung National Museum of Science and Technology on August 25, 2023.

Notre-Dame de Paris suffered a tragic fire on April 15, 2019. In addition to the reconstruction plan receiving worldwide attention and support, the question of how to use the latest technology to recreate the historical and artistic value of Notre-Dame de Paris was an important milestone in the revitalization of world cultural heritage. *Eternal Notre-Dame* premiered in Paris La Défense in January 2022, receiving widespread acclaim, and it was moved directly to the square in front of Notre Dame de Paris in the spring of the same year. With the support from Kaohsiung City Government, Administration for Digital Industries and HTC, *Eternal Notre-Dame* made its debut in Taiwan in 2023.

Following that, VIVE Arts announced its partnership with the Musée d'Orsay in Paris to support the major exhibition *Van Gogh in Auvers-sur-Oise: The Final Months* and the accompanying virtual reality experience *La Palette de Van Gogh*, the first time the Musée d'Orsay adopted VR technology to reinterpret master's works. The blockbuster exhibition is devoted to the Dutch painter's works produced during the artistically prolific last months of his life spent in Auvers-sur-Oise, a village just north of Paris. Although Van Gogh only spent a little over two months in Auvers, the period was one of creative renewal for his own style and development, marked by the psychic tension from his new situation and resulting in some of his greatest masterpieces.

Later, to continue expending the development of VIVE& VIVERSE ecosystem, HTC held its first global 2023 VIVE & VIVERSE Developers Meetup Event in Taipei in the second half of 2023 and brought a series of new XR and Metacity business applications, VIVERSE and VIVE SDK innovations, and the innovative virtual production product VIVE Mars CamTrack, demonstrating HTC's determination to expand its comprehensive VIVE & VIVERSE ecosystem. To expand the development of content applications, this event cooperates with the Administration for Digital Industries and Taiwan Creative Content Agency (TAICCA) to invite new generation directors, cultural workers and digital industry developers to communicate to jointly promote the development of science, technology, culture and economy with the combination of Taiwan's technological strength. This event attracted hundreds of innovators to gather for exchanges and explore new content creation methods and new application development opportunities.

During the event, VIVERSE first introduced its exclusive 3D streaming technology "Polygon Streaming" that realizes high-fidelity 3D visuals even in a complicated 3D scene, "VIVERSE for Business," an innovative and highly customized solution for enterprise customers, and "AI driven VIVERSE smart space experience."

During the event, various perception and experience VIVE SDK suites were discussed in depth, including encompassing VIVE tracking solution, multi-person MR solution, and VIVE 3D Sound Perception Audio SDK. In terms of scene perception and sound reality, motion capture and MR environments, we have brought major breakthroughs in realizing multi-person interactive experience.

Another focus of the event is the sharing of VIVE's complete and diverse development kits. The various perception and experience kits provided by VIVE WAVE SKD and OpenXR are thoroughly discussed, providing developers with diverse and flexible options, including eye tracking, mouth shape tracking, full-body tracking and other comprehensive motion capture technologies. In addition, the multi-person MR interactive experience provided by Anchor technology are demoed. VIVE XR Elite is equipped with a powerful full-color camera and depth sensors that can interact with virtual objects in the real world. Through the scene perception function, VIVE XR Elite can identify scene elements such as floors, ceilings, walls, and desktops, and interact with them, allowing players to immerse themselves in a future world where reality and virtuality intersect. At the same time, the VIVE Streaming suite also supports PC-VR experience and realize high-end large-scale creative experience content.

Another highlight of the VIVE SDK suite is the spatial acoustics software development kit "VIVE 3DSP SDK." This is HTC VIVE's first Spatial Audio software development kits for scene development designers. Through this kit, virtual object sounds can be realized, which is to design based on the characteristics of the object such as orientation, distance, obstructions, space size, materials and other information, and obtain corresponding realistic and reasonable sound expression. During the event, flying and circling bees were shown in the virtual scene. Players can feel the changes in the sound effect according to the direction and distance of the bees flapping their wings, and experience the immersive fun of "sound".

In November 2023, HTC VIVE announced a groundbreaking achievement. HTC VIVE in partnership with XRHealth and Nord-Space Aps has sent the first virtual reality headset VIVE Focus 3 for mental health usage to the International Space Station (ISS) to support astronauts during their important mission. HTC VIVE worked closely with XRHealth and Nord-Space Aps and successfully configured the VIVE Focus 3 headset to the microgravity conditions of space.

Historically, VR headsets in microgravity environments posed multiple challenges around tracking and orientation. The lack of gravity inherently creates a drift to the point where a VR headset is unstable. The microgravity environment paired with spacecraft mechanics causes constant jittering, rolling, and drifting of content which can lead to motion sickness and leave astronauts unable to read, see, or control the content in a headset. In the past, other VR headsets may lose its tracking in just a few minutes in the microgravity environment. HTC and Nord-Space Aps and XRHealth worked together and solved the challenges, inspired by a range of solutions in our industry-leading Location Based Software Suite and a utilized controller. In addition to the project being used to maintain astronaut mental health, HTC and Nord-Space has expanded its project to support astronaut physical health, with the VIVE Focus 3 now playing a vital role in astronauts' exercise routines. Per Lundahl Thomsen, the CTO of VIVE's partner Nord-Space Aps, visited HTC's booth and discussed the potential and innovation of VR technique used in the field of space exploration in the future.

The partnership between HTC and the Kaohsiung City Government has been ongoing since the central government supported the construction of VIVELAND Park in 2018. In 2021, under the 5G Cultural Technology Plan, the two parties built the first 5G XR O-RAN private network in Taiwan to help domestic application service providers in research and development of 5G-related application solutions,

accelerating the goal of Kaohsiung becoming a 5G smart city. In 2023, Kaohsiung became the first stop on the overseas tour of the Notre Dame VR exhibition. We then worked with the Kaohsiung City Government to create a unique interconnected lifestyle of a metacity. The fusion of virtual technology with Kaohsiung's rich local culture will create virtual exhibitions and activities in the metacity, including arts and cultural exhibitions, performances, concerts, live sports, and online shopping, showcasing Taiwan's achievements in the development of diverse metaverse applications to the public. This creation once again proves the model of integrating the real and virtual worlds in future cities, which is leading future generations towards a new world beyond physical and geographical limitations, where people can participate and share with friends from all over the country or even the world.

Through "My Metacity Home", the public can enter an exhibition hall showing a 1:1 digital twin of Kaohsiung City. They can travel from the international music and culture landmark of the Kaohsiung Music Center to the international arts and cultural base of the National Kaohsiung Center for the Arts-Weiwuying, and then the modern art and culture hub of the Kaohsiung Museum of Fine Arts, immersive sports viewing experiences at the Kaohsiung Arena, and the world first Beatday concert. This initiative transforms Kaohsiung into an example of a metacity that includes exhibitions, performances, concerts, and sports, providing people with a diverse and exciting digital lifestyle.

This new digital world is full of infinite possibilities. HTC is committed to developing the metaverse ecosystem by gathering outstanding developers from all over the world and using international technology to create an open and diverse metacity. The city will become a stage for showcasing creativity and technology, and will also provide people with more opportunities for interaction and entertainment. They can participate in various activities, from online musical performances to fan meetings, and even invite friends from around the world to visit various exhibitions. We believe that the global digital transformation trend will continue to develop, and as new technologies continue to emerge, a more diverse and rich digital world will be realized.

In the metacity construction project jointly developed by HTC and the Kaohsiung City Government, each virtual exhibition hall is jointly developed by domestic technology partners, including Funique VR Studio, Wow Wow Technology, Phalanity Digital Technology, Pumpkin VR, and Super 720. HTC has implemented a strategy of "leading the way" to encourage industry collaboration, create opportunities for digital transformation, and established the "VIVE 5G and Metaverse Research Center" in Taiwan. This center provides the best platform for talent development, promoting the use of emerging technologies in digital transformation for key industries in Greater Kaohsiung, thereby expanding the market and attracting talent for employment.

In addition, to make users' collaboration and interpersonal interaction in the virtual environment more natural and to capture more movements, HTC VIVE launched VIVE Ultimate Tracker for standalone XR headsets in the fourth quarter of 2024. VIVE Ultimate Tracker easily brings physical movement vividly and realistically into virtual and mixed reality, bringing users a higher degree of freedom and an interactive experience closer to the real world.

VIVE Ultimate Tracker uses two wide-FOV cameras to track its own location in 3D spaces with precise accuracy. In the future, it will be able to work independently without connecting with any other headset. It can be used to track the movement of people or objects, which makes it Whether it is in games, sports training, motion capture or industrial applications, it can exert powerful functions and bring major innovation to the XR ecosystem.

In early 2024, a new tracking accessory VIVE Full Face Tracker was launched. This new generation tracker is specially designed for VIVE XR Elite and provides precise eye and facial tracking. This plug-and-play module that brings face and mouth tracking to VIVE XR Elite through a simple USB-C connection allows facial movements to be represented naturally in XR, capturing up to 38 blend shapes across the lips, teeth, tongue, cheeks, nose, and chin at a 60 Hz tracking rate. This means that even subtle facial expressions are accurately portrayed, and spoken words match facial expressions in real-time.

Another exciting news in early 2024, HTC VIVE, announced the launch of an immersive VR therapeutics project "the Great American Elderverse" at CES 2024 with AT&T and global partner Mynd Immersive, and CTA Foundation. This initiative is intended to introduce Mynd Immersive's virtual reality (VR) therapeutics to over 500 underserved senior care communities, powered by VIVE's expanding product line, including VIVE Flow, VIVE XR Elite, and VIVE Focus 3.

HTC has always adhered to its original vision along the way. Whether in terms of hardware equipment or software applications, it has always been committed to developing products that refresh consumers, and looks forward to growing the global and domestic virtual reality ecosystem. HTC VIVE's mission is to combine innovative technology with customer needs and expectations, unleash unlimited imagination, and bring people a better life. HTC VIVE is dedicated to designing top-notch head-mounted devices that meet customer needs, while providing professional software, platforms and services to create the world's best immersive experience, helping companies face current key challenges while using XR quickly and easily.

As the virtual reality ecosystem matures, technological education has become the key to talent development in the new era. HTC understands its responsibility as a global leader in virtual reality innovation design and should contribute to the future educational environment in Taiwan and around the world. The global virtual reality industry is developing at an unimaginable speed. The outbreak of the epidemic has accelerated digital transformation and business model changes, forming a demand trend for a large number of XR talents and content production. It is necessary to consolidate Taiwan's XR talents and achieve sustainable development. It starts with cultivating talents and takes root in XR core technology. Therefore, HTC continues to carry out industry-academy cooperation projects with colleges and universities all over Taiwan, and actively organizes the "Metaverse Innovative Teaching Workshop" to allow teachers and students to better understand the metaverse and increase the popularity of cross-device applications to reduce the digital gap.

Taiwan has a solid foundation in mobile communications, information communication technology and semiconductors, a complete talent training system, a high degree of acceptance of innovative technology

by enterprises and the public, and good conditions and foundation for the development of innovative technology. For example, in the field of education, HTC continues to work hard in basic education and is committed to promoting innovative VR teaching methods to schools, so that students in Taiwan can begin to be exposed to emerging technologies and have an understanding virtual reality from basic education. Currently, more than 600 elementary, middle and high schools have adopted virtual reality flipped innovative learning methods in teaching, allowing students to have an immersive experience and be exposed to new knowledge in a faster and better way, which can help students enter knowledge context and learn efficiently. We hope to train students from application to creation, from games to learning, and cultivate students' ability to welcome the world of the metaverse.

We understand the challenges of overcoming all digital transformations. HTC hopes to inject its abundant innovative research and development capabilities into Taiwan's education. Starting from popular science education in primary and secondary schools, it will integrate VR immersive experience into teaching and learning situational models, and combine it with higher education teachers and courses to cooperate with colleges and universities to jointly cultivate new generations of development talents and Taiwan's VR content research and development capabilities. This brings unlimited possibilities into the future development of the metaverse.

Furthermore, HTC has established a comprehensive Metaverse teaching platform that assists teachers in lesson preparation, teaching, and sharing learning resources. 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. Under the digital wave, the disparity in educational resources between urban and rural areas has become more pronounced. By the end of 2023, under the guidance of the National Development Council's "Promotion of 5G and Artificial Intelligence into Smart City and Rural IoT" innovative application program, a benchmark demonstration academy for 5G XR education in remote areas was established. HTC collaborated with Miaoli Tongxiao Elementary School to implement the "VIVERSE Metaverse Classroom Demonstration ". Led by Mr. Cheng-Da Yang from Tongxiao Elementary School and Director Zai-Ying Lin from Jiaopu, 28 students participated in the "Voices of Joy Metaverse Classroom" collaborative learning experience created by VIVERSE's comprehensive metaverse solution using VR headsets, computers, and tablets. Students can directly enter music rehearsal rooms, bustling streets, and forests to learn about various principles related to sound through the metaverse classroom. They can also enter group discussion spaces for exchanges and discussions. Through their self-created virtual avatars, they can engage in lively interactions in class, such as raising hands to answer questions or practicing presentation skills while standing on a virtual podium. The students unanimously said: "It's really magical here. We can experience virtual teaching materials individually, but we can also discuss it and share with our classmates. The class is so new and interesting!"

In addition, the "VIVERSE one-stop smart education metaverse solution" was launched, providing a new method to bridge the gap in urban and rural education resources. This not only assists rural teachers in easily creating diverse digital teaching materials but also allows students to participate in immersive metaverse classrooms through smartphones, tablets, computers, and XR devices, eliminating distance and

spatial limitations. It makes learning more effective and helps reduce the disparity between urban and rural areas.

In view of the importance of remote learning, it is crucial to explore how to facilitate real-time interaction between teachers and students in virtual classrooms, meet the requirements of complete teaching, and ensure that virtual courses are as effective as physical ones. This involves overcoming limitations and challenges faced in traditional teaching, assisting students in building knowledge, enhancing learning outcomes, and utilizing the educational metaverse platform to achieve collaborative learning and cross-school resource sharing, which constitute the core challenges in establishing the educational metaverse at this stage. The "VIVERSE Metaverse Education Platform" will serve as a powerful tool for the rise of the hybrid learning ecosystem.

HTC continues to develop core technologies that can realize the vision of VIVERSE, which involves not only expanding the application scope of technologies but also deepening their optimization. Through lifelike simulated scenarios, we can enhance the benefits of remote collaboration, learning, training, and create sales opportunities, enabling us to create an infinitely imaginative lifestyle filled with learning, creation, exploration, training, and entertainment.

Every year, the XR industry strives to deliver more innovations to advance humankind. In 2023, HTC not only helped the elderly gain new experiences, but also optimized medical diagnostic tools. More impressively, HTC successfully introduced VR headsets to the International Space Station to support physical and mental health in space. In addition, VIVE Arts teamed up with the Musée d'Orsay to provide in-depth interpretations of Van Gogh's final works through a unique immersive experience. XR technology continues to inspire people around the world with endless possibilities.

## 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 after. 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.

In 2023, BEATDAY invited 3 popular Taiwanese hip-hop artists, Green Father BJ, Suhf, and Aquaman, to hold Taiwan's first 6Dof virtual concert that combined cloud rendering technology. This concert had the advantages of “instant login on mobile phones, no download required on PCs, and one-click viewing.” Users could easily enjoy the free 6Dof viewing angle across platforms through a browser, providing an unprecedented entertainment experience.

In addition to real-life idols, BEATDAY also made its debut collaboration with virtual idols this year, partnering with Taiwan's leading VTuber studio Springfish to co-present Taiwan's first online full-perspective VTuber concert *Illusionary*. Using a brand-new 6DoF performance format, fans can interact with VTubers in all angles through avatars in a game-like manner during the concert. Due to the enthusiastic market response, VIVE ORIGINALS has launched a full VTuber industry plan, covering VTuber IP cultivation, operation, 3D online performances, and LBE performances.

In addition to online concerts, BEATDAY also expanded its reach to open up new product lines. It launched Taiwan's first immersive interactive photobook in collaboration with cheerleader Mizuki Lin. Using 3D volumetric capture photography technology, the book allows viewers to watch Mizuki Lin's performance, interact with her, and change her costumes in 360 degrees through VR or mobile phones, experiencing immersive works that go beyond traditional photobooks. This immersive photobook attracted widespread attention after its launch. When it was pre-sold on a crowdfunding platform, it sold over NT\$100,000 in just 10 minutes. In the future, BEATDAY will continue to operate the immersive interactive photobook line and develop the sports entertainment market.

## 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. VIVE Arts created an at-home VR experience presented by the V&A and forms part of its landmark exhibition *Alice: Curiouser and Curiouser*, allowing audiences to traveling in the Wonderland as Alice. 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.

In 2023, VIVE Arts launched several 'location-based experience' exhibitions in Asia, such as *Horizons of Khufu* in Shanghai and *Eternal Notre-Dame* in Kaohsiung in addition to promoting the premier of *Le Bal de Paris de Blanca Li* in Asia. Subsequently, the production launched an upgraded version of the long-running VR immersive narrative drama *Le Bal* at the end of the year, and adopted HTC technology to show the piece on the world's only device that supports 5G + VR multi-person real-time interactive experiences. G REIGNS 5G private network solutions solved the problem of wireless transmission interference that can be encountered when multiple VR users use it at the same time, bringing users a wireless, easy and smooth experience.

VIVE Arts continues to preserve and reinterpret world cultural heritage through innovative technologies to create unprecedented experiences. VIVE Arts supported the 2023 Musée d'Orsay blockbuster exhibition *Van Gogh in Auvers-sur-Oise: The Last Months* and, together with the Paris-based content production company Lucid Realities, VIVE Arts jointly launched the Musée d'Orsay's first ever virtual reality work *La Palette de Van Gogh*. As of December 2023, nearly 400,000 people had visited the exhibition, and 20,000 people had purchased tickets to experience the VR. VIVE Arts continues to be a pioneer and opinion leader in the field of digital art, using the latest technology to create groundbreaking art works to attract new audiences by collaborating with contemporary artists and international arts and cultural institutions.

Over the past six 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.

## 5G and Smart Devices

While market and industry evolution continue to move towards universal development, the global mobile phone market has tended to grow slowly due to soaring inflation and price indexes. However, 5G is currently the main driving force for the growth of the global smartphone market. We also believe that with the continuous innovation of networking communications, the development of global smartphones is still worth looking forward to. To this end, HTC continues to use its excellent craftsmanship and innovation capabilities to launch 5G smartphones with complete specifications and reasonable prices, designed to meet the all-round needs of consumers.

HTC launched the new U23 pro and U23 series of mid-to-high-end 5G mobile phones in 2023. Due to their outstanding appearance, complete practical and considerate functions, and the upgrade of the main

camera to 100MP, the overall camera function has been greatly improved, winning HTC loyal users and consumers favoring photography functions, the market responded well and achieved outstanding sales results, entering the top 10 sales rankings in the Taiwan market.

HTC launched U23 pro and U23, two price range mobile phones at the same time for consumers to choose from. HTC U23 pro is designed with a minimalist matte texture. It has a gradient shimmer color and is lightweight and chic, perfectly outlines an elegant and fashionable body. HTC has once again given full play to its exquisite craftsmanship. The Coffee Black body reflects a warm brown color through the light, like a warm and moist luster at sunset; the rustic color of the Snow White body seems to have washed away the lead, reflecting the unique colors of nature. Due to the good market response, the new U23 pro Misty Red was subsequently launched, revealing warm and deep layers of color. The delicate red luster and the beautiful interweaving of light and shadow are like the rising sun gradually melting into the night sky, depicting the most beautiful scene in nature. HTC U23 pro has an innovative and unique design that combines practicality and touch, creating a perfect user experience.

The U23 Aqua Blue color exudes a bright and light blue, and the body reflects a soft and delicate luster under the light, just like the clear lake water sparkling in the sun, exuding a confident and free atmosphere. Roland Violet brings an extremely soft and gorgeous color luster, making HTC U23 exude a vibrant and attractive charm, while also showing the 2023 spring and summer fashion trend colors. HTC U23 not only has a unique appearance, but also focuses on a lightweight body design. The 6.7-inch large screen body weighs 202 grams and is equipped with a unique trapezoidal cutaway shape, bringing an excellent touch.

The HTC U23 series adheres to the thoughtful design of the U series for you. Both models are equipped with a 30W fast charging set (included in the box), and are equipped with wireless and reverse charging that are rarely supported by similar models. When working or traveling outside, there will always be a need for accessories or devices to borrow power. The HTC U23 series thoughtfully provides a reverse charging function that can be used as a mobile power supply.

In addition, the HTC U23 series has an IP67 waterproof and dustproof rating, a practical 3.5mm headphone jack, a Gorilla® Glass Victus® screen with higher scratch resistance and better impact resistance, and supports fingerprint and facial recognition quick unlock function. Both models have a 6.7-inch large screen and a 120Hz adjustable refresh rate, which can be adjusted according to needs whether watching dramas or playing games, making the video more stable and the experience smoother. Both have built-in 4,600 mAh large-capacity batteries, supplemented by excellent energy-saving efficiency, ensuring users have worry-free and powerful battery life.

In addition, the HTC U23 series is built for the future and complements this year's award-winning VIVE XR Elite. You can cast your phone's screen to the VIVE XR Elite to enjoy the 300-inch large screen and browse your phone and launch it in a VR environment. Whether in real life or in the virtual world, it has rich functionality.

The new HTC U23 series brings consumers a new entertainment experience. Through the newly revised VIVERSE App, it will greatly expand the future application potential of mobile phones and become a convenient portal to the cross-domain virtual and real world. VIVERSE App is perfectly adapted to the mobile experience. You can use the AR virtual and real integration function to create various avatars with unique personal characteristics and enjoy new forms of social interaction; you can freely shuttle through different “Worlds” to experience the newly upgraded VIVERSE space, participate in various “activities” that feel like being on the spot, purchase digital assets through the “Market” and place them in your personal space. VIVERSE App integrates all experiences, and you can connect all functions with one-click login.

Looking forward to 2024, HTC plans to continue to launch mid-to-high-end 5G mobile phones, continue the sales momentum of the U23 series, and bring consumers a more complete experience in terms of software and hardware.

## Healthcare

In 2023, HTC DeepQ continued to promote how to use the zero-programming “DeepQ AI Platform” for medical imaging model in research and application for medical educators and medical practitioners. Mackay Hospital, Changhua Christian Hospital, Hualien Tzu-Chi Hospital, and Shin-Kong Hospital have successively completed medical imaging model training and development, some were not only published in academic papers in domestic and foreign journals, but also some were displayed at the Taiwan Healthcare+ EXPO at the end of the year.

The HTC Medical VR team is committed to the vertical application of virtual reality and generative AI 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 and generative AI virtual humans 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, 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. Furthermore, in partnership with Virti, the successful model of HTC VR workshops has been expanded to the global market and applied to other vertical domains, receiving a wide response from the market.

## 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

VIVERSE integrates application platforms developed by itself and with partners. In addition to VIVEPORT providing users to experience more than a thousand items of content and games, VR music platform Beatday, provides live virtual concerts and VIVE Arts aims at enhancing artistic creation

and understanding through the latest technologies. VIVERSE for Business provides new experiences for remote collaboration, learning, and sales, and effectively enhance productivity, connectivity, and engagement. VIVERSE also launched its exclusive 3D streaming technology “Polygon Streaming,” which brings revolutionary progress to the seamless integration of the real and virtual worlds, empowering various industries to meet their business needs. Partners such as VR Chat allows visitors to interact with friends in the virtual world, Engage supports large-scale business virtual exhibitions, and etc.

### 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.

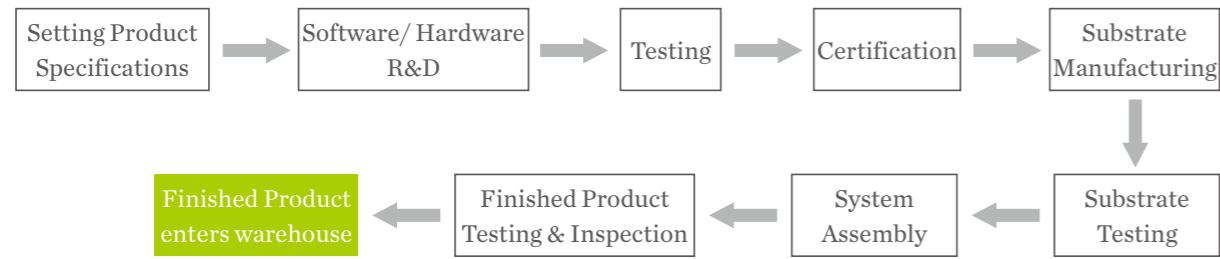
2. Continue to invest in the research and development of related technologies and the development of various software and hardware applications. Through the research and development of technologies related to virtual reality and augmented reality, we work with experts from various industries to develop 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, and combined with AI technology application

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, (applying AI technology to manufacturing processes) 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, SanDisk
LCD	JDI, Tianma

### 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

2022			
Supplier Code	Amount	%	Relation to HTC
Others	2,033	100	None
Total	2,033	100	

Unit: NT\$ millions

2023			
Supplier Code	Amount	%	Relation to HTC
A	454	21	None
B	269	13	None
Others	1,416	66	None
Total	2,139	100	

Unit: NT\$ millions

2024 Q1			
Supplier Code	Amount	%	Relation to HTC
A	118	27	None
B	55	12	None
Others	268	61	None
Total	441	100	

Reason for Increase or Decrease: The changes of procurement amount and percentage were mainly due to product demand change.

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

Unit: NT\$ millions

2022			
Customer Code	Amount	%	Relation to HTC
Others	4,409	100	None
Total	4,409	100	

Unit: NT\$ millions

2023			
Customer Code	Amount	%	Relation to HTC
A	477	11	None
B	462	10	None
Others	3,479	79	None
Total	4,418	100	

Unit: NT\$ millions

2024 Q1			
Customer Code	Amount	%	Relation to HTC
B	80	13	None
Others	515	87	None
Total	595	100	

Reason for Increase or Decrease: The changes in sales amount and percentage for major customers were mainly due to product demand change.

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

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
<b>Total</b>	<b>7,130</b>	<b>336</b>	<b>1,813</b>

Unit: 1,000 units / NT\$ millions

	2023 (Note)		
	Production Capacity	Production Quantity	Production Value
Virtual Reality, 5G, Smartphones and Connected Devices (accessories)	7,300	276	1,969
<b>Total</b>	<b>7,300</b>	<b>276</b>	<b>1,969</b>

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

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

Unit: 1,000 units / NT\$ millions

	2022 (Note)			
	Domestic Sales		Export Sales	
	Quantity	Value	Quantity	Value
Virtual Reality, 5G, Smartphones and Connected Devices (accessories)	37	260	400	3,753
<b>Total</b>	<b>37</b>	<b>260</b>	<b>400</b>	<b>3,753</b>

Unit: 1,000 units / NT\$ millions

	2023 (Note)			
	Domestic Sales		Export Sales	
	Quantity	Value	Quantity	Value
Virtual Reality, 5G, Smartphones and Connected Devices (accessories)	66	672	350	3,330
<b>Total</b>	<b>66</b>	<b>672</b>	<b>350</b>	<b>3,330</b>

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

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

		Dec. 31, 2022	Dec. 31, 2023	Mar. 31, 2024
Employee	Direct Labor	472	366	363
	Indirect Labor	1,701	1,713	1,710
	<b>Total</b>	<b>2,173</b>	<b>2,079</b>	<b>2,073</b>
Average Age		39.45	39.65	39.84
Average Year of Service		8.39	8.5	8.67
Education	Ph.D.	1.79%	1.83%	1.78%
	Master's	37.92%	39.34%	39.32%
	Bachelor's/Associate	44.09%	45.46%	45.63%
	Senior High School and Below	16.20%	13.37%	13.27%

## 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 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	<ol style="list-style-type: none"> <li>Implementation of energy-saving light fixtures, 2-way time-controlled light fixtures.</li> <li>Introduction of energy-saving air conditioning facilities.</li> <li>Waste water retreatment for landscape irrigation within the campus.</li> <li>Advocating and promotion of water-saving and energy-saving activities.</li> <li>Advocating of garbage classification and resource reuse activities.</li> <li>Greening of campus landscape.</li> </ol>	<ol style="list-style-type: none"> <li>Use of energy-saving light fixtures like LEDs to achieve reduction of energy waste and effective saving of power through 2-way time controlled.</li> <li>Air conditioning systems fitted with inverters to save energy.</li> <li>Waste water treatment and then used for landscape irrigation to reduce use of tap water.</li> <li>Advocating kitchens to reach target of water saving through water saving management measures.</li> <li>Advocating and strengthening resource recycling and reuse to reduce environmental pollution from garbage.</li> <li>Campus landscape greening to fight warming and achieve the effect of energy saving.</li> </ol>	9,500
2023	<ol style="list-style-type: none"> <li>Implementation of energy-saving light fixtures, 2-way time-controlled light fixtures.</li> <li>Introduction of energy-saving air conditioning facilities.</li> <li>Advocating and promotion of water-saving and energy-saving activities.</li> <li>Advocating of garbage classification and resource reuse activities.</li> <li>Greening of campus landscape.</li> </ol>	<ol style="list-style-type: none"> <li>Use of energy-saving induction light fixtures like LEDs to achieve reduction of energy waste and effective saving of power through 2-way time controlled.</li> <li>Air conditioning systems fitted with inverters to save energy. Replacing old refrigerant-based air conditioning units with chilled water units.</li> <li>Use cooling water tower conductivity water-saving management measures to achieve water-saving goals.</li> <li>Advocating and strengthening resource recycling and reuse to reduce environmental pollution from garbage.</li> <li>Campus landscape greening to fight warming and achieve the effect of energy saving.</li> </ol>	1,633
2024	<ol style="list-style-type: none"> <li>Implementation of energy-saving light fixtures, 2-way time-controlled light fixtures.</li> <li>Introduction of energy-saving air conditioning facilities.</li> <li>Rainwater retreatment for landscape irrigation within the building.</li> <li>Advocating and promotion of water-saving and energy-saving activities.</li> <li>Sensor type faucet construction</li> </ol>	<ol style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>Rainwater treatment and then used for landscape irrigation to reduce use of tap water.</li> <li>Use cooling water tower conductivity water-saving management measures to achieve water-saving goals.</li> </ol>	25,725

(Continued)

Fiscal Year			Expenditures (estimated) Unit: NT\$ thousand
Item	Anticipated Equipment Purchases / Expenditures	Anticipated Benefits	
	<ol style="list-style-type: none"> <li>Advocating of garbage classification and resource reuse activities.</li> <li>Greening of campus landscape.</li> <li>Adding on solar panels.</li> </ol>	<ol style="list-style-type: none"> <li>Install sensor faucets in public areas such as toilets and restaurants to reduce water waste.</li> <li>Advocating and strengthening resource recycling and reuse to reduce environmental pollution from garbage.</li> <li>Campus landscape greening to fight warming and achieve the effect of energy saving.</li> <li>200 kW solar power module expansion project in TPEI.</li> <li>200kW solar power module expansion project in TAO.</li> </ol>	

(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.

As the pandemic subsides, HTC continued to organize Five Core Competencies Training: Communication & Influencing, Planning & Organizing, Customer Focus, Driving for Results, and Teamwork. A total of eight courses, both physical and online, were conducted to assist our employees in coping with ever-changing challenges and understand the pulse of the industry. Meanwhile, with the rise of AI in 2023, three online AI webinars were conducted to assist employees in utilizing AI tools to improve work efficiency and stimulate more AI application scenarios.

To foster employees’ innovative thinking and professional skills, HTC continued to host the “Thinker Forum” last year. Invitations were extended to Prof. Ming-Je Tang, the current president of Chang Gung University, and Prof. Hsin-Chien Huang, a special professor in the Department of Design at National Taiwan Normal University. They were invited to share industry trends, cutting-edge technologies, and knowledge and culture that combine humanities and aesthetics. Through dialogues between top scholars, experts, and internal colleagues involved in practice and execution, the company aims to prepare its employees to confidently face future technological developments and challenges.

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. In 2023, a total of three courses were conducted to enhance the three leadership competencies: Leading People, Leading Change, Strategic Thinking & Decision Making. We hope that our leaders can continue to lead for the growth and development of HTC in the face of difficulties and challenges.

To offer employees more flexible and diverse learning opportunities, HTC leverages external training mechanisms, internal courses, e-learning, and other varied learning resources to foster continuous growth. HTC has continued to cultivate talents through various methods such as online courses and on-the-job training, with a total of about NT\$3.70 million and a total of about 20,557 training hours in 2023.

### 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 three main annual festivals in Taiwan, cash for weddings / funerals, subsidies for club activities, access to employee exercise facilities and various exercise classes.

**Employee activities:** As the pandemic subsides, employee activities have resumed in person. We provide diverse interface for employees include arts and cultural activities, wellness seminars, and a grand sports season event. These initiatives not only encourage employee to develop personal interests in their free time but also aim to enrich their life experiences, enhance their physical and mental health, and foster team cohesion.

**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.

### 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 2023, 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.

## 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 NV.	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

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

### 5.7.2 Adoption and certification of international standards

HTC's "Personal Information Management System" is established in compliance with Taiwan Personal Data Protection Act and the 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 Privacy Rights 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, August 2022 and November 2023.

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 adopts BSIMM (Building Security In Maturity Model) and relevant security controls to enhance the security practices of software development, and implements the privacy and security review process 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 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,

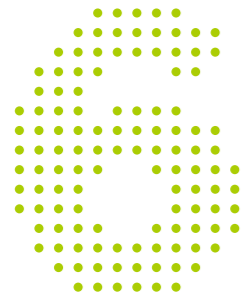
reminders for social media, marketing campaign, information security and data protection, introduction to information security threats, and provision of company's resources related to data protection and information security). The employees involved in software product planning, development, testing, 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 Security by Design, 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 2023 includes 2022 cyberattack trends, watch out for phishing emails, risks of using GPT (Generative Pre-training) technology in enterprises, ChatGPT is being used to lure victims into downloading malware, EU Over-the-Top Communication regulation, California Privacy Rights Act, Google Ads abused to distribute malware, etc.

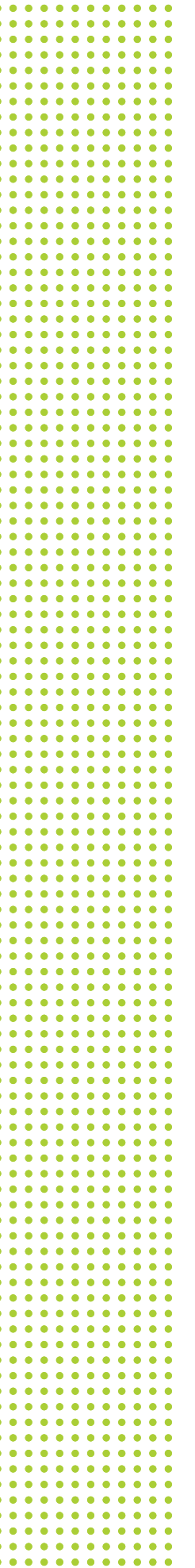
In response to potential cybersecurity threats that may arise from working from home, HTC continues to promote various information security measures and has established and implemented the "Work from Home (WFH) Information Security Process", including remote connection security, remote video conferencing security, remote collaboration tool security, system security, network security, physical security, data security, among others, to strengthen employees' information security awareness during WFH.

HTC conducts annual privacy, information security, and secure software development 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 2023, HTC has not discovered any significant cyberattack or incident, which had or was likely to have a significant negative impact on company business or operation, nor has it been involved in any legal procedure or investigation related to such cyberattack or incident.



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



# FINANCIAL STATUS, OPERATING RESULTS AND RISK MANAGEMENT

## 6.1 Financial Status

Item	Unit: NT\$ thousands			
	2023	2022	Difference	%
Current Assets	26,900,804	27,585,609	( 684,805)	( 2)
Properties, plant and equipment	6,717,362	7,036,248	( 318,886)	( 5)
Intangible Assets	183,123	81,321	101,802	125
Other Assets	11,782,019	11,737,058	44,961	0
<b>Total Assets</b>	<b>45,583,308</b>	<b>46,440,236</b>	<b>( 856,928)</b>	<b>( 2)</b>
Current Liabilities	13,501,340	13,727,123	( 225,783)	( 2)
Non-current Liabilities	9,276,840	7,153,953	2,122,887	30
<b>Total Liabilities</b>	<b>22,778,180</b>	<b>20,881,076</b>	<b>1,897,104</b>	<b>9</b>
Capital Stock	8,320,380	8,295,153	25,227	0
Capital Surplus	16,270,636	16,160,271	110,365	1
Retained Earnings	1,571,162	4,909,467	( 3,338,305)	( 68)
Other Equity	( 3,357,050)	( 3,805,731)	448,681	12
<b>Total Stocks Equity</b>	<b>22,805,128</b>	<b>25,559,160</b>	<b>( 2,754,032)</b>	<b>( 11)</b>

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

Non-current liabilities increased mainly due to the drawdown of bank loans.

Retained earnings decreased mainly due to losses in 2023.

### If the impact is significant, indicate future plan on financial position:

Not applicable.

## 6.2 Operating Results

Item	Unit: NT\$ thousands, except (Loss) Earnings Per Share			
	2023	2022	Difference	%
Revenues	4,417,932	4,408,823	9,109	0
Gross Profit	1,823,710	1,729,978	93,732	5
Operating Loss	(4,294,681)	(4,403,831)	109,150	2
Non-operating Income and Expenses	896,003	989,780	( 93,777)	( 9)
Net (Loss) Income before Tax	(3,398,678)	( 3,414,051)	15,373	0
Net (Loss) Income from Continuing Operations	(3,395,757)	( 3,411,783)	16,026	0
Non-Continuing Operations Loss	-	-	-	-
Net (Loss) Income	(3,395,757)	( 3,411,783)	16,026	0
Other Comprehensive Income and Loss for the Year, Net of Income Tax	506,133	1,543,006	(1,036,873)	(67)
Total Comprehensive Income for the Year	(2,889,624)	(1,868,777)	(1,020,847)	(55)
(Loss) Profit for the Year Attributable to Owners of the Parent	(3,395,757)	( 3,411,783)	16,026	0
(Loss) Profit for the Year Attributable to Non-Controlling Interest	-	-	-	-
Total Comprehensive (Loss) Income Attributable to Owners of the Parent	(2,889,624)	(1,868,777)	(1,020,847)	(55)
Total Comprehensive Loss Attributable to Non-Controlling Interest	-	-	-	-
(Loss) Earnings Per Share- Basic	(4.09)	(4.13)	0.04	1
(Loss) Earnings Per Share- Diluted	(4.09)	(4.13)	0.04	1

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

Compared with the previous period, there are no significant changes in the operating results of this year.

