HTC Corporation
Procedures for the Handling of Derivatives Trading

Article 1 Purpose

These Procedures are adopted in accordance with the provisions of Letter No. Taiwan-Finance-Securities-I-0910006105 of the Securities and Futures Commission, to protect investment, enhance public disclosure of information, and strengthen risk management for derivatives transactions by the Company.

Article 2 Transaction principles and policy

1. Transaction types
The term "derivatives" in these Procedures means products such as forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rates, indices of prices or rates, or other interests, credit rating or credit index, or other variables; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives.

The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.

Matters relating to bond margin transactions shall be conducted in accordance with the relevant provisions of these Procedures.

2. Operational or hedging strategy: The purpose of derivatives transactions shall be to ensure the operating profits of the Company's business and avert risks caused by fluctuations in exchange rates, interest rates, or asset prices, and not to profit from speculation. If other transactions are required, the approval of the chairman of the board shall be obtained.
3. Division of authority and duties:

(1) Financial unit: obtain market information, determine trends and risks, be familiar with financial products and the relevant laws and operational skills, and handle transactions according to the instructions of the authorized executive and to position authorizations, to avert risk from market price volatility. At regular intervals, also evaluate position risks and make public announcements and file reports in accordance with regulations.

(2) Accounting unit: provide information regarding risk exposure positions at regular intervals, keep accounts according to generally accepted accounting principles, and prepare financial statements.

(3) Audit unit: assess at regular intervals whether derivatives transactions conform with regulations regarding transaction procedures and whether risks are within the Company's tolerable range.

4. Performance assessments: hedging transactions shall be assessed on a regularly scheduled basis once every two weeks; financial transactions shall be assessed on a regularly scheduled basis once per week. Performance assessments shall make a comparison on the assessment date with a predetermined assessment basis, as a reference for future decision-making.

5. Total contract amount: The Company engages in derivatives transactions based on the principle of risk hedging, and not for the purpose of generating profit. Derivatives trading must therefore be based on substantive transactions, and the total balance of all hedging contracts at any time may not exceed the hedging needs resulting from identifiable foreign currency commitments or derived from substantive transactions.

6. Ceiling amount for losses on all contracts and on individual contracts: for derivatives transactions in which the Company engages, the ceiling amount for losses on all contracts and on individual contracts is set at 15 percent of the principal amount of all contracts. When losses on all contracts or any contract reach the aforesaid ceiling, the Company shall immediately notify the Audit Committee and convene the relevant personnel to respond.

Article 3 Procedures

1. Authorized amounts: The authorized amount ceilings and hierarchical delegation of
authority for derivatives transactions in which the Company engages shall be decided by the board of directors. Transactions shall be executed by the authorized personnel within the credit limit stipulated and signed with a designated financial institution.

2. Executing units: derivatives transactions shall be executed by dedicated staff of authorized financial units.

3. Description of operations:
   (1) Confirm trading position.
   (2) Analyze and evaluate relevant trends.
   (3) Decide on a specific hedging method.
     (i) Subject of the trade.
     (ii) Trading position.
     (iii) Target price level and price interval.
     (iv) Trade strategy and type.
   (4) Obtain approval for the transaction
   (5) Transaction execution
     (i) Transaction counterparty: limited to foreign and domestic financial institutions.
     (ii) Trading personnel: Company personnel that may execute derivatives transactions shall first be approved by the chairman of the board, and notice of them shall be given to a Company-designated financial institution. Persons other than the aforesaid personnel may not engage in transactions.
   (6) Transaction verification: The trading personnel, after making a transaction, shall fill out a transaction voucher, and after verification personnel have verified whether the terms and conditions of the trade match those of the transaction voucher, submit the transaction voucher to the executive in charge for final approval.
   (7) Settlement: After a transaction has been verified to be without error, the finance unit shall have designated settlement personnel prepare the price funds and relevant vouchers and conduct settlement on the settlement date at the agreed-upon price.
   (8) Details regarding derivatives transactions engaged in by the Company shall be summarized on a quarterly basis and submitted to the soonest meeting of board of directors for subsequent acknowledgment and approval.

Article 4 Public announcement and reporting procedure

When the loss from engaging in derivatives transactions reaches a ceiling set under these Procedures for all contracts or for individual contracts, within two days from the actual
date of such occurrence the relevant data shall be publicly announced and reported on a
web site designated by the Securities and Futures Commission.

By the 10th of each month, the Company shall input the status of its derivatives
transactions up until the end of the preceding month, as well as that of any Company
subsidiary that is not a domestic public company, into the information reporting website
specified by the Securities and Futures Commission using the prescribed format.

Article 5 Accounting treatment

The accounting unit of the Company shall perform accounting in accordance with the
Business Accounting Act, Statements of Financial Accounting Standards (SFAS), and the
relevant directives of the competent authority; items for which there is no relevant
provision shall be recorded in a subsidiary ledger, and treated in a monthly statement of
realized and unrealized gains and losses.

