



HTC CORPORATION

2024 Annual General Shareholders Meeting Minutes

(Translation)



Time and Date: 9:00 AM, 20 June, 2024 (Thursday)

Location: The Peng's Agora Garden - Xindian (2F, No. 219, Sec. 3, Beixin Rd., Xindian Dist., New Taipei City)

Type of Meeting: Physical Meeting

Attendance: Total shares represented by the shareholders present at the meeting in person and by proxy are 563,404,656 shares (including votes cast electronically: 195,309,137), representing 67.69% of the outstanding shares of the Company (832,329,236 shares).

Directors: HT Cho, Director、Chen-Kuo Lin, Independent Director

Attendees: Peter Shen, CFO、ChiaTe Lu, General Counsel and the Corporate Governance Officer、Shiau Pan Yang, Counsel of Lexcel Law Offices、Pan Fa Wang, CPA of Deloitte & Touche

Chairperson: Cher Wang, Chairwoman

Clerk: ChiaTe Lu

1. **Call Meeting to Order:** The shares entitled to vote, represented in person or by proxy, constituted a quorum. The Chairperson called the meeting to order.

2. **Opening Remarks by the Chairwoman:** Omitted

3. **Management Presentations:**

Item 1: The 2023 Business Report (please refer to Attachment 1)

Item 2: The Audit Committee's Review Report (please refer to Attachment 2)

Above presentations are for the shareholders' information

4. **Proposals for Adoption:**

Item 1

Title: The 2023 business report and financial statements. (Proposed by the Board of Directors)

Explanation:

- (1) The compilation of the Company's 2023 business report and financial statements are completed and has been approved by the Board of Directors. The financial statements have been audited and certified by Pan-Fa Wang, CPA, and Kuo-Tyan Hong, CPA, of Deloitte & Touche. The business report and financial statements have been reviewed by the Audit Committee, and are hereby submitted for adoption at Annual General Shareholders' Meeting.
- (2) Please refer to Supplement 1, Supplement 3 and Supplement 4 for the 2023 Business Report,

the CPA Audit Report issued by Deloitte & Touche and the audited financial statements, respectively.

(3) Adoption requested.

Resolution:

Voting results: 563,261,646 shares were represented at the time of voting, 546,639,732 votes representing 97.04% of the shares represented at the time of voting were cast in favor of the proposal (including votes cast electronically: 187,934,902), 547,882 votes were cast against the proposal (including votes cast electronically: 297,882), 15,000 vote were invalid, and 16,059,032 votes were either invalidly cast or abstained (including votes cast electronically: 7,076,353). This proposal was approved and adopted as submitted.

Item 2

Title: The 2023 deficit compensation proposal. (Proposed by the Board of Directors)

Explanation:

(1) The Company's net loss for the 2023 was NT\$3,395,756,856. Please refer to Supplement 5 for the chart of the deficit compensation for the 2023. It is proposed not to distribute share dividends to the shareholders.

(2) Adoption requested.

Resolution:

Voting results: 563,261,646 shares were represented at the time of voting, 546,856,807 votes representing 97.08% of the shares represented at the time of voting were cast in favor of the proposal (including votes cast electronically: 188,151,977), 576,346 votes were cast against the proposal (including votes cast electronically: 326,346), 15,000 vote were invalid, and 15,813,493 votes were either invalidly cast or abstained (including votes cast electronically: 6,830,814). This proposal was approved and adopted as submitted.

5. Extraordinary Motions: No extraordinary motions from shareholders.

(Summary of shareholders' inquiries and the Company's response)

Question from shareholder number 58146:

Last year, the Chairwomen stated that the Company is building a VR ecosystem, which is equivalent to the body shell of a car, and the AI is the energy of a car. Is there any assistance from NVIDIA's AI servers for the current ecosystem and AI support?

Response from the Chairwoman:

(1) NVIDIA's GPUs (Graphics Processing Units) are very important to the AI ecosystem, and we have cooperated with each other since end-to-end servers require high-quality

terminal devices, and HTC produces excellent terminal devices. Our Company's servers are supported by NVIDIA's GPUs. We work together.

