



HTC 2020 Annual Report



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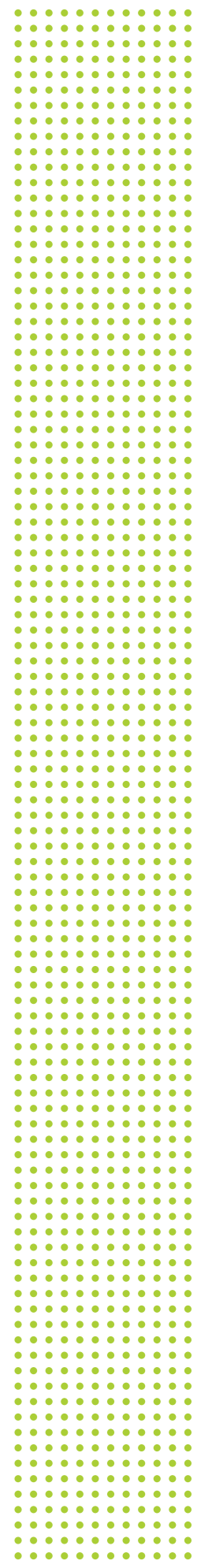
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**LETTER TO
HTC
SHAREHOLDERS**





LETTER TO HTC SHAREHOLDERS

Dear Shareholders,

2020 proved to be one of the most extraordinary and disruptive years in recent history. Almost every element of society was touched by the upheaval of the COVID-19 pandemic occurring around the world, with billions of people subject to geographical and lifestyle restrictions. Yet, throughout the year, HTC has maintained its focus on innovation through its strength of character, ample resources, and a clear vision for the future.

The pandemic has acted as a catalyst to accelerate the digital revolution, from the global adoption of virtual meetings for work, learning and pleasure to the vast proliferation of creative content. Areas like health-care, education, and entertainment have gone online like never before, and the extended duration of the pandemic suggests that several of the business and lifestyle disruptions such as remote working that have emerged over 2020 will become permanent. At HTC, we believe that VR will increasingly come to the forefront as the most realistic in-person remote meeting experience, and products like the own-brand VIVE Sync business meeting software, and the VIVE XR Suite, a tailored selection of VR applications, will enable people to continue socializing, meeting, learning and training in the virtual world. Digital technology has brought us together in new ways, and with its extensive portfolio of devices, platforms and software, HTC is positioned well to take advantage of this new normal.

Management changes in 2020 brought forward a new approach regarding the corporate structure of HTC; in particular, the most radical corporate restructure in HTC's history. As HTC has diversified into new products, sectors and markets over the past few years, the previous structure was increasingly unsuitable to ensure the innovation focus for which HTC is recognized. Leaders of product areas needed more flexibility to focus on their own business, and greater incentive to drive efficiency and effectiveness across their teams. Thus, HTC laid the foundations for the creation of seven distinct business units out of HTC's core activities, which will operate with substantial autonomy for greater agility. The business units are: VIVE Virtual Reality; 5G System Solutions; Smartphones and IoT; Content and Platforms; DeepQ Healthcare; VIVE Originals; and VIVE Arts.

The decentralization of decision-making is already inspiring the entrepreneurial spirit in each business unit, with leaders highly motivated to establish their business and drive future growth. Each business unit leader will be responsible and accountable for their own sales and retail execution, brand-building and business operations. HTC will be the corporate umbrella for all of these businesses, providing enabling functions such as human resources, financial, legal, IT, corporate administration, and PR and marketing support, as well as acting as an accelerator and an incubator, providing these business units with strategy and operations support, performance accountability and investment finance. This new structure will unlock the tremendous value and potential of HTC, and grow our brand and our business, and has the backing of our Board of Directors and our top management. It is a clear strategy to optimize HTC's resources and provide greater focus and accountability for each business in our portfolio, which will in turn provide greater focus and accountability for our employees, and positions HTC well for future growth.

Product Strategy

HTC's product portfolio has expanded rapidly over the last three years, encompassing software, platform and service solutions that complement the premium hardware for which HTC is best known. In 2020, we continued to build upon that diversification, with notable launches and successes across all businesses. Progress has been made in all of the core technologies of virtual and augmented reality, 5G connectivity, blockchain and artificial intelligence, and there has been significant investment in developing complete ecosystems to drive implementation and user adoption.

Smartphones and Connected Devices

2020 marked the dawn of 5G. With its large bandwidth and ultra-low latency, 5G will greatly accelerate our journey to VIVE Reality. The HTC 5G Hub, the three-in-one mobile smart 5G-enabling device launched in 2019, continued to gain momentum around the world, with numerous telecom carriers especially across Europe and the Middle East using it to demonstrate 5G scenarios for the home and for small businesses. Also announced was the HTC EXODUS 5G Hub, which enables ultra-secure 5G connectivity for any internet-enabled device and the ability to run a full Bitcoin node through its Zion ecosystem.

2020 saw HTC launching its first 5G smartphone, the HTC U20, following up with the HTC Desire 21 pro 5G in early 2021, bringing 5G capability to the mid-range Desire series. HTC's smartphone portfolio incorporates high performance graphics and stunning display capabilities, as well as advanced camera capabilities, including live AI-supported features and augmented reality overlays, as well as video stabilization.

HTC also launched two more Desire phones in 2020, the HTC Desire 20 Pro and the HTC Desire 20+, which were widely welcomed in Taiwan, Asia and Europe.

With a strategy of highly targeted, premium quality devices with rich feature sets, HTC continues to maintain strong brand value in the smartphone business across many regions

VIVE Virtual Reality

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

In 2020, the VIVE Cosmos series was announced, bringing to life the modularity vision of Cosmos and appealing to new audiences. Applying a different faceplate facilitates different user scenarios and a wider range of applications and purposes. The Cosmos Elite is for advanced gamers; it adapts the first generation and 2nd generation of base station, and connects with the controllers of VIVE and VIVE Pro, to provide a more precise tracking system and larger play area. It also features the wireless adapter for tetherless freedom of movement.

HTC VIVE continues to build out the VR ecosystem, with the launch in early 2021 of advanced trackers. HTC has consistently set the industry standard for tracking objects and people in VR, with the VIVE Tracker implemented across a wide range of industries, from TV/film production, sports rehabilitation and training, medical use, enterprise training, and full-body tracking for VR avatars, allowing the seamless integration of physical objects in extended reality. The third generation VIVE Tracker is even more versatile, with up to 75% increased battery life, 15% reduction in weight, and 33% smaller footprint than previous generations. HTC also announced the new VIVE Facial Tracker, which tracks 38 facial movements across the lips, jaw, teeth, tongue, chin, and cheeks to provide accurate real-time depiction of almost the entire lower facial area in VR, enabling much greater realism in VR avatars and more detailed response feedback for analytics use.

VIVE's enterprise strategy has shown strong results over 2020, with increased revenue and profitability, and growth set to continue as more businesses recognize the value of incorporating VR into their design, training, collaboration and marketing processes. HTC has developed a distinguished client list of international household names, especially in North America and Europe, including banks, car, energy and production companies, as well as companies working on physical and mental healthcare solutions. In addition, an expanded enterprise portfolio with new VIVE Pro Eye bundles and a full suite of Pro Eye solutions made VIVE VR solutions even more attractive in the enterprise space. We see the upcoming successors to VIVE Pro and VIVE Focus as significantly enhancing our enterprise story, with greater performance to meet the most challenging business demands.

As the pandemic shut down many of the world's business, retail, museum and entertainment establishments, HTC launched VIVE Sync, an all-in-one meeting and collaboration solution for VR. With customizable user avatars and private meeting rooms, VIVE Sync represents the new normal in working face to face with colleagues around the world. HTC also collaborated with VRChat, ENGAGE, Virbela, and the Muse-

um of Other Realities to create VIVE XR Suite, focused applications that enable people to continue those pursuits in the virtual world.

VIVEPORT has grown steadily over the year, with the Infinity annual subscription service expanding its subscriber base and world-class VR library that includes many triple-A titles. A revamped VIVEPORT partnered with all the major film festivals last summer, including the Venice VR Expanded film festival, the London Film Festival and the Raindance Immersive, as well as live concerts. A first for VIVEPORT was the winning of two Emmy awards in 2020, for the titles 'Awavena' and 'The Line'.

Another first for VIVEPORT was the establishment of its first carrier bundle with Taiwan's ChungHwa Telecom, demonstrating the potential synergy of VIVE's premium VR platform with carriers looking to expand the application for their 5G systems.

VIVE Arts has created innovative VR installments in the most prestigious museums and art galleries around the world. In addition to using VR to get up close to the Mona Lisa at the Louvre in Paris, it co-produced an exhibition on "Alice in Wonderland" with the V&A Museum in London. VIVE Arts is also fostering the new world of VR art, working with contemporary artists like the famous Cai Guoqiang to launch his "Sleepwalking in the Forbidden City" exhibition in Beijing.

VIVE Originals continues to cultivate VR movies, bringing the VR Expanded segment of the Venice Film Festival to Taipei, and launching a commercial VR theater in the Ambassador Theater. VIVE Originals also jointly organized the Taiwan Creative Content Fest, while two of VIVE Originals' works, "Ode to Moss" and "O", were shortlisted for the Nouveau Cinema festival in Montréal, Canada.

The **VIVE X** accelerator program continued in six cities around the world, attracting exciting talent to the program to create new tools, applications and solutions in the VR space and beyond. VIVE X expanded the enterprise focus in 2020 to support the increased emphasis on this key, higher margin market.

DeepQ Healthcare

DeepQ Healthcare, which combines medicine and AI, joined forces with several hospitals in Taiwan last year to open a COVID-19 VR medical simulation training center, which was even covered by the BBC. Their 'Disease Control Butler' app surpassed 2 million downloads; this and their 'Disease Containment Expert' app that tracks home quarantine both won the Taiwan President's 'epidemic prevention medal', among other awards.

With the new business organization and more focused teams, 2021 promises to be another robust year for product innovation at HTC, with special regard for the core building blocks of VIVE Reality: VR, AR, 5G, AI, and blockchain technology.

Financial Performance

The COVID-19 pandemic affected businesses around the world in profound ways, and HTC was no exception, with both the supply and demand sides impacted. As a result, HTC saw revenues over the year of NTD 5.81 billion, with a gross profit of NTD 1.56 billion, and net loss after tax of NTD 6.02 billion. At the same time, the regions worked hard to restructure their product mix, given the unprecedented circumstances, which saw an increase in gross margin to NTD 1.56 billion, or 27%, the highest in many years.

HTC continued the important work of enhancing resource efficiency, with a 33% reduction in operating expenditure over the year from NTD 11.88 billion to NTD 7.96 billion, and remains focused on streamlining processes and procedures, while maximizing our output and execution, and ensuring appropriate investment in the technologies and talent that align with our strategic direction.

HTC believes that the new corporate structure of more autonomous business units will provide the impetus for focused innovation and sales and marketing execution; moreover, the diversified portfolio covering hardware, software and platforms will provide new or enhanced revenue streams over the next few years.

Corporate Social Responsibility

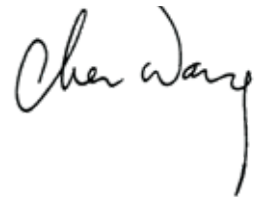
HTC continues to enhance operations across the factory, and our R&D and testing laboratories, improving manufacturing processes and quality standards as well as seeking areas to reduce our emissions and raise our power efficiency. We call on our supply chain partners to continue working with us on evaluations and actions on climate change measures. In the Carbon Disclosure Project (CDP), the world's largest carbon disclosure platform, HTC has attained management level (B grade) in the climate change rating (compared to a global regional average of C grade).

HTC actively promotes the concept of waste reduction through concrete measures such as the classification, recycling and management of waste at the front end for employees to reduce waste generation, as well as setting dedicated areas for general waste, resource recycling, and kitchen waste to facilitate our recycle-and-reuse strategy, reducing the amount of waste produced and improving cleanliness. Through these measures, HTC's waste recycling rate has significantly increased over the last ten years, from 57% in 2011 to 78.8% in 2020.

In early 2020, HTC was swift to implement appropriate measures to prevent the spread of COVID-19 in our offices across the globe to protect our most important asset, our talent, in line with and often exceeding the advice of local government and health officials, and we continue to closely monitor the situation. Both the Line Bot of Disease Control Butler and Disease Containment Expert developed by HTC's DeepQ business unit played an important role in the digital frontline of the virus. The former provided pandemic-related information issued by the Taiwan National Health Command Center, including the latest outbreak alerts, online press conferences, fake news clarifications, and more, while the latter enables those in home quarantine to report their daily health status and obtain home quarantine related information.

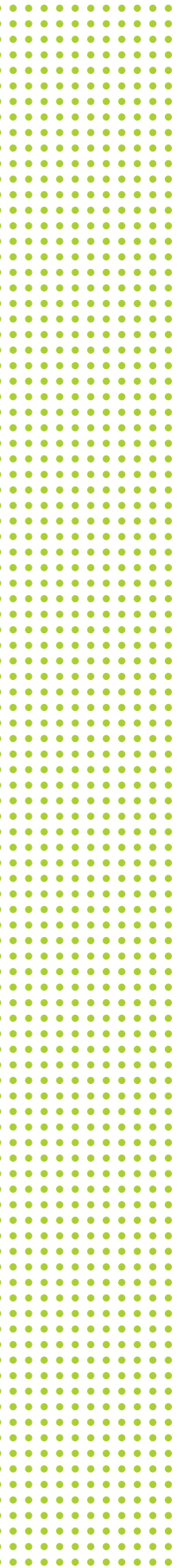
As we close this extraordinary year, HTC would like to sincerely thank our shareholders for their continued support. The HTC brand remains known around the world as a brand that solves problems and make people's lives better. Now, HTC is creating a new era of success. With the new organization structure coming into force in early 2021, HTC anticipates more focused execution across all of our business lines, as well as greater recognition for our efforts, as we strive for truth, goodness and beauty on our path to the realization of VIVE Reality.

HTC Corporation
Chairwoman and CEO





COMPANY PROFILE



COMPANY PROFILE

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.

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

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

Today, VIVE Reality 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, 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 VIVE Reality experiences blend to create a new and better world. The 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

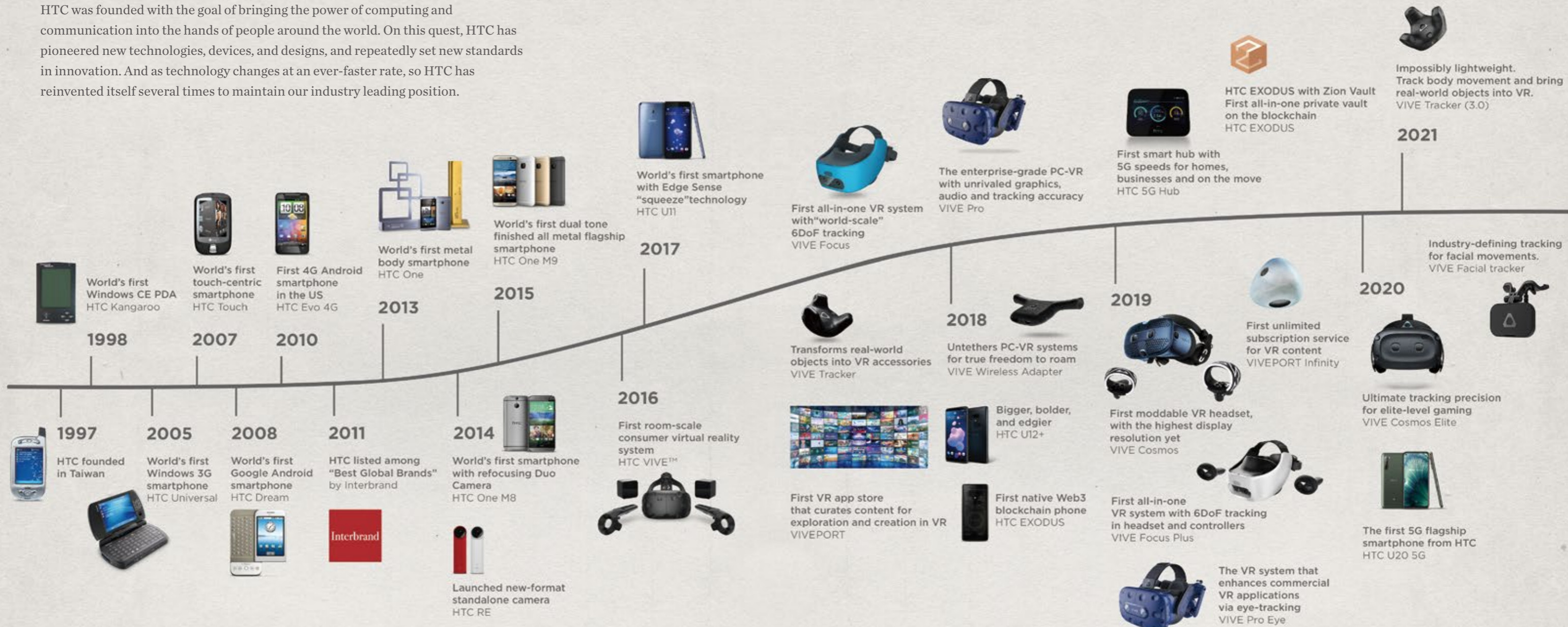
Imagination is one of the most powerful tools we know, and one we seek to unlock. A world where a continuum of immersive realities is possible, and experience is unbounded. Imagination that invents new ways to make life better for people and enable them to be the best they can be, help businesses achieve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



2.1 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 global brand development. Shortly afterwards, HTC launched the HTC Touch smartphone, bringing the world's first touch-centric phone to market and placing HTC at the forefront of growing worldwide excitement over this new smartphone direction. In 2009, HTC unveiled its new user interface, HTC Sense®, delivering a simpler and much more intuitive user experience. HTC then proceeded to introduce its competitive new

lineup to the world through its 'Quietly Brilliant' tagline and global 'YOU' advertising campaign. HTC also sponsored initiatives that reflect our values, with each step along the way carefully considered to raise HTC brand awareness in all key markets.

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

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

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

Diversification into Connected Devices and Virtual Reality

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

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

The VIVE Reality Era

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 believe. This set the Company on a new direction, striving to facilitate the merging 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, is VIVE Reality.

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 their efforts while providing users with a comprehensive VR app market place. HTC has created VIVE Wave, a new platform to power both HTC’s VR devices and those of device partners in the industry. HTC has also founded or plays a key role in industry alliances, such as the Asia-Pacific Virtual Reality Industry Alliance formed in 2016, and is a founding member of the Global VR Alliance. We also rolled out the VIVE X accelerator program in the same year to help cultivate, foster and grow the global VR ecosystem by supporting startups working in strategic new areas, providing them with education, investment and mentorship.

The scope of VIVE is all-encompassing. Along with developing focused solutions for consumers and for enterprise, HTC launched the VR for Impact program in 2017 in support of the United Nations’ Sustainable Development Goals, dedicated to encouraging the development of VR content that shows how VR can positively impact society and empower people. In early 2018, we announced a partnership

with the World Economic Forum (WEF) to drive the VR/AR for Impact initiative going forward. HTC also has a strong VIVE Arts program, partnering with leading museums and art galleries around the world to enhance the exhibition experience through VR, and working with contemporary artists who are using VR as an art medium. VIVE Originals co-produces cutting edge VR movies and shorts with leading studios that have received wide acclaim at international film festivals, and are providing a window into the future direction of the movie-making craft.

At the same time, HTC continued to develop and refine our industry-leading mobile technology expertise. Smartphones remain a mainstay of the Company, with this division continuing 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 pursuit of VIVE Reality sees HTC transition into a complete solution company, creating not only leading hardware in strategic markets, but also building industry-leading platforms, software, content and services to create new revenue streams and lay the foundation for our future growth.

2.2 Product Development

HTC is a global technology innovator delivering award-winning products and industry firsts since 1997. The company creates inspiring products and experiences through a strong line of mobile solutions, connected devices, and VIVE virtual reality (VR) hardware and ecosystem. HTC offers a diverse portfolio of mobile and VR hardware, software, and content that transforms the way consumers and businesses see and interact with the world and beyond.

5G

HTC 5G Private Network

HTC 5G Private Network was unveiled to partners in September 2020. Designed for vertical applications which need wide bandwidth, low latency, and high reliability, such as Cloud gaming, Cloud VR, Smart Manufacturing, Surveillance camera, and automatic guided vehicle (AGV). HTC focus on RAN (CU/DU) software development and optimization for vertical applications mentioned above, on the other hand,

HTC works with multiple Taiwan hardware manufactures from 5G RU, Front haul switch, grand master, to COTS server as a Taiwan team to build Taiwan vRAN eco-system together.

HTC Private Network is powered by Intel FlexRAN on top of ORAN specification option 7.2 as a foundation to build our vRAN platform, we work with multiple well-known 5G core software partners (including Taiwan vendor) for interoperability to ensure our customers can have various choices depend on their need.

Smartphones and Connected Devices

HTC U20 5G

Announced June 2020 in Taipei, HTC U20 5G is the latest showcase of HTC's commitment to bringing cutting-edge innovation and unrivaled usability to the next level. HTC's first 5G handset introduces more than just the next generation speed. Big 6.8" screen. Big-time photography with 5 pro-level lenses. And biggest in-class battery. Delivering an abundance of entertainment features to truly leverage the 5G speeds.

From HTC 5G Hub to HTC U20 5G, HTC never settles for only the realization of new technology, but to bring true experience that is optimized for users' everyday life. HTC U20 5G demonstrates a fast, efficient, yet powerful 5G experience with a seamless transition to the new generation. Powered by Qualcomm Snapdragon 765G Mobile Platform with integrated 5G modem, HTC U20 5G optimizes power efficiency for extended use. Dual-mode SA and NSA support ensure flexibility during 4G-to-5G transition. Last but not least the powerful platform supports a 20% boost in graphics performance comparing to the previous generation for all entertainment needs, from 4K home theater in your hand to playing graphics-heavy games.

HTC U20 5G presents a full photography arsenal with 5 cameras setup. Ultra-fast low light focus, AI scene detection, closeup mode, and wide-angle shot, HTC U20 5G are ready for any photo situation you face. From a blur-free 4K video capture even during movement with help of image stabilization to a tier-leading 32MP front camera with a wide array of filters and beauty mode, HTC U20 5G empowers a rich photography experience for all of life's moment and memories.

The top-of-the-class 5,000mAh battery powers all the entertainment. Coupled with QC 4.0 support, HTC U20 5G extends 5G entertainment for the long haul.

HTC Desire 20 pro

Announced alongside HTC U20 5G, HTC Desire 20 pro brings the 5 lenses, 6.5" impossibly thin border display, 5,000mAh battery, and extensive premium features to the Desire family without the uptick in price.

With flagship-level camera capability via 5 premium lenses, HTC Desire 20 pro is the epitome of versatile photography. An ultra-wide lens helps you capture more. Mountains, coastline, landmarks, fit them all in with a brilliant landscape shot. On the other end of the spectrum, fine 25mm close-ups capture finer things and moments in life. For the portrait or selfie enthusiasts, HTC Desire 20 pro has f/1.8 aperture delivering the crisp portraits you'd expect from a DSLR, a 25MP front camera, and a bokeh effect that you can even adjust in real-time.

HTC Desire 20 pro holds an impossibly slim and sleek border enabling 6.5" FHD 19.5:9 edge-to-edge display. The 90.5% screen to body ratio plus a minimalistic punch-hole design maximize the multimedia viewing experience.

The phone's 5,000mAh large battery presents a 30% capacity increase from its predecessor, capable of video playback time over 27 hours. With a large battery and QC 3.0 support, you'll be able to extend what you do for longer.

HTC Desire 21 pro 5G

Announced in January 2021, the HTC Desire 21 pro 5G delivers the power of 5G to a whole new audience. HTC Desire 21 pro 5G brings a rich cinematic display, AI-assisted camera solution and a big tier-leading battery, augmented by the power of 5G at an affordable price point.

The Desire 21 Pro 5G boasts a rapid 90Hz refresh rate on a stunning 6.7-inch FHD+ display, providing a compromise-free screen to enjoy high-fidelity 5G-streamed content. Dual connectivity support allows users to be seamlessly transitioned as 5G infrastructure matures, ensuring a fast and consistent connectivity experience.

The camera setup is led by a huge 48MP main lens, 8MP ultra-wide lens, 40mm macro lens, dedicated depth sensor and a 16MP front facing lens, allowing users to take excellent photos under all conditions. A suite of cutting-edge features, including low light, panorama, intelligent photo and pro mode provide users the flexibility to get the best out of their shots.

To accompany all this, the HTC Desire 21 pro 5G includes a whopping 5,000 mAh battery boosted by Qualcomm Quick Charge 4.0+, so that users can enjoy the best that the 5G era has to offer- without interruption.

HTC Desire 20+

Unveiled in October 2020, the HTC Desire 20+ brings a suite of cutting-edge features to the Desire series. With a record-breaking 5-Camera setup, a pioneering new processor and tier-leading battery, the HTC Desire 20+ delivers sensational new functionality at an affordable price point, providing influencers and regular users a platform to stand out, show up and express themselves.

The camera array is led by an epic 48MP main sensor, accompanied by an 8MP ultrawide lens boasting 115-degree coverage, a 40mm macro lens and a dedicated depth sensor for crisp, clean portrait photos. These are complemented by a host of smart camera features including AI scene detection, night mode, GIF Mode and a powerful 16MP front-facing camera.

Underpinning the Desire 20+ feature set is a mammoth 5,000mAh battery and a state-of-the-art Qualcomm Snapdragon 720G Chipset, giving users the tools they need to create, connect and express themselves.

VIVE Virtual Reality

VIVE Pro Eye

VIVE Pro Eye was announced at CES 2019 in U.S and set a new standard for high-end VR headsets. Built for the most demanding professional users, the new VIVE Pro adds precision eye tracking to its renowned feature set of world-class graphics, high-end audio, and expansive modular tracking. Providing a more intuitive way to interact, VIVE Pro Eye features precise eye movement tracking and analysis enabling quicker reaction times, easier navigation and access, and an enhanced understanding of what users see and when.

The eye-tracking simply looks at the target and aim with precision with no need to even point with the controllers. Maneuvers are faster and more intuitive than ever. Moreover, eye tracking allows for foveated rendering, which properly allocates GPU power to focused objects and areas for sharper images. VIVE Pro Eye will allow businesses and developers to gather more data about their training environments, help optimize computer and VR performance, and offer product design and research groups unprecedented levels of feedback.

VIVE Pro Eye is equipped with Hi-Res Certified 3D Spatial audio technology for users to add life-like dimensions to simulations. The high definition image quality brings more immersive experiences for virtual reality enthusiasts. Engineered top-down for maximum comfort, the VIVE Pro headset is made for easy on and off, prolonged use, and accommodates a wide range of head sizes, vision types, and even glasses. With the VIVE Wireless Adapter, users can enjoy true freedom with the most powerful VR wireless solution.

VIVE Cosmos

VIVE Cosmos was unveiled at CES in January 2019. VIVE Cosmos is the newest VR headset from VIVE, offering absolute comfort, ease of set-up and use-ensuring consumers can access their virtual world whenever their life may call for it. VIVE Cosmos with no external base stations required, and maximizes the flexibility of usage space, whether at home or on the go, and has the capability to be powered by more than a traditional gaming PC. With the introduction of VIVE Cosmos, HTC aims to redefine how VR

is accessed by offering a headset that is quick to set up and use and can be taken on the go to new play environments. VIVE Cosmos will be the first VIVE headset to feature the “VIVE Reality System,” an entirely new design experience for VR.

The VIVE Cosmos series has won Fast Company’s Innovation by Design Award. Being recognized by a celebrated American business magazine that is often compared with Fortune and Businessweek is truly an honor. The fact that our product is able to stand out among many other world-class products is such a great compliment to VIVE’s hardware design.

VIVE Cosmos has a slick design and a metallic blue look, which boasts a strong futuristic style. Its most iconic feature is the carefully sculpted perforations in front of the faceplate on the headset. They are not just there for the looks; these perforations actually improve the cooling efficiency and help create an immersive VR experience for the players with maximum comforts. The overall design is now capable of better distributing the weight of the headset on a larger surface area evenly, covering the player’s nose, cheeks, eyes, forehead, and head. With this design, players are able to spend more time in the world of virtual reality. The design team even went the extra mile for the details: they adjusted the shape of the face cushion. By introducing ergonomic concepts into our product, the team enabled our headset to adapt to various face shapes and nearsighted conditions perfectly. Even players with glasses can put on the headset with no problem. After pulling off that design, we still managed to keep the external light sources from leaking in. This is extremely important to any VR headset, regardless of its brand.

Other than the ergonomic design that really makes a difference to our players, the VIVE Cosmos has an even more appealing core feature: the adjustable modular design. This allows our players to install faceplates of different specs and levels on their device, including the faceplate with 2 extra lenses optimized for the inside-out tracking feature and other advanced faceplates with outside-in, base-station dependent tracking features. With this new design, players are able to upgrade their hardware setup at a more affordable price. Apart from that, this is a great way to limit the electronic waste as well. Another well-received feature of VIVE Cosmos is the flip-up helmet design. This allows our players to smoothly transition between the virtual and the real world, which is a much-needed feature for developers and content creators who need to regularly go back and forth between what is on the VR headset and their PC display. It is a convenient design for players in general as well, for they can quickly pause their experience and tend to the matters requiring their immediate attention.

VIVE Cosmos Elite

VIVE Cosmos Elite pairs the performance of external tracking alongside the flexibility of inside-out technology to meet the needs of the most demanding VR entertainment enthusiasts.

By using Lighthouse base station technology, users will be able to experience the power and precision of SteamVR tracking. VIVE Cosmos Elite also supports VIVE’s ecosystem of peripherals including the VIVE Tracker — delivering unprecedented input freedom for VR controls — and the Wireless Adapter for an untethered VR experience.

VIVE Cosmos Elite includes a pre-installed External Tracking Faceplate, two SteamVR base stations, and two VIVE controllers. The External Tracking Faceplate can be used with base station versions 1.0 or 2.0 as well as the original VIVE or VIVE Pro controllers and is easily swapped with the original inside-out tracking faceplate that ships with VIVE Cosmos.

External Tracking Faceplate

In May 2020, in order to address the various needs of our customers regarding the VIVE equipment and to allow current VIVE Cosmos users to purchase different gear pieces for the device they own, we officially released the VIVE Cosmos External Tracking Faceplate. This faceplate is compatible with the VIVE Cosmos series, and it is available today.

VIVE Cosmos is a high-end PC VR system with the most comprehensive features among similar products today. It was built to accommodate various modular faceplates, and users are allowed to change the function of the device by mixing and matching them with different faceplates. It also comes with a great range of extension features, so whether you are a beginner who has just entered the world of VR or a business user who is aiming at high-end experiences, VIVE Cosmos is your go-to product. By simply switching the faceplate, customers are able to upgrade their headset without breaking a sweat. VIVE Cosmo can provide you with exceptional experiences, maximum comforts, and limitless upgrade potentials. To allow the users of VIVE Cosmos to experience the improved precision and tracking accuracy of VIVE Cosmos Elite, we decided to release the VIVE Cosmos External Tracking Faceplate as a separately-sold product. Users who purchase the VIVE Cosmos External Tracking Faceplate will be able to experience the mobility of the inside-out tracking system and the accuracy of the outside-in precision tracking feature. The VIVE Cosmos External Tracking Faceplate is suitable for the users' needs both at home and at work.

The VIVE Cosmos External Tracking Faceplate is compatible with SteamVR Base Station 1.0, SteamVR Base Station 2.0, VIVE Controller 1.0, and VIVE Controller 2.0. Other than that, it is fully supported by all VIVE accessories, including the VIVE Tracker and the VIVE Wireless Adapter. An extraordinary and limitless VR experience awaits!

VIVE Focus

Following the launch of the world's first room-scale PC VR solution in early 2016, HTC announced the VIVE Focus, and once again, was the first to bring 6DoF 'world-scale' VR experiences in an all-in-one VR headset to the VR market in early 2018. The combination of advanced capabilities, usability and comfort in an affordable package was unmatched in the market when launched. The launch of VIVE Focus signaled the beginning of VR's entry into the mass consumer space in 2018.

VIVE Focus was the first 6DoF stand-alone VR headset to be made commercially available. Without needing to be attached to a PC or a phone, the VIVE Focus delivers a premium VR experience with

unparalleled convenience and comfort. The built-in battery, central processor and surround-sound speakers allow users to experience robust VR at home or outside. It also comes with water-resistant padding and is designed to be glasses-friendly, with an ergonomically balanced design which allows for all-day wear. The VIVE Focus gives users the freedom to wander anytime and anywhere.

The VIVE Focus delivers a compelling experience through world-scale tracking. Its one-of-a-kind triangle support design distributes weight and pressure while still delivering a stylish appearance. The adjustable hinge design and the water-repellent faux-leather paddings provide a comfortable wearing experience. This thoughtful design fits seamlessly with the user's own personal taste and was recognized by winning the Gold Award of International Design Excellence Award 2018 (IDEA 2018).

With VR enjoying increasing attention and widespread application in the enterprise market, HTC announced in April 2018 that VIVE Focus had officially entered into the enterprise-class VR application market. TOYOTA was the first company to use VIVE Focus in Taiwan. In the TOYOTA VR security simulation, HTC VIVE Focus enables customers to experience TOYOTA's new upgrade security without having to drive. All 109 Taiwan TOYOTA exhibition venues will be equipped with VIVE Focus, allowing customers to experience three main test drive scenarios: National Road, Night Mountain Road and City Summit, and to learn how new TOYOTA security measures can help in each situation.

In October 2018, VIVE Focus went one step further with education integration in the Taiwan and Chinese markets. Combined with K12 educational VR content, the VIVE Focus educational portfolio not only includes gaming, but a range of new VR learning experiences. In fact, VR courses have been designed to be suitable for school-age students from the first grade of elementary school to the third grade of senior high school. VIVE Focus with educational VR courses cover a wide range of subjects such as astronomy, science, biology, physics and chemistry.

In January 2019, HTC announced that DeepQ, our health care division, is cooperating with Taipei's Wanfang Hospital to create a virtual multi-user "patient education room," where doctors can use sophisticated 3D models to explain medical issues and treatment options to patients. VIVE Focus can be used as a tool to break down barriers between doctors and their patients in order to improve care and drive patient education to new levels. With VIVE Focus, medical consultation can become mobile and more approachable to patients and doctors alike.

VIVE Focus Plus

VIVE Focus Plus was unveiled in February 2019 and is a professional-grade all-in-one VR headset for enterprise applications.

VIVE Focus Plus is designed to meet the demanding needs of commercial users, improving on the existing six degrees of freedom (6DoF) VIVE Focus headset by incorporating dual immersive 6DoF controllers, providing users the ability to seamlessly interact with their virtual environment with the same freedom

as PC VR devices. This enhancement also makes porting existing PC VR content easier for developers while making it physically more portable and natural to use. VIVE Focus Plus furthers our commitment to rapidly iterate and refine the VR market for both businesses and consumers across a wide range of use cases including showrooms, training simulations, virtual conferences, and more.

VIVE Focus Plus offers two ultrasonic 6DoF controllers featuring an analog trigger that gives users the ability to control objects or interactions with pressure-sensitive input, making experiences truly immersive. Additionally, with the aid of the Wave platform and SDK tools, porting from PC-based VR to VIVE Focus Plus will be relatively easier for developers.

VIVE Focus Plus also ships with several professional features including Kiosk Mode, Gaze Support, and device management tools to remotely enroll, monitor, and manage multiple headsets all at once. Powered by the VIVE Wave Platform with content from VIVEPORT with 19 languages supported, subscribers will also have access to a growing library of titles on VIVEPORT Infinity, which is the first unlimited subscription service for VR.

Companies across the globe such as SimforHealth and Immersive Factory are already implementing VIVE Focus Plus for medical training and safety simulation purposes. This all-in-one solution, powered by Qualcomm® Snapdragon™ 835 Mobile VR Platform, enables business users to collaborate and engage in new and effective ways.

VIVEPORT

VIVEPORT, the global VR platform, subscription service and store, is available in more than 70 countries worldwide now. With thousands of apps and games, VIVEPORT delivers content that supports the HTC VIVE, Oculus Rift/Rift S, and Valve Index headsets in addition to the Oculus Quest/Quest 2 via the Oculus Link cable as well as all VIVE Wave compatible devices.

The world's first VR subscription service, VIVEPORT Infinity saw an increase in content quality and quantity in 2020. On average, 30 titles were added to the Infinity library each month, including standout hits like The Walking Dead: Saints & Sinners and Phasmophobia.

In addition to providing VR gaming titles, VIVEPORT also explored film festivals, the arts and collaboration tools on the platform to provide users with more beyond-VR experiences. VIVEPORT participated in eight film festivals in 2020 - including the Venice International Film Festival, Raindance Immersive, and the London Film Festival - two music festivals and one VR fashion show. To top it off, two Emmy-winning titles launched on VIVEPORT in 2020: Awavena and The Line.

With the advent of the 5G era in Taiwan, HTC has also partnered with Chunghwa Telecom (CHT), Taiwan's leading telecom brand, to jointly nurture the 5G market in Taiwan. This partnership integrates

CHT's Hami app service with VIVEPORT, allowing consumers to download the Hami VR service through VIVEPORT to enjoy a variety of new VR experiences.

XR Suite

The VIVE XR Suite is a collection of five applications to enable business to more efficiently communicate/ collaborate internally amongst their staff and externally to their partners and customers via a more engaging spatial computing model. These applications can be accessed using all major XR platforms/ devices and are fully compatible with modern PCs, tablets and smartphones, so no matter what device a customer have, they can always access the system.

Core XR Suite benefits.

1. Next Generation Collaboration
2. Complete Remote Experiences
3. Anywhere, Anytime, Any Device
4. Open, Easy, Secure and Global

Key features of the XR Suite are:

1. One account to securely access all XR Suite apps
2. Full interactive support for PC, phone, tablet & VR
3. Server optimize for global accessibility and stability
4. Easily Connect into virtual worlds from a simple web link
5. Customizable avatar to fully express your identity
6. Unified look-and-feel across all apps
7. Enterprise Management of users & applications securely

The XR Suite can be applied to numerous use cases with proven benefits:

1. Education: online learning and remote campus. With the capability of Immersive and interactive education with rich tools for both teachers and students. Customizable classroom and campus environments to create optimal learning conditions.
2. Work: remote meeting and remote office. Meetings and collaboration in VR made easy. Share complex designs and multimedia files from client devices and cloud locations. Features include scheduling, chat groups, permanent private and public meeting rooms, and a host of conferencing tools.
3. Events: conferences, exhibitions, concerts, and performance. Next-generation VR experience for tradeshow, seminars, and exhibitions. True-to-life 1-on-1 and 1-to-many interactions in a wide variety of events. Compatible with VR headsets, PCs, tablets, and smartphones.
4. Entertainment: vtuber and festivals. Whether it's hosting an event for clients, building a customized shopping experience or letting loose at a virtual theme park, enjoy this immersive social space where business meets fun.