### If the impact is significant, indicate future plan on financial position:

Not applicable.

## 6.3 Cash Flows

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

Item	Year		Difference
	2023	2022	
Cash Flow Ratio (%)	( 29.99)	( 27.25)	( 2.74)
Cash Flow Adequacy Ratio (%)	(2,562.94)	(2,063.47)	(499.47)
Cash Flow Reinvestment Ratio (%)	( 10.41)	( 9.48)	( 0.93)

Less net cash outflow from capital expenditure in 5 years was primarily due to HTC's austerity policy, resulting in a decrease 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 2023 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 2023 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, HTC 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	Unit: NT\$ thousands or %	
	2023	
Net Interest Income	621,223	
Net Forex Income	-42,807	
Net Interest Income as percentage of Net Revenue	14.06%	
Net Interest Income as percentage of Earnings Before Tax	-18.28%	
Net Forex Income as percentage of Net Revenue	-0.97%	
Net Forex Income as percentage of Earnings Before Tax	1.26%	

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 2023, HTC interest income totaled NT\$ 621 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 2023, financial derivatives held by HTC related to exchange risk were valued at USD 273 million, EUR 49 million, GBP 161 million, JPY 2,200 million, CAD 8 million, CNH 190 million, SGD 202.1 million, HKD 43 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\$120.748 million.

During 2023, the US dollar against to the NT dollar fluctuated from 1:30.72 to 1:30.73. Net exchange loss during 2023 totaled NT\$ 42.807 million. Under effective management by the Company, negative effects of exchange rate fluctuations on profits in recent years have been minimal.

During 2023, the inflation in Taiwan was approximately 2.49%, 4.1% in North American and 5.4% 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 plans to create a user interface that is more closely aligned with the actual living experience, to achieve a faster and more intuitive user experience that is more in line with the user's context. Therefore, VIVERSE will continue to research and develop in five major areas in 2024 to meet the growing demand for high-quality virtual experiences from general users and enterprise users:

- **Sociality:** VIVERSE will continue to optimize the existing friend-making and chat room systems, and take advantage of the decentralized community communication protocol framework of ActivityPub

to connect with other open social platforms such as Mastodon in the Fediverse, further expanding the VIVERSE user social network, and realizing the open metaverse vision.

- **Interactivity:** VIVERSE Avatar will continue to optimize the body and facial tracking system, making the interaction between users more real and natural, and will also provide a more diverse accessory system, allowing users to purchase accessories in the Market and use them on their virtual avatars. At the same time, VIVERSE World will continue to optimize 3D rendering performance through Polygon Streaming technology, and increase interactive experiences, allowing users to play games, complete tasks, and earn rewards together in the virtual world.
- **Extensibility:** VIVERSE will open up creators to create personalized scenes on their own, using user-friendly tools and editors to create their own metaverse world. At the same time, it will also introduce AR, MR, and coordinate systems to extend applications to mixed reality application scenarios.
- **User experience:** Due to the different display and input methods of different devices, VIVERSE will continue to optimize the user experience and performance, so that users of different end devices can obtain the best experience.
- **Artificial intelligence assistance:** VIVERSE will continue to use AI to enhance the metaverse experience, such as using AI technology to introduce real-time translation, automatic meeting recording, and voice commands to improve the usability of applications in various industries. At the same time, the functions brought by non-player characters (Non-Player Character, NPC) can enhance the interactivity of the metaverse. In addition, through the assistance of generative AI, the production time of content creators will be greatly shortened, allowing creators to focus more on creative ideation. Security and privacy are also important issues. VIVERSE will also strengthen the security and privacy of AI use from the system level to ensure the data security of end users and enterprise users.

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 front-haul and mid-haul 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 has been launched. Together with HUB and RHUB, it increases the coverage and enables large-scale cases to fulfill the requirements of various 5G applications.

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 5G 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 2023, a total of 999 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 48% of all HTC's global employees, the investment of which is about 61% of the total 2023 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**

While geographical restrictions relating to the COVID-19 pandemic were lifted worldwide by the end of 2023, it is clear that some aspects of the digital revolution catalysed by the pandemic have become embedded in society, such as remote and hybrid working, and the concept of Web4 has further developed as well. HTC remains well-positioned, taking full advantage of the global trend and dedicates to completing the VIVERSE ecosystem. HTC continued to fulfil its potential in 2023, creating innovative products and services with clear market focus, with each business demonstrating maturity of business model and leadership in their respective fields.

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.

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 2023 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 continuous review and improvement of manufacturing processes and automation combined with AI technology applications 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:**

On January 30, 2017, 3G Licensing S.A. ("3GL"), Orange S.A. ("Orange"), and Koninklijke KPN N.V. filed a lawsuit against the Company and a subsidiary of the Company, HTC America Inc. ("HTC America"), in U.S. District Court in Delaware alleging, inter alia, infringement of three of 3GL's patents. The plaintiffs dismissed HTC America from the case, and a jury trial was held involving only 3GL, Orange, the Company, and two of 3GL's patents. The trial commenced on October 10, 2023, and on October 16, 2023, the jury found infringement of the patents and awarded damages against the Company. The Company does not believe the patents have been infringed and plans to vigorously appeal the verdict.

On the basis of its past experience and consultations with its legal counsel, the Company has measured the possible effects of the contingent lawsuits on its business and financial condition.

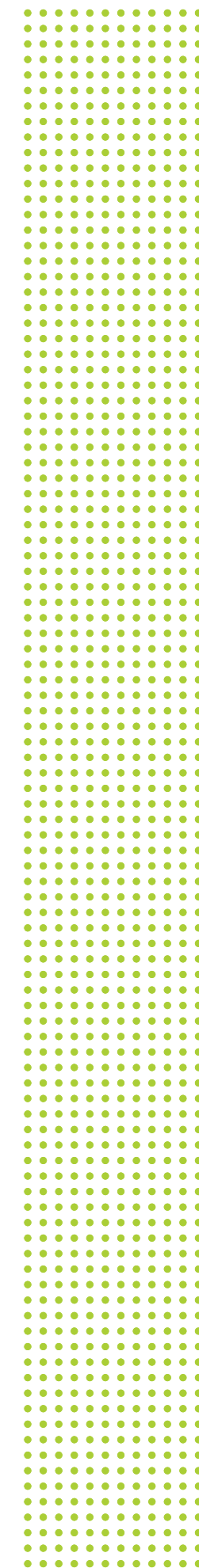
**6.7.13 Other important risks and mitigating measures being or to be taken:**

In 2023 and as of the date of this Annual Report, HTC's management was not aware of any other risk that could potentially have a material impact on the financial status of the Company.

**6.8 Other Important Matters:** None.



**AFFILIATE  
INFORMATION AND  
OTHER SPECIAL  
NOTES**

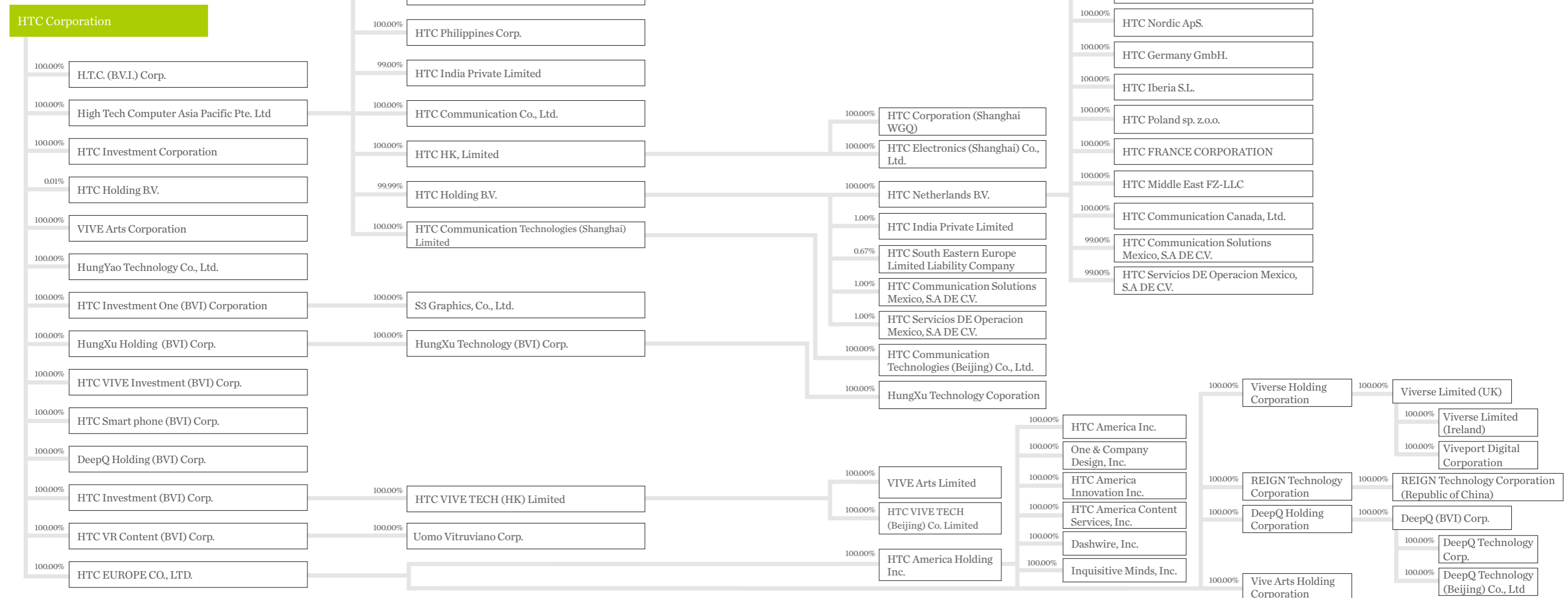


# AFFILIATE INFORMATION AND OTHER SPECIAL NOTES

## 7.1 Affiliates

### 7.1.1 HTC affiliated companies chart

Holding company and subsidiaries:



Reciprocal affiliation: None

## 7.1.2 HTC affiliated companies

Amount in thousands				
Company	Date of Incorporation	Place of Registration	Capital Stock	Business Activities
Investor:				
HTC Corporation	1997.05.15	No.23, Xinghua Rd., Taoyuan Dist., Taoyuan City 330, Taiwan, R.O.C.	NTD 8,316,425	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 4,535,625 (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 6,794,269 (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 342,874	General investing activities
HTC Investment One (BVI) Corporation	2011.06.20	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola VG1110	NTD 10,253,946 (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 798,850 (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 215,075 (USD 7,000)	International holdings
HTC VIVE Investment (BVI) Corp	2016.09.01	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola VG1110	NTD 307,250 (USD 10,000)	General investing activities
DeepQ Holding (BVI) Corp.	2017.03.08	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola VG1110	NTD 506,963 (USD 16,500)	International holdings
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 52,540 (USD1,710)	International holdings
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
HungYao Technology CO., LTD.	2023.10.18	16F, No. 88 Section 3, Zhongxing Road, Xindian District, New Taipei City 231, Taiwan, R.O.C.	NTD 100	Electronics Components Manufacturing
HTC EUROPE CO., LTD.	2003.07.09	Salamanca Wellington Street Slough Berkshire England SL1 1YP	NTD 4,075,566 (GBP 104,061)	International holdings, marketing, repair and after-sales service
HTC (Australia and New Zealand) PTY LTD.	2007.08.28	SUITE 1 LEVEL 7 , 460-62 YORK STREET , SYDNEY NSW 2000	NTD83,978 (AUD 4,000)	Marketing, repair and after-sales services
HTC Philippines Corporation	2007.12.06	Unit 32 3/F Worldnet Business Center Zeta Bldg 191, Salcedo St Legaspi Village, Makati City 1229	NTD 6,145 (USD 200)	Marketing, repair and after-sales services

(Continued)

Company	Date of Incorporation	Place of Registration	Capital Stock	Business Activities
HTC India Private Limited	2008.01.30	C-109 and C-110, First Floor, M3M, Cosmopolitan, Golf Course Exption Road, Gurugram, Haryana-122002	NTD 1,848 (INR 5,000)	Marketing, repair and after-sales services
HTC Communication Co., Ltd.	2008.12.29	Room 101-A D Building, China Core Science Park, No. 2557 Jinke Road, Pilot Free Trade Zone, Shanghai China	NTD 3,917,438 (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	NTD147,969 (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 7,080,288 (EUR 208,242)	International holdings
HTC Communication Technologies (Shanghai) Limited	2011.08.01	Room 101-B D Building, China Core Science Park, No. 2557 Jinke Road, Pilot Free Trade Zone, Shanghai China	NTD 122,900 (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 9,463 (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 46,088 (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 89,379 (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 I, Zhongguancun East Road, Haidian District, Beijing	NTD 45,460 (RMB 10,500)	Design, research and development of application software
HTC Netherlands B.V.	2009.11.11	Van Boshuizenstraat 12 unit 1.25, 1083 BA Amsterdam, the Netherlands	NTD 4,892,030 (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	NTD646 (EUR 19)	Marketing, repair and after-sales services
HTC NIPPON Corporation	2006.03.22	The CORNER Nihonbashi east 5th floor, 1-9- 1, Nihonbashi Bakurocho, Chuo-ku, Tokyo	NTD 61,922 (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 374,003 (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 153 (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 340 (EUR 10)	Marketing, repair and after-sales services
HTC Germany GmbH.	2010.09.06	Friedrich-Ebert-Anlage 36, 60325 Frankfurt am Main, Germany	NTD 850 (EUR 25)	Marketing, repair and after-sales services
HTC Nordic ApS.	2010.07.01	c/o Redmark, Sommervej 31 C, Hasle, 8210 Aarhus V	NTD 365 (DKK 80)	Marketing, repair and after-sales services
HTC Iberia S.L.	2010.10.08	Conde de Vilches, 19, Madrid, 28028, Spain	NTD 102 (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 1,834 (PLN 234)	Marketing, repair and after-sales services

(Continued)

Company	Date of Incorporation	Place of Registration	Capital Stock	Business Activities
HTC Communication Canada, Ltd.	2011.01.25	2900-550 Burrard Street, Vancouver BC V6C 0A3, Canada	NTD 46,088 (USD 1,500)	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 29,280 (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 91 (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 91 (MXN 50)	Human resource management
HTC America Holding Inc.	2010.04.23	1625 Shattuck Ave, Berkeley, CA 94709	NTD 2,123,558 (USD 69,115)	International holdings
DeepQ Holding Corporation	2021.11.05	89 Nexua Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands	NTD 307,250 (USD 10,000)	International holdings
Vive Arts Holding Corporation	2021.11.05	89 Nexua Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands	NTD 1,536 (USD 50)	International holdings
Viverse Holding Corporation	2021.08.27	89 Nexua Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands	NTD 798,850 (USD 26,000)	International holdings
REIGN Technology Corporation (Cayman)	2021.08.27	89 Nexua Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands	NTD 307,250 (USD 10,000)	International holdings
DeepQ (BVI) Corp.	2017.03.02	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola VG1110	NTD 506,041 (USD 16,470)	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 280,000	Development of 5G network
Viverse Limited (UK)	2021.09.30	Salamanca, Wellington Street, Slough S11 1YP	NTD 837,077 (GPD 21,373)	International holdings
Viveres Limited (Ireland)	2022.01.05	10 Earlsfort Terrace, Dublin 2, Republic of Ireland	NTD 449,586 (Euro 13,223)	Virtual reality market development and sales
Viveport Digital Corporation	2021.10.01	11F, No. 88 Section 3, Zhongxing Road, Xindian District, New Taipei City 231, Taiwan, R.O.C.	NTD 350,000	Research, development of virtual reality software
HTC America Inc.	2003.01.06	1625 Shattuck Ave, Berkeley, CA 94709	NTD 689,715 (USD 22,448)	Sale of smart handheld devices and electronic components
One & Company Design, Inc.	2003.10.04	1625 Shattuck Ave, Berkeley, CA 94709	NTD 1,106 (USD 36)	Design, research and development of application software
HTC America Innovation Inc.	2010.04.23	1625 Shattuck Ave, Berkeley, CA 94709	NTD 92,175 (USD 3,000)	Design, research and development of application software
HTC America Content Services, Inc.	2011.03.28	1625 Shattuck Ave, Berkeley, CA 94709	NTD 1,016,998 (USD 33,100)	Online/download media services
Dashwire, Inc.	2006.08.11	1625 Shattuck Ave, Berkeley, CA 94709	NTD 0.003 (USD 0.0001)	Cloud Synchronization Technology design and management
Inquisitive Minds, Inc.	2008.12.04	1625 Shattuck Ave, Berkeley, CA 94709	NTD 0.031 (USD 0.001)	Development and sale of Digital Education Platform
HungXu Technology (BVI) Corp.	2015.08.13	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola VG1110	NTD 202,785 (USD 6,600)	International holdings

(Continued)

Company	Date of Incorporation	Place of Registration	Capital Stock	Business Activities
HungXu TECH Corp.	2015.12.21	8F, No. 88 Section 3, Zhongxing Road, Xindian District, New Taipei City 231, Taiwan, R.O.C.	NTD 1,000	Research, and development of virtual reality devices
HTC VIVE TECH (HK) Limited	2017.06.21	Unit 1606, 16/F., Citicorp Centre, No. 18 Whitfield Road, Causeway Bay, Hong Kong	NTD208,930 (USD 6,800)	Research, development and sale of virtual reality devices
HTC VIVE TECH (Beijing) Co. Limited	2016.08.17	RM 601 ,601-3, 6F, VIA Building, Building 7, No.1 Zhongguancun East Road, Haidian District , Beijing	NTD 24,580 (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 95,248 (GBP 3,100)	Digital art
DeepQ Technology Corp.	2017.07.24	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 92,175 (USD 3,000)	Development and marketing of software technology
Uomo vitruviano Corp.	2017.09.15	11F, No. 88 Section 3, Zhongxing Road, Xindian District, New Taipei City 231, Taiwan, R.O.C.	NTD 50,000	Software development of virtual reality

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

(Concluded)

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

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

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

Principally engaged in 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 BV., 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., Viverse Holding Corporation DeepQ Holding Corporation REIGN Technology Corporation VIVE Arts Holding Corporation and Viverse Limited (UK) 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) Viverse Limited (Ireland) is mainly engaged in marketing, development and sale of virtual reality devices.
- (17) HungXu Technology Corporation is mainly engaged in research and development of virtual reality devices.
- (18) DeepQ Technology Corp. is mainly engaged in health technology and health care business.
- (19) DeepQ Technology (Beijing) Co., Ltd is mainly engaged in development and marketing of software technology.
- (20) Uomo vitruviano Corp. is mainly engaged in Software development of virtual reality.
- (21) REIGN Technology Corporation (TW) is mainly engaged in development of 5G network.
- (22) Viveport Digital Corporation is mainly engaged in development and marketing of virtual reality software.
- (23) VIVE Arts Corporation and VIVE Arts Limited are mainly engaged in digital arts business.
- (24) HungYao Technology CO., LTD. is mainly engaged in Electronics Components Manufacturing.
- (25) HTC Servicios DE Operacion Mexico, S.A DE C.V. is mainly engaged in human resource management.
- (26) 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:	Independent Director	Hong-Chung Hsieh	-	-
	H.T.C. (B.V.I.) Corp.	Director 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	34,287,420 shares
Director		HTC Corporation Representative: Peter Shen, ChiaTe Lu	34,287,420 shares	100.00%
Supervisor		HTC Corporation Representative: Hui-Mei Tseng	34,287,420 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%

(Continued)

Company	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	Investment Holding Percentage
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: Hui-Mei Tseng	500,000 shares	100.00%
HungYao Technology CO., LTD.	Chairperson	HTC Corporation Representative: Cher Wang	10,000 shares	100.00%
	Director	HTC Corporation Representative: Wen-Chi Chen, ChiaTe Lu	10,000 shares	100.00%
	Supervisor	HTC Corporation Representative: Hui-Mei Tseng	10,000 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: (Revoked)	858,765 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 B.V.	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	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	Director	HTC Netherlands B.V. Representative: (Liquidator) Nikos Daskalakis	149 shares	99.33%
	Director	HTC Holding B.V. Representative: (Liquidator) Nikos Daskalakis	1 share	0.67%
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 Nordic ApS	Director	HTC Netherlands B.V. Representative: Charles Huang, ChiaTe Lu	80,000 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%

(Continued)

Company	Title	Name or Representative	Shareholding	
			(Investment Amount)	Investment Holding Percentage
HTC Communication Canada, Ltd.	Director	HTC Netherlands B.V. Representative: Peter Shen, Daniel O'Brien, ChiaTe Lu	1,500,000 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%
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	61,700,000 shares	100.00%
VIVE Arts Holding Corporation	Director	HTC EUROPE CO., LTD. Representative: Cher Wang	5,960,000 shares	100.00%
Viverse Holding Corporation	Director	HTC EUROPE CO. LTD Representative: Cher Wang	16,916,615 shares	100.00%
REIGN Technology Corportion (Cayman)	Director	HTC EUROPE CO. LTD Representative: Cher Wang	32,000,000 shares	100.00%
DeepQ (BVI) Corp.	Director	DeepQ Holding (BVI) Corp Representative: Peter Shen, ChiaTe Lu	164,700,000 shares	100.00%
REIGN Technology Corporation (Republic of China)	Chairperson	REIGN Technology Corporation Representative: Cher Wang	28,000,000 shares	100.00%
	Director	REIGN Technology Corporation Representative: Wen-Chi Chen, ChiaTe Lu	28,000,000 shares	100.00%
	Supervisor	REIGN Technology Corporation Representative: Hui-Mei Tseng	28,000,000 shares	100.00%
Viverse Limited (UK)	Director	Viverse Holding Corporation Representative: Cher Wang	22,250,200 shares	100.00%
Viverse Limited (Ireland)	Director	Viverse Limited (UK) Representative: Cher Wang, ChiaTe Lu, Gilbert Ng	13,460,700 shares	100.00%
Viveport Digital Corporation	Chairperson	Viverse Limited (UK) Representative: Cher Wang	35,000,000 shares	100.00%
	Director	Viverse Limited (UK) Representative: Wen-Chi Chen, ChiaTe Lu	35,000,000 shares	100.00%
	Supervisor	Viverse Limited (UK) Representative: Hui-Mei Tseng	35,000,000 shares	100.00%
	Director	HTC America Holding, Inc. Representative: Peter Shen, ChiaTe Lu	1,000 shares	100.00%

(Continued)

Company	Title	Name or Representative	Shareholding	
			(Investment Amount)	Investment Holding Percentage
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	27,200,000 shares	100.00%
	Chairperson	HungXu Technology (BVI) Representative: Cher Wang	100,000 shares	100.00%
	Director	HungXu Technology (BVI) Representative: Wen-Chi Chen	100,000 shares	100.00%
	Director	HungXu Technology (BVI) Representative: ChiaTe Lu	100,000 shares	100.00%
HungXu Technology Corp.	Supervisor	HungXu Technology (BVI) Representative: Hui-Mei Tseng	100,000 shares	100.00%
	Director	HTC Investment (BVI) Corp. Representative: Peter Shen, ChiaTe Lu, Cha-Li Ou Yang	68,000,000 share	100.00%
HTC VIVE TECH (HK) 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	3,100,000 shares	100.00%
DeepQ Technology Corp.	Chairperson	DeepQ (BVI) Corp. Representative: Cher Wang	39,521,200 shares	100.00%
	Director	DeepQ (BVI) Corp. Representative: Wen-Chi Chen	39,521,200 shares	100.00%
	Director	DeepQ (BVI) Corp. Representative: ChiaTe Lu	39,521,200 shares	100.00%
	Supervisor	DeepQ (BVI) Corp. Representative: Hui-Mei Tseng	39,521,200 shares	100.00%
DeepQ Technology (Beijing) Co., Ltd	Chairperson	DeepQ (BVI) Corp. Representative: Peter Shen	USD 3,000 thousands	100.00%

(Continued)

Company	Title	Name or Representative	Shareholding	
			(Investment Amount)	Investment Shares Holding Percentage
Uomo vitruviano Corp.	Chairperson	HTC VR Content (BVI) Corp. Representative: Cher Wang	5,000,000 shares	100.00%
	Director	HTC VR Content (BVI) Corp. Representative: Wen-Chi Chen	5,000,000 shares	100.00%
	Director	HTC VR Content (BVI) Corp. Representative: ChiaTe Lu	5,000,000 shares	100.00%
	Supervisor	HTC VR Content (BVI) Corp. Representative: Hui-Mei Tseng	5,000,000 shares	100.00%

(Concluded)

## 7.1.6 Operational highlights of HTC affiliated companies

Unit: NT\$ thousands

Company	Capital Stock	Assets	Liabilities	Net Worth	Net Sales	Income (Loss) from Operation	Net Income (Net of Tax)	EPS (Net of Tax)
Investor:								
HTC Corporation	\$ 8,316,425	\$46,518,525	\$23,713,397	\$22,805,128	\$ 3,038,442	(\$ 3,769,003)	(\$ 3,395,757)	(\$4.09)
Investee:								
H.T.C. (B.V.I.) Corp.	4,535,625	2,592,118	-	2,592,118	-	( 94,887)	( 84,254)	( 0.06)
High Tech Computer Asia Pacific Pte. Ltd.	6,794,269	12,397,146	742	12,396,404	9,521	( 91,242)	42,640	0.18
HTC Investment Corporation	342,874	146,829	254	146,575	-	( 158)	1,227	0.04
HTC Investment One (BVI) Corporation	10,253,946	418,658	-	418,658	-	( 416)	5,974	0.02
HTC Investment (BVI) Corp.	798,850	3,543,899	-	3,543,899	36,418	( 54,637)	( 148,379)	( 5.71)
HungXu Holding (BVI) Corp.	215,075	242,566	1,755	240,811	-	18,732	18,687	2.67
HTC VIVE Investment (BVI) Corp.	307,250	452,150	-	452,150	-	-	( 26,146)	( 2.61)
DeepQ Holding (BVI) Corp.	506,963	217,717	-	217,717	-	( 60,052)	( 60,162)	( 3.65)
HTC Smart phone (BVI) Corp.	1,014	474	-	474	-	-	( 66)	( 2.00)
HTC VR Content (BVI) Corp.	52,540	20,511	-	20,511	-	( 5,040)	( 5,040)	( 2.95)
VIVE Arts Corporation	5,000	11,858	8,442	3,416	-	( 1,668)	( 1,665)	( 3.33)
HungYao Technology CO., LTD.	100	100	-	100	-	-	-	-
HTC EUROPE CO., LTD.	4,075,566	9,938,904	339,088	9,599,816	296,074	( 174,609)	( 201,539)	( 1.94)
HTC (Australia and New Zealand) PTY LTD.	83,978	216,775	17,731	199,044	30,540	1,484	1,040	2.60

(Continued)

Company	Capital Stock	Assets	Liabilities	Net Worth	Net Sales	Income (Loss) from Operation	Net Income (Net of Tax)	EPS (Net of Tax)
HTC Philippines Corporation	\$ 6,145	\$ 6,561	\$ -	\$ 6,561	\$ -	\$ -	\$ -	\$ -
HTC (Thailand) Limited	-	-	-	-	( 168)	( 169)	-	-
HTC India Private Limited	1,848	204,575	67,030	137,545	1,898	255	168	0.34
HTC Communication Co., Ltd.	3,917,438	1,976,545	386,167	1,590,378	706,081	( 63,256)	( 39,354)	-
HTC HK, Limited	147,969	4,420,332	6,365	4,413,967	16,785	86,309	86,232	2.29
HTC Holding B.V.	7,080,288	1,032,682	15,313	1,017,369	-	( 31,340)	( 31,343)	-
HTC Communication Technologies (Shanghai) Limited	122,900	600,238	44,681	555,557	93,952	5,761	18,510	-
S3 Graphics, Co., Ltd.	9,463	95,453	-	95,453	( 148)	( 139)	-	-
HTC Corporation (Shanghai WGQ)	46,088	85,174	35	85,139	( 216)	1,303	-	-
HTC Electronics (Shanghai) Co., Ltd.	89,379	4,159,147	5,399	4,153,748	( 5,894)	84,182	-	-
HTC Communication Technology (Beijing) Co., Ltd.	45,460	127,478	10,270	117,208	85,132	5,083	6,479	-
HTC Netherlands B.V.	4,892,030	1,059,400	29,030	1,030,370	1,272	( 31,873)	( 30,676)	( 0.21)
HTC Belgium BVBA/SPRL	646	5,031	12,780	( 7,749)	6,880	( 1,404)	( 28,764)	(1,513.89)
HTC NIPPON Corporation	61,922	290,720	56,342	234,378	125,397	1,354	( 1,750)	( 31.25)
HTC FRANCE CORPORATION	374,003	78,475	41,000	37,475	13,042	615	( 748)	( 0.07)
HTC South Eastern Europe Limited Liability Company	153	5,147	2,772	2,375	-	-	-	-
HTC Italia SRL	340	5,247	3,045	2,202	( 199)	( 199)	-	-
HTC Germany GmbH.	850	117,589	2,930	114,659	31,756	1,150	780	31.20
HTC Nordic ApS.	365	12,328	1,107	11,221	5,885	85	153	1.91
HTC Iberia S.L.	102	24,425	3	24,422	-	-	-	-
HTC Poland sp. z.o.o.	1,834	10,173	4,959	5,214	29,655	1,446	277	55.40
HTC Communication Canada, Ltd.	46,088	76,322	2,275	74,047	( 9)	2,384	1.59	-
HTC Communication Sweden AB	-	-	-	-	13	( 4,354)	-	-
HTC Middle East FZ-LLC	29,280	61,890	1,065	60,825	25,242	1,195	1,038	259.50
HTC Servicios DE Operacion Mexico, S.A DE C.V.	91	8,696	2,813	5,883	( 8)	( 98)	( 1.92)	-
HTC Communication Solutions Mexico, S.A DE C.V.	91	25,561	18,889	6,672	-	( 653)	( 12.80)	-
HTC America Holding Inc.	2,123,558	2,980,589	3,551	2,977,038	-	20,364	31,420	0.08

(Concluded)

Company	Capital Stock	Assets	Liabilities	Net Worth	Net Sales	Income (Loss) from Operation	Net Income (Net of Tax)	EPS (Net of Tax)
DeepQ Holding Corporation	\$ 307,250	\$ 288,297	\$ -	\$ 288,297	\$ -	(\$ 6,259)	(\$ 6,259)	(\$ 0.10)
VIVE Arts Holding Corporation	1,536	1,536	-	1,536	-	-	-	-
Viverse Holding Corporation	798,850	576,470	-	576,470	-	( 271,194)	( 271,200)	( 16.03)
REIGN Technology Corporation	307,250	314,330	-	314,330	-	217	218	0.01
DeepQ (BVI) Corp.	506,041	198,532	69	198,463	-	( 66,189)	( 66,311)	( 0.40)
REIGN Technology Corporation (Republic of China)	280,000	195,750	60,673	135,077	75,315	( 83,161)	( 81,263)	( 2.90)
Viverse Limited (UK)	837,077	573,442	46	573,396	-	( 260,566)	( 271,181)	( 12.19)
Viverse Limited (Ireland)	449,586	416,780	241,800	174,980	82,522	( 263,335)	( 67,616)	( 5.02)
Viveport Digital Corporation	350,000	168,302	78,006	90,296	194,141	( 40,945)	( 41,000)	( 1.17)
HTC America Inc.	689,715	1,581,435	107,985	1,473,450	1,158,091	34,736	60,063	60,063.00
One & Company Design, Inc.	1,106	2,971	65	2,906	-	-	-	-
HTC America Innovation Inc.	92,175	633,050	25,544	607,506	204,545	9,727	36,640	36,640.00
HTC America Content Services, Inc.	1,016,998	155,723	113,252	42,471	99,203	( 62,762)	( 69,689)	( 2,248.03)
Dashwire, Inc.	0.003	1,607	56,722	( 55,115)	-	-	-	-
Inquisitive Minds, Inc.	0.031	31,167	2,726	28,441	-	( 32)	( 32)	( 320.00)
HungXu Technology (BVI) Corp.	202,785	230,312	-	230,312	-	19,818	18,732	0.59
HungXu Technology Corp	1,000	361,396	324,194	37,202	1,075,665	25,878	19,817	198.17
HTC VIVE TECH (HK) Limited	208,930	136,972	371	136,601	-	( 112)	( 37,861)	( 0.56)
HTC VIVE TECH (Beijing) Co. Limited	24,580	24,812	21	24,791	-	( 48)	2,593	-
VIVE Arts Limited	95,248	28,657	5,675	22,982	1,138	( 37,088)	( 40,343)	( 13.01)
DeepQ Technology Corp.	395,212	128,780	16,753	112,027	18,023	( 68,583)	( 67,318)	( 1.70)
DeepQ Technology (Beijing) Co., Ltd	92,175	81,639	-	81,639	-	( 323)	1,134	-
Uomo vitruviano Corp.	50,000	20,959	2,372	18,587	1,673	( 5,027)	( 4,947)	( 0.99)

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

(Concluded)

### 7.1.7 Consolidated financial statements of HTC affiliated companies

Pursuant to the “Regulations Governing Preparation of Consolidated Business Reports Covering Affiliated Enterprises, Consolidated Financial Statements Covering Affiliated Enterprises, and Reports on Affiliations” 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

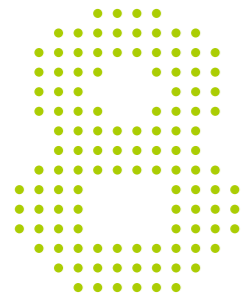
There were no circumstances requiring preparation of an Affiliates Report.

## 7.2 Private Placement Securities in 2023 and as of the Date of This Annual Report: None.

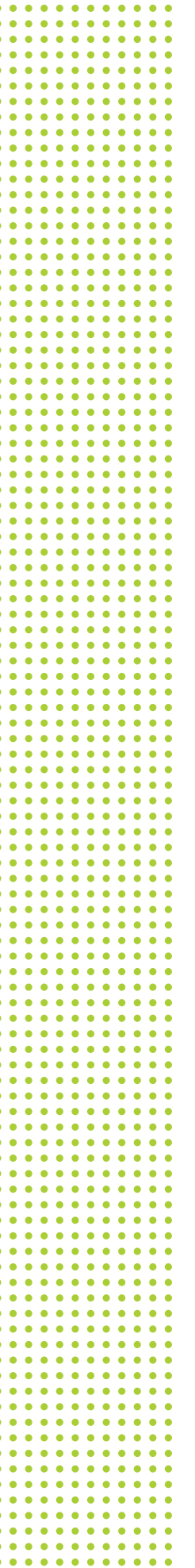
## 7.3 Status of HTC Common Shares and GDRS Acquired, Disposed of, and Held By Subsidiaries in 2023 as of the Date of This Annual Report: None.

## 7.4. Any Events in 2023 as of the Date of This Annual Report: That Had Significant Impacts on Shareholders’ Right or Security Prices as Stated in Item 2 Paragraph 3 of Article 36 of Securities and Exchange Law of Taiwan: None.