- (2) There will be many AI applications, from the cloud to terminal devices. HTC's VIVERSE ecosystem will be well connected with NVIDIA's digital twins platform Omniverse. With their AI calculating ability, we can develop the VIVERSE ecosystem faster.

Question from shareholder number 447997:

It is recommended that the Company should invest in the development of real estate, including rentable office buildings, suites or hotels, etc., and can set up a real estate department responsible for the relevant acquisition affairs.

Response from the Chairwoman:

Thank you for your suggestion, we will put your suggestion on the record and bring it back to the Company for careful evaluation, thank you.

Question from shareholder number 473964:

1. What are the benefits of VRChat to HTC, and what are your plan for AI and how AI can benefit the Company? 2. What is your strategy for smart cities and smart factories? 3. What are the reasons why cooperation and agreements with many companies and organizations do not translate into our business performance? 4. What are the differences and competition between HTC VIVERSE ecosystem and the Meta Horizon ecosystem? 5. What are your thoughts on Hsieh Chin-ho's frequent use of HTC as a cautionary case? What are your specific operations and plans currently?

Response from the Chairwoman:

- (1) VRChat is a company that we have been invested for 7 or 8 years, and it is currently the best and the largest VR social platform in the world, which can increase HTC's influence in social media around the world now and in the future. The company's performance is also good, and thus the relative value is quite high.
- (2) Our VIVERSE and digital twins have a lot of projects in Dubai and other cities. It is not easy to build up smart cities, and thus it takes time to show their effects.

Response from the CFO designed by Chairwoman:

- (3) The Company has been working hard to diversify our portfolio, develop and deliver innovative products, transforming from traditionally hardware-centric to a company providing complete hardware, software, platform and content solutions, an ecosystem. We look forward to creating more value from the construction and authorization of our platforms and the revenue share from contents. Thank you.

Response from the Chairwoman:

- (4) Meta's Horizon is very similar to our ecosystem VIVERSE. The so-called metaverse is the unity between each universe to become Fediverse. The ecosystem will gradually form and grow, like applications in mobile phones. How to link each application is a very important issue in this metaverse. It is not easy for HTC to invest in the ecosystem of the metaverse, and it takes time. We really appreciate our shareholders' support.
- (5) The Company's management and R&D have to be more progressive and rapid. This is our expectation. We keep your advices and reminders in our mind. We insist on development for the future, because it is vital to Taiwan as a whole and the rest of the world.

Question from shareholder number 209185:

What are the factors to increase our operating incomes?

Response from the CFO designed by Chairwoman:

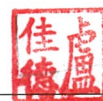
Our strategies in current years are to diversify our portfolio, not just focusing on hardware sales (accessories, smartphones and VR). We hope that the entire ecosystem including our investee companies and our own business divisions can grow in the future.

6. Closure of the Meeting: 09:35 AM, 20 June, 2024 (Thursday)

(This 2024 AGM Minutes outlines the summary of the meeting. Video recording of the meeting shall be the only valid evidence of the meeting, its procedure and the shareholders' statements. The proposals for adoption items were put to the vote after discussion and the voting results were recorded separately in the resolution of each matter.)



Chairwoman: Cher Wang



Clerk: ChiaTe Lu

Please note this document is prepared in accordance with the Chinese version and is for reference only. In the event of any discrepancy between the English version and the Chinese version, the Chinese version shall prevail.