Healthcare

Pandemic Prevention Intelligent Chatbot Service

The Line Bot of Disease Control Butler (DCB) and Disease Containment Expert (DCE) developed by HTC DeepQ technology both played an important role in the digital frontline for Covid-19 pandemic prevention. Disease Control Butler (DCB) Line Bot system is a personal assistant who can be used to receive the latest outbreak alerts, manage vaccinations, and get answers with the tap of the screen. During Covid-19 pandemic Taiwan NHCC(National Health Command Center) has released the Covid-19 pandemic related information, pandemic prevention education, online press conference, fake news clarification, mask purchase map and daily pandemic news to people via DCB Line bot. It plays an important role in the prevention of Covid-19, allowing people to obtain information on pandemic prevention in real time. With the Disease Containment Expert (DCE) Line Bot system, those in home quarantine can voluntarily report their health status to the disease prevention staff every day. In addition to information on disease prevention and health status reporting, the system also sends home quarantine related details and notes to users.

VIVEPAPER

VIVEPAPER is a virtual reality textbooks making and reading tool independently developed by HTC DeepQ Healthcare. It uses 360 videos as the main media format, with text, pictures, videos, 3D models and menu designs, allowing each teacher to easily produce VR textbooks that meet your teaching needs. Through gesture operation, students can also view VIVEPAPER content in the most easy and intuitive way. We have successively cooperated with many medical universities and hospitals to integrate first-aid training, surgical training, clinical technical training, and public health education through VIVEPAPER editor into highly immersive and multi-interactive VR teaching materials, which greatly enhance learning fun and effectiveness. In the future, it is expected that VIVEPAPER will be introduced into teaching units through teaching and counseling, so that teaching units have the ability to independently develop VR teaching materials, and make VR a powerful tool for medical and nursing education.

DeepQ AI Platform

HTC DeepQ Healthcare launched the “DeepQ AI Platform” in 2018. “DeepQ AI Platform” dramatically reduces learning thresholds and the cost of AI model training through an optimized training environment, built-in multiple AI models, fully automated parameter adjustments, and a simple user interface. In September 2019, HTC DeepQ launched the new “DeepQ AI Platform” for medical application. It is composed of DeepQ AIP workstation and NVIDIA DGX-1 and designed to operate inside a hospital IT environment. Doctor can quickly convert their own labeled data into the deployable AI model training without writing and designing a deep learning program.

DeepQ Medical Encyclopedia

DeepQ Medical Encyclopedia provides reliable and easy to understand contents which make it much simpler to the public when reading medical articles. Based on the public’s need, we developed over 1,000 articles in this medical encyclopedia to help readers to know the definition, symptom, cause, diagnosis, treatment, and medication of the diseases fast and right. Going forward, we will innovate with AI and medical service to build an interactive platform for the public and medical professionals.

Blockchain

HTC EXODUS 1s

Following the HTC first blockchain phone – EXODUS 1, HTC announced the launch of the EXODUS 1s, which is a lower cost version of the pioneering HTC EXODUS 1, a smartphone with a built-in hardware wallet. In a ground-breaking development, the EXODUS 1s is the first smartphone ever to provide full Bitcoin node capabilities through powerful software tools. The EXODUS 1s is the combination of a smartphone with a hardware wallet and a full Bitcoin node all at an accessible price point.

EXODUS 1s will provide an opportunity for users who want to dip their toes into the crypto world and harness the powers of blockchain technology at the more accessible price point. Built-in HTC-developed hardware wallet, Zion Vault, providing users with a secure and user-friendly private vault on the blockchain. Using the Trusted Execution Environment (TEE), EXODUS 1s provides effective and military-grade security for users’ cryptocurrencies and assets.

EXODUS is about empowering the user. HTC gave users the ability to own their own keys, run their own full Bitcoin node and now HTC had gone one step further to allow users to easily access DeFi platforms through Zion Vault with your crypto assets.

Following the core values of blockchain and decentralization, HTC EXODUS believes in empowering users to own their data. In addition to not collecting user data, HTC EXODUS also works with partners with the same fundamental beliefs to provide more services while keeping our users secure. HTC EXODUS has been pushing for security and privacy for its users globally and dedicated to developing blockchain technologies.

2.3 Board of Directors



Cher Wang



HT Cho



Wen-Chi Chen



Chen-Kuo Lin



David Bruce Yoffie



Josef Felder



Vincent Thai

Board of Directors

Cher Wang
Chairwoman

HT Cho
Director

Wen-Chi Chen
Director

Chen-Kuo Lin
Independent Director

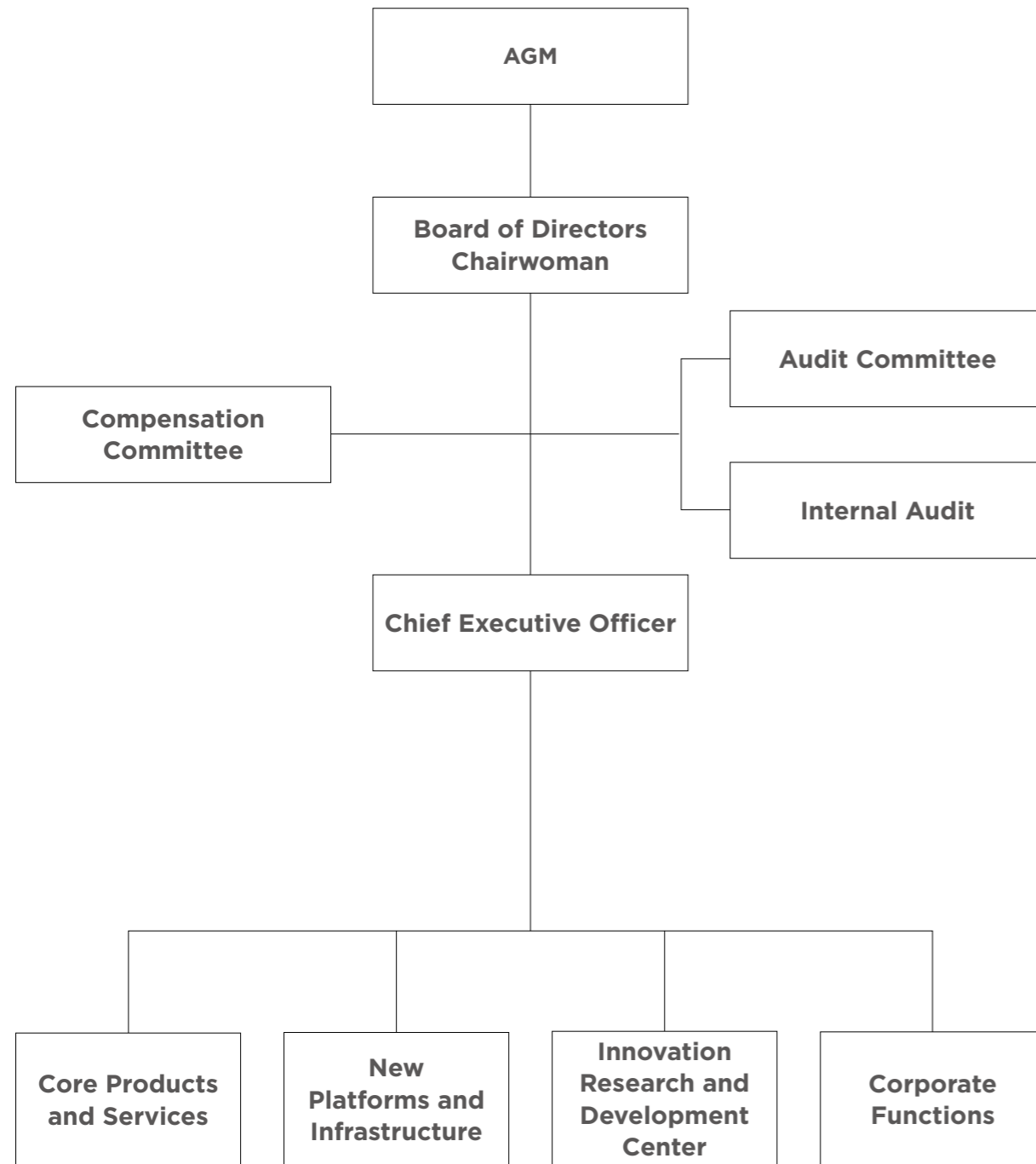
David Bruce Yoffie
Director

Josef Felder
Independent Director

Vincent Thai
Independent Director

2.4 Organization

2.4.1 Organization Chart

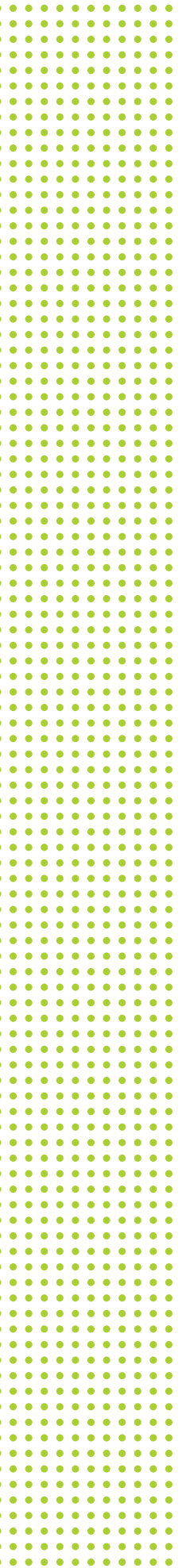


2.4.2 Organization Functions





BUSINESS OPERATIONS





BUSINESS OPERATIONS

3.1 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 means 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 VIVE Reality.

Our vision can best be understood through the VIVE Reality 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 VIVE Reality delivers. VIVE Reality 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. VIVE Reality 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 and 5G networking, we are re-energizing the HTC brand story through the notion of an innovative parent company that will dare to dream, while expanding our brands to new audiences and segments.

HTC’s approach to brand building is both pragmatic and effective, and is based on principles including:

Authenticity: Being authentically true to the nature of our mission, and the belief that we can improve human lives and experience while creating value.

Entrepreneurial approach: We are agile, attentive to costs, and aim to achieve maximum effectiveness through an obsessive and energetic approach to building our brand.

Innovative products: For many customers, our products and services are the most concrete expression of our brand. By delivering a steady stream of innovation in mobile, virtual reality, 5G, blockchain, and more, we create proof through action.

Integrated solutions: Far more than just a hardware company, we deliver true solutions through platforms, software, and services to create positive experiences and net promoter scores with our customers. Our VIVEPORT store provides access to content, VIVE Studios creates software, and VIVE Enterprise engages business customers with full solutions.

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 have.

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 the 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.

3.2 Business Activities

3.2.1 Business Scope

With its large bandwidth and ultra-low latency, 5G will greatly accelerate our journey to VIVE Reality. At this point in time as we step into an era of brand-new technologies, key technologies in our VIVE Reality vision will continue to set the direction for our product portfolio. Besides continuously optimizing the platform and diversifying the virtual reality (VR) and augmented reality (AR) content, what is also worth noting is the powerful impact of blockchain, intelligence (AI), and high-speed 5G networks.

5G

2020 ushered in a fast growing 5G trend. Looking forward, 5G will open up new possibilities with powerful bandwidth and innovative technology applications. Distance and time will be redefined through high-speed and low-latency networks among the Internet of Things (IoT) and automatic guided vehicle (AGV), as well as people-to-people and machine-to-machine networks. HTC is well poised to lead these new technological trends. In 2019, HTC started to cooperate with world-renowned hardware manufacturers and software partners for 5G Private Network vertical applications PoC and support 5G vertical applications trials. In the coming year, HTC will continue to invest in the research and development of new 5G use cases that combine VR/AR, camera, block chain, and AI technologies to further enhance and implement 5G strategies. We have teamed up with partners for global 5G Private Network business opportunities and looking forward significant growth in 2021.

Smartphones and Connected Devices

HTC has consistently put great effort in the smartphone market. In 2020, we released three midrange smartphone models, including the U20 5G, the Desire 20 pro, and the Desire 20+. Of these three, the U20 5G is not only the first 5G smartphone from HTC, but the world's first Made In Taiwan 5G smartphone as well. Our Desire 20 pro has been well-received in the market, making the top 20 best-sellers in Taiwan in its first month after launch. Besides the smartphone market, HTC focuses on the phone accessories market as well. In 2020, we released HTC's first true wireless earbuds. In the future, we will seek collaboration opportunities with e-commerce companies and mobile carriers around the globe in order to develop core products for 5G networks.

VIVE Virtual Reality

HTC VIVE

The HTC VIVE VR Headset Consumer 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 6 DoFs, bringing the mobile VR experience to the consumer market and advertising and corporate all over the world in a convenient and powerful way.

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

At CES 2019, HTC launched a range of brand new products, including VIVE Pro Eye, VIVE Cosmos, VIVEPORT Infinity, and VIVE Reality System. The revolutionary hardware and software designs as well as the application content services we exhibited through these products have set a new standard for the high-end VR experiences. This has received worldwide recognition and won multiple global awards. The latest achievements HTC has made in the development of high-end VR serve as an example of the industry-leading technology and content we possess. HTC is dedicated to redefining how consumers and corporate users approach and experience VR. As commercial needs for VR grow and develop, the launch of VIVE Pro Eye pushes eye-tracking VR technology even further forward. Whether it's for making onboard training more effective, or performing data analysis in a more perceptive way, VIVE Pro Eye provides a solution for professionals that continues to improve the ways we interact or work with VR.

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

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

In 2020, in order to provide VIVE Cosmos users with the same level of precision and tracking accuracy of the VIVE Cosmos Elite experience, you are now able to separately purchase the VIVE Cosmos External

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

VIVEPORT

VIVEPORT is a global platform for VR contents and subscription services. The platform is available in 70 countries, and there are thousands of VR contents and counting for our users over the globe to choose from. Not only that, VIVEPORT is the best platform for content creators to publish their works on and make profits on.

VIVEPORT allows our users to explore thousands of applications and games. Other than that, the platform supports various models of VR Headsets, including PC-Powered VR Headsets, All-in-one devices, and mobile ones as well. To better suit the needs for diversified contents of our users, we introduced VIVEPORT Infinity in 2019 as the world's first unlimited VR subscription service platform, and it's created a brand new content-based business model in the VR industry ever since. In 2020, the quality of the platform's VR contents had a major improvement as well. In addition to that, VIVEPORT now supports Oculus Quest/Quest 2 and any device that's compatible with VIVE Wave through Oculus Link. Accompanying by the pre-supported HTC VIVE, Oculus Rift/Rift S, and Valve Index devices, VIVEPORT is now compatible with all mainstream VR Headsets.

VIVE ORIGINALS

A content brand and platform under HTC VIVE, HTC VIVE ORIGINALS focuses its development on four aspects, including "Content Production", "Business Channels", "Platform Services" and "Solution Provision" to achieve the brand's goal of "creating entertainment experiences with cultural value in the virtual world for people".

Content Production

As a content creation team at the forefront, HTC VIVE ORIGINALS devotes to original IP development and original content production. It also engages in distribution and exploration in VR film, art, animation, music, cultural collection as well as industries of cultural creativity and entertainment. Since its foundation in 2017, the team has created six VR 360° films (The Deserted and 5x1 composed of five episodes) winning 3 major awards and nominated at 43 international film festivals, followed by the immersive animation Gloomy Eyes winning 2 major awards and nominated at 6 international film festivals. Moreover, the interactive VR work INORI was also highly recognized and nominated at international film festivals. In 2021, in addition to launching Asia's first frame-by-frame VR animation with puppet The Sick Rose which was selected into the 77th Venice Film Festival, the team will work on

the world's first VR film with real actors in the form of 6 DoF mobile theater and Fang-Yi Sheu Project supported by Taiwan Creative Content Agency (TAICCA).

Business Channels

By profiting through new business models like public broadcasting authorization of cross-domain content, exhibition making, and art collection and dealing, HTC VIVE ORIGINALS actively seeks cooperation opportunities on technology application and investment with the public sector. Expanding the market scale and creating industrial value, it combines virtual technology with creative, cross-disciplinary and cross-domain content.

Platform Services

HTC VIVE ORIGINALS launches the “Blockchain License Trading System” to facilitate resource integration for content developers, entrepreneurs in the cultural and creative industry, and offline channel operators, enabling more effective synergy between content and commercial channels while optimizing cooperative business models. In 2021, it initiates an ecological chain of virtual concerts that connects the virtual and the real to build a holographic music platform.

Solution Provision

HTC VIVE ORIGINALS develops the VR Theatre Management System (TMS) to provide a simpler and more user-friendly management interface through systematic playback management. Meanwhile, it also inaugurates the first commercial virtual volumetric capture studio in the private sector to enhance the range and depth of applying immersion for realistic virtual experience, giving rise to more excellent XR works.

VIVE Arts

VIVE Arts is a global initiative aimed at enhancing the artistic creation and appreciation through the latest technologies. VIVE Arts 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 brand-new creative medium, and platform, but also opened a portal for humans to appreciate the humanities and arts without time-space limitations. To date, VIVE Arts has formed over 50 meaningful partnerships with leading museums and cultural institutions globally.

2020 witnessed the cultural sector's growing adoption of digital technologies as it addressed tremendous challenges from COVID-19. VIVE Arts continued to play a crucial role in this sector by offering museums and cultural institutions the tools to engage with their audiences even when their physical locations were forced to close for months. One example is a partnership with the renowned Victoria & Albert Museum in London to create a virtual reality experience as part of the landmark exhibition Alice: Curiouser and Curiouser, allowing visitors to embody Alice and experience a Wonderland that comes to life from first-

person perspective. 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.

VIVE Arts continued to demonstrate the creative power of VR by working with leading artists to create memorable artworks and exhibitions. Notably in 2020, VIVE Arts commissioned the internationally renowned artist Cai Guo-Qiang to create his first VR artwork Sleepwalking in the Forbidden City, bringing into the virtual world the artist's signature fireworks spectacles, this time experienced from unexpected angles and in a fully immersive environment. The innovative VR artwork debuted as a highlight in the artist's major exhibition at the Palace Museum in Beijing, which was the 600-year-old Museum's first exhibition by a contemporary artist and received extensive press coverage. Other notable artist collaborations include the ink art master Liu Kuo-Sung's The Universe of Liu Kuo-Sung, debuted at Kaohsiung Museum; video artist Cheng Ran's Always I Distrust, exhibited at X Museum Beijing, K11 Musea Shanghai and Hong Kong, as well as the West Bund Museum in Shanghai; and new media artist Tao Ya-Lun's solo exhibition Ubiquitous Ghosts at Museum of Contemporary Art, Taipei.

Looking into 2021 and beyond, immersive digital art experiences are becoming the most popular and important genre in the cultural sector. VIVE Arts is well-positioned to continue to offer innovative and inspiring exhibitions to people around the world, in partnership with the most influential artists and cultural institutions.

VIVE X

VIVE X is an early stage investor and accelerator that provides funding and partnership resources for XR startups worldwide. It was formed with the vision to help expand the VR ecosystem, and efforts now include investment in related technologies including AR, AI, and 5G. Currently, VIVE X operates in six major cities: Taipei, Beijing, Shenzhen, San Francisco, London, and Tel Aviv.

Since 2016, VIVE X has helped its portfolio of startups in areas including strategy, business operations, technology, product, and funding. VIVE X stands out from other accelerators due to its position as a strategic player in the industry, and its exclusive access to HTC VIVE internal support and resources. Since its founding, it has been a notably active investor in the space.

VIVE X helps foster innovation, working with startups with the potential to make significant contributions in important areas. Over time, VIVE X has evolved to emphasize startups with advanced characteristics, including the development of their product, customer base, and management team. Enterprise software, as well as technologies that can advance the XR user experience, are particular areas of focus.

VIVELAND

VIVELAND is the brand name of HTC VR LBE (location based entertainment) solution provider. Launched in October 2016 on the 3rd floor of Syntrend Creative Park, VIVELAND provides users with various mix reality (MR) and themed experience, such as multiplayer shooting games, VR eSports games, omnidirectional VR haunted house, room escape games, racing games, sports sections and 4D motion seats, etc. The new VIVELAND branch ‘8D-ZONE’ located on the 8th floor of Syntrend Creative Park was launched in 2019, specifically designed for competitive multiplayer games. VIVELAND has accumulated quite a lot of operating experience since its establishment. At the end of 2018, it co-founded VIVELAND Kaohsiung with Kaohsiung City Government. Located in Taroko Park Kaohsiung, VIVELAND Kaohsiung occupies 826.45 m² and is currently the largest VR theme park in Taiwan. After its renovation in July 2019, VIVELAND Kaohsiung can accommodate 20-30% more visitors and provide the best VR experience to more users. VIVELAND is also actively expanding globally. The first overseas VIVELAND franchise was launched in Hong Kong in early 2019, partnering with EASCO Telecommunications Limited. Thanks to a year’s efforts our team has put in, the scope of our business has expanded to Saudi Arabia in the middle east as of February 2020. We and the United Electronics Co. EXTRA, a major local electronics distributor, joined forces to establish the first beachhead of our business - Xtra Life, Saudi’s first VR theme park. The park located in Khobar, a major city in Eastern Saudi Arabia covers an area that is over 2,000 square meters. We saw the potential growth of the entertainment industry in the middle east, and this park will serve as a center when we expand our VR theme park business to other middle-east countries. VIVELAND will continue to cooperate with global content providers to develop the most suitable VR content for arcade experience. Each game available in VIVELAND has been carefully tested and optimized to ensure that the content is engaging enough to generate profits constantly.

Healthcare

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

Pandemic Prevention Intelligent Chatbot Service

In the fight against COVID-19, the Line Bot of Disease Control Butler (DCB) and Disease Containment Expert (DCE) developed by HTC DeepQ technology both played an important role in the digital frontline. Disease Control Butler (DCB) Line Bot system is a personal assistant who can be used to receive the latest outbreak alerts, manage vaccinations, and get answers with the tap of the screen. During COVID-19 pandemic Taiwan NHCC(National Health Command Center) has released the COVID-19 pandemic related information, pandemic prevention education, online press conference, fake news clarification, mask purchase map and daily pandemic news to people via DCB Line bot. It plays an important role in

the prevention of COVID-19, allowing people to obtain information on pandemic prevention in real time. The number of DCB users currently exceeds 2 million. With the Disease Containment Expert (DCE) Line Bot system, those in home quarantine can voluntarily report their health status to the disease prevention staff every day. In addition to information on disease prevention and health status reporting, the system also sends home quarantine related details and notes to users with a touch of human warmth, to make sure users were taken good care both physically and mentally. The number of DCE users currently exceeds 80,000.

DeepQ AI Platform

HTC “DeepQ AI Platform” dramatically reduces learning thresholds and the cost of AI model training through an 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. Doctor can quickly convert their own labeled data into the deployable AI model training without writing and designing a deep learning program. It has been successfully sold to the Taiwan Medical Center in 2020. Doctors can develop AI models according to their needs of the clinical process to conduct clinical research or improve the clinical workflow.

Medical Virtual Reality Products

The HTC Medical VR team is committed to the vertical application of VR from medical education to clinical applications. In addition to greatly increasing the interest and effectiveness of medical learning, it can also enhance the communication between doctors and patients and the quality of medical treatment, and create the greatest social welfare. The Medical VR team also accelerates the development of the global healthcare VR ecosystem, and cooperates with VR developers to implement medical VR innovation in the actual field and integrate it into practical applications. Medical VR team has established successful world-class standards, the world’s top virtual reality medical training centers with many hospitals, universities and colleges, and promotes medical education and training to the next generation.

3D Organon is the world’s first virtual reality anatomy teaching application, combining leading technologies such as VIVE Pro Eye, VIVE Pro, Cosmos, Focus Plus, and Focus to create XR and global multiplayer connection prospective applications in medical education. The app supports 15 languages around the world, built-in more than 5,500 realistic human structures and organs, and 550 sets of physiological animations. Combined with VR stereoscopic image presentation, users can manipulate bones, muscles, blood vessels, organs and other anatomies in 3D space structure, check the structure from all angles. Not only supports the VR platform, but also provides versions for different operating systems such as Windows PC/Mac OS/Android/iOS.

Surgical Theater, VIVEPAPER, and 3D Organon. Surgical Theater combines various DICOM medical imaging technology such as MRI, CT, DTI, MRA, and CTA to create a three-dimensional model. In addition, the product can fully recreate stereoscopic details with the HTC VIVE. Surgical Theater allows

surgeons to quickly develop surgical training plans and allow residents to observe and practice repeatedly, vastly improving learning efficiency and effectiveness. Moreover, HTC DeepQ Healthcare has received TFDA Certification in Taiwan and collaborated with various medical centers to apply VR products in clinical operations.

VIVEPAPER is a unique virtual reality textbook making and viewing tool, which uses 360 videos as the main media format, and text, pictures, videos, 3D models and menu designs, each teacher can easily create VR textbooks that meet their own teaching needs. . Through gesture operation, students can also view VIVEPAPER content in the most easy and intuitive way. VIVEPAPER is suitable for a variety of vertical market applications, including education, travel and various training courses. VIVEPAPER can be viewed with various VR devices, including: PC VR, Stand-alone VR, and Mobile VR. It is suitable for various use scenarios and is the best way to promote self-made VR teaching materials.

Medical Virtual Reality Business Results

In response to the global pandemic of COVID-19 in April 2020, HTC cooperated with Taipei Tzu Chi Hospital and Taiwan Society of Simulation in Acute and Critical Medicine to establish the “COVID-19 VR Medical Simulation Training Center”, integrated with the SimX VR training platform, covering the training of COVID-19 care from screening to isolated clinical care allows medical students to learn in a safe and secure environment, and advance deployment to expand the power of medical care. This results has been recognized by BBC for establishing the model how to apply VR to COVID-19 care in Taiwan. In the future, it will customize medical simulation training for different diseases according to the needs of clinical teachers, and apply them to the clinical skills training center (OSCE Center). In the face of the severe global pandemic, in addition to the shortage of ventilators and medical protective equipment in hospitals, medical professionals are also in an urgent situation regarding the care manpower for COVID-19, and countries are doing their best to avoid the collapse of the medical system. In an environment with a high risk of infection, how to quickly train more medical staff has become the most important challenge at the moment, and virtual reality has become the most practical and effective teaching and training tool.

In 2020, HTC has partnered with Taichung Veterans General Hospital Hemodialysis Center to develop “hemodialysis accident management training materials” based on learning theories and application of gamified lesson plans. The goal is to provide new or junior nurses to take regular tests and learn more than 20 types of accident handling methods, such as: air embolism, blood loss, etc. This training material makes full use of the advantages of VR, can simulate a variety of situations, greatly reduce the cost of each simulation test, and enhance the students’ self-learning ability. VR will become a more effective training tool that can enhance the professional capabilities of medical professionals of all categories and reduce the incidence of medical negligence, thereby benefiting people seeking medical care and continuing the beauty of life.

In July 2020, HTC also used VR to create innovative health education content to increase the health awareness with early screening promotion. Colorectal cancer is one of the most common types of cancer

in Taiwan. According to the statistics of the Health Promotion Administration, Ministry of Health and Welfare in 2017, more than 16,000 people are newly diagnosed with colorectal cancer each year. It ranks top 1 among men and the second among women. HTC collaborates with Health Promotion Administration, and Dr. Han-Mo Chiu, the Director of Taiwan Colorectal Cancer Screening Program, to develop the “Virtual Reality Health Education Video for Colorectal Cancer Screening”, which not only helps to better understand the process of colonoscopy, but also eliminates the fear of colorectal cancer screening. The video delivered outstanding outcomes with nearly 20,000 hits on the fan page of the Health Promotion Administration in one day, and they will broadcast continuously in more than 200 hospitals across Taiwan. Effectively enhance the screening awareness of the colorectal cancer, and HTC has been high recognized by Health Promotion Administration for the contribution of healthcare awareness increasement.

Blockchain

EXODUS is about empowering the user. HTC gave users the ability to own their own keys, run their own full Bitcoin node and now HTC had gone one step further to allow users to easily access DeFi platforms through Zion Vault with your crypto assets.

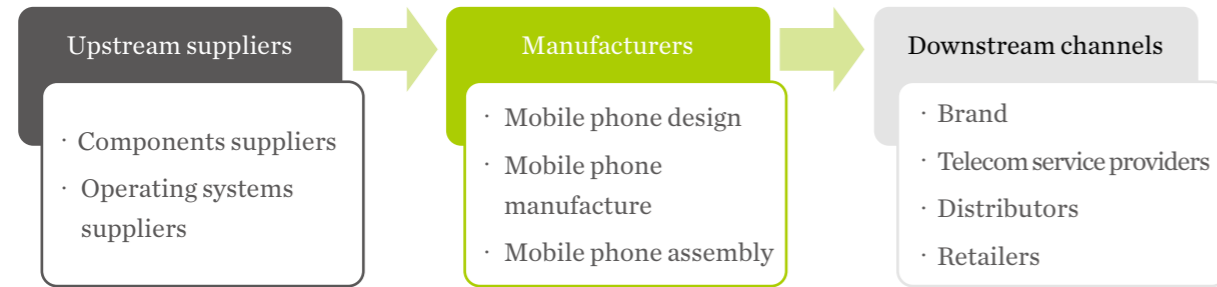
HTC and FTX announced a collaborative EXODUS 1 smartphone — the EXODUS 1 – FTX Edition in April 2020. The original EXODUS 1 device is the first smartphone built for a new internet and allows users to own their own keys. It’s the world’s largest crypto exchange meets the Swiss bank in users’ pocket.

3.2.2 Industry Overview

Smartphones and Connected Devices

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.

Figure Industry relationship chart



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 an industry-wide slowing of innovation. Even the performance optimization of new phones today is not enough to encourage consumers to replace their current existing mobile phones. 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. Looking forward into 2021, the economy is expected to recover as the pandemic is controlled, and with everyday life and work returning to “normal”, smartphone sales are expected to also return to growth.

Figure Communication Technology Evolution

	1G	2G	3G	4G	5G
Time	1980	1991	2001	2008	2020
Technology	AMPS	GSM CDMA	WCDMA CDMA2000 TD-SCDMA	LTE	Millimeter Wave, Massive MIMO, Beamforming
Service	Call	Call, Message, Text mail	Call, Message, internet, Streaming service	Call, Message, internet, 1080P Video streaming service	Call, Message, internet, 4K Video streaming service, VR streaming, Auto Guided Vehicle
Speed	2 Kbps	10 Kbps	3.8 Mbps	0.1-1 Gbps	1-10 Gbps
Frequency	800-900 MHz	850-1900 MHz	1.6-2.5 GHz	2-8 GHz	3-300 GHz

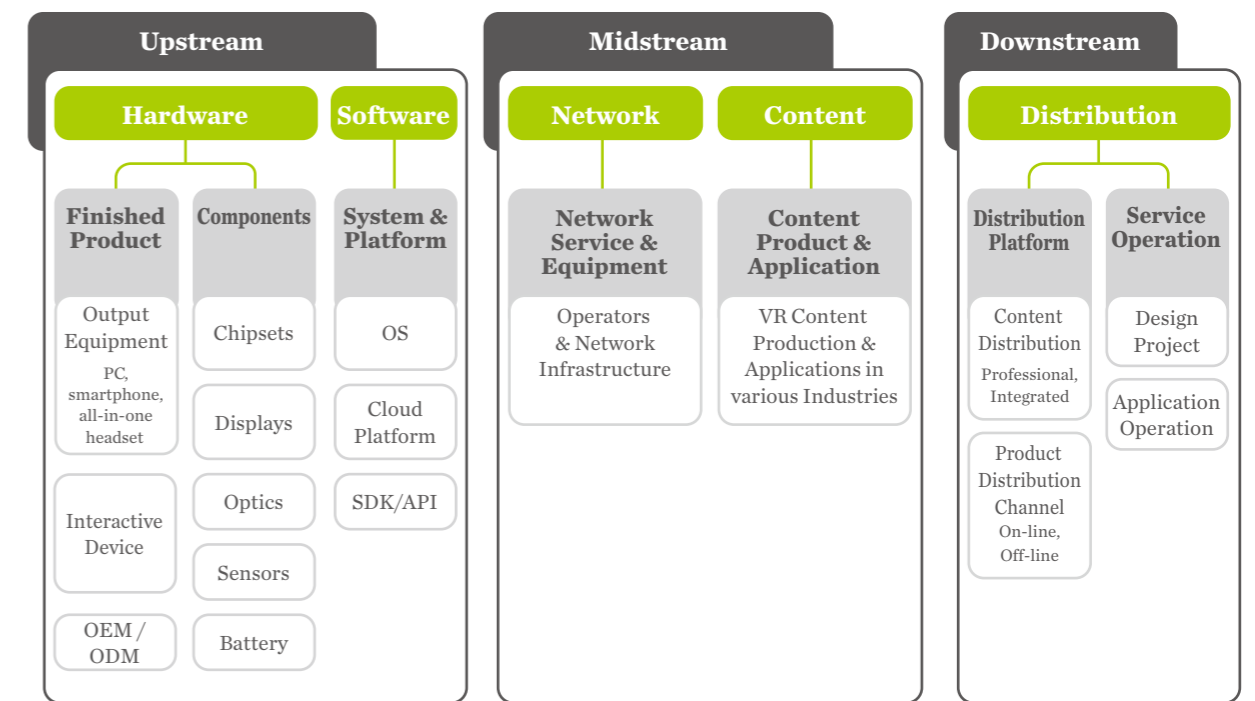
Virtual Reality

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.

At present, the major hardware manufacturers in the VR industry are VIVE by HTC, Oculus by Facebook, and PSVR by Sony. Each manufacturer adopts different development paths due to different industrial strategies. The VR industry trends are divided into three major directions: one is to improve the hardware



specifications of VR headset; the second is to cooperate with software vendors to develop application services to meet consumer needs; the third is to expand more optimized business applications in individual fields.

Hardware manufacturers from 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, manufacturers have been working diligently to develop standalone devices, which allow consumers to enjoy more freedom of movement, reduce the interference of the connection cable and to improve the user experience.

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.

The third 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. With the impact of COVID-19 and the resulting “Home Economy”, more consumers have begun to step into VR as VR acceptance and adoption have been able to increase. For example, VR technologies have played a pivotal role in promoting online real estate brokerage businesses, enabling consumers to visit new real estate listings without leaving their homes, greatly improving the efficiency of viewings and also allowing all parties to remain safe. VR has already delivered on its unique value for personal consumer entertainment and commercial applications. In the future, there will be more and more application scenarios for VR in the industry and consumer market, and the VR industry will enter a period of rapid development.

3.2.3 Progress in Research & Development

5G

5G is the wireless access technology, promised higher data rates, lower latency, and higher reliability. These capabilities open up opportunities for new use cases like cloud based VR, gaming, smart manufacturing, automatic guided vehicles and more. The most important market transition over the next few years will be the introduction of 5G whereas 5G services will be the focus of global mobile communication industry in the coming year.

HTC has successfully done Cloud VR PoC (6 con-current VR users) and AGV (4 con-current remote control cars) by 5G Private Network in 2020. We keep working with multiple global well-known software and hardware companies to build an end-to-end total 5G private network solution with cloud native. This solution is designed to fulfill plug-in and play concept, our customers can easily enjoy the benefits of 5G with minimum effort and complexity. We focus on enlarging the penetration of 5G in various fields and industries with our plug-in and play 5G private network solution.

Smartphones and Connected Device

Since its inception, HTC has invested consistently to consolidate in-house R&D capabilities. Frequently, HTC products are trailblazers, earning a long line of “firsts” that includes the world’s first Windows Mobile and Android smartphones, first dual-mode GSM/WiMAX phone, first 3G/4G Android phone, and first LTE Android phone. HTC has earned its pioneering reputation through innovation and an exceptional understanding of industry and consumer trends. In 2011, with markets shifting up to 4G high-speed mobile networks, HTC launched HTC Thunderbolt and HTC Titan II - the world’s first LTE Android and LTE Windows Phone smartphones. Milestones like these further highlight HTC’s leadership in critical technologies.

HTC unveiled the HTC One family at the Mobile World Congress 2012. This addition to HTC’s portfolio further streamlined the user experience with unparalleled design aesthetics, with an amazing camera and authentic sound. The HTC One was the only smartphone in its class with the all-new ImageSense™ to enhance image and video capture functions. In order to further satisfy the different needs of the market, HTC in 2012 released multiple smartphones that combined performance and ergonomic design, such as the release of the first 4G LTE Windows Phone, named TITAN II. In addition, HTC also featured the critically acclaimed entry-level Desire series smartphones. In the high-end space, HTC released 5-inch full HD smartphones, such as the DROID DNA in partnership with US carrier Verizon, the HTC J Butterfly in cooperation with Japanese carrier KDDI, and the HTC Butterfly in China and Taiwan. Together with Microsoft, HTC released the Windows 8X and 8S. HTC continues to give consumers more choice by partnering with global technology leaders.

At a product launch held in London and New York in February of 2013, HTC unveiled the new flagship smartphone HTC One. The device disrupted the traditional mobile experience and featured a seamless



metal unibody design. The HTC One came with the latest HTC Sense that includes HTC BlinkFeed™, which gives the user a real-time dynamic homepage to access global and personal social networks news. HTC Zoe™ shooting mode used HTC UltraPixel™-powered camera to bring image galleries to life, and redefined how people take pictures, play and share precious moments. In addition, HTC BoomSound™ provides the industry's best mobile audio experience, utilizing front-facing speakers and dual dynamic microphones. Add to that a full HD screen, and users can immerse themselves in their music, movies, and games. In addition, HTC Sense TV™ allows for the control of most TVs, set-top boxes, and receivers by transforming the smartphone into a remote control. The HTC One M7 won the Best Smartphone of the Year at the 2014 MWC hosted in February by the GSMA as well as the iF Gold Design Award in Germany, among many other industry and media awards. These awards affirmed once more that design and innovation are a key part of HTC's DNA.

In March 2014, the latest flagship model HTC One M8 was released in London and New York. HTC One M8 elevated craftsmanship to a whole new level. The new one-piece metal casing covers 90% of the device, presenting an immense challenge to antenna design. After extensive design and calibration, HTC One M8 was the only phone in the world with an all-metal unibody that has passed all carriers testing and sold simultaneously through 230 carriers worldwide. The ultra-thin HTC One M8 with its curved edges and brushed metal finish offers the ultimate grip and visual aesthetics. The new generation of HTC BoomSound™ increased 3D sound performance by a further 25%, and the proprietary Duo Camera provided super-fast focusing (300ms) to capture every exciting moment of the user. The UFocus™ function can be used to alter the focus of the images while all creative photo backgrounds and Seasons animations offer the user an incomparable photo experience. The new Zoe™ integrates all its functions even more intuitively and seamlessly into the snapshot function. Combining Motion Launch™ gestures with the new Sense 6 and Smart Sensor Hub, HTC One M8 is able to recognize gestures and touch control tracks to intelligently launch corresponding functions or apps. The HTC One M8 incorporated all of these functions without compromising the battery life. More demanding conditions and specifications extend the extreme power-saving function increases the standby time to two weeks. With all of these smart

functions, the HTC One M8 undoubtedly is the pioneer and undisputed leader for the next generation of smartphone applications and user experience.