## 7.5 Other Necessary Supplement: None.



# **FINANCIAL INFORMATION**



# FINANCIAL INFORMATION

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

### 8.1.1. Abbreviated Balance Sheets - IFRS

Unit: NT\$ thousands

Item	Year				
	2023	2022	2021	2020	2019
Current Assets	5,131,128	5,231,940	5,127,325	6,643,929	14,722,869
Property, plant and equipment	6,215,166	6,462,620	6,633,450	6,876,940	7,171,857
Intangible Assets	37,674	31,707	32,108	31,848	27,068
Other Assets	35,134,557	35,689,360	33,228,336	33,688,316	33,048,001
Total Assets	46,518,525	47,415,627	45,021,219	47,241,033	54,969,795
Current Liabilities					
Before Appropriation	14,509,514	14,831,382	15,569,555	17,118,814	19,915,673
After Appropriation	Note	14,831,382	15,569,555	17,118,814	19,915,673
Non-current Liabilities	9,203,883	7,025,085	2,228,762	229,680	200,352
Total Liabilities					
Before Appropriation	23,713,397	21,856,467	17,798,317	17,348,494	20,116,025
After Appropriation	Note	21,856,467	17,798,317	17,348,494	20,116,025
Capital Stock	8,320,380	8,295,153	8,245,050	8,186,444	8,188,086
Capital Surplus	16,270,636	16,160,271	16,005,339	15,761,158	15,594,766
Retained Earnings					
Before Appropriation	1,571,162	4,909,467	8,189,019	11,415,513	14,805,990
After Appropriation	Note	4,909,467	8,189,019	11,415,513	14,805,990
Other Equity	( 3,357,050)	( 3,805,731)	( 5,216,506)	( 5,470,576)	( 3,735,072)
Treasury Stock	-	-	-	-	-
Total Equities					
Before Appropriation	22,805,128	25,559,160	27,222,902	29,892,539	34,853,770
After Appropriation	Note	25,559,160	27,222,902	29,892,539	34,853,770

Note: Subject to change after 2023 shareholders' meeting resolution

### 8.1.2. Abbreviated Consolidated Balance Sheets - IFRS

Unit: NT\$ thousands

Item	Year					As of 2024.3.31
	2023	2022	2021	2020	2019	
Current Assets	26,900,804	27,585,609	26,435,790	28,682,927	35,668,753	27,459,986
Property, plant and equipment	6,717,362	7,036,248	7,485,331	7,666,798	7,888,181	6,703,417
Intangible Assets	183,123	81,321	34,334	101,943	108,877	192,982
Other Assets	11,782,019	11,737,058	10,229,502	8,614,669	9,069,016	12,010,183
Total Assets	45,583,308	46,440,236	44,184,957	45,066,337	52,734,827	46,366,568
Current Liabilities						
Before Appropriation	13,501,340	13,727,123	14,568,530	14,775,024	17,276,071	12,907,029
After Appropriation	Note	13,727,123	14,568,530	14,775,024	17,276,071	Note
Non-current Liabilities	9,276,840	7,153,953	2,393,525	337,737	461,473	10,258,624
Total Liabilities						
Before Appropriation	22,778,180	20,881,076	16,962,055	15,112,761	17,737,544	23,165,653
After Appropriation	Note	20,881,076	16,962,055	15,112,761	17,737,544	Note
Capital Stock	8,320,380	8,295,153	8,245,050	8,186,444	8,188,086	8,323,191
Capital Surplus	16,270,636	16,160,271	16,005,339	15,761,158	15,594,766	16,277,693
Retained Earnings						
Before Appropriation	1,571,162	4,909,467	8,189,019	11,415,513	14,805,990	1,393,264
After Appropriation	Note	4,909,467	8,189,019	11,415,513	14,805,990	Note
Other Equity	(3,357,050)	(3,805,731)	(5,216,506)	(5,470,576)	(3,735,072)	(2,793,233)
Treasury Stock	-	-	-	-	-	-
Non-controlling Interest	-	-	-	61,037	143,513	-
Total Equities						
Before Appropriation	22,805,128	25,559,160	27,222,902	29,953,576	34,997,283	23,200,915
After Appropriation	Note	25,559,160	27,222,902	29,953,576	34,997,283	Note

Note: Subject to change after 2023 shareholders' meeting resolution

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

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

Unit: NT\$ thousands,  
except (Loss) Earnings Per Share

Item	Year				
	2023	2022	2021	2020	2019
Revenues	3,038,442	3,146,199	4,629,364	4,882,966	8,550,208
Gross Profit (Loss)	623,134	782,460	1,019,564	644,081	433,955
Operating (Loss) Income	( 3,769,003)	( 4,021,832)	( 4,087,196)	( 6,338,292)	( 8,402,665)
Non-operating Income and Expenses	317,846	588,356	967,232	375,661	( 800,564)
Net (Loss) Income Before Tax	( 3,451,157)	( 3,433,476)	( 3,119,964)	( 5,962,631)	( 9,203,229)
Net (Loss) Income from Continuing Operations	( 3,395,757)	( 3,411,783)	( 3,073,132)	( 5,949,942)	( 9,358,078)
Non-Continuing Operations Loss	-	-	-	-	-
Net (Loss) Income	( 3,395,757)	( 3,411,783)	( 3,073,132)	( 5,949,942)	( 9,358,078)
Other Comprehensive Income and Loss For The Year – Net of Income Tax	506,133	1,543,006	100,708	823,961	( 640,906)
Total Comprehensive (Loss) Income For The Year	( 2,889,624)	( 1,868,777)	( 2,972,424)	( 5,125,981)	( 9,998,984)
Basic (Loss) Earnings Per Share	( 4.09)	( 4.13)	( 3.75)	( 7.27)	( 11.43)
Diluted (Loss) Earnings Per Share	( 4.09)	( 4.13)	( 3.75)	( 7.27)	( 11.43)

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

Unit: NT\$ thousands,  
except (Loss) Earnings Per Share

Item	Year					As of
	2023	2022	2021	2020	2019	2024.3.31
Revenue	4,417,932	4,408,823	5,253,279	5,805,708	10,014,966	594,930
Gross Profit	1,823,710	1,729,978	1,636,057	1,564,764	2,028,111	245,944
Operating Loss	( 4,294,681)	( 4,403,831)	( 4,116,434)	( 6,391,393)	( 9,850,256)	( 1,206,814)
Non-operating Income and Expenses	896,003	989,780	1,011,869	364,844	430,827	307,316
Net (Loss) Income before Tax	( 3,398,678)	( 3,414,051)	( 3,104,565)	( 6,026,549)	( 9,419,429)	( 899,498)
Net (Loss) Income from Continuing Operations	( 3,395,757)	( 3,411,783)	( 3,101,817)	( 6,022,598)	( 9,413,070)	( 899,942)
Non-Continuing Operations Loss	-	-	-	-	-	-
Net (Loss) Income	( 3,395,757)	( 3,411,783)	( 3,101,817)	( 6,022,598)	( 9,413,070)	( 899,942)
Other Comprehensive Income and Loss for the Period, Net of Income Tax	506,133	1,543,006	100,084	814,141	( 647,414)	1,285,861
Total Comprehensive (Loss) Income for the Period	( 2,889,624)	( 1,868,777)	( 3,001,733)	( 5,208,457)	(10,060,484)	385,919
(Loss) Profit for the Year Attributable to Owners of the Parent	( 3,395,757)	( 3,411,783)	( 3,073,132)	( 5,949,942)	( 9,358,078)	( 899,942)
(Loss) Profit for the Year Attributable to Non-Controlling Interest	-	-	( 28,685)	( 72,656)	( 54,992)	-
Total Comprehensive Income Attributable to Owners of the Parent	( 2,889,624)	( 1,868,777)	( 2,972,424)	( 5,125,981)	( 9,998,984)	385,919
Total Comprehensive Income Attributable to Non-Controlling Interest	-	-	( 29,309)	( 82,476)	( 61,500)	-
Basic (Loss) Earnings Per Share	( 4.09)	( 4.13)	( 3.75)	( 7.27)	( 11.43)	( 1.08)
Diluted (Loss) Earnings Per Share	( 4.09)	( 4.13)	( 3.75)	( 7.27)	( 11.43)	( 1.08)

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

Year	CPA Firm	Certified Public Accountant	Auditor's Opinion
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
2023	Deloitte & Touche	Pan-Fa Wang and Kuo-Tyan Hong	Unqualified Opinion

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

### 8.3.1. Financial Analysis – IFRS

Item	Year					
	2023	2022	2021	2020	2019	
Capital Structure Analysis	Debt Ratio (%)	51	46	40	37	37
	Long-term Fund to Fixed Assets Ratio (%)	515	504	444	438	489
Liquidity Analysis	Current Ratio (%)	35	35	33	39	74
	Quick Ratio (%)	28	28	24	32	64
	Debt Services Coverage Ratio	( 13)	( 24)	( 66)	( 1,088)	( 1,269)
Operating Performance Analysis	Average Collection Turnover (Times)	9.04	8.98	8.81	9.75	13.64
	Days Sales Outstanding	40	41	41	37	27
	Average Inventory Turnover (Times)	2.15	1.82	2.52	2.21	2.31
	Average Payment Turnover (Times)	0.38	0.36	0.49	0.46	0.72
	Average Inventory Turnover Days	170	201	145	165	158
	Fixed Assets Turnover (Times)	0.48	0.48	0.69	0.70	1.15
	Total Assets Turnover (Times)	0.06	0.07	0.10	0.10	0.14

(Continued)

Item	Year					
	2023	2022	2021	2020	2019	
Profitability Analysis	Return on Total Assets (%)	( 6.81)	( 7.15)	( 6.58)	( 11.63)	( 14.98)
	Return on Equity (%)	( 14.04)	( 12.93)	( 10.76)	( 18.38)	( 23.39)
	Ratio of Income before Tax to Paid-in Capital (%)	( 41.48)	( 41.39)	( 37.84)	( 72.84)	( 112.40)
	Net Margin (%)	( 111.76)	( 108.44)	( 66.38)	( 121.85)	( 109.45)
	Basic Earnings Per Share (NT\$)	( 4.09)	( 4.13)	( 3.75)	( 7.27)	( 11.43)
Cash Flow	Cash Flow Ratio (%)	( 28.20)	( 27.35)	( 37.97)	( 46.57)	( 52.84)
	Cash Flow Adequacy Ratio (%)	( 4,366.85)	( 3,178.31)	( 3,720.56)	( 1,230.30)	( 1,109.66)
	Cash Flow Reinvestment Ratio (%)	( 10.74)	( 10.46)	( 16.67)	( 22.13)	( 27.02)
Leverage	Operating Leverage	0.08	-	( 0.07)	0.04	0.09
	Financial Leverage	0.94	0.97	0.99	1.00	1.00

(Concluded)

#### 1. Financial Structure and solvency

Capital structure and debt services coverage ratio increase due to HTC's drawdown of its bank loans, resulting in increases in long term loan and interest expense slightly.

#### 2. Operating ability

Compared with the previous period, there are no significant changes in the operating ability of this year.

#### 3. Profitability

Compared with the previous period, there are no significant changes in profitability of this year.

#### 4. Cash flow

Due to the continuous implementation of HTC's austerity policies, capital expenditures in the past five years have decreased compared to the previous period, resulting in a decline in cash flow adequacy ratio.

### 8.3.2. Consolidated Financial Analysis - IFRS

Item	Year					As of 2024.03.31	
	2023	2022	2021	2020	2019		
Capital Structure Analysis	Debt Ratio (%)	50	45	38	34	34	50
	Long-term Fund to Fixed Assets Ratio (%)	478	465	396	394	448	499
Liquidity Analysis	Current Ratio (%)	199	201	181	194	206	213
	Quick Ratio (%)	188	188	168	182	190	201
	Debt Services Coverage Ratio	( 13)	( 23)	( 58)	( 407)	( 489)	( 11)
Operating Performance Analysis (Note)	Average Collection Turnover (Times)	6.28	8.04	9.95	10.57	7.68	10.72
	Days Sales Outstanding	58	45	37	35	48	34
	Average Inventory Turnover (Times)	1.58	1.40	1.76	1.65	1.92	1.38
	Average Payment Turnover (Times)	0.48	0.48	0.63	0.66	0.96	0.44
	Average Inventory Turnover Days	231	261	207	221	190	264
	Fixed Assets Turnover (Times)	0.64	0.61	0.69	0.75	1.23	0.59
	Total Assets Turnover (Times)	0.10	0.10	0.12	0.12	0.17	0.09
Profitability Analysis	Return on Total Assets (%)	( 6.94)	( 7.28)	( 6.86)	( 12.29)	( 15.60)	( 1.83)
	Return on Equity (%)	( 14.04)	( 12.93)	( 10.86)	( 18.60)	( 23.53)	( 3.91)
	Ratio of Income before Tax to Paid-in Capital (%)	( 40.85)	( 41.16)	( 37.65)	( 73.62)	( 115.04)	( 10.81)
	Net Margin (%)	( 76.86)	( 77.39)	( 59.05)	( 103.74)	( 93.99)	( 151.27)
	Basic Earnings Per Share (NT\$)	( 4.09)	( 4.13)	( 3.75)	( 7.27)	( 11.43)	( 1.08)
Cash Flow	Cash Flow Ratio (%)	( 29.99)	( 27.25)	( 30.86)	( 50.64)	( 53.08)	( 6.47)
	Cash Flow Adequacy Ratio (%)	(2,562.94)	(2,063.47)	(2,617.72)	(2,561.76)	( 855.67)	(2,374.53)
	Cash Flow Reinvestment Ratio (%)	( 10.41)	( 9.48)	( 12.46)	( 20.21)	( 22.79)	( 2.07)
Leverage	Operating Leverage	( 0.18)	( 0.21)	( 0.23)	( 0.12)	( 0.11)	0.00
	Financial Leverage	0.94	0.97	0.99	1.00	1.00	0.94

Note: The Operating Performance Analysis as of 2024.3.31 is the Operating Performance Analysis of the last four seasons before the first quarter of 2024 (inclusive).

#### 1. Financial Structure and solvency

Capital structure and debt services coverage ratio increase due to HTC's drawdown of its bank loans, resulting in increases in long term loan and interest expense slightly.

#### 2. Operating ability

The accounts receivable collection situation is normal this year. The changes in accounts receivable collection days and turnover rate are mainly due to changes in customer composition, which are within a reasonable range.

#### 3. Profitability

Compared with the previous period, there are no significant changes in profitability of this year.

#### 4. Cash flow

Due to the continuous implementation of HTC's austerity policies, capital expenditures in the past five years have decreased compared to the previous period, resulting in a decline in cash flow adequacy ratio.

## 8.4. Audit Committee Review Report

### HTC CORPORATION

#### Audit Committee Review Report

The Board of Directors has prepared the Company's 2023 Business Report, Financial Statements and proposal for deficit compensation. HTC Corporation's Financial Statements have been audited and certified by Pan-Fa Wang 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 5, 2024

## 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, 2023 and 2022, 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, 2023 and 2022, 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, 2023. 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, 2023 are as follows:

##### **Revenue Recognition**

HTC Corporation rely primarily on sales revenue generated from virtual reality products as their main source of operating income. In the fiscal year 2023, management made selective adjustments to product portfolios in response to macroeconomic shifts and advancements within the virtual reality ecosystem. Recognizing the substantial impact of revenue derived from these products on the parent company only financial statements, the authenticity of revenue recognition for such products became a pivotal audit focus.

The auditors conducted the following key audit procedures related to this matter:

1. Assessed the design and implementation of the internal control system governing the ordering and shipping processes of the aforementioned sales products, executing tests to evaluate its efficacy.
2. Sampled and examined orders, shipping documents, invoices, and payment records associated with the revenue details of these products to verify revenue occurrence.
3. Reviewed for any significant abnormal occurrences of sales returns for these products subsequent to the reporting period.

### **Responsibilities of Management and those Charged with Governance for the Parent Company Only Financial Statements**

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing HTC Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate HTC Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing HTC Corporation's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements**

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 Pan-Fa Wang and Kuo-Tyan Hong.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China  
March 5, 2024

#### 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, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

ASSETS	2023		2022	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 6)	\$ 2,849,382	6	\$ 2,899,820	6
Financial assets at fair value through profit or loss - current (Notes 7 and 29)	137,539	-	50,051	-
Trade receivables, net (Note 10)	287,067	1	160,934	-
Trade receivables - related parties, net (Notes 10 and 30)	130,894	-	51,084	-
Other receivables (Note 10)	22,791	-	26,115	-
Current tax assets (Note 25)	11,366	-	3,823	-
Inventories (Note 11)	743,066	2	893,131	2
Prepayments (Notes 12 and 30)	314,166	1	251,242	1
Other current financial assets (Notes 9 and 31)	586,654	1	758,110	2
Other current assets	48,203	-	137,630	-
<b>Total current assets</b>	<b>5,131,128</b>	<b>11</b>	<b>5,231,940</b>	<b>11</b>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Note 8)	102,243	-	101,761	-
Investments accounted for using equity method (Note 13)	29,632,662	64	30,057,106	64
Property, plant and equipment (Notes 14 and 30)	6,215,166	14	6,462,620	14
Right-of-use assets (Note 15)	4,674	-	295	-
Investment properties, net (Note 16)	1,974,577	4	1,932,812	4
Intangible assets	37,674	-	31,707	-
Deferred tax assets (Note 25)	2,819,489	6	2,963,192	6
Refundable deposits	6,546	-	56,727	-
Net defined benefit asset - non-current (Note 21)	508,774	1	494,809	1
Other non-current financial assets (Notes 9 and 31)	76,813	-	76,794	-
Other non-current assets (Note 12)	8,779	-	5,864	-
<b>Total non-current assets</b>	<b>41,387,397</b>	<b>89</b>	<b>42,183,687</b>	<b>89</b>
<b>TOTAL</b>	<b>\$ 46,518,525</b>	<b>100</b>	<b>\$ 47,415,627</b>	<b>100</b>

(Continued)

(In Thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	2023		2022	
	Amount	%	Amount	%
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 17)	\$ 3,700,000	8	\$ 2,640,000	6
Financial liabilities at fair value through profit or loss - current (Notes 7 and 29)	183,489	-	81,169	-
Notes and trade payables (Notes 18 and 30)	6,111,156	13	6,666,929	14
Other payables (Notes 19 and 30)	3,609,432	8	4,362,529	9
Current tax liabilities (Note 25)	11,633	-	11,630	-
Provisions - current (Note 20)	623,215	1	901,816	2
Lease liabilities - current (Note 15)	3,636	-	301	-
Other current liabilities (Note 19)	266,953	1	167,008	-
<b>Total current liabilities</b>	<b>14,509,514</b>	<b>31</b>	<b>14,831,382</b>	<b>31</b>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Note 17)	9,000,000	20	6,800,000	15
Deferred tax liabilities (Note 25)	69,849	-	82,333	-
Lease liabilities - non-current (Note 15)	1,104	-	-	-
Guarantee deposits received (Note 29)	132,930	-	142,752	-
<b>Total non-current liabilities</b>	<b>9,203,883</b>	<b>20</b>	<b>7,025,085</b>	<b>15</b>
<b>Total liabilities</b>	<b>23,713,397</b>	<b>51</b>	<b>21,856,467</b>	<b>46</b>
<b>EQUITY (Note 22)</b>				
Share capital - ordinary shares	8,320,380	18	8,295,153	18
Capital surplus	16,270,636	35	16,160,271	34
Retained earnings				
Legal reserve	5,828,987	12	9,108,539	19
Special reserve	3,080,480	7	3,080,480	6
Accumulated deficits	( 7,338,305)	( 16)	( 7,279,552)	( 15)
<b>Total retained earnings</b>	<b>1,571,162</b>	<b>3</b>	<b>4,909,467</b>	<b>10</b>
Other equity	( 3,357,050)	( 7)	( 3,805,731)	( 8)
<b>Total equity</b>	<b>22,805,128</b>	<b>49</b>	<b>25,559,160</b>	<b>54</b>
<b>TOTAL</b>	<b>\$ 46,518,525</b>	<b>100</b>	<b>\$ 47,415,627</b>	<b>100</b>

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

(Concluded)

HTC CORPORATION  
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
 FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars, Except Loss Per Share)

	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 23 and 30)	\$ 3,038,442	100	\$ 3,146,199	100
OPERATING COST (Notes 11, 24 and 30)	2,415,308	80	2,363,739	75
GROSS PROFIT	623,134	20	782,460	25
UNREALIZED GAIN	( 70,517)	( 2)	( 211,474)	( 7)
REALIZED GAIN	211,474	7	315,723	10
REALIZED GROSS GAIN	764,091	25	886,709	28
OPERATING EXPENSES (Notes 24 and 30)				
Selling and marketing	1,210,295	40	1,038,481	33
General and administrative	914,010	30	1,638,788	52
Research and development	2,408,789	79	2,231,272	71
Total operating expenses	4,533,094	149	4,908,541	156
OPERATING LOSS	( 3,769,003)	( 124)	( 4,021,832)	( 128)
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 24)	83,527	3	34,330	1
Other income (Notes 24 and 30)	984,276	32	1,029,588	33
Other gains and losses (Notes 14 and 24)	95,737	3	( 836,535)	( 27)
Finance costs (Note 24)	( 245,505)	( 8)	( 136,092)	( 4)
Share of profit or loss of subsidiaries	( 600,189)	( 20)	497,065	16
Total non-operating income and expenses	317,846	10	588,356	19
LOSS BEFORE INCOME TAX	( 3,451,157)	( 114)	( 3,433,476)	( 109)
INCOME TAX BENEFIT (Note 25)	55,400	2	21,693	1
LOSS FOR THE YEAR	( 3,395,757)	( 112)	( 3,411,783)	( 108)

(Continued)

(In Thousands of New Taiwan Dollars, Except Loss Per Share)

	2023		2022	
	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)	\$ 10,156	-	\$ 151,806	5
Unrealized gain (loss) on investments in equity instruments designated as at fair value through other comprehensive income	482	-	( 634)	-
Share of other comprehensive income (loss) of subsidiaries	109,152	4	( 154,641)	( 5)
Income tax relating to items that will not be reclassified to profit or loss (Note 25)	( 1,219)	-	( 18,217)	( 1)
	118,571	4	( 21,686)	( 1)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	387,562	13	1,564,692	50
Other comprehensive income and loss for the year, net of income tax	506,133	17	1,543,006	49
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	\$( 2,889,624)	( 95)	\$( 1,868,777)	( 59)
LOSS PER SHARE (Note 26)				
Basic	\$( 4.09)		\$( 4.13)	

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, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

	Share Capital			Retained Earnings		Other Equity			Total Equity
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Accumulated Deficits	Exchange Differences on Translating Foreign Operations	Unrealized Losses on Financial Assets at Fair Value through Other Comprehensive Income		
BALANCE, JANUARY 1, 2022	\$ 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	
Total comprehensive income and loss for the year ended December 31, 2022	-	-	-	-	( 3,278,194)	1,564,692	( 155,275)	( 1,868,777)	
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	
Legal reserve in covering accumulated deficits	-	-	( 3,279,552)	-	3,279,552	-	-	-	
Other changes in capital surplus									
Changes in equity of associates accounted for using equity method	-	37,233	-	-	-	-	-	37,233	
Net loss for the year ended December 31, 2023	-	-	-	-	( 3,395,757)	-	-	( 3,395,757)	
Other comprehensive income and loss for the year ended December 31, 2023	-	-	-	-	8,937	387,562	109,634	506,133	
Total comprehensive income and loss for the year ended December 31, 2023	-	-	-	-	( 3,386,820)	387,562	109,634	( 2,889,624)	
Issuance of shares due to exercise of employee share options	25,227	67,369	-	-	-	-	-	92,596	
Share-based payments	-	5,763	-	-	-	-	-	5,763	
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	48,515	-	( 48,515)	-	
BALANCE, DECEMBER 31, 2023	\$ 8,320,380	\$ 16,270,636	\$ 5,828,987	\$ 3,080,480	\$( 7,338,305)	\$( 2,408,195)	\$( 948,855)	\$ 22,805,128	

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, 2023 AND 2022

	(In Thousands of New Taiwan Dollars)	
	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before income tax	\$ ( 3,451,157)	\$ ( 3,433,476)
Adjustments for:		
Depreciation expense	218,040	287,483
Expected credit loss reversed on trade receivables	( 35,000)	( 15,000)
Finance costs	245,505	136,092
Interest income	( 83,527)	( 34,330)
Compensation costs of employee share-based payments	5,022	30,952
Share of profit or loss of subsidiaries	600,189	( 497,065)
Net gain on disposal of property, plant and equipment	-	( 5)
Net gain on disposal of intangible assets	-	( 44)
Impairment loss on non-financial assets	105,603	4,022
Unrealized gain on sales	70,517	211,474
Realized gain on sales	( 211,474)	( 315,723)
Changes in operating assets and liabilities		
Decrease in financial assets mandatorily classified as at fair value through profit or loss	14,832	56,483
Increase in trade receivables	( 91,133)	( 64,841)
(Increase) decrease in trade receivables - related parties	( 79,810)	283,200
Increase in other receivables	( 1,035)	( 8,857)
Increase in inventories	43,006	127,859
(Increase) decrease in prepayments	( 62,924)	43,611
Decrease (increase) in other current assets	89,427	( 137,046)
(Increase) decrease in other non-current assets	( 3,809)	3,553
(Decrease) increase in notes and trade payables	( 555,773)	273,737
Decrease in other payables	( 758,807)	( 711,614)
Decrease in provisions	( 148,601)	( 187,048)
Increase (decrease) in other current liabilities	99,945	( 36,426)
Cash used in operations	( 3,990,964)	( 3,983,009)
Interest received	87,886	27,647
Interest paid	( 237,026)	( 126,784)
Income tax refunded	47,860	25,955
Net cash used in operating activities	( 4,092,244)	( 4,056,191)

(Continued)

	(In Thousands of New Taiwan Dollars)	
	2023	2022
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through other comprehensive income	\$ -	\$ ( 100,000)
Payments for property, plant and equipment	( 18,956)	( 13,226)
Proceeds from disposal of property, plant and equipment	5,020	9,945
Increase in refundable deposits	-	( 54,009)
Decrease in refundable deposits	50,181	-
Payments for intangible assets	( 5,766)	( 30,273)
Proceeds from disposal of intangible assets	-	30,517
Increase in other financial assets	-	( 262,624)
Decrease in other financial assets	171,437	-
Net cash generated from (used in) investing activities	201,916	( 419,670)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowings	1,060,000	40,000
Increase in long-term borrowings	2,200,000	4,800,000
Increase in guarantee deposits received	-	5,778
Decrease in guarantee deposits received	( 9,822)	-
Repayment of the principal portion of lease liabilities	( 2,784)	( 2,516)
Employee share options executed	92,596	173,225
Net cash outflow on acquisition of subsidiaries	( 90,100)	( 405,000)
Net cash inflow on disposal of subsidiaries	590,000	-
Net cash generated from financing activities	3,839,890	4,611,487
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	( 50,438)	135,626
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	2,899,820	2,764,194
CASH AND CASH EQUIVALENTS, END OF THE YEAR	\$ 2,849,382	\$ 2,899,820

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, 2023 AND 2022

(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 Law of the Republic of China. The Company is engaged in designing, manufacturing, assembling, processing, and selling virtual reality devices and smart mobile 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 5, 2024.

**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 “IFRS accounting standards”) 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 IFRS accounting standards endorsed and issued into effect by the FSC did not have any material impact on the Company’s accounting policies.

**b. The IFRS accounting standards endorsed by the FSC for application starting from 2024**

New IFRS accounting standards	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
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
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

Note 1: Unless stated otherwise, the above IFRS accounting standards 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.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

As of the date the financial statements were authorized for issue, the Company has assessed that the impact of the application of other standards and interpretations will not have a material impact on the Corporation’s financial position and financial performance.

**c. New IFRS accounting standards in issue but not yet endorsed and issued into effect by the FSC**

New IFRS accounting standards	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note 2)

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

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

As of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact of the application of other standards and interpretations 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 IFRS accounting standards as endorsed and issued into effect by the FSC.

**Basis of Preparation**

The parent company only financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value, and net defined benefit assets which are measured at the fair value of plan assets less the present value of the defined benefit obligation.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the

significance of the inputs to the fair value measurement in its entirety, are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 inputs are unobservable inputs for the asset or liability.

When preparing its parent company only financial statements, the Company used equity method to account for its investment in subsidiaries and associates. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owner of the Company in its parent company only financial statements, adjustments arising from the differences in accounting treatment between parent company only basis and parent company only basis were made to investments accounted for by equity method, share of profit or loss of subsidiaries and associates, share of other comprehensive income of subsidiaries and associates and unappropriated earnings (accumulated deficits), as appropriate, in the parent company only financial statements.

**Classification of Current and Non-current Assets and Liabilities**

Current assets include:

- Assets held primarily for the purpose of trading;
- Assets expected to be realized within twelve months after the reporting period; and
- Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities are:

- Liabilities held primarily for the purpose of trading;
- Liabilities due to be settled within twelve months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- 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 value 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 value 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 value, 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, 2023 and 2022, the carrying amounts of inventories were NT\$743,066 thousand and NT\$893,131 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, 2023 and 2022, the carrying amounts of deferred tax assets were NT\$2,819,489 thousand and NT\$2,963,192 thousand, respectively.

## 6. CASH AND CASH EQUIVALENTS

	December 31	
	2023	2022
Cash on hand	\$ 410	\$ 410
Checking accounts and demand deposits	814,054	510,162
Time deposits (with original maturities within three months)	<u>2,034,918</u>	<u>2,389,248</u>
	<u>\$ 2,849,382</u>	<u>\$ 2,899,820</u>

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

	December 31	
	2023	2022
Deposit	0.01%-5.70%	0.01%-4.70%

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2023	2022
<b>Financial assets - current</b>		
Financial assets held for trading		
Derivative financial assets (not under hedge accounting)		
Foreign exchange contracts	<u>\$ 137,539</u>	<u>\$ 50,051</u>
<b>Financial liabilities - current</b>		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange contracts	<u>\$ 183,489</u>	<u>\$ 81,169</u>

The Company engaged in forward exchange contracts to manage its exposure to exchange rate fluctuations of foreign currency denominated assets and liabilities. At the

end of the reporting period, outstanding forward exchange contracts not under hedge accounting are as follows:

### Forward Exchange Contracts

	0Buy/Sell	Currency	Maturity Date	Notional Amount (In Thousands)	
<b>December 31, 2023</b>					
Foreign exchange contracts	Sell	EUR/USD	2024.01.17-2024.01.24	EUR	12,000
Foreign exchange contracts	Sell	JPY/USD	2024.01.17-2024.01.31	JPY	1,300,000
Foreign exchange contracts	Sell	CAD/USD	2024.01.17-2024.01.24	CAD	5,000
Foreign exchange contracts	Sell	RMB/USD	2024.01.17	RMB	50,000
Foreign exchange contracts	Sell	SGD/USD	2024.01.17-2024.01.24	SGD	5,000
Foreign exchange contracts	Sell	USD/NTD	2024.01.10-2024.01.17	USD	30,000
Foreign exchange contracts	Sell	GBP/USD	2024.01.17-2024.01.24	GBP	12,000
Foreign exchange contracts	Buy	RMB/USD	2024.01.17-2024.01.24	RMB	140,000
Foreign exchange contracts	Buy	JPY/USD	2024.01.17-2024.01.24	JPY	900,000
Foreign exchange contracts	Buy	USD/NTD	2024.01.10-2024.01.24	USD	243,000
Foreign exchange contracts	Buy	EUR/USD	2024.01.17-2024.01.31	EUR	37,000
Foreign exchange contracts	Buy	GBP/USD	2024.01.17-2024.01.31	GBP	149,000
Foreign exchange contracts	Buy	AUD/USD	2024.01.17-2024.01.24	AUD	9,000
Foreign exchange contracts	Buy	SGD/USD	2024.01.17-2024.01.31	SGD	197,097
Foreign exchange contracts	Buy	HKD/USD	2024.01.17	HKD	43,000
Foreign exchange contracts	Buy	CAD/USD	2024.01.17-2024.01.24	CAD	3,000
<b>December 31, 2022</b>					
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

### 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

#### Investments in Equity Instruments at FVTOCI

	December 31	
	2023	2022
Domestic investments		
Listed shares and emerging market shares	\$ 1,337	\$ 575
Unlisted equity investments	100,906	101,186
	<u>\$ 102,243</u>	<u>\$ 101,761</u>

The Company invested in equity investments in domestic companies for 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	
	2023	2022
Time deposits with original maturities of less than three months	\$ 214,202	\$ 122,870
Time deposits with original maturities of more than three months	449,265	635,853
Restricted demand deposits	-	76,181
	<u>\$ 663,467</u>	<u>\$ 834,904</u>
Current	\$ 586,654	\$ 758,110
Non-current	76,813	76,794
	<u>\$ 663,467</u>	<u>\$ 834,904</u>

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

	December 31	
	2023	2022
Deposit	0.92%-5.03%	3.84%-4.95%

For details of pledged other financial assets, refer to Note 31 to the financial statements.

### 10. TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2023	2022
<b>Trade and overdue receivables</b>		
At amortized cost		
Trade receivables	\$ 317,266	\$ 173,053
Trade receivables - related parties	130,894	51,084
Overdue receivables	36,960	73,927
Less: Allowances for impairment loss	( 30,199)	( 12,119)
Less: Allowances for impairment loss - overdue receivables	( 36,960)	( 73,927)
	<u>\$ 417,961</u>	<u>\$ 212,018</u>
<b>Other receivables</b>		
Interest receivables	\$ 3,103	\$ 7,462
Others	19,688	34,766
Less: Allowances for impairment loss	-	( 16,113)
	<u>\$ 22,791</u>	<u>\$ 26,115</u>

#### Trade receivables at amortized cost

The average credit period of the sales of goods was 30-75 days. No interest was charged on trade receivables for the first 75 days from the date of the invoice. Thereafter, interest was charged at 1%-18% per annum on the outstanding balance. The Company adopted a policy of dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit rating information is obtained from independent rating agencies where available or, if not available, the Company uses other publicly available financial information or its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved annually.

In order to minimize credit risk, management has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue receivables. In addition, the Company reviews the recoverable amount of each individual trade receivable at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, management considers the Company's credit risk to have significantly reduced.

The Company uses the expected credit loss during the duration to recognize the allowance for losses of accounts receivable. The expected credit loss during the duration is mainly based on the customer's past default record, current financial situation and industrial economic situation.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty without realistic prospect of recovery. For trade receivables that have been written off, the Company continues to engage in enforcement activities to recover the receivables due. Where recoveries are made, these amounts are recognized in profit or loss.

The following table details the loss allowance of trade receivables.

December 31, 2023

	Not Yet Due	1-90 Days	91-180 Days	Over 181 Days	Total
Gross carrying amount	\$ 425,802	\$ 22,358	\$ -	\$ -	\$ 448,160
Loss allowance (Lifetime ECL)	( 28,914)	( 1,285)	-	-	( 30,199)
Amortized cost	<u>\$ 396,888</u>	<u>\$ 21,073</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 417,961</u>

December 31, 2022

	Not Yet Due	1-90 Days	91-180 Days	Over 181 Days	Total
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	<u>\$ 194,491</u>	<u>\$ 15,593</u>	<u>\$ 1,934</u>	<u>\$ -</u>	<u>\$ 212,018</u>

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

	For the Year Ended December 31		December 31	
	2023	2022	2023	2022
Balance, beginning of the year	\$ 102,159	\$ 132,842		
Less: Loss allowance reversed	( 35,000)	( 15,000)		
Less: Amounts written off	-	( 15,683)		
Balance, end of the year	<u>\$ 67,159</u>	<u>\$ 102,159</u>		
Prepaid service			95,658	25,446
Prepaid equipment			8,779	5,864
Prepayments to suppliers			37	2,150
			<u>\$ 322,945</u>	<u>\$ 257,106</u>
Current			\$ 314,166	\$ 251,242
Non-current			8,779	5,864
			<u>\$ 322,945</u>	<u>\$ 257,106</u>

(Concluded)

**11. INVENTORIES**

	December 31	
	2023	2022
Finished goods	\$ 286,876	\$ 281,048
Semi-finished goods	56,120	73,630
Raw materials	396,582	536,091
Inventory in transit	3,488	2,362
	<u>\$ 743,066</u>	<u>\$ 893,131</u>

The cost of inventories written down recognized as operating costs for the years ended December 31, 2023 and 2022 were NT\$107,059 thousand and NT\$3,821 thousand, respectively.

**12. PREPAYMENTS**

	December 31	
	2023	2022
Prepaid expenses	\$ 121,878	\$ 128,691
Prepaid royalty	59,221	57,184
Prepaid software and hardware maintenance	37,372	37,771

(Continued)

**13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**

	December 31	
	2023	2022
Investment in subsidiaries	<u>\$29,632,662</u>	<u>\$ 30,057,106</u>

**Investments in Subsidiaries**

	December 31	
	2023	2022
<u>Unlisted equity investments</u>		
H.T.C. (B.V.I.) Corp.	\$ 2,592,118	\$ 2,659,114
High Tech Computer Asia Pacific Pte. Ltd.	12,396,404	12,409,964
HTC Investment Corporation	146,575	142,175
HTC Holding B.V.	13	13
HTC Investment One (BVI) Corporation	418,658	412,803
HTC Investment (BVI) Corp.	3,543,899	3,718,132
HungXu Holding (BVI) Corp.	240,811	222,015
HTC VIVE INVESTMENT (BVI) Corp.	452,150	258,141

(Continued)

	December 31	
	2023	2022
DeepQ Holding (BVI) Corp.	217,717	266,638
HTC Smartphone (BVI) Corp.	474	536
HTC VR Content (BVI) Corp.	20,511	25,552
Viveport Digital Corporation	-	41,111
REIGN Technology Corporation	-	176,191
VIVE Arts Corporation	3,416	5,000
HungYao Technology Co, Ltd.	100	-
HTC EUROPE CO., LTD.	<u>9,599,816</u>	<u>9,719,721</u>
	<u>\$ 29,632,662</u>	<u>\$ 30,057,106</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	
	2023	2022
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%
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%
HungXu 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%
Viveport Digital Corporation	-	100.00%
REIGN Technology Corporation	-	100.00%
VIVE Arts Corporation	100.00%	100.00%
HTC EUROPE CO., LTD.	100.00%	100.00%
HungYao Technology Co, Ltd.	100.00%	-

Refer to Note 13 to the financial statements for the year ended December 31, 2023 for details of the subsidiaries indirectly held by the Company.

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.

The Company invested NT\$5,000 thousand and established VIVE Arts Corporation on December 13, 2022. VIVE Arts Corporation is engaged in digital art services. The Company acquired equity interests of 100%, and

accounted for 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, of HTC Holding B.V. As a result, HTC Holding B.V. is considered a subsidiary of the Company.

On August 2, 2023, the Company's Board of Directors resolved the reorganization plan of the subsidiaries to optimize the group structure. The company sold 100% of equity of Viveport Digital Corporation to UK subsidiaries Viverse Limited. As of October 18, 2023, the reorganization has been completed.

On October 24, 2023, the reorganization has been completed to optimize the group structure. The company sold 100% of equity of REIGN Technology Corporation to subsidiaries REIGN Technology Corporation.

The Company invested NT\$100 thousand and established HungYao Technology Co, Ltd. on October 18, 2023. HungYao Technology Co, Ltd. is engaged in the manufacturing of electronic parts and components. The Company acquired equity interests of 100% and accounted for the investment under the equity method.

The share of net income or loss and other comprehensive income from subsidiaries under equity method were accounted for based on the audited financial statements.

**14. PROPERTY, PLANT AND EQUIPMENT**

	December 31	
	2023	2022
Carrying amounts		
Land	\$ 4,566,756	\$ 4,566,756
Buildings	1,632,600	1,859,565
Machinery and equipment	3,856	14,947
Other equipment	<u>11,954</u>	<u>21,352</u>
	<u>\$ 6,215,166</u>	<u>\$ 6,462,620</u>

Movements of property, plant and equipment for the years ended December 31, 2023 and 2022 were as follows:

	2023				
	Land	Buildings	Machinery and Equipment	Other Equipment	Total
<b>Cost</b>					
Balance, beginning of the year	\$ 4,566,756	\$ 3,630,557	\$ 2,692,837	\$ 544,742	\$ 11,434,892
Additions	-	5,640	5,161	2,471	13,272
Disposals	-	( 330)	( 291,157)	( 46,247)	( 337,734)
Transferred into investment properties	-	( 241,715)	-	-	( 241,715)
Balance, end of the year	<u>4,566,756</u>	<u>3,394,152</u>	<u>2,406,841</u>	<u>500,966</u>	<u>10,868,715</u>
<b>Accumulated depreciation</b>					
Balance, beginning of the year	-	1,770,992	2,574,547	518,828	4,864,367
Depreciation expenses	-	104,512	13,866	10,490	128,868
Disposals	-	( 330)	( 287,516)	( 44,868)	( 332,714)
Transferred into investment properties	-	( 113,622)	-	-	( 113,622)
Balance, end of the year	-	<u>1,761,552</u>	<u>2,300,897</u>	<u>484,450</u>	<u>4,546,899</u>
<b>Accumulated impairment</b>					
Balance, beginning of the year	-	-	103,343	4,562	107,905
Reversal	-	-	( 1,255)	-	( 1,255)
Balance, end of the year	-	-	<u>102,088</u>	<u>4,562</u>	<u>106,650</u>
Net book value, end of the year	<u>\$ 4,566,756</u>	<u>\$ 1,632,600</u>	<u>\$ 3,856</u>	<u>\$ 11,954</u>	<u>\$ 6,215,166</u>
	2022				
	Land	Buildings	Machinery and Equipment	Other Equipment	Total
<b>Cost</b>					
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>
<b>Accumulated depreciation</b>					
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>
<b>Accumulated impairment</b>					
Balance, beginning of the year	-	-	103,343	4,562	107,905
Impairment losses recognized	-	-	-	-	-
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>

For the year ended December 31, 2023, the Company determined that the carrying amounts of some of equipment were expected to be recoverable. Thus, it recognized reversal of impairment losses of NT\$1,255 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 components of the Buildings held by the Company include plants, electro-powering machinery and engineering systems, etc., which are depreciated over their estimated useful lives of 40 to 50 years, 20 years and 5 to 10 years, respectively.