Supplement 1

HTC CORPORATION The 2023 Business Report

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. 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 : Cher Wang

CEO : Cher Wang

Chief Accountant : Peter Shen

Supplement 2

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 Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

To HTC Corporation 2024 General Shareholders' Meeting

HTC CORPORATION

Chairman of the Audit Committee: Chen-Kuo Lin

March 5, 2024



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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	%
CURRENT ASSETS				
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	-
Total current assets	<u>5,131,128</u>	<u>11</u>	<u>5,231,940</u>	<u>11</u>
NON-CURRENT ASSETS				
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	-
Total non-current assets	<u>41,387,397</u>	<u>89</u>	<u>42,183,687</u>	<u>89</u>
TOTAL	<u>\$ 46,518,525</u>	<u>100</u>	<u>\$ 47,415,627</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
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	-
Total current liabilities	<u>14,509,514</u>	<u>31</u>	<u>14,831,382</u>	<u>31</u>
NON-CURRENT LIABILITIES				
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	-
Total non-current liabilities	<u>9,203,883</u>	<u>20</u>	<u>7,025,085</u>	<u>15</u>
Total liabilities	<u>23,713,397</u>	<u>51</u>	<u>21,856,467</u>	<u>46</u>
EQUITY (Note 22)				
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)
Total retained earnings	<u>1,571,162</u>	<u>3</u>	<u>4,909,467</u>	<u>10</u>
Other equity	(3,357,050)	(7)	(3,805,731)	(8)
Total equity	<u>22,805,128</u>	<u>49</u>	<u>25,559,160</u>	<u>54</u>
TOTAL	<u>\$ 46,518,525</u>	<u>100</u>	<u>\$ 47,415,627</u>	<u>100</u>

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

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)	<u>2,415,308</u>	<u>80</u>	<u>2,363,739</u>	<u>75</u>
GROSS PROFIT	623,134	20	782,460	25
UNREALIZED GAIN	(70,517)	(2)	(211,474)	(7)
REALIZED GAIN	<u>211,474</u>	<u>7</u>	<u>315,723</u>	<u>10</u>
REALIZED GROSS GAIN	<u>764,091</u>	<u>25</u>	<u>886,709</u>	<u>28</u>
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	<u>2,408,789</u>	<u>79</u>	<u>2,231,272</u>	<u>71</u>
Total operating expenses	<u>4,533,094</u>	<u>149</u>	<u>4,908,541</u>	<u>156</u>
OPERATING LOSS	<u>(3,769,003)</u>	<u>(124)</u>	<u>(4,021,832)</u>	<u>(128)</u>
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	<u>(600,189)</u>	<u>(20)</u>	<u>497,065</u>	<u>16</u>
Total non-operating income and expenses	<u>317,846</u>	<u>10</u>	<u>588,356</u>	<u>19</u>
LOSS BEFORE INCOME TAX	(3,451,157)	(114)	(3,433,476)	(109)
INCOME TAX BENEFIT (Note 25)	<u>55,400</u>	<u>2</u>	<u>21,693</u>	<u>1</u>
LOSS FOR THE YEAR	<u>(3,395,757)</u>	<u>(112)</u>	<u>(3,411,783)</u>	<u>(108)</u>

(Continued)

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	%
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)	<u>(1,219)</u>	<u>-</u>	<u>(18,217)</u>	<u>(1)</u>
	<u>118,571</u>	<u>4</u>	<u>(21,686)</u>	<u>(1)</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	<u>387,562</u>	<u>13</u>	<u>1,564,692</u>	<u>50</u>
Other comprehensive income and loss for the year, net of income tax	<u>506,133</u>	<u>17</u>	<u>1,543,006</u>	<u>49</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>\$ (2,889,624)</u>	<u>(95)</u>	<u>\$ (1,868,777)</u>	<u>(59)</u>
LOSS PER SHARE (Note 26)				
Basic	<u>\$ (4.09)</u>		<u>\$ (4.13)</u>	