HTC continues challenging ourselves to aim higher. Building on the design DNA of its predecessors, the HTC One M9 combines the antenna and precision of HTC One M7 and the ergonomic curves of HTC One M8 in a seamless, elegant metal unibody. We achieved another industry first, applying a dual tone, dual finish combination to the body of our phone. The back panel is brushed with a gorgeous hairline finish, retaining the unique HTC look, while the sidewalls are polished to perfection with a mirror finish. Staying true to our design philosophy, we machined this phone from a solid piece of aluminum to our iconic unibody design. The phone was received enthusiastically by press and fans.

In April 2016, HTC unveiled the new flagship smartphone, the HTC 10. With customer feedback an integral part of the development process combined with an obsessive attention to detail, the HTC 10 delivers everything that consumer would want from a flagship device. Inspired by light and sculpted to perfection, the HTC 10 employs new design approach where bold contours are carved out of solid metal. Capturing the light beautifully, the chamfered edges boast a slimmer and slender look with its full-glass front merging seamlessly into the metal body. With the world's first optically stabilized, new larger sensors, 12 million of our new generation UltraPixels, faster laser autofocus powering the main camera and a wide angle lens and screen flash on the front UltraSelfie™ camera, HTC 10 delivers brilliantly sharp, low light and high-resolution photos whether behind or in front of the lens. The HTC 10 combines vivid 4K video with the world's first stereo, 24-bit, Hi-Res audio recording — capturing 256 times more detail than standard recordings, across twice the frequency range. Whilst the HTC 10 raises the bar on the hardware, we have also delivered what we believe to be best-in-class software by focusing on getting the fundamentals right. With apps that launch twice as fast and that perform to the highest standard and a next generation quad HD display that is 30% more colorful, creating a true cinematic feel, and that is 50% more responsive to touch than its predecessor, even the smallest and fastest of finger movements track perfectly.

The HTC U11 was released in May of 2017 and comes with HTC Edge Sense, ushering in a new era of mobile phone interactions. With a simple squeeze, HTC Edge Sense lets users easily engage with their phone in an unprecedented yet intuitive way, helping consumers more naturally enjoy the things they love like launching the camera, taking photos, launching an application, instant recording, taking a screenshot, Google Assistant, Voice to Text and so on. Functions that used to demand several steps can be completed by a single squeeze now. The HTC U11 uses an astonishing 3D Liquid Glass Surface that is finely crafted using Optical Spectral Hybrid Deposition. By layering highly-refractive precious minerals across the phone's back cover, we've created stunningly vivid new colors that transform light with every movement users make. It is not only stylish and easy to hold with dust-proof and waterproof capabilities. The primary camera (12MP) of the all-new HTC UltraPixel 3 has the UltraSpeed Autofocus function that gets a high score of 90 on DxOMark benchmarking and ranks among the top in the world of smartphone cameras. The HTC USonic personalized sound is now integrated with active noise cancellation that can lower ambient disruptions and noises to bring users the purest music. Active noise cancellation can continuously monitor ambient sound levels and make quick adjustments on newly emerged noises and disruptions. HTC USonic and active noise cancellation will operate in parallel automatically, letting users focus on music, videos

or games any time. The HTC BoomSound Hi-Fi edition is also fully upgraded. We have improved the speaker design to allow more loudness and have better dynamic range audio. The tweeter now offers an acoustic chamber that allows the highs and mids to sound richer. The woofer sports a new speaker and improved magnetic circuit design for louder, clearer and appreciably deeper bass tones to give users a natural soundscape with exceptional audio detail. The HTC U11 comes with Qualcomm® Snapdragon™ 835 Mobile Platform iv, which is the first 10 nm mobile processor. Consumers get 25% faster graphics than the HTC 10, with 35% or 3 hours more video playback, 30% or 8 hours more music playback and 43% or 3.5 hours longer web browsing time via LTE network.

Launched in November 2017, HTC U11+, inherited the innovative DNA of HTC U11, has developed even more sophisticated functions. HTC U11+ is equipped with an ultra-large 6-inch 18:9 display screen. The narrow and long stature is designed for ergonomics, making it easy to operate even with one hand. The built-in 3,930 mAh large-capacity battery can meet consumer demand throughout the day. The display screen supports the DCI-P3 wide color gamut, perfect for saturated and diversified hues with stunning color accuracy. The reinforced Edge Launcher allows users to complete tasks easily with one hand, such as launching the camera, accessing Google Assistant and Amazon Alexa, or simply opening different apps. Moreover, users can choose to use their dominant hand to operate the Edge Launcher. Inspired by the liquid surface glass design of HTC U11, HTC U11+'s "Translucent Black" reveals a higher level of exquisite craftsmanship where users can see some of the internal components through the translucent rear case, setting a new milestone in mobile phone aesthetics.

Launched in May 2018, HTC U12+ contains bran-new translucent liquid glass design, along with water-and-dust resistance IP68. Its innovative 3D glass and diamond-cutting technology creates an extremely narrow frame, which is reduced by 2mm in contrast to that of HTC U11. In addition, the brilliant interactive squeeze motion of creative Edge Sense 2 helps act easily with one hand. In terms of camera design, it highlights both front and rear dual cameras. Front dual cameras support depth sensor, face ID unlocking and portrait bokeh effect. Rear dual cameras harness 2x optical zoom as well as 10x digital zoom, PDAF (Phase Detection Auto Focus) & LASER AF (II), and OIS (Optical Image Stabilization) & EIS (Electronic Image Stabilization). With all these features, it can shot stunningly sharp images and capture phenomenal details even when the subject is in motion. HTC U12+ won a score of 103 by DxOMark, which is the highest among other smartphones with a dual-camera system. 4K Video Recording at 60 fps is included, attached with cutting-edge "Hearing Focus II" that is composed of sound microphone array and algorithm. The intellectual sound-picking range concentrates with the adjusting focuses while shooting videos. Its processor carries the latest Qualcomm® Snapdragon™ 845 mobile platform and accompanies the optimal display and processing speed, as well as the dual LTE connection ability.

The high-end U19e announced in June 2019 carries on the design technique of HTC flagship, with translucent glass back clover design. Through precise techniques, metal particles are scattered on the rear glass, presenting gradient luminescence on the mirror surface, featuring an unparalleled texture and smooth layered colors. HTC U19e adopts OLED screen, one of the best display in the industry, with wide color gamut and dynamic color control. Its color saturation is well tuned without color distortion. HTC U19e supports HDR10 and BoomSound Hi-Fi speaker, providing users the finest audiovisual enjoyment. On user recognition, U19e combines three bio-recognition technologies, including fingerprint, face and iris recognition, enhancing smartphone unlock experience in all aspects.

The mid-range Desire 19+ was announced in June 2019 as well, which is the first HTC smartphone with built-in triple camera setup on the rear, allowing users to take photos with unbounded creativity. Its primary camera is equipped with 120° super-wide-angle lens, which captures more amusing things and views, keeping the essence of the scene. It is also equipped with 6.2-inch display featuring a 19:9 aspect ratio, the HTC smartphone largest display ever, and with largest battery capacity ever among HTC desire series.

Announced June 2020 in Taipei, HTC U20 5G is the latest showcase of HTC's commitment to bringing cutting-edge innovation and unrivaled usability to the next level. HTC's first 5G handset introduces more than just the next generation speed. From HTC 5G Hub to HTC U20 5G, HTC never settles for only the realization of new technology, but to bring true experience that is optimized for users' everyday life. Powered by Qualcomm Snapdragon 765G Mobile Platform with integrated 5G modem, HTC U20 5G optimizes power efficiency for extended use. Along with top-of-the-class 5,000mAh battery powers all the entertainment. HTC U20 5G extends 5G entertainment for the long haul. The extended EN-DC combinations support and dual-mode SA plus NSA capability not only ensure a smooth transition toward true 5G infrastructure, but also secure the true 5G ultra-high bandwidth experience across more areas. On the camera segment, HTC U20 5G presents a full photography arsenal with 5 cameras setup. Ultra-fast low light focus, AI scene detection, closeup mode, and wide-angle shot, HTC U20 5G are ready for any photo situation you face. From a blur-free 4K video capture even during movement with help of image stabilization to a tier-leading 32MP front camera with a wide array of filters and beauty mode, HTC U20 5G empowers a rich photography experience for all of life's moment and memories.

VIVE Virtual Reality

HTC VIVE is set to provide the most immersive virtual reality experiences to unleash human imagination from the limitations of reality. VIVE will change how we work, learn, play, communicate, entertained and believe. HTC has put considerable resources into building a thriving development environment. We are expanding the VR hardware and platform ecosystem to enable the whole industry to grow through the creation of compelling content and rich experiences to also further our commitment to rapidly iterate and refine the VR market for all consumers, developers and businesses. Since the first debut of HTC VIVE, partnered with Valve® in 2015, we have continued to introduce innovative products such as VIVE Pro, VIVE Wireless Adaptor, VIVE Pro Eye and VIVE Cosmos to bring virtual reality users more premium and immersive experiences. We launched VIVEPORT, a global platform and app store with the world's first VR subscription model to focus on the most innovative and diverse immersive experience for global virtual reality content developers. VIVE Focus is the revolutionary standalone VR device which delivers a premium VR experience with unparalleled convenience and exceptional comfort. VIVE Wave™ VR open platform is aimed at bringing together the highly fragmented mobile VR market to build and expand the global virtual reality ecosystem.

At Mobile World Congress (MWC) 2015, HTC and Valve® partnered to unveil the HTC VIVE™ virtual reality system, fulfilling the promises of creating fully immersive experience that change how we

communicate, how we are entertained and how we learn and train. With a resolution of up to 2160 x 1200 pixels and a refresh rate of 90Hz, HTC VIVE headset literally takes users to the virtual world before they know it. It stands out with its powerful positional tracking system and industry-leading room-scale experience that can track users' every move in the room utilizing laser sensing and tracking technology, along with instant feedback that enables users to find there's only a fine line between the virtual and the real world. Since its launch on the market, VIVE has received numerous rewards, including "Best in Show" and "Best Wearable" awards at the 2015 Mobile World Congress (MWC).

At Consumer Electronics Show (CES) 2016, HTC launched its second developer edition, HTC VIVE Pre, which has revolutionary development in its appearance and capabilities and has taken a vital step further by taking the VR industry into the consumer market with its already matured technology. With a sleeker design and a brand-new headstrap, HTC VIVE Pre provides greater stability and balance; the new system renders brighter displays and more subtle images to provide a deeper sense of immersion. Redesigned from an angled shape of the first developer version to a round and smooth style, HTC VIVE Pre handheld controller looks more futuristic and provides a more ergonomic experience with a specially designed handle and selected material. It lasts for up to 4 hours in a single charge with rechargeable lithium batteries. Furthermore, the positional tracking technology of HTC VIVE has been improved to provide a more stable tracking system that gives users the abilities to walk around and navigate naturally in the virtual world.

At VRLA 2016, the world's largest virtual reality expo, VIVE launched VIVEPORT™, the destination for VR content and experiences. VIVEPORT features a wide range of VR experiences across education, design, art, social, video, music, sports, health, fashion, travel, news, shopping, creativity tools, and more. Together with the global community of content creators and developers, VIVEPORT provides all customers with a unique and fast-growing selection of apps and experiences. In addition, VIVEPORT continues to roll out new platform features supporting content creation, distribution, and customer engagement.

At Consumer Electronics Show (CES) 2017, HTC debuted two premium accessories, the VIVE Tracker™ and VIVE Deluxe Audio Strap™. The VIVE Tracker opens new options for developers to make VR even more immersive with additional tracking capabilities and new peripherals. The VIVE Deluxe Audio Strap is designed for a more comfortable and convenient VR experience, with integrated earphones and a sizing dial for a quick adjustment of the headstrap.

At the VIVE Developer Conference 2017, HTC VIVE unveiled VIVE Focus, the standalone VR headset, and VIVE Wave VR open platform. VIVE Focus is the commercial standalone device to deliver inside-out 6-degree-of-freedom tracking (6DoF) which VIVE calls "world-scale". Without the need to be attached to a PC or a phone, the VIVE Focus provides unlimited freedom of mobility while reducing the total cost for users to own a premium VR device. Its high-resolution AMOLED screen realizes the best possible VR experience, with low latency and unmatched clarity. The VIVE Focus is powered by the advanced features of the Qualcomm® Snapdragon™ 835 VR platform. VIVE Wave, a VR open platform and toolset that will open up the path to easy mobile VR content development and high-performance device optimization for third-party partners. VIVE Wave is a clear step forward in bringing together the highly fragmented mobile VR market.

In January 2018, HTC announced the hardware upgrades that deliver premium VR experiences to consumers and enterprises with the introduction of VIVE Pro and VIVE Wireless Adaptor. VIVE Pro is a new HMD upgrade from VIVE, built for VR enthusiasts and enterprise users who want the best display and audio for their VR experiences. VIVE Pro includes dual-OLED displays for a crisp picture resolution of 2880 x 1660 combined, a 78% increase in resolution over the HTC VIVE HMD. This premium resolution enhances immersion for VR enthusiasts, and the improved clarity means text, graphics and overall experience all come into sharper view. VIVE Pro also features integrated, high-performance headphones with a built-in amplifier to offer a heightened sense of presence and an overall richer sound. VIVE Pro's new headstrap was built with enhanced ergonomics and comfort, including a sizing dial for a more balanced headset that decreases weight on the front of the headset. Additional improvements include dual microphones with active noise cancellation and dual front-facing cameras designed to empower developer creativity. VIVE Wireless Adaptor is the first to market with a truly wireless VR headset integration for both HTC VIVE and VIVE Pro. The VIVE Wireless Adaptor offers a premium VR wireless experience that operates in the interference-free 60Ghz band, which means lower latency and better performance.

HTC VIVE launched two new devices, VIVE Pro Eye and VIVE Cosmos, at Consumer Electronics Show (CES) 2019. VIVE Pro, built to meet the needs of the professional VR user, just got even better with integrated eye tracking on the new VIVE Pro Eye — giving users new levels of accessibility, including gaze-oriented menu navigation and removing the need for controllers. With the inclusion of eye tracking, the new VIVE Pro Eye will allow businesses and developers to gather more data about their training environments, help optimize computer and VR performance, and offer product design and research groups unprecedented levels of feedback. VIVE Cosmos is the newest VR headset from VIVE, offering absolute comfort and ease of set-up and use. With no external base stations required, VIVE Cosmos maximizes flexibility of usage space.

The VIVE Cosmos series has won Fast Company's Innovation by Design Award. Being recognized by a celebrated American business magazine that is often compared with Fortune and Businessweek is truly an honor. The fact that our product is able to stand out among many other world-class products is such a great compliment to VIVE's hardware design.

VIVE Cosmos has a slick design and a metallic blue look, which boasts a strong futuristic style. Its most iconic feature is the carefully sculpted perforations in front of the faceplate on the headset. They are not just there for the looks; these perforations actually improve the cooling efficiency and help create an immersive VR experience for the players with maximum comforts. The overall design is now capable of better distributing the weight of the headset on a larger surface area evenly, covering the player's nose, cheeks, eyes, forehead, and head. With this design, players are able to spend more time in the world of virtual reality. The design team even went the extra mile for the details: they adjusted the shape of the face cushion. By introducing ergonomic concepts into our product, the team enabled our headset to adapt to various face shapes and nearsighted conditions perfectly. Even players with glasses can put on the headset with no problem. After pulling off that design, we still managed to keep the external light sources from leaking in. This is extremely important to any VR headset, regardless of its brand.

Other than the ergonomic design that really makes a difference to our players, the VIVE Cosmos has an even more appealing core feature: the adjustable modular design. This allows our players to install faceplates of different specs and levels on their device, including the faceplate with 2 extra lenses optimized for the inside-out tracking feature and other advanced faceplates with outside-in, base-station dependent tracking features. With this new design, players are able to upgrade their hardware setup at a more affordable price. Apart from that, this is a great way to limit the electronic waste as well. Another well-received feature of VIVE Cosmos is the flip-up helmet design. This allows our players to smoothly transition between the virtual and the real world, which is a much-needed feature for developers and content creators who need to regularly go back and forth between what is on the VR headset and their PC display. It is a convenient design for players in general as well, for they can quickly pause their experience and tend to the matters requiring their immediate attention.

In May 2020, in order to address the various needs of our customers regarding the VIVE equipment and to allow current VIVE Cosmos users to purchase different gear pieces for the device they own, we officially released the VIVE Cosmos External Tracking Faceplate. This faceplate is compatible with the VIVE Cosmos series, and it is available today.

VIVE Cosmos is a high-end PC VR system with the most comprehensive features among similar products today. It was built to accommodate various modular faceplates, and users are allowed to change the function of the device by mixing and matching them with different faceplates. It also comes with a great range of extension features, so whether you are a beginner who has just entered the world of VR or a business user who is aiming at high-end experiences, VIVE Cosmos is your go-to product. By simply switching the faceplate, customers are able to upgrade their headset without breaking a sweat. VIVE Cosmos can provide you with exceptional experiences, maximum comforts, and limitless upgrade potentials. To allow the users of VIVE Cosmos to experience the improved precision and tracking accuracy of VIVE Cosmos Elite, we decided to release the VIVE Cosmos External Tracking Faceplate as a separately-sold product. Users who purchase the VIVE Cosmos External Tracking Faceplate will be able to experience the mobility of the inside-out tracking system and the accuracy of the outside-in precision tracking feature. The VIVE Cosmos External Tracking Faceplate is suitable for the users' needs both at home and at work.

The VIVE Cosmos External Tracking Faceplate is compatible with SteamVR Base Station 1.0, SteamVR Base Station 2.0, VIVE Controller 1.0, and VIVE Controller 2.0. Other than that, it is fully supported by all VIVE accessories, including the VIVE Tracker and the VIVE Wireless Adapter. An extraordinary and limitless VR experience awaits!

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 virtual reality and augmented reality, 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.

HTC DeepQ Healthcare announced the gesture recognition SDK at the World Game Developers Conference in May 2019, and developed it through deep learning algorithms. The camera achieves two major functions such as two-hand skeleton tracking and two-hand gesture recognition with no special camera lens. The gesture recognition SDK allows global VR content developers to import gesture applications in the most convenient way to enhance the overall user experience. The intuitive gesture operation function in VIVEPAPER is also implemented through the gesture recognition SDK.

In September 2017, HTC DeepQ Healthcare cooperated with the Center for Disease Control in Taiwan to develop the "LINE @ chatbot - Disease Manager." 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 Disease Manager before going abroad to learn about local epidemics and related epidemic prevention information. In May 2019, "Disease Manager" 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 Disease Manager 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 2017, HTC DeepQ Healthcare has cooperated with the Taipei Municipal Wanfang Hospital to launch Taiwan's first artificial intelligence medical services chat robot called "Wan Xiaofang." Wan Xiaofang was upgraded in 2018 to include a comprehensive series of medical care application from AI-assisted registration, outpatient notes, hematology reports, and medication management.

In May 2018, HTC DeepQ Healthcare launched the "DeepQ AI Platform." The DeepQ AI Platform dramatically reduces the learning thresholds and the cost of AI model training through an optimized training environment, built-in multiple AI models, fully automated parameter adjustments, and a simple user interface. It is different from the existing AI training platforms and services available on the market, users of DeepQ AI Platform can quickly convert their own labeled data into the deployable AI model training without writing and designing a deep learning program. In September 2019, it has been promoted to hospitals in Taiwan.

In January 2019, HTC DeepQ Healthcare cooperated with Changhua Christian Hospital to launch the "Changhua Christian Hospital Line Bot". Changhua Christian Hospital Line Bot is the first AI and blockchain medical care chat robot across 10 hospitals in Taiwan that strengthens information security across the hospital medical care network through medical blockchain technology. With the power of AI department consultation, pre-examination notes, and post-consultation personal medical education combined with medical blockchain information security, Changhua Christian Hospital Line Bot is creating a hospital care solution to comprehensively upgrade the quality of medical care experiences before, during, and after medical treatment.

Blockchain

HTC's Project EXODUS is a smartphone solution that integrated with the hardware wallet, secure users' crypto assets and powers the decentralized web. For more than 20 years, HTC has created foundational technology for worldwide mobile and virtual reality technology. Through EXODUS, HTC is investing in the development and implementation of blockchain technology that will usher in a new area of secure data storage and transactions and take blockchain technology mobile for the first time.

HTC launched the first model HTC EXODUS 1 in October 2018, continues to develop cutting-edge blockchain and encryption technologies. All of the users' private keys and crypto signing algorithm are storing and executing in the trusted Execution Environment (TEE), a locked area on the device that is protected from the Android OS. EXODUS provides an effective and military-grade security for users' cryptocurrencies and digital data.

HTC EXODUS launched the second model, EXODUS 1s, in October 2019, it's the first smartphone ever to provide full Bitcoin node capabilities through powerful software tools, moves forward to realize the decentralized web. Full nodes are the most important ingredient in the resilience of the Bitcoin network and HTC had lowered the barrier to entry for any person to run a node, which is simply a mobile phone, participating in the global Bitcoin network that propagates transactions and blocks everywhere, which is the foundation and fundamental definition of a peer-to-peer cash system.

HTC EXODUS released the Web 3.0 browser built in the Zion Vault in November 2019, allow users to experience the unlimited possibilities of decentralized applications in a private and secured way. HTC EXODUS helps to build a rigorous Internet structure while exploring the future of data. In addition to balancing security and privacy, it also transfers data ownership back to the owner of the data. HTC EXODUS is about the future of data and getting the right architecture for the Internet, one that includes security, privacy and transfer of ownership of data back to the person generating it.

HTC EXODUS released the segwit support for Bitcoin network and integration for DeFi service built in the Zion Vault in April 2020. With the support of segwit, HTC can effectively reduce the cost of users' Bitcoin transactions. Decentralized finance allows you to borrow, lend, or engage in other types of complex financial transactions. Different platforms for decentralized finance have different configurations. These platforms can directly lend and borrow between users, use trading platforms, or any number of other configurations.

R&D Expenditures in Recent Years

Item	Unit: NT\$ millions		
	2019	2020	2021 Q1
Worldwide R&D Expenditures	5,652	3,585	694
Percentage of Worldwide Revenue	56%	62%	59%

3.2.4 Business Development

In addition to actively entering the 5G private network market and establishing a Taiwan 5G ecosystem, HTC will also continue to cultivate its position in the communication industry. Under the premise of developing 5G-based products in the future, our first task is to ensure that HTC holds a key position in the 5G ecosystem. When the expected maturity and demanding of 5G private network in the future is realized, HTC will focus on both carriers and vertical application markets. HTC will also focus on 5G applications, tightly integrating 5G private network products with cloud computing to break through the limitations of terminal computing, and improve the user experience and productivity.

With the advent of the 5G era at hand, the global industry will bring another wave as new changes, which also includes the development of 5G private network and related applications. In the next 5 years, HTC will stay committed to 5G private network applications with intensive cooperation in key industry in fields including healthcare, education, arts and culture, entertainment and sports.

With 5G network infrastructure keeps expanding globally, smartphones will still play the role as a key end-product. The price range of 5G phones will gradually make its way from its current midrange-high end into the mid-entry level range. In the future, HTC will continue focusing on the uniqueness of our phones and our diverse sales channels. Through the integration of blockchain technology and VR headset HTC's efforts in the area of blockchain and the VR ecosystem will pay off. The pandemic has shifted the world's sales channels and consumers' purchasing behaviors dramatically. In the future, HTC will focus on the diversity of our sales channels as well as on exploring new ways to collaborate with our e-commerce partners.

The VR department has been dedicated to providing high-quality VR products through its commitment to hardware and software development and improvement. In the future, we will continue to innovate and challenge the status quo to create a more comfortable and enjoyable user experience.

3.3 Markets and Sales Overview

3.3.1 Market Analysis

Smartphones and Connected Devices

In the past few years, global smartphone shipments have declined due to longer user replacement cycles and a saturated mobile market in developed countries. The maturity of the mobile product feature set has also contributed to the declining smartphone shipment rate.

In 2020, due to COVID-19, consumer-end market is sluggish, and smartphone shipments have continued to decline for two consecutive years. Looking forward into 2021, as the pandemic is controller and the economy recovers, the smartphone market is expected to return to growth, but still within the single-digits.

With the features and specifications of all smartphones experiencing a lack of innovation, a lack of killer application for 5G, and the impact of COVID-19 since late 2019, consumer spending has degraded, mid-range smartphone models have become the mainstream, and flagship phone sales continue to trend down. The penetration rate of 5G mobile phones increased from 1% in 2019 to 19% in 2020, and is expected to continue to grow in 2021 up to 40%.

At present, no device can easily supplant the functionality of mobile smartphones; they remain an important part of daily consumer life. For smartphone manufacturers, maintaining profitability in the face of lower consumer spend and increased competition will be key issues to overcome.

Virtual Reality

According to IDC's forecast in 2020 Global AR/VR Data Tracker, nearly 7.1 million units of AR/VR headset devices will be shipped in 2020, up 23.6% from 2019. Long-term growth will be strong throughout the forecast period with shipments growing to 76.7 million units in 2024, it's 10 times the shipments in 2020, resulting in a compound annual growth rate (CAGR) of 81.5%. Super Data also predicts that the global revenue of the VR industry will reach US\$2.9 billion in 2020 and will grow to US\$5.7 billion in 2023.

Due to COVID-19 epidemic since the end of 2019, the number of confirmed cases has been continuously increased. Many industries such as wholesale, retail, real estate, tourism and tourism have been impacted, while the customer needs of home entertainment, delivery services, medical channels, online shopping, and games industries have increased relatively. These lead to the acceleration of enterprises to launch AR/VR as a service medium to reduce the risk of infection.

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, and by 2024, it will reach a market of 92.18 billion U.S. dollars due to more lower technical threshold and more precise application scenarios, with a 30.5% CAGR. 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.

In the consumer market, by the end of 2020, the penetration rate of VR in households will only account for 1.2%. By 2025, this proportion will only grow to 3%, highlighting that VR is still a long way to become mainstream in the consumer market.

3.3.2 Product Marketing

5G

5G is the next generation of wireless access technology, promising expanded capacity, higher data rates,



lower latency, and higher reliability. These capabilities open up opportunities for new use cases like connected cars, wireless broadband, fixed wireless and more. The most important market transition over the next few years is the introduction of 5G and 5G services will be the focus of global mobile communication industry in the coming year.

HTC has demonstrated Cloud VR (6 con-current VR users) and AGV (4 con-current remote control cars) by 5G Private Network in 2020 to various fields of audiences ranged from manufacturing, entertainment, art, and government. We have built up a strong and steady of leading image of 5G private network development. There are more public events and announcement in this year and we expect to extend to global markets in short time too.

Smartphones and Connected Devices

2020 is the first year of 5G. In the face of the advent of a new era, HTC continues to face the challenges with world-class excellent strength of technology and innovative. HTC is obsessed with cool and innovative experiences that enable people to make their lives be more brilliant. HTC has also launched products that meet various customers' needs and price points. Bring a suitable smartphone to make everyone enjoy a smarter life.

HTC is recognized globally as a company with innovative 5G, XR and AI technology. HTC has led the world through the age of 3G and 4G-the golden age of mobile communications. In 2019, HTC announced 5G Hub, the world's first 5G smart network center for homes and businesses, launched in the U.S. and Australia. With the success of HTC's first revolutionary 5G device-the 5G Hub, HTC announced the world's first Made-in-Taiwan 5G smartphone-HTC U20 5G, launched in June 2020. The coming of HTC U20 5G is symbolizing that HTC's entire product line has entered into a new generation. In the future, the development of 5G will seize the opportunity and gain a strong position. XR and AI will develop rapidly due to the advent of 5G, which will completely change the way people experience and understand the world. HTC will also continue to move towards VIVE Reality based on the development of 5G, XR and AI."

HTC U20 5G is the first 5G mobile phone in the market to use Qualcomm's Snapdragon 765G mobile platform. This platform has Qualcomm's Snapdragon X52 5G modem and radio frequency system. It can provide excellent performance even in the most demanding 5G use cases. HTC U20 5G supports SA & NSA dual mode to ensure stable connection during the transition period of 5G construction. At the time of HTC U20 5G launch, few smartphones in the market can fully support the 5G-ENDC frequency band of Taiwan's mobile broadband network (n1 / n3 / n28 / n41 / n78 band) and also can allow 5G and 4G to work together to ensure that 5G users can get faster network speeds even in 4G environment during the transition period of 5G construction, and allow 5G users across Taiwan to enjoy the widest 5G coverage services. HTC U20 5G is the trusted new-generation product in 2020, just like carrying the future with you.

In addition, HTC U20 5G is with HTC's first five-lens design. The main lens has great performance with large aperture, ultra-wide angle, macro, and bokeh. The AI scene detection, 4K high resolution, and extremely stable motion photography of HTC U20 5G brings "free photography" to a new level. In

addition, the HTC U20 5G is equipped with a 6.8-inch large screen, which is the largest 5G mobile phone in the market. And the ultra-high screen ratio of 20:9 and 19.5:9 provide consumers with the top 5G entertainment experience. For the power part, HTC U20 5G uses a 5,000 mAh super-capacity battery, supplemented by amazing energy-saving efficiency, to ensure that users have no worries about no battery situation.

For the appearance design of HTC U20 5G, HTC is still ingenious and maintains a consistent world class level. HTC U20 5G once again uses unpolished ores as inspiration for its appearance design. Under the light, the fuselage presents the elegant appearance of the matte design, which seems to be washed out of lead, returning to the basics, reflecting the pristine luster unique to nature. The brilliant but low-key, fleeting changes in light and shadow symbolize the infinite possibilities of 5G.

In addition to provide consumers different choices of 5G smartphone, HTC Desire 20 pro, the first smartphone in the HTC Desire series with five lenses, including a four-lens main camera and a high-definition selfie front lens; with an extremely narrow 6.5-inch large screen as well as the amazing battery life.

Immediately in October, in order to meet the various needs of consumers and provide choices at different price points, HTC released a model that can meet the pursuit of personal style in young group — HTC Desire 20+, equipped with the latest Qualcomm Snapdragon CPU in 2020. The launched high-efficiency CPU greatly improves graphics computing, dynamic color range and contrast, making the picture smooth and sensible, allowing video game fans to do whatever they want. Equipped with multiple camera and video functions, HTC Desire 20+ has great enhancement in the video recording function, creating instant beautification recording functions for YouTuber/Vlogger.

At the same time, it is equipped with an extremely narrow 6.5-inch large screen, high power performance, providing consumers with a better user experience in audio, visual, entertainment and photography.

In addition to the powerful performance and entertainment features of HTC Desire 20+, the appearance again shows HTC's innovative and unique design elements. Try to add a soft gradient rendering design under the artistic metallic luster, just like the morning sun gradually stained the desert golden color, like a layer of black gems in the evening shadow, like a cloud in the blue sky, combined with the exclusive process of gradation rendering, and the three-dimensional twill design, and making the fuselage more modern and modern, and highlighting personal style. HTC Desire 20+ brings consumers a mid-range model that is fully upgraded in performance and outstanding in appearance, suitable for consumers' various needs.

VIVE Virtual Reality

HTC VIVE set many milestones and benchmarks in the Virtual Reality industry in 2019. In terms of hardware, HTC VIVE has launched cutting-edge products in the general consumer and commercial markets, namely "VIVE Cosmos" and "VIVE Pro Eye". HTC VIVE also launched the world's first six-degree-of-freedom (6DoF) multi-mode All-in-one VR device "VIVE Focus Plus". From the software

front, the VIVEPORT team launched a new VIVEPORT Infinity subscription service in 2019, allowing VR enthusiasts to enjoy unlimited play experience with real content. However, 2020 is a year full of challenges. The coronavirus (COVID-19) rapidly disrupted the world and affected our everyday normal lives and work habits. Despite these difficult times, HTC VIVE continues to uphold the spirit of innovation and defy difficulties to face various challenges and propose the use of VR as a viable solution to lead people past the post-normal life.

COVID-19 severely impacted several industries and economic activities throughout the world in 2020. Although this pandemic resulted in terrible consequences, it has also inspired thousands of people to bring out the best in one another and support each other. At the same time, COVID-19 also unexpectedly became a catalyst for accelerating some advances in VR such as virtual meetings and collaborations in Virtual Reality. This paved the way for the new normal of work, study and entertainment where one can socialize whilst fully immersed in the VR world.

HTC VIVE has always adhered to its original mission of the pursuit of brilliance. Whether in terms of hardware equipment or software applications, it continues to develop products of the highest quality for consumers and expand the entire virtual reality ecosystem. Providing consumers with a more immersive experience has always been important for HTC VIVE. It continued to promote the VIVE Cosmos that was unveiled at the Consumer Electronics Show (CES) in 2019 by launching the latest member “VIVE Cosmos Elite” in April 2020. It is equipped with SteamVR™ tracking technology and a dedicated controller to ensure accuracy and freedom of operation. Different from VIVE Cosmos, VIVE Cosmos Elite uses outside-in tracking technology. Every slight movement in the real world will be perfectly captured without delay and presented in the virtual world; VIVE Cosmos Elite uses 2880 x 1700 resolution. The display screen brings more crystal clear text and image presentation. The brand-new LCD display allows each pixel to have the three primary colors of RGB, making the colors more accurate and richer, and greatly reducing the impact of the screen door effect. The unique 100-degree tilt-up design allows users to switch between reality and virtual reality in a matter of seconds without interrupting the virtual reality experience. Its ergonomic design allows users to wear it comfortably for longer periods of time for a deeper virtual reality experience. With over-the-ear headphones, it also provides immersive sound. VIVE Cosmos Elite is also compatible with VIVE wireless modules, allowing users to also enjoy the experience of moving in the virtual reality space without restriction.

In terms of software applications, it is expected that the popularization of 5G will bring major breakthroughs to the “virtual reality” and “augmented reality” industries. As mentioned, the COVID-19 has forced people to change their working habits to work remotely from home using conference calls and video meetings. This was an opportunity for HTC as in mid-June 2020, at a Conference held in Shanghai, the VIVE XR Suite was announced. The VIVE XR Suite is an initial bundle of five solutions to promote the use of Virtual Reality to connect people remotely in various use cases such as in conferences, working spaces, social environments, events and museums etc.

One of the solutions is VIVE Sync, a VR virtual meeting platform, which provides a safe and flexible workspace environment that allows professionals and business professionals from around the world to

have uninterrupted face-to-face discussion, collaboration, and sharing of ideas within the same space through virtual reality technology. VIVE Sync is also actively promoted in Japan, Australia, New Zealand, South Korea and other Asia-Pacific regions, and has been well received.

Between 2016 to 2019, HTC VIVE promoted the concept of virtual reality to the world at international physical exhibitions such as CES in Las Vegas & MWC in Barcelona, allowing more people to be aware of this technology. This is followed up with in-depth communication and exchanges with top virtual reality developers around the world at events like GDC, San Francisco. In 2020, due to the Covid-19 pandemic, as many physical events and exhibitions around the world was scrapped, HTC managed to hold virtual events of our own within VIVE Sessions, powered by Engage, also one of the solutions of XR Suite. This solution enables many people around the world to hold conferences, view not just 2D presentations but also 3D objects; and allow people to mingle with each other in Virtual Reality.

In addition, due to the impact of COVID-19, social distancing between people and the limitations imposed on social activities were imposed. HTC VIVE is one of the strategic partners that invested in VRChat, which is also one of the solutions on VIVE XR Suite as VIVE Social. VIVE Social is a free multiplayer online virtual reality social platform that allows players to communicate with other players in real time using 3D character modules. Players can create their own “rooms” through the “world” page, just like the novel “Level 1 Player” For the imagination depicted in the virtual reality world, players can also freely create their own appearance and freely shuttle through different “worlds”. VIVE Social supports “voice-to-mouth, dynamic bones, blinks and actions”, allowing players to effectively communicate with each other through fictional characters more realistically.

In recent years, global communication & media has continued to evolve. New delivery methods forced through by Social Media powerhouses continued to challenge traditional media business models. Among this is led by the increasingly popular Influencers, “YouTuber”. A YouTuber is an Internet celebrity whose main activity base is the audio-visual website YouTube, or a video creator who contributes to YouTube. As the audio-visual content is produced based on personal experience, it is also more personable and authentic than traditional forms of media, especially where advertisement and endorsement of products are concerned. However, as the market demand is becoming saturated, YouTubers are forced to innovate which gives rise to a newer form using virtual reality equipment; “VTuber”.

“VTuber”, Virtual YouTuber, as the name suggests, is presented in the form of virtual characters and carries out a new creative method. Originated in Japan first, the COVID-19, helped proliferate its popularity further in 2020. In view of this, HTC VIVE is the only one in the world, taking the lead in Japan, nurturing and supporting VTubers using HTC VIVE as the main production equipment, and launching “VIVE Ambassador Program (VIVE Goodwill Ambassador Program)”, by nurturing potential virtual character creators on the ground, so that these creators will naturally become HTC VIVE’s best spokespersons and key opinion leaders (KOL, Key Opinion Leader), to exert influence on different audiences. Viewers who might be interested in tourism, animation, life, food and other fields, can use the diverse contents produced by VIVE goodwill ambassadors will be exposed to virtual reality who in turn might participate in, and even use VIVE themselves. The VIVE goodwill ambassador program is not

limited to a single platform, to reach a wider audience, effectively exposing the HTC VIVE brand further as the hardware of choice.

2020 is a year of turbulence and anxiety, a year of transformation, however, also a year of opportunities. HTC began as a hardware manufacturer but is slowly evolving into software development company as well. In spite of the struggles, we look forward to 2021, where HTC VIVE will continue to create endless possibilities for the world through strong hardware equipment and flexible software applications!

VIVE ORIGINALS

Despite COVID-19 raging throughout 2020, HTC VIVE ORIGINALS continues to create works, expand its market deployment, and keeps up brilliant performance during the pandemic.

In VR film production, 5x1, an original work by VIVE ORIGINALS, 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 “Reflét 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 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 art work 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 in 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 fist

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.

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. Exhibited in a dedicated gallery equipped with 11 VIVE Cosmos headsets, this VR experience was at the center of the landmark exhibition Leonardo da Vinci, which commemorates the 500-year anniversary since the death of da Vinci in France. 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 a partnership with the renowned Victoria & Albert Museum in London to create a virtual reality experience as part of their landmark exhibition Alice: Curiouser and Curiouser, allowing visitors to embody Alice and experience a Wonderland that comes to life. 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.