The Company designated parts of the real estate as for lease and as for own use. The parts for leasing are reclassified to investment properties and the parts for 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.

There were no capitalized interests for the years ended December 31, 2023 and 2022.

## 15. LEASE ARRANGEMENTS

### a. Right-of-use assets

	December 31	
	2023	2022
<b>Carrying amounts</b>		
Buildings	<u>\$ 4,674</u>	<u>\$ 295</u>
	For the Year Ended December 31	
	2023	2022
Additions to right-of-use assets	<u>\$ 7,223</u>	<u>\$ -</u>
Depreciation charge for right-of-use assets		
Buildings	<u>\$ 2,844</u>	<u>\$ 2,482</u>

### b. Lease liabilities

	December 31	
	2023	2022
<b>Carrying amounts</b>		
Current	<u>\$ 3,636</u>	<u>\$ 301</u>
Non-current	<u>\$ 1,104</u>	<u>\$ -</u>

Discount rate for lease liabilities were as follows:

	December 31	
	2023	2022
Buildings	2.20%-2.55%	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 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	
	2023	2022
Expenses relating to short-term leases	<u>\$ 6,985</u>	<u>\$ 2,617</u>
Total cash outflow for leases	<u>\$ (9,871)</u>	<u>\$ (5,162)</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

Movements of investment properties, net for the years ended December 31, 2023 and 2022 were as follows:

	2023		2022	
<b>Buildings</b>				
<b>Cost</b>				
Balance, beginning of the year	\$ 3,261,156	\$ 3,254,444		
Reclassification	<u>241,715</u>	<u>6,712</u>		
Balance, end of the year	<u>3,502,871</u>	<u>3,261,156</u>		

(Continued)

	2023	2022
<b>Accumulated depreciation</b>		
Balance, beginning of the year	1,328,344	1,220,281
Depreciation expense	86,328	101,640
Reclassification	<u>113,622</u>	<u>6,423</u>
Balance, end of the year	<u>1,528,294</u>	<u>1,328,344</u>
Net book value, end of the year	<u>\$ 1,974,577</u>	<u>\$ 1,932,812</u>

(Concluded)

The abovementioned investment properties were leased out for 3 to 4 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, 2023 and 2022 were as follows:

	December 31	
	2023	2022
Year 1	\$ 604,412	\$ 575,665
Year 2	354,300	575,665
Year 3	2,251	329,657
Year 4	<u>375</u>	<u>-</u>
	<u>\$ 961,338</u>	<u>\$ 1,480,987</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 was measured by referencing appraisal reports completed by independent qualified professional appraisers on December 31, 2023 and 2022. The fair values as of December 31, 2023 and 2022 were NT\$4,094,621 thousand and NT\$3,845,577 thousand, respectively. The fair values in the appraisal reports were measured using Level 3 inputs, and were arrived at by reference to 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.

## 17. BORROWINGS

### a. Short-term borrowings

	December 31	
	2023	2022
<b>Unsecured borrowings</b>		
Line of credit borrowings	<u>\$ 3,700,000</u>	<u>\$ 2,640,000</u>

The range of interest rates on line of credit borrowings were 2.24%-2.64% and 1.71%-2.36% per annum, respectively, at December 31, 2023 and 2022.

### b. Long-term borrowings

	December 31	
	2023	2022
<b>Secured borrowings</b>		
Bank loans	\$ 6,900,000	\$ 5,000,000
<b>Unsecured borrowings</b>		
Bank loans	2,100,000	1,800,000
Less: Current portion	<u>-</u>	<u>-</u>
Long-term borrowings	<u>\$ 9,000,000</u>	<u>\$ 6,800,000</u>

To support long-term development, on December 15, 2022, the Company obtained a bank loan amounting to NT\$9 billion from CTBC Bank and the credit line was divided into part A and B which amounted to NT\$6.9 billion and NT\$2.1 billion, respectively. The Company has repaid existing syndication loans in January 2023. On September 20, 2023, the Company obtained another bank loan amounting to NT\$3 billion from CTBC Bank. The credit line was divided into part A and B which amounted to NT\$2.8 billion and NT\$0.2 billion, respectively. The total amount of credit line was divided into part A and B which amounted to NT\$9.7 billion and NT\$2.3 billion, respectively, with a total credit line of NT\$12 billion to support future operating growth capital needs. 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, 2023, the Company has met the financial ratios mentioned above.

The Company borrowed at a interest rate of 2.08%-2.18% and 2.13%-2.41%, on December 31, 2022 and 2023, respectively.

The Company pledged land and buildings as collateral for the long-term borrowings (refer to Note 31 to the financial statements).

## 18. NOTES PAYABLE AND TRADE PAYABLES

	December 31	
	2023	2022
Notes payable	\$ 151	\$ -
Trade payables	<u>6,111,005</u>	<u>6,666,929</u>
	<u>\$ 6,111,156</u>	<u>\$ 6,666,929</u>

The average term of payment 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	
	2023	2022
<b>Other payables</b>		
Accrued expenses	\$ 3,589,396	\$ 4,348,203
Accrued interests	17,787	9,308
Payables for purchase of equipment	<u>2,249</u>	<u>5,018</u>
	<u>\$ 3,609,432</u>	<u>\$ 4,362,529</u>

(Continued)

	December 31		
	2023		2022
	Warranty Provision	Others	Total
Balance, beginning of the year	\$ 897,680	\$ 4,136	\$ 901,816
Provisions reversed	( 112,840)	( 806)	( 119,129)
Utilized	<u>( 164,955)</u>	<u>-</u>	<u>( 159,472)</u>
Balance, end of the year	<u>\$ 619,885</u>	<u>\$ 3,330</u>	<u>\$ 623,215</u>
	2022		Total
	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	
	2023	2022
<b>Other current liabilities</b>		
Advance receipts	\$ 192,395	\$ 76,220
Agency receipts	12,154	13,851
Others	<u>62,404</u>	<u>76,937</u>
	<u>\$ 266,953</u>	<u>\$ 167,008</u>

(Concluded)

## Accrued Expenses

	December 31	
	2023	2022
Services	\$ 2,063,057	\$ 2,408,722
Marketing	826,357	997,662
Salaries, bonuses and compensation	419,822	609,461
Materials and molding expenses	85,013	89,019
Import, export and freight	14,488	17,387
Repairs, maintenance and sundry purchase	19,885	15,314
Others	<u>160,774</u>	<u>210,638</u>
	<u>\$ 3,589,396</u>	<u>\$ 4,348,203</u>

## 20. PROVISIONS

	December 31	
	2023	2022
Warranties	\$ 619,885	\$ 897,680
Others	<u>3,330</u>	<u>4,136</u>
	<u>\$ 623,215</u>	<u>\$ 901,816</u>

Movement of provisions for the years ended December 31, 2023 and 2022 were as follows:

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.

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.

## 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\$55,084 thousand and NT\$64,696 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, 2023 and 2022, respectively. As of December 31, 2023 and 2022, contributions payable was NT\$13,351 thousand and NT\$17,084 thousand, respectively, and the amounts were paid subsequent to the end of the reporting period.

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, 2022	<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 gain - change 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>

(Continued)

### 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 2023 to April 2024 and May 2022 to April 2023, and had been approved by the competent authority in May 2023 and May 2022, respectively.

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

	December 31	
	2023	2022
Present value of defined benefit obligation	<u>\$ ( 178,889)</u>	<u>\$ ( 184,134)</u>
Fair value of plan assets	<u>687,663</u>	<u>678,943</u>
Net defined benefit asset	<u>\$ 508,774</u>	<u>\$ 494,809</u>

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Asset
Balance at December 31, 2022	<u>( 184,134)</u>	<u>678,943</u>	<u>494,809</u>
Current service cost	( 5,292)	-	( 5,292)
Loss (gain) on settlements	7,006	( 5,327)	1,679
Net interest (expense) income	<u>( 2,762)</u>	<u>10,184</u>	<u>7,422</u>
Recognized in profit or loss	<u>( 1,048)</u>	<u>4,857</u>	<u>3,809</u>
Remeasurement			
Return on plan assets	\$ -	\$ 4,279	\$ 4,279
Actuarial loss - changes in demographic assumptions	( 67)	-	( 67)
Actuarial gain - change in financial assumptions	( 2,659)	-	( 2,659)
Actuarial gain - experience adjustments	<u>8,603</u>	<u>-</u>	<u>8,603</u>
Recognized in other comprehensive income	<u>5,877</u>	<u>4,279</u>	<u>10,156</u>
Benefits paid	<u>416</u>	<u>( 416)</u>	<u>-</u>
Balance at December 31, 2023	<u>\$ ( 178,889)</u>	<u>\$ 687,663</u>	<u>\$ 508,774</u>

(Concluded)

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

- Investment risk: The plan assets are invested in domestic or foreign/equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- Interest risk: A decrease in the government or corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2023	2022
Discount rate	1.375%	1.500%
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	
	2023	2022
Discount rate		
0.25% increase	<u>\$ 5,085</u>	<u>\$ 5,629</u>
0.25% decrease	<u>\$ ( 5,278)</u>	<u>\$ ( 5,854)</u>
Expected rate of salary increase		
0.25% increase	<u>\$ ( 5,062)</u>	<u>\$ ( 5,624)</u>
0.25% decrease	<u>\$ 4,905</u>	<u>\$ 5,440</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	
	2023	2022
The expected contributions to the plan for the next year	<u>\$ -</u>	<u>\$ -</u>
The average duration of the defined benefit obligation	12.41 years	12.98 years

## 22. EQUITY

### Share Capital

#### a. Ordinary shares

	December 31	
	2023	2022
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>832,038</u>	<u>829,515</u>
Shares issued	<u>\$ 8,320,380</u>	<u>\$ 8,295,153</u>

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.

In 2023, the Company executed 2,523 thousand shares for employee share options, totaling NT\$25,227 thousand. As a result, the amount of the Company's issued and outstanding ordinary shares as of December 31, 2023 increased to NT\$8,320,380 thousand, divided into 832,038 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 8,648.7 thousand units of GDRs redeemed, representing 34,594.9 thousand ordinary shares, and the outstanding GDRs represented 1,465.6 thousand ordinary shares or 0.17% of the Company's outstanding ordinary shares.

### Capital Surplus

	December 31	
	2023	2022
<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	\$ 15,272,565	\$ 15,165,248
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	63,985	26,752
Arising from expired share options	699,599	698,489
<u>May not be used for any purpose</u>		
Arising from employee share options	<u>211,199</u>	<u>246,494</u>
	<u>\$ 16,270,636</u>	<u>\$ 16,160,271</u>

The capital surplus arising from shares issued in excess of par (including share premiums 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:

- To pay taxes.
- To cover accumulated losses, if any.
- To appropriate 10% as legal reserve unless the total legal reserve accumulated has already reached the amount of the Company's authorized capital.
- 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.

- The board of directors shall propose allocation ratios for any remainder profit after withholding the amounts under subparagraphs 1 to 4 above plus any unappropriated retained earnings of previous years based on the dividend policy set forth in the Article and propose such allocation ratio at the shareholders' meeting.

As part of a high-technology industry, the Company takes into consideration its operating environment, industry developments and long-term interests of shareholders

	(The Accumulated Deficits Off-setting)		Dividends Per Share (NT\$)	
	Appropriation of Earnings			
	For 2022	For 2021	For 2022	For 2021
Legal reserve used to offset accumulated deficits	\$ 3,279,552	\$ 3,226,492	\$ -	\$ -

The accumulated deficits off-set for 2023, which was proposed by the Company's board of directors on March 5, 2024, was as follows:

	For the Year Ended December 31, 2023
Legal reserve used to offset accumulated deficits	<u>\$ 3,338,305</u>

The accumulated deficits off-set for 2023 will be resolved by the shareholders in their meeting to be held on June 20, 2024.

Information on the appropriation of earnings proposed by the Company's board of directors and approved by the Company's shareholders is available on the Market Observation Post System website of the Taiwan Stock Exchange.

### Other Equity Items

#### a. Exchange differences on translation of foreign operations

Exchange differences relating to the translation of the results and net assets of the Company's foreign operations from their functional currencies to the Company's presentation currency (New Taiwan dollar) were recognized directly in other comprehensive

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 16, 2023 and June 17, 2022. The accumulated deficits off-set and dividends per share were as follows:

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	
	2023	2022
Sale of goods	\$ 2,829,692	\$ 2,929,274
Other operating income	<u>208,750</u>	<u>216,925</u>
	<u>\$ 3,038,442</u>	<u>\$ 3,146,199</u>

**b. Contract balances**

	December 31, 2023	December 31, 2022	January 1, 2022
Trade receivables (Note 10)	\$ 417,961	\$ 212,018	\$ 415,377
Contract liabilities (classified under advance receipts)	\$ 192,395	\$ 74,227	\$ 112,344

**24. NET LOSS FROM CONTINUING OPERATIONS AND OTHER COMPREHENSIVE INCOME AND LOSS****a. Interest income**

	For the Year Ended December 31	
	2023	2022
Interest income		
Bank deposits	\$ 83,527	\$ 34,330

**b. Other income**

	For the Year Ended December 31	
	2023	2022
Rental income	\$ 735,213	\$ 672,738
Dividend income	1	-
Impairment losses of accounts receivables reversed	-	104,469
Others	249,062	252,381
	\$ 984,276	\$ 1,029,588

**c. Other gains and losses**

	For the Year Ended December 31	
	2023	2022
Net gain on the disposal of property, plant and equipment	\$ -	\$ 5
Net gain on the disposal of intangible assets	-	44
Net foreign exchange gain (loss)	431,142	( 590,927)
Net gain on valuation of financial instruments at fair value through profit or loss	( 45,950)	( 31,118)
Impairment gain (loss) recognized on non-financial assets (Note 14)	1,456	( 201)
Other expenses	( 290,911)	( 214,338)
	\$ 95,737	\$ ( 836,535)

**d. Finance costs**

	For the Year Ended December 31	
	2023	2022
Interest on bank loans	\$ 243,447	\$ 135,050
Interest on lease liabilities	102	29
Others	1,956	1,013
	\$ 245,505	\$ 136,092

**e. Gain on reversal of impairment loss on financial assets**

	For the Year Ended December 31	
	2023	2022
Trade receivables (included in operating expense)	\$ ( 35,000)	\$ ( 15,000)

**f. Depreciation and amortization**

	For the Year Ended December 31	
	2023	2022
Property, plant and equipment	\$ 128,868	\$ 183,361
Investment properties	86,328	101,640
Right-of-use assets	2,844	2,482
	\$ 218,040	\$ 287,483

## An analysis of depreciation - by function

	2023	2022
Operating costs	\$ 28,137	\$ 32,713
Operating expenses	103,575	153,130
Other expenses	86,328	101,640
	\$ 218,040	\$ 287,483

**g. Employee benefits expense**

	For the Year Ended December 31	
	2023	2022
Short-term benefits	\$ 1,522,864	\$ 1,558,896
Post-employment benefits (Note 21)		
Defined contribution plans	55,084	64,696
Defined benefit plans	( 3,809)	3,811
	51,275	68,507
Share-based payments (Note 27)		
Equity-settled share-based payments	5,022	30,952
Separation benefits	23,016	( 83,325)
Total employee benefits expense	\$ 1,602,177	\$ 1,575,030
An analysis of employee benefits expense - by function		
Operating costs	\$ 225,234	\$ 287,030
Operating expenses	1,353,927	1,371,325
Other losses	23,016	( 83,325)
	\$ 1,602,177	\$ 1,575,030

**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, 2023 and 2022, 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 2023 and 2022, see disclosures in the Market Observation Post System.

**i. Impairment loss on (reversal of) non-financial assets**

	For the Year Ended December 31	
	2023	2022
Inventories (included in operating costs)	\$ 107,059	\$ 3,821
Intangible assets (included in other gains and losses)	( 201)	201
Property, plant and equipment (included in other gains and losses)	( 1,255)	-
	\$ 105,603	\$ 4,022

**j. Gain or loss on foreign currency exchange**

	For the Year Ended December 31	
	2023	2022
Foreign exchange gains	\$ 790,721	\$ 549,493
Foreign exchange losses	( 359,579)	( 1,140,420)
Valuation loss arising from financial instruments at fair value through profit or loss	( 45,950)	( 31,118)
	\$ 385,192	\$ ( 622,045)

**25. INCOME TAXES RELATING TO CONTINUING OPERATIONS****a. Income tax benefit recognized in profit or loss**

	For the Year Ended December 31	
	2023	2022
In respect of the current year		
Current tax	\$ -	\$ -
Deferred tax	( 55,400)	( 21,693)
	( 55,400)	( 21,693)
Adjustments for previous years		
Current tax	( 185,400)	( 155,560)
Deferred tax	185,400	155,560
	-	-
Income tax benefit recognized in profit or loss	\$ ( 55,400)	\$ ( 21,693)

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

	For the Year Ended December 31	
	2023	2022
Loss before income tax	\$ ( 3,451,157)	\$ ( 3,433,476)
Income tax benefit calculated at 20% in 2023 and 2022, respectively	\$ ( 690,231)	\$ ( 686,695)
Effect of expenses that were not deductible in determining taxable profit	4,520	5,321
Share of the profit or loss of subsidiaries	120,038	( 99,413)
Effect of temporary differences and loss carryforward	510,273	759,094
Income tax benefit recognized in profit or loss	\$ ( 55,400)	\$ ( 21,693)

**b. Income tax expense recognized in other comprehensive income**

	For the Year Ended December 31	
	2023	2022
Deferred tax		
Recognized in current year		
Income tax expense of remeasurement on defined benefit plan	\$ 1,219	\$ 18,217

**c. Current tax assets and liabilities**

	December 31	
	2023	2022
Current tax assets		
Tax refund receivable	\$ 11,366	\$ 3,823
Current tax liabilities		
Income tax payable	\$ 11,633	\$ 11,630

**d. Deferred tax balances**

Movements of deferred tax assets and deferred tax liabilities for the years ended December 31, 2023 and 2022 were as follows:

	2023			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<b>Deferred tax assets</b>				
Temporary differences				
Allowance for loss on decline in value of inventory	\$ 38,201	\$( 2,885)	\$ -	\$ 35,316
Unrealized profit	39,516	( 26,339)	-	13,177
Unrealized royalties	319,760	( 37,787)	-	281,973
Unrealized marketing expenses	69,836	( 12,319)	-	57,517
Unrealized warranty expense	107,722	( 33,336)	-	74,386
Unrealized contingent losses on purchase orders	496	( 96)	-	400
Financial instruments at FVTPL	3,734	1,780	-	5,514
Others	73,416	( 7,281)	-	66,135
Loss carryforwards	2,310,511	( 25,440)	-	2,285,071
	\$ 2,963,192	\$ (143,703)	\$ -	\$ 2,819,489
<b>Deferred tax liabilities</b>				
Temporary differences				
Defined benefit plans	\$ 59,377	\$ 457	\$ 1,219	\$ 61,053
Others	22,956	( 14,160)	-	8,796
	\$ 82,333	\$ ( 13,703)	\$ 1,219	\$ 69,849
	2022			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<b>Deferred tax assets</b>				
Temporary differences				
Allowance for loss on decline in value of inventory	\$ 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	2,361,628	( 51,117)	-	2,310,511
	\$ 3,124,430	\$ ( 161,238)	\$ -	\$ 2,963,192
<b>Deferred tax liabilities</b>				
Temporary differences				
Defined benefit plans	\$ 41,617	\$( 457)	\$ 18,217	\$ 59,377
Financial instruments at FVTPL	3,044	( 3,044)	-	-
Others	46,826	( 23,870)	-	22,956
	\$ 91,487	\$ ( 27,371)	\$ 18,217	\$ 82,333

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

	December 31	
	2023	2022
Loss carryforward	\$ 87,132,054	\$ 84,060,798
Deductible temporary differences	\$ 2,377,246	\$ 2,987,777

**f. Information about unused loss carry-forward**

Loss carryforwards as of December 31, 2023 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
3,783,447	2031
4,522,231	2032
3,919,494	2033
\$ 98,557,408	

**g. The aggregate amount of temporary differences associated with investments for which deferred tax assets (liabilities) have not been recognized**

As of December 31, 2023 and 2022, the temporary differences associated with investment in subsidiaries for which no deferred tax assets have been recognized were NT\$3,597,595 thousand and NT\$2,998,414 thousand, respectively.

**h. Income tax assessments**

The Company's tax returns through 2021 had been assessed and approved by the tax authorities.

**26. LOSS PER SHARE**

	Unit: NT\$ Per Share	
	For the Year Ended December 31	
	2023	2022
Basic loss per share	\$ ( 4.09)	\$ ( 4.13)

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	
	2023	2022
Net loss for the year	\$ (3,395,757)	\$ (3,411,783)

**Number of Shares**

	Unit: In Thousands of Shares	
	For the Year Ended December 31	
	2023	2022
Weighted average number of ordinary shares used in the computation of basic loss per share	831,249	826,261

**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			
	2023		2022	
	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	14,779	\$ 47.94	20,397	\$ 45.16
Shares granted	( 2,635)	35.15	( 4,899)	35.36
Shares forfeited	( 328)		( 719)	
Balance, end of the year	<u>11,816</u>	51.15	<u>14,779</u>	47.94
Options exercisable, end of the year	<u>11,468</u>		<u>12,399</u>	

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

	December 31	
	2023	2022
Range of exercise price (NT\$)	\$35.05-\$134.5	\$35.05-\$134.5
Weighted-average remaining contractual life (years)	4.82 years	6.01 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 years. 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\$5,022 thousand and NT\$30,952 thousand for the years ended December 31, 2023 and 2022, respectively.

## 28. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure its ability to continue as a going concern while maximizing the returns to shareholders. The Company periodically reviews its capital structure by taking into consideration macroeconomic conditions, prevailing interest rate, and adequacy of cash flows generated from operations; as the situation would allow, the Company pays dividends, issues new shares, repurchases shares, borrows loans, and pays loans.

The Company is subject to capital structure requirements for the bank loan, refer to Note 17 to the consolidated financial statements.

## 29. FINANCIAL INSTRUMENTS

### Fair Value of Financial Instruments That Are Not Measured at Fair Value

Financial instruments not measured at fair value held by the Company include financial assets measured at amortized cost. Management has determined that the

carrying amounts of financial assets not measured at fair value approximate their fair values or their fair values cannot be measured reliably.

### Fair Value of Financial Instruments That Are Measured at Fair Value on A Recurring Basis

#### a. Fair value hierarchy

December 31, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial instruments				
Foreign exchange contracts	\$ -	\$ 137,539	\$ -	\$ 137,539
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares and emerging market shares	\$ 1,337	\$ -	\$ -	\$ 1,337
Domestic unlisted equity investments	-	-	100,906	100,906
	<u>\$ 1,337</u>	<u>\$ -</u>	<u>\$ 100,906</u>	<u>\$ 102,243</u>
Financial liabilities at FVTPL				
Derivative financial instruments				
Foreign exchange contracts	\$ -	\$ 183,489	\$ -	\$ 183,489

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial instruments				
Foreign exchange contracts	\$ -	\$ 50,051	\$ -	\$ 50,051
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares and emerging market shares	\$ 575	\$ -	\$ -	\$ 575
Domestic unlisted equity investments	-	-	101,186	101,186
	<u>\$ 575</u>	<u>\$ -</u>	<u>\$ 101,186</u>	<u>\$ 101,761</u>
Financial liabilities at FVTPL				
Derivative financial instruments				
Foreign exchange contracts	\$ -	\$ 81,169	\$ -	\$ 81,169

There were no transfers between Levels 1 and 2 for the years ended December 31, 2023 and 2022.

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

Financial Assets	Financial Assets at FVTOCI	
	Equity Instruments	
	2023	2022
Balance at January 1	\$ 101,186	\$ 1,661
Purchase		100,000
Recognized in other comprehensive income	( 280)	( 475)
Balance at December 31	<u>\$ 100,906</u>	<u>\$ 101,186</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 under 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	
	2023	2022
<b>Financial assets</b>		
Financial assets at FVTPL		
Held for trading	\$ 137,539	\$ 50,051
Amortized cost (Note 1)	3,960,147	4,029,522
Financial assets at FVTOCI		
Equity instruments	102,243	101,761
<b>Financial liabilities</b>		
Financial liabilities at FVTPL		
Held for trading	183,489	81,169
Amortized cost (Note 2)	22,565,672	20,626,061

Note 1: The 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: 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, 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 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 33 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
<u>For the year ended December 31,</u>		
<u>2023</u>		
USD	\$ 58,634	\$( 100,132)
EUR	14,826	( 7,939)

(Continued)

	Pre-tax Profit or Loss	Equity
RMB	\$ 43,032	\$( 63,995)
JPY	4,256	( 2,344)
GBP	57,271	( 62,509)
SGD	47,417	( 45,526)
<u>For the year ended December 31,</u>		
<u>2022</u>		
USD	( 60,317)	( 91,828)
EUR	7,328	( 7,480)
RMB	48,107	( 64,877)
JPY	879	( 2,526)
GBP	65,450	-
SGD	44,974	( 43,566)

#### 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	
	2023	2022
Fair value interest rate risk		
Financial assets	\$ 2,698,384	\$ 3,147,970
Financial liabilities	4,740	301
Cash flow interest rate risk		
Financial assets	-	-
Financial liabilities	12,700,000	9,440,000

#### 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, 2023 and 2022 would have increased/decreased by NT\$12,700 thousand and NT\$9,440 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 equity investments.

If equity prices had been 1% higher/lower, pre-tax other comprehensive income for the years ended December 31, 2023 and 2022 would have increased/decreased by NT\$1,022 thousand and NT\$1,018 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\$9,378,386 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 maturities for its non-derivative financial liabilities with agreed repayment periods. The tables have 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, 2023			
	Less Than 3 Months	3 to 12 Months	Over 1 Year
Short-term borrowings	\$ 2,300,000	\$ 1,400,000	\$ -
Notes and trade payables	1,211,328	4,899,828	-
Other payables	2,332,368	1,277,064	-
Lease liabilities	914	2,796	1,110
Agency receipts	12,154	-	-
Long-term borrowings	-	-	9,000,000
Guarantee deposits received	-	-	132,930
	<u>\$ 5,856,764</u>	<u>\$ 7,579,688</u>	<u>\$ 9,134,040</u>

December 31, 2022			
	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>

**2) Liquidity risk tables for derivative financial instruments**

The following table details the Company's liquidity analysis for its derivative financial instruments. The table was 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, 2023			
	Less Than 3 Months	3 Months to 1 Year	Over 1 Year
<b>Net settled</b>			
Foreign exchange contracts	<u>\$ ( 118,593)</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Gross settled</b>			
Foreign exchange contracts			
Inflows	\$ 14,511,878	\$ -	\$ -
Outflows	<u>( 14,408,634)</u>	<u>-</u>	<u>-</u>
	<u>\$ 103,244</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2022			
	Less Than 3 Months	3 Months to 1 Year	Over 1 Year
<b>Net settled</b>			
Foreign exchange contracts	<u>\$ 29,522</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Gross settled</b>			
Foreign exchange contracts			
Inflows	\$ 13,816,389	\$ -	\$ -
Outflows	<u>( 13,872,433)</u>	<u>-</u>	<u>-</u>
	<u>\$ ( 56,044)</u>	<u>\$ -</u>	<u>\$ -</u>

**3) Bank credit limit**

	December 31	
	2023	2022
<b>Unsecured bank general credit limit</b>		
Amount used	\$ 5,983,130	\$ 4,609,064
Amount unused	<u>3,239,370</u>	<u>7,650,274</u>
	<u>\$ 9,222,500</u>	<u>\$ 12,259,338</u>
<b>Secured bank general credit limit</b>		
Amount used	\$ 6,900,000	\$ 5,000,000
Amount unused	<u>2,800,000</u>	<u>-</u>
	<u>\$ 9,700,000</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 1)
HTC (Australia and New Zealand) PTY LTD.	Subsidiary
HTC (Thailand) Limited	Subsidiary (Note 2)
HTC India Private Limited	Subsidiary
HTC Communication Co., Ltd.	Subsidiary
HTC HK, Limited	Subsidiary
HTC Communication Technologies (SH)	Subsidiary
HTC Communication (BJ) Tech Co.	Subsidiary
HTC Netherlands B.V.	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
HTC Communication Canada, Ltd.	Subsidiary
HTC Communication Sweden AB	Subsidiary (Note 3)
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
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
VIVE Arts Corporation	Subsidiary

(Continued)

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 Cih 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
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
VIA Faith and Love Foundation	Related party in substance
VIA Labs, Inc. Employees' Welfare Committee	Related party in substance
Weihong Technology Co. Employees' Welfare Committee	Related party in substance
VIA Technologies Inc. Employees' Welfare Committee	Related party in substance
CW & ET Link Inc	Its director is HTC's chairwoman
Chang Gung Medical Foundation	Its director and HTC's chairwoman are relatives
Chang Gung University	Its director and HTC's chairwoman are relatives
LEO Systems, Inc.	Related party in substance
FORMOSA PETROCHEMICAL CORPORATION	Its director and HTC's chairwoman are relatives

(Concluded)

Note 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
Note 2:	The dissolution of HTC (Thailand) Limited was approved in its shareholders' meeting held on February 12, 2021. The liquidation process was completed on March 10, 2023
Note 3:	HTC Communication Sweden AB liquidation process was completed on December 31, 2023.
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	
	2023	2022
Subsidiaries		
HTC Communication Co., Ltd.	\$ 563,010	\$ 413,666
HTC America Inc.	161,810	482,637
HTC NIPPON Corporation	79,601	103,566
Others	106	21,469
Other related parties	<u>6,656</u>	<u>5,190</u>
	<u>\$ 811,183</u>	<u>\$ 1,026,528</u>

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

	December 31	
	2023	2022
Subsidiaries		
HTC Communication Co., Ltd.	\$ 101,334	\$ -
HTC America Inc.	-	624
HTC NIPPON Corporation	13,660	33,764
Uomo vitruviano Corp.	-	14,000
Others	15,436	2,696
Other related parties	<u>464</u>	<u>-</u>
	<u>\$ 130,894</u>	<u>\$ 51,084</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, 2023 and 2022.

## Purchase

	For the Year Ended December 31	
	2023	2022
<u>Purchase</u>		
Subsidiaries	\$ 2,833	\$ -
Other related parties	<u>1,682</u>	<u>3,518</u>
	<u>\$ 4,515</u>	<u>\$ 3,518</u>

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

	December 31	
	2023	2022
Subsidiaries	\$ 3,298	\$ 50,199
Other related parties	<u>464</u>	<u>425</u>
	<u>\$ 3,762</u>	<u>\$ 50,624</u>

Purchase prices for related parties and third parties were similar. The outstanding balance of trade payables to related parties are unsecured and will be settled in cash.

## Compensation of Key Management Personnel

	For the Year Ended December 31	
	2023	2022
Short-term benefits	\$ 105,098	\$ 102,257
Post-employment benefits	1,032	1,069
Share-based payments	<u>408</u>	<u>3,592</u>
	<u>\$ 106,538</u>	<u>\$ 106,918</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	
	2023	2022
Subsidiaries	\$ 1,920	\$ -
Other related parties	<u>1,503</u>	<u>613</u>
	<u>\$ 3,423</u>	<u>\$ 613</u>

## Disposal of Property, Plant and Equipment

Related Party Category/Name	Proceeds		Gain (Loss) on Disposal	
	For the Year Ended December 31		For the Year Ended December 31	
	2023	2022	2023	2022
Subsidiaries	<u>\$ 5,021</u>	<u>\$ 9,940</u>	<u>\$ -</u>	<u>\$ -</u>

## Disposal of financial assets

December 31, 2023				
Related Party Category/Name	Line Item	Number of Shares	Underlying Assets	Proceeds
REIGN Technology Corporation	Investments accounted for using the equity method	24,000,000	REIGN Technology Corporation	\$ 240,000
Viverse Limited (UK)	Investments accounted for using the equity method	35,000,000	Viveport Digital Corporation	<u>350,000</u>
				<u>\$ 590,000</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, 2023, the gross lease payments to be received are NT\$13,713 thousand. The amounts of lease income recognized for the years ended December 31, 2023 and 2022 were both NT\$4,571 thousand, respectively.

## Prepayments

	For the Year Ended December 31	
	2023	2022
Subsidiaries		
HungXu Tech Corp.	\$ 74,115	\$ -
Dashwire, Inc.	59,221	57,184
HTC France Corporation SAS	19,574	23,515
Other	<u>1,969</u>	<u>1,931</u>
	<u>\$ 154,879</u>	<u>\$ 82,630</u>

## Acquisition of Property, Plant and Equipment

	Price	
	For the Year Ended December 31	
	2023	2022
Other related parties	<u>\$ -</u>	<u>\$ 80</u>

**Services, Marketing and Commission Expenses**

	For the Year Ended December 31	
	2023	2022
Subsidiaries		
HungXu Tech Corp.	\$ 1,075,665	\$ 715,033
HTC America Innovation Inc.	204,549	186,592
HTC EUROPE CO., LTD.	296,757	240,312
Others	<u>346,225</u>	<u>376,406</u>
	<u>\$ 1,923,196</u>	<u>\$ 1,518,343</u>

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

	December 31	
	2023	2022
Subsidiaries		
HTC EUROPE CO., LTD.	\$ 332,142	\$ 339,255
HTC America Innovation Inc.	311,429	318,223
HTC (Australia and New Zealand)		
PTY LTD.	197,203	203,192
HTC HK, Limited	175,319	166,622
Others	367,604	363,030
Other related parties	<u>1,504</u>	<u>2,045</u>
	<u>\$ 1,385,201</u>	<u>\$ 1,392,367</u>

The subsidiaries provided services such as overseas business activities, research and development, technical support, business consulting and after-sales maintenance for the Company, and all service fees, advertising fees and commission fees are taken into account.

**Other Related-party Transactions**

Other related parties provide property management and media publicity to the Company. The cost and fee were NT\$236 thousand for the year ended December 31, 2022.

The Company collects property management fees, utility fees, disposal of restricted assets and processing charges from other related companies. Other income was NT\$10,120 thousand and NT\$9,562 thousand for the years ended December 31, 2023 and 2022, respectively.

**31. PLEDGED ASSETS**

As of December 31, 2023 and 2022, the time deposits and demand deposits classified as other financial assets totaled NT\$291,014 thousand and NT\$343,423 thousand, respectively. These deposits were provided as collateral for rental deposits, customs duties, patent litigation, supplier contract, foreign exchange forward contract and performance bonds.

The following assets were pledged as collateral for bank borrowings:

	December 31	
	2023	2022
Property, plant and equipment		
Land	\$ 4,566,756	\$ 3,337,100
Buildings	1,632,600	986,730
Investment properties	<u>1,824,530</u>	<u>712,922</u>
	<u>\$ 8,023,886</u>	<u>\$ 5,036,752</u>

**32. COMMITMENTS, CONTINGENCIES AND SIGNIFICANT CONTRACTS**

- On January 30, 2017, 3G Licensing S.A. ("3GL"), Orange S.A. ("Orange"), and Koninklijke KPN N.V. filed a lawsuit against HTC and a subsidiary of the Company, HTC America Inc. ("HTC America"), in U.S. District Court in Delaware alleging, inter alia, infringement of three of 3GL's patents. The plaintiffs dismissed HTC America from the case, and a jury trial was held involving only 3GL, Orange, HTC and two of 3GL's patents. The trial commenced on October 10, 2023, and on October 16, 2023, the jury found infringement of the patents and awarded damages against HTC. The Company does not believe the patents have been infringed and plans to vigorously appeal the verdict.
- 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. 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			
	2023		2022	
	Foreign Currencies	Exchange Rate	Foreign Currencies	Exchange Rate
<b>Financial assets</b>				
Monetary items				
USD	\$ 302,129	30.73	\$ 284,247	30.72
EUR	57,970	34.00	47,546	32.72
JPY	1,442,381	0.2173	456,706	0.2325
RMB	243,787	4.33	217,311	4.41
GBP	151,651	39.17	173,695	37.07
SGD	198,740	23.30	189,456	22.87
Investments accounted for using the equity method				
USD	236,570	30.73	239,079	30.72
SGD	531,767	23.30	542,573	22.8749
GBP	257,868	34.00	267,892	37.07
<b>Financial liabilities</b>				
Monetary items				
USD	509,928	30.73	817,737	30.72
EUR	17,865	34.00	43,469	32.72
JPY	1,392,713	0.2173	475,478	0.2325
RMB	50,147	4.33	30,169	4.41
GBP	6,585	39.17	-	37.07
SGD	5,036	23.30	2,726	22.8749

For the years ended December 31, 2023 and 2022, realized and unrealized net foreign exchange gain (loss) were NT\$385,192 thousand and NT\$(622,045) 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 and functional currencies of the Company's entities.