Article 6 Internal control system

1. Risk management measures
   (1) Credit risk considerations: Transaction counterparties shall be confined to
       Company-designated banks. After the transaction, bookkeeping personnel shall
       promptly make an entry in the credit limit control table and reconcile accounts with
       the Company-designated bank at regular intervals.
   (2) Market price risk considerations: bookkeeping personnel shall check total
       transaction amounts on an ongoing basis to see whether they conforms to the
       ceilings set under these Procedures. The accounting department shall assess market
       prices on an ongoing basis, and note the possible impact of future market price
       volatility on profits and losses from all holdings.
   (3) Liquidity considerations: to ensure liquidity, before conducting a transaction, it
       shall be confirmed with financing personnel that the transaction amount will not
       cause insufficient liquidity.
   (4) Operational considerations: transactions must be in full compliance with the
       authorized ceiling amount and operational procedures.
   (5) Legal considerations: documents to be signed with a bank must be reviewed by
       legal affairs personnel before they can be formally signed.
   (6) Cash flow considerations: a prerequisite for a transaction is that it must not cause
       future cash flow concerns.
2. Internal controls

(1) The Financial unit's transaction personnel and confirmation and settlement operations personnel may not concurrently serve in more than one of those positions.

(2) Transaction personnel shall hand over transaction vouchers or contracts to bookkeeping personnel for account keeping.

(3) Bookkeeping personnel shall at regular intervals reconcile accounts or records with the trading counterparty.

(4) Transaction risk measurement, monitoring, and control personnel shall be members of a different department than the personnel of the previous subparagraph, and shall report to the board of directors or a senior executive not responsible for decision making regarding transactions or positions.

3. Periodic evaluation methods

(1) The designated personnel appointed by the board of directors to monitor and control derivatives trading risks on an ongoing basis shall also at regular intervals evaluate whether trading performance accords with established operational strategies, and whether risks assumed are within a tolerable range.

(2) They shall at regular intervals evaluate whether the risk management procedures currently in use are appropriate and scrupulously conducted in accordance with these Procedures.

(3) Derivatives transaction positions shall be evaluated at least once a week. However, hedging transactions for business needs shall be evaluated at least twice a month. The evaluation reports shall be submitted to the senior executive authorized by the board of directors to review and sign.

(4) When the market price evaluation report shows any irregularity, it shall immediately be reported to the board of directors and the necessary response measures shall be adopted.

(5) The chief financial officer shall monitor the trading and profit and loss situation. When any irregularity is discovered, the chief financial officer shall report to the board of directors. The board of directors shall have the independent director(s) attend and express an opinion.

4. Handling of irregularities

Trading or internal audit personnel who discover any irregularity shall immediately notify the chief financial officer to take appropriate action.
Article 7 Log book

The Company shall enter detailed information into a log book regarding the types of derivatives transaction in which it engages, dollar amount thereof, the date on which approval was granted by the board of directors, and matters deserving attention in periodic evaluations.

Article 8 Internal audit system

An internal auditor shall regularly review the appropriateness of the derivatives transaction internal control system, conduct monthly checks on how well the trading unit is complying with these Procedures, analyze transaction cycles, and include their findings in an audit report. Where a material violation is discovered, they shall notify the Audit committee in writing.

Article 9 Control of subsidiaries

1. The Company shall ensure that its subsidiaries adopt handling procedures for the conduct of financial derivatives transactions in accordance with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies issued by the Securities and Futures Commission of the Ministry of Finance.

2. A subsidiary shall carry out self-inspections to determine whether its adopted procedures are in compliance with the provisions of the applicable regulations, and whether asset acquisition and disposal transactions are carried out in accordance with its adopted handling procedures.

3. An internal auditor of the Company shall review the self-inspection reports of subsidiaries, and if a material violation is found shall inform the Audit Committee in writing.

4. If any circumstance contemplated under these Procedures occurs at a subsidiary of the Company, the subsidiary shall first notify the Company, and subsequently take action to handle the circumstance. In addition, a subsidiary is required each month to furnish the Company with relevant detailed statements for the previous month to facilitate corporate oversight.
Article 10 Penal provisions

If relevant personnel violate these Procedures or any provision herein, measures shall be taken under the applicable rules of the Company.

Article 11 Amendment

These Procedures are adopted in accordance with the laws and regulations, and have been adopted with the approval of one half or more of the entire membership of the Audit Committee, and submitted it to board of directors, and submitted to a shareholders meeting for approval; the same applies when the Procedures are amended. Where the position of independent director(s) has been created, when these Procedures are submitted for deliberation by the board of directors, each independent director’s opinions shall be taken into full consideration; the Audit Committee specific opinions of assent or dissent and the reasons therefore shall be included in the minutes of the board of directors meeting.