VIVE Arts has continued to engage new audience by working with leading contemporary artists to create groundbreaking artworks using the latest technologies. For example, in 2019 VIVE Arts supported Venice

Biennale's first official VR art commission, Endodrome by renowned French artist Dominique Gonzalez-Foerster. As the world's oldest and most authoritative contemporary art exhibition, this commission indicated the mainstream art world's official acknowledgment of VR as an important artistic medium like painting, sculpture, and video. In 2020, VIVE Arts commissioned the internationally renowned artist Cai Guo-Qiang to create his first VR artwork Sleepwalking in the Forbidden City, bringing into the virtual world the artist's signature fireworks spectacles, this time experienced from unexpected angles and in a fully immersive environment. The innovative VR artwork debuted as a highlight in the artist's major exhibition at the Palace Museum in Beijing, which was the 600-year-old Museum's first exhibition by a contemporary artist and received extensive press coverage. By providing valuable support to the most forward-thinking artists of our time, the VIVE Arts program enables the most brilliant digital innovation in the arts and furthers HTC's long-standing commitment to arts and culture.

VIVELAND

VIVELAND is committed to enriching and diversifying the entertaining content for theme parks. For the upcoming VR eSports era, we have prepared ourselves in various ways. For example, we have brought in a variety of VR room escape games from abroad, held VR eSports summer league and 2019 eSports College Cup exhibition game. Other than games, VIVELAND has also been exploring the applications and the potentials of VR in reality. At the end of 2019, VIVELAND worked with NQU and built the first "MR and eSports Center" for universities across the country. We also worked with Chang Jia M&E Engineering Corporation and built the first stadium with VR playing field in Luzhu Civil Sports Center in Taoyuan, which has never been done before in the country. In 2020, we worked with NKUHT to introduce VR into their classroom. Other than that, various hotels have added VR to their entertainment amenities, such as Hotel Cham Cham, and this has led to a considerable increase in the hotel's occupancy rate. Currently, the brilliant concepts of VIVELAND have reached Japan, Mainland China and Hong Kong. We have been actively expanding into global markets since 2019 and aiming to enter the markets of Arab countries and Southeast Asia. With the most advanced VR equipment-integrating technology and a huge amount of new VR entertaining contents, VIVELAND was able to create a lifelike virtual reality world. We will continue to share this exciting theme-park style entertaining experience with our global consumers in the future.

Blockchain

HTC and FTX announced a collaborative EXODUS 1 smartphone — the EXODUS 1 – FTX Edition in April 2020. The original EXODUS 1 device is the first smartphone built for a new internet and allows users to own their own keys. It's the world's largest crypto exchange meets the Swiss bank in users' pocket.

Following the core values of blockchain and decentralization, HTC EXODUS believes in empowering users to own their data. In addition to not collecting user data, HTC EXODUS also works with partners with the same fundamental beliefs to provide more services while keeping our users secure. HTC EXODUS has been pushing for security and privacy for its users globally and dedicated to developing blockchain technologies.

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 summarized as the capabilities of product and technology development and innovation, the ability to push forward the enterprise customer solutions, and the establishment of a sustainable ecosystem of XR content 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 product and technology development and innovation

The company's R&D team has accumulated more than hundreds of patents and inventions related to virtual reality and augmented reality, including multimedia, structure, antenna, tracking, software, etc. And has developed SLAM (Simultaneous Localization and Mapping) tracking, 6DoF six degrees of freedom controller, eye tracking, face tracking, remote rendering, 3D spatial sound field augmented reality, acoustic design, but also has included wearing comfort Human factors design, and high-reliability electronic machine system design, etc. All advanced technologies are based on the vision of Vive Reality. It is hoped that through the combination of technology and innovation, people's lives can be improved, and technology can be combined with humanity to release people's imagination. Create, entertain, learn and collaborate.

- 2. The enterprise solutions driving ability by cross-industry deep cooperation

Vive reality is to leverage the imagination to combine technologies such as VR, AR, 5G, AI, and Blockchain, and use these cutting-edge technologies to solve inherent human problems. In addition to the HTC 5G team which has deepened the cultivation of 5G core technology, research and development of terminal products, and successfully developed the first 5G product-5G hub in 2019, accumulated industry-related knowledge in the past few years, and then developed HTC's enterprise-level 5G enterprise private network solution program. The HTC 5G team has also developed all-in-one VR products, including Vive Focus and the advanced version of Vive Focus Plus. Not only hardware products, but also developed enterprise-level customers which have successfully introduced VR technology into foreign medical rehabilitation systems in 2020; in the development of 5G enterprise private networks, to achieving the three major characteristics of enterprise private networks, low latency, larger frequency bandwidth, multiple connections, combined with application field expertise, aiming at time-sensitive environment fields such as 5G VR, 5G smart manufacturing, and 5G remote medical care, so that enterprise customers can truly realize 5G specialization all the characteristics of the net as well. In 2021, the problems of enterprise level customers will be solved through 5G private networks, related hardware products, technology authorization, etc.

- 3. The establishment of a sustainable ecosystem of XR content platforms.

VIVEPORT itself is an AppStore. Users of VIVEPORT infinity can experience more than a thousand items of content and games; Vive for business provides a total solution for business users to find new

technologies for companies regarding interaction, training, sharing, and learning. VIVEPORT Infinity is the world's first and only VR subscription service platform. It is the world's first unlimited subscription service for VR games, applications, and videos. After its launch, it also accelerates the implementation of VR applications. We hope that consumers can experience thousands of apps and games with infinity on VR devices of different brands, no matter which method they use, whether it is PC VR or All-in-One VR. At present, VIVEPORT Infinity has successfully attracted more than 45% of Oculus users to join VIVEPORT, and the number continues to rise every day. VIVEPORT will continue to provide more diverse content, making VIVEPORT infinity an indispensable VR subscription service. It is expected that the new enterprise content platform will include various enterprise application contents. All enterprise-level XR devices will be included in the scope of XR services, and the upgraded enterprise services and warranty will be included in the software supporting services. VIVEPORT and global developers and partners will continue to work together to create more high-quality platform content for consumers and business users, and jointly create an XR sustainable ecosystem.

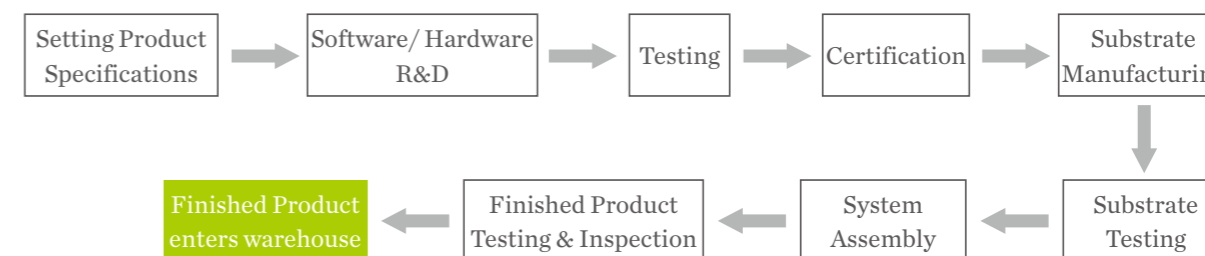
- The unfavorable factors of the company's development prospects and countermeasures
1. More active cooperation with various industries. Promote various 5G and VR/AR related commercial applications in the enterprise application field, and provide valuable feedback through service and content, so as to 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.

3.3.3 Key Functionalities and Manufacturing Processes for Primary Product Lines

HTC's primary products are converged devices designed on Android Phone operating systems (OS), 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.

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

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



3.3.4 The supply of major materials

Major Material	Supplier
CPU Chipsets	Qualcomm, MediaTek
Logic IC	TI, NXP, ON SEMI
PCB	Unitech, Compeq, Career, Unimicron-FPC
Connector	Panasonic, Hirose, Molex
Memory	SK hynix, Samsung, Kioxia, SanDisk
LCD	JDI, Samsung

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

Major suppliers representing at least 10% of gross purchase

Unit: NT\$ millions

Supplier Code	2019		
	Amount	%	Relation to HTC
Others	5,399	100	
Total	5,399	100	

Unit: NT\$ millions

Supplier Code	2020		
	Amount	%	Relation to HTC
A	410	16	None
B	349	13	None
Others	1,872	71	
Total	2,631	100	

Unit: NT\$ millions

2021 Q1			
Supplier Code	Amount	%	Relation to HTC
A	135	19	None
C	77	11	None
B	74	10	None
Others	421	60	
Total	707	100	

Major customers representing at least 10% of gross revenue

Unit: NT\$ millions

2019			
Customer Code	Amount	%	Relation to HTC
A	1,175	12	None
Others	8,840	88	
Total	10,015	100	

Unit: NT\$ millions

2020			
Customer Code	Amount	%	Relation to HTC
A	570	10	None
Others	5,236	90	
Total	5,806	100	

Unit: NT\$ millions

2021 Q1			
Supplier Code	Amount	%	Relation to HTC
A	148	13	None
B	160	14	None
C	119	10	None
Others	748	63	
Total	1,175	100	

3.3.6 Production for the Most Recent Two-Year Period

Unit: NT\$ millions

2019			
	Production Capacity	Production Quantity	Production Value
Smart mobile and other items (accessories)	6,900	563	5,527
Total	6,900	563	5,527

2020			
	Production Capacity	Production Quantity	Production Value
Smart mobile and other items (accessories)	7,300	478	3,413
Total	7,300	478	3,413

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

3.3.7 Sales for the Most Recent Two-Year Period

Unit: 1,000 units / NT\$ millions

2019				
	Domestic Sales		Export Sales	
	Quantity	Value	Quantity	Value
Smart mobile and other items (accessories)	397	1,847	19,385	7,347
Total	397	1,847	19,385	7,347

Unit: NT\$ millions

2020				
	Domestic Sales		Export Sales	
	Quantity	Value	Quantity	Value
Smartphones and other items (accessories)	168	978	1,559	4,436
Total	168	978	1,559	4,436

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

3.4 Statistics Related to the Structure of Human Resources at HTC

Employees represent one of HTC's most valuable assets and we have also invested significant resources into making the work environment at HTC diverse, challenging, and encouraging.

As of March 31, 2021, HTC employed 2,331 staff worldwide. 27.49 % (182) of all HTC managerial positions are held by non-Taiwanese managers. Non-Taiwanese managerial and technical staff filled 18.22 % of HTC managerial and technical positions. Women held 26.28 % of HTC's 662 managerial positions.

Employees by Position Type

	Mar. 31, 2021	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018
Management	662	725	874	870
Specialists	694	774	1,335	1,390
Administrators	347	407	577	615
Technical Staff	628	699	1,119	1,935
Total	2,331	2,605	3,905	4,810

Gender, Average Age and Average Years of Service

	Mar. 31, 2021	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018
Male	1,393	1,557	2,304	2,679
Female	938	1,048	1,601	2,131
Average Age	38.33	37.99	36.54	35.43
Average of Service	7.82	7.6	6.43	5.95

Employees' Highest Level of Academic Achievement

	Mar. 31, 2021	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018
Ph.D.	56	60	76	81
Master's	866	959	1,337	1,349
Bachelor's	789	901	1,378	1,581
Technical/Vocational	198	224	360	538
Other	422	461	754	1,261

3.5 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 the exclusive personnel to manage the facilities. In order to help them to get the required certification in that regard, we offered external training for them as well. Through training and auditions, 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 engineer 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 since day 1. Other than being certified by the Occupational Safety and Health Management System ISO45001: 2018 Edition and the Energy Management System ISO50001: 2018 Edition in 2020, we have also been certified by the Environmental Management System ISO14001: 2015 Edition and have received a Greenhouse Gas Emissions Verification Announcement of the ISO14064-1: 2006 Edition. We aim to manage the pollution problem and the energy usage more effectively in order to achieve our environmental protection goal 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:

- Continue to strengthen the operations management on environmental protection equipment in order to comply with government regulations and reduce non-compliant incidents;
- 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.
- 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.
- Major planned environmental expenditures over the next 2 years include:

		Unit: NT\$ thousands	
Fiscal Year Item	Anticipated Equipment Purchases / Expenditures	Anticipated Benefits	Expenditures (estimated)
2021	<ol style="list-style-type: none"> 1. Implementation of energy-saving light fixtures, 2-way time-controlled light fixtures. 2. Introduction of energy-saving air conditioning facilities. 3. Waste water retreatment for landscape irrigation within the campus. 4. Advocating and promotion of water-saving and energy-saving activities. 5. Advocating of garbage classification and resource reuse activities. 6. Greening of campus landscape. 	<ol style="list-style-type: none"> 1. Use of energy-saving light fixtures like LEDs to achieve reduction of energy waste and effective saving of power through 2-way time controlled. 2. Air conditioning systems fitted with inverters to save energy. 3. Waste water treatment and then used for landscape irrigation to reduce use of tap water. 4. Advocating kitchens and dorms to reach target of water saving through water saving management measures. 5. Advocating and strengthening resource recycling and reuse to reduce environmental pollution from garbage. 6. Campus landscape greening to fight warming and achieve the effect of energy saving. 	100
2022	<ol style="list-style-type: none"> 1. Implementation of energy-saving light fixtures, 2-way time-controlled light fixtures. 2. Introduction of energy-saving air conditioning facilities. 3. Waste water retreatment for landscape irrigation within the campus. 4. Advocating and promotion of water-saving and energy-saving activities. 5. Advocating of garbage classification and resource reuse activities. 6. Greening of campus landscape. 	<ol style="list-style-type: none"> 1. Use of energy-saving light fixtures like LEDs to achieve reduction of energy waste and effective saving of power through 2-way time controlled. 2. Air conditioning systems fitted with inverters to save energy. 3. Waste water treatment and then used for landscape irrigation to reduce use of tap water. 4. Advocating kitchens and dorms to reach target of water saving through water saving management measures. 5. Advocating and strengthening resource recycling and reuse to reduce environmental pollution from garbage. 6. Campus landscape greening to fight warming and achieve the effect of energy saving. 	150
2023	<ol style="list-style-type: none"> 1. Implementation of energy-saving light fixtures, 2-way time-controlled light fixtures. 2. Introduction of energy-saving air conditioning facilities. 3. Waste water retreatment for landscape irrigation within the campus. 4. Advocating and promotion of water-saving and energy-saving activities. 5. Sensor type faucet construction 6. Advocating of garbage classification and resource reuse activities. 7. Greening of campus landscape. 	<ol style="list-style-type: none"> 1. Use of energy-saving light fixtures like LEDs to achieve reduction of energy waste and effective saving of power through 2-way time controlled. 2. Air conditioning systems fitted with inverters to save energy. 3. Waste water treatment and then used for landscape irrigation to reduce use of tap water. 4. Advocating kitchens and dorms to reach target of water saving through water saving management measures. 5. Install sensor faucets in public areas such as toilets and restaurants to reduce water waste 6. Advocating and strengthening resource recycling and reuse to reduce environmental pollution from garbage. 7. Campus landscape greening to fight warming and achieve the effect of energy saving. 	150

Environmental protection and employee health & 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 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 safety and health:

In accordance with contents of the plan for management of occupational safety and health, the company will comply with occupational safety and health regulations by identifying hazards in order to carry out key tasks such as reducing risks, specifying a standard for management of dangerous and hazardous materials, offering guidance about occupational safety and health, and promoting vendor management. All of these tasks will be implemented into "management on occupational safety and health", "education and training on occupational safety and health", "standard operating procedures and analysis for work safety", "inspections on occupational safety and health", "emergency response", "health management & improvement", and "activities on occupational safety and health" in order to achieve engagement by all parties for a reduced risk on occupational safety and health. 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 safety drills to ensure all employees are familiar with fire prevention facilities, equipment and evacuation route.

Employees are the most valuable assets for HTC. To safeguard the health of our employees, the task of our health center works toward “health management”, “health promotion”, “occupational health care”, and “employee assistive programs(EAP)” for our employees, in a hope that this employee clinic (an affiliated medical room at HTC) would offer services such as ensured doctor visits, prescriptions, health consultation, physical therapy, for our employees. For employees with mid-to-high level risk of health issues after recent health check-ups, the center will arrange treatment and follow-ups from doctors and nursing staffs at the center.

Assistance will be offered with necessary courses on health, accurate information on health management, and development of living habits for individual employees in order to foster the ability of self-management on health for those employees and realize a complete health care system.

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.

3.6 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

HTC values the development and cultivation of our employees. In order to fulfill the commitment to grow with our employees, HTC constructs systematic learning development resources that provide a comprehensive curricula covering professional, managerial and personal development. These programs help staff acclimate quickly to HTC’s corporate culture and acquire essential knowledge and skills. We’ve introduced e-Learning and Mobile Learning platforms, e-Library as well as language courses and training for employees to make learning more convenient and flexible. Further, HTC sponsors regular seminars and workshops as part of its development initiatives. Globally recognized experts share insights into market trends, the latest technologies and technology trends, combining with cultural and artistic sensibilities to lead HTC staff to face global technology development and challenges confidently.

Employees are HTC’s most precious assets. It is also HTC’s long-term commitment to every employee. Despite COVID-19 playing a significant impact, we still offered a series of on-line courses along with on-the-job training to develop our employees. In 2020, total training related expenditure were NT\$1.49 million and training hours were 19,169 hours.

Employee benefits and employee satisfaction

Comprehensive employee benefits

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

Employee activities

We provide a diverse interface for employees, subsidize and reward employees to participate in community activities, encourage employees to develop sports and leisure interests during leisure time, enhance life experience.

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 and 20-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 2020, 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 seven 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.

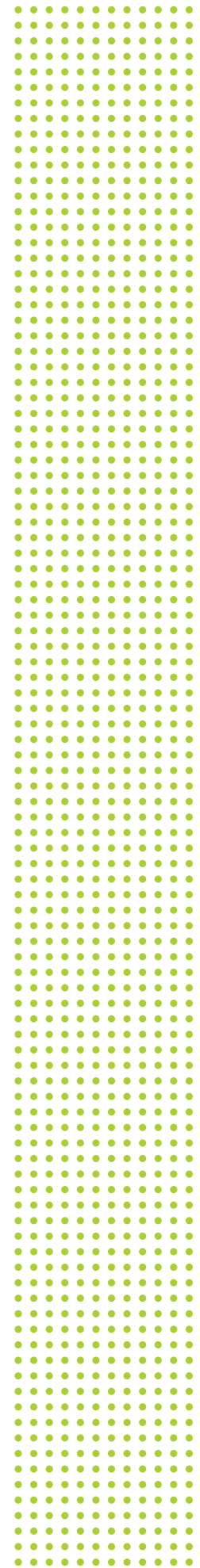
3.7 Principal Contractual Agreements

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	IV International Licensing Netherlands, B.V.	November 2010 - June 2020	Authorization to use wireless technology; 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



CORPORATE GOVERNANCE



CORPORATE GOVERNANCE

4.1 Information on the Company's Directors, General Manager, Assistant General Managers, Deputy Assistant General Managers, and Managers of All the Company's Divisions and Branch Units

4.1.1 Directors

Title (Note 1)	Nationality/ place of Registration	Name	Gender	Date Elected	Term Expires	Date First Elected	Shareholding When Elected		Current Shareholding (Note)		Spouse & Minor Sharing (Note)		Other persons holdingshares in their name (Note)	Principal work experience and academic qualifications	Positions held concurrently in the company and/ or and other company	Other executives, Directors and Supervisors who are spouses or within second-degree of kinship			
							Shares	%	Shares	%	Shares	%				Title	Name	Relation	Remark
Chairwoman & CEO	Republic of China	Cher Wang	Female	2019.06.21	2022.06.20	1999.04.30	32,272,427	3.94%	32,272,427	3.94%	22,391,389	2.74%	0	0.00%	<ul style="list-style-type: none"> Chairwoman (Representative), H.T.C. (B.V.I) Corp. Chairwoman (Representative), HTC I Investment Corporation Chairwoman (Representative), HTC Investment Corporation Director (Representative), High Tech Computer Asia Pacific Pte. Ltd. Bachelor in Economics, University of California, Berkeley. General Manager of the PC Division, First International Computer, Inc. (FIC) Director, VIA Technologies, Inc. Director (Representative), Xander International Corp. Director, (Representative), VIA Labs, Inc. Director, (Representative), TVBS Media Inc. Director, Formosa Plastics Corporation Director, Way-Chih Investment Co., Ltd. Director, Hsin-Tong Investment Co., Ltd. Director, Kun-Chang Investment Co, Ltd. Director, CW & ET Link Inc Director, Hon-Mou Investment Co., Ltd. Director, Chuan Te Investment Co., LTD Director, Li Way Investment Co., LTD 	Director	Wen-Chi Chen	Spouse	(Note 2)
Director	Republic of China	HT Cho	Male	2019.06.21	2022.06.20	2001.04.23	96,530	0.01%	96,530	0.01%	0	0.00%	0	0.00%	<ul style="list-style-type: none"> Electronic Engineering, National Taipei Institute of Technology. EMBA, National Chiao Tung University President & CEO, HTC Corporation. Consulting Engineer, Digital Equipment Corporation. Chairman, HTC Social Welfare Foundation. Chairman, HTC Education Foundation. Director, Chunghwa Telecom Foundation. General Manager, Atrust Corporation Director, Asia Pacific Fuel Cell Technologies, Ltd. 	None	None	None	-

Title (Note 1)	Nationality/ place of Registration	Name	Gender	Date Elected	Term Expires	Date First Elected	Shareholding When Elected		Current Shareholding (Note)		Spouse & Minor Sharing (Note)		Other persons holdingshares in their name (Note)	Principal work experience and academic qualifications	Positions held concurrently in the company and/ or and other company	Other executives, Directors and Supervisors who are spouses or within second-degree of kinship				
							Shares	%	Shares	%	Shares	%				Title	Name	Relation	Remark	
Director	Republic of China	Wen-Chi Chen	Male	2019.06.21	2022.06.20	1999.04.30	22,391,389	2.73%	22,391,389	2.74%	32,272,427	3.94%	0	0.00%	<ul style="list-style-type: none"> MSCS, California Institute of Technology. President, Symphony Laboratories. 	<ul style="list-style-type: none"> Chairman & President, VIA Technologies, Inc. Chairman, Xander International Corp. Chairman, (Representative), VIA Labs, Inc. Director, Television Broadcasts Limited Chairman (Representative), TVBS Media Inc. Director, Way-Chih Investment Co., Ltd. Director, Hsin-Tong Investment Co., Ltd. Director, Kun-Chang Investment Co, Ltd. Chairman (Representative), CW & ET Link Inc. Director, Hon-Mou Investment Co., Ltd. Director, Chuan Te Investment Co., LTD Director, Li Way Investment Co., LTD 	Chairwoman	Cher Wang	Spouse	-
Director	USA	David Bruce Yoffie	Male	2019.06.21	2022.06.20	2011.06.15	0	0.00%	0	0.00%	0	0.00%	0	0.00%	<ul style="list-style-type: none"> B.A. Brandeis University M.A., Ph.D. Stanford University for academic qualification Director, Charles Schwab Director, Spotfire Director, E Ink Director, Intel Corporation Director, Financial Engines, Inc. 	<ul style="list-style-type: none"> Max and Doris Starr Professor at Harvard Business School Director, The National Bureau of Economic Research 	None	None	None	-
Independent Director	Republic of China	Chen-Kuo Lin	Male	2019.06.21	2022.06.20	2007.06.20	0	0.00%	0	0.00%	0	0.00%	0	0.00%	<ul style="list-style-type: none"> 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. 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. 	<ul style="list-style-type: none"> Chairman, Angel Hearts Family Social Welfare Foundation. Chairman, New Mainstream Cultural Foundation. 	None	None	None	-

Title (Note 1)	Nationality/ place of Registration	Name	Gender	Date Elected	Term Expires	Date First Elected	Shareholding When Elected		Current Shareholding (Note)		Spouse & Minor Sharing (Note)		Other persons holdingshares in their name (Note)	Principal work experience and academic qualifications	Positions held concurrently in the company and/ or and other company	Other executives, Directors and Supervisors who are spouses or within second-degree of kinship				
							Shares	%	Shares	%	Shares	%				Title	Name	Relation	Remark	
Independent Director	Swiss Confederation	Josef Felder	Male	2019.06.21	2022.06.20	2007.06.20	500,000	0.06%	500,000	0.06%	0	0.00%	0	0.00%	<ul style="list-style-type: none"> Graduate of Advanced Management Program (AMP), Harvard Business School, Boston Deputy Director, Crossair Chief Executive Officer, FIG (Flughafen Immobilien Gesellschaft) Chief Executive Officer, Unique (Flughafen Zürich AG) Independent Director, AMAG Group AG, Zürich Independent Director, Edelweiss Air AG, Zurich Chairman, Flaschenpost Services AG, Zürich Chairman, Stöckli Swiss Sports AG, Wolhusen 	<ul style="list-style-type: none"> Independent Director , Flughafen Zürich AG, Zürich Independent Director, Careal Holding AG, Zurich Independent Vice-Chairman, Luzerner Kantonalbank AG, Lucerne Chairman, Felder & Company AG, Lucerne Independent Vice-Chairman, AMAG Group AG, Zürich and daughter companie 	None	None	None	-
Independent Director	USA	Vincent Thai	Male	2019.06.21	2022.06.20	2019.06.21	0	0.00%	0	0.00%	0	0.00%	0	0.00%	<ul style="list-style-type: none"> UC Berkeley, Ca., USA USC Undergrad Marketing, Ca., USA Founder of Fun Creation, Inc President of Placo Toys, Inc General Manager of Best Consumer Products, Inc Manager of M & D Toys, Inc Chairman of Toy Plus Far East Ltd 	<ul style="list-style-type: none"> Founder & Chairman of Playmind Ltd Founder & Chairman of National Products Ltd Founder & Chairman of Sweet N Fun Ltd, world leader in gumball banks 	None	None	None	-

Note1: Major shareholders of Institutional Shareholders: Not applicable.

Note2: The Chairwoman concurrently serves as the CEO, expediting decision-making for more dynamic execution, while more than 50% of the Board comprises non-executive directors to strengthen and maintain the independence and supervisory capacity of the Board.

Independence Analysis of Directors

2021.04.20

Name	Conditions	Conforms to criteria for independence (note)												Number of other public companies concurrently serving as an independent director
		1	2	3	4	5	6	7	8	9	10	11	12	
Chairwoman	Cher Wang	V	V				V	V		V		V	V	0
Director	HT Cho	V		V	V	V	V	V	V	V	V	V	V	0
Director	Wen-Chi Chen	V					V	V		V		V	V	0
Director	David Bruce Yoffie	V	V	V	V	V	V	V	V	V	V	V	V	0
Independent Director	Chen-Kuo Lin	V	V	V	V	V	V	V	V	V	V	V	V	0
Independent Director	Josef Felder	V	V	V	V	V	V	V	V	V	V	V	V	0
Independent Director	Vincent Thai	V	V	V	V	V	V	V	V	V	V	V	V	0

Note: A check mark is placed in the box for directors who fulfill the following conditions during and two years prior to their time in office.

- (1) Is not hired by the Corporation or any of its affiliates.
- (2) Is not a director or supervisor of the Corporation or any of its affiliates. (The same does not apply, however, in cases where the person is a concurrent independent director of the Corporation and its parent company, subsidiaries, or subsidiaries of the same parent company, as appointed in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or local laws and regulations.)
- (3) Is 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 others' names, in an aggregate amount of 1% or more of the total number of issued shares of the Corporation or ranking in the top ten in shareholdings.
- (4) Is not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of managers not conforming to subparagraph (1) above, or of any persons not conforming to subparagraphs (2) and (3) above.
- (5) Is not a director, supervisor, or employee of an institutional shareholder that directly holds 5% or more of total number of issued shares or ranks among the top five in shareholdings, or a director, supervisor, or employee of an institutional shareholder who has been appointed as a director or supervisor representative at the Corporation under paragraphs 1 and 2, Article 27 of the Company Act. (The same does not apply, however, in cases where the person is a concurrent independent director of the Corporation and its parent company, subsidiaries, or subsidiaries of the same parent company, as appointed in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or local laws and regulations.)
- (6) Is not a director, supervisor, or employee of other companies controlled by Corporation directors or persons with more than half of voting rights at the Corporation. (The same does not apply, however, in cases where the person is a concurrent independent director of the Corporation and its parent company, subsidiaries, or subsidiaries of the same parent company, as appointed in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or local laws and regulations.)
- (7) Is not a director, supervisor, or employee of other companies or institutions of the Corporation's chairperson, president, or persons with equivalent duties, or spouses thereof. (The same does not apply, however, in cases where the person is a concurrent independent director of the Corporation and its parent company, subsidiaries, or subsidiaries of the same parent company, as appointed in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or local laws and regulations.)
- (8) Is not a director, supervisor, manager, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the Corporation. (The same does not apply, however, in cases where the person is a concurrent independent director of the Corporation and its parent company, subsidiaries, or subsidiaries of the same parent company, as appointed in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or local laws and regulations.)
- (9) Is not a professional individual, or an owner, partner, director, supervisor, or manager, or spouses thereof, of a sole proprietorship, partnership, company, or institution which provides audit services to the Corporation or its affiliates; or has in the past two years provided commercial, legal, financial, accounting, or related services not exceeding total compensation of NT\$ 500,000 to the Corporation or its affiliates. The same does not apply, however, for members of remuneration committees, public tender offer review committees, or special committees for mergers/ consolidations and acquisitions exercising their duties in accordance with the laws and regulations of the Securities and Exchange Act and the Business Mergers and Acquisitions Act.
- (10) Has no spousal relationship and are not relatives within the second degree of kinship of other Corporation directors.
- (11) Has not violated any regulations in Article 30 of the Company Act.
- (12) Has not been elected as a government, juristic person, or their representatives in accordance with Article 27 of the Company Act.

4.1.2 General Manager, Assistant General Managers, Deputy Assistant General Managers, and Managers of all divisions and branch units:

2021.04.20 Unit: Share; %

Title	Nationality	Name	Gender	Date Elected	Shareholding		Spouse & Minor Shareholding		Other persons holding shares in their name		Principal work experience and academic qualifications	Positions held concurrently in the company and/or and other company	Managers with spouses or relatives within second-degree of kinship			
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	Remark
Chairwoman & CEO	Republic of China	Cher Wang	Female	2020.09.02	32,272,427	3.94%	22,391,389	2.74%	0	0.00%	<ul style="list-style-type: none"> Bachelor in Economics, University of California, Berkeley. General Manager of the PC Division, First International Computer, Inc. (FIC) 	<ul style="list-style-type: none"> Chairwoman (Representative), H.T.C. (B.V.I) Corp. Chairwoman (Representative), HTC I Investment Corporation Chairwoman (Representative), HTC Investment Corporation Director (Representative), High Tech Computer Asia Pacific Pte. Ltd. Director, VIA Technologies, Inc. Director (Representative), Xander International Corp. Director, (Representative), VIA Labs, Inc. Director, (Representative), TVBS Media Inc. Director, Formosa Plastics Corporation Director, Way-Chih Investment Co., Ltd. Director, Hsin-Tong Investment Co., Ltd. Director, Kun-Chang Investment Co, Ltd. Director, CW & ET Link Inc Director, Hon-Mou Investment Co., Ltd. Director, Chuan Te Investment Co., LTD Director, Li Way Investment Co., LTD 	Director	Wen-Chi Chen	Spouse	(Note 1)
Chief Financial Officer and Accounting Officer	USA	Peter Shen	Male	2016.06.20	0	0.00%	0	0.00%	0	0.00%	<ul style="list-style-type: none"> M.S. in Business Administration, University of Colorado Chief Financial Officer, Inotera Memories, Inc. Vice President, Finance, Micron Technology, Inc. Financial Director, Jabil Circuit 	<ul style="list-style-type: none"> Director (Representative), HTC Investment Corporation Director (Representative), HTC Communication Co., Ltd. Director (Representative), HTC Holding Cooperatief U.A Director (Representative), HTC Electronics (Shanghai) Co., Ltd. Director (Representative), HTC EUROPE CO., LTD. Director (Representative), HTC America Holding Inc. Director (Representative), HTC America Inc. Director (Representative), HTC VIVE Holding (BVI) Corp. Director (Representative), HTC VIVE TECH (BVI) CORP. Director (Representative), HTC VIVE INVESTMENT(BVI) Corp Chairman (Representative), HTC VIVE Tech Corporation Chairman (Representative), DeepQ Technology Corp. Chairman (Representative), Uomo Vitruviano Corp. 	None	None	None	
Chief Technology Officer	Republic of China	WH Liu	Male	2008.06.01	168,675	0.02%	0	0.00%	0	0.00%	<ul style="list-style-type: none"> Master in Electronic Engineering, National Taiwan University of Science and Technology. The Chinese University of Hong Kong EMBA Senior Manager, WM System Architecture Design. 	<ul style="list-style-type: none"> Director (Representative), HTC Communication Technologies (Shanghai) Limited 	None	None	None	
Senior VP of Research & Development	Republic of China	Adrian Tung	Male	2018.07.16	223,250	0.03%	0	0.00%	0	0.00%	<ul style="list-style-type: none"> Master in Electrical and Control Engineering, National Chiao Tung University 	None	None	None		
VP of Product & Strategy	Republic of China	Raymond Pao	Male	2018.07.16	80,000	0.01%	0	0.00%	0	0.00%	<ul style="list-style-type: none"> Master in Electrical Engineering, University of Southern California Master in Mechanical Engineering, National Taiwan University 	None	None	None		
Chief Global Management Officer	Republic of China	Caleb OuYang	Male	2018.06.08	0	0.00%	0	0.00%	0	0.00%	<ul style="list-style-type: none"> Bachelor in Marine Engineering, National Taiwan Ocean University 	None	None	None		

Note1: The Chairwoman concurrently serves as the CEO, expediting decision-making for more dynamic execution, while more than 50% of the Board comprises non-executive directors to strengthen and maintain the independence and supervisory capacity of the Board.

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

4.2.1 Remuneration to Directors

2020; Unit: NT\$ thousands

Title	Name	Remuneration paid to Directors								Total Remuneration (A+B+C+D) as a percentage of net income (%)		Compensation earned as employee of HTC subsidiary affiliates								Total Compensation (A+B+C+D+E+F+G) as a percentage of net income (%)		Compensation paid to Directors from non-subsidiary affiliates					
		Salary (A)		Retirement pay (B)		Remuneration (C)		Allowance (D)		HTC	All Consolidated Entities	Salary, Bonuses, and Allowance (E)		Retirement pay (F)		Employee compensation (G)				HTC	All Consolidated Entities						
		HTC	All Consolidated Entities	HTC	All Consolidated Entities	HTC	All Consolidated Entities	HTC	All Consolidated Entities			HTC	All Consolidated Entities	HTC		All Consolidated Entities											
Chairwoman	Cher Wang	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Director	HT Cho	3,500	3,500	0	0	0	0	0	0	-0.06	-0.06	0	0	0	0	0	0	0	0	0	0	0	0	-0.06	-0.06	0	
Director	Wen-Chi Chen	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Director	David Bruce Yoffie	11,847	11,847	0	0	0	0	0	0	-0.20	-0.20	0	0	0	0	0	0	0	0	0	0	0	0	-0.20	-0.20	0	
Independent Director	Chen-Kuo Lin	3,500	3,500	0	0	0	0	0	0	-0.06	-0.06	0	0	0	0	0	0	0	0	0	0	0	0	-0.06	-0.06	0	
Independent Director	Josef Felder	9,255	9,255	0	0	0	0	0	0	-0.15	-0.15	0	0	0	0	0	0	0	0	0	0	0	0	-0.15	-0.15	0	
Independent Director	Vincent Thai	1,543	1,543	0	0	0	0	0	0	-0.03	-0.03	0	0	0	0	0	0	0	0	0	0	0	0	-0.03	-0.03	0	

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

When the Company's directors perform Company duties, the Company may pay remuneration regardless of whether the Company operates at a profit or loss. The board of directors is authorized with powers to resolve the rates of such remuneration based on the extent of their participation in the Company's business operations or value of their contribution, at a level consistent with general practices in the industry.

2. Remuneration paid to Corporation directors by all companies included in financial statements for services (such as nonemployee consultants and others) other than disclosed in the table above: None.

* 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.

4.2.2 Remuneration paid to General Manager and Assistant General Managers

2020; Unit: NT\$ thousands

Title	Name	Salary (A) (Note 1)		Retirement pay (B) (Note 2)		Bonus & Perquisite (C) (Note 3)		Employee profit sharing (D) (Note 4)				Total Remuneration (A+B+C+D) as a percentage of net income (%) (Note 5)		Compensation paid to President & Vice Presidents from non-subsidiary affiliates (Note 7)	
		All Consolidated Entities (Note 6)		All Consolidated Entities (Note 6)		All Consolidated Entities (Note 6)		HTC		All Consolidated Entities (Note 6)		All Consolidated Entities (Note 6)			
		HTC		HTC		HTC		Cash	Stock	Cash	Stock	HTC			
Chief Executive Officer (Note a)	Yves Maitre														
Chief Financial Officer and Accounting Officer	Peter Shen														
General Counsel (Note b)	Marcus Woo														
Chief Technology Officer	WH Liu														
Senior VP of Research & Development	Adrian Tung	44,490.66	53,323.84	1,927.38	1,927.38	54,813.79	65,235.45	0	0	0	0	-1.70%	-2.03%	None	
VP of Product & Strategy	Raymond Pao														
Chief Global Management Officer	Caleb OuYang														
Associate Vice President (Note c)	Hsiu Lai														

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 2020 was NTD 5,949,942 thousands.

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

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

Note 8: This chart lists persons who have served as HTC's General Manager and Assistant General Managers on December 31, 2020.

Note a: Released on September 2, 2020. The above amount are actual annual remuneration.

Note b: Released on November 9, 2020. The above amount are actual annual remuneration.

Note c: Released on June 29, 2020. The above amount are actual annual remuneration.