**34. SIGNIFICANT CONTRACTS**

The Company specializes in the research, design, manufacture and sale of virtual reality devices and smart

mobile devices. To enhance the quality of its products and manufacturing technologies, the Company has patent agreements, as follows:

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

**35. 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, 2023

(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				
				Shares (In Thousand)	Carrying Amount	Percentage of Ownership (%)	Fair Value	Note
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	\$ 1,337	-	\$ 1,337	
	<u>Unlisted equity investments</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	906	9.96	906	
	InfoKeyVault Technology Co., Ltd.	"	"	1,000	100,000	14.29	100,000	
HTC Investment Corporation	<u>Listed shares</u>							
	Sino-American silicon products Inc.	-	Financial assets at fair value through other comprehensive income - non-current	65	12,740	0.01	12,740	
	<u>Unlisted equity investments</u>							
	Luminous Optical Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	501	21,417	10.02	21,417	
	HLJ Technology Co., Ltd.	"	"	948	13,897	1.02	13,897	
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	386,390	2.80	386,390	
	<u>Unlisted equity investments</u>							
	GSUO Inc.	-	Financial assets at fair value through other comprehensive income - non-current	30,888	-	10.32	-	
	KKCompany Technologies Inc.	"	"	12,288	287,439	8.28	287,439	Note 2
	Magnet Systems, Inc.	"	"	5,560	-	17.10	-	
	High Fidelity, Inc.	"	"	451	35,816	1.40	35,816	
	WEVR, Inc.	"	"	5,089	212,313	17.01	212,313	
	Baobab Studios Inc.	"	"	433	53,769	2.02	53,769	
	Radd3, Inc.	"	"	935	-	6.24	-	
	MobiSocial Incorporated	"	"	121	-	0.41	-	
	EMISSIVE	"	"	37	134,445	18.03	134,445	
	Bitmark Inc.	"	"	1,306	20,893	3.31	20,893	
	MyndVR Inc.	"	"	700	39,942	2.45	39,942	
	Engage XR Holdings PLC	"	"	62,780	44,843	11.96	44,843	Note 3
	TransLink Capital Fund Partners II, L.P.	"	"	-	439,709	-	439,709	
	WI Harper Fund VII	"	"	-	111,153	-	111,153	
	WI Harper Fund IX	"	"	-	48,330	-	48,330	
	Race capital	The co-founder of the fund is a senior executive of the company	"	-	242,820	-	242,820	
	Race capital II	"	"	-	23,579	-	23,579	

(Continued)

Holding Company	Marketable Securities Type and Name of Issuer	Relationship of Issuer to the Holding Company	Financial Statement Account	At the End of the Year				Note
				Shares (In Thousand)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
H.T.C. (B.V.I.) Corp.	<u>Convertible bonds</u>							
	Cognitive VR	-	Financial assets at fair value through profit or loss - non-current	-	\$ 7,681	-	\$ 7,681	
HTC Investment (BVI) Corp.	<u>Listed shares</u>							
	Intuit Inc.	-	Financial assets at fair value through other comprehensive income - current	1	28,729	-	28,729	
	Coinbase Global, Inc.	"	"	7	38,854	-	38,854	
	Matterport, Inc.	"	"	315	26,066	-	26,066	
	Vicarious Surgical Inc.	"	"	619	6,984	-	6,984	
	<u>Unlisted equity investments</u>							
	Lumus Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	28	46,088	0.50	46,088	
	Event X	"	"	1,466	122,900	6.80	122,900	
	Imverse SA	"	"	-	33,360	-	33,360	
	XRHealth, Inc	"	"	293	127,755	3.30	127,755	
	Anzu Virtual Reality Ltd.	"	"	-	110,610	-	110,610	
	Tripp.Inc	"	"	389	18,435	-	18,435	
	Inworld (Theai, Inc.)	"	"	214	61,450	-	61,450	
	Unbound Technologies	"	"	-	4,609	-	4,609	
	TxK Gaming Studios GmbH	"	"	3	5,058	9.09	5,058	
	Felicis Ventures II LP	"	"	-	71,989	-	71,989	
	Presence Capital Fund I, LP	"	"	-	122,579	-	122,579	
	Rothenberg Ventures 2015 Fund, LLC	"	"	-	-	-	-	
	Ally Bridge Group	"	"	-	264,644	-	264,644	
	Ally Bridge Group-CMRCO	"	"	-	291,619	-	291,619	
	BITKRAFT Ventures Fund II, L.P.	"	"	-	69,089	-	69,089	
	Cherubic Ventures	"	"	-	164,190	-	164,190	
	Section 32 Fund 5	"	"	-	13,345	-	13,345	
	Sisu Ventures III, LP	"	"	-	44,521	-	44,521	
	Transcend Fund II	"	Financial assets at fair value through profit or loss - non-current	-	64,476	-	64,476	
	<u>Convertible bonds</u>							
	Canopy Technologies Limited	-	Financial assets at fair value through profit or loss - non-current	-	7,681	-	7,681	
	Modrokr Inc.	"	"	-	92,715	-	92,715	
	Wonderland GmbH	"	"	-	16,745	-	16,745	
HTC VIVE Investment (BVI) Corp.	<u>Listed shares</u>							
	COVER Corporation	-	Financial assets at fair value through other comprehensive income - current	325	193,298	-	193,298	Note 4
	<u>Unlisted equity investments</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	-	

(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				
				Shares (In Thousand)	Carrying Amount	Percentage of Ownership (%)	Fair Value	Note
HTC VIVE Investment (BVI) Corp.	CleVR Forever, Inc.	-	Financial assets at fair value through other comprehensive income - non-current	300	\$ -	3.33	\$ -	
	Immersv, Inc.	"	"	655	-	2.21	-	
	Surreal VR, Inc.	"	"	644	-	7.03	-	
	Augmented Intelligence, Inc.	"	"	700	1,535	7.00	1,535	
	Opaque Productions, Inc.	"	"	1	3,073	8.00	3,073	
	Glowstick Entertainment Inc.	"	"	800	-	8.00	-	
	KALEIDOSCOPE VR INC.	"	"	700	-	7.00	-	
	LyraVR, Inc.	"	"	81	1,844	7.50	1,844	
	BreqLabs, Inc.	"	"	261	-	8.00	-	
	LumiereVR, Inc.	"	"	870	768	8.00	768	
	The Metaverse Channel Inc.	"	"	8	-	8.00	-	
	Metaverse Technology Limited	"	"	8	799	8.00	799	
	Subdream Studios Inc.	"	"	45	-	1.00	-	
	Appnori Inc.	"	"	-	2,151	7.02	2,151	
	Snobal Pty Ltd.	"	"	-	1,229	6.54	1,229	
	VRANI Inc.	"	"	17	1,535	4.00	1,535	
	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	3,073	7.50	3,073	
	Xikaku Inc.	"	"	600	-	6.00	-	
	Broken Colors Inc.	"	"	-	-	6.02	-	
	Soccer Science, S.L.	"	"	6	-	5.00	-	
	Fitix Visualization Ltd.	"	"	129	-	6.00	-	
	PlusOne, Inc.	"	"	538	-	7.00	-	
	Invrse Reality Limited	"	"	1,600	-	8.00	-	
	ByondVR LTD	"	"	18	-	1.50	-	
	Wondergate Holding (Cayman) Limited	"	"	2,041	-	2.00	-	
	Intugame Inc.	"	"	490	752	7.00	752	
	ThermoReal Inc.	"	"	-	-	3.00	-	
	Mixed Realms Pte. Ltd.	"	"	-	1,844	4.00	1,844	
	Red Pill Lab Ltd.	"	"	50	1,535	8.00	1,535	
	VRCOLLAB PTE. LTD.	"	"	1	1,844	8.00	1,844	
	Looxid Labs Inc.	"	"	2	321	1.00	321	

(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.	360Stories Corp.	-	Financial assets at fair value through other comprehensive income - non-current	213	\$ 2,151	-	\$ 2,151	
	Z-Emotion	"	"	-	154	-	154	
	eLoupes, Inc.	"	"	958	8,296	-	8,296	
	Fable Studio Inc.	"	"	-	4,609	-	4,609	
	Emergent Entertainment Plc	"	"	34	3,595	2.92	3,595	
	DatavizVR	"	"	-	4,609	-	4,609	
	Neurable Inc.	"	"	67	3,687	-	3,687	
	Nanome Inc.	"	"	80	4,609	-	4,609	
	Mindesk Inc.	"	"	944	3,687	-	3,687	
	Karuna Labs	"	"	211	4,609	1.90	4,609	
	Talespin LLC	"	"	1,116	9,218	-	9,218	
	Vivid Vision	"	"	450	4,609	-	4,609	
	Apelab, Inc.	"	"	16,081	4,609	8.70	4,609	
	Brinx Software	"	"	-	4,609	-	4,609	
	<u>Convertible bonds</u>							
	Drop Software Inc.	-	Financial assets at fair value through profit or loss - non-current	-	-	-	-	
	Fish Bowl VR, Inc.	"	"	-	-	-	-	
	Apmetrix, Inc.	"	"	-	-	-	-	
	CleVR Forever, Inc.	"	"	-	-	-	-	
	Surreal VR, Inc.	"	"	-	-	-	-	
	Realiteer Corp.	"	"	-	-	-	-	
	KALEIDOSCOPE VR INC.	"	"	-	3,687	-	3,687	
	COGNITIVEVR INC.	"	"	-	3,687	-	3,687	
	Limitless Entertainment, Limited	"	"	-	-	-	-	
	AuroraTech Company	"	"	-	-	-	-	
	<u>Convertible bonds</u>							
	Construct Studio Inc.	-	Financial assets at fair value through profit or loss - non-current	-	-	-	-	
	Forbidden Mechanism Inc.	"	"	-	-	-	-	
	Hyperfair Inc.	"	"	-	-	-	-	
	Broken Colors Inc.	"	"	-	-	-	-	
	Soccer Science, S.L.	"	"	-	-	-	-	
	Fitix Visualization Ltd.	"	"	-	1,535	-	1,535	
	PlusOne, Inc.	"	"	-	-	-	-	
	Invrse Reality Limited	"	"	-	-	-	-	
	ByondVR LTD	"	"	-	3,073	-	3,073	
	Cloudgate Studio, Inc.	"	"	-	-	-	-	
	Quantum Capture	"	"	-	4,609	-	4,609	
	Intugame Inc.	"	"	-	2,935	-	2,935	
	Pillow's Willow VR Studios B.V.	"	"	-	2,304	-	2,304	

(Continued)

Holding Company	Marketable Securities Type and Name of Issuer	Relationship of Issuer to the Holding Company	Financial Statement Account	At the End of the Year				Note
				Shares (In Thousand)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
HTC VIVE Investment (BVI) Corp.	Modal System Inc.	-	Financial assets at fair value through profit or loss - non-current	-	\$ -	-	\$ -	
	MyndVR LLC	"	"	-	4,217	-	4,217	
	Immersv, Inc.	"	"	-	2,981	-	2,981	
	Yerba Buena VR	"	"	-	3,073	-	3,073	
	Prime Software	"	"	-	3,073	-	3,073	
	Kagenova Ltd.	"	"	-	4,061	-	4,061	
	JCR Group Ltd.	"	"	-	5,105	-	5,105	
	Extended Reality	"	"	-	4,609	-	4,609	
	ORamaVR	"	"	-	-	-	-	
	Imaged Reality	"	"	-	5,294	-	5,294	
	<u>Exchange contracts</u>							
	Realities.io Inc.	-	Financial assets at fair value through profit or loss - non-current	-	3,687	-	3,687	
	Subdream Studios Inc.	"	"	-	-	-	-	
	Rogue Initiative, LLC	"	"	-	6,145	-	6,145	
	Directive Games Limited	"	"	-	-	-	-	
	Visby Camera Corporation	"	"	-	-	-	-	
LIV Inc.	"	"	-	3,073	-	3,073		
Six Degrees Space Ltd.	"	"	-	1,844	-	1,844		
Shapes Corp.	"	"	-	4,609	-	4,609		
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	-	626,368	-	626,368	
	Kunqiao Phase II (Suzhou) Emerging Industry Venture Capital Partnership (Limited Partnership)	"	"	-	125,600	-	125,600	

Note 1: Hua-Chuang Automobile Information Technical Center Co., Ltd. increased its share capital on August 17, 2020. The Group did not subscribe for these newly issued shares at its existing ownership percentage, thus its shareholding ratio decreased.

Note 2: KKCompany Inc. has spun off its businesses to form the KKCompany Inc. and KKCompany Technologies Inc. and bought back 100% equity interest in KKCompany Inc. held by the Company in August 2023.

Note 3: Engage XR Holdings PLC issued new shares in March 2023. The Company did not subscribe for such newly issued shares at its existing ownership percentage, which decreased its ownership interest from 16.64% to 11.96%. After the decrease, the Company lost significant influence over Engage XR Holdings PLC and its subsidiary; therefore, it was reclassified as financial assets at fair value through other comprehensive income.

Note 4: COVER Corporation was listed on the Tokyo Stock Exchange on March 27, 2023.

(Concluded)

**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, 2023

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	Amount	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount
					(In Thousands)		(In Thousands)		(In Thousands)				(In Thousands)	
HTC Corporation	Viveport Digital Corporation (Note 2)	Consolidated individual	Viverse Limited (UK)	Subsidiary	26,000	\$ 41,111	-	\$ -	35,000	\$ 350,000	\$ 71,208	\$ -	-	\$ -
HTC EUROPE Co., Ltd.	DeepQ Holding Corporation	Consolidated individual	Increase capital	Subsidiary	2,500	1,536	54,880	312,854	-	-	-	-	57,380	288,297
	Viverse Holding Corporation	Consolidated individual	Increase capital	Subsidiary	5,000	157,741	7,117	678,815	-	-	-	-	12,117	576,470
	REIGN Technology Corporation	Consolidated individual	Increase capital	Subsidiary	5,000	1,536	22,200	321,887	-	-	-	-	27,200	314,330
DeepQ Holding Corporation	DeepQ (BVI) Corp. (Note 3)	Consolidated individual	DeepQ Holding (BVI) Corp.	Subsidiary	-	-	164,700	313,539	-	-	-	-	164,700	198,463
Viverse Holding Corporation	Viverse Limited (UK)	Consolidated individual	Increase capital	Subsidiary	4,900	154,670	17,350	678,815	-	-	-	-	22,250	573,396
Viverse Limited (UK)	Viverse Limited (Ireland)	Consolidated individual	Increase capital	Subsidiary	4,000	127,043	9,461	323,245	-	-	-	-	13,461	174,980
	Viveport Digital Corporation (Note 2)	Consolidated individual	HTC Corporation	Subsidiary	-	-	35,000	350,000	-	-	-	-	35,000	90,296
DeepQ Holding (BVI) Corp.	DeepQ (BVI) Corp. (Note 3)	Consolidated individual	DeepQ Holding Corporation	Subsidiary	164,700	266,230	-	-	164,700	313,539	201,708	-	-	-
HTC Electronics (Shanghai) Co., Ltd.	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	-	315,949	-	328,040	-	-	-	-	-	626,368

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: In order to optimize the group structure, HTC completed the restructuring on October 24, 2023, and sold 100% of the shares of Viveport Digital Corporation to its subsidiary, Viverse Limited (UK).

Note 3: In order to optimize the group structure, HTC completed the restructuring on November 28, 2023, and sold 100% of the shares of DeepQ Holding (BVI) Corp. to its subsidiary, DeepQ Holding Corporation.

**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, 2023

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 Communication Co., Ltd.	Grandson company	Sales	\$ ( 563,010)	( 19)	30 days	More favorable than unrelated parties	Similar to unrelated parties	\$ 101,334	21	
	HTC America Inc.	Grandson company	Sales	( 161,810)	( 5)	60 days	More favorable than unrelated parties	Similar to unrelated parties	-	-	
HTC Communication Co., Ltd.	HTC Corporation	Parent company	Purchases	563,010	100	30 days	No comparable unrelated parties	Similar to unrelated parties	( 101,334)	( 100)	
HTC America Inc.	HTC Corporation	Parent company	Purchases	161,810	100	60 days	No comparable unrelated parties	Similar to unrelated parties	-	-	

**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, 2023

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debt
					Amount	Action Taken		
HTC Corporation	HTC Communication Co., Ltd.	Son company	\$ 101,334	11.07	\$ -	-	\$ 101,334	\$ -
HTC EUROPE CO., LTD.	HTC Corporation	Parent company	332,142	0.88	-	-	-	-
HTC America Innovation Inc.	HTC Corporation	Parent company	311,429	0.65	-	-	-	-
HTC (Australia and New Zealand) PTY LTD.	HTC Corporation	Parent company	197,203	0.15	-	-	-	-
HTC HK, Limited	HTC Corporation	Parent company	175,319	0.10	-	-	-	-
HTC Germany GmbH	HTC Corporation	Parent company	106,678	0.34	-	-	-	-
Viveport Digital Corporation	Viverse Limited (Ireland)	The same parent company	126,147	2.98	-	-	72,876	-

**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, 2023

(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
				Ending Balance	Beginning 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	\$ 2,592,118	\$ ( 84,254)	\$ ( 84,254)	
	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	7,284,394	238,783	100.00	12,396,404	42,640	42,640	Note 1
	HTC Investment Corporation	1F., No. 88, Sec. 3, Zhongxing Rd., Xindian Dist., New Taipei City	General investing activities	342,874	300,000	34,287	100.00	146,575	1,227	1,227	
	HTC Holding BV.	Van Boshuizenstraat 12, (unit 1.25), 1083BA Amsterdam, the Netherlands	International holding company	13	13	-	0.01	13	( 31,343)	-	
	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	418,658	5,974	5,974	
	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	3,543,899	( 148,379)	( 148,379)	
	HungXu 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	240,811	18,687	18,687	
	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	452,150	( 26,146)	( 26,146)	
	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	217,717	( 60,162)	( 60,162)	
	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	474	( 66)	( 66)	
	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	20,511	( 5,040)	( 5,040)	
	Viveport Digital Corporation	11F., No. 88, Sec. 3, Zhongxing Rd., Xindian Dist., New Taipei City	Interactive scenario experience services	-	260,000	-	-	-	( 41,000)	( 59,985)	Note 2

(Continued)

Investor Company	Investee Company	Location	Main Business Activity	Original Investment Amount		At the End of the Year			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				Ending Balance	Beginning Balance	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
HTC Corporation	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	-	-	\$ -	\$ ( 81,263)	\$ ( 81,480)	Note 3
	VIVE Arts Corporation	15F., No. 88, Sec. 3, Zhongxing Rd., Xindian Dist., New Taipei City	Digital art	5,000	5,000	500	100.00	3,416	( 1,665)	( 1,665)	
	HungYao Technology Co, Ltd.	16F., No. 88, Sec. 3, Zhongxing Rd., Xindian Dist., New Taipei City	Manufacturing of electronic parts	100	-	10	100.00	100	-	-	Note 4
	HTC EUROPE CO., LTD.	Salamanca Wellington Street Slough Berkshire England SL1 1YP	International holding company; marketing, repair and after-sales services	9,349,409	9,349,409	104,061	100.00	9,599,816	( 201,539)	( 201,539)	Note 5
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	66,204	( 179,938)	( 88,169)	
	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	4,696	( 1,242)	( 311)	
	Engage XR Holdings PLC	Unit 9 Cleaboy Business Park, Old Kilmeaden Road, Waterford X91 Ax83, Ireland	Development of virtual reality contents	-	100,943	-	-	-	( 37,806)	( 6,291)	Note 6
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	199,044	1,040	1,040	
	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	6,561	-	-	
	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	-	-	-	( 169)	( 169)	Note 7
	HTC India Private Limited	C-109 and C-110, First Floor, M3M, Cosmopolitan, Golf Course Expection Road, Gurugram, Haryana-122002	Marketing, repair and after-sales services	4,094	4,094	495	99.00	136,170	168	166	
	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	4,413,967	86,232	86,232	
	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	1,017,356	( 31,343)	( 31,343)	
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	95,453	( 139)	( 139)	
HTC Holding B.V.	HTC Servicios DE Operacion Mexico, S.A DE CV.	Paseo de la Reforma 505 piso 32 Col Cuauhtemoc. Cp 06500 Mexico DF.	Human resources management	37	37	1	1.00	59	( 98)	( 1)	
	HTC Netherlands B.V.	Van Boshuizenstraat 12 unit 1.25, 1083 BA Amsterdam, the Netherlands	International holding company; marketing, repair and after-sales services	7,050,037	7,050,037	143,882	100.00	1,030,370	( 30,676)	( 30,676)	
	HTC India Private Limited	C-109 and C-110, First Floor, M3M, Cosmopolitan, Golf Course Expection Road, Gurugram, Haryana-122002	Marketing, repair and after-sales services	39	39	5	1.00	1375	168	2	
	HTC South Eastern Europe Limited liability Company	Kifissias 90, Marousi 15125, Athens, Greece	Marketing, repair and after-sales services	1	1	-	0.67	16	-	-	
	HTC Communication Solutions Mexico, S.A DE CV.	Paseo de la Reforma 505 piso 32 Col Cuauhtemoc. Cp 06500 Mexico DF.	Marketing, repair and after-sales services	25	25	1	1.00	67	( 653)	( 7)	
HTC Netherlands B.V.	HTC Belgium BVBA/SPRL	Havenlaan 86/c, box 204 - 1000 Brussels	Marketing, repair and after-sales services	783	783	19	100.00	( 7,749)	( 28,764)	( 28,764)	
	HTC NIPPON Corporation	The CORNER Nihonbashi east 5th floor, 1-9-1, Nihonbashi Bakurocho, Chuo-ku, Tokyo	Sale of virtual reality devices and smart mobile devices	154,810	154,810	56	100.00	234,378	( 1,750)	( 1,750)	
	HTC FRANCE CORPORATION	83-85 boulevard de Charonne 75011 Paris	Marketing, repair and after-sales services	459,161	459,161	11,000	100.00	37,475	( 748)	( 748)	

(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
				Ending Balance	Beginning Balance	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
HTC Netherlands BV.	HTC South Eastern Europe Limited liability Company	Kifissias 90, Marousi 15125, Athens, Greece	Marketing, repair and after-sales services	\$ 176	\$ 176	-	99.33	\$ 2,359	\$ -	\$ -	
	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	11,221	153	153	
	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	2,202	( 199)	( 199)	
	HTC Germany GmbH.	Friedrich-Ebert-Anlage 36 60325 Frankfurt am Main Germany	Marketing, repair and after-sales services	24,550	24,550	25	100.00	114,659	780	780	
	HTC Iberia S.L.	Conde de Vilches, 19, Madrid, 28028, Spain	Marketing, repair and after-sales services	9,402	9,402	3	100.00	24,422	-	-	
	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	5,214	277	277	
	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	74,047	2,384	2,384	
	HTC Communication Sweden AB	C/o Revideco AB Drottningholmsvägen 22 112 42 Stockholm	Marketing, repair and after-sales services	-	4,533	-	-	-	( 4,354)	( 4,354)	Note 8
	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	60,825	1,038	1,038	
	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	6,605	( 653)	( 646)	
	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	5,824	( 98)	( 97)	
HTC EUROPE CO., LTD.	HTC America Holding Inc.	1625 Shattuck Ave, Berkeley, CA 94709	International holding company	6,341,332	6,341,332	371,617	100.00	2,977,038	31,420	31,420	Note 5
	DeepQ Holding Corporation	89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands	International holding company	314,390	1,536	61,700	100.00	288,297	( 6,259)	( 6,259)	
	VIVE Arts Holding Corporation	89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands	International holding company	1,536	1,536	5,960	100.00	1,536	-	-	
	Viverse Holding Corporation	89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands	International holding company	831,985	153,170	16,917	100.00	576,470	( 271,200)	( 271,200)	Note 9
	REIGN Technology Corporation	89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands	International holding company	323,423	1,536	32,000	100.00	314,330	218	218	
DeepQ Holding Corporation	DeepQ (BVI) Corp.	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola VG1110	International holding company	313,539	-	164,700	100.00	198,463	( 66,311)	( 6,259)	Note 10
REIGN Technology Corporation	REIGN Technology Corporation	12F., No. 88, Sec. 3, Zhongxing Rd., Xindian Dist., New Taipei City	Construction, application and after-sales services of 5G	280,000	-	28,000	100.00	135,077	( 81,263)	217	Note 3
Viverse Holding Corporation	Viverse Limited (UK)	Salamanca, Wellington Street, Slough SL1 1YP	International holding company	827,713	153,565	22,250	100.00	573,396	( 271,181)	( 271,181)	Note 9
Viverse Limited (UK)	Viverse Limited (Ireland)	10 Earlsfort Terrace, Dublin 2, Republic of Ireland	Market development and sale of virtual reality contents	444,795	150,495	13,461	100.00	174,980	( 67,616)	( 67,616)	
	Viveport Digital Corporation	11F., No. 88, Sec. 3, Zhongxing Rd., Xindian Dist., New Taipei City	Interactive scenario experience services	350,000	-	35,000	100.00	90,296	( 41,000)	18,985	Note 2
HTC America Holding Inc.	HTC America Inc.	1625 Shattuck Ave, Berkeley, CA 94709	Sale of virtual reality devices and smart mobile devices	1,114,451	1,114,451	1	100.00	1,473,450	60,063	60,063	Note 5
	One & Company Design, Inc.	1625 Shattuck Ave, Berkeley, CA 94709	Design, research and development of application software	191,052	191,052	60	100.00	2,906	-	-	
	HTC America Innovation Inc.	1625 Shattuck Ave, Berkeley, CA 94709	Design, research and development of application software	93,780	93,780	1	100.00	607,506	36,640	36,640	

(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
				Ending Balance	Beginning Balance	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
HTC America Holding Inc.	Dashwire, Inc.	1625 Shattuck Ave, Berkeley, CA 94709	Design and management of cloud synchronization technology	\$ 600,501	\$ 600,501	0.1	100.00	\$ ( 55,115)	\$ -	\$ -	
	HTC America Content Services, Inc.	1625 Shattuck Ave, Berkeley, CA 94709	Online/download media services	2,414,274	2,307,650	31	100.00	42,471	( 69,689)	( 69,689)	
	Inquisitive Minds, Inc.	1625 Shattuck Ave, Berkeley, CA 94709	Development and sale of digital education platform	388,982	388,982	0.1	100.00	28,441	( 32)	( 32)	
HungXu Holding (BVI) Corp.	HungXu Technology (BVI) Corp.	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola VG1110	International holding company	203,795	43,206	32,000	100.00	230,312	18,732	18,732	
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	37,202	19,817	19,817	
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	88,862	182,325	3,100	100.00	22,982	( 40,343)	( 40,343)	
DeepQ Holding (BVI) Corp.	DeepQ (BVI) Corp.	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola VG1110	International holding company	-	497,868	-	-	-	( 66,311)	( 60,052)	Note 10
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	112,027	( 67,318)	( 67,318)	
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	799,367	( 146,254)	( 52,944)	
	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	136,601	( 37,861)	( 37,861)	
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	18,587	( 4,947)	( 4,947)	

Note 1: The carrying amount includes unrealized profit of NT\$5,102 thousand at the end of the current period.

Note 2: Viverse Limited (UK) from the parent company HTC Corporation on October 24, 2023, purchased 100% of the shares of the subsidiary company Hongwan Digital Shares Limited Company.

Note 3: REIGN Technology Corporation acquired 100% of the equity of the subsidiary company REIGN Technology Corporation from HTC Corporation on October 24, 2023.

Note 4: HungYao Technology Co, Ltd. was incorporated on October 18, 2023, which is 100% held by HTC Corporation.

Note 5: The carrying amount excludes unrealized profit of NT\$75,619 thousand at the end of the current period.

Note 6: Engage XR Holdings PLC issued new shares in March 2023. The Company did not subscribe for such newly issued shares at its existing ownership percentage, which decreased its ownership interest from 16.64% to 11.96%. After the decrease, the Company lost significant influence over Engage XR Holdings PLC and its subsidiary; therefore, it was reclassified as financial assets at fair value through other comprehensive income.

Note 7: The dissolution of HTC (Thailand) Limited was approved in its shareholders' meeting held on February 12, 2021. The liquidation process was completed on March 10, 2023.

Note 8: HTC Communication Sweden AB completed the liquidation process on December 31, 2023.

Note 9: On September 5, 2023, Viverse Holding Corporation changed its legal name. Its former name was Viveport Corporation.

Note 10: DeepQ Holding Corporation acquired 100% of the shares of DeepQ (BVI) Corp. from DeepQ Holding (BVI) Corp. on November 28, 2023.

(Concluded)

## HTC CORPORATION AND SUBSIDIARIES

### INFORMATION ON INVESTMENTS IN MAINLAND CHINA

FOR THE YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Investee Company	Main Business Activity	Total Amount of		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
		Paid-in Capital	Investment Type		Outflow	Inflow						
High Tech Computer Corp. (Suzhou) (Note 4)	Manufacture and sale of smart mobile devices	US\$ -	Investment in company located in mainland China indirectly through H.T.C. (B.V.I.) Corp.	\$ 3,312 (US\$ 100)	\$ -	\$ -	\$ 3,312 (US\$ 100)	\$ -	-	\$ -	\$ -	\$ -
HTC Corporation (Shanghai WGQ)	Smart mobile devices examination and after-sale services and technique consultations	US\$ 1,500	Investment in company located in mainland China indirectly through HTC HK, Limited.	49,845 (US\$ 1,500)	-	-	49,845 (US\$ 1,500)	1,303	100.00	1,303	85,139	-

(Continued)

Investee Company	Main Business Activity	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of the Beginning of the Year	Investment Flows		Accumulated Outflow of Investment from Taiwan as of the End of the Year	Net Income (Loss) of the Investee	Percentage of Ownership (%)	Investment Gain (Loss)	Carrying Amount	Accumulated Inward Remittance of Earnings
					Outflow	Inflow						
HTC Electronics (Shanghai) Co., Ltd. (Note 5)	Manufacture and sale of virtual reality devices and smart mobile devices	US\$ 2,909	Investment in company located in mainland China indirectly through HTC HK, Limited.	4,106,585 (US\$ 133,000)	\$ -	\$ -	\$ 4,106,585 (US\$ 133,000)	\$ 84,182	100.00	\$ 84,182	\$ 4,153,748	\$ -
HTC Communication Co., Ltd.	Sale of virtual reality devices and smart mobile devices and after-sales services	US\$ 127,500	Investment in company located in mainland China indirectly through High Tech Computer Asia Pacific Pte. Ltd.	4,125,897 (US\$ 127,500)	-	-	4,125,897 (US\$ 127,500)	(39,354)	100.00	(39,354)	1,590,378 (Note 3)	-
HTC Communication Technologies (Shanghai) Limited	Design, research and development of application software	US\$ 4,000	"	120,799 (US\$ 4,000)	-	-	120,799 (US\$ 4,000)	18,510	100.00	18,510	555,557	-
Ji Jih 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 (US\$ 8,000)	-	-	249,678 (US\$ 8,000)	-	10.32	-	-	-
HTC Communication (BJ) Tech Co.	Design, research and development of application software	RMB 10,500	Investment in company located in mainland China through the own funds of HTC Communication Technologies (Shanghai) Limited.	-	-	-	-	6,479	100.00	6,479	117,208	-
Gui Zhou Wei Ai Technology Group Co., Ltd.	Development and sale of virtual reality app contents	RMB 11,775	Investment in company located in mainland China through the own funds of HTC Communication Co., Ltd.	-	-	-	-	(5,221)	26.05	(1,360)	90,054	-
Beijing Transmission Weiku Technology Co., Ltd.	Research and development of virtual reality contents	RMB 64	"	-	-	-	-	-	6.00	-	-	-
Beijing Seven Vision Virtual Technology Co., Ltd.	Research and development of virtual reality contents	RMB 1,087	"	-	-	-	-	-	8.00	-	-	-
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	-	1,515	-
Shanghai Duowei Network Technology Co., Ltd.	Research and development of virtual reality contents	RMB 133	"	-	-	-	-	-	5.00	-	-	-
Shanghai Chaoshi Business Management Partnership (Limited Partnership)	Research and development of virtual reality contents	RMB 100	"	-	-	-	-	-	20.00	-	1,211	-
Beijing WEWOD Entertainment Technology Co., Ltd.	Research and development of virtual reality contents	RMB 1,812	"	-	-	-	-	-	1.50	-	6,494	-
Zhijing (Shanghai) Technology Co., Ltd.	Research and development of virtual reality contents	RMB 4,771	"	-	-	-	-	-	2.00	-	-	-
Shanghai Judao Network Technology Co., Ltd.	Research and development of virtual reality contents	RMB 142	"	-	-	-	-	-	2.00	-	2,175	-
Shanghai Lenqiy Information Technology Co., Ltd.	Research and development of virtual reality contents	RMB 3,000	"	-	-	-	-	-	3.00	-	1,437	-
Beijing Yuanji Technology Co., Ltd.	Research and development of virtual reality contents	RMB -	"	-	-	-	-	-	5.00	-	-	-
Qinhuangdao Shiyi Technology Co., Ltd.	Research and development of virtual reality contents	RMB 685	"	-	-	-	-	-	5.00	-	2,165	-
Hefei Yao An Technology Co., Ltd.	Research and development of virtual reality contents	RMB 12,208	"	-	-	-	-	-	2.00	-	4,330	-
Red Landmark (Beijing) Culture Technology Co., Ltd.	Production of radio and television programs	RMB 12,077	"	-	-	-	-	-	3.00	-	-	-

(Continued)

Investee Company	Main Business Activity	Total Amount of		Investment Type	Accumulated Outflow of Investment from Taiwan as of the Beginning of the Year
		Paid-in Capital			
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)

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						
\$ -	\$ -	\$ 24,067 (US\$ 800)	\$ 2,593	100.00	\$ 2,593	\$ 24,791	\$ -
-	-	89,732 (US\$ 3,000)	1,134	100.00	1,134	81,639	-

(Concluded)

Accumulated Investment in Mainland China for the Years Ended	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on Investment
\$ 8,769,915 (US\$ 277,900)	\$ 8,791,423 (US\$ 278,600)	\$ 13,683,077

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\$30.725 to US\$1 at December 31, 2023.

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 2023 of NT\$4.39638 to RMB. The carrying amount is translated at the exchange rate on December 31, 2023 of NT\$4.3295 to RMB.

Note 3: The carrying amount includes unrealized loss of NT\$5,102 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, 2023, the refunded capital has not been repatriated to Taiwan.

## HTC CORPORATION AND SUBSIDIARIES

**TABLE 7**

### SIGNIFICANT TRANSACTIONS WITH SUBSIDIARIES IN MAINLAND CHINA INCLUDING DIRECT AND INDIRECT TRANSACTIONS THROUGH OTHER REGIONS FOR THE YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Related Party	Relationship with the Company	Nature of Transaction	Amount	Terms			Notes/Accounts Payable or Receivable		Unrealized Loss
				Price	Payment Terms	Comparison with Normal Transactions	Ending Balance	% of Total	
HTC Communication Co., Ltd.	Grandson company	Sales	\$ 563,010	More favorable than unrelated parties	OA 30 days	The transaction terms are similar to those of general customers.	\$ 101,334	21	\$ ( 5,102)
HTC Communication Technologies (Shanghai) Limited	Grandson company	Service fee	93,690	No comparable unrelated parties	OA 45 days	The transaction terms are similar to those of general customers.	( 7,620) (Note)	-	-
HTC Communication Beijing Tech Co.	Grandson company	Service fee	84,893	No comparable unrelated parties	OA 45 days	The transaction terms are similar to those of general customers.	( 15,741) (Note)	-	-

Note: Classified under other payables.

## HTC CORPORATION AND SUBSIDIARIES

**TABLE 8**

### INFORMATION OF MAJOR SHAREHOLDERS DECEMBER 31, 2023

(Number of Shares: Shares)

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Way Chih Investment Co., Ltd.	43,819,290	5.26

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 subsidiaries, which comprise the consolidated balance sheets as of December 31, 2023 and 2022, 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 subsidiaries as of December 31, 2023 and 2022, 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 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, 2023. 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, 2023 are as follows:

##### Revenue Recognition

HTC Corporation and its subsidiaries rely primarily on sales revenue generated from virtual reality products as their main source of operating income. In the fiscal year 2023, management made selective adjustments to product portfolios in response to macroeconomic shifts and advancements within the virtual reality ecosystem. Recognizing the substantial impact of revenue derived from these products on the consolidated financial statements, the authenticity of revenue recognition for such products became a pivotal audit focus.

The auditors conducted the following key audit procedures related to this matter:

1. Assessed the design and implementation of the internal control system governing the ordering and shipping processes of the aforementioned sales products, executing tests to evaluate its efficacy.
2. Sampled and examined orders, shipping documents, invoices, and payment records associated with the revenue details of these products to verify revenue occurrence.
3. Reviewed for any significant abnormal occurrences of sales returns for these products subsequent to the reporting period.