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 Ordinary Shares	Retained Earnings			Other Equity			Total Equity
		Capital Surplus	Legal Reserve	Special Reserve	Exchange Differences on Translating Foreign Operations	Unrealized Losses on Financial Assets at Fair Value through Other Comprehensive Income	Income	
BALANCE, JANUARY 1, 2022	\$ 8,245,050	\$ 16,005,339	\$ 12,335,031	\$ 3,080,480	\$ (4,360,449)	\$ (856,057)	\$ 27,222,902	
Legal reserve in covering accumulated deficits	-	-	(3,226,492)	-	-	-	-	
Net loss for the year ended December 31, 2022	-	-	-	-	-	-	(3,411,783)	
Other comprehensive income and loss for the year ended December 31, 2022	-	-	-	-	1,564,692	(155,275)	1,543,006	
Total comprehensive income and loss for the year ended December 31, 2022	-	-	-	-	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	-	
BALANCE, DECEMBER 31, 2022	8,295,153	16,160,271	9,108,539	3,080,480	(2,795,757)	(1,009,974)	25,559,160	
Legal reserve in covering accumulated deficits	-	-	(3,279,552)	-	-	-	-	
Other changes in capital surplus	-	37,233	-	-	-	-	37,233	
Changes in equity of associates accounted for using equity method	-	-	-	-	-	-	-	
Net loss for the year ended December 31, 2023	-	-	-	-	-	-	(3,395,757)	
Other comprehensive income and loss for the year ended December 31, 2023	-	-	-	-	387,562	109,634	506,133	
Total comprehensive income and loss for the year ended December 31, 2023	-	-	-	-	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)	-	
BALANCE, DECEMBER 31, 2023	8,320,380	16,270,636	5,828,987	3,080,480	(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
CASH FLOWS FROM OPERATING ACTIVITIES		
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	<u>(4,092,244)</u>	<u>(4,056,191)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
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	-

(Continued)

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
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	<u>171,437</u>	<u>-</u>
Net cash generated from (used in) investing activities	<u>201,916</u>	<u>(419,670)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
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	<u>590,000</u>	<u>-</u>
Net cash generated from financing activities	<u>3,839,890</u>	<u>4,611,487</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(50,438)	135,626
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>2,899,820</u>	<u>2,764,194</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 2,849,382</u>	<u>\$ 2,899,820</u>

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

(Concluded)



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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	%
CURRENT ASSETS				
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	-
Total current assets	<u>26,900,804</u>	<u>59</u>	<u>27,585,609</u>	<u>59</u>
NON-CURRENT ASSETS				
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	-
Total non-current assets	<u>18,682,504</u>	<u>41</u>	<u>18,854,627</u>	<u>41</u>
TOTAL	<u>\$ 45,583,308</u>	<u>100</u>	<u>\$ 46,440,236</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
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
Total current liabilities	<u>13,501,340</u>	<u>30</u>	<u>13,727,123</u>	<u>30</u>
NON-CURRENT LIABILITIES				
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	-
Total non-current liabilities	<u>9,276,840</u>	<u>20</u>	<u>7,153,953</u>	<u>15</u>
Total liabilities	<u>22,778,180</u>	<u>50</u>	<u>20,881,076</u>	<u>45</u>
EQUITY (Note 24)				
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)
Total retained earnings	1,571,162	3	4,909,467	10
Other equity	(3,357,050)	(7)	(3,805,731)	(8)
Total equity	<u>22,805,128</u>	<u>50</u>	<u>25,559,160</u>	<u>55</u>
TOTAL	<u>\$ 45,583,308</u>	<u>100</u>	<u>\$ 46,440,236</u>	<u>100</u>

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

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 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)	<u>2,594,222</u>	<u>59</u>	<u>2,678,845</u>	<u>61</u>
GROSS PROFIT	<u>1,823,710</u>	<u>41</u>	<u>1,729,978</u>	<u>39</u>
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	<u>2,684,392</u>	<u>61</u>	<u>2,356,224</u>	<u>54</u>
Total operating expenses	<u>6,118,391</u>	<u>138</u>	<u>6,133,809</u>	<u>139</u>
OPERATING LOSS	<u>(4,294,681)</u>	<u>(97)</u>	<u>(4,403,831)</u>	<u>(100)</u>
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)	<u>(149,075)</u>	<u>(4)</u>	<u>(23,499)</u>	<u>-</u>
Total non-operating income and expenses	<u>896,003</u>	<u>20</u>	<u>989,780</u>	<u>23</u>
LOSS BEFORE INCOME TAX	(3,398,678)	(77)	(3,414,051)	(77)
INCOME TAX BENEFIT (Note 27)	<u>2,921</u>	<u>-</u>	<u>2,268</u>	<u>-</u>
LOSS FOR THE YEAR	<u>(3,395,757)</u>	<u>(77)</u>	<u>(3,411,783)</u>	<u>(77)</u>
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)	<u>(1,219)</u>	<u>-</u>	<u>(18,217)</u>	<u>-</u>
	<u>118,571</u>	<u>3</u>	<u>(21,686)</u>	<u>-</u>