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

Remuneration paid to General Manager and Assistant General Managers

Scale of remunerations to managers of the Company	Name	
	HTC	All Consolidated Entities
Under NT\$ 1,000,000		
NT\$ 1,000,000 - NT\$ 2,000,000		
NT\$ 2,000,000 - NT\$ 3,500,000	1 (Note 1)	1 (Note 1)
NT\$ 3,500,000 - NT\$ 5,000,000	2 (Note 2)	1 (Note 3)
NT\$ 5,000,000 - NT\$ 10,000,000	4 (Note 4)	4 (Note 4)
NT\$ 10,000,000 - NT\$ 15,000,000		
NT\$ 15,000,000 - NT\$ 30,000,000		1 (Note 5)
NT\$ 30,000,000 - NT\$ 50,000,000		
NT\$ 50,000,000 - NT\$ 100,000,000	1 (Note 6)	1 (Note 6)
Over NT\$ 100,000,000		
Total	8	8

Note 1: Hsiu Lai

Note 2: Peter Shen, Caleb OuYang

Note 3: Caleb OuYang

Note 4: WH Liu, Marcus Woo, Adrian Tung, Raymond Pao

Note 5: Peter Shen

Note 6: Yves Maitre

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

2020; Unit: NT\$ thousands

Title	Name	Salary (A) (Note 1)		Retirement pay (B) (Note 2)		Bonus & Perquisite (C) (Note 3)		Employee profit sharing (D) (Note 4)				Total Remuneration (A+B+C+D) as a percentage of net income (%) (Note 5)		Compensation paid to President & Vice Presidents from non-subsidiary affiliates (Note 7)
		HTC	All Consolidated Entities (Note 6)	HTC	All Consolidated Entities (Note 6)	HTC	All Consolidated Entities (Note 6)	HTC		All Consolidated Entities (Note 6)		HTC	All Consolidated Entities (Note 6)	
Chief Executive Officer (Note a)	Yves Maitre	9,973	9,973	1,229	1,229	45,057	45,057	0	0	0	0	-0.95%	-0.95%	None
Chief Financial Officer and Accounting Officer	Peter Shen	4,078	12,911	104	104	-	10,422	0	0	0	0	-0.07%	-0.39%	None
Vice President	Drew Bamford	-	15,084	-	314	-	5,915	0	0	0	0	0.00%	-0.36%	None
Vice President	Edward Chang	20,704	20,704	-	259	-	-	0	0	0	0	-0.35%	-0.35%	None
Vice President	Steve Wang	8,400	8,400	108	108	7,600	7,600	0	0	0	0	-0.27%	-0.27%	None

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

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

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

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

Note 5: The net loss after-tax in 2020 was NTD 5,949,942 thousands.

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

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

Note a: Released on September 02, 2020. The above amounts are actual annual remuneration.

* 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.

4.2.4 Employee Profit Sharing Granted to Management Team.

None.

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

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

Title	Total remuneration as a percentage of net income			
	2019 (Note)		2020 (Note)	
	HTC	All Consolidated Entities	HTC	All Consolidated Entities
Directors	-0.31%	-0.31%	-0.50%	-0.50%
Supervisors	-0.01%	-0.01%	-	-
President and Vice Presidents	-1.11%	-1.35%	-1.70%	-2.03%

Note: Net income with negative numbers in fiscal 2019 and 2020.

Remuneration policies, standards, packages:

HTC's reward programs and policies are designed to support HTC's business strategy and the focus of performance differentiation. Our reward program and package is designed to be competitive within the markets to engage and motivate our people for the long term successes. In addition to country's fix bonuses (two-month salary in Taiwan for example), the Board of Directors hold the review and approval for extra performance bonus by reflect the company's performance when applicable.

Remuneration setting:

The remuneration for insiders are based on high-tech industry market data, their role and responsibilities, along with their contribution to the organization. The company's operating results and individual performances will also be taken into consideration to ensure that each insider is being paid a reasonable remuneration.

Business performances and future risks:

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

4.3 The State of the Company's Implementation of Corporate Governance:

4.3.1 The state of operations of the Board of Directors:

A total of 5 meetings of the board of directors were held in 2020. Director attendance status is shown as follows:

Title	Name	Attendance in Person B	By Proxy	Attendance Rate in Person (%) (Note)	Notes
Chairwoman	Cher Wang	5	0	100%	
Director	Wen-Chi Chen	5	0	100%	
Director	HT Cho	5	0	100%	
Director	David Bruce Yoffie	5	0	100%	
Independent Director	Chen-Kuo Lin	4	1	80%	
Independent Director	Josef Felder	5	0	100%	
Independent Director	Vincent Thai	5	0	100%	

Note: Attendance rate in person (%) is calculated by the meeting times and the actual attendance during the incumbency of the Board of Directors.

Other matters required to be recorded:

- 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:

- 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
2020.03.02 (9-5)	Report on Company's derivative transactions for fourth quarter 2019	Approved	Not applicable	Approved by all directors in attendance.
2020.05.07 (9-6)	Report on Company's derivative transactions for first quarter 2020 Proposal to change the auditors of the Company, due to the internal job adjustment within Deloitte and Touche	Approved	Not applicable	Approved by all directors in attendance.
2020.08.03 (9-7)	Proposal on the relief of the managerial personnel (insider) and the appointment of Company's Accounting Officer Report on Company's derivative transactions for second quarter 2020	Approved	Not applicable	Approved by all directors in attendance.
2020.09.02 (9-8)	Proposal on the change of Company's Chief Executive Officer & President	Approved	Not applicable	Approved by all directors in attendance.
2020.11.09 (9-9)	Report on Company's derivative transactions for third quarter 2020 Proposal on the appointment of the Company's internal audit officer	Approved	Not applicable	Approved by all directors in attendance.

- 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.

- There was no Directors' abstention from discussion due to conflicts of interests in 2019.
- The Company's Board of Directors self- (or peer) evaluation cycle and period, scope of evaluation, evaluation method, and evaluation content are as follows: The Company completed self-assessments of Board performance in 2020 and reported the results to the Board of Directors at its first quarter meeting in 2021 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.

Evaluation Cycle	Evaluation Duration	Scope of Evaluation	Method of Evaluation	Content of Evaluation
Implemented every year.	Year 2020	Included performance evaluations of the Board, individual directors	Internal self-evaluations were conducted on the Board, Board directors, and functional committees.	Assessment items for Board performance evaluations included five main aspects participation in corporate operations, enhancement of Board decision-making quality, Board composition and structure, director elections and continued training, and internal control.
Implemented every year.	Year 2020	Performance evaluations of the Audit committee	Audit committee performance self-evaluation	Assessment items for functional committee performance evaluations included five main aspects participation in corporate operations, recognition of functional committee responsibilities, enhancement of functional committee decision-making quality, composition of functional committees and election of committee members, and internal control.
Implemented every year.	Year 2020	Performance evaluations of the Remuneration committee	Remuneration committee self-evaluation	Assessment items for functional committee performance evaluations included four main aspects participation in corporate operations, recognition of functional committee responsibilities, enhancement of functional committee decision-making quality, composition of functional committees and election of committee members

- Measures taken to strengthen the functionality of the Board of Directors and the status of implementation during current and preceding fiscal years:
 - 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.
 - 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 2020 to submit the resolutions of the Board of Directors to the implementation of corporate governance

4.3.2 The operation of the Audit Committee

A total of 4 meetings of the board of directors were held in 2020 as follows:

Title	Name	Attend in person	By Proxy	Attendance rate in person (%)	Remark
Independent Director (Convener)	Chen-Kuo Lin	4	0	100%	
Independent Director	Josef Felder	4	0	100%	
Independent Director	Vincent Thai	4	0	100%	

Other matters required to be recorded:

1. If any of the following circumstances occur during Audit Committee meetings, the date of said meeting, session number, proposal content, and the Corporation's responses to Audit Committee opinions:

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

Board Date Session (Term-Sitting)	Agenda Content	Any Independent Director Had a Dissenting Opinion or Qualified Opinion
2020.03.02 (9-5)	Report on Company's derivative transactions for forth quarter 2019 Submission of the Company's consolidated financial reports for 2019	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.
2020.05.07 (9-6)	Report on Company's derivative transactions for first quarter 2020 Proposal to change the auditors of the Company, due to the internal job adjustment within Deloitte and Touche Submission of the Company's consolidated financial reports for first quarter 2020	
2020.08.03 (9-7)	Proposal on the relief of the managerial personnel (insider) and the appointment of Company's Accounting Officer Report on Company's derivative transactions for the second quarter 2020 Adoption of the Company's consolidated financial reports for the second quarter 2020	
2020.11.09 (9-9)	Report on Company's derivative transactions for the third quarter 2020 Adoption of the Company's consolidated financial reports for the third quarter 2020 Proposal on the Company's 2021 Deloitte & Touche CPA service fee and evaluation of the independence and suitability of the CPA Proposal on the appointment of the Company's internal audit officer	

(2) There was no other resolutions which was not approved by the Audit Committee but was approved by two thirds or more of all directors in 2020.

2. There were no recusals of independent directors due to conflicts of interests in 2020.

3. Annual work focus of the Audit Committee: Review the Company's financial reports, internal audit reports, supervise the Company's various important risks and internal controls, and review the independence and competence of certified public accountants.

4. Descriptions of the communications between the independent directors, the internal auditors, and the independent auditors in 2020 (which should include the material items, channels, and results of the audits on the corporate finance and/or operations, etc.):

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

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

(3) The aforementioned internal audit managers and CPAs also communicate with independent directors via email, phone, or faceto-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
2020.02.26 (1-3)	The 2019 Q4 Internal Auditor's report. The Company's 2019 Internal Control Self-Assessment.	The 2019 financial reports. Matters of communication with governance
2020.05.05 (1-4)	The 2020 Q1 Internal Auditor's report.	The 2020 Q1 consolidated financial reports. To change the auditors of the Company, due to the internal job adjustment within Deloitte and Touche. Matters of communication with governance.
2020.07.30 (1-5)	The 2020 Q2 Internal Auditor's report.	The 2020 Q2 consolidated financial reports. Matters of communication with governance.
2020.11.05 (1-6)	The 2020 Q3 Internal Auditor's report. The 2021 audit plans. The appointment of the Company's internal audit officer	The 2020 Q3 consolidated financial reports. 2021 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.

4.3.3 The State of the Company's Implementation of Corporate Governance, departures of such implementation from The Corporate Governance Best-Practice Principles for TSEC/ GTSM Listed Companies, and reasons for departures.

Item	Implementation Status			Reason for Non-implementation
	YES	NO	Summary	
1. Whether the company has adopted and revealed principles for practice of corporate governance in accordance with "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies"?	v		In 2014, HTC adopted the "HTC Corporate Governance Principles". Its provisions are based on the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies and are announced in the English and Chinese investor relations websites.	None
2. Shareholding Structure & Shareholders' Rights				
(1) Whether the company has the internal operation procedures of handling shareholder suggestions, questions, lawsuits or complaints, and proceed by complying with the procedures.	v		To protect shareholders' interests, HTC has appointed spokesperson to properly handle any questions, suggestions, or disputes involving shareholders.	None
(2) Whether the company understands the major shareholders and the ultimate owners of these major shareholders.	v		The Company has a good understanding of its major shareholders through shareholder registers provided by stock agents at book closures. HTC also provides information regularly on pledges and the increase and decrease in shareholdings of shareholders with a more than 10% stake in the company.	None
(3) Whether the company sets up and executing of risk management mechanism and "firewalls" 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) Whether the company has adopted internal rules to forbid against use of unpublicized information in the market by internal staffs for purchase of priced stocks?	v		The company has adopted the "Operational Procedures for Handling Material Inside Information and Preventing Insider Trading". It governs purchase and sale of priced stocks by internal staffs.	None
3. Composition and Responsibilities of the Board of Directors				
(1) Whether the Board of Directors has adopted guidelines for diversity of composing members and has put the guidelines into full practice?	v		The company has stipulated in the "Principles for practice of corporate governance" that the Board of Directors of the Company have multiple professional backgrounds and rich experience in management, leadership decision, industrial knowledge, international view, financial analysis, and other diversified professional background and extensive business experience.	None

(Continued)

Item	Implementation Status			Reason for Non-implementation
	YES	NO	Summary	
			There are 7 Directors in the ninth Board of Directors; three of them are Independent Directors who constitute 43% of the Board. At present, there is a female Director who constitute 14% of the Board. The Directors' educational background, gender, professional qualifications and working experience, please refer to the corporate governance report 4.1.1 the Information on the Company's Directors. The data of directors in corporate governance reports are available. The Directors all have sufficient experience in corporate governance and industrial technology, please refer to note 1.	
(2) Whether the company is willing to set up various other functional committees, in addition to the committees for salaries/ compensations and auditing set up according to the law?		v	The Company has set up a remuneration committee after the resolution of the Board of Directors on December 22th, 2011. The Board of Directors also resolved on June 21st, 2019 to set up the Audit Committee in accordance with Article 14-4 of Securities and Exchange Act. At present, apart from the above two committees, the Company has not set up any other functional committees.	HTC has only set up the remuneration and Audit Committee.
(3) Whether the company establish methodology for evaluating the performance of its Board of Directors, on an annual basis, reported the results of performance to the Board of Directors, and use the results as reference for directors' remuneration and renewal?		v	The Company implemented Board performance evaluations in 2020. 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. 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 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 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 The Compensation Committee is assessed on the following five 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 The Company completed self-assessments of Board performance in 2020 and reported the results to the Board of Directors at its first quarter meeting in 2021 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.	None

(Continued)

Item	Implementation Status			Reason for Non-implementation
	YES	NO	Summary	
(4) Whether the company regularly evaluate its external auditors' independence?	v		The Audit Committee regularly assesses the independence and suitability of CPAs regularly every year and reports to the Board of Directors. The results of the 2020 evaluation were reported to the Board of Directors on November 9, 2020, confirming that the CPAs Chi-Ming Hsu and Kuo-Tyan Hong of Deloitte & Touche both fulfilled the assessment standards for independence and competency (Note 2), and a letter of declaration was provided by Deloitte and Touche (Note 3).	None
4. Whether the company has appointed 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		HTC has set up corporate governance unit and personnel to be in charge of corporate governance affairs to furnishing information required for business execution by directors and supervisors, handling matters relating to board meetings and shareholders meetings according to laws, handling corporate registration and amendment registration, producing minutes of board meetings and shareholders meetings.	None
5. Whether the company has established a channel for communicating with Stakeholders (including but not limited to shareholder, employee, customer and supplier, etc.), set up a section for Stakeholders on the company website, and properly responded to important topics regarding corporate social responsibilities that Stakeholder care about?	v		HTC provides detailed contact information, including telephone numbers and email addresses, in the "contact us" section of its corporate website. We also have personnel in place to exclusively deal with messages to the spokesperson and investor mailboxes so that various interested parties will have channels to communicate with HTC.	None
6. Whether the company has delegated a professional shareholder services agency for handling AGM affairs?	v		The Company has delegated CTBC Bank Co., Ltd. to be the shareholder service agency for handling AGM affairs.	None
7. Information Disclosure				
(1) Establishment of a corporate website to disclose information regarding the Company's financials, business and corporate governance	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
(2) Other information disclosure channels (e.g. maintaining an English-language website, appointing responsible people to handle information collection and disclosure, appointing spokespersons, webcasting investors conference)	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

Item	Implementation Status			Reason for Non-implementation
	YES	NO	Summary	
(3) Does the Company announce and report the annual financial statements within two months after the end of the fiscal year, 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?	v		The Company follows relevant laws and regulations to announce and report the annual financial statements, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline. Please refer to Market Observation Post System for the aforementioned disclosure.	None
8. Other important information helpful to understanding HTC's corporate governance practices (including but not limited in employee rights and interests, employee care, investor relations, supplier relations and rights of Stakeholders, professional development of the Board of Directors, Supervisors, and managerial officers, status of implementation of risk management policies and standards for measurement of risk, status of customer-protection policy implementation, and liability insurance provided by HTC to the Board of Directors and Supervisors) :	v		(1) Employee rights and interests and employee care HTC's employee code of conduct provides rules and guidelines for employees to follow when involved in company operations. All employees of the company and its branches and subsidiaries, regardless of their position, level, or location, need to abide by this code of conduct. Any unlawful conduct, either at the company or otherwise is prohibited. HTC is committed to providing a safe and healthy work environment, to respecting individuals and offering fair equality of opportunity, and to protecting company assets and personal information. In relations with customers and suppliers, HTC commits to maintaining long-term relationships on a fair and reasonable basis in order to create win-win partner relationships. In the Conflicts of Interest section in "HTC's Code of Conduct", HTC provides principles of conduct to guide employees. HTC's hiring policies comply with the relevant laws and regulations and provide fair opportunities to applicants. Hiring decisions are based on HTC's operational needs, nature of the work, and applicants' abilities. Fair opportunities are provided to both applicants and employees. There will be absolutely no discrimination on the basis of nonwork-related factors, such as race, skin color, social position, language, belief, religion, political affiliation, family origin, gender, sexual orientation, marital status, appearance, facial features, mental or physical disabilities, previous union affiliation, or any other factor protected by government order. HTC management adheres firmly to the principles of respect for the individual, good faith, and responsibility. These principles are applied (but not limited) to recruitment, hiring, training, promotion, pay scales, benefits, transfers, and community activities. HTC is committed to providing employees with a working environment free of discrimination or harassment (including sexual harassment). Any form of speech or conduct intended to incite hatred, conduct which could lead to accidental injury, or discrimination, will be immediately reported to the responsible department for investigation and punishment.	None

Item	Implementation Status			Reason for Non-implementation
	YES	NO	Summary	
			In addition to complying with legal requirements, HTC respects the privacy of its employees and protects their personal information, and never arbitrarily discloses personal data of employees. Employees are also expected to abide by this principle in their interactions, and to avoid discussing private matters or secret information of others (including but not limited to salary and bonus information).	
			(2) Investor relations HTC carries out its responsibility in the area of investor relations by endeavoring to enhance the transparency and timeliness of information disclosure. In addition to immediate announcement of material information and information disclosure.	
			In addition to the regularly scheduled information disclosures above, HTC also participates in investment seminars held by local and overseas securities firms and investor/press conferences; and arranges meetings with domestic and foreign investors in order to further explain financial figures and operational results that have already been publicly released.	
			(3) Supplier relations and rights of interested parties HTC has adopted "Procedures for Transactions with Specific Companies, Group Enterprises, and Related Parties and Supplier Integrity Commitment Letter" to guarantee the rights and interests of HTC and interested parties. Purchasing contracts are also signed with suppliers to govern to transactions and cooperative efforts to protect the lawful rights and interests of all parties.	
			(4) Director training programs in 2020 please refer to Note 4 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.	

Item	Implementation Status			Reason for Non-implementation
	YES	NO	Summary	
			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.	None
			(6) Status of customer-protection policy implementation: HTC strictly abides by the contracts it signs with customers to protect consumer rights and interests. Regular deliberation on and assessment of the Product Warranty Reserve for after-sales services ensures that allocations made to such reserves are reasonably sufficient and warranty responsibilities of the Company are adequately expressed.	
			(7) Liability insurance provided by HTC to the Board of Directors and Supervisors: Currently, HTC has purchased Liability Insurance for the Board of Directors, Supervisors, and key personnel (please refer to Note 5 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. HTC improved the Company's assessment of the corporate governance Or priority to improve the response measures, as follows: (1) Performance evaluation of the Board of Directors: The Company has conducted Board performance evaluations on an annual basis since 2020. (2) Increase the disclose information in Company's website to, strengthen Directors' training, and strengthen the implementation of corporate social responsibility.	

Note 1: Implementation of board diversification policy

Name	Nationality/ place of Registration	Gender	Basic Component						Core diversification item								
			Positions held concurrently in the company	Age			Independent director tenure			operational judgment	accounting and financial analysis	management administration	crisis management	Industrial knowledge	International market perspective	Ability to lead	Ability to make decisions
				51 to 60	61 to 70	Over 71	Under 3 years	3 to 9 years	9 years or more								
Cher Wang	Republic of China	Female	v	v					v		v	v	v	v	v	v	
Wen-Chi Chen	Republic of China	Male		v					v		v	v	v	v	v	v	
HT Cho	Republic of China	Male		v					v		v	v	v	v	v	v	
David Bruce Yoffie	USA	Male		v					v		v	v	v	v	v	v	
Chen-Kuo Lin	Republic of China	Male			v				v	v	v	v	v	v	v	v	
Josef Felder	Swiss Confederation	Male	v						v		v	v	v	v	v	v	
Vincent Thai	USA	Male	v				v		v		v	v	v	v	v	v	

Note 2: Independence assessment indicators of CPA

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

Note 3: Letter of declaration from Deloitte & Touche

October 20, 2020

HTC Corporation

Gentlemen:

WE HAVE BEEN ENGAGED TO AUDIT THE FINANCIAL STATEMENTS OF HTC CORPORATION AS OF DECEMBER 31, 2020 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 interests with HTC Corporation.
 - b. Having a close business relationship which may impair independence with HTC Corporation and its director, supervisor or officer.
2. During the period of the audit engagement, the audit engagement team members, their spouses and dependents are not appointed as HTC Corporation director, Supervisor, officer or in any key position having a direct and significant influence over the audit work.
3. The audit engagement team members do not have a relationship with HTC Corporation director, Supervisor, or officer or their immediate family or second degree relatives.
4. The audit engagement team members do not accept gifts or hospitality from HTC Corporation or its director, Supervisor, officer or major stockholder where the value is clearly significant.
5. The audit engagement team members execute necessary procedures and are not aware of any violation of independence or conflicts of interest.

Very truly yours,
DELOITTE & TOUCHE

Chi-Ming Hsu
Partner



Kuo-Tyan Hong
Partner



Note 4: Continuous Education/Training of the Board of Directors and Supervisors

Title	Name	Date of Training		Organization	Training	Hours	Notes
		From	From				
Chairwoman	Cher Wang	2020.11.27	20120.11.27	Securities and Futures Institute	2021 economic outlook and industry trends	3	
		2020.11.27	2019.11.27	Taiwan Corporate Governance Association	Corporate governance and Laws & Regulations	3	
		2020.12.04	2020.12.04	Taiwan Corporate Governance Association	AI, Changing the Landscape of Corporate Governance	3	
Director	HT Cho	2020.12.04	2020.12.04	Taiwan Corporate Governance Association	AI, Changing the Landscape of Corporate Governance	3	
Director	Wen-Chi Chen	2021.07.03	2021.07.03	Taiwan Corporate Governance Association	Corporate governance and Laws & Regulations	3	
		2020.12.04	2020.12.04	Taiwan Corporate Governance Association	AI, Changing the Landscape of Corporate Governance	3	
Independent Director	Chen-Kuo Lin	2020.12.04	2020.12.04	Taiwan Corporate Governance Association	AI, Changing the Landscape of Corporate Governance	3	
Independent Director	Vincent Thai	2020.12.04	2020.12.04	Taiwan Corporate Governance Association	AI, Changing the Landscape of Corporate Governance	3	

Note 5: 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: 2019.03.15 To: 2020.03.15	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: 2020.03.15 To: 2021.03.15	Renewal

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

Compensation Committee Members' Information

2021.04.20

Title	Name	Condition	Meet one of the following professional qualification requirements, together with at least five years work experience										Conforms to criteria for independence (Note)										Notes							
			A judge, public prosecutor, attorney, certified public accountant or other professional or technical specialists who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company					Have work experience in commerce, law, finance, accounting, or other areas relevant to the business of the company										Number of other public companies concurrently serving as an Compensation Committee member												
Independent Director (Convener)	Chen-Kuo Lin	V	V	V	V	V	V	V	V	V	V	V	V	V	V	V	V	V	V	V	V	V	V	V	V	V	V	V	0	
Independent Director	Vincent Thai		V																										0	
Other	Yeong-Cheng Wu		V																										2	

Note: A check mark is placed in the box for those directors who fulfill the following conditions during and up to two years prior to their time in office

- (1) Is not hired by the Corporation or its affiliates.
- (2) Is not a director or supervisor of the Corporation or any of its affiliates. (The same does not apply, however, in cases where the person is a concurrent independent director of the Corporation and its parent company, subsidiaries, or subsidiaries of the same parent company, as appointed in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or local laws and regulations.)
- (3) Is 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 others' names, in an aggregate amount of 1% or more of the total number of issued shares of the Corporation or ranking in the top ten in shareholdings.
- (4) Is not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of managers not conforming to subparagraph (1) above, or of any persons not conforming to subparagraphs (2) and (3) above.
- (5) Is not a director, supervisor, or employee of an institutional shareholder that directly holds 5% or more of total number of issued shares or ranks among the top five in shareholdings, or a director, supervisor, or employee of an institutional shareholder who has been appointed as a director or supervisor representative at the Corporation under paragraphs 1 and 2, Article 27 of the Company Act. (The same does not apply, however, in cases where the person is a concurrent independent director of the Corporation and its parent company, subsidiaries, or subsidiaries of the same parent company, as appointed in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or local laws and regulations.)
- (6) Is not a director, supervisor, or employee of other companies controlled by Corporation directors or persons with more than half of voting rights at the Corporation. (The same does not apply, however, in cases where the person is a concurrent independent director of the Corporation and its parent company, subsidiaries, or subsidiaries of the same parent company, as appointed in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or local laws and regulations.)
- (7) Is not a director, supervisor, or employee of other companies or institutions of the Corporation's chairperson, president, or persons with equivalent duties, or spouses thereof. (The same does not apply, however, in cases where the person is a concurrent independent director of the Corporation and its parent company, subsidiaries, or subsidiaries of the same parent company, as appointed in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or local laws and regulations.)
- (8) Is not a director, supervisor, manager, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the Corporation. (The same does not apply, however, for specific companies or institutions that hold more than 20% and less than 50% of issued Corporation shares, or in cases where the person is a concurrent independent director of the Corporation and its parent company, subsidiaries, or subsidiaries of the same parent company, as appointed in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or local laws and regulations.)
- (9) Is not a professional individual, or an owner, partner, director, supervisor, or manager, or spouses thereof, of a sole proprietorship, partnership, company, or institution which provides audit services to the Corporation or its affiliates; or has in the past two years provided commercial, legal, financial, accounting, or related services not exceeding total compensation of NT\$ 500,000 to the Corporation or its affiliates. The same does not apply, however, for members of remuneration committees, public tender offer review committees, or special committees for mergers/ consolidations and acquisitions exercising their duties in accordance with the laws and regulations of the Securities and Exchange Act and the Business Mergers and Acquisitions Act.
- (10) Has not violated any regulations in Article 30 of the Company Act.

The Operations of the Compensation Committee

- (1) The Corporation's Remuneration Committee is composed of three people, and committee members are appointed in accordance with the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter." Following election of Board members by the shareholders' general meeting on June 21, 2019, the 9th committee members will serve until June 20, 2022. The Independent Director Chen-Kuo Lin was elected as convener by all committee members. The committee operates according to the "Charter of the Remuneration Committee" and convenes at least twice every year.
- (2) The main duties and annual tasks of the committee include formulating and regularly reviewing policies, systems, standards, and structure of evaluations on director and manager performance, salaries, and compensation, as well as regular assessment and formulation of director and manager salaries and compensation.

The Remuneration Committee convened 3 times in 2020, 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	3	0	100%	
Independent Director	Vincent Thai	3	0	100%	
Other	Yeong-Cheng Wu	3	0	100%	

Other matters to be included:

1. 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.
2. 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.

Note: Attendance rate in person (%) is calculated by the meeting times and the actual attendance during the incumbency of the Compensation Committee.

4.3.5 Corporate Social Responsibility and Deviations from the “Corporate Social Responsibility Best Practice Principles for TWSE/ TPEX Listed Companies” and Reason

Item	Implementation Status			Reasons for discrepancy with the Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM Listed Companies
	Yes	No	Summary	
1. Does the company conduct risk assessment on environmental, social, and corporate governance issues, related to the company’s operations and establish related risk management policies or strategies?	V		Please refer to the “HTC Material Issues and Boundary” and “Management Approach and Its Components” section of the HTC Corporate Social Responsibility Report	None
2. Does the company establish exclusively (or concurrently) dedicated firstline managers authorized by the Board to be in charge of proposing the corporate social responsibility policies and reporting to the Board?		V	The CSR department is responsible for the planning and implementation of HTC’s CSR activities, and following of the Responsible Business Alliance (RBA) (formerly “Electronics Industry Citizenship Coalition (EICC)”). The higher-level management has not yet been authorized by the Board of Directors to handle CSR-related matters, with no current practice of reporting to the Board on the handling of CSR. Please refer to “Corporate Social Responsibility Management” of the HTC Corporate Social Responsibility Report.	The higher-level management has not yet been authorized by the company to handle CSR-related matters.
3. Environmental Issues				
(1) Does the company establish proper environmental management systems based on the characteristics of their industries?	V		Please refer to “Sustainable Environment” of the HTC Corporate Social Responsibility Report.	None
(2) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	V		Please refer to “Sustainable Agenda” of the HTC Corporate Social Responsibility Report.	None
(3) Does the company assess the potential risks and opportunities of climate change for the company now and in the future, and take action on climate-related issues?	V		Please refer to “Risk Management” of the HTC Corporate Social Responsibility Report.	None
(4) Does the company count the greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulate policies for energy conservation and carbon reduction, greenhouse gas reduction, water consumption or other waste management?	V		Please refer to “Climate Change Risk Management”, “Sustainable Environment” and “Sustainable Manufacturing Process” of the HTC Corporate Social Responsibility Report.	None
4. Preserving Public Welfare				
(1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		Please refer to “Staff Management” of the HTC Corporate Social Responsibility Report.	None

Item	Implementation Status			Reasons for discrepancy with the Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM Listed Companies
	Yes	No	Summary	
(2) Does the company declare reasonable employee welfare measures (including remuneration, vacations, and other benefits) and appropriately reflect business performance and results on employee remuneration?	V		Please refer to “Sound Wage and Welfare System” of the HTC Corporate Social Responsibility Report.	None
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	V		Please refer to “Occupational Health and Safety” of the HTC Corporate Social Responsibility Report.	None
(4) Does the company provide its employees with career development and training sessions?	V		Please refer to “Complete Education and Training Plan” of the HTC Corporate Social Responsibility Report.	None
(5) Does the company’s products and services adhere to related laws and regulations and international standards for customer health and safety, customer privacy, marketing, and labeling, and has the company established policies and appeal procedures to protect consumer interests?	V		Please refer to “Risk Management”, “Customer Management” and “Sustainable Design” of the HTC Corporate Social Responsibility Report.	None
(6) Does the company establish a supplier chain management policy that requires suppliers to follow and implement related issues on environmental protection, occupational safety and health, or labor rights	V		Please refer to “Sustainable Supplier Chain” of the HTC Corporate Social Responsibility Report.	None
5. Does the company comply with international standards or guidelines for preparing corporate social responsibility or non-financial related reports? Have the previous released reports been verified by third-party certification entity with assurance or opinion statements?	V		HTC Publish “HTC Corporate Social Responsibility Report” since 2012, Report follow the Global Reporting Initiative(GRI) guidelines/ Standards have passed AA1000 verification by an impartial third-party and received the confirmation statement.	None
6. If the company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEX Listed Companies,” please describe any discrepancy between the Principles and their implementation: HTC follows the HTC Corporate Social Responsibility Policy and has yet to define a corporate social responsibility code of conduct. For corporate social responsibility operational status, please refer to “HTC Corporate Social Responsibility Report” and corporate social responsibility related information in our website: http://www.csr.htc.com/				
7. Other important information to facilitate better understanding of the company’s corporate social responsibility practices: Please refer to corporate social responsibility related information in our website: http://www.csr.htc.com/				

4.3.6 Implementation of Ethical Corporate Management and Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/ TPEX Listed Companies” and Reason

Item	Implementation Status			Deviations from “Ethical Corporate Management Best Practice Principles For TWSE/ TPEX Listed Companies” and Reasons
	Yes	No	Summary	
1. Establishment of Ethical Corporate Management Policies and Programs				
(1) Does the company establish ethical corporate management policies and procedures, approved by the Board, in its guidelines and external documents, as well as commitment from its Board and senior management to implement the policies?	V		<p>HTC Code of Conduct is a guideline to provide high ethical standards for all employees in conducting HTC business activities. This Code includes three major sections: the General Moral Imperative, Vendors/Suppliers and Customers Relationship, and Conflict of Interests which covers HTC’s ethical management policy. This Code is disclosed in the Annual report and on the investor website.</p> <p>The Board of Directors and the executive management all place the greatest importance on adopting the highest standards of integrity and ethics in corporate management and employee work conduct. Bribery, corruption, deception, and all other forms of improper conduct are prohibited.</p>	<p>HTC does not produce a Ethical Corporate Management Best Practice Principles per the Ethical Corporate Management Best Practice Principles for TWSE/ GTSM-Listed Companies. HTC adopted Code of Conduct for follow up.</p>
(2) Does the company establish assessment mechanisms against risks from unethical conduct, periodically analyze and assess operational activities with high potential for unethical conduct, and use these to establish solutions for prevention of unethical behaviors that at least encompass the preventive measures stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best Practice Principles for TWSE/ TPEX Listed Companies?	V		<p>The Code of Conduct describes Corporate Confidentiality, Protection of Property, HTC’s Assets, and Personal Information, standards for entertainment and Business Courtesies among All employees or their immediately family members, customers and suppliers/Vendors, Travel, Conflict of interest, Outside Employment and Inside Trading to prevent unethical conduct. HTC also provides dedicated e-mail for employee to complain.</p> <p>The Code of Conduct is one of the courses in the new employee orientation and is declared in the e-learning courses. Further, in order to prevent insider trading, HTC invites legal professionals to provide trainings to managers. HTC also adopted the Corporation Rules for Donations Out of Income as the principle to approve and process Company’s donation.</p>	None
(3) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and commitment to implement the policies, and periodically assess said policies?	V		<p>According to the Code of Conduct, new employees are required to go through code of ethics during orientation and revisit the ethic code periodically to prevent unethical conduct. At the same time, HTC also includes The Code of Conduct courses thru e-learning in attempt to prevent unethical behavior. To prevent inside trading, HTC invites legal professionals to provide trainings to managers.</p>	None

(Continued)

Item	Implementation Status			Deviations from “Ethical Corporate Management Best Practice Principles For TWSE/ TPEX Listed Companies” and Reasons
	Yes	No	Summary	
2. Fulfillment of Operations Integrity Policy				
(1) Does the company evaluate business partners ethical records and include ethics-related clauses in 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) Does the company establish an exclusively (or concurrently) dedicated unit in charge of corporate integrity and to be supervised by the Board, which regularly (at least once a year) reports implementation status to the Board		V	<p>HTC has not established a dedicated (or part-time) unit with responsibility for the enforcement of ethical corporate management. Currently, HTC has adopted an employee code of conduct that sets rules for compliance by all division supervisors and employees in their execution of company operations, to prevent violations of ethical corporate management principles by HTC. We have a dedicated email: anti-corruption@htc.com to report any violations. When violations of the employee code of conduct occur or are suspected, the human resources and legal divisions will cooperate to investigate and then report to management so that necessary disciplinary measures can be taken.</p>	<p>HTC has not established a dedicated (or part-time) unit with responsibility for the enforcement of ethical corporate management.</p>
(3) Does the company establish and implement policies to prevent conflicts of interest and provide appropriate communication channels	V		<p>HTC has set out high ethical standards in its employee code of conduct Additionally, in its employment agreements and employee handbook, it expressly stipulates non-competition provisions for the period of employment, to prevent conflicts of interest. Unit supervisors and internal auditors can investigate and audit any questionable conduct in line with these policies.</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>	None

(Continued)

Item	Implementation Status			Deviations from “Ethical Corporate Management Best Practice Principles For TWSE/ TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			HTC also has established channels for statements of opinions and reports of violations, by which employees may report any questionable conduct discovered.	
(4) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, with internal audit units formulating audit plans based on risk assessments of unethical conduct which are used to review compliance with measures for preventing unethical conduct, or which are audited by CPAs?	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> <p>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 scheduled or unscheduled 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, account books, and evidence to conduct 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.</p>	None
(5) Does the company regularly hold internal and external educational trainings on operational integrity?	V		Per the Code of Conduct, HTC will hold new employee orientation and ask employees to review the code periodically to prevent unethical conduct.	None

(Continued)

Item	Implementation Status			Deviations from “Ethical Corporate Management Best Practice Principles For TWSE/ TPEX Listed Companies” and Reasons
	Yes	No	Summary	
3. Operation of the Integrity Channel				
(1) Does the company establish both a reward/ punishment system and an integrity hotline Can the accused be reached by an appropriate person for follow-up?	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, human resources division, and internal auditors. Disciplinary measures are administered by the human resources department. HTC also has established channels for statements of opinions and reports of violations, by which employees may report any questionable conduct discovered.	None
(2) Does the company establish standard operating procedures and subsequent procedures of following investigations and relevant confidential mechanism?	V		The company has adopted operating procedures and rules regarding confidentiality for investigation of the reported matters. Upon acquisition of relevant evidences, HTC will set up an investigation team to carry out corresponding procedures with a responsibility for maintaining	None
(3) Does the company provide proper whistleblower protection?	V		<p>HTC has a dedicated email: anti-corruption@htc.com</p> <p>Employees can use the email to report the case to the company with provision of relevant evidences. HTC will have its team carry out investigation with the reporting parties placed under protection.</p>	None
4. Enhancing Information Disclosure Does the company disclose its ethical corporate management policies and the results of its implementation on the company’s website and MOPS?	V		HTC discloses its Code of Conduct on its investor’s website both in Chinese and English, the Corporate Responsibility webpage also discloses Supplier Code of Conduct. Supplier’s business shall be ethical.	None
5. HTC does not produce a Ethical Corporate Management Best Practice Principles per the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies. HTC adopted Code of Conduct to provide high ethical standards for all employees in conducting HTC business activities. All employees of HTC Corp., including branches and subsidiary companies, must follow these ethical standards regardless of the employees’ position, grade level, and location. This Code includes three major sections: the General Moral Imperative, Vendors/Suppliers and Customers Relationship, and Conflict of Interests.				
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

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

4.3.8 Other important information helpful to understanding HTC's corporate governance:


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

Certification details of employees whose jobs are related to the release of the company's financial information

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

4.3.9 The state of implementation of HTC's internal control system

(1) Statement on Internal Control




Internal Control System Statement


Date: March 17, 2021

HTC Corporation (HTC) states the following with regard to its internal control system for the year 2020, 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, 2020, 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 17, 2021, in which none of the seven attending directors expressing dissenting opinions, and the remainder all affirmed the content of this Statement.



HTC Corporation
Chairwoman:



(signature)



(signature)

(2) External auditors' opinion on HTC's internal control: Not applicable.

4.3.10 For the most recent fiscal year and during the current fiscal year up to the date of printing of this annual report, there were no sanctions imposed upon the Company or its internal personnel.

4.3.11 Material Resolutions of the 2019 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.

Material Resolutions of the Shareholders Meeting

Date	Material resolutions	Implementation Status:
2020.06.19	1. Adoption of the Fiscal 2019 Business Report and Financial Statements.	The Fiscal 2019 Business Report and Financial Statements are submitted to the competent authority for reference and announcement in accordance with relevant regulations.
	2. Adoption of the Fiscal 2019 deficit compensation proposal.	Adopted according to the resolution, no dividends were distributed.
	3. Discussion on the proposal to amend the Articles of Incorporation.	It was processed according to the revised.
	4. Discussion on the proposal to amend the "Rules of Procedure for Shareholders Meetings".	It was processed according to the revised.