##### Other Matters

We have also audited the parent company only financial statements of HTC Corporation as of and for the years ended December 31, 2023 and 2022 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 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 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 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 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 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 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 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, 2023 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 Pan-Fa Wang and Kuo-Tyan Hong.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China  
March 5, 2024

#### 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, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

ASSETS	2023		2022	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 6)	\$ 12,439,363	27	\$ 17,747,130	38
Financial assets at fair value through profit or loss - current (Notes 7 and 31)	137,539	-	50,051	-
Financial assets at fair value through other comprehensive income - current (Notes 8 and 31)	680,321	1	413,868	1
Notes and trade receivables (Notes 10 and 32)	790,864	2	574,547	1
Other receivables (Note 10)	147,936	-	136,816	-
Current tax assets (Note 27)	281,516	1	254,257	1
Inventories (Note 11)	1,165,416	3	1,420,449	3
Prepayments (Note 12)	403,813	1	365,673	1
Other current financial assets (Notes 9 and 33)	10,851,071	24	6,618,244	14
Other current assets	2,965	-	4,574	-
<b>Total current assets</b>	<b>26,900,804</b>	<b>59</b>	<b>27,585,609</b>	<b>59</b>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through profit or loss - non-current (Notes 7 and 31)	262,359	1	329,102	1
Financial assets at fair value through other comprehensive income - non-current (Note 31)	4,274,269	9	3,897,866	9
Investments accounted for using equity method (Note 14)	960,321	2	1,106,939	2
Property, plant and equipment (Notes 32 and 33)	6,717,362	15	7,036,248	15
Right-of-use assets (Note 16)	69,307	-	139,325	-
Investment properties, net (Notes 17 and 33)	2,689,929	6	2,582,567	6
Intangible assets (Note 18)	183,123	1	81,321	-
Deferred tax assets (Note 27)	2,888,302	6	3,026,645	7
Refundable deposits	20,019	-	73,037	-
Net defined benefit assets - non-current (Note 23)	508,774	1	494,809	1
Other non-current financial assets (Notes 9 and 33)	94,920	-	76,794	-
Other non-current assets (Note 12)	13,819	-	9,974	-
<b>Total non-current assets</b>	<b>18,682,504</b>	<b>41</b>	<b>18,854,627</b>	<b>41</b>
<b>TOTAL</b>	<b>\$ 45,583,308</b>	<b>100</b>	<b>\$ 46,440,236</b>	<b>100</b>

(Continued)

(In Thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	2023		2022	
	Amount	%	Amount	%
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 19)	\$ 3,700,000	8	\$ 2,640,000	6
Financial liabilities at fair value through profit or loss - current (Notes 7 and 31)	183,489	-	81,169	-
Notes and trade payables (Notes 20 and 32)	5,216,907	12	5,687,202	12
Other payables (Notes 21 and 32)	3,318,137	7	3,815,517	8
Current tax liabilities (Note 27)	55,511	-	208,604	1
Provisions - current (Note 22)	665,567	2	944,418	2
Lease liabilities - current (Notes 16 and 32)	16,550	-	44,637	-
Other current liabilities (Notes 21 and 32)	345,179	1	305,576	1
<b>Total current liabilities</b>	<b>13,501,340</b>	<b>30</b>	<b>13,727,123</b>	<b>30</b>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Notes 19 and 33)	9,000,000	20	6,800,000	15
Deferred tax liabilities (Note 27)	73,289	-	85,210	-
Lease liabilities - non-current (Notes 16 and 32)	53,485	-	107,105	-
Guarantee deposits received	150,066	-	161,638	-
<b>Total non-current liabilities</b>	<b>9,276,840</b>	<b>20</b>	<b>7,153,953</b>	<b>15</b>
<b>Total liabilities</b>	<b>22,778,180</b>	<b>50</b>	<b>20,881,076</b>	<b>45</b>
<b>EQUITY (Note 24)</b>				
Share capital - ordinary shares	8,320,380	18	8,295,153	18
Capital surplus	16,270,636	36	16,160,271	35
Retained earnings				
Legal reserve	5,828,987	13	9,108,539	19
Special reserve	3,080,480	6	3,080,480	7
Accumulated deficits	( 7,338,305)	( 16)	( 7,279,552)	( 16)
<b>Total retained earnings</b>	<b>1,571,162</b>	<b>3</b>	<b>4,909,467</b>	<b>10</b>
Other equity	( 3,357,050)	( 7)	( 3,805,731)	( 8)
<b>Total equity</b>	<b>22,805,128</b>	<b>50</b>	<b>25,559,160</b>	<b>55</b>
<b>TOTAL</b>	<b>\$ 45,583,308</b>	<b>100</b>	<b>\$ 46,440,236</b>	<b>100</b>

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

(Concluded)

HTC CORPORATION AND SUBSIDIARIES  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
 FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	(In Thousands of New Taiwan Dollars, Except Loss Per Share)			
	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 25 and 32)	\$ 4,417,932	100	\$ 4,408,823	100
OPERATING COSTS (Notes 11, 26 and 32)	2,594,222	59	2,678,845	61
GROSS PROFIT	1,823,710	41	1,729,978	39
OPERATING EXPENSES (Notes 26 and 32)				
Selling and marketing	2,135,379	48	1,760,139	40
General and administrative	1,298,620	29	2,017,446	45
Research and development	2,684,392	61	2,356,224	54
Total operating expenses	6,118,391	138	6,133,809	139
OPERATING LOSS	(4,294,681)	( 97)	(4,403,831)	(100)
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 26)	871,990	20	312,401	7
Other income (Notes 26 and 32)	1,050,716	24	1,143,198	26
Other gains and losses (Note 26)	( 626,861)	( 14)	( 299,524)	( 7)
Finance costs (Notes 26 and 32)	( 250,767)	( 6)	( 142,796)	( 3)
Share of profit or loss of associates (Note 14)	( 149,075)	( 4)	( 23,499)	-
Total non-operating income and expenses	896,003	20	989,780	23
LOSS BEFORE INCOME TAX	(3,398,678)	( 77)	(3,414,051)	( 77)
INCOME TAX BENEFIT (Note 27)	2,921	-	2,268	-
LOSS FOR THE YEAR	(3,395,757)	( 77)	(3,411,783)	( 77)
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)	10,156	-	151,806	3
Unrealized gain (loss) on investments in equity instruments designated as at fair value through other comprehensive income	109,634	3	( 155,275)	( 3)
Income tax relating to items that will not be reclassified to profit or loss (Note 27)	( 1,219)	-	( 18,217)	-
	118,571	3	( 21,686)	-

(Continued)

	(In Thousands of New Taiwan Dollars, Except Loss Per Share)			
	2023		2022	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	\$ 387,562	9	\$ 1,564,692	35
Other comprehensive income and loss for the year, net of income tax	506,133	12	1,543,006	35
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	\$( 2,889,624)	( 65)	\$(1,868,777)	( 42)
LOSS PER SHARE (Note 28)				
Basic	\$( 4.09)		\$( 4.13)	

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, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

	Share Capital		Retained Earnings			Other Equity			Total Equity
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Accumulated Deficits	Exchange Differences on Translating Foreign Operations	Unrealized Losses on Financial Assets at Fair Value through Other Comprehensive Income		
BALANCE, JANUARY 1, 2022	\$ 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	
Total comprehensive income and loss for the year ended December 31, 2022	-	-	-	-	( 3,278,194)	1,564,692	( 155,275)	( 1,868,777)	
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	
Legal reserve in covering accumulated deficits	-	-	( 3,279,552)	-	3,279,552	-	-	-	
Other changes in capital surplus									
Changes in equity of associates accounted for using equity method	-	37,233	-	-	-	-	-	37,233	
Net loss for the year ended December 31, 2023	-	-	-	-	( 3,395,757)	-	-	( 3,395,757)	
Other comprehensive income and loss for the year ended December 31, 2023	-	-	-	-	8,937	387,562	109,634	506,133	
Total comprehensive income and loss for the year ended December 31, 2023	-	-	-	-	( 3,386,820)	387,562	109,634	( 2,889,624)	
Issuance of shares due to exercise of employee share options	25,227	67,369	-	-	-	-	-	92,596	
Share-based payments	-	5,763	-	-	-	-	-	5,763	
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	48,515	-	( 48,515)	-	
BALANCE, DECEMBER 31, 2023	\$ 8,320,380	\$16,270,636	\$ 5,828,987	\$ 3,080,480	\$( 7,338,305)	\$( 2,408,195)	\$( 948,855)	\$22,805,128	

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, 2023 AND 2022

	(In Thousands of New Taiwan Dollars)	
	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before income tax	\$(3,398,678)	\$ (3,414,051)
Adjustments for:		
Depreciation expense	315,659	389,540
Amortization expense	9,376	1,217
Expected credit loss reversed on trade receivables	( 35,000)	( 15,000)
Loss on financial assets at fair value through profit or loss	121,887	43,092
Finance costs	250,767	142,796
Interest income	( 871,990)	( 312,401)
Dividend income	( 9,883)	( 37,912)
Compensation costs of employee share-based payments	5,763	31,810
Share of the loss of associates	149,075	23,499
Net loss (gain) on disposal of property, plant and equipment	1,687	( 6)
Net gain on disposal of intangible assets	-	( 784)
Net loss on disposal of investments accounted for using equity method	12,957	-
Impairment loss on non-financial assets	115,430	25,659
Gain from lease modifications	( 302)	-
Changes in operating assets and liabilities		
Decrease in financial assets mandatorily classified as at fair value through profit or loss	14,832	56,483
Increase in notes and trade receivables	( 181,317)	( 111,340)
Decrease (increase) in other receivables	12,540	( 28,661)
Decrease in inventories	138,130	208,944
Increase in prepayments	( 38,140)	( 43,576)
Decrease (increase) in other current assets	1,609	( 3,896)
(Increase) decrease in other non-current assets	( 4,008)	1,962
(Decrease) increase in notes and trade payables	( 470,295)	222,664
Decrease in other payables	( 507,769)	( 783,746)
Decrease in provisions	( 148,851)	( 181,896)
Increase (decrease) in other current liabilities	44,282	( 29,311)
Cash used in operations	(4,472,239)	( 3,814,914)
Interest received	848,330	255,275
Interest paid	( 242,288)	( 133,488)
Income tax paid	( 182,835)	( 46,910)
Net cash used in operating activities	(4,049,032)	( 3,740,037)

(Continued)

	(In Thousands of New Taiwan Dollars)	
	2023	2022
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through other comprehensive income	\$( 561,667)	\$(1,343,583)
Proceeds from disposal of financial assets at fair value through other comprehensive income	54,896	2,319
Return of investments accounted for at fair value through other comprehensive income	24,561	30,366
Purchase of financial assets at fair value through profit or loss	( 65,584)	( 27,809)
Proceeds from disposal of financial assets at fair value through profit or loss	-	7,705
Acquisition of investments accounted for using equity method	( 21,319)	-
Payments for property, plant and equipment	( 38,215)	( 31,866)
Proceeds from disposal of property, plant and equipment	1,359	59
Increase in refundable deposits	-	( 59,947)
Decrease in refundable deposits	53,018	-
Payments for intangible assets	( 99,980)	( 47,542)
Proceeds from disposal of intangible assets	84	1,189
Payments for investment properties	( 102)	( 7,465)
Increase in other financial assets	(4,250,953)	-
Decrease in other financial assets	-	555,286
Dividends received	9,883	37,912
Net cash used in investing activities	(4,894,019)	( 883,376)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowings	1,060,000	40,000
Increase in long-term borrowings	2,200,000	4,800,000
Decrease in guarantee deposits received	( 11,572)	( 426)
Repayment of the principal portion of lease liabilities	( 54,650)	( 57,161)
Employee share options executed	92,596	173,225
Net cash generated from financing activities	3,286,374	4,955,638
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	348,910	996,828
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	( 5,307,767)	1,329,053
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	17,747,130	16,418,077
CASH AND CASH EQUIVALENTS, END OF THE YEAR	\$ 12,439,363	\$ 17,747,130

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, 2023 AND 2022

(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 5, 2024.

**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 “IFRS accounting standards”) 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 IFRS accounting standards endorsed and issued into effect by the FSC did not have any material impact on the Company’s accounting policies.

**b. The IFRS accounting standards endorsed by the FSC for application starting from 2024**

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
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
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

Note 1: Unless stated otherwise, the above IFRS accounting standards 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.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

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

**c. The IFRS accounting standards in issue but not yet endorsed and issued into effect by the FSC**

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 21 “Lack of Exchange-ability”	January 1, 2025 (Note 2)

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

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

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

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Statement of Compliance**

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS accounting standards as endorsed and issued into effect by the FSC.

**Basis of Preparation**

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit assets which are measured at the fair value of plan assets less the present value of the defined benefit obligation.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 inputs are unobservable inputs for the asset or liability.

**Classification of Current and Non-current Assets and Liabilities**

Current assets include:

- Assets held primarily for the purpose of trading;
- Assets expected to be realized within twelve months after the reporting period; and
- Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities are:

- Liabilities held primarily for the purpose of trading;
- Liabilities due to be settled within twelve months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- Liabilities for which the Company does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The aforementioned assets and liabilities that are not classified as current are classified as non-current.

**Basis of Consolidation**

The consolidated financial statements incorporate the financial statements of HTC and the entities controlled by HTC (i.e., its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in 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 Tables 4 and 5 (including the percentage of ownership and main businesses).

### Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree

and the fair value of the acquirer's previously held interest in the acquiree, the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets.

### Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise except for:

- a. Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- b. Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investments.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations are translated into the New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to the owners of the Company and non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e., a disposal of the Company's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rates of exchange prevailing at the end of each reporting period. Exchange differences are recognized in other comprehensive income.

### Inventories

Inventories consist of raw materials, finished goods, work-in-process and semi-finished products are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

### Investments in Associates

An associate is an entity over which the Company has significant influence and that is not a subsidiary.

The Company uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized in the consolidated balance sheet at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income

of the associate. The Company also recognizes the changes in the equity of associates attributable to the Company.

When the Company subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments accounted for by the equity method, with a corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates. If the Company's ownership interest is reduced due to the additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Company's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that

impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Company's consolidated financial statements only to the extent of interests in the associate that are not related to the Company.

### Property, Plant and Equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate value 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 value accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

#### Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

#### Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

### Impairment of Tangible and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

Before the Company recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories, property, plant and equipment and

intangible assets related to the contract applicable under IFRS 15 shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Company expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

### Financial Instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

#### **a. Financial assets**

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

#### **1) Measurement category**

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost, and investments in equity instruments at FVTOCI.

**a) Financial assets at FVTPL**

Financial assets are classified as at FVTPL when the financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends or interest earned on such financial assets are recognized in other income; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 31 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 31 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 rereasurement) 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 rereasurement 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 value 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. MATERIAL 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.

When developing material accounting estimates, the Company considers the possible impact of inflation and interest rate fluctuations on the cash flow projection, growth rates, discount rates, profitabilities and other relevant material estimates. 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 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, 2023 and 2022, the carrying amounts of inventories were NT\$1,165,416 thousand and NT\$1,420,449 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, 2023 and 2022, the carrying amounts of deferred tax assets were NT\$2,888,302 thousand and NT\$3,026,645 thousand, respectively.

### 6. CASH AND CASH EQUIVALENTS

	December 31	
	2023	2022
Cash on hand	\$ 1,229	\$ 1,208
Checking accounts and demand deposits	6,474,394	5,556,925
Time deposits (with original maturities less than three months)	<u>5,963,740</u>	<u>12,188,997</u>
	<u>\$ 12,439,363</u>	<u>\$ 17,747,130</u>

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

	December 31	
	2023	2022
Time deposits	0.01%-5.70%	0.01%-5.20%

### 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2023	2022
<b>Financial assets</b>		
Financial assets held for trading		
Derivative financial assets (not under hedge accounting)		
Foreign exchange contracts	\$ 137,539	\$ 50,051
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Convertible bonds	178,525	292,137
Warrants	19,358	25,496
Non-derivative financial assets		
Unlisted equity investments	64,476	-
Digital content investment agreement	-	11,469
	<u>\$ 399,898</u>	<u>\$ 379,153</u>
Current	\$ 137,539	\$ 50,051
Non-current	<u>262,359</u>	<u>329,102</u>
	<u>\$ 399,898</u>	<u>\$ 379,153</u>
<b>Financial liabilities - current</b>		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange contracts	\$ 183,489	\$ 81,169

The Company engaged in forward exchange contracts to manage its exposure to exchange rate fluctuations of foreign currency denominated assets and liabilities. At the end of the reporting period, outstanding forward exchange contracts not under hedge accounting are as follows:

### Forward Exchange Contracts

	Buy/Sell	Currency	Maturity Date	Notional Amount (In Thousands)
<b>December 31, 2023</b>				
Foreign exchange contracts	Sell	EUR/USD	2024.01.17-2024.01.24	EUR 12,000
Foreign exchange contracts	Sell	JPY/USD	2024.01.17-2024.01.31	JPY 1,300,000
Foreign exchange contracts	Sell	CAD/USD	2024.01.17-2024.01.24	CAD 5,000
Foreign exchange contracts	Sell	RMB/USD	2024.01.17	RMB 50,000
Foreign exchange contracts	Sell	SGD/USD	2024.01.17-2024.01.24	SGD 5,000
Foreign exchange contracts	Sell	USD/NTD	2024.01.10-2024.01.17	USD 30,000
Foreign exchange contracts	Sell	GBP/USD	2024.01.17-2024.01.24	GBP 12,000
Foreign exchange contracts	Buy	RMB/USD	2024.01.17-2024.01.24	RMB 140,000
Foreign exchange contracts	Buy	JPY/USD	2024.01.17-2024.01.24	JPY 900,000
Foreign exchange contracts	Buy	USD/NTD	2024.01.10-2024.01.24	USD 243,000
Foreign exchange contracts	Buy	EUR/USD	2024.01.17-2024.01.31	EUR 37,000
Foreign exchange contracts	Buy	GBP/USD	2024.01.17-2024.01.31	GBP 149,000
Foreign exchange contracts	Buy	AUD/USD	2024.01.17-2024.01.24	AUD 9,000
Foreign exchange contracts	Buy	SGD/USD	2024.01.17-2024.01.31	SGD 197,097
Foreign exchange contracts	Buy	HKD/USD	2024.01.17	HKD 43,000
Foreign exchange contracts	Buy	CAD/USD	2024.01.17-2024.01.24	CAD 3,000
<b>December 31, 2022</b>				
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

### 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

#### Investments in Equity Instruments at FVTOCI

	December 31	
	2023	2022
<b>Domestic investments</b>		
Listed shares and emerging market shares	\$ 14,077	\$ 9,643
Unlisted equity investments	<u>136,219</u>	<u>137,053</u>
	<u>150,296</u>	<u>146,696</u>

	December 31	
	2023	2022
<b>Foreign investments</b>		
Listed shares	\$ 680,321	\$ 413,868
Unlisted equity investments	<u>4,123,973</u>	<u>3,751,170</u>
	<u>4,804,294</u>	<u>4,165,038</u>
	<u>\$ 4,954,590</u>	<u>\$ 4,311,734</u>
<b>Current</b>		
	\$ 680,321	\$ 413,868
<b>Non-current</b>		
	<u>4,274,269</u>	<u>3,897,866</u>
	<u>\$ 4,954,590</u>	<u>\$ 4,311,734</u>

(Continued)

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.

According to the Q&A issued by the FSC, investments in limited partnership held after June 30, 2023 where the contract stipulates a limited duration is subject to the passing of the resolution of the partners' meeting for duration extensions. The Company elected not to retrospectively apply the Q&A "Classification of Investments in a Limited Partnership" issued by the Accounting Research and Development Foundation (ARDF), therefore the abovementioned investments remain classified as investments in equity instruments at FVTOCI.

## 9. OTHER FINANCIAL ASSETS

	December 31	
	2023	2022
Time deposits with original maturities of less than three months	\$ 214,202	\$ 122,870
Time deposits with original maturities of more than three months	10,731,573	6,495,766
Restricted demand deposits	216	76,402
	<u>\$ 10,945,991</u>	<u>\$ 6,695,038</u>
Current	\$ 10,851,071	\$ 6,618,244
Non-current	94,920	76,794
	<u>\$ 10,945,991</u>	<u>\$ 6,695,038</u>

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

	December 31	
	2023	2022
Time deposits	0.92%-5.80%	0.91%-5.23%

For details of pledged other financial assets, refer to Note 33 to the consolidated financial statements.

## 10. NOTES, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2023	2022
<u>Notes, trade and overdue receivables</u>		
At amortized cost		
Notes receivable	\$ 7	\$ -
Trade receivables	821,056	586,666
Overdue receivables	36,960	73,927
Less: Allowances for impairment loss	( 30,199)	( 12,119)
Less: Allowances for impairment loss - overdue receivables	<u>( 36,960)</u>	<u>( 73,927)</u>
	<u>\$ 790,864</u>	<u>\$ 574,547</u>
Current	\$ 790,864	\$ 574,547
Non-current	-	-
	<u>\$ 790,864</u>	<u>\$ 574,547</u>
<u>Other receivables</u>		
Interest receivables	\$ 124,034	\$ 100,374
VAT refund receivables	1,316	11,433
Others	22,586	41,122
Less: Allowance for impairment loss	-	( 16,113)
	<u>\$ 147,936</u>	<u>\$ 136,816</u>
Current	\$ 147,936	\$ 136,816
Non-current	-	-
	<u>\$ 147,936</u>	<u>\$ 136,816</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

	December 31, 2023				
	Not Yet Due	1-90 Days	91-180 Days	Over 181 Days	Total
Gross carrying amount	\$ 679,690	\$ 141,373	\$ -	\$ -	\$ 821,063
Loss allowance (Lifetime ECL)	( 5,191)	( 25,008)	-	-	(30,199)
Amortized cost	<u>\$ 674,499</u>	<u>\$ 116,365</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 790,864</u>

	December 31, 2022				
	Not Yet Due	1-90 Days	91-180 Days	Over 181 Days	Total
Gross carrying amount	\$ 559,151	\$ 18,332	\$ 8,187	\$ 996	\$ 586,666
Loss allowance (Lifetime ECL)	( 2,131)	( 2,739)	( 6,253)	( 996)	( 12,119)
Amortized cost	<u>\$ 557,020</u>	<u>\$ 15,593</u>	<u>\$ 1,934</u>	<u>\$ -</u>	<u>\$ 574,547</u>

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

	For the Year Ended December 31	
	2023	2022
Balance, beginning of the year	\$ 102,159	\$ 132,842
Less: Loss allowance reversed	( 35,000)	( 15,000)
Less: Amounts written off	-	( 15,683)
Balance, end of the year	<u>\$ 67,159</u>	<u>\$ 102,159</u>

## 11. INVENTORIES

	December 31	
	2023	2022
Finished goods	\$ 670,175	\$ 729,281
Semi-finished goods	63,068	102,364
Raw materials	429,626	586,164
Inventory in transit	2,547	2,640
	<u>\$ 1,165,416</u>	<u>\$ 1,420,449</u>

The cost of inventory write-down recognized as operation costs for the years ended December 31, 2023 and 2022 were NT\$116,903 thousand and NT\$20,296 thousand, respectively.

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 notes and trade receivables.

## 12. PREPAYMENTS

	December 31	
	2023	2022
Prepaid expenses	\$ 363,280	\$ 311,298
Net input VAT	43,950	55,119
Prepaid equipment	9,622	5,976
Prepaid royalties	-	836
Prepayments to suppliers	780	2,418
	<u>\$ 417,632</u>	<u>\$ 375,647</u>
Current	\$ 403,813	\$ 365,673
Non-current	13,819	9,974
	<u>\$ 417,632</u>	<u>\$ 375,647</u>

For the year ended December 31, 2022, 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 classified as other gains and losses. Refer to Note 26 to the consolidated financial statements for details.

## 13. SUBSIDIARIES

## a. Subsidiaries included in the consolidated financial statements

The consolidated entities as of December 31, 2023 and 2022 were as follows:

Investor	Investee	Main Businesses	% of Ownership		Remark
			December 31		
			2023	2022	
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)
	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	2)
	Viveport Digital Corporation	Interactive scenario experience services	-	100.00	3)
	VIVE Arts Corp.	Digital arts	100.00	100.00	4)
	HTC Europe Co., Ltd.	International holding company, marketing, repair and after-sales services	100.00	100.00	5)
	HungYao Technology CO., LTD.	Manufacturing of electronic parts	100.00	-	6)
High Tech Computer Asia Pacific Pte. Ltd.	HTC (Australia and New Zealand) PTY. Ltd.	Marketing, repair and after-sales services	100.00	100.00	-
	HTC Philippines Corporation	"	99.99	99.99	-
	PT. High Tech Computer Indonesia	"	-	-	1)
	HTC (Thailand) Limited	"	-	100.00	7)
	HTC India Private Ltd.	"	99.00	99.00	-
	HTC Malaysia Sdn. Bhd.	"	-	-	8)
	HTC Communication Co., Ltd.	Sale of smart mobile devices and virtual reality devices and after-sales services	100.00	100.00	-
	HTC HK, Limited	International holding company; marketing, repair and after-sales services	100.00	100.00	-
	HTC Holding B.V.	International holding company	99.99	99.99	-
	HTC Communication Technologies (SH)	Design, research and development of application software	100.00	100.00	-
HTC Investment One (BVI) Corporation	S3 Graphics Co., Ltd.	Design, research and development of graphics technology	100.00	100.00	-

(Continued)

Investor	Investee	Main Businesses	% of Ownership		Remark
			December 31		
			2023	2022	
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 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	-	-	5)
	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	9)
	HTC Middle East FZ-LLC	"	100.00	100.00	-
	HTC Communication Solutions Mexico, S.A DE C.V.	"	99.00	99.00	-
	HTC Servicios DE Operacion Mexico, S.A DE C.V.	Human resources management	99.00	99.00	-
HTC EUROPE CO., LTD.	HTC America Holding Inc.	International holding company	100.00	100.00	-
	DeepQ Holding Corporation	"	100.00	100.00	10)
	VIVE Arts Holding Corporation	"	100.00	100.00	10)
	REIGN Technology Corporation	"	100.00	100.00	10)
	Viverse Holding Corporation	"			10) and 11)
			100.00	100.00	
DeepQ Holding Corporation	DeepQ (BVI) Corp.	International holding company	100.00	-	12)
DeepQ (BVI) Corp.	DeepQ Technology Corp.	Medical technology and health care	100.00	100.00	-

(Continued)

Investor	Investee	Main Businesses	% of Ownership		Remark
			2023	2022	
DeepQ (BVI) Corp.	DeepQ Technology (Beijing)	Development and marketing of software technology	100.00	100.00	-
REIGN Technology Corporation	REIGN Technology Corporation	Construction, application and after-sales services of 5G	100.00	-	2)
Viverse Holding Corporation	Viverse Limited (UK)	International holding company	100.00	100.00	10)
Viverse Limited (UK)	Viverse Limited (Ireland)	Market development and sale of virtual reality contents	100.00	100.00	10)
	Viveport Digital Corporation	Interactive scenario experience services	100.00	-	3)
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.	HungXu Technology (BVI) Corp.	International holding company	100.00	100.00	-
HungXu Technology (BVI) Corp.	Hung Xu TECH Corp.	Research, development of virtual reality devices	100.00	100.00	-
HTC Investment (BVI) Corporation	HTC VIVE TECH (HK) Limited	Research, development and sale of virtual reality devices	100.00	100.00	-
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	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) In order to optimize the group structure, HTC completed the restructuring on October 24, 2023, and sold 100% of the shares of REIGN Technology Corporation to its subsidiary, REIGN Technology Corporation.
- 3) On August 2, 2023, HTC Corporation's Board of Directors resolved the reorganization plan of the overseas subsidiaries to optimize the group structure. 100% equity of Viveport Digital Corporation will be sold to Viverse Limited (UK). As of October 24, 2023, the reorganization has been completed.
- 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) HungYao Technology Co, Ltd. was incorporated on October 18, 2023.
- 7) The dissolution of HTC (Thailand) Limited was approved in its shareholders' meeting held on February 12, 2021. The liquidation process was completed on March 10, 2023.

- 8) 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.
- 9) HTC Communication Sweden AB completed the liquidation process on December 31, 2023.
- 10) The Company invested in these subsidiaries in December 2022.
- 11) On September 5, 2023, Viverse Holding Corporation changed its legal name. Its former name was Viveport Corporation.
- 12) In order to optimize the group structure, HTC completed the restructuring process on November 28, 2023 and sold 100% of the shares of DeepQ Holding (BVI) Corp. to its subsidiary, DeepQ Holding Corporation.

**b. Subsidiaries excluded from the consolidated financial statements: None.**

**c. Details of subsidiaries that have material non-controlling interests: None.**

decreased its ownership interest from 16.64% to 11.96%. After the decrease, the Company lost significant influence over Engage XR Holdings PLC and its subsidiary; therefore, it was reclassified as financial assets at fair value through other comprehensive income. The Company recognized loss of NT\$12,957 thousand due to the loss of significant influence.

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 Associate	December 31	
	2023	2022
East West Artists, 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%
Gui Zhou Wei Ai Technology Group Co., Ltd.	26.05%	26.05%
VRChat, Inc.	36.20%	36.20%

Aggregate information of associates was as follows:

**14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD**

	For the Year Ended December 31	
	2023	2022
Investment in associates	\$ 960,321	\$ 1,106,939

**Investments in Associates - Associates That Are Not Individually Material**

	December 31	
	2023	2022
<b>Unlisted equity investments</b>		
Steel Wool Games, Inc.	\$ 66,204	\$ 154,231
MOR Museum Inc.	4,696	4,856
Engage XR Holdings PLC	-	40,640
Gui Zhou Wei Ai Technology Group Co., Ltd.	90,054	93,073
VRChat, Inc.	799,367	814,139
	\$ 960,321	\$ 1,106,939

Engage XR Holdings PLC issued new shares in March 2023. The Company did not subscribe for such newly issued shares at its existing ownership percentage, which

**15. PROPERTY, PLANT AND EQUIPMENT**

	December 31	
	2023	2022
<b>Carrying amounts</b>		
Land	\$ 4,776,212	\$ 4,798,866
Buildings	1,882,187	2,157,453
Machinery and equipment	19,876	31,234
Other equipment	39,087	48,695
	\$ 6,717,362	\$ 7,036,248

Movements of property, plant and equipment for the years ended December 31, 2023 and 2022 were as follows:

	2023				
	Land	Buildings	Machinery and Equipment	Other Equipment	Total
<b>Cost</b>					
Balance, beginning of the year	\$ 4,798,866	\$ 3,962,829	\$ 2,783,947	\$ 787,967	\$12,333,609
Additions	-	5,640	10,926	15,234	31,800
Disposals	-	( 330)	( 14,300)	( 56,613)	( 71,243)
Reclassified as investment properties	( 21,541)	( 294,549)	-	-	( 316,090)
Effect of foreign currency exchange differences	( 1,113)	1,007	( 491)	1,075	478
Balance, end of the year	<u>4,776,212</u>	<u>3,674,597</u>	<u>2,780,082</u>	<u>747,663</u>	<u>11,978,554</u>
<b>Accumulated depreciation</b>					
Balance, beginning of the year	-	1,805,376	2,649,368	733,227	5,187,971
Depreciation expenses	-	115,505	19,360	21,730	156,595
Disposals	-	( 330)	( 14,210)	( 52,172)	( 66,712)
Reclassified as investment properties	-	(124,872)	-	-	( 124,872)
Effect of foreign currency exchange differences	-	( 3,269)	3,598	1,224	1,553
Balance, end of the year	<u>-</u>	<u>1,792,410</u>	<u>2,658,116</u>	<u>704,009</u>	<u>5,154,535</u>
<b>Accumulated impairment</b>					
Balance, beginning of the year	-	-	103,345	6,045	109,390
Impairment losses recognized	-	-	( 1,255)	-	( 1,255)
Disposals	-	-	-	( 1,485)	( 1,485)
Effect of foreign currency exchange differences	-	-	-	7	7
Balance, end of the year	<u>-</u>	<u>-</u>	<u>102,090</u>	<u>4,567</u>	<u>106,657</u>
Net book value, end of the year	<u>\$ 4,776,212</u>	<u>\$ 1,882,187</u>	<u>\$ 19,876</u>	<u>\$ 39,087</u>	<u>\$ 6,717,362</u>

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

For the years ended December 31, 2023 and 2022, the Company determined that the carrying amounts of some of equipment were expected to be unrecoverable. Thus, it recognized reversal gains and impairment losses of NT\$1,255 thousand and NT\$(1,472) thousand classified as other gains and losses, respectively. Refer to Note 26 to the consolidated 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 components of the buildings held by the Company include plants, electro-powering machinery and engineering systems, etc., which are depreciated over their estimated useful lives of 40 to 50 years, 20 years and 5 to 10 years, respectively.

The Company designated parts of its real estate as for lease and for its own use. The parts for lease are reclassified to investment properties and the parts for its own use are classified under property, plant and equipment. Both are accounted for in accordance with the applicable accounting standards. For details, refer to Note 17 to the consolidated financial statements.

Property pledged as collateral for bank borrowings are set out in Note 33 to the consolidated financial statements.

There were no capitalized interests for the years ended December 31, 2023 and 2022.

## 16. LEASE ARRANGEMENTS

### a. Right-of-use assets

	For the Year Ended December 31	
	2023	2022
	December 31	
	2023	2022
<b>Carrying amounts</b>		
Buildings	<u>\$ 69,307</u>	<u>\$ 139,325</u>

	For the Year Ended December 31	
	2023	2022
Additions to right-of-use assets	<u>\$ 103,147</u>	<u>\$ 1,404</u>
Depreciation charge for right-of-use assets		
Buildings	<u>\$ 55,724</u>	<u>\$ 62,698</u>

### b. Lease liabilities

	December 31	
	2023	2022
<b>Carrying amounts</b>		
Current	<u>\$ 16,550</u>	<u>\$ 44,637</u>
Non-current	<u>\$ 53,485</u>	<u>\$ 107,105</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2023	2022
Buildings	2.20%-4.35%	2.00%-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	
	2023	2022
Expenses relating to short-term leases	<u>\$ 9,758</u>	<u>\$ 11,332</u>
Total cash outflow for leases	<u>\$ ( 69,778)</u>	<u>\$ ( 74,586)</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.



	2022			
	Patents	Goodwill	Other Intangible Assets	Total
<b>Accumulated impairment</b>				
Balance, beginning of the year	\$ 111,085	\$ 437,868	\$ 166,707	\$ 715,660
Impairment losses eliminations	-	-	976	976
Effect of foreign currency exchange differences	-	47,997	16,753	64,750
Balance, end of the year	<u>111,085</u>	<u>485,865</u>	<u>184,436</u>	<u>781,386</u>
Net book value, end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 81,321</u>	<u>\$ 81,321</u>

(Concluded)

Other intangible assets include some digital assets with non-determined service life and intangible assets with definite service life. Amortization expense is calculated on a straight-line basis on the following durable years:

Other intangible assets	3-9 years
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## 19. BORROWINGS

### a. Short-term borrowings

	December 31	
	2023	2022
<b>Unsecured borrowings</b>		
Line of credit borrowings	<u>\$ 3,700,000</u>	<u>\$ 2,640,000</u>

The range of interest rates on line of credit borrowings was 2.24%-2.64% and 1.71%-2.36% per annum at December 31, 2023 and 2022.

### b. Long-term borrowings

	December 31	
	2023	2022
<b>Secured borrowings</b>		
Bank loans	\$ 6,900,000	\$ 5,000,000
<b>Unsecured borrowings</b>		
Bank loans	2,100,000	1,800,000
Less: Current portion	-	-
Long-term borrowings	<u>\$ 9,000,000</u>	<u>\$ 6,800,000</u>

To support long-term development, on December 15, 2022, the Company obtained a bank loan amounting to NT\$9 billion from CTBC Bank and the credit line was divided into part A and B which amounted to NT\$6.9 billion and NT\$2.1 billion, respectively. The Company has repaid existing syndication loans in January 2023. On September 20, 2023, the Company obtained

another bank loan amounting to NT\$3 billion from CTBC Bank. The credit line was divided into part A and B which amounted to NT\$2.8 billion and NT\$0.2 billion, respectively. The total amount of credit line was divided into part A and B which amounted to NT\$9.7 billion and NT\$2.3 billion, respectively, with a total credit line of NT\$12 billion to support future operating growth capital needs. 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, 2023, the Company has met the financial ratios mentioned above.

The Company borrowed at a interest rate of 2.08%-2.18% and 2.13%-2.41%, on December 31, 2023 and December 31, 2022, respectively.

The Company pledged land and buildings as collateral for the long-term borrowings (refer to Note 33 to the consolidated financial statements).

## 20. NOTES PAYABLE AND TRADE PAYABLES

	December 31	
	2023	2022
Notes payable	\$ 151	\$ -
Trade payables	5,216,292	5,686,777
Trade payables - related parties	464	425
	<u>\$ 5,216,907</u>	<u>\$ 5,687,202</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	
	2023	2022
<b>Other payables</b>		
Accrued expenses	\$ 3,298,100	\$ 3,801,190
Payables for interests	17,787	9,308
Payables for purchase of equipment	2,250	5,019
	<u>\$ 3,318,137</u>	<u>\$ 3,815,517</u>
<b>Other liabilities</b>		
Advance receipts	\$ 228,166	\$ 140,749
Agency receipts	42,962	58,674
Others	74,051	106,153
	<u>\$ 345,179</u>	<u>\$ 305,576</u>

### Accrued Expenses

	December 31	
	2023	2022
Marketing	\$ 1,014,889	\$ 1,160,438
Services	782,330	1,103,211
Salaries, bonuses and compensation	766,348	777,089
Materials and molding expenses	95,383	93,006
Insurance	38,531	47,043
Repairs, maintenance and sundry purchase	20,434	15,439
Import, export and freight	14,926	18,319
Others	565,259	586,645
	<u>\$ 3,298,100</u>	<u>\$ 3,801,190</u>

## 22. PROVISIONS

	December 31	
	2023	2022
Warranties	\$ 662,237	\$ 940,282
Others	3,330	4,136
	<u>\$ 665,567</u>	<u>\$ 944,418</u>

Movement of provisions for the years ended December 31, 2023 and 2022 were as follows:

	2023		
	Warranty Provision	Others	Total
Balance, beginning of the year	\$ 940,282	\$ 4,136	\$ 944,418
Provisions reversed	( 82,607)	( 806)	( 83,413)
Usage	( 194,783)	-	( 194,783)
Effect of foreign currency exchange differences	( 655)	-	( 655)
Balance, end of the year	<u>\$ 662,237</u>	<u>\$ 3,330</u>	<u>\$ 665,567</u>

	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	17,596	-	17,596
Balance, end of the year	<u>\$ 940,282</u>	<u>\$ 4,136</u>	<u>\$ 944,418</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\$156,146 thousand and NT\$143,862 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, 2023 and 2022, respectively. As of December 31, 2023 and 2022, the amounts of contributions payable were NT\$21,333 thousand and NT\$22,289 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

Movements in net defined benefit asset were as follows:

	December 31		
	2023	2022	
Present value of defined benefit obligation	\$ ( 178,889)	\$ ( 184,134)	
Fair value of plan assets	<u>687,663</u>	<u>678,943</u>	
Net defined benefit asset	<u>\$ 508,774</u>	<u>\$ 494,809</u>	

	December 31		
	2023	2022	
Balance at January 1, 2022	\$ ( 292,684)	\$ 639,498	\$ 346,814
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>
Current service cost	( 5,292)	-	( 5,292)
Loss (gain) on settlements	7,006	( 5,327)	1,679
Net interest (expense) income	<u>( 2,762)</u>	<u>10,184</u>	<u>7,422</u>
Recognized in profit or loss	<u>( 1,048)</u>	<u>4,857</u>	<u>3,809</u>
Remeasurement			
Return on plan assets	-	4,279	4,279
Actuarial loss - changes in demographic assumptions	( 67)	-	( 67)
Actuarial loss - changes in financial assumptions	( 2,659)	-	( 2,659)
Actuarial gain - experience adjustments	<u>8,603</u>	<u>-</u>	<u>8,603</u>
Recognized in other comprehensive income	<u>5,877</u>	<u>4,279</u>	<u>10,156</u>
Benefits paid	<u>416</u>	<u>( 416)</u>	<u>-</u>
Balance at December 31, 2023	<u>\$ (178,889)</u>	<u>\$ 687,663</u>	<u>\$ 508,774</u>

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 2023 to April 2024 and May 2022 to April 2023, and had been approved by the competent authority in May 2023 and May 2022, respectively.