(Continued)

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	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	<u>\$ 387,562</u>	<u>9</u>	<u>\$ 1,564,692</u>	<u>35</u>
Other comprehensive income and loss for the year, net of income tax	<u>506,133</u>	<u>12</u>	<u>1,543,006</u>	<u>35</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>\$ (2,889,624)</u>	<u>(65)</u>	<u>\$ (1,868,777)</u>	<u>(42)</u>
LOSS PER SHARE (Note 28)				
Basic	<u>\$ (4.09)</u>		<u>\$ (4.13)</u>	

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

(Concluded)

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	Share Capital Ordinary Shares	Retained Earnings			Other Equity			Total Equity
		Capital Surplus	Legal Reserve	Special Reserve	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	\$ (4,360,449)	\$ (856,057)	\$ 27,222,902	
Legal reserve in covering accumulated deficits	-	-	(3,226,492)	-	-	-	-	
Net loss for the year ended December 31, 2022	-	-	-	-	-	-	(3,411,783)	
Other comprehensive income and loss for the year ended December 31, 2022	-	-	-	-	1,564,692	(155,275)	1,543,006	
Total comprehensive income and loss for the year ended December 31, 2022	-	-	-	-	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	-	
BALANCE, DECEMBER 31, 2022	8,295,153	16,160,271	9,108,539	3,080,480	(2,795,757)	(1,009,974)	25,559,160	
Legal reserve in covering accumulated deficits	-	-	(3,279,552)	-	-	-	-	
Other changes in capital surplus	-	37,233	-	-	-	-	37,233	
Changes in equity of associates accounted for using equity method	-	-	-	-	-	-	-	
Net loss for the year ended December 31, 2023	-	-	-	-	-	-	(3,395,757)	
Other comprehensive income and loss for the year ended December 31, 2023	-	-	-	-	387,562	109,634	506,133	
Total comprehensive income and loss for the year ended December 31, 2023	-	-	-	-	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)	-	
BALANCE, DECEMBER 31, 2023	8,320,380	16,270,636	5,828,987	3,080,480	(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
CASH FLOWS FROM OPERATING ACTIVITIES		
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	<u>(4,049,032)</u>	<u>(3,740,037)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
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

(Continued)

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
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	<u>9,883</u>	<u>37,912</u>
Net cash used in investing activities	<u>(4,894,019)</u>	<u>(883,376)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
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	<u>92,596</u>	<u>173,225</u>
Net cash generated from financing activities	<u>3,286,374</u>	<u>4,955,638</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>348,910</u>	<u>996,828</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(5,307,767)	1,329,053
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>17,747,130</u>	<u>16,418,077</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 12,439,363</u>	<u>\$ 17,747,130</u>

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

(Concluded)

Supplement 5

HTC CORPORATION The 2023 Deficit Compensation Statement

UNIT:NT\$	
Item	Amount
Deficits to be compensated at the beginning	(4,000,000,000)
Less : Net loss	(3,395,756,856)
Add : Remeasurement of defined benefit plan	8,937,182
Add : Disposal of financial assets at fair value through other comprehensive income	48,515,068
Add : Legal reserve used to compensate deficits	3,338,304,606
Deficits to be compensated at the end	(4,000,000,000)

Chairwoman : Cher Wang

CEO : Cher Wang

Chief Accountant : Peter Shen