Material Resolutions of the Board of Directors Meetings

Date	Material resolution
2020.03.02	1. HTC Board of Directors Approved the Convening of 2020 Annual General Shareholders Meeting. 2. HTC Board of Directors Resolved the Capital Reduction due to Cancellation of Restricted Employee Shares.
2020.05.07	1. HTC Board of Directors Approved the Deficit Compensation of 2019
2020.08.04	1. HTC Board of Directors Ratified the appointment of Accounting Officer 2. HTC Board of Directors approved the disposal of Shopify Inc. shareholdings held by the Company's Subsidiary, HTC Investment (BVI) Corp. 3. HTC Board of Directors approved the Capital Reduction due to Cancellation of Restricted Employee Shares
2020.09.02	1. HTC Board of Directors approved the change of Company's Chief Executive Officer & President
2020.11.09	1. HTC Board of Directors approved the change of Company's General Counsel 2. Announcement on the change of Company's Internal Audit Officer
2021.03.17	1. HTC Board of Directors approved the 2020 consolidated financial statements 2. HTC Board of Directors approved the deficit compensation of 2020 3. HTC Board of Directors approved the convening of 2021 Annual General Shareholders Meeting

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

4.3.13 A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report, of the company's chairman, general manager, principal accounting officer, principal financial officer, chief internal auditor, and principal research and development officer

Title	Name	Appointment Date	Effective Date	Type of the Change
Accounting Officer	Hsiu Lai	2015.09.16	2020.06.29	Resignation
President and CEO	Yves Maitrs	2019.09.17	2020.09.02	Resignation
Internal Audit Officer	Ivy Chou	2019.03.01	2020.11.10	Position adjustment

4.4 Information on CPA Professional Fees**4.4.1 Scale of information on CPA professional fees**

Accounting Firm	Name of CPA	Audit Period	Note
Deloitte & Touche	Chi-Ming Hsu Kuo-Tyan Hong	Years Ended December 31, 2020	

Scale of Fee	Item		
	Audit Fee	Non-Audit Fee	Total Fee
1 Under NT\$2,000,000		V	
2 NT\$ 2,000,000 - NT\$ 4,000,000			
3 NT\$ 4,000,000 - NT\$ 6,000,000	V		
4 NT\$ 6,000,000 - NT\$ 8,000,000			V
5 NT\$ 8,000,000 - NT\$ 10,000,000			
6 Over NT\$ 10,000,000			

4.4.2 The amounts of both audit and non-audit fees as well as details of non-audit services are disclosed as follows:

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-Audit Fee				Subtotal	CPA's Audit Period	Note
			System Design	Company Registration	Human Resource	Others (Note)			
Deloitte & Touche	Chi-Ming Hsu, Kuo-Tyan Hong	5,800				600	600	Years Ended December 31, 2020	Transfer pricing report and international tax consultation

4.4.3 The company does not change its accounting firm.

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

4.5 The Company Replaces Its Certified Public Accountant Within the Last Two Fiscal Years

4.5.1 Former Certified Public Accountant

Replacement Date	2020.05.07 (Date of Board Resolution)		
Replacement Reason	Due to internal adjustment of Deloitte & Touche, CPA Hsu Wen-Ya and CPA Casey Lai are replaced by CAP Chi-Ming Hsu and CPA Kuo-Tyan Hong as from the first quarter of 2020		
Specify whether the appointment is terminated or not accepted by the appointer or CPA	Persons concerned		
	Situation	CPA	Appointer
	Voluntary termination of appointment	Not applicable	Not applicable
	No further acceptance of (continuous) appointment	Not applicable	Not applicable
Opinions and reasons for audit reports other than reports with unqualified opinions in the last two years	None		
Opinions and reasons for audit reports other than reports with unqualified opinions in the last two years	Yes	Accounting principles or practices	
		Disclosure of financial reports	
		Scope or steps of audit	
		Other	
	No	√	
Remarks			
Other disclosures (To be disclosed in accordance with Article 10.5(1).(iv) of the Regulations Governing Information to be Published in Annual Reports of Public Companies)	None		

4.5.2 Successive Certified Public Accountant

Accounting Firm	Deloitte & Touche
Name of CPA	Chi-Ming Hsu and CPA Kuo-Tyan Hong
Appointed Date	2020.05.07 (Date of Board Resolution)
Consultation about accounting treatment or applicable accounting principles for specific transactions and the possible opinion on the financial reports and the results thereof before appointment	None
Written opinions on discrepancy of opinions between the successive CPA and the former CPA	None

4.5.3 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.

4.6 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

4.7 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

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

Unit: Shares

Title	Name	2020		2021.01.01 – 2021.04.20	
		Change in quantity of shareholding	Change in quantity of pledged shares	Change in quantity of shareholding	Change in quantity of pledged shares
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	Josef Felder	0	0	0	0
Independent Director	Vincent Thai	0	0	0	0
Chief Finance Officer and Accounting Officer	Peter Shen	0	0	0	0
General Counsel	Marcus Woo	0	0	0	0
Chief Technology Officer	WH Liu	0	0	0	0
Senior VP of Research & Development	Adrian Tung	0	0	0	0
VP of Product & Strategy	Raymond Pao	0	0	0	0
Chief Executive Officer	Yves Maitre (Date of released: 2020.09.02)	0	0	0	0
General Counsel	Marcus Woo (Date of released: 2020.11.09)	0	0	-	-
Associate Vice President	Hsiu Lai (Date of released: 2020.06.29)	0	0	-	-

4.7.2 Stock transfer with related party: None

4.7.3 Stock Pledged with related party: None

4.8 Related Party Relationship Among the Company's 10 Largest Shareholders

Name (Note 1)	Shareholding		Shareholding under spouse and children of minor age		Shareholding under the title of third party		Top 10 shareholders who are related parties to each other (Note 2)		
	Shares	%	Shares	%	Shares	%	Name	Relationship	Note
Way-Chih Investment Co., LTD. (Representative: Su-Lan Chiang)	43,819,290	5.35%	0	0.00%	0	0.00%	Way-Lien Technology Inc., Hon-Mou Investment Co., Ltd., Kun-Chang Investment Co, Ltd.	Same chairwoman	
Way-Lien Technology Inc. (Representative: Su-Lan Chiang)	38,588,231	4.71%	0	0.00%	0	0.00%	Way-Chih Technology Inc., Hon-Mou Investment Co., Ltd., Kun-Chang Investment Co, Ltd.	Same chairwoman	
Cher Wang	32,272,427	3.94%	22,391,389	2.74%	0	0.00%	Wen-Chi Chen	Spouse	
Hon-Mou Investment Co., Ltd.	23,197,081	2.83%	0	0.00%	0	0.00%	Way-Chih Technology Inc., Way-Lien Technology Inc., Kun-Chang Investment Co, Ltd.	Same chairwoman	
Wen-Chi Chen	22,391,389	2.74%	32,272,427	3.94%	0	0.00%	Cher Wang	Spouse	
Chao-Shun Hong	10,367,000	1.27%	0	0.00%	0	0.00%	None	None	
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	10,047,301	1.23%	0	0.00%	0	0.00%	None	None	
VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	9,876,079	1.21%	0	0.00%	0	0.00%	None	None	
Kun-Chang Investment Co, Ltd.	9,322,824	1.14%	0	0.00%	0	0.00%	Way-Chih Technology Inc., Way-Lien Technology Inc., Hon-Mou Investment Co., Ltd.	Same chairwoman	
Xtrackers (IE) plc - Xtrackers Artificial Intelligence and Big Data UCITS ETF	5,217,000	0.64%	0	0.00%	0	0.00%	None	None	

Note 1: The top 10 shareholders shall all be listed; for institutional shareholders, the name of the entity and the name of its representative shall be listed separately.

Note 2: Mutual relationships of shareholders, including judicial and natural persons, shall be disclosed.

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

2021.03.31 Unit: thousands Shares; NTD thousands; %

Long-term investments (Note)	Investments by HTC Investments directly or indirectly controlled by directors, supervisors, and managers of HTC		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.	562,534 thousands Shares	100%	0	0%	562,534 thousands Shares	100%
HTC Investment Corporation	30,000 thousands Shares	100%	0	0%	30,000 thousands Shares	100%
PT. High Tech Computer Indonesia	2 thousands Shares	1%	186 thousands Shares	99%	188 thousands Shares	100%
HTC Holding Cooperatief UA.	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%
HTC VIVE 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%	7,000 thousands Shares	100%
HTC Smartphone (BVI) Corp.	33 thousands Shares	100%	0	0%	33 thousands Shares	100%
HTC VR Content (BVI) Corp.	1,710 thousands Shares	100%	0	0%	1,710 thousands Shares	100%
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 (Thailand) Limited	0	0%	10,000 thousands Shares	100%	10,000 thousands Shares	100%
HTC India Private Limited	0	0%	500 thousands Shares	100%	500 thousands Shares	100%
HTC Malaysia Sdn. Bhd.	0	0%	25 thousands Shares	100%	25 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 Myanmar Company Limited	0	0%	100 thousands Shares	100%	100 thousands Shares	100%
HTC Netherlands BV.	0	0%	143,882 thousands Shares	100%	143,882 thousands Shares	100%
HTC South Eastern Europe LLC.	0	0%	0.15 thousands Shares	100%	0.15 thousands Shares	100%
HTC EUROPE CO., LTD.	0	0%	104,061 thousands Shares	100%	104,061 thousands Shares	100%
HTC Brasil	0	0%	0	0	1,987 thousands Shares	100%
HTC Belgium BVBA/SPRL	0	0%	18.55 thousands Shares	100%	18.55 thousands Shares	100%
HTC NIPPON Corporation	0	0%	56 thousands Shares	100%	1 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%

Long-term investments (Note)	Investments by HTC Investments directly or indirectly controlled by directors, supervisors, and managers of HTC		Investments directly or indirectly controlled by directors, supervisors, and managers of HTC		Total investments	
	Shares/Investment Amount	%	Shares/Investment Amount	%	Shares/Investment Amount	%
HTC Italia SRL	0	0%	NTD51,056 thousands	100%	NTD51,056 thousands	100%
HTC Germany GmbH	0	0%	25 thousands Shares	100%	25 thousands Shares	100%
HTC Iberia, S.L.U.	0	0%	3 thousands Shares	100%	3 thousands Shares	100%
HTC Poland sp. z o.o.	0	0%	4.7 thousands Shares	100%	4.7 thousands Shares	100%
HTC Communication Canada, Ltd.	0	0%	1,500 thousands Shares	100%	1,500 thousands Shares	100%
HTC Communication Sweden AB	0	0%	1,000 thousands Shares	100%	1,000 thousands Shares	100%
HTC Luxembourg S a r. l.	0	0%	12.5 thousands Shares	100%	12.5 thousands Shares	100%
HTC Middle East FZ-LLC	0	0%	3.5 thousands Shares	100%	3.5 thousands Shares	100%
HTC America Holding, Inc.	0	0%	371,617 thousands Shares	100%	371,617 thousands Shares	100%
HTC America, Inc.	0	0%	1 thousands Shares	100%	1 thousands Shares	100%
One & Company Design, Inc.	0	0%	60 thousands Shares	100%	60 thousands Shares	100%
HTC America Innovation, Inc.	0	0%	1 thousands Shares	100%	1 thousands Shares	100%
HTC America Content Services, Inc.	0	0%	31 thousands Shares	100%	31 thousands Shares	100%
Dashwire, Inc.	0	0%	0.1 thousands Shares	100%	0.1 thousands Shares	100%
Inquisitive Minds, Inc.	0	0%	0.1 thousands Shares	100%	0.1 thousands Shares	100%
HTC VIVE TECH (BVI) Corp.	0	0%	70,000 thousands Shares	100%	70,000 thousands Shares	100%
HTC VIVE TECH Corp.	0	0%	100 thousands Shares	100%	100 thousands Shares	100%
HTC VIVE TECH (HK) Limited	0	0%	68,000 thousands Shares	100%	68,000 thousands Shares	100%
VIVE Arts Limited	0	0%	6,000 thousands Shares	100%	6,000 thousands Shares	100%
DeepQ (BVI) Corp	0	0%	164,700 thousands Shares	100%	69,700 thousands Shares	100%
DeepQ Technology Corp.	0	0%	39,521 thousands Shares	100%	11,500 thousands Shares	100%
Uomo Vitruviano Corp.	0	0%	5,000 thousands Shares	100%	5,000 thousands Shares	100%
VRChat. Ca. Development Inc.	0	0%	0.1 thousands Shares	100%	0.1 thousands Shares	100%
HTC Corporation (Shanghai WGQ)	0	0%	USD1,500 thousands	100%	USD1,500 thousands	100%
HTC Electronics (Shanghai) Co., Ltd.	0	0%	USD2,909 thousands	100%	USD2,909 thousands	100%
HTC Communication Co., Ltd.	0	0%	USD127,500 thousands	100%	USD127,500 thousands	100%
HTC Communication Technologies (SH)	0	0%	USD4,000 thousands	100%	USD4,000 thousands	100%
HTC Communication (BJ) Tech Co.	0	0%	RMB10,500 thousands	100%	RMB10,500 thousands	100%
HTC VIVE TECH (Beijing) Limited	0	0%	USD800 thousands	100%	USD800 thousands	100%
VRChat, Inc.	0	0%	79,257 thousands Shares	50.37%	79,257 thousands Shares	50.37%
HTC Vietnam Services One Member Limited Liability Company	0	0%	USD 200 thousands	100%	USD 200 thousands	100%
HTC Communication Solutions Mexico, S.A DE CV.	0	0%	50 thousands Shares	100%	50 thousands Shares	100%
HTC Servicios DE Operacion Mexico, S.A DE CV.	0	0%	50 thousands Shares	100%	50 thousands Shares	100%
DeepQ Technology (Beijing)	0	0%	USD 3,000 thousands	100%	USD 3,000 thousands	100%

Note: Investments accounted for using the equity method.

4.10 Corporate Social Responsibility

As an international brand and to fulfill its corporate social responsibilities and respect for international human rights, HTC following the Responsible Business Alliance Code of Conduct, and taking actual practice as the practice of corporate social responsibility in daily operations. To ensure effective discussion and treatment of CSR issues, HTC has run a CSR Committee since 2012, and has also set up a dedicated team, Quality and Sustainability Management, for formulating CSR policies, drawing up related action plans, performing cross-department coordination, and handling communication with, and feedback from, the external stakeholders and our key suppliers.

The HTC CSR committee discuss each year based on the CSR goals set by each department and major annual issues. The HTC CSR Committee convenes a monthly meeting, and each department reports the results of the implementation of CSR related issues, and authorizes the department heads to follow up Track and control the direction and results.

We use clear organization and work breakdown, through interdepartmental meetings, to integrate CSR work into the management of related departments, such as legal affairs, compliance, environment, procurement, human resources, and marketing, to activate overall CSR and innovation. This ensures that CSR policies and measures are an integral part of the daily operations of the company.

The HTC “Corporate Social Responsibility (CSR) 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 CSR 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

Diversified Channels for Transparent Information Disclosure

Stakeholder	Concerned Issues	Communication channel / Frequency and response method	Appeal channel
Investors	<ul style="list-style-type: none"> • Finance & business information disclosure • Compliance with laws and regulations • Operation Status • Corporate governance • Risk management 	<ol style="list-style-type: none"> 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 	<ul style="list-style-type: none"> • Investor Liaison : Telephone: +886-2-8912-4138 E-mail: ir@htc.com Company spokesperson and investor relations: spokesman@htc.com
Enterprise customers	<ul style="list-style-type: none"> • Product quality • Service quality • Price competitiveness • On-time delivery • Green products • Carbon footprint/ carbon disclosure • Restricted substance management • Corporate social responsibility • Human rights 	<ol style="list-style-type: none"> 1. Business review with key customers (QBR meeting). - Quarterly 2. Reply to customer inquiries. - From time to time 3. Customer audit and replies to customers questionnaires. - By customer request 4. Meeting the customer requirements about environmental and social responsibilities. - By customer request 	E-Mail: corporate_responsibility@htc.com
Consumers	<ul style="list-style-type: none"> • Pre-sales consulting • After-service • Product quality • Service quality 	<p>Daily ongoing -</p> <ol style="list-style-type: none"> 1. Local service contact channels in 11 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 (59 established) 3. Dedicated email boxes for different functions (Support, Copyright, Security, etc.) to provide convenient customer contact with HTC 4. Automated support survey invitations to collect customer satisfaction feedback 5. Immediate corrective actions in place based on customer’s insights 	<p>Customer service hotline: 0809-090-166, please call: 02-2162-6788</p> <p>Set up local customer service hotlines in 22 countries around the world</p> <p>Build more than 20 websites in different countries</p>
Employees	<ul style="list-style-type: none"> • Learning & growth • Working environment /labor conditions • Wage/welfare • Health & safety • Career development • Work-life balance 	<ol style="list-style-type: none"> 1. Department quarterly meeting. - Irregular 2. One-on-one interview with supervisors. - Irregular 3. Annual performance appraisal/ interview. - 2/ Yearly 4. New employee seminar. - Weekly 5. Employee assistance hotline and mailbox, Health Center, Employee Aid Scheme.- From time to time 6. Labor-management meeting. - Quarterly 	<p>manufacturing employees of the production line company extension 38585</p> <p>Other general employees company extension 28585</p> <p>Employee helpline e-mail HelpMe_8585@htc.com</p>
Suppliers	<ul style="list-style-type: none"> • Raw material quality • Price competitiveness • Continuously stable supply • Supply chain management • Compliance with various regulations • Technical capability • Cooperation with logistics/transportation providers to conduct effective packing • Working environment & health • Machine/equipment safety • Carbon management training and contests 	<ol style="list-style-type: none"> 1. Supplier communication conference- Irregular 2. Guidance and audit for suppliers- Yearly 3. Cooperation project with suppliers for addressing CSR and greenhouse gas issues- Yearly 	E-Mail: corporate_responsibility@htc.com
Contractors	<ul style="list-style-type: none"> • Construction safety & health 	<ol style="list-style-type: none"> 1. Induction training. - Weekly 2. Patrol inspection in the facility.- Daily 	E-Mail: corporate_responsibility@htc.com

Stakeholder	Concerned Issues	Communication channel / Frequency and response method	Appeal channel
Governmental Agencies	<ul style="list-style-type: none"> • Corporate governance • Compliance with laws and regulations • Innovative products and services • Human Rights • Energy and climate change 	1. Official document, E-mail, Visit. -Irregular 2. Meeting such as Forums, Seminars ... etc.- Irregular	E-Mail: corporate_responsibility@htc.com
Local Communities	<ul style="list-style-type: none"> • Environmental impact • Shaping the Corporate image • Economic contribution • Social concerns • Public welfare • Cultivation of talent 	1. Positive employee engagement in public interest activities. - Irregular 2. HTC cooperation with governmental agencies and non-profit organizations in eco, environmental and other public welfare activities. - Monthly	E-Mail: corporate_responsibility@htc.com

4.10.1 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, trying our best to satisfy and take all of our employees' needs into consideration regarding work. HTC is aware that 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.

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 four main directions such as "Health Management", "Health Promotion", "Occupational Health", and "Employee Assistance Programs (EAP)". 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.

Noting that stress from work can easily make employees neglect the harm it has on health, the company set up the HTC affiliated medical room (employee clinic in short) in addition to its original health center. The clinic offers services for employees cover the divisions of general medicine, family medicine, rehabilitation medicine, physiotherapy, and radiographic screening in March, 2014. To popularize health care to those in need, the health center will continue to provide services for health protection in August 2020 by the health center in accordance with the requirements of the Occupational Safety and Health Law and health protection rules. For employees with mid-to-high level risk of health problems according to their health check results, the clinic will arrange doctors and nurses to assist with diagnosis and tracking, and will provide assistance through related necessary health courses, information for proper health management, and forming of normal personal living style for employees, as a way of building up employees' ability to self-manage their health and implementing a complete health care system.

Beside the health care system, HTC staff clinics will also hold lectures and health promotion activities from time to time every month. The annual health promotion courses will be arranged in accordance with the abnormal items of the previous year's health examination and questionnaire surveys that are of interest to colleagues, and will be processed in 2020 Health promotion courses such as advanced eugenics health check, advanced blood glucose, thyroid function check, etc., health promotion course activities participated in 841 people, and 153 people requiring further health consultation, all of which have been tracked. For health promotion courses (first aid, vision care, infectious disease and cancer prevention, exercise and diet weight loss, etc.), a total of 31 sessions will be held in 2020, with a total of 2,159 participants and an average satisfaction rate of 99.67%.

In addition to physical health, HTC also cares about employee's mental health and has partnered with Employee Assistance Center from Hsinchu City Life Line. Since start of partnership in February 2009, it offers every employee free mental health consultation for six times and phone consultation for unlimited times, all paid by the company. In 2020, it has served employees for 814 times in total, helping them solve issues with career, family, inter-personal relations, relationship, mental conditions, and stress.

In 2020, the total person-times of employee clinic and health center using all services reached 7,175, health center 2,159, and participation in health promotion courses 9,334.

Valuing Female Employees and Maternal Health Protection Plan

HTC regards the female workforce as very important. In view of the increasingly large number and influence of working women, we have continued to improve our software and hardware, in the hope that a diverse culture based on gender equity will help HTC become more competitive. 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, a breast ultrasound exam, or a mammogram.
- (2) Consideration for the physiological needs of female workers, providing a comfortable environment for rest, the loan of free hot pads, menstrual pain assessment, health knowledge and education, physician consultation or referrals and so on.
- (3) 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 8 Breastfeeding room in Taiwan that was visited 13,574 times in 2020.
- (4) When safety and health hazard factors exist in the workplace, there may be adverse effects on pregnancy and breastfeeding. When female employees' presence in the workplace is indispensable, the importance of the protection of maternal health is highlighted. HTC has since June 2016 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 2020, 28 employees completed the risk classification and protective measures, indicating the considerably safe work enjoyment and contents.

Comprehensive Emergency Rescue Measures

In order to provide employees with a safe and friendly environment, an automatic external electric shock defibrillator (AED) is set up in the company and the AED and CPR training is held regularly to enable emergency, and AED or CPR is used at the first time. Total 16 Automated External Defibrillators (AED) are available at specific places within the company.

Creating a Happy Workplace

We offer employees diverse interface, provide them subsidies and incentives to participate in group activities, and encourage them to develop interest in sports and recreation during their leisure time to enhance their experience with living. We hold various events, and art shows. Through recreation and social gatherings, employees could get in sync and understand each other better. In 2020, HTC Gallery held an art and culture exhibition in the lobby of our Taipei office in collaboration with artists and galleries around the world, including the physically-challenged artists from Taiwan. With this event, we aimed not only encouraging artists to keep creating and exploring but also inspiring our staff with the persistence of these artists, reminding them to be ever creative and not be afraid of challenging the status quo. By inviting local artists to host art shows in the lobby of Taipei building, employees could enjoy a better resting when they walk around the building and enhance their creativity at work through the colors and lights from these art pieces.

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. And add weight training equipment and weight training mat area in 2019, various modern fitness equipment and coaches are available on schedule to provide guidance and advice. Also, the 17th floor in Taipei office with a 10-meter-high ceiling that can be used for basketball or badminton.

To offer our employees more excellent service and environment for workout consultation, HTC has partnered with professional workout management consultant companies and invited professional providers for onsite management, through which they will provide onsite guidance to workout, curriculum planning, and protection of sports injury to help employees build up knowledge for proper sports safety and physical health. A full range of courses are planned for employees to participate based on their interest.

Courses are planned and arranged on various health topics and activities and employees can participate according to their preferences. Aerobic courses include static yoga, Pilates, kinetic trendy dances, spinning, core muscle TRX, and boxing aerobic, etc. In addition, the gym uses the HTC online registration form program to allow employees to choose courses based on their interests and needs on the computer and mobile phone to save on-site waiting time.

In consideration of the 2020 COVID-19 pandemic, we have made new arrangements for gym in order to provide our staff with an environment where they can train and be free of risks associated with the pandemic. Including managing available training areas and machines to maintain social distancing, limiting the capacity, making sure all surfaces are disinfected and providing sanitizer, as well as sterilized the entire site, including the floor mats. In 2020, there were in total 25,659 and 260 of employees taking part in workout courses and aerobic courses respectively.

Workplace Health & Fitness Certification



HTC has always been a believer of the notion “The health and fitness of our people are intangible assets of our company.” With that in mind, we’ve built a 5-star gym, an indoor basketball court, and a badminton court in our office building located in Xindian. We did it to create a physically-active corporation culture, encourage our staff to be more aware of their own health and fitness. In addition to that, we have commissioned sports professionals on-site to provide advice on sports skills and injury prevention, as well as tips on sports safety and health care. In order to adopt our company policy of “Fitness Awareness,” we offer courses on various topics in regard to health care for our staff to join based on their interests. We aim to improve our staff’s health and fitness.

HTC obtained Workplace Health & Fitness Certification in 2020. In 2019 and the years before that, we’ve been developing a company culture of fitness awareness through offering P.E. classes and holding a corporate sports day for our staff. Our company has always been supportive of our staff maintaining their physical fitness. After obtaining the Workplace Health & Fitness Certification, we hope all of our staff can see the benefits of exercise, making exercise a habit and really establishing a company culture of fitness awareness.

Eat Safety and Healthy

To ensure our employees have “healthy and satisfying food,” HTC cooperates with professional catering service providers and dieticians to design and produce healthy, nutritional, and delicious meals using local ingredients from reputable and certified local food suppliers. For purchase of food stock, we strictly boycott fake and tainted products by insisting on purchase of food with certifications such as CAS, TQF, ISO, and HACCP. Always support the local agricultural producers and require meat suppliers to provide ractopamine-free pork.

In Taipei office, dieticians take into consideration nutrients, calories, and the proportions of these elements to design meals that are truly nutritious, healthy, and delicious so that HTC employees could enjoy the high quality and healthiness of our meal services. Meals such as authentic Taiwanese cuisine, light dishes, buffet for home-made cooking, creative dishes, seasonally-available warm soups with tonic ingredients, and seasonal juices are available for our employees to enjoy. We also provide a wide selection of freshly-brewed healthy teas in the pantry room, such as black bean tea, Chinese red date tea, scented tea, etc.

In Taoyuan factory, we use limited seasonal ingredients, the cafeteria in our factory located in Taoyuan provides meals that are nutritious, healthy, and delicious. We also provide our staff with balanced meals to ensure their well-being, such as Taiwanese cuisine, light meals, and special seasonal soups. To better suit the needs of our staff who work at different hours, besides the 7-11 convenience store, we have also added vending machines.

Environmental Maintenance and Green Landscaping

With the policy of dedication to sustainable environments, HTC is committed to deliver landscaped green spaces in both our headquarters and Taipei offices. In the green area of the Taipei office, more than 260 native trees and large arbor trees of Taiwan, such as eucalyptus, fragrant, pine, pine, and cherry trees; in Taoyuan headquarters area, there are around 131 tree species native to Taiwan on the grounds, such as Camphor and the Taiwan Golden-rain Tree, and the environment diversity is enhanced by setting up ecological pools.

In order to improve the quality of work environment and green ecology of employees, plant pots that can purify indoor air quality and reduce carbon dioxide concentration in the office. Potted plants such as eucalyptus, Dracaena, Aglaonema and Peace Lily are placed in the Taipei office. In the headquarters, potted plants such as Peperomia obtusifolia, Snake Plant, Lime pothos, and Philodendron. Different plants are added according to different festivals to enhance the atmosphere of different festivals and provide a fresh office environment for employees. The total number of potted plants in Taipei office is about 450 pots, and 125 pots in Taoyuan. The annual management fees for our green environment maintenance amounts to NT\$ 1.26 million which is used to provide a fresh and green office environment for HTC employees.

In order to improve the quality of the employees and the nearby resident, HTC is committed to the cleanliness of the building and its surrounding environment, regularly applying drugs every quarter to eliminate dengue fever and pest control, and spraying the environment indoors and outdoors with the ditch to reduce the density index of the vector mosquitoes. In 2020, the amount of investment in the Taipei office amounted to NT\$18.48 million, and the investment in the headquarters amounted to NT\$16.17 million in environmental cleansing and sanitation (including indoor and outdoor planting, greening and other horticultural maintenance costs).

4.10.2 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 dept. in accordance with the law, and are responsible for the implementation of the entire safety, health and energy management system. It also assists the various factories in continuing to promote occupational safety and health management and environmental 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 and health regulations; hazard identification to reduce risks; standardization of hazardous chemical labeling and general rules; the promotion of occupational safety and health information; and the establishment of a system to manage contractors. All these measures are aimed at reducing 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. We hold fire all measures impact on the health and safety of the workers and also try to least damage or company property.

Environment Protection and Occupational Safety and Health 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 follow required laws and regulations.
- (6) We are committed to giving priority to green products.
- (7) 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.

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.

To strengthen our employees' concepts about safety and health, we institute training on safety and health, the use of hazardous and harmful materials as well as operation of hazardous machines and equipment for employees upon their first day of reporting or during their job orientation and for employees on-the-job, related training will be provided according to regulations, risk acknowledgement of dangerous chemicals, and workplace right infringement prevention. In 2020, our employees had a 93.8% completion rate. Firefighting drill held every half a year, and will be carried out in accordance with the emergency response procedure to reinforce their ability in responding to emergencies. In 2020, the participation rate of Taipei Office was 75.7%, and that of our factory in Taoyuan is 87.06%.

HTC is focused on techniques from the core business and hopes to foster development of industries through cooperation with vendors of various professions. For the long stayed vendors, we also care about the safety of work for these vendors, in addition to mutual learning. We believe a win-win future which would be only built under protection measure on full consideration. Thus, HTC will annually incorporate the related measures into the company's plan for managing occupational safety and health according to the outcome of its vendors' management on safety and health, in its effort to fully prevent occupational hazards from taking place.

Key points of safety and health management for our vendors include observance of all regulations related to safety and health, identification of the hazards and assessment to reduce risks, specification of hazardous and harmful materials, education about safety and health, and vendors management, which reduced risks to safety and health through participation of all employees. 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.

An environment management system is also introduced and has passed certification by a third party outside. Through the development of environmental protection and occupational safety and health policies, to be implemented and educated within the plant. It requires that the policy would be the basis for setting corresponding goals, systematically carrying out tasks related to environment control, and then putting them into daily management practice.

4.10.3 Sustainable Agenda

As a global leader in the innovative design of mobile phones, HTC recognizes that by minimizing the environmental impact of our manufacturing processes we, and our vast number of consumers, can make a contribution to the well-being of our planet. To this end, HTC has set up a "Sustainable Agenda" from five aspects: "a sustainable environment, design, processes, product, and Supplier chain" we have put this concept of environmental sustainability into action, have positive control, and are reducing the impact of our operations on the natural environment.

1. 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 enhance efficiency of energy use. In 2020, reach 1,181 t-CO₂e and the total amount accumulated for reduction in carbon emission since inauguration of the building has reached 16,148 t-CO₂e. 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 113 KWH/m² per meter square annually in 2020.

In Taoyun Factory, after simulation and analysis on energy, the design on energy efficiency contributed to 578,281 degree of reduction, and the total amount of reduction in carbon emission was 308 t-CO₂e during 2020. (The CO₂ carbon emission coefficient is calculated on a basis of the 0.533 kg/kWh standard announced by the Bureau of Energy.)

Targeting the construction of a new parking shed in the headquarters, HTC used its roof to build a solar power generation system, replacing the metal roof of the parking shed with solar panels, a total generating capacity of 180KW. By means of internal line parallel series, the power was sold in bulk and included in Taiwan Power Company's power supply system, thereby relieving Taiwan's power load and supply constraints and reducing carbon dioxide emissions. The devices was completed in September 2018 and put into trial operation, and began to sell electrical energy in bulk. From the trial operation to December 2020, the cumulative total power generation has reached 354,288 degrees.

• 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 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.

Sanitary facilities were the first purchase those with water efficiency labels. In faucet facilities, swivel faucet aerators and sensor faucets have been installed to reduce the waterflow . It is estimated that each

faucet can save 7.7 liters of water a day. In bathroom facilities like toilets and urinals, high-efficiency products with WaterSense labels have been purchased.

Since dry process is used on the production line in our plant, there would be no industrial waste water generated and all water use would be from office and the dormitory where our colleagues live in. With a large area inside the plant used for greenery and tree planting, HTC aims to water those plants and greenery using the recycled and reprocessed water without increase in use of running water. Total amount of domestic waste water treated in 2020 was 73,796 tons, and the amount of recycling for the treated waste water was 22,136 tons.

Since implementation of the water-saving plan in 2014, the accumulated total amount of waste water recycled for watering and gardening plants reached 1,012,031 tons, about 404 standard swimming pools. (The standard swimming pool is calculated at 2,500 tons) The system was set up for recycling rainwater and condensed water from air conditioning. The water is then used in toilets and plants watering for effective water use.

2. Sustainable Design

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

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

• Enhancement of Energy Efficiency



We concentrate on energy-saving from the early design and research and development phase. All power supplies used for HTC products must comply with the relevant international energy consumption specifications, including Energy Star (U.S.), California Energy Commission (U.S.), Energy-related Products and are approved with energy efficiency verification by third-party verification companies. All of their energy efficiency meet the criteria of Level VI which is the highest and defines the standby power shall be less than 0.1W. And in fact the standby power of our chargers are less than 0.075W or 0.03W which is much less than the 0.1W criteria.

The HTC R&D team has developed excellent power management modes that allow the phone (depending on user habit) to automatically enter Standby mode to extend battery life. Some of our phones have an ambient light sensing function that controls the LCD backlight according to the ambient light level in order to provide a comfortable reading environment and also to save power. As for the energy consumption during battery charging process, we took the regulations of the US Department of Energy (DOE) and the California Energy Commission (CEC) 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.

• 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, we estimate the product’s material composition ratio and relative recycling rate. In addition, we carry out a series of strategies such as material marking (as per the standards of ISO 11469 and ISO 1043) and component simplification and degree of ease of disassembly. The design of all current HTC products conforms to existing product recyclability requirements.

We consider material recyclability and dismantling in the selection of all materials and product disassembly, and the new generation of products has more functions and increased weight, but the overall recovery rate is better than that of the previous generation. And analysis is carried out by an impartial third-party to make sure the material recovery rate. All current products such as 5G Hub, VIVE Focus, VIVE product and Smartphone product are greatly exceeds the EU’s WEEE directive material recovery rate of 55 % for this product.

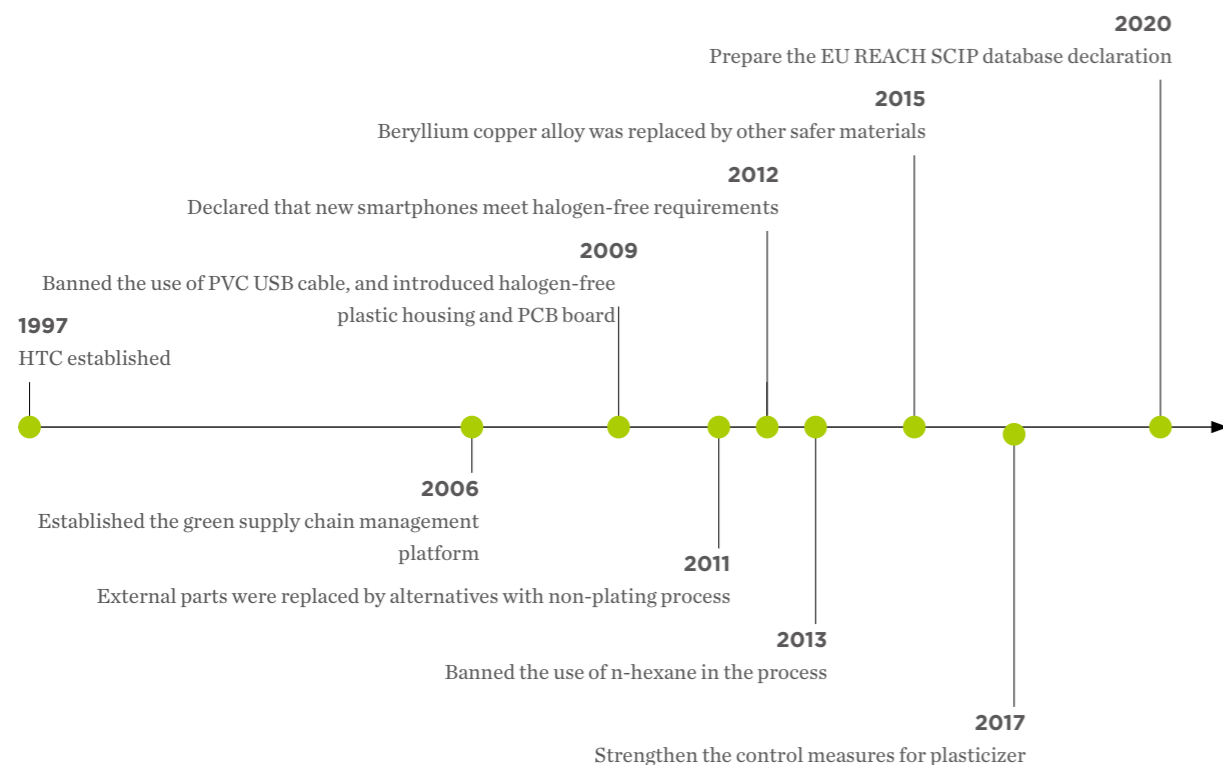
				
5G Hub Material Recovery Rate 82.0%	Vive Focus Material Recovery Rate 76.3%	Cosmos Elite cover material recovery rate 94.4%	Desire 20 pro material recovery rate 89.5%	U20+ 5G material recovery rate 80.5%

• 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



3. Sustainable manufacturing process

• Management of Waste and Hazardous Substances

HTC's main production process is the assembly of smartphones and 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 trucks and 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 2020, our recycled resources reached 643,753 kg and the benefit of recycling reached NTD 1,291,751, waste recycling rate rose from 56.89% in 2011 to 78.8% in 2020. By 2020 the accumulated savings and earnings from the recycling of waste had reached NT\$89,306,683.

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 Manufacturing Process

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:

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

Carbon Footprint and Lifecycle Assessment Related Planning and Reporting Memorabilia

HTC has been analyzing the environmental influence of our products via life cycle evaluation since 2010. The action schemes in these years are as follows:

- a) In 2010, HTC participated in the "Guidance Program of Information Disclosure for Environmental Product" held by the Industrial Development Bureau, Ministry of Economic Affairs, and completed Environmental Product Declaration (EPD) in cooperation with 19 suppliers.
- b) In 2011, HTC participated in the "Guidance Program of Low Carbon Product Design System", and completed guidance of carbon footprint analysis and low carbon design for 15 main suppliers.
- c) In 2013, HTC cooperated with 11 suppliers to complete the ISO/TS14067 product carbon footprint examination.