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

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

- Investment risk: The plan assets are invested in domestic or foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- Interest risk: A decrease in the government or corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2023	2022
Discount rates	1.375%	1.500%
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	
	2023	2022
Discount rates		
0.25% increase	\$ 5,085	\$ 5,629
0.25% decrease	\$ (5,278)	\$ (5,854)
Expected rates of salary increase		
0.25% increase	\$ (5,062)	\$ (5,624)
0.25% decrease	\$ 4,905	\$ 5,440

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	
	2023	2022
The expected contributions to the plan for the next year	\$ -	\$ -
The average duration of the defined benefit obligation	12.41 years	12.98 years

## 24. EQUITY

### Share Capital

#### a. Ordinary shares

	December 31	
	2023	2022
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>832,038</u>	<u>829,515</u>
Shares issued	<u>\$ 8,320,380</u>	<u>\$ 8,295,153</u>

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.

In 2023, the Company executed 2,523 thousand shares for employee share options, totaling NT\$25,227 thousand. As a result, the amount of the Company's issued and outstanding ordinary shares as of December 31, 2023 increased to NT\$8,320,380 thousand, divided into 832,038 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, 2023, there were 8,648.7 thousand units of GDRs redeemed, representing 34,594.9 thousand ordinary shares, and the outstanding GDRs represented 1,465.6 thousand ordinary shares or 0.17% of the Company’s outstanding ordinary shares.

### Capital Surplus

	December 31	
	2023	2022
<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	\$15,272,565	\$ 15,165,248
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	63,985	26,752
Arising from expired share options	699,599	698,489
<u>May not be used for any purpose</u>		
Arising from employee share options	<u>211,199</u>	<u>246,494</u>
	<u>\$16,270,636</u>	<u>\$ 16,160,271</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 29 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:

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

As part of a high-technology industry, the Company takes into consideration its operating environment, industry developments and long-term interests of shareholders when determining share or cash dividends to be paid. Other factors such as whether it can maintain operating efficiency and meet its capital expenditure budget and financial goals are also key considerations. The Company’s dividend policy stipulates that at least 50% of total dividends may be distributed as cash dividends.

Appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company’s capital. Legal reserve may be used to offset its deficit. If the Company has no accumulated deficit and the legal reserve has exceeded 25% of its issued and outstanding ordinary shares, the excess may be transferred to ordinary shares or distributed in cash.

The accumulated deficits off-set for 2022 and 2021 were approved in the shareholders’ meeting on June 16, 2023 and June 17, 2022. The accumulated deficits off-set and dividends per share were as follows:

	Accumulated Deficits Off-set		Dividends Per Share (NT\$)	
	For 2022	For 2021	For 2022	For 2021
Legal reserve used to offset accumulated losses	\$ 3,279,552	\$ 3,226,492	\$ -	\$ -

The accumulated deficits off-set for 2023, which was proposed by the Company’s board of directors on March 5, 2024, was as follows:

	For the Year Ended December 31, 2023
Legal reserve used to offset accumulated deficits	<u>\$ 3,338,305</u>

The accumulated deficits off-set for 2023 will be resolved by the shareholders in their meeting to be held on June 20, 2024.

Information on the appropriation of earnings proposed by the Company’s board of directors and approved by the Company’s shareholders is available on the Market Observation Post System website of the Taiwan Stock Exchange.

### Other Equity Items

#### a. Exchange differences on translation of foreign operations

Exchange differences relating to the translation of the results and net assets of the Company’s foreign operations from their functional currencies to the Company’s presentation currency (New Taiwan dollars) were recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve were reclassified to profit or loss on the disposal of the foreign operation.

#### b. Unrealized gains or losses on financial assets at FVTOCI

Unrealized gains or losses on financial assets at FVTOCI represents the cumulative gains and losses arising from the revaluation of financial assets at FVTOCI that have been recognized in other comprehensive income. The cumulative unrealized gains or losses will not be reclassified to profit or loss on disposal of the equity investments.

## 25. OPERATING REVENUE

### a. Disaggregation of revenue

	For the Year Ended December 31	
	2023	2022
Sale of goods	\$ 4,002,030	\$ 4,012,976
Other operating income	<u>415,902</u>	<u>395,847</u>
	<u>\$ 4,417,932</u>	<u>\$ 4,408,823</u>

### b. Contract balances

	December 31, 2023	December 31, 2022	January 1, 2022
Trade receivables (Note 10)	<u>\$ 790,864</u>	<u>\$ 574,547</u>	<u>\$ 448,207</u>
Contract liabilities (classified under advance receipts)	<u>\$ 225,913</u>	<u>\$ 133,105</u>	<u>\$ 189,546</u>

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

### a. Interest income

	For the Year Ended December 31	
	2023	2022
Bank deposits	<u>\$ 871,990</u>	<u>\$ 312,401</u>

### b. Other income

	For the Year Ended December 31	
	2023	2022
Rental income	\$ 758,465	\$ 699,835
Dividends	9,883	37,912
Recovery of bad debt	-	104,469
Others	<u>282,368</u>	<u>300,982</u>
	<u>\$ 1,050,716</u>	<u>\$ 1,143,198</u>

**c. Other gains and losses**

	For the Year Ended December 31	
	2023	2022
Net (loss) gain on disposal of property, plant and equipment	\$( 1,687)	\$ 6
Net gain on the disposal of intangible assets	-	784
Net foreign exchange gain	3,143	67,058
Net loss on valuation of financial instruments at fair value through profit or loss	( 167,837)	( 74,210)
Impairment reversal (loss) of on non-financial assets (Notes 15 and 18)	1,473	( 5,363)
Gain from lease modifications	302	-
Loss on disposals of subsidiaries (Note 14)	( 12,957)	-
Other losses	( 449,298)	( 287,799)
	<u>\$( 626,861)</u>	<u>\$( 299,524)</u>

**d. Finance costs**

	For the Year Ended December 31	
	2023	2022
Interest on bank loans	\$ 243,447	\$ 135,050
Interest on lease liabilities	5,370	6,093
Others	1,950	1,653
	<u>\$ 250,767</u>	<u>\$ 142,796</u>

**e. Impairment reversal gain on financial assets**

	For the Year Ended December 31	
	2023	2022
Trade receivables (included in operating expense)	<u>\$( 35,000)</u>	<u>\$( 15,000)</u>

**f. Depreciation and amortization**

	For the Year Ended December 31	
	2023	2022
Property, plant and equipment	\$ 156,595	\$ 209,737
Investment properties	103,340	117,105
Intangible assets	9,376	1,217
Right-of-use assets	<u>55,724</u>	<u>62,698</u>
	<u>\$ 325,035</u>	<u>\$ 390,757</u>
An analysis of depreciation - by function		
Operating costs	\$ 32,081	\$ 37,208
Operating expenses	180,238	235,227
Other expenses	<u>103,340</u>	<u>117,105</u>
	<u>\$ 315,659</u>	<u>\$ 389,540</u>

(Continued)

	For the Year Ended December 31	
	2023	2022
An analysis of amortization - by function		
Operating costs	\$ 2,677	\$ 1,217
Operating expenses	<u>6,699</u>	<u>-</u>
	<u>\$ 9,376</u>	<u>\$ 1,217</u>

(Concluded)

**g. Employee benefits expense**

	For the Year Ended December 31	
	2023	2022
Short-term benefits	<u>\$ 4,000,996</u>	<u>\$ 3,585,407</u>
Post-employment benefits (Note 23)		
Defined contribution plans	156,146	143,862
Defined benefit plans	<u>( 3,809)</u>	<u>3,811</u>
	<u>152,337</u>	<u>147,673</u>
Share-based payments (Note 29)		
Equity-settled share-based payments	<u>5,763</u>	<u>31,810</u>
Separation benefits	<u>63,984</u>	<u>( 64,507)</u>
	<u>\$ 4,223,080</u>	<u>\$ 3,700,383</u>
Total employee benefits expense	<u>\$ 4,223,080</u>	<u>\$ 3,700,383</u>
An analysis of employee benefits expense - by function		
Operating costs	\$ 294,125	\$ 335,095
Operating expenses	3,864,971	3,429,795
Other expenses	<u>63,984</u>	<u>( 64,507)</u>
	<u>\$ 4,223,080</u>	<u>\$ 3,700,383</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, 2023 and 2022, 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 2023 and 2022, see disclosures in the Market Observation Post System.

**i. Impairment loss on (reversal of) non-financial assets**

	For the Year Ended December 31	
	2023	2022
Inventories (included in operating costs)	\$ 116,903	\$ 20,296
Intangible asset (included in other gains and losses)	( 218)	976
Prepayments (included in other gains and losses)	-	2,915
Property, plant and equipment (included in other gains and losses)	<u>( 1,255)</u>	<u>1,472</u>
	<u>\$ 115,430</u>	<u>\$ 25,659</u>

**j. Gain or loss on foreign currency exchange**

	For the Year Ended December 31	
	2023	2022
Foreign exchange gains	\$ 1,422,225	\$ 915,293
Foreign exchange losses	( 1,419,082)	( 848,235)
Valuation loss arising from financial instruments at fair value through profit or loss	<u>( 45,950)</u>	<u>( 31,118)</u>
	<u>\$ (42,807)</u>	<u>\$ 35,940</u>

**27. INCOME TAXES RELATING TO CONTINUING OPERATIONS****a. Income tax benefit recognized in profit or loss**

	For the Year Ended December 31	
	2023	2022
In respect of the current year		
Current tax	\$ 66,568	\$ 193,038
Deferred tax	<u>( 59,585)</u>	<u>( 20,370)</u>
	<u>6,983</u>	<u>172,668</u>
Adjustments for previous years		
Current tax	( 195,304)	( 330,495)
Deferred tax	<u>185,400</u>	<u>155,559</u>
	<u>( 9,904)</u>	<u>( 174,936)</u>
Income tax benefit recognized in profit or loss	<u>\$( 2,921)</u>	<u>\$( 2,268)</u>

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

	For the Year Ended December 31	
	2023	2022
Loss before income tax	<u>\$(3,398,678)</u>	<u>\$( 3,414,051)</u>
Income tax benefit calculated at the statutory rate	\$( 679,736)	\$( 682,810)
Effect of expenses that were not deductible in determining taxable profit	57,486	69,526
Unrecognized effect of temporary differences and loss carryforwards	579,639	776,554
Effect of different tax rates of subsidiaries operating in other jurisdictions	49,594	9,398
Adjustments for previous years' tax	<u>( 9,904)</u>	<u>( 174,936)</u>
Income tax benefit recognized in profit or loss	<u>\$ (2,921)</u>	<u>\$ (2,268)</u>

**b. Income tax expense recognized in other comprehensive income**

	For the Year Ended December 31	
	2023	2022
Deferred tax		
Recognized in current year		
Income tax expense of remeasurement on defined benefit plan	<u>\$ 1,219</u>	<u>\$ 18,217</u>

**c. Current tax assets and liabilities**

	December 31	
	2023	2022
Current tax assets		
Tax refund receivable	<u>\$ 281,516</u>	<u>\$ 254,257</u>
Current tax liabilities		
Income tax payable	<u>\$ 55,511</u>	<u>\$ 208,604</u>

**d. Deferred tax balances**

Movements of deferred tax assets and deferred tax liabilities for the years ended December 31, 2023 and 2022 were as follows:

	2023				
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Translation Adjustment	Closing Balance
<b>Deferred tax assets</b>					
Temporary differences					
Unrealized royalties	\$ 319,760	\$( 37,787)	\$ -	\$ -	\$ 281,973
Unrealized marketing expenses	71,055	( 12,586)	-	( 40)	58,429
Unrealized warranty expense	107,722	( 33,336)	-	-	74,386
Allowance for loss on decline in value of inventory	38,201	( 2,885)	-	-	35,316
Unrealized profit	39,516	( 26,339)	-	-	13,177
Unrealized salary and welfare	28,335	( 5,976)	-	( 121)	22,238
Unrealized contingent losses on purchase orders	496	( 96)	-	-	400
Financial instruments at FVTPL	3,734	1780	-	-	5,514
Others	103,551	4,899	-	( 169)	108,281
Loss carryforwards	<u>2,314,275</u>	<u>( 25,441)</u>	<u>-</u>	<u>( 246)</u>	<u>2,288,588</u>
	<u>\$ 3,026,645</u>	<u>\$( 137,767)</u>	<u>\$ -</u>	<u>\$( 576)</u>	<u>\$ 2,888,302</u>
<b>Deferred tax liabilities</b>					
Temporary differences					
Defined benefit plans	\$ 59,377	\$ 457	\$ 1,219	\$ -	\$ 61,053
Others	<u>25,833</u>	<u>( 13,628)</u>	<u>-</u>	<u>31</u>	<u>12,236</u>
	<u>\$ 85,210</u>	<u>\$( 13,171)</u>	<u>\$ 1,219</u>	<u>\$ 31</u>	<u>\$ 73,289</u>
<b>2022</b>					
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Translation Adjustment	Closing Balance
<b>Deferred tax assets</b>					
Temporary differences					
Unrealized royalties	\$ 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>
<b>Deferred tax liabilities</b>					
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>

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

	December 31	
	2023	2022
Loss carryforward	<u>\$88,558,663</u>	<u>\$85,340,757</u>
Deductible temporary differences	<u>\$ 2,730,856</u>	<u>\$ 3,347,898</u>

**f. Information about unused loss carry-forward**

Loss carryforwards as of December 31, 2023 comprised of:

Remaining Carrying	Expiry Year
\$ 4,254,935	2024
22,655,976	2025
22,167,741	2026
17,971,751	2027
16,753	2028
12,040,483	2029
7,860,000	2030
3,842,553	2031
4,552,212	2032
3,919,494	2033
<u>711,409</u>	2034-2042
	<u>\$ 99,993,327</u>

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

As of December 31, 2023 and 2022, the temporary differences associated with investment in subsidiaries for which no deferred tax assets have been recognized were NT\$3,597,595 thousand and NT\$2,998,414 thousand, respectively.

**h. Income tax assessments**

The income tax returns of HTC, HTC Investment Corporation, HungXu TECH Corp., DeepQ Technology Corp., Uomo Vitruviano Corp., Viveport Digital Corporation and REIGN Technology Corporation for the years through 2021 have been assessed and approved by the tax authorities.

**28. LOSS PER SHARE**

	Unit: NT\$ Per Share	
	For the Year Ended December 31	
	2023	2022
Basic loss per share	<u>\$( 4.09)</u>	<u>\$( 4.13)</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	
	2023	2022
Loss for the year attributable to owners of the parent	<u>\$( 3,395,757)</u>	<u>\$( 3,411,783)</u>

**Shares**

	Unit: In Thousands of Shares	
	For the Year Ended December 31	
	2023	2022
Weighted average number of ordinary shares used in the computation of basic loss per share	<u>831,249</u>	<u>826,261</u>

**29. SHARE-BASED PAYMENT ARRANGEMENTS**

**Employee Share Option Plan of the Company**

Qualified employees of HTC were granted 19,000 thousand options in October 2014. Each option entitles the holder to subscribe for one ordinary share of the Company. The options granted are valid for 10 years and exercisable at certain percentages after the second anniversary from the grant date.

Qualified employees of HTC were granted 1,000 thousand options in August 2015. Each option entitles the holder to subscribe for one ordinary share of the Company. The options granted are valid for 10 years and exercisable at certain percentages after the second anniversary from the grant date.

Qualified employees of HTC were granted 20 thousand options in May 2019. Each option entitles the holder to subscribe for one thousand ordinary shares of the

Company. The options granted are valid for 10 years and exercisable at certain percentages after the second anniversary from the grant date.

Qualified employees of HTC were granted 10,000 thousand options in November 2019. Each option entitles the holder to subscribe for one ordinary share of the Company. The options granted are valid for 10 years and exercisable at

certain percentages after the second anniversary from the grant date.

The exercise price equals to the closing price of the Company's ordinary shares on the grant date. For any subsequent changes in ordinary shares, the exercise price is adjusted accordingly.

Information on employee share options are as follows:

	For the Year Ended December 31			
	2023		2022	
	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	14,779	\$ 47.94	20,397	\$ 45.16
Options granted	( 2,635)	35.15	( 4,899)	35.36
Options forfeited	( 328)		( 719)	
Balance, ending of the year	<u>11,816</u>	51.15	<u>14,779</u>	47.94
Options exercisable, end of the year	<u>11,468</u>		<u>12,399</u>	

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

	December 31	
	2023	2022
Range of exercise price (NT\$)	\$35.05-\$134.5	\$35.05-\$134.5
Weighted-average remaining contractual life (years)	4.82 years	6.01 years

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

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

Expected volatility was based on the historical share price volatility over the past 1-7 year. The Company assumed that employees would exercise their options after the vesting date when the share price was 1.63 times the exercise price.

### Compensation Cost of Share-based Payment Arrangements

Compensation cost of share-based payment arrangement recognized was NT\$5,763 thousand and NT\$31,810 thousand for the years ended December 31, 2023 and 2022, respectively.

### 30. 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.

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.

### 31. FINANCIAL INSTRUMENTS

#### Fair Value of Financial Instruments That Are Not Measured at Fair Value

Financial instruments not measured at fair value held

December 31, 2023	Level 1	Level 2	Level 3	Total
<b>Financial assets at FVTPL</b>				
Derivative financial instruments				
Foreign exchange contracts	\$ -	\$ 137,539	\$ -	\$ 137,539
Convertible bonds	-	-	178,525	178,525
Warrants	-	-	19,358	19,358
Investments in equity instruments				
Overseas unlisted equity investments	-	-	64,476	64,476
	<u>\$ -</u>	<u>\$ 137,539</u>	<u>\$ 262,359</u>	<u>\$ 399,898</u>
<b>Financial assets at FVTOCI</b>				
Investments in equity instruments				
Domestic listed shares and emerging market shares	\$ 14,077	\$ -	\$ -	\$ 14,077
Domestic unlisted equity investments	-	-	136,219	136,219
Overseas listed shares	680,321	-	-	680,321
Overseas unlisted equity investments	-	-	4,123,973	4,123,973
	<u>\$ 694,398</u>	<u>\$ -</u>	<u>\$ 4,260,192</u>	<u>\$ 4,954,590</u>
<b>Financial liabilities at FVTPL</b>				
Derivative financial instruments				
Foreign exchange contracts	\$ -	\$ 183,489	\$ -	\$ 183,489
<b>December 31, 2022</b>				
	Level 1	Level 2	Level 3	Total
<b>Financial assets at FVTPL</b>				
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>
<b>Financial assets at FVTOCI</b>				
Investments in equity instruments				
Domestic listed shares and emerging market shares	\$ 9,643	\$ -	\$ -	\$ 9,643
Domestic unlisted equity investments	-	-	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>

(Continued)

	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Derivative financial instruments				
Foreign exchange contracts	\$ -	\$ 81,169	\$ -	\$ 81,169

(Concluded)

There were no transfers between Levels 1 and 2 for the years ended December 31, 2023 and 2022.

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

For the year ended December 31, 2023

Financial Assets	Financial Assets at FVTPL			Financial Assets at FVTOCI		Total
	Derivatives	Equity	Instruments	Equity Instruments		
Balance at January 1, 2023	\$ 317,633	\$ -	\$ 11,469	\$ 3,888,223		\$ 4,217,325
Recognized in income	( 121,887)	-	-	-		( 121,887)
Recognized in other comprehensive income	-	-	-	( 145,707)		( 145,707)
Purchases	-	65,584	-	561,667		627,251
Disposals	-	-	-	( 54,896)		( 54,896)
Return of investments	-	-	-	( 24,507)		( 24,507)
Adjustment	-	-	( 11,504)	-		( 11,504)
Transfers out of Level 3	-	-	-	( 914)		( 914)
Loss of significant influence over associates	-	-	-	44,609		44,609
Effect of foreign currency exchange differences	2,137	( 1,108)	35	( 8,283)		( 7,219)
Balance at December 31, 2023	\$ 197,883	\$ 64,476	\$ -	\$ 4,260,192		\$ 4,522,551

For the year ended December 31, 2022

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

## 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	
	2023	2022
<b>Financial assets</b>		
Financial assets at FVTPL		
Held for trading	\$ 137,539	\$ 50,051
Mandatorily at FVTPL	262,359	329,102
Amortized cost (Note 1)	24,344,173	25,226,568
Financial assets at FVTOCI		
Equity instruments	4,954,590	4,311,734

(Continued)

	December 31	
	2023	2022
<b>Financial liabilities</b>		
Financial liabilities at FVTPL		
Held for trading	183,489	81,169
Amortized cost (Note 2)	21,428,072	19,163,031

(Concluded)

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 35 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, 2023</u>		
USD	\$ 58,634	\$( 100,132)
EUR	14,826	( 7,939)
RMB	43,032	( 63,995)
JPY	4,256	( 2,344)
GBP	57,271	( 62,509)
SGD	47,417	( 45,526)

(Continued)

	Pre-tax Profit or Loss	Equity
<u>For the year ended</u>		
<u>December 31, 2022</u>		
USD	\$( 60,317)	\$( 91,828)
EUR	7,328	( 7,480)
RMB	48,107	( 64,877)
JPY	879	( 2,526)
GBP	65,450	-
SGD	44,974	( 43,566)
		(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	
	2023	2022
Fair value interest rate risk		
Financial assets	\$ 16,891,396	\$ 18,791,192
Financial liabilities	70,035	151,742
Cash flow interest rate risk		
Financial assets	18,119	16,441
Financial liabilities	12,700,000	9,440,000

#### 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, 2023 and 2022 would have decreased/increased by a cash outflow of NT\$12,682 thousand and a cash inflow of NT\$9,424 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 equity investments, overseas listed

shares and overseas unlisted equity investments.

If equity prices had been 1% higher/lower, pre-tax profit for the years ended December 31, 2023 and 2022 would have decreased/increased by NT\$2,624 thousand and NT\$3,291 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, 2023 and 2022 would have decreased/increased by NT\$49,546 thousand and NT\$43,117 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

### b. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure of counterparty to discharge an obligation and financial guarantees provided by the Company could arise from the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets. The Company does not issue any financial guarantee involving credit risk.

The Company basically adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The credit risk information of trade receivables is disclosed in the Note 10 to the consolidated financial statements.

### c. Liquidity risk

The Company manages liquidity risk to ensure that the Company possesses sufficient financial flexibility by maintaining adequate reserves of cash and cash equivalents and reserving financing facilities, and also monitors liquidity risk of shortage of funds by the maturity date of financial instruments and financial assets.

#### 1) Liquidity risk tables for non-derivative financial liabilities

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay.

	December 31, 2023		
	Less Than 3 Months	3 Months to 1 Year	Over 1 Year
Short-term borrowings	\$ 2,300,000	\$ 1,400,000	\$ -
Notes and trade payables	317,079	4,899,828	-
Other payables	2,041,073	1,277,064	-
Lease liabilities	4,755	14,396	57,825
Agency receipts	42,962	-	-
Long-term borrowings	-	-	9,000,000
Guarantee deposits received	-	-	150,066
	<u>\$ 4,705,869</u>	<u>\$ 7,591,288</u>	<u>\$ 9,207,891</u>
	<u>December 31, 2022</u>		
	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>

#### 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, 2023			
	Less Than 3 Months	3 Months to 1 Year	Over 1 Year
<b>Net settled</b>			
Foreign exchange contracts	\$ (118,593)	\$ -	\$ -
<b>Gross settled</b>			
Foreign exchange contracts			
Inflows	\$ 14,511,878	\$ -	\$ -
Outflows	(14,408,634)	-	-
	\$ 103,244	\$ -	\$ -
<b>December 31, 2022</b>			
	Less Than 3 Months	3 Months to 1 Year	Over 1 Year
<b>Net settled</b>			
Foreign exchange contracts	\$ 29,522	\$ -	\$ -
<b>Gross settled</b>			
Foreign exchange contracts			
Inflows	\$ 13,816,389	\$ -	\$ -
Outflows	(13,872,433)	-	-
	\$ (56,044)	\$ -	\$ -

### 3) Bank credit limit

	December 31	
	2023	2022
Unsecured bank general credit limit		
Amount used	\$ 5,983,130	\$ 4,609,064
Amount unused	3,239,370	7,650,274
	\$ 9,222,500	\$ 12,259,338
Secured bank overdraft facilities:		
Amount used	\$ 6,900,000	\$ 5,000,000
Amount unused	2,800,000	-
	\$ 9,700,000	\$ 5,000,000

Amount used included short-term borrowings, long-term borrowings, guarantees for customs duties and patent litigation.

## 32. RELATED-PARTY TRANSACTIONS

Balances, transactions, revenue and expenses between HTC and its subsidiaries, which are related parties of HTC, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties are disclosed below.

### The Names and Relationships of Related-parties

Related-party	Relationship with the Company
VIA Technologies Inc.	Its chairman is HTC's director
Xander International Corp.	Its chairman is HTC's director
VIA Labs, Inc.	Its chairman is HTC's director
HTC Education Foundation	Its chairman is HTC's director
Nan Ya Plastics Corporation	Its director and HTC's chairwoman are relatives
Employees' Welfare Committee	Employees' Welfare Committee of HTC
VIA Technologies (China) Co., Ltd.	The chairman of its parent company is HTC's director
Premier Investment & Consultant (Shanghai) Co., Ltd.	Its chairwoman is HTC's chairwoman
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
VIA Labs, Inc. Employees' Welfare Committee	Related party in substance
Weihong Technology Co. Employees' Welfare Committee	Related party in substance
VIA Technologies Inc. Employees' Welfare Committee	Related party in substance
VIA Faith and Love Foundation	Related party in substance
Beijing Weisheng Yonghong Property Co., Ltd.	The chairman of its ultimate parent company is HTC's director
Shenzhen Weisheng Shanghua Technology Co., Ltd.	Related party in substance
CW & ET Link Inc	Its director is HTC's chairwoman
Chang Gung Medical Foundation	Its director and HTC's chairwoman are relatives
Chang Gung University	Its director and HTC's chairwoman are relatives
LEO Systems, Inc.	Related party in substance
FORMOSA PETROCHEMICAL CORPORATION	Its director and HTC's chairwoman are relatives

## Operating Sales

	For the Year Ended December 31	
	2023	2022
Other related parties	\$ 6,656	\$ 5,197

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	
	2023	2022
Other related parties	\$ 1,682	\$ 3,518

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

	December 31	
	2023	2022
Other related parties	\$ 464	\$ 425

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	
	2023	2022
Short-term benefits	\$ 110,333	\$ 112,927
Post-employment benefits	1,241	1,069
Share-based payments	408	3,592
	\$ 111,982	\$ 117,588

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	
	2023	2022
Premier Investment & Consultant (Shanghai) Co., Ltd.	\$ 62,626	\$ 7,064

## Finance Costs

	For the Year Ended December 31	
	2023	2022
Beijing Weisheng Yonghong Property Co., Ltd.	\$ 860	\$ -
VIA Technologies (China) Co., Ltd.	-	334
Premier Investment & Consultant (Shanghai) Co., Ltd.	1,063	553
	\$ 1,923	\$ 887

## Lease Expense

	For the Year Ended December 31	
	2023	2022
VIA Technologies (China) Co., Ltd.	\$ 1,189	\$ -
Shenzhen Weisheng Shanghua Technology Co., Ltd.	444	-
VIA Technologies (China) Co., Ltd.	448	619
Other related parties	314	613
	\$ 2,395	\$ 1,232

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	
	2023	2022
Other related parties	\$ -	\$ 80

## Other Related-party Transactions

Other related parties provide property management and media publicity services. The costs and fees were NT\$8,698 thousand and NT\$9,178 thousand for the years ended December 31, 2023 and 2022, respectively.

As of December 31, 2023 and 2022, the outstanding balances of other payables to related parties were NT\$1,818 thousand and NT\$2,539 thousand, respectively.

The Company collects property management fees and utility fees. Other income was NT\$10,120 thousand and NT\$9,562 thousand for the years ended December 31, 2023 and 2022, respectively.

### 33. PLEDGED ASSETS

As of December 31, 2023 and 2022, time deposits and demand deposits classified as other financial assets totaled NT\$309,122 thousand and NT\$343,423 thousand, respectively. These deposits were provided as collateral for rental deposits, customs duties, patent litigation, supplier contract, foreign exchange forward contract and performance bonds.

The following assets were pledged as collateral for bank borrowings:

	December 31	
	2023	2022
Property, plant and equipment		
Land	\$ 4,566,756	\$ 3,337,100
Buildings	1,632,600	986,730
Investment properties	<u>1,824,530</u>	<u>712,922</u>
	<u>\$ 8,023,886</u>	<u>\$ 5,036,752</u>

### 34. COMMITMENTS, CONTINGENCIES AND SIGNIFICANT CONTRACTS

- a. On January 30, 2017, 3G Licensing S.A. (“3GL”), Orange S.A. (“Orange”), and Koninklijke KPN N.V. filed a

	December 31			
	2023		2022	
	Foreign Currencies	Exchange Rate	Foreign Currencies	Exchange Rate
<b>Financial assets</b>				
Monetary items				
USD	\$ 849,778	30.73	\$ 479,431	30.72
EUR	79,070	34.00	48,643	32.72
JPY	1,958,507	0.2173	1,000,081	0.2325
RMB	1,105,411	4.33	1,186,854	4.41
GBP	153,277	39.17	175,617	37.07
SGD	208,571	23.30	199,405	22.87
Non-monetary items				
USD	142,950	30.73	132,270	30.72
RMB	178,149	4.33	97,778	4.41
Investments accounted for using the equity method				
USD	2,308	30.73	6,502	30.72
RMB	20,800	4.33	21,109	4.41

(Continued)

lawsuit against HTC and a subsidiary of the Company, HTC America Inc. (“HTC America”), in U.S. District Court in Delaware alleging, inter alia, infringement of three of 3GL’s patents. The plaintiffs dismissed HTC America from the case, and a jury trial was held involving only 3GL, Orange, HTC and two of 3GL’s patents. The trial commenced on October 10, 2023, and on October 16, 2023, the jury found infringement of the patents and awarded damages against HTC. The Company does not believe the patents have been infringed and plans to vigorously appeal the verdict.

- b. 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.

### 35. 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			
	2023		2022	
	Foreign Currencies	Exchange Rate	Foreign Currencies	Exchange Rate
<b>Financial liabilities</b>				
Monetary items				
USD	658,974	30.73	675,775	30.72
EUR	35,464	34.00	26,246	32.72
JPY	1,548,861	0.2173	617,796	0.2325
RMB	111,600	4.33	95,982	4.41
GBP	7,065	39.17	-	37.07
SGD	5,065	23.30	2,755	22.87

(Continued)

For the years ended December 31, 2023 and 2022, realized and unrealized net foreign exchange (loss) gain were NT\$(42,807) thousand and NT\$35,940 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.

### 36. SIGNIFICANT CONTRACTS

The Company specializes in the research, design, manufacture and sale of virtual reality devices and smart mobile devices. To enhance the quality of its products and manufacturing technologies, the Company has patent agreements, as follows:

Contract Type	Contractor	Term	Description	Restrictive Covenants
Patent License	Qualcomm Incorporated	December 20, 2000 to the following dates:	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 N.V.	December 23, 2019 - December 31, 2024	Authorization to use UMTS/LTE patents and portable feature patents; royalty payment based on agreement.	No

### 37. SEPARATELY DISCLOSED ITEMS

- a. Information about significant transactions and investees:
- 1) Financing provided to others (None)
  - 2) Endorsements/guarantees provided (None)
  - 3) Marketable securities held (excluding investments in subsidiaries, associates and jointly controlled entities) (Table 1)
  - 4) Marketable securities acquired or disposed of at cost or prices of at least NT\$300 million or 20% of the paid-in capital (Table 2)
  - 5) Acquisition of individual real estate at cost of at least NT\$300 million or 20% of the paid-in capital (None)
  - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
  - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 3)
  - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 4)
  - 9) Trading in derivative instruments (Note 7)
  - 10) Others: The business relationship between the parent and the subsidiaries and between each subsidiary, and significant transactions between them (Table 8)
  - 11) Information on investees (Table 5)
- b. Information on investments in mainland China
- 1) Information on investee companies in mainland China, including the name, principal business activities, paid-in capital, accounting method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in mainland China (Table 6)

- 2) Significant transactions with investee companies in mainland China, either directly or indirectly through a third party, their prices, payment terms and unrealized gains or losses (Table 7):
  - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year
  - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year
  - c) The amount of property transactions and the amount of the resulting gains or losses
  - d) The balance of negotiable instrument endorsements, guarantees or pledges of collateral at the end of the year and their purposes
  - e) The most significant balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds
  - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services
- c. Information of major shareholders: Names of shareholders with ownership of 5% or more, number of shares owned and the percentage of ownership of each shareholder (Table 9).