HTC One has become the leading smartphone to complete the international standards for carbon footprint and life cycle assessment of products such as ISO / TS 14067: 2013, PAS 2050: 2011, ISO 14040: 2006 and ISO 14044: 2006.

- d) In 2014, the main action scheme directly focused on providing detailed data of life cycle examination analysis to main suppliers for setting up the objective to reduce carbon and the action scheme.
- e) In 2015, HTC cooperated with 8 suppliers to complete the ISO/TS14067 product carbon footprint examination again.
- f) Completed analysis and checking of water footprint in its products in 2016.
- g) In 2016, the supplier's GHG auto-investigation was initiated. In the first half of each year, suppliers were required to submit GHG inventory data; in 2020, the response rate reached 98%.
- h) In 2018 & 2019, HTC became a CDP supplier chain program member. In the first year, major key suppliers were invited to participate in the CDP Climate Change Questionnaire, with a response rate of 48%. In 2019, more key suppliers were invited to participate in the survey, with a response rate of 61%

• Energy and Climate Change

HTC implemented the ISO 50001 energy management system in 2011 to gain a full picture of internal energy use, the relevant regulatory requirements and the energy baseline to provide a reference for our energy performance indicators as well as set short-, mid- and long-term improvement goals. In 2009, HTC introduced the GHG emission inventory and disclosure for factories and offices throughout Taiwan. To this end, we have devised a dual-aspect strategy composed of adopting an energy management system and performing energy-saving practices. On one hand we strive to optimize our management system to reduce energy consumption, and on the other we use energy-saving technology to improve the energy efficiency of our products.

We even did it through active supply chain management and strengthening green design of products to reduce use of hazardous and wrapping materials. Use the influence of positive support to help smart mobile device users around the globe and go toward more smarter and lower carbon tasks and mode of

living step by step. Total greenhouse gas emissions by HTC were 10,262.5594 t-CO₂e in 2020. The majority of emitted gas were CO₂. The cooling and air-conditioning systems in HTC's buildings all use environment friendly coolant R-134a to further preserve the ozonosphere.

HTC is not a heavy energy consumer. However, within a manageable range of its operations, it is taking initiatives in realizing the concepts of energy-efficiency and reduction of carbon emission by utilizing renewable energy.

Apart from the regular annual GHG emission inventory and verification, HTC also reports our planning and systems for carbon risk and carbon management on an annual basis in accordance with the requirements of the Carbon Disclosure Project (CDP). We voluntarily disclose information about our climate risks, future development opportunities, emissions, and strategic management mechanisms. HTC was rated as Management level B (international average is level C) for 2020 CDP climate change questionnaire.






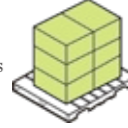
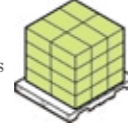

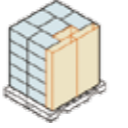

In the 2020 CDP Supplier Engagement Rating (SER), HTC was rated as Leadership level A- (international average is level C). The Supplier Engagement Rating uses the responses of the company's CDP climate change questionnaire in terms of governance, objectives, scope 3 emissions, and value chain participation to evaluate the performance of supplier engagement.

In addition, HTC continues to launch a supply chain carbon emission questionnaire survey, actively contributing its corporate influence, and calling on its supply chain partners to work together in carrying out further assessments and actions for climate change. The supplier response rate in 2020 reached 98.1%.

• Sustainable Packaging

All packaging materials HTC uses for its products fully comply to EU and US regulations on packaging (EU 94/62/EC and Model Toxics in Packaging Legislation of USA). In addition, all printing ink used on HTC product packaging are low volatile or soy ink that comply to standards from American Soy Association, as are required for minimizing impact of the product packaging to the environment.

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

	2015 Rigid Box	2016 Pizza Box	2017 Pizza Box	2018 Pizza Box	2019 / 2020 Pizza Box
Photos					
Volume	574x420x212mm	415x295x181mm	532x344x185mm	418x338x188mm	520x302x182mm
Weight (g)	3000g	1800g	2250g	1200g	1570g
Number of transportation pallets	6pcs 	24pcs 	20pcs 	30pcs 	24pcs 
Carbon footprint from transportation (kg CO2 eq)	28.14	16.88	21.11	11.26	14.73
ECO features	<ul style="list-style-type: none"> Used dual colors for printing and decreased use of ink 	<ul style="list-style-type: none"> Reduced 55% in volume Reduced 40% in weight Used dual colors for printing and decreased use of ink 	<ul style="list-style-type: none"> Reduce the ink use Packaging sharing Avoid New Packaging Materials 	<ul style="list-style-type: none"> Reduce the ink use Design the lightweight package 	<ul style="list-style-type: none"> Reduce the use of inner packaging plastic Use a higher proportion of recycled material on the box

Note: Distance calculated: From HTC factory → airport (airfreight) → distribution center for the customer

4. 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. In 2020, the amount of local procurement of raw materials will account for 67.19%. 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 CSR Assessment and Audit

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

A Quick Look at the HTC Supply Chain Management

Definition of HTC Critical Supplier	Owing to differences of industry characteristics and supplier category, HTC identifies critical supplier and major audit for reference by following two principles: 1. Suppliers’ annual amount of transaction representing more than 10% of total purchase. 2. According to the mechanical components which vary based on technology, markets and purchase annually, CSR and sourcing departments define critical suppliers of current year based on different situations every year.
Management Mechanism	Self-assessment Survey <ul style="list-style-type: none"> All candidate suppliers are required to fill in the Self-assessment. Since 2016, the weight of CSR-related questions in the Self-assessment survey for new suppliers was increased. During each quarterly supplier review meeting, the CSR-related performance of major suppliers will be check and the results will act as the reference for the supplier screening process. For new suppliers, are required to fill in the CSR self-assessment questionnaire. The content of the questionnaire designed according to the five major aspects of the HTC Supplier Code of Conduct-Labor, Environment, Health, Safety, Ethics and Management System, and supporting information is required for inspection.
	On-site Audit <ul style="list-style-type: none"> “Supply Chain CSR Compliance Audit” has been implemented since 2011. Every year, HTC will based on initial risk determination (including geographic, location, products, news etc.) to execute “Supply Chain CSR Compliance Audit”. In 2017, an addition was made in the manufacturing process. According to the RoHS and REACH directives, hazardous substances subject to control are required to be audited. In 2020, the on-site audit for 9 suppliers had been completed.

The Green Supply Chain Management System

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

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

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

Responsible Procurement of Minerals

In 2012, the issue of Conflict Minerals was included in HTC supplier CSR audits. On the purchase of mineral ores, HTC supports the use of non-conflict minerals; HTC and our suppliers do everything possible to ensure that metals such as Gold (Au), Tantalum (Ta), Tin (Sn) and Tungsten (W) used by HTC do not come from mines located in the conflict region of the Congo Republic.

HTC supports the U.S. “Dodd-Frank Wall Street Reform and Consumer Protection Act” (H.R. 4173). We have also joined the joint Responsible Mineral Initiative setup by the RBA as well as the Global e-Sustainability Initiative (GeSI), and participate in the RBA /GeSI Responsible Minerals Assurance Process, (RMAP, formerly conflict-free smelter program). At HTC, we require suppliers to conform with our conflict mineral purchasing policy to reduce the use of conflict minerals. HTC requires suppliers to sign a “Conflict Minerals Survey Form” and a “Conflict-Free Material Assurance Letter” as part of our supplier CSR management process.

According to a report by Friends of the Earth (FoE), tin mining on Indonesia’s Bangka Island has damaged human rights and the environment. HTC conducted an investigation of our tier-1 supply chain in response to this international environmental movement and found that while there was no direct use, there were some indirect sources that came from the tin mine on Bangka Island.

We will therefore accept the responsibility for supply chain management and require our suppliers to avoid its use. Indonesia however is a major supplier of tin ore and complete non-use may not be avoidable. HTC has now taken action by requiring suppliers to sign declarations of non-use. Even if they do use ore from tin mines on Bangka Island, it must be from mines that do not exploit workers, use child labor or cause environmental damage. HTC is committed to taking responsibility for helping to fix the devastating impact on the environment and people caused by tin mining in order to ensure the sustainable development of the environment.

HTC will continue to push for responsible ore purchasing and look forward to our suppliers communicating our conflict mineral-free purchasing policy to upstream suppliers.

4.10.4 Prevention and Control of COVID-19

HTC Office’s Principles of Pandemic Prevention of COVID-19

In 2020, as the imported COVID-19 cases soar, our daily life and work routines undergo major changes. We acted on the professional advice and guidance on prevention efforts issued by Central Epidemic Command Center, to impose regulations regarding prevention efforts, to purchase pandemic prevention supplies, and to hold our employees, visitors, and contractors to the requirements of the pandemic prevention. This is truly an unusual challenge for the chief management.

During the COVID-19 prevention period, HTC strengthens internal prevention management. Besides checking employees’ body temperature daily, wearing masks when going in and out of office, and strictly controlling employees’ schedules, also strengthens the sanitation and disinfection of work and the public area. The janitor use sanitizer or bleach every hour to wipe the buttons and panels of the elevators, door handles of the meeting room, and the table of the sofa area on the first floor; disinfect the elevator interior with hypochlorous acid water spray every hour, and disinfect the company with hypochlorous acid and sanitizer every two weeks.

In terms of personal control, employees are required to fill out health declarations, work from home (WHF), and video conferencing are also implemented for the pandemic. Diversion to work reduces crowd gathering and reduces traffic carbon emissions; such as employees who return to Taiwan from abroad must take the initiative to quarantine at home and work at home for 14 days or anyone with respiratory symptoms and fever are required to work at home for 7 days.

The technology aid for pandemic prevention - HTC is there with you.

The Linebot “Disease Control Butler 3.0” against COVID-19.

In response to the COVID-19 pandemic, HTC DeepQ joined forces with CDC in 2017, and developed “Disease Control Butler”. The bot was released in 2020, and this informative chat bot is designed to provide people with accurate and latest COVID-19 news regarding the pandemic, features including checking info on COVID-19 prevention, finding a nearby pharmacy and one-click checking the face mask inventory, disseminating health policies, learning latest news from CECC, watching a COVID-19 press conference live, visiting misinformation section to learn the truth, etc. On top of that, we introduced the MNLP feature that’s been used in medical practices into our bot. With this feature, the chat bot can extract the keywords from a conversation and give you a more accurate answer.

“Disease Control Butler ” has received media coverage from TVBS, TTV, CTS, etc. It has also been awarded the COVID-19 prevention medal, a certificate of appreciation from the Ministry of Health and Welfare, the 17th National Innovation Award for Pandemic Prevention Technology Innovation, etc. Our team has also won the 100 MVP Manager Award of 2020.

By the end of 2020, the total number of users has over than 2.2 million person.

“Disease Containment Expert”, a Linebot that can use to check on people in their quarantine periods.

In response to the COVID-19 pandemic, the DeepQ team from HTC and LINE joined forces to develop “Disease Containment Expert”, a Line bot that has gone online since April 3rd, 2020 that allows medical professionals to get health care updates on people in their quarantine periods via SMS service. People in their quarantine periods can provide updates on their health condition themselves, and this increases the efficiency of the civilian operations as well. According to the survey we conducted the first month after the launch of “Disease Containment Expert” out of 7,100 valid questionnaires, we achieved an 8.67 satisfaction rating out of 10 from our users. This shows that people who are in their quarantine periods have high confidence in our service.

HTC teams up with Taipei Tzu Chi Hospital and TSSACM to found the “COVID-19 VR Medical Simulation Center.”

Other than teaming up with CDC and Ministry of Health and Welfare to develop AI Line bots “Disease Control Butler” and “Disease Containment Expert” that give us a technology edge against the pandemic, the HTC DeepQ team has been working with Taipei Tzu Chi Hospital and TSSACM (Taiwan Society of Simulation in Acute and Critical Care Medicine) for the pandemic, and COVID-19 VR Medical Simulation Center was founded through their efforts. We utilize innovative VR technology and the SimX VR training platform, provide medical students with a wide range of scenarios to learn in (such as testing a potential COVID-19 patient), or provide clinical care to a quarantined patient. Medical students prepare themselves in advance in a safe environment and become a valuable addition to our health care system in the future.

4.10.5 Social Engagement

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.

Our vision:

Everyone has a good personality. People respect and support each other. Let us make the planet lovely together.

Our mission:

Our mission is to instill the core values of integrity, honesty, care, love, positive thinking, and respect for natural resources through education.

Our accomplishments:

BOX 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 every month with a way of character and setting a good example with our own conduct. Group discussion and experience sharing with different themes and related to work will be arranged timely.

Participants include township police station public hospital fire department land office & household registration office-affiliated institutes.

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.

“Character First” course emphasizes the concept definition and operational definition with the core value of nurturing the leader and team work. Besides, it is believed that people can lead in different kinds of situation. The main goal of these courses is to nurture groups of the cadre of basic level equipped with ethics and integrity.

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 11 classes in four schools will be implemented in 2020, benefiting a total of 252 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.

Other social engagement and actions

1. Blood Donation

HTC regularly cooperates with the Taipei Blood Center and Hsinchu Blood Center to organize blood drives 8 times every year. Many “hot-blooded” employees have cultivated the habit of regular blood donation since 2006 so they always roll-up their sleeves when they hear that the blood donation bus is coming. The enthusiastic participation of HTC employees has led to the company being presented with a certificate of excellence for blood donation every year by the Taipei Blood Center and Hsinchu Blood Center. In 2020, employees responded enthusiastically to blood donation activities, and 205,000 c.c in total was accounted for the amount of blood donation.

2. The HTC Child Support Club

The HTC Child Support Club was founded in 2006 as a spontaneous association formed by HTC employees. The members raise money that is donated to the China Children’s Fund (CCF) to support the sponsorship of children in need. In 2020 the total sponsored a total of 46 children. The sponsored children included 38 children from Taiwan and 8 children from abroad. The children we’ve sponsored in foreign countries included Guatemala, Jordan, Philippines, Senegal, Sri Lanka, Kyrgyz and Paraguay.

3. Charity Cooperation Program

HTC Christmas Event in 2020: Passing Down the Love

HTC received many blessings and love during 2020 when the COVID-19 pandemic. To express our gratitude to each of our staff and their families, we held the “HTC Christmas Event in 2020: Passing Down the Love” on the Christmas Eve of 2020.

We invited various groups to share the delightful Christmas spirit with us, including the Taiwan Foundation for the Blind, the Down Syndrome Foundation R.O.C, the New Life Church, the Wulai Atayal Wild Honey and many others. The event featured live concerts, a charity fair full of goodies, and much more. Employees were invited to enjoy the event and pass down the love together. Our Food & Beverage Department has also prepared soft drinks, coffee, cold-brewed tea, as well as assorted cake slices and desserts for our staff.

Our CEO Cher purchased all items for sale in the charity fair and gave them to the employees as mystery grab bags. At the end of the day, we raised over NTD \$220,000 in charity donations from the charity fair, motivating all managers and employees to consistently make contributions to charity and pass down the love to those in need.

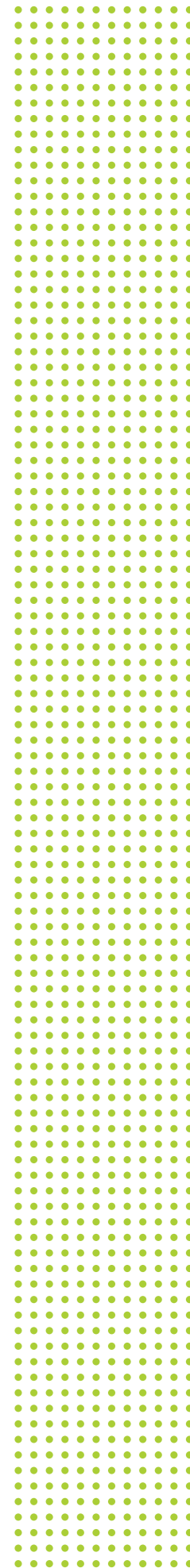
The Charity Concert

The Taitung Joy After-school Program set up charity stalls in TPE1 and in our lobby in Taoyuan during Mother’s Day in 2018 and Christmas in 2019. This greatly lifted the spirits of the children and gave them a sense of support. The Taitung Joy After-school Program was founded in September 2015. Due to a tight budget, we are only able to accept 50 children, In October 2018, we managed against all odds to find a violin band. We hope that through learning to play music and the power of music and dance, the children would be able to fill their lives with joy and overcome the difficulties.

In 2020, the children from the Taitung Joy After-school Program were invited to perform at a music event held in the Auditorium of the Chiang Kai-shek Memorial Hall. Before the event, we invited them to HTC to perform for the workers. They were all very nervous before the concert but also grateful for the support and love they received from the kind-hearted gentlemen and ladies from HTC. We post a notice for our staff, encouraging them to make a small monthly donation to the Taitung Joy After-school Program, in the hope of fulfilling our duty to society and lend a helping hand to those in need.



CAPITAL AND SHARES



CAPITAL AND SHARES

5.1 Capital and Shares

5.1.1 Capitalization:

2021.04.20 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
03/2019	10	1,000,000,000	10,000,000,000	818,811,855	8,188,118,550	Capital reduction: Cancellation of Restricted Employee shares	None	Note 1
12/2019	10	1,000,000,000	10,000,000,000	818,808,635	8,188,086,350	Capital reduction: Cancellation of Restricted Employee shares	None	Note 1
03/2020	10	1,000,000,000	10,000,000,000	818,804,335	8,188,043,350	Capital reduction: Cancellation of Restricted Employee shares	None	Note 1 Note 2
08/2020	10	1,000,000,000	10,000,000,000	818,644,385	8,186,443,850	Capital reduction: Cancellation of Restricted Employee shares	None	Note 1 Note 2

Note 1: Approval Document No.: The 19 August 2015 Letter No. Financial-Supervisory-Securities-1040031777 of the Securities and Futures Bureau of the Financial Supervisory Commission, Executive Yuan

Note 2: Approval Document No.: The 19 August 2014 Letter No. Financial-Supervisory-Securities-1030031492 of the Securities and Futures Bureau of the Financial Supervisory Commission, Executive Yuan

2021.04.20 Unit: Share

Type of stock	Authorized Capital			Remark
	Outstanding shares	Unissued Shares	Total	
Common Stock	818,644,385	181,355,615	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

5.1.2 Shareholder structure:

2021.04.20

Structure	Shareholder					Total
	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	
Number of shareholders	1	16	368	130,666	444	131,495
Shareholding	14	5,785,946	138,073,637	565,361,014	109,423,774	818,644,385
Holding percentage	0.00%	0.71%	16.87%	69.05%	13.37%	100.00%

5.1.3 Distribution of ownership:

2021.04.20 Each share has a par value of NT\$10

Shareholder Ownership (Unit : share)	Number of Shareholders	Ownership	Ownership (%)
1 - 999	45,685	2,474,158	0.30%
1,000 - 5,000	69,732	134,759,590	16.46%
5,001 - 10,000	8,246	65,600,891	8.01%
10,001 - 15,000	2,468	31,875,284	3.89%
15,001 - 20,000	1,633	30,344,380	3.71%
20,001 - 30,000	1,304	33,543,326	4.10%
30,001 - 40,000	658	23,754,205	2.90%
40,001 - 50,000	409	19,150,220	2.34%
50,001 - 100,000	765	56,030,140	6.84%
100,001 - 200,000	349	49,943,096	6.10%
200,001 - 400,000	124	34,350,930	4.20%
400,001 - 600,000	45	21,690,857	2.65%
600,001 - 800,000	12	8,466,641	1.03%
800,001 - 1,000,000	10	8,994,206	1.10%
Over 1,000,001	55	297,666,461	36.37%
Total	131,495	818,644,385	100.00%

5.1.4 List of principal shareholders:

2021.04.20 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	5.35%
Way-Lien Technology Inc.	38,588,231	4.71%
Cher Wang	32,272,427	3.94%
Hon-Mou Investment Co., Ltd.	23,197,081	2.83%
Wen-Chi Chen	22,391,389	2.74%
Chao-Shun Hong	10,367,000	1.27%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	10,047,301	1.23%
VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	9,876,079	1.21%
Kun-Chang Investment Co, Ltd.	9,322,824	1.14%
Xtrackers (IE) plc – Xtrackers Artificial Intelligence and Big Data UCITS ETF	5,217,000	0.64%

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

Item	Year	Unit: NT\$/ Thousand Shares			
		2019	2020	2021.01.01-2021.03.31	
Market price per share	Highest market price	45.9	38.85	31.5	
	Lowest market price	32.35	25.40	27.7	
	Average market price	37.18	30.93	28.96	
Net worth per share (Note)	Before distribution	42.57	36.51	-	
	After distribution	42.57	Note	-	
Earnings (loss) per share	Weighted average shares (thousand shares)	818,811	818,644	-	
	Earnings (loss) per share	(11.43)	(7.27)	-	
Dividends per share	Cash dividends	-	-	-	
	Stock dividends	Dividends from retained earnings	-	-	-
		Dividends from capital surplus	-	-	-
	Accumulated undistributed dividend	-	-	-	
Return on investment	Price/Earnings ration	NA	NA	-	
	Price/Dividend ratio	NA	NA	-	
	Cash dividend yield	0%	0%	-	

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

5.1.6 Dividend policy and Implementation Status: Dividend Policy in Articles of Incorporation

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

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

- (1) To pay taxes.
- (2) To cover accumulated losses, if any.
- (3) To appropriate 10% legal reserve unless the total legal reserve accumulated has already reached the amount of the Company's authorized capital.
- (4) To recognize or reverse special reserve return earnings.
- (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 2021 Annual Shareholders' Meeting.

There is no material change in dividend policy.

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

HTC will not distribute stock dividends at the 2021 Annual Shareholders' Meeting.

5.1.8 Compensation of Employees, Directors, and Supervisors

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

If the Company makes profit for the current year, Company shall have minimum of 4% of such profit distributable as employees' compensation in the form of stock or in cash as resolved by the board of

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

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

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

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

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

HTC will not distribute Employee Compensation at the 2021 Annual Shareholders' Meeting; therefore it is not applicable.

The actual distribution of employee, director, and supervisor's compensation for 2019

No distribute for employee, director, and supervisor compensation in 2019.

5.1.9 Buy-back of corporation shares: None

5.2 Issuance of Corporate Bonds: None.

5.3 Status of Preferred Shares: None.

5.4 Global Depository Receipts

2021.04.20

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	504,860 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	2020	High	USD 5.66
		Low	USD 3.17
	2021.01.01-2021.04.20	Average	USD 4.42
		High	USD 5.70
		Low	USD 3.96
		Average	USD 4.23

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)

5.5 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 2nd, 3rd, 5th and 6th Grants were approved by Financial Supervisory Commission, Executive Yuan on September 9, 2013, August 19, 2014, April 24, 2019 and July 12, 2019, the total quantities of the current issuance are 15,000,000, 20,000,000, 20,000,000 and 10,000,000 units, respectively. Each stock warrant unit may be used to purchase one share 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.

5.5.1 Issuance of employee share warrants and impact to shareholders' equity

	2021.04.20 / Unit: share and NT\$				
Employee Stock Options Granted	2 nd Grant	3 rd Grant	4 th Grant	5 th Grant	6 th Grant
Approval Date	September 9, 2013	August 19, 2014	August 19, 2014	April 24, 2019	July 12, 2019
Issue (Grant) Date	November 11, 2013	October 31, 2014	August 11, 2015	May 16, 2019	November 12, 2019
Number of Options Granted	15,000,000	19,000,000	1,000,000	20,000,000	10,000,000
Percentage of Shares Exercisable to Outstanding Common Shares	1.83%	2.32%	0.12%	2.44%	1.22%
Option Duration	The duration of the stock warrants is 7 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.	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	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 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: 50% Three full years have elapsed: 75% Four full years have elapsed: 100%
Shares Exercised	0	0	159,000	0	0
Value of Shares Exercised	NTD 0	NTD 0	NTD 8,665,500	NTD 0	NTD 0
Shares Unexercised	0 shares	2,420,200 shares	170,000 shares	16,270,000 shares	9,000,000 shares
Adjusted Exercise Price Per Share	NTD 149	NTD 134.5	NTD 54.5	NTD 35.5	NTD 35.05
Percentage of Shares Unexercised to Outstanding Common Shares (Note 1)	0%	0.37%	0.02%	2.12%	1.10%
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	Dilution to shareholder's equity is limited

Note 1: The information is calculated based on the issued shares, 818,644,385.

Note 2: The number of invalid shares due to resignation was deducted. The 2nd issuance is terminated in November, 2020.

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

2021.04.20 / Unit: share and NT\$

	Title	Name	Number of Option Acquired	Number of Option Acquired / Number of Option Issued (Note1)	Exercised			Unexercised					
					Number of Option	Exercise Price per Shares (NTD)	Option amount	Number of Option Issued (Note1)	Number of Option	Unexercised Price per Shares (NTD) (Note 3)	Option amount	Number of Option Issued (Note 1)	
Managers	Chief Executive Officer	Yves Maitre (Note 4)											
	Chief Financial Officer and Accounting Officer	Peter Shen											
	General Counsel	Marcus Woo (Note 5)											
	Chief Technology Officer	WH Liu											
	Senior Vice President	Adrian Tung	3,760,000 shares	0.46%	0 shares	NTD 0	NTD 0	0%	3,760,000 shares	NTD 149, NTD 134.5, NTD 54.5, NTD 35.5 and NTD 35.05	NTD 212,560,000	0.46%	
	Senior Vice President	Raymond Pao											
	Chief Global Management Officer	Caleb OuYang											
	Associate Vice President	Hsiu Lai (Note 6)											
Employee (Note 2)	Alan Chen												
	Alvin Graylin												
	Asii Wu												
	Daniel Gong												
	Daniel O'Brien												
	Drew Bamford												
	Johnson Chiang												
	Madeline Chen												
	Singer Hsieh												
	Steve Wang (Note 7)												

Note 1: The information is calculated based on the issued shares, 818,644,385.

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

Note 3: The unexercised price per shares is calculated by the unexercised option amount to unexercised number of options.

Note 4: Yves Maitre resigned on 31 Aug. 2020.

Note 5: Marcus Woo resigned on 31 Dec. 2020.

Note 6: Hsiu Lai resigned on 29 Jun. 2020.

Note 7: Steve Wang resigned on 31 Dec. 2020.

5.6 New Restricted Employee Shares

5.6.1 Issuance of restricted employee shares and impact to shareholders' equity

2021.04.20/Unit: Share and NT\$

Restricted Employee Shares Granted	1 st Restricted employee shares	2 nd Restricted employee shares	3 rd Restricted employee shares	4 rd Restricted employee shares
Approval Date	2014.08.19	2014.08.19	2015.08.19	2015.08.19
Issue (Vest) Date	2014.11.02	2015.08.10	2015.12.23	2016.07.18
Number of Restricted Employee Shares Issued	4,600,000 shares	400,000 shares	4,006,000 shares	2,657,000 shares
Issued Price per Share	NTD 0	NTD 0	NTD 0	NTD 0
Percentage of Shares Exercisable to Outstanding Common Shares	0.56%	0.05%	0.49%	0.32%
Vesting Conditions for Exercise of Restricted Employee Shares	<ol style="list-style-type: none"> 1. An employee who remains employed at HTC after 1 year has elapsed from the time of the award of the new re-restricted employee shares (i.e., the record date of the cap-ital increase), and who in the then-current fiscal year has a performance rating equal to or higher than "Satisfacto-ry," will be eligible for vesting of an installment of 30% of the shares. 2. An employee who remains employed at HTC after 2 years have elapsed from the time of the award of the new restricted employee shares (i.e., the record date of the capital increase), and who in the then-current fiscal year has a performance rating equal to or higher than "Satis-factory," will be eligible for vesting of an installment of 30% of the shares. 3. An employee who remains employed at HTC after 3 years have elapsed from the time of the award of the new restricted employee shares (i.e., the record date of the capital increase), and who in the then-current fiscal year has a performance rating equal to or higher than "Satis-factory," will be eligible for vesting of an installment of 40% of the shares. 	<ol style="list-style-type: none"> 1. An employee who remains employed at HTC after 1 year has elapsed from the time of the award of the new re-restricted employee shares (i.e., the record date of the cap-ital increase), and who in the then-current fiscal year has a performance rating equal to or higher than "Satisfacto-ry," will be eligible for vesting of an installment of 30% of the shares. 2. An employee who remains employed at HTC after 2 years have elapsed from the time of the award of the new restricted employee shares (i.e., the record date of the capital increase), and who in the then-current fiscal year has a performance rating equal to or higher than "Satis-factory," will be eligible for vesting of an installment of 30% of the shares. 3. An employee who remains employed at HTC after 3 years have elapsed from the time of the award of the new restricted employee shares (i.e., the record date of the capital increase), and who in the then-current fiscal year has a performance rating equal to or higher than "Satis-factory," will be eligible for vesting of an installment of 40% of the shares. 	<ol style="list-style-type: none"> 1. An employee who remains employed at HTC after 1 year has elapsed from the time of the award of the new re-restricted employee shares (i.e., the record date of the cap-ital increase), and who in the then-current fiscal year has a performance rating equal to or higher than "Satisfacto-ry," will be eligible for vesting of an installment of 30% of the shares. 2. An employee who remains employed at HTC after 2 years have elapsed from the time of the award of the new restricted employee shares (i.e., the record date of the capital increase), and who in the then-current fiscal year has a performance rating equal to or higher than "Satisfacto-ry," will be eligible for vesting of an installment of 30% of the shares. 3. An employee who remains employed at HTC after 3 years have elapsed from the time of the award of the new restricted employee shares (i.e., the record date of the capital increase), and who in the then-current fiscal year has a performance rating equal to or higher than "Satis-factory," will be eligible for vesting of an installment of 40% of the shares. 	<ol style="list-style-type: none"> 1. An awardee who remains employed at HTC after 1 year has elapsed from the time of the award of the new re-restricted employee shares (i.e., the record date of the cap-ital increase), and provided that the consolidated annual financial statement for the most recent fiscal year, based on the vesting date, states a net profit after tax, will be eligible for vesting of an installment of 25% of the shares. 2. An awardee who remains employed at HTC after 2 years have elapsed from the time of the award of the new restricted employee shares (i.e., the record date of the capital increase), and provided that the consolidated an-nual financial statement for the most recent fiscal year, based on the vesting date, states a net profit after tax, and that the profit has grown by 10% or more as compared to the consolidated net profit after tax in the most recently preceding profit-earning fiscal year, will be eligible for vesting of an installment of 25% of the shares. 3. An awardee who remains employed at HTC after 3 years have elapsed from the time of the award of the new restricted employee shares (i.e., the record date of the capital increase), and provided that the consolidated an-nual financial statement for the most recent fiscal year, based on the vesting date, states a net profit after tax, and that the profit has grown by 10% or more as compared to the consolidated net profit after tax in the most recently preceding profit-earning fiscal year, will be eligible for vesting of an installment of 25% of the shares. 4. An awardee who remains employed at HTC after 4 years have elapsed from the time of the award of the new re-restricted employee shares (i.e., the record date of the cap-ital increase), and provided that the consolidated annual financial statement for the most recent fiscal year, based on the vesting date, states a net profit after tax, and that the profit has grown by 10% or more as compared to the consolidated net profit after tax in the most recently pre-eding profit-earning fiscal year, will be eligible for vest-ing of an installment of 25% of the shares.

(Continued)

Restricted Employee Shares Granted	1 st Restricted employee shares	2 nd Restricted employee shares	3 rd Restricted employee shares	4 th Restricted employee shares
Restrictions to the Rights of New Restricted Employee Shares	<p>The shares to be issued and awarded to employees in the current issue are common shares. The rights and obligations associated with the shares are the same as those of other issued and outstanding common stock, except as specified as follows:</p> <ol style="list-style-type: none"> During the vesting period, an employee may not sell, pledge, transfer, give to another person, create any encumbrance on, or otherwise dispose of, new restricted employee shares. During the vesting period, the new restricted employee shares can still participate in stock and cash dividends and subscription to cash rights issues. The stock and cash dividends and cash rights issue subscriptions so obtained furthermore need not be placed in trust and shall not be restricted by the vesting period. 	<p>The shares to be issued and awarded to employees in the current issue are common shares. The rights and obligations associated with the shares are the same as those of other issued and outstanding common stock, except as specified as follows:</p> <ol style="list-style-type: none"> During the vesting period, an employee may not sell, pledge, transfer, give to another person, create any en-cumbrance on, or otherwise dispose of, new restricted employee shares. During the vesting period, the new restricted employee shares can still participate in stock and cash dividends and subscription to cash rights issues. The stock and cash div-idends and cash rights issue subscriptions so obtained fur-thermore need not be placed in trust and shall not be re-stricted by the vesting period. 	<p>The shares to be issued and awarded to employees in the current issue are common shares. The rights and obligations associated with the shares are the same as those of other issued and outstanding common stock, except as specified as follows:</p> <ol style="list-style-type: none"> During the vesting period, an employee may not sell, pledge, transfer, give to another person, create any en-cumbrance on, or otherwise dispose of, new restricted employee shares. During the vesting period, the new restricted employee shares can still participate in stock and cash dividends and subscription to cash rights issues. The stock and cash div-idends and cash rights issue subscriptions so obtained fur-thermore need not be placed in trust and shall not be re-stricted by the vesting period. 	<p>The shares to be issued and awarded to employees in the current issue are common shares. The rights and obligations associated with the shares are the same as those of other issued and outstanding common stock, except as specified as follows:</p> <ol style="list-style-type: none"> During the vesting period, an employee may not sell, pledge, transfer, give to another person, create any en-cumbrance on, or otherwise dispose of, new restricted employee shares. During the vesting period, the new restricted employee shares can still participate in stock and cash dividends and subscription to cash rights issues. The stock and cash div-idends and cash rights issue subscriptions so obtained fur-thermore need not be placed in trust and shall not be re-stricted by the vesting period.
Custody of Restricted Employee Shares	<ol style="list-style-type: none"> After new restricted employee shares are issued, if the employee to whom shares have been awarded is an ROC national, the shares must immediately be deposited in trust. If the employee to whom shares are awarded is a foreign national, the shares must be placed in custody with a cus-todian bank. Further, before the vesting conditions have been met, the employee may not for any reason or in any manner request that the trustee return the new restricted employee shares. During the period in which the new restricted employee shares are placed in trust, HTC shall have full discretion to act as agent for the employee to conduct with the share trust institution matters including, without limitation, the negotiation, signing, amendment, extension, rescission, and termination of the trust agreement, and giving of in-structions for the delivery, utilization, or disposition of the assets in trust. 	<ol style="list-style-type: none"> After new restricted employee shares are issued, if the employee to whom shares have been awarded is an ROC national, the shares must immediately be deposited in trust. If the employee to whom shares are awarded is a foreign national, the shares must be placed in custody with a cus-todian bank. Further, before the vesting conditions have been met, the employee may not for any reason or in any manner request that the trustee return the new restricted employee shares. During the period in which the new restricted employee shares are placed in trust, HTC shall have full discretion to act as agent for the employee to conduct with the share trust institution matters including, without limitation, the negotiation, signing, amendment, extension, rescission, and termination of the trust agreement, and giving of in-structions for the delivery, utilization, or disposition of the assets in trust. 	<ol style="list-style-type: none"> After new restricted employee shares are issued, if the employee to whom shares have been awarded is an ROC national, the shares must immediately be deposited in trust. If the employee to whom shares are awarded is a foreign national, the shares must be placed in custody with a cus-todian bank. Further, before the vesting conditions have been met, the employee may not for any reason or in any manner request that the trustee return the new restricted employee shares. During the period in which the new restricted employee shares are placed in trust, HTC shall have full discretion to act as agent for the employee to conduct with the share trust institution matters including, without limitation, the negotiation, signing, amendment, extension, rescission, and termination of the trust agreement, and giving of in-structions for the delivery, utilization, or disposition of the assets in trust. 	<ol style="list-style-type: none"> After new restricted employee shares are issued, if the employee to whom shares have been awarded is an ROC national, the shares must immediately be deposited in trust. If the employee to whom shares are awarded is a foreign national, the shares must be placed in custody with a cus-todian bank. Further, before the vesting conditions have been met, the employee may not for any reason or in any manner request that the trustee return the new restricted employee shares. During the period in which the new restricted employee shares are placed in trust, HTC shall have full discretion to act as agent for the employee to conduct with the share trust institution matters including, without limitation, the negotiation, signing, amendment, extension, rescission, and termination of the trust agreement, and giving of in-structions for the delivery, utilization, or disposition of the assets in trust.
Procedures for Non-Compliance of the Conditions	<ol style="list-style-type: none"> If an employee voluntarily resigns or his or her employ-ment is terminated or severed, then the vesting rights of any shares previously awarded to the employee but not yet vested shall be lost from the date of occurrence of the fact. HTC will withdraw and cancel the full number of the shares without compensation. Any cash or property other than cash received as a return of share capital due to HTC having undergone a capital reduction during the vesting period: HTC will withdraw the full amount without compensation. 	<ol style="list-style-type: none"> If an employee voluntarily resigns or his or her employ-ment is terminated or severed, then the vesting rights of any shares previously awarded to the employee but not yet vested shall be lost from the date of occurrence of the fact. HTC will withdraw and cancel the full number of the shares without compensation. Any cash or property other than cash received as a return of share capital due to HTC having undergone a capital reduction during the vesting period: HTC will withdraw the full amount without compensation. 	<ol style="list-style-type: none"> If an employee voluntarily resigns or his or her employ-ment is terminated or severed, then the vesting rights of any shares previously awarded to the employee but not yet vested shall be lost from the date of occurrence of the fact. HTC will withdraw and cancel the full number of the shares without compensation. Any cash or property other than cash received as a return of share capital due to HTC having undergone a capital reduction during the vesting period: HTC will withdraw the full amount without compensation. 	<ol style="list-style-type: none"> If an employee voluntarily resigns or his or her employ-ment is terminated or severed, then the vesting rights of any shares previously awarded to the employee but not yet vested shall be lost from the date of occurrence of the fact. HTC will withdraw and cancel the full number of the shares without compensation. Any cash or property other than cash received as a return of share capital due to HTC having undergone a capital reduction during the vesting period: HTC will withdraw the full amount without compensation.
Withdrawal of New Restricted Employee Shares	1,347,270 shares	57,700 shares	1,552,520 shares	2,498,250 shares
Unrestricted New Restricted Employee Shares	3,252,730 shares	342,300 shares	2,453,480 shares	158,750 shares
Restricted New Restricted Employee Shares	0 shares	0 shares	0 shares	0 shares
Percentage of Shares Unrestricted to Outstanding Common Shares	0%	0%	0%	0%
Impact on 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: The information is calculated based on the issued shares, 818,644,385.