### 38. 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, 2023 and 2022 were as follows:

	December 31	
	2023	2022
Taiwan	\$ 8,292,834	\$ 8,460,526
Country Z	505,513	640,761
Country X	78,220	30,163
Others	<u>796,973</u>	<u>717,985</u>
	<u>\$ 9,673,540</u>	<u>\$ 9,849,435</u>

The countries that accounted for 10% or more of consolidated total revenues for the years ended December 31, 2023 and 2022 were as follows:

	For the Year Ended December 31	
	2023	2022
Taiwan	\$ 840,999	\$ 456,559
Country Z	1,295,586	1,660,467
Country X	703,176	580,637
Others	<u>1,578,171</u>	<u>1,711,160</u>
	<u>\$ 4,417,932</u>	<u>\$ 4,408,823</u>

### Major Customer

External customers which accounted for 10% or more of the Company's total revenues for the years ended December 31, 2023 and 2022 were as follows:

	For the Year Ended December 31	
	2023	2022
Customer A (Note)	\$ 477,260	\$ 146,133
Customer B (Note)	<u>462,024</u>	<u>260,218</u>
	<u>\$ 939,284</u>	<u>\$ 406,351</u>

Note: The amount of revenue from Customer A and 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, 2023

(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				
				Shares (In Thousand)	Carrying Amount	Percentage of Ownership (%)	Fair Value	Note
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	\$ 1,337	-	\$ 1,337	
	<u>Unlisted equity investments</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	906	9.96	906	
	InfoKeyVault Technology Co., Ltd.	"	"	1,000	100,000	14.29	100,000	
HTC Investment Corporation	<u>Listed shares</u>							
	Sino-American silicon products Inc.	-	Financial assets at fair value through other comprehensive income - non-current	65	12,740	0.01	12,740	
	<u>Unlisted equity investments</u>							
	Luminous Optical Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	501	21,417	10.02	21,417	
	HLJ Technology Co., Ltd.	"	"	948	13,897	1.02	13,897	
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	386,390	2.80	386,390	
	<u>Unlisted equity investments</u>							
	GSUO Inc.	-	Financial assets at fair value through other comprehensive income - non-current	30,888	-	10.32	-	
	KKCompany Technologies Inc.	"	"	12,288	287,439	8.28	287,439	Note 2
	Magnet Systems, Inc.	"	"	5,560	-	17.10	-	
	High Fidelity, Inc.	"	"	451	35,816	1.40	35,816	
	WEVR, Inc.	"	"	5,089	212,313	17.01	212,313	
	Baobab Studios Inc.	"	"	433	53,769	2.02	53,769	
	Radd3, Inc.	"	"	935	-	6.24	-	
	MobiSocial Incorporated	"	"	121	-	0.41	-	
	EMISSIVE	"	"	37	134,445	18.03	134,445	
	Bitmark Inc.	"	"	1,306	20,893	3.31	20,893	
	MyndVR Inc.	"	"	700	39,942	2.45	39,942	
	Engage XR Holdings PLC	"	"	62,780	44,843	11.96	44,843	Note 3
	TransLink Capital Fund Partners II, L.P.	"	"	-	439,709	-	439,709	
	WI Harper Fund VII	"	"	-	111,153	-	111,153	
	WI Harper Fund IX	"	"	-	48,330	-	48,330	
	Race capital	The co-founder of the fund is a senior executive of the company	"	-	242,820	-	242,820	

(Continued)

Holding Company	Marketable Securities Type and Name of Issuer	Relationship of Issuer to the Holding Company	Financial Statement Account	At the End of the Year				Note
				Shares (In Thousand)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
H.T.C. (B.V.I.) Corp.	Race capital II	The co-founder of the fund is a senior executive of the company	Financial assets at fair value through other comprehensive income - non-current	-	\$ 23,579	-	\$ 23,579	
	<u>Convertible bonds</u>							
	Cognitive VR	-	Financial assets at fair value through profit or loss - non-current	-	7,681	-	7,681	
HTC Investment (BVI) Corp.	<u>Listed shares</u>							
	Intuit Inc.	-	Financial assets at fair value through other comprehensive income - current	1	28,729	-	28,729	
	Coinbase Global, Inc.	"	"	7	38,854	-	38,854	
	Matterport, Inc.	"	"	315	26,066	-	26,066	
	Vicarious Surgical Inc.	"	"	619	6,984	-	6,984	
	<u>Unlisted equity investments</u>							
	Lumus Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	28	46,088	0.50	46,088	
	Event X	"	"	1,466	122,900	6.80	122,900	
	Imverse SA	"	"	-	33,360	-	33,360	
	XRHealth, Inc	"	"	293	127,755	3.30	127,755	
	Anzu Virtual Reality Ltd.	"	"	-	110,610	-	110,610	
	Tripp, Inc.	"	"	389	18,435	-	18,435	
	Inworld (Theai, Inc.)	"	"	214	61,450	-	61,450	
	Unbound Technologies	"	"	-	4,609	-	4,609	
	TxK Gaming Studios GmbH	"	"	3	5,058	9.09	5,058	
	Felicis Ventures II LP	"	"	-	71,989	-	71,989	
	Presence Capital Fund I, LP	"	"	-	122,579	-	122,579	
	Rothenberg Ventures 2015 Fund, LLC	"	"	-	-	-	-	
	Ally Bridge Group	"	"	-	264,644	-	264,644	
	Ally Bridge Group-CMRCO	"	"	-	291,619	-	291,619	
	BITKRAFT Ventures Fund II, L.P.	"	"	-	69,089	-	69,089	
	Cherubic Ventures	"	"	-	164,190	-	164,190	
	Section 32 Fund 5	"	"	-	13,345	-	13,345	
	Sisu Ventures III, LP	"	"	-	44,521	-	44,521	
	Transcend Fund II	"	Financial assets at fair value through profit or loss - non-current	-	64,476	-	64,476	
	<u>Convertible bonds</u>							
	Canopy Technologies Limited	-	Financial assets at fair value through profit or loss - non-current	-	7,681	-	7,681	
	Modrokk Inc.	"	"	-	92,715	-	92,715	
	Wonderland GmbH	"	"	-	16,745	-	16,745	
HTC VIVE Investment (BVI) Corp.	<u>Listed shares</u>							
	COVER Corporation	-	Financial assets at fair value through other comprehensive income - current	325	193,298	-	193,298	Note 4

(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				
				Shares (In Thousand)	Carrying Amount	Percentage of Ownership (%)	Fair Value	Note
HTC VIVE Investment (BVI) Corp.	<u>Unlisted equity investments</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	1,535	7.00	1,535	
	Opaque Productions, Inc.	"	"	1	3,073	8.00	3,073	
	Glowstick Entertainment Inc.	"	"	800	-	8.00	-	
	KALEIDOSCOPE VR INC.	"	"	700	-	7.00	-	
	LyraVR, Inc.	"	"	81	1,844	7.50	1,844	
	BreqLabs, Inc.	"	"	261	-	8.00	-	
	LumiereVR, Inc.	"	"	870	768	8.00	768	
	The Metaverse Channel Inc.	"	"	8	-	8.00	-	
	Metaverse Technology Limited	"	"	8	799	8.00	799	
	Subdream Studios Inc.	"	"	45	-	1.00	-	
	Appnori Inc.	"	"	-	2,151	7.02	2,151	
	Snobal Pty Ltd.	"	"	-	1,229	6.54	1,229	
	VRANI Inc.	"	"	17	1,535	4.00	1,535	
	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	3,073	7.50	3,073	
	Xikaku Inc.	"	"	600	-	6.00	-	
	Broken Colors Inc.	"	"	-	-	6.02	-	
	Soccer Science, S.L.	"	"	6	-	5.00	-	
	Fitix Visualization Ltd.	"	"	129	-	6.00	-	
	PlusOne, Inc.	"	"	538	-	7.00	-	
	Invrse Reality Limited	"	"	1,600	-	8.00	-	
	BeyondVR LTD	"	"	18	-	1.50	-	
	Wondergate Holding (Cayman) Limited	"	"	2,041	-	2.00	-	
	Intugame Inc.	"	"	490	752	7.00	752	

(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				
				Shares (In Thousand)	Carrying Amount	Percentage of Ownership (%)	Fair Value	Note
HTC VIVE Investment (BVI) Corp.	ThermoReal Inc.	-	Financial assets at fair value through other comprehensive income - non-current	-	\$ -	3.00	\$ -	
	Mixed Realms Pte. Ltd.	"	"	-	1,844	4.00	1,844	
	Red Pill Lab Ltd.	"	"	50	1,535	8.00	1,535	
	VRCOLLAB PTE. LTD.	"	"	1	1,844	8.00	1,844	
	Looxid Labs Inc.	"	"	2	321	1.00	321	
	360Stories Corp.	"	"	213	2,151	-	2,151	
	Z-Emotion	"	"	-	154	-	154	
	eLoupes, Inc.	"	"	958	8,296	-	8,296	
	Fable Studio Inc.	"	"	-	4,609	-	4,609	
	Emergent Entertainment Plc	"	"	34	3,595	2.92	3,595	
	DatavizVR	"	"	-	4,609	-	4,609	
	Neurable Inc.	"	"	67	3,687	-	3,687	
	Nanome Inc.	"	"	80	4,609	-	4,609	
	Mindesk Inc.	"	"	944	3,687	-	3,687	
	Karuna Labs	"	"	211	4,609	1.90	4,609	
	Talespin LLC	"	"	1,116	9,218	-	9,218	
	Vivid Vision	"	"	450	4,609	-	4,609	
	Apelab, Inc.	"	"	16,081	4,609	8.70	4,609	
	Brinx Software	"	"	-	4,609	-	4,609	
	<u>Convertible bonds</u>							
	Drop Software Inc.	-	Financial assets at fair value through profit or loss - non-current	-	-	-	-	
	Fish Bowl VR, Inc.	"	"	-	-	-	-	
	Apmetrix, Inc.	"	"	-	-	-	-	
	CleVR Forever, Inc.	"	"	-	-	-	-	
	Surreal VR, Inc.	"	"	-	-	-	-	
	Realiteer Corp.	"	"	-	-	-	-	
	KALEIDOSCOPE VR INC.	"	"	-	3,687	-	3,687	
	COGNITIVEVR INC.	"	"	-	3,687	-	3,687	
	Limitless Entertainment, Limited	"	"	-	-	-	-	
	AuroraTech Company	"	"	-	-	-	-	
	<u>Convertible bonds</u>							
	Construct Studio Inc.	-	Financial assets at fair value through profit or loss - non-current	-	-	-	-	
	Forbidden Mechanism Inc.	"	"	-	-	-	-	
	Hyperfair Inc.	"	"	-	-	-	-	
	Broken Colors Inc.	"	"	-	-	-	-	
	Soccer Science, S.L.	"	"	-	-	-	-	
	Fitix Visualization Ltd.	"	"	-	1,535	-	1,535	

(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.	PlusOne, Inc.	-	Financial assets at fair value through profit or loss - non-current	-	\$ -	-	\$ -	
	Invrse Reality Limited	"	"	-	-	-	-	
	ByondVR LTD	"	"	-	3,073	-	3,073	
	Cloudgate Studio, Inc.	"	"	-	-	-	-	
	Quantum Capture	"	"	-	4,609	-	4,609	
	Intugame Inc.	"	"	-	2,935	-	2,935	
	Pillow's Willow VR Studios B.V.	"	"	-	2,304	-	2,304	
	Modal System Inc.	"	"	-	-	-	-	
	MyndVR LLC	"	"	-	4,217	-	4,217	
	Immersv, Inc.	"	"	-	2,981	-	2,981	
	Yerba Buena VR	"	"	-	3,073	-	3,073	
	Prime Software	"	"	-	3,073	-	3,073	
	Kagenova Ltd.	"	"	-	4,061	-	4,061	
	JCR Group Ltd.	"	"	-	5,105	-	5,105	
	Extended Reality	"	"	-	4,609	-	4,609	
	ORamaVR	"	"	-	-	-	-	
	Imaged Reality	"	"	-	5,294	-	5,294	
	<u>Exchange contracts</u>							
	Realities.io Inc.	-	Financial assets at fair value through profit or loss - non-current	-	3,687	-	3,687	
	Subdream Studios Inc.	"	"	-	-	-	-	
	Rogue Initiative, LLC	"	"	-	6,145	-	6,145	
	Directive Games Limited	"	"	-	-	-	-	
	Visby Camera Corporation	"	"	-	-	-	-	
	LIV Inc.	-	Financial assets at fair value through profit or loss - non-current	-	3,073	-	3,073	
	Six Degrees Space Ltd.	"	"	-	1,844	-	1,844	
	Shapes Corp.	"	"	-	4,609	-	4,609	
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	-	626,368	-	626,368	
	Kunqiao Phase II (Suzhou) Emerging Industry Venture Capital Partnership (Limited Partnership)	"	"	-	125,600	-	125,600	

Note 1: Hua-Chuang Automobile Information Technical Center Co., Ltd. increased its share capital on August 17, 2020. The Group did not subscribe for these newly issued shares at its existing ownership percentage, thus its shareholding ratio decreased.

Note 2: KKCompany Inc. has spun off its businesses to form the KKCompany Inc. and KKCompany Technologies Inc. and bought back 100% equity interest in KKCompany Inc. held by the Company in August 2023.

Note 3: Engage XR Holdings PLC issued new shares in March 2023. The Company did not subscribe for such newly issued shares at its existing ownership percentage, which decreased its ownership interest from 16.64% to 11.96%. After the decrease, the Company lost significant influence over Engage XR Holdings PLC and its subsidiary; therefore, it was reclassified as financial assets at fair value through other comprehensive income.

Note 4: COVER Corporation was listed on the Tokyo Stock Exchange on March 27, 2023.

(Concluded)

**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, 2023

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	Viveport Digital Corporation (Note 2)	Consolidated individual	Viverse Limited (UK)	Subsidiary	26,000	\$ 41,111	-	\$ -	35,000	\$ 350,000	\$ 71,208	\$ -	-	\$ -
HTC EUROPE Co., Ltd.	DeepQ Holding Corporation	Consolidated individual	Increase capital	Subsidiary	2,500	1,536	54,880	312,854	-	-	-	-	57,380	288,297
	Viverse Holding Corporation	Consolidated individual	Increase capital	Subsidiary	5,000	157,741	7,117	678,815	-	-	-	-	12,117	576,470
	REIGN Technology Corporation	Consolidated individual	Increase capital	Subsidiary	5,000	1,536	22,200	321,887	-	-	-	-	27,200	314,330
DeepQ Holding Corporation	DeepQ (BVI) Corp. (Note 3)	Consolidated individual	DeepQ Holding (BVI) Corp.	Subsidiary	-	-	164,700	313,539	-	-	-	-	164,700	198,463
Viverse Holding Corporation	Viverse Limited (UK)	Consolidated individual	Increase capital	Subsidiary	4,900	154,670	17,350	678,815	-	-	-	-	22,250	573,396
Viverse Limited (UK)	Viverse Limited (Ireland)	Consolidated individual	Increase capital	Subsidiary	4,000	127,043	9,461	323,245	-	-	-	-	13,461	174,980
	Viveport Digital Corporation (Note 2)	Consolidated individual	HTC Corporation	Subsidiary	-	-	35,000	350,000	-	-	-	-	35,000	90,296
DeepQ Holding (BVI) Corp.	DeepQ (BVI) Corp. (Note 3)	Consolidated individual	DeepQ Holding Corporation	Subsidiary	164,700	266,230	-	-	164,700	313,539	201,708	-	-	-
HTC Electronics (Shanghai) Co., Ltd.	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	-	315,949	-	328,040	-	-	-	-	-	626,368

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: In order to optimize the group structure, HTC completed the restructuring on October 24, 2023, and sold 100% of the shares of Viveport Digital Corporation to its subsidiary, Viverse Limited (UK).

Note 3: In order to optimize the group structure, HTC completed the restructuring on November 28, 2023, and sold 100% of the shares of DeepQ Holding (BVI) Corp. to its subsidiary, DeepQ Holding Corporation.

**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, 2023

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 Communication Co., Ltd.	Grandson company	Sales	\$ (563,010)	( 19)	30 days	More favorable than unrelated parties	Similar to unrelated parties	\$ 101,334	21	
	HTC America Inc.	Grandson company	Sales	(161,810)	( 5)	60 days	More favorable than unrelated parties	Similar to unrelated parties	-	-	
HTC Communication Co., Ltd.	HTC Corporation	Parent company	Purchases	563,010	100	30 days	No comparable unrelated parties	Similar to unrelated parties	( 101,334)	( 100)	
HTC America Inc.	HTC Corporation	Parent company	Purchases	161,810	100	60 days	No comparable unrelated parties	Similar to unrelated parties	-	-	

**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, 2023

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debt
					Amount	Action Taken		
HTC Corporation	HTC Communication Co., Ltd.	Son company	\$ 101,334	11.07	\$ -	-	\$ 101,334	\$ -
HTC EUROPE CO., LTD.	HTC Corporation	Parent company	332,142	0.88	-	-	-	-
HTC America Innovation Inc.	HTC Corporation	Parent company	311,429	0.65	-	-	-	-
HTC (Australia and New Zealand) PTY LTD.	HTC Corporation	Parent company	197,203	0.15	-	-	-	-
HTC HK, Limited	HTC Corporation	Parent company	175,319	0.10	-	-	-	-
HTC Germany GmbH	HTC Corporation	Parent company	106,678	0.34	-	-	-	-
Viveport Digital Corporation	Viverse Limited (Ireland)	The same parent company	126,147	2.98	-	-	72,876	-

**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, 2023

(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
				Ending Balance	Beginning 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	\$ 2,592,118	\$( 84,254)	\$( 84,254)	
	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	7,284,394	238,783	100.00	12,396,404	42,640	42,640	Note 1
	HTC Investment Corporation	1F., No. 88, Sec. 3, Zhongxing Rd., Xindian Dist., New Taipei City	General investing activities	342,874	300,000	34,287	100.00	146,575	1,227	1,227	
	HTC Holding B.V.	Van Boshuizenstraat 12, (unit 1.25), 1083BA Amsterdam, the Netherlands	International holding company	13	13	-	0.01	13	( 31,343)	-	
	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	418,658	5,974	5,974	
	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	3,543,899	( 148,379)	( 148,379)	
	HungXu 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	240,811	18,687	18,687	
	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	452,150	( 26,146)	( 26,146)	
	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	217,717	( 60,162)	( 60,162)	
	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	474	( 66)	( 66)	
	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	20,511	( 5,040)	( 5,040)	

(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
				Ending Balance	Beginning 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	-	-	\$ -	\$( 41,000)	\$( 59,985)	Note 2
	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	-	-	-	( 81,263)	( 81,480)	Note 3
	VIVE Arts Corporation	15F., No. 88, Sec. 3, Zhongxing Rd., Xindian Dist., New Taipei City	Digital art	5,000	5,000	500	100.00	3,416	( 1,665)	( 1,665)	
	HungYao Technology Co, Ltd.	16F., No. 88, Sec. 3, Zhongxing Rd., Xindian Dist., New Taipei City	Manufacturing of electronic parts	100	-	10	100.00	100	-	-	Note 4
	HTC EUROPE CO., LTD.	Salamanca Wellington Street Slough Berkshire England SL1 1YP	International holding company; marketing, repair and after-sales services	9,349,409	9,349,409	104,061	100.00	9,599,816	( 201,539)	( 201,539)	Note 5
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	66,204	( 179,938)	( 88,169)	
	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	4,696	( 1,242)	( 311)	
	Engage XR Holdings PLC	Unit 9 Cleaboy Business Park, Old Kilmeaden Road, Waterford X91 Ax83, Ireland	Development of virtual reality contents	-	100,943	-	-	-	( 37,806)	( 6,291)	Note 6
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	199,044	1,040	1,040	
	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	6,561	-	-	
	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	-	-	-	( 169)	( 169)	Note 7
	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	136,170	168	166	
	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	4,413,967	86,232	86,232	
	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	1,017,356	( 31,343)	( 31,343)	
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	95,453	( 139)	( 139)	
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	59	( 98)	( 1)	
	HTC Netherlands B.V.	Van Boshuizenstraat 12 unit 1.25, 1083 BA Amsterdam, the Netherlands	International holding company; marketing, repair and after-sales services	7,050,037	7,050,037	143,882	100.00	1,030,370	( 30,676)	( 30,676)	
	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	1375	168	2	

(Continued)

Investor Company	Investee Company	Location	Main Business Activity	Original Investment Amount		At the End of the Year			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				Ending Balance	Beginning Balance	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
HTC Holding B.V.	HTC South Eastern Europe Limited Liability Company	Kifissias 90, Marousi 15125, Athens, Greece	Marketing, repair and after-sales services	\$ 1	\$ 1	-	0.67	\$ 16	\$ -	\$ -	
	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	67	( 653)	( 7)	
HTC Netherlands B.V.	HTC Belgium BVBA/SPRL	Havenlaan 86/c, box 204 - 1000 Brussels	Marketing, repair and after-sales services	783	783	19	100.00	( 7,749)	( 28,764)	( 28,764)	
	HTC NIPPON Corporation	The CORNER Nihonbashi east 5th floor, 1-9-1, Nihonbashi Bakurocho, Chuo-ku, Tokyo	Sale of virtual reality devices and smart mobile devices	154,810	154,810	56	100.00	234,378	( 1,750)	( 1,750)	
	HTC FRANCE CORPORATION	83-85 boulevard de Charonne 75011 Paris	Marketing, repair and after-sales services	459,161	459,161	11,000	100.00	37,475	( 748)	( 748)	
	HTC South Eastern Europe Limited Liability Company	Kifissias 90, Marousi 15125, Athens, Greece	Marketing, repair and after-sales services	176	176	-	99.33	2,359	-	-	
	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	11,221	153	153	
	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	2,202	( 199)	( 199)	
	HTC Germany GmbH.	Friedrich-Ebert-Anlage 36 60325 Frankfurt am Main Germany	Marketing, repair and after-sales services	24,550	24,550	25	100.00	114,659	780	780	
	HTC Iberia S.L.	Conde de Vilches, 19, Madrid, 28028, Spain	Marketing, repair and after-sales services	9,402	9,402	3	100.00	24,422	-	-	
	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	5,214	277	277	
	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	74,047	2,384	2,384	
	HTC Communication Sweden AB	C/o Revideco AB Drottningholmsvägen 22 112 42 Stockholm	Marketing, repair and after-sales services	-	4,533	-	-	-	( 4,354)	( 4,354)	Note 8
	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	60,825	1,038	1,038	
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	6,605	( 653)	( 646)		
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	5,824	( 98)	( 97)		
HTC EUROPE CO., LTD.	HTC America Holding Inc.	1625 Shattuck Ave, Berkeley, CA 94709	International holding company	6,341,332	6,341,332	371,617	100.00	2,977,038	31,420	31,420	Note 5
	DeepQ Holding Corporation	89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands	International holding company	314,390	1,536	61,700	100.00	288,297	( 6,259)	( 6,259)	
	VIVE Arts Holding Corporation	89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands	International holding company	1,536	1,536	5,960	100.00	1,536	-	-	
	Viverse Holding Corporation	89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands	International holding company	831,985	153,170	16,917	100.00	576,470	( 271,200)	( 271,200)	Note 9
	REIGN Technology Corporation	89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands	International holding company	323,423	1,536	32,000	100.00	314,330	218	218	
DeepQ Holding Corporation	DeepQ (BVI) Corp.	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola VG1110	International holding company	313,539	-	164,700	100.00	198,463	( 66,311)	( 6,259)	Note 10

(Continued)

Investor Company	Investee Company	Location	Main Business Activity	Original Investment Amount		At the End of the Year			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				Ending Balance	Beginning Balance	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
REIGN Technology Corporation	REIGN Technology Corporation	12F., No. 88, Sec. 3, Zhongxing Rd., Xindian Dist., New Taipei City	Construction, application and after-sales services of 5G	\$ 280,000	\$ -	28,000	100.00	\$ 135,077	\$( 81,263)	\$ 217	Note 3
Viverse Holding Corporation	Viverse Limited (UK)	Salamanca, Wellington Street, Slough SL1 1YP	International holding company	827,713	153,565	22,250	100.00	573,396	( 271,181)	( 271,181)	Note 9
Viverse Limited (UK)	Viverse Limited (Ireland)	10 Earlsfort Terrace, Dublin 2, Republic of Ireland	Market development and sale of virtual reality contents	444,795	150,495	13,461	100.00	174,980	( 67,616)	( 67,616)	
	Viveport Digital Corporation	11F., No. 88, Sec. 3, Zhongxing Rd., Xindian Dist., New Taipei City	Interactive scenario experience services	350,000	-	35,000	100.00	90,296	( 41,000)	18,985	Note 2
HTC America Holding Inc.	HTC America Inc.	1625 Shattuck Ave, Berkeley, CA 94709	Sale of virtual reality devices and smart mobile devices	1,114,451	1,114,451	1	100.00	1,473,450	60,063	60,063	Note 5
	One & Company Design, Inc.	1625 Shattuck Ave, Berkeley, CA 94709	Design, research and development of application software	191,052	191,052	60	100.00	2,906	-	-	
	HTC America Innovation Inc.	1625 Shattuck Ave, Berkeley, CA 94709	Design, research and development of application software	93,780	93,780	1	100.00	607,506	36,640	36,640	
	Dashwire, Inc.	1625 Shattuck Ave, Berkeley, CA 94709	Design and management of cloud synchronization technology	600,501	600,501	0.1	100.00	( 55,115)	-	-	
	HTC America Content Services, Inc.	1625 Shattuck Ave, Berkeley, CA 94709	Online/download media services	2,414,274	2,307,650	31	100.00	42,471	( 69,689)	( 69,689)	
	Inquisitive Minds, Inc.	1625 Shattuck Ave, Berkeley, CA 94709	Development and sale of digital education platform	388,982	388,982	0.1	100.00	28,441	( 32)	( 32)	
HungXu Holding (BVI) Corp.	HungXu Technology (BVI) Corp.	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola VG1110	International holding company	203,795	43,206	32,000	100.00	230,312	18,732	18,732	
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	37,202	19,817	19,817	
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	88,862	182,325	3,100	100.00	22,982	( 40,343)	( 40,343)	
DeepQ Holding (BVI) Corp.	DeepQ (BVI) Corp.	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola VG1110	International holding company	-	497,868	-	-	-	( 66,311)	( 60,052)	Note 10
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	112,027	( 67,318)	( 67,318)	
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	799,367	( 146,254)	( 52,944)	
	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	136,601	( 37,861)	( 37,861)	
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	18,587	( 4,947)	( 4,947)	

Note 1: The carrying amount includes unrealized profit of NT\$5,102 thousand at the end of the current period.

Note 2: Viverse Limited (UK) from the parent company HTC Corporation on October 24, 2023, purchased 100% of the shares of the subsidiary company Hongwan Digital Shares Limited Company.

Note 3: REIGN Technology Corporation acquired 100% of the equity of the subsidiary company REIGN Technology Corporation from HTC Corporation on October 24, 2023.

Note 4: HungYao Technology Co, Ltd. was incorporated on October 18, 2023, which is 100% held by HTC Corporation.

Note 5: The carrying amount excludes unrealized profit of NT\$75,619 thousand at the end of the current period.

Note 6: Engage XR Holdings PLC issued new shares in March 2023. The Company did not subscribe for such newly issued shares at its existing ownership percentage, which decreased its ownership interest from 16.64% to 11.96%. After the decrease, the Company lost significant influence over Engage XR Holdings PLC and its subsidiary; therefore, it was reclassified as financial assets at fair value through other comprehensive income.

Note 7: The dissolution of HTC (Thailand) Limited was approved in its shareholders' meeting held on February 12, 2021. The liquidation process was completed on March 10, 2023.

Note 8: HTC Communication Sweden AB completed the liquidation process on December 31, 2023.

Note 9: On September 5, 2023, Viverse Holding Corporation changed its legal name. Its former name was Viveport Corporation.

Note 10: DeepQ Holding Corporation acquired 100% of the shares of DeepQ (BVI) Corp. from DeepQ Holding (BVI) Corp. on November 28, 2023.

(Concluded)

**HTC CORPORATION AND SUBSIDIARIES****TABLE 6**

## INFORMATION ON INVESTMENTS IN MAINLAND CHINA

FOR THE YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Investee Company	Main Business Activity	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of the Beginning of the Year	Investment Flows		Accumulated Outflow of Investment from Taiwan as of the End of the Year	Net Income (Loss) of the Investee	Percentage of Ownership (%)	Investment Gain (Loss)	Carrying Amount	Accumulated Inward Remittance of Earnings
					Outflow	Inflow						
High Tech Computer Corp. (Suzhou) (Note 4)	Manufacture and sale of smart mobile devices	US\$ -	Investment in company located in mainland China indirectly through H.T.C. (B.V.I.) Corp.	\$ 3,312 (US\$ 100)	\$ -	\$ -	\$ 3,312 (US\$ 100)	\$ -	-	\$ -	\$ -	\$ -
HTC Corporation (Shanghai WGQ)	Smart mobile devices examination and after-sale services and technique consultations	US\$ 1,500	Investment in company located in mainland China indirectly through HTC HK, Limited.	49,845 (US\$ 1,500)	-	-	49,845 (US\$ 1,500)	1,303	100.00	1,303	85,139	-
HTC Electronics (Shanghai) Co., Ltd. (Note 5)	Manufacture and sale of virtual reality devices and smart mobile devices	US\$ 2,909	"/	4,106,585 (US\$ 133,000)	-	-	4,106,585 (US\$ 133,000)	84,182	100.00	84,182	4,153,748	-
HTC Communication Co., Ltd.	Sale of virtual reality devices and smart mobile devices and after-sales services	US\$127,500	Investment in company located in mainland China indirectly through High Tech Computer Asia Pacific Pte. Ltd.	4,125,897 (US\$ 127,500)	-	-	4,125,897 (US\$ 127,500)	(39,354)	100.00	(39,354)	1,590,378 (Note 3)	-
HTC Communication Technologies (Shanghai) Limited	Design, research and development of application software	US\$ 4,000	"/	120,799 (US\$ 4,000)	-	-	120,799 (US\$ 4,000)	18,510	100.00	18,510	555,557	-
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 (US\$ 8,000)	-	-	249,678 (US\$ 8,000)	-	10.32	-	-	-
HTC Communication (BJ) Tech Co.	Design, research and development of application software	RMB10,500	Investment in company located in mainland China through the own funds of HTC Communication Technologies (Shanghai) Limited.	-	-	-	-	6,479	100.00	6,479	117,208	-
Gui Zhou Wei Ai Technology Group Co., Ltd.	Development and sale of virtual reality app contents	RMB 11,775	Investment in company located in mainland China through the own funds of HTC Communication Co., Ltd.	-	-	-	-	(5,221)	26.05	(1,360)	90,054	-
Beijing Transmission Weiku Technology Co., Ltd.	Research and development of virtual reality contents	RMB 64	Investment in company located in mainland China through the own funds of HTC Communication Co., Ltd.	-	-	-	-	-	6.00	-	-	-
Beijing Seven Vision Virtual Technology Co., Ltd.	Research and development of virtual reality contents	RMB 1,087	"/	-	-	-	-	-	8.00	-	-	-
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	-	1,515	-
Shanghai Duowei Network Technology Co., Ltd.	Research and development of virtual reality contents	RMB 133	"/	-	-	-	-	-	5.00	-	-	-
Shanghai Chaoshi Business Management Partnership (Limited Partnership)	Research and development of virtual reality contents	RMB 100	"/	-	-	-	-	-	20.00	-	1,211	-
Beijing WEWOD Entertainment Technology Co., Ltd.	Research and development of virtual reality contents	RMB 1,812	"/	-	-	-	-	-	1.50	-	6,494	-
Zhijing (Shanghai) Technology Co., Ltd.	Research and development of virtual reality contents	RMB 4,771	"/	-	-	-	-	-	2.00	-	-	-
Shanghai Judao Network Technology Co., Ltd.	Research and development of virtual reality contents	RMB 142	"/	-	-	-	-	-	2.00	-	2,175	-

(Continued)

Investee Company	Main Business Activity	Total Amount of		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
		Paid-in Capital	Investment Type		Outflow	Inflow						
Shanghai Lenqiy Information Technology Co., Ltd.	Research and development of virtual reality contents	RMB 3,000	〃	-	\$ -	\$ -	\$ -	\$ -	3.00	\$ -	\$ 1,437	\$ -
Beijing Yuanji Technology Co., Ltd.	Research and development of virtual reality contents	RMB -	〃	-	-	-	-	-	5.00	-	-	-
Qinhuangdao Shiyi Technology Co., Ltd.	Research and development of virtual reality contents	RMB 685	〃	-	-	-	-	-	5.00	-	2,165	-
Hefei Yao An Technology Co., Ltd.	Research and development of virtual reality contents	RMB12,208	〃	-	-	-	-	-	2.00	-	4,330	-
Red Landmark (Beijing) Culture Technology Co., Ltd.	Production of radio and television programs	RMB12,077	〃	-	-	-	-	-	3.00	-	-	-
HTC VIVE TECH (Beijing)	Research, development and sale of virtual reality devices	US\$ 800	Investment in company located in mainland China indirectly through HTC VIVE TECH (HK) Limited	24,067 (US\$ 800)	-	-	24,067 (US\$ 800)	2,593	100.00	2,593	24,791	-
DeepQ Technology (Beijing)	Development and marketing of software technology	US\$ 3,000	Investment in company located in mainland China indirectly through DeepQ (BVI) Corp.	89,732 (US\$ 3,000)	-	-	89,732 (US\$ 3,000)	1,134	100.00	1,134	81,639	-

(Concluded)

Accumulated Investment in Mainland China for the Years Ended	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on Investment
\$ 8,769,915 (US\$277,900)	\$ 8,791,423 (US\$278,600)	\$ 13,683,077

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\$30.725 to US\$1 at December 31, 2023.

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 2023 of NT\$4.39638 to RMB1. The carrying amount is translated at the exchange rate on December 31, 2023 of NT\$4.3295 to RMB1.

Note 3: The carrying amount includes unrealized loss of NT\$5,102 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, 2023, the refunded capital has not been repatriated to Taiwan.

## HTC CORPORATION AND SUBSIDIARIES

**TABLE 7**

### SIGNIFICANT TRANSACTIONS WITH SUBSIDIARIES IN MAINLAND CHINA INCLUDING DIRECT AND INDIRECT TRANSACTIONS THROUGH OTHER REGIONS FOR THE YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Related Party	Relationship with the Company	Nature of Transaction	Amount	Terms			Notes/Accounts Payable or Receivable		
				Price	Payment Terms	Comparison with Normal Transactions	Ending Balance	% of Total	Unrealized Loss
HTC Communication Co., Ltd.	Grandson company	Sales	\$ 563,010	More favorable than unrelated parties	OA 30 days	The transaction terms are similar to those of general customers.	\$ 101,334	21	\$( 5,102)
HTC Communication Technologies (Shanghai) Limited	Grandson company	Service fee	93,690	No comparable unrelated parties	OA 45 days	The transaction terms are similar to those of general customers.	( 7,620) (Note)	-	-
HTC Communication Beijing Tech Co.	Grandson company	Service fee	84,893	No comparable unrelated parties	OA 45 days	The transaction terms are similar to those of general customers.	( 15,741) (Note)	-	-

Note: Classified under other payables.

**HTC CORPORATION AND SUBSIDIARIES****TABLE 8**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Company	Counterparty	Relationship (Note 2)	Transaction Details			% of Total Sales or Assets (Note 5)
				Financial Statement Accounts	Amount (Note 3)	Payment Terms (Note 4)	
<u>For the year ended December 31, 2023</u>							
0	HTC Corporation	HTC Communication Co., Ltd.	a	Sales	\$ 563,010	More favorable than unrelated parties	13
			a	Trade receivables	101,334	-	-
		HTC America Inc.	a	Sales	161,810	-	4
		HTC EUROPE CO., LTD.	a	Accrued expenses	332,142	-	1
			a	Commission	296,757	-	7
		HTC America Innovation Inc.	a	Accrued expenses	311,429	-	1
			a	Service fee	204,549	-	5
		HTC HK, Limited	a	Accrued expenses	175,319	-	-
		HTC (Australia and New Zealand) Pty. Ltd.	a	Accrued expenses	197,203	-	-
		HungXu TECH Corp.	a	Service fee	1,075,665	-	24
		HTC Germany GmbH.	a	Accrued expenses	106,678	-	-
1	Viveport Digital Corporation	Viverse Limited (Ireland)	b	Service revenue	187,664	-	4
			b	Trade receivables	126,147	-	-

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, 2023.  
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, 2023.

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, 2023

(Number of Shares: Shares)

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Way Chih Investment Co., Ltd.	43,819,290	5.26

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 policies/rules.](#)

## Content

### 1.0 General Guidelines

While maintaining a work culture that ensures the company's success, HTC Group strives to treat each employee with fairness and dignity. HTC Group is also committed to complying with the labor laws of each country it operates in. Meanwhile, employees are under duties of confidentiality to HTC Group, and have responsibilities to protect HTC Group's assets and comply with internal company rules and external laws and regulations.

### 1.1 Work Environments

HTC Group is committed to establishing a safe and healthy workplace, free from recognized hazards, for employees in accordance with local laws and regulations, and is thoroughly dedicated to creating a work environment which is free of harassment (including sexual harassment) and discrimination for employees. Any language or behavior that would endanger physical or mental health of an employee is strictly prohibited, and the employee who becomes aware of such language or behavior shall report to the competent authority immediately.

### 1.2 Equal Opportunity

HTC Group's employment policy shall comply with all applicable laws and regulations. Hiring decisions are based on HTC Group's business needs and the applicant's abilities, and HTC Group provide equal employment opportunities for all applicants and employees without regard to non-job-related factors, such as race, color, social class, language, religion, political affiliation, national origin, gender, sexual orientation, marital status, appearance, disability, previous union membership.

Everyone in HTC Group shall be treated with dignity, respect and honesty. This principle applies to all areas of employment, including but not limited to, recruitment, hiring, training, promotion, compensation, benefits, transfer, and club or recreational activities.

### 1.3 Confidentiality

During the employment with HTC Group and thereafter, all employees shall maintain strict confidentiality of Confidential Information (as defined below) about HTC Group, its customers and vendors/suppliers that they learn or hold during their employment to ensure its security and confidentiality and to prevent unauthorized use, disclosure or dissemination. Except for the use of Confidential Information under purposes of the disclosure and company rules, each employee shall not disclose it to a third party in any manner without the prior written consent of HTC Group.

"Confidential Information" means all non-public information, in relation to technique, finance, production, sales, or operations, that learned or possessed by HTC Group with intentions to keep confidential, whether or not such information (A) is owned by HTC Group, HTC Group's customers or vendors/suppliers, or any third party with which HTC Group desires to establish a business relationship; (B) is in oral, written, drawn or electronic media form; (C) is subject matter for the application of patents, trademarks, copyrights, or other intellectual property rights; or (D) is labeled with "Confidential" or an equivalent word. Confidential information may include, but is not limited to the following:

- 1) Business plans, manufacturing and marketing plans, procurement plans, product development plans, product design records, product test plans and reports, product software and source codes, product pricing, product appearance, personnel information, financial information, customer lists, vendors/supplier lists, distributor lists, raw materials and product inventory

- information, all quality records, trade secrets, and other information related to the Company's business activities;
- 2) Computer programs, including their related documents and databases in the process of development ;
- 3) Discoveries, concepts, ideas, designs, sketches, engineering drawings, specifications, circuit layouts, circuit diagrams, mechanical drawings, flow charts, production processes, procedures, models, molds, samples, components, troubleshooting guides, chips and other know-how; and
- 4) A third party's proprietary information that the Company has a duty of confidentiality pursuant to contracts or required by applicable laws.

### 1.4 Protection of Assets and Personal Data

The Company's assets are not limited to tangible assets, such as equipment and facilities, but also include intangible assets, such as know-how and intellectual property rights. Each employee shall protect, keep and use the Company's assets properly, and shall not use the Company's assets for self-interest.

The collection, processing, and use of personal data of personnel in HTC Group shall be in accordance with applicable data protection laws. Except as permitted by law, personal data of personnel in HTC Group shall not be disclosed or shared arbitrarily.

### 1.5 Fair Trade

Each employee shall treat all vendors/suppliers, customers and competitors fairly, and may not obtain improper benefits through manipulation, concealment, or misuse of the information learned by virtue of their positions, or through misrepresentation of important matters, or through other unfair trading practices. HTC Group shall engage in business activities in accordance with applicable competition laws and regulations, and may not fix prices, make rigged bids, establish output restrictions or quotas, or share or divide markets by allocating customers, vendors/suppliers, territories, or lines of commerce.

### 1.6 Prohibition of Infringement of Intellectual Property Rights

Intellectual property, such as copyright, trademarks, patents, and trade secrets, is protected by relevant laws and regulations. Each employee shall comply with

applicable laws and regulations, HTC Group's internal operating procedures and contractual agreements related to intellectual property. Except as permitted by law, HTC Group Personnel may not use, disclose, dispose of or damage intellectual property without the prior consent or authorization of the intellectual property rights holder to avoid intellectual property infringement.

## 2.0 Vendors/Suppliers and Customers Relationship

It is a basic principle in Company business operations to maintain a good relationship with our vendors/suppliers and customers.

### 2.1 Firm and Rational Attitude

In order to establish long-term and stable relationships with our customers and vendors/suppliers, each employee shall provide necessary and accurate information about our products and services. In securing and negotiating business, all employees shall attempt to establish long-term relationships with our customers and vendors/suppliers by providing essential and accurate information about our products and services.

Each employee shall demonstrate their professionalism with a sincere, firm, and rational attitude while dealing with customers and vendors/suppliers. Unnecessary conflicts caused by irrational attitudes or emotional languages are strictly prohibited.

### 2.2 Product Quality and Safety

The Company is committed to pursue excellence and maintain quality at all times, and strives to continuously improve the quality of its products and services in accordance with applicable laws and regulations related to safety to achieve world-class competitiveness and create benefits for its customers and vendors/suppliers. To ensure HTC Group's valuable reputation and the benefit of its customers and vendors/suppliers, all employees must comply with HTC Group's procedures and standards for product quality and safety assurance.

### 2.3 Performance of Contracts

Company contracts must be performed not only in accordance with the requirements of each contract, but also in compliance with all laws and regulations applicable to our industry. Any unfair or unreasonable terms and conditions shall be avoided. Purchasing decisions must be made in the

best interests of HTC Group in considering the suitability, quality, price, and delivery of products or services provided by vendors/suppliers; special offers based on personal preference are not allowed. Purchasing agreements/sales contracts and related evaluation information shall be fully and clearly documented. The information of customers and vendors/suppliers, including but not limited to their names, price, delivery terms, payment terms, is considered Confidential Information of HTC Group, and shall be properly protected by each employee to prevent leakage or misuse of information.

## 2.4 Prohibition on Offering or Accepting Improper Benefits / Accepted Social Custom

All employees shall not offer, accept, promise, or request, directly or indirectly, any Benefits from customers, vendors/suppliers, or business-related personnel to establish business relationship or influence commercial transactions, except under one of the following circumstances: (1) the conduct is undertaken to meet business needs and is in accordance with local courtesy, convention, or custom during domestic (or foreign) visits, reception of guests, promotion of business, and communication and coordination; (2) participation in ordinary social activities based on accepted social custom, commercial purposes, or development of relationships; (3) invitations to guests or attendance at commercial activities or factory visits in relation to business needs, when the method of fee payment, number of participants, class of accommodations, and the time period for the event or visit have been specified in advance; (4) other situations that are in line with accepted social custom and are of an occasional nature, where the market value of such Benefits is no more than NT\$3,000 or US\$100, provided that the total market value of such Benefits offered to the same party or coming from the same source within a single fiscal year shall not exceed NT\$6,000 or US\$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](mailto:anti-corruption@htc.com)



HTC Corporation



Chairwoman: Cher Wang