(Continued)

5.6.2 Restricted employee shares to management team and to top 10 employees

2021.04.20/Unit: Share and NT\$\$

Title	Name	Number of Restricted Employee Shares Acquired	Number of Restricted Employee Shares Outstanding / Common Shares (Note1)	Number of Shares Restricted	Unrestricted		Restricted		Restricted		Restricted Employee Shares amount (Note1)
					Issued Price	Issued Amount	Restricted Employee Shares amount (Note1)	Number of Shares Restricted	Issued Price	Issued Amount	
General Counsel	Marcus Woo (Note 3)										
Manager	Chief Technology Officer	493,000 shares	0.06%	259,750 shares	NTD \$0	NTD \$0	0.03%	0 shares	NTD \$0	NTD \$0	0%
	Senior Vice President										
	Senior Vice President										
	Associate Vice President										
	Arthur Hsieh (Note 5)										
	Frank Sun (Note 6)										
	HC Wang (Note 7)										
Employee (Note 2)	Johnson Chiang										
	Longterng Wu	757,000 shares	0.09%	544,750 shares	NTD \$0	NTD \$0	0.07%	0 shares	NTD \$0	NTD \$0	0%
	Madeline Chen										
	Plutarch Lee										
	Singer Hsieh										
	Steve Wang (Note 8)										
	Yuliana Lee										

Note 1: The information is calculated based on the issued shares, 818,644,385.

Note 2: The top 10 employees granted restricted employee shares are without managerial position.

Note 3: Marcus Woo resigned on 31 Dec. 2020.

Note 4: Hsiu Lai resigned on 29 Jun. 2020.

Note 5: Arthur Hsieh resigned on 5 Jun. 2020.

Note 6: Frank Sun resigned on 30 Jun. 2020.

Note 7: HC Wang resigned on 31 Oct. 2020.

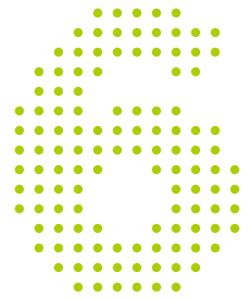
Note 8: Steve Wang resigned on 31 Dec. 2020.

5.7 Issuance of New Shares for Mergers and Acquisitions:

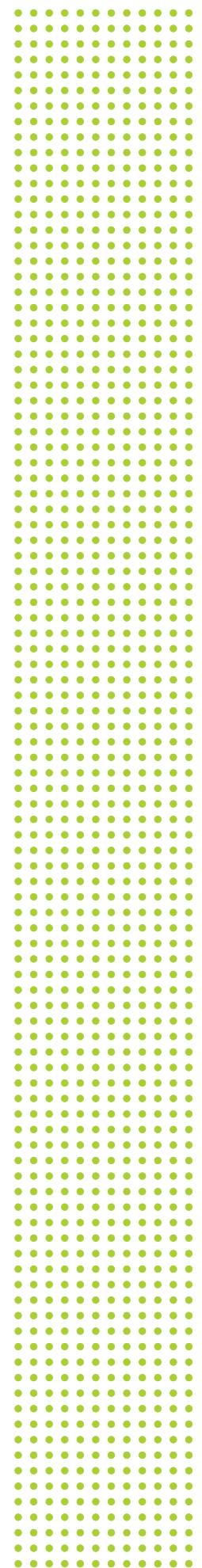
None.

5.8 Implementation of the Company's capital allocation

Plans: Not applicable



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



FINANCIAL STATUS, OPERATING RESULTS AND RISK MANAGEMENT

6.1 Financial Status

Item	Unit: NT\$ thousands			
	2020	2019	Difference	%
Current Assets	28,682,927	35,668,753	(6,985,826)	(20)
Properties, plant and equipment	7,666,798	7,888,181	(221,383)	(3)
Intangible Assets	101,943	108,877	(6,934)	(6)
Other Assets	8,614,669	9,069,016	(454,347)	(5)
Total Assets	45,066,337	52,734,827	(7,668,490)	(15)
Current Liabilities	14,775,024	17,276,071	(2,501,047)	(14)
Non-current Liabilities	337,737	461,473	(123,736)	(27)
Total Liabilities	15,112,761	17,737,544	(2,624,783)	(15)
Capital Stock	8,186,444	8,188,086	(1,642)	-
Capital Surplus	15,761,158	15,594,766	166,392	1
Retained Earnings	11,415,513	14,805,990	(3,390,477)	(23)
Other Equity	(5,470,576)	(3,735,072)	(1,735,504)	(46)
Non-controlling Interests	61,037	143,513	(82,476)	(57)
Total Stockholders' Equity	29,953,576	34,997,283	(5,043,707)	(14)

* All numbers above are based on consolidated financial statements.

Explanations for any material changes in HTC's assets, liabilities, and shareholders' equity in the most recent two fiscal years

Operating cash continued to outflow this year due to the competitive industry nature, resulting in a decrease in cash and cash equivalents.

Non-current liabilities are the result of a decrease in lease liabilities due to a decrease in contractual lease

payment obligations.

Retained earnings decreased from the previous year due to a loss this year.

The decrease in other equity was primarily due to the fluctuation of international exchange rates, affecting the translation of the financial statements of foreign operations; and the disposal of investments for this year originally recognized in other equity under unrealized valuation gain or loss was reclassified to retained earnings upon disposal in accordance with accounting standards.

6.2 Operating Results

Item	Unit: NT\$ thousands, except (Loss) Earnings per share			
	2020	2019	Difference	%
Revenues	5,805,708	10,014,966	(4,209,258)	(42)
Gross Profit	1,564,764	2,028,111	(463,347)	(23)
Operating Loss	(6,391,393)	(9,850,256)	3,458,863	35
Non-operating Income and Expenses	364,844	430,827	(65,983)	(15)
Net (Loss) Income Before Tax	(6,026,549)	(9,419,429)	3,392,880	36
Net (Loss) Income From Continuing Operations	(6,022,598)	(9,413,070)	3,390,472	36
Non-Continuing Operations Loss	-	-	-	-
Net (Loss) Income	(6,022,598)	(9,413,070)	3,390,472	36
Other Comprehensive Income And Loss For The Year, Net of Income Tax	814,141	(647,414)	1,461,555	226
Total Comprehensive Income For The Year	(5,208,457)	(10,060,484)	4,852,027	48
(Loss) Profit For The Year Attributable To Owners Of The Parent	(5,949,942)	(9,358,078)	3,408,136	36
(Loss) Profit For The Year Attributable To Non-Controlling Interest	(72,656)	(54,992)	(17,664)	(32)
Total Comprehensive (Loss) Income Attributable To Owners Of the Parent	(5,125,981)	(9,998,984)	4,873,003	49
Total Comprehensive Loss Attributable To Non-Controlling Interest	(82,476)	(61,500)	(20,976)	(34)
(Loss) Earnings Per Share- Basic	(7.27)	(11.43)	4.16	36
(Loss) Earnings Per Share- Diluted	(7.27)	(11.43)	4.16	36

* All numbers above are based on consolidated financial statements.

Explanations for any material changes in HTC's revenues, operating income (loss), and profit (loss) before income tax in the most recent two fiscal years

The decrease in revenue in 2020 was due to lower shipment volume. Although gross decreased in 2020

from 2019, due to the changes in product portfolio, gross margin was better in 2020 compared to 2019. Due to the continuous implementation of the austerity policy, operating expenses decreased from the previous period, resulting in a decrease in operating loss from 2019.

6.3 Cash Flows

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

Item	Year		Difference
	2020	2019	
Cash Flow Ratio (%)	(50.64)	(53.08)	2.44
Cash Flow Adequacy Ratio (%)	(2,561.76)	(855.67)	-1,706.09
Cash Flow Reinvestment Ratio (%)	(20.21)	(22.79)	2.58

As 2020 was a loss, it resulted in a net cash outflow from operating activities. With the continuous implementation of the austerity policy, capital expenditures and inventories decreased, resulting in a decrease in the cash flow adequacy ratio from the previous period.

6.3.2 Cash flow analysis for the coming year

We expect our cash on-hand is sufficient to cover capital expenditures and all other cash needs for 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 2020 and as of the date of this Annual Report: None

6.6 Investment Diversification in Recent Years

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

6.7 Competitive Advantages, Business Growth and Assessment of Risks

6.7.1 Interest, forex, and inflation rate risks and mitigating measures

Impact on HTC profitability:

Item	2020(NT\$1,000 or %)
Net Interest Income	203,739
Net Forex Income	-69,535
Net Interest Income as percentage of Net Revenue	3.51%
Net Interest Income as percentage of Earnings Before Tax	-3.38%
Net Forex Income as percentage of Net Revenue	-1.20%
Net Forex Income as percentage of Earnings Before Tax	1.15%

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 2020, HTC interest income totaled NT\$ 204 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 2020, financial derivatives held by HTC related to exchange risk were valued at USD 210 million, EUR 76 million, GBP 80million, JPY 7,224 million, CAD 6 million, CNH 1,327 million, SGD 181 million and AUD 6 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 derivatives holding gain to HTC of approximately NT\$72.691 million.

During 2020, the US dollar against to the NT dollar fluctuated from 1:30.11 to 1:28.51. Net exchange income lost during 2020 totaled NT\$69.535 million. Under effective management by the Company, negative effects of exchange rate fluctuations on profits in recent years have been minimal.

During 2020, the inflation in Taiwan was approximately -0.23%, 1.2% in North American and 0.4% in European markets, the inflation were relatively negligible in 2020. Overall, inflation 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. Loaning of funds takes place only between HTC subsidiaries. All such arrangements must be reviewed and approved by the board of directors in accordance with the Operational Procedures for Fund Lending and Rules for Endorsements and Guarantees. 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

The Company's R&D programs for the most recent fiscal year primarily focus on research and development of applications related to the user experience, to innovate the form of 5G mobile terminal, and mobile data services, and on providing product-related technical support and after-sales service.

Apart from the existing smartphone product line, the company will also focus on R & D investment in 5G communication technology, and simultaneously invest in two key 5G communication technologies, mmWave and Sub-6GHz, with the near-end communication technology of Wifi-6 and 802.11ay, driving the upgrade of cloud intelligence and user-end interconnection capabilities of 5G terminal products. The high-bandwidth, low-latency characteristics of 5G will be an epoch-making development in industrial and commercial application, and comprehensively enhance the cloud processing capabilities of smart home

and wearable AR/VR products. In the field of mobile phones, the company will continue to develop usage scenarios that are strongly relate to 5G communications, and enhance the user experience of terminal products and related communication technologies.

The R&D plan of the company will focus on the technology development in 5G technology. The second generation HTC 5G products will be developed on the innovation of Sub-6 and mmWave 5G technology, aiming for consumer market and enterprise. HTC 5G products will leverage HTC's strength in VR and mobile communication technology to realize 5G killer applications. Distinguished from the existing CPE/ Hotspot product category, the first generation HTC 5G mobile smart Hub designed with flagship Qualcomm SM8150 platform, running the Android operating system, this enables critical technologies such as multi-media services, commerce application, intellectual assistant, and 5G Cloud VR to establish its strong advantages over competitors in consumer market as well as enterprise applications. The research and development upon subsequent models will persist in developing killer application that highly correlated to 5G Cloud services. Moreover, the company will put efforts to lower costs to keep enlarging competitive advantages. As for the fundamental technology innovation, HTC will continue to strengthen the collaboration with suppliers of 5G chipsets and network companies. It will refresh people with the designs for innovative antenna, RF front-end design, and Modem power consumption improvement for battery endurance and the better communication quality.

With self-developed tracking and rendering solutions by HTC and VIVE Wave Runtime being our unique edges, we are aiming at expanding our business operations to PC VRs, all-in-one VRs, and customized commercial services. In the meantime, we are planning on adding more complexity to the content creation as well as improving the level of integration between multiple platforms through the introduction of the OpenXR protocol. In respect of reaching the operational goal, GPU resource sharing and edge computing have become the predominant cloud rendering techniques. As 5G units are getting more common, we aim at connecting them with our VR headsets in order to achieve the goals of expanding our VR contents, lowering the retail price, and indulging players with an even more comfortable wearing experience.

HTC has devoted a lot of resources on developing R&D talents and technological innovations, with a current count for R&D staffs representing close to 30% of the total worldwide staff count. Its investment on R&D resources represents approximately 50% of its operating income. HTC will continue to devote more R&D resources on various new products and technologies and closely match users' needs by penetrating into everyone's daily life and providing more information to the users. These smart products and technologies will also push the HTC brand to a higher position, further strengthening the company's long-term competitiveness.

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

HTC is committed to bringing smart technologies into everyday life as a global innovation pioneer in smart mobile devices and technologies. The VIVE Reality that we created is combined with cutting-edge technologies of VR, AR, AI, 5G and blockchain to carry on developing further evolved hardware and software, and also to create products that enable excellent experience and revolutionary performance. This endeavor will contribute to the creation of profoundly significant content by enterprises in culture, art, education, medical care and entertainment with refreshing results.

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 2019 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 smartphone devices and connected devices, in addition to the continuous review and improvement of manufacturing processes to improve production capabilities, quality, and cost savings, HTC also reviews the utilization of current plants and equipment, and further more to apply the international brand of outsourcing OEM/ODM 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

technologies. Growing opportunities to source materials from multiple suppliers reduce the risk of overreliance on one or several suppliers. HTC also purchases in volume 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, supervisor, 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:

In 2020, the Covid-19 outbreak is continuing to grow. It has changed the lifestyles and business behaviors around the world, the global traveling has restricted. The CEO, Yves Maitre resigned because he found it difficult to combine family and work during the pandemic. The Board of Directors approved Yves's departure and the post of CEO is concurrently held by Chairwomen Cher Wang.

6.7.12 Lawsuit:

- (1) In April 2008, IPCom GMBH & CO., KG ("IPCom") filed a multi-claim lawsuit against the Company with the District Court of Mannheim, Germany, alleging that the Company infringed IPCom's patents. In November 2008, the Company filed declaratory judgment action for non-infringement and invalidity against three of IPCom's patents with the Washington Court, District of Columbia.

In October 2010, IPCom filed a new complaint against the Company alleging infringement of patent owned by IPCom in District Court of Dusseldorf, Germany.

In June 2011, IPCom filed a new complaint against the Company alleging infringement of patent owned by IPCom with the High Court in London, the United Kingdom. In September 2011, the Company filed declaratory judgment action for non-infringement and invalidity in Milan, Italy. Legal proceedings in above-mentioned courts in Germany are still ongoing. The Company implemented the alternative solution since 2012. The Company evaluated the lawsuits and considered the risk of patents-in-suits are low. Also, preliminary injunction and summary judgment against the alternative solution of the Company are very unlikely.

In February 2017, the court of appeals of the United Kingdom found the alternative solution of the Company did not infringe any patent and only some old products without the alternative solution infringed the United Kingdom part of European Patent No. 1 841 268 (EP '268 patent). In July 2017, the EP '268 patent was held as valid by the European Patent Office. In December 2019, the High Court of the United Kingdom issued an injunction order against the old products without the alternative solution and such injunction expired on February 15, 2020, the date EP'268 expired. The damage trial has not been scheduled by the court yet.

In regard to the Company's motion for summary judgment in Washington Court and invalidity proceedings in the United States Patent and Trademark Office (USPTO), Washington Court granted the Company's summary judgment motion in March 2012 and ruled on non-infringement of two of patents-in-suit. As for the third patent-in-suit, the Washington Court had granted a stay on case pending the decision of IPCom's appeal. In January 2014, the Court of Appeals for the Federal Circuit affirmed the Washington Court's decision. In June 2019, the Federal Circuit issued an order that affirmed the USPTO's decision that invalidated the third patent-in-suit. In October 2019, the Washington Court dismissed the US case according to a joint stipulation of dismissal filed by both parties.

As of the date that the board of directors approved and authorized for issuing consolidated financial statements, the courts have not issued a ruling with respect to the above-mentioned patents-in-suit.

- (2) 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:

Response Measures to COVID-19

During the COVID-19 prevention period, HTC strengthens internal prevention management. Besides checking employees' body temperature daily, wearing masks when going in and out of office, and strictly controlling employees' schedules, also strengthens the sanitation and disinfection of work and the public area. The janitor use sanitizer or bleach every hour to wipe the buttons and panels of the elevators, door

handles of the meeting room, and the table of the sofa area on the first floor; disinfect the elevator interior with hypochlorous acid water spray every hour, and disinfect the company with hypochlorous acid and sanitizer every two weeks.

In terms of personal control, employees are required to fill out health declarations, work from home (WHF), and video conferencing are also implemented for the pandemic. Diversion to work reduces crowd gathering and reduces traffic carbon emissions; such as employees who return to Taiwan from abroad must take the initiative to quarantine at home and work at home for 14 days or anyone with respiratory symptoms and fever are required to work at home for 7 days.

In addition to protecting the health of every employee, HTC also cooperates with the Ministry of Health and Welfare of the Executive Yuan in line with social corporate responsibility. The Line Bot of Disease Control Butler (DCB) and Disease Containment Expert (DCE) developed by HTC DeepQ technology both played an important role in the digital frontline for COVID-19 pandemic prevention. Disease Control Butler (DCB) Line Bot system is a personal assistant that can be used to receive the latest outbreak alerts, manage vaccinations, and get answers with the tap of the screen. During the COVID-19 pandemic Taiwan NHCC (National Health Command Center) has released the COVID-19 pandemic related information, pandemic prevention education, online press conference, fake news clarification, mask purchase map, and daily pandemic news to people via DCB Line bot. It plays an important role in the pre- version of COVID-19, allowing people to obtain information on pandemic prevention in real-time. With the Disease Containment Expert (DCE) Line Bot system, those in home quarantine can voluntarily report their health status to the disease prevention staff every day. In addition to information on disease prevention and health status reporting, the system also sends home quarantine-related details and notes to users. HTC cooperated with Taipei Tzu Chi Hospital and the Taiwan Emergency and Critical Simulation Medicine Association to set up the "COVID-19 VR Medical Simulation Center", so that medical students can correctly learn about the procedures of clinical care for COVID-19 and how to properly take examinations. HTC continues to use AI, VR, blockchain and other innovative to on the front line to help the world for the pandemic.

Risk Management of Personal Information Protection and Information Security

As the COVID-19 pandemic situation continues to evolve, 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 risk of personal information management and information system, HTC continues the optimization of "Personal Information Management System" and "Information Security Management System" and established one privacy and security taskforce which is comprised of Legal, Product Security and Information Security departments.

HTC's "Personal Information Management System" is established in compliance with Taiwan Personal Data Protect Act and applicable privacy protection regulations in other countries (such as EU General Data Protection Regulation, U.S. Children's Online Privacy Protection Rule, U.S. California Consumer

Privacy Act) and in line with the data protection requirements under BS 10012 Personal Information Management System (PIMS). 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. HTC follows data privacy engineering requirements from product design phase (including privacy by design and privacy by default) throughout the product development process and implements privacy and security review process (including the Building Security in Maturity Model (BSIMM) methodology) to ensure the products and services are compliant with privacy 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.

To ensure potential cybersecurity threat during COVID-19 pandemic outbreak, HTC has established and implement "Work from Home (WFH) Information Security Guidelines", including remote connection security, remote video conferencing security, remote collaboration security, system security, network security, physical security, data security, among others. Also, HTC reminds employees to beware of COVID-19 Phishing Email Attack through Privacy and Security Newsletter. HTC follows the "Guidelines for Contact-information-based Measures for COVID-19" announced by Central Epidemic Command Center (CECC), to ensure personal data protection through designated employee clinic in charge of

keeping a record of and maintaining personal data collected, and in compliance with data purpose limitation, data minimization and data retention principle.

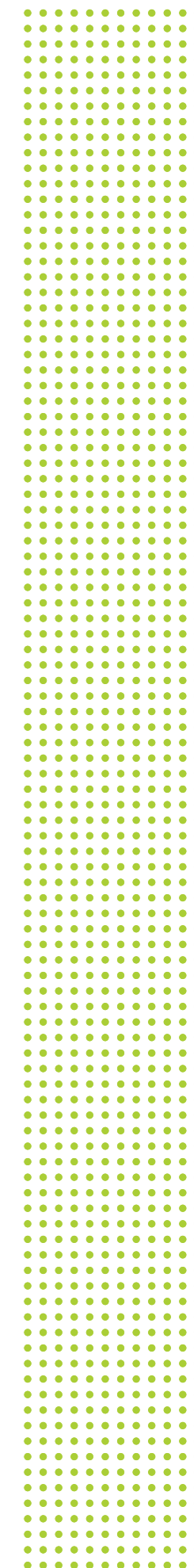
Furthermore, there have been endless cases of ransomware worldwide. In order to fight against ransomware to keep the company's competitiveness, all HTC employees must complete the HTC Security Awareness (for employees in engineering functions) and the HTC Privacy and Security Awareness Mandatory Training (for all employees) every year. HTC also send the Privacy and Security Newsletter on a monthly basis, which encloses with relevant up-to-date information about privacy and security and summaries of HTC privacy and security policies. HTC conducts annual privacy and security audit every year to ensure the effective implementation of management systems and reduce the risk. In addition, HTC requires vendors and partners to comply with privacy protection regulations and HTC privacy and security requirements, to mitigate information security and ransomware risk.

During 2020 and as of this annual report, HTC has not discovered any significant cyberattack or incident, which had or was likely to have significant negative impact to company business or operation, nor involved in any legal procedure or investigation related to cybersecurity incident.

6.8 Other Important Matters: None.



**AFFILIATE
INFORMATION AND
OTHER SPECIAL
NOTES**

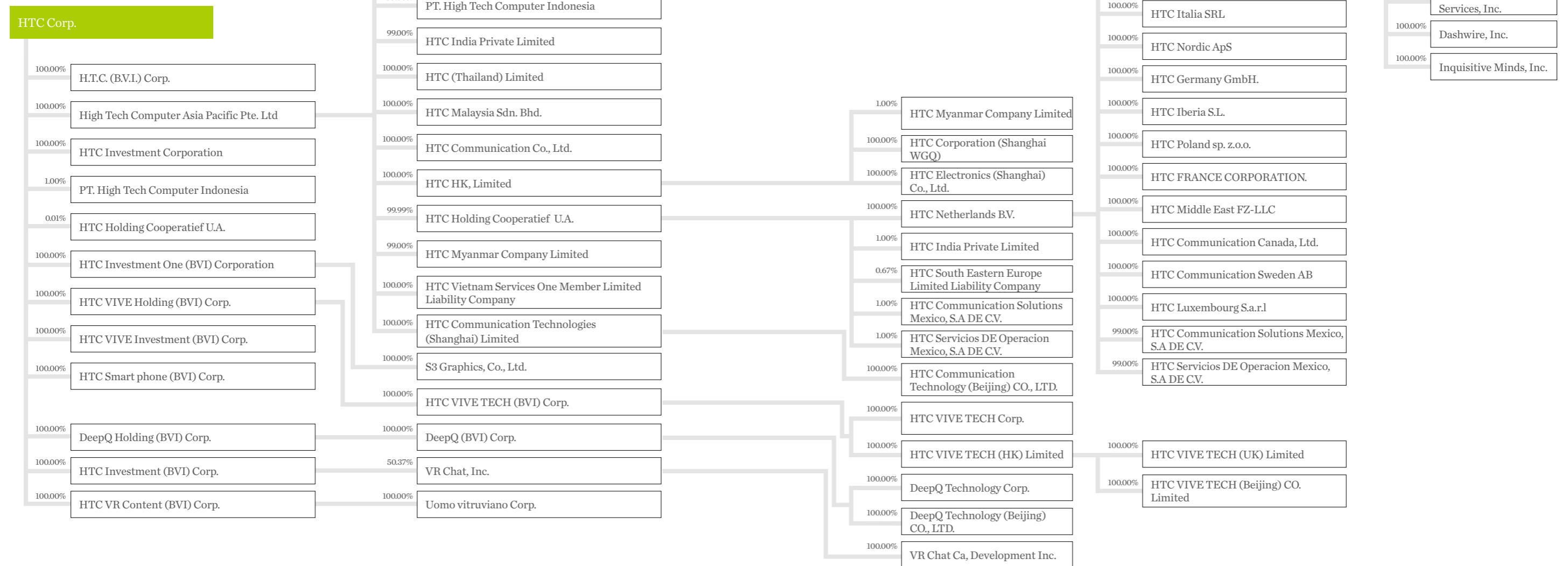


AFFILIATE INFORMATION AND OTHER SPECIAL NOTES

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 8,186,444	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	3F, J&C Building, P.O. Box 362, Road Town, Tortola, British Virgin Islands	NTD 4,206,658 (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 15,764,977 (SGD730,838)	International holdings, marketing, repair and after-sales services
HTC Investment Corporation	2008.07.24	1F, No. 88 Section 3, Zhongxing Road, Xindian District, New Taipei City 231, Taiwan, R.O.C.	NTD 300,000	General investing activities
HTC Investment One (BVI) Corporation	2011.06.20	3F, J&C Building, P.O. Box 362, Road Town, Tortola, British Virgin Islands	NTD 9,510,229 (USD 333,733)	Holding S3 Graphics Co., Ltd. and general investing activities
HTC Investment (BVI) Corp.	2015.07.29	3F, J&C Building, P.O. Box 362, Road Town, Tortola, British Virgin Islands	NTD 740,909 (USD 26,000)	General investing activities
HTC VIVE Holding (BVI) Corp.	2015.08.31	3F, J&C Building, P.O. Box 362, Road Town, Tortola, British Virgin Islands	NTD 199,476 (USD 7,000)	International holdings
HTC VIVE Investment (BVI) Corp	2016.09.01	3F, J&C Building, P.O. Box 362, Road Town, Tortola, British Virgin Islands	NTD 284,965 (USD 10,000)	General investing activities
DeepQ Holding (BVI) Corp.	2017.03.08	3rd Floor, J & C Building P.O. Box 362 Road Town, Tortola British Virgin Islands, VG1110	NTD 470,192 (USD 16,500)	International holdings
HTC Smart phone (BVI) Corp.	2017.07.19	3rd Floor, J & C Building P.O. Box 362 Road Town, Tortola British Virgin Islands, VG1110	NTD 942 (USD 33)	International holdings
HTC VR Content (BVI) Corp.	2017.07.05	3rd Floor, J & C Building P.O. Box 362 Road Town, Tortola British Virgin Islands, VG1110	NTD 48,729 (USD1,710)	International holdings
HTC (Australia and New Zealand) PTY LTD.	2007.08.28	SUITE 1 LEVEL 7 , 60-62 YORK STREET , SYDNEY NSW 2000	NTD 87,855 (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 5,699 (USD 200)	Marketing, repair and after-sales services
PT. High Tech Computer Indonesia	2007.12.03	Plaza Semanggi 7th Floor, unit No. Z07-006 Kawasan Bisnis Granadha Jl. Jend. Sudirman Kav. 50 Jakarta -12930 Indonesia	NTD 3,450 (IDR 1,699,313)	Marketing, repair and after-sales services

(Continued)

Company	Date of Incorporation	Place of Registration	Capital Stock	Business Activities
HTC (Thailand) Limited	2007.11.06	No. 9, G Tower, Level 33, Unit No. 3325, Rama 9 Road, Huaykwang Sub-district, Huaykwang District, Bangkok	NTD 23,787 (THB 25,000)	Marketing, repair and after-sales services
HTC India Private Limited	2008.01.30	C-109 and C-110, First Floor, M3M, Cosmopolitan, Golf Course Exptionion Road, Gurugram, Haryana-122002	NTD 1,950 (IDR 5,000)	Marketing, repair and after-sales services
HTC Malaysia Sdn. Bhd.	2007.11.07	UNIT 30-01, LEVEL 30, TOWER A, VERTICAL BUSINESS SUITE, AVENUE 3, BANGSAR SOUTH, NO. 8, JALAN KERINCHI, 59200 KUALA LUMPUR, MALAYSIA	NTD 1,773 (MYR 250)	Marketing, repair and after-sales services
HTC Communication Co., Ltd.	2008.12.29	1F, D Building, China Core Science Park, No. 2557 Jinke Road, Pilot Free Trade Zone, Shanghai China	NTD 3,633,304 (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	NTD 138,312 (HKD 37,626)	International holdings, marketing, repair and after-sales service
HTC Holding Cooperatief U.A.	2009.08.18	Herikerbergweg 88, 1101CM Amsterdam, the Netherlands	NTD 7,297,242 (EUR 208,242)	International holdings
HTC Communication Technologies (Shanghai) limited	2011.08.01	2F, D Building, China Core Science Park, No. 2557 Jinke Road, Pilot Free Trade Zone, Shanghai China	NTD 113,986 (USD 4,000)	Design, research and development of application software
HTC Myarmar Company Limited	2013.07.31	No. 174-182, Pansodan Road (Middle Block), Kyauktada Township, Yangon, Myanmar	NTD 2,127 (MMK 98,978)	Marketing, repair and after-sales services
HTC Vietnam Services One Member Limited Liability Company	2014.09.27	Room 909, 9th Floor, Miss Ao Dai Building, 21 Nguyen Trung Ngan, Ben Nghe Ward, District 1, Ho Chi Minh City, Viet Nam.	NTD5,245 (VND 4,230,000)	Marketing, repair and after-sales services
S3 Graphics Co, Ltd.	2001.01.03	P.O. Box 709 George Town Grand Cayman	NTD 8,785 (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 42,745 (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 82,896 (USD 2,909)	Manufacture and sale of smart handheld devices and electronic components
HTC Communication Technology (Beijing) Co., Ltd.	2014.06.04	Floor 6 601-9, No.7, Courtyard 1, Zhongguancun East Road, Haidian District, Beijing	NTD 45,985 (RMB 10,500)	Design, research and development of application software
HTC Netherlands B.V.	2009.11.11	Herikerbergweg 88, 1101CM Amsterdam, the Netherlands	NTD 5,041,928 (EUR 143,882)	International holdings, marketing, repair and after-sales service
HTC EUROPE CO., LTD.	2003.07.09	Salamanca Wellington Street Slough Berkshire England SL1 1YP	NTD 4,049,237 (GBP 104,061)	International holdings, marketing, repair and after-sales service
HTC BRASIL	2006.10.25	Rua James Joule, No.92, Suite 82, 7th Floor, Edificio Plaza.1, in the Capital City of Sao Paulo, State of Sao Paulo.	NTD 0 (BRL 0)	Marketing, repair and after-sales services

(Continued)

Company	Date of Incorporation	Place of Registration	Capital Stock	Business Activities
HTC Belgium BVBA/SPRL	2006.10.12	Havenlaan 86/c , box 204 – 1000 Brussels	NTD 650 (EUR 19)	Marketing, repair and after-sales services
HTC NIPPON Corporation	2006.03.22	Habiulu Nishi-Shinbashi 7th floor, 2-35-2, Nishi-Shinbashi, Minato-ku, Tokyo	NTD 78,768 (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 385,464 (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 158 (EUR 4.5)	Marketing, repair and after-sales services
HTC Nordic ApS.	2010.07.01	c/o Redmark, Sommervej 31 C, Hasle, 8210 Aarhus V	NTD 377 (DKK 80)	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 350 (EUR 10)	Marketing, repair and after-sales services
HTC Germany GmbH.	2010.09.06	Mainzer Landstr. 49 60329 Frankfurt Germany	NTD 876 (EUR 25)	Marketing, repair and after-sales services
HTC Iberia S.L.	2010.10.08	Conde de Vilches, 19, Madrid, 28028, Spain	NTD 105 (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 1,793 (PLN 234)	Marketing, repair and after-sales services
HTC Communication Canada, Ltd.	2011.01.25	2900-550 Burrard Street, Vancouver BC V6C 0A3, Canada	NTD 42,745 (USD 1,500)	Marketing, repair and after-sales services
HTC Communication Sweden AB	2011.09.26	C/o Revideco AB Drottningholmsvägen 22 112 42 Stockholm	NTD 3,475 (SEK 1,000)	Marketing, repair and after-sales services
HTC Luxembourg S.a.r.l.	2011.05.31	46A Avenue John F. Kennedy L-1855 Luxembourg	NTD 438 (EUR 12.5)	Online/download media services
HTC Middle East FZ-LLC	2012.07.08	DIC building no.3, office no.316, Dubai Internet City, Dubai	NTD 27,153 (AED 3,500)	Marketing, repair and after-sales services
HTC Communication Solutions Mexico, S.A DE CV.	2015.04.01	Paseo de la Reforma 505 piso 32 Col Cuauhtemoc. Cp 06500 Mexico DF.	NTD 72 (MXN 50)	Marketing, repair and after-sales services
HTC Servicios DE Operacion Mexico, S.A DE CV.	2015.04.01	Paseo de la Reforma 505 piso 32 Col Cuauhtemoc. Cp 06500 Mexico DF.	NTD 72 (MXN 50)	Human resource management
HTC America Holding Inc.	2010.04.23	308 Occidental Ave S 3rd floor, Seattle, WA 98104	NTD 7,583,670 (USD 266,126)	International holdings
HTC America Inc.	2003.01.06	308 Occidental Ave S 3rd floor, Seattle, WA 98104	NTD 4,787,412 (USD 168,000)	Sale of smart handheld devices and electronic components
One & Company Design, Inc.	2003.10.04	2700 18th Street San Francisco, CA,USA, 94110	NTD 1,038 (USD 36)	Design, research and development of application software
HTC America Innovation Inc.	2010.04.23	308 Occidental Ave S 3rd floor, Seattle, WA 98104	NTD 85,490 (USD 3,000)	Design, research and development of application software
HTC America Content Services, Inc.	2011.03.28	308 Occidental Ave S 3rd floor, Seattle, WA 98104	NTD 943,234 (USD 33,100)	Online/download media services
Dashwire, Inc.	2006.08.11	850 New Burton Road, Suite 201 Dover DE 19904	NTD 0.003 (USD 0.0001)	Cloud Synchronization Technology design and management

(Continued)

Company	Date of Incorporation	Place of Registration	Capital Stock	Business Activities
Inquisitive Minds, Inc.	2008.12.04	2700 18th Street, San Francisco, CA USA 94110	NTD 0.03 (USD 0.001)	Development and sale of Digital Education Platform
HTC VIVE TECH (BVI) Corp.	2015.08.31	3F, J&C Building, P.O. Box 362, Road Town, Tortola, British Virgin Islands	NTD 199,476 (USD 7,000)	International holdings
HTC VIVE 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, development and sale of virtual reality devices
HTC VIVE TECH (HK) Limited	2017.06.21	RM. 2401, 101 King's Road, Fortress Hill, Hong Kong	NTD 193,776 (USD 6,800)	Research, development and sale of virtual reality devices
HTC VIVE TECH (Beijing) Co. Limited	2017.06.02	RM 601 ,601-3, 6F, VIA Building, Building 7, No.1 Zhongguancun East Road, Haidian District , Beijing	NTD 22,797 (USD 800)	Research, development and sale of virtual reality devices
HTC VIVE TECH (UK) Limited	2017.06.23	Salamanca, Wellington Street, Slough, Berkshire, United Kingdom SL1 1YP	NTD 170,979 (USD 6,000)	Research, development and sale of virtual reality devices
DeepQ (BVI) Corp.	2017.03.02	3rd Floor, J & C Building P.O. Box 362 Road Town, Tortola British Virgin Islands, VG1110	NTD 469,337 (USD 16,470)	International holdings
DeepQ Technology Corp.	2017.06.21	13F., No. 207-5, Sec. 3, Beixin Rd.,Xindian Dist, New Taipei City 231, Taiwan	NTD 395,212	Health technology and health care business
DeepQ Technology (Beijing) Co., Ltd	2017.12.21	1101-1, 11th Floor, Building 7, No.1,Zhongguancun East Road, Haidian District, Beijing	NTD 85,490 (USD 3,000)	Development and marketing of software technology
VRChat. Inc.	2015.11.30	288 Bryn Mawr Cir, Houston TX 77024, USA	NTD 525,229 (USD 18,431)	Software development of virtual reality
Uomo vitruviano Corp.	2017.09.15	11F, No. 88 Section 3, Zhongxing Road, Xindian District, New Taipei City 231, Taiwan, R.O.C.	NTD50,000	Software development of virtual reality
VRChat. Ca. Development Inc.	2016.01.01	288 Bryn Mawr Cir, Houston TX 77024, USA	NTD 35,459 (CAD 1,587)	Software development of virtual reality

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

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 Cooperatief U.A, HTC VIVE Holding (BVI) Corp., HTC America Holding Inc., HTC VIVE TECH (BVI) Corp., DeepQ Holding (BVI) Corp., HTC Smart phone (BVI) Corp., HTC VR Content (BVI) Corp.,and DeepQ (BVI) Corp. is 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 Luxembourg S.a.r.l. and HTC America Content Services, Inc. engage 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 Servicios DE Operacion Mexico, S.A DE C.V. is mainly engaged in human resource management.
- (16) HTC VIVE TECH Corp., HTC VIVE TECH (HK) Limited, HTC VIVE TECH (Beijing) Co. Limited , and HTC VIVE TECH (UK) Limited are mainly engaged in research, development and sale of virtual reality devices.
- (17) DeepQ Technology Corp. is mainly engaged in health technology and health care business.
- (18) DeepQ Technology (Beijing) Co., Ltd is mainly engaged in development and marketing of software technology.
- (19) VRChat. Inc., Uomo vitruviano Corp., and VRChat. Ca. Development Inc. are mainly engaged in Software development of virtual reality.
- (20) 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	3.94%
	Director	Wen-Chi Chen	22,391,389 shares	2.73%
	Director	HT Cho	96,530 shares	0.01%
	Director	David Bruce Yoffie	-	-
	Independent Director	Chen-Kuo Lin	-	-
	Independent Director	Josef Felder	500,000 shares	0.06%
	Independent Director	Vincent Thai	-	-
Investee:				
H.T.C. (B.V.I.) Corp.	Chairwoman	HTC Corporation Representative: Cher Wang	1,476,201,760 shares	100.00%
High Tech Computer Asia Pacific Pte. Ltd.	Director	HTC Corporation Representative: Cher Wang, ChiaTe Lu, Chow Hong Luen Irwin	562,534,059 shares	100.00%
HTC Investment Corporation	Chairperson	HTC Corporation Representative: Cher Wang	30,000,000 shares	100.00%
	Director	HTC Corporation Representative: Peter Shen, ChiaTe Lu	30,000,000 shares	100.00%
	Supervisor	HTC Corporation Representative: Hui-Mei Tseng	30,000,000 shares	100.00%
HTC Investment One (BVI) Corporation	Director	HTC Corporation Representative: Cher Wang	333,733,246 shares	100.00%
HTC Investment (BVI) Corp.	Director	HTC Corporation Representative: Peter Shen	26,000,000 shares	100.00%
HTC VIVE 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%
HTC (Australia and New Zealand) PTY LTD	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: Chiate Lu, Cha-Li Ou Yang, Elson Pow	400,000 shares	100.00%
HTC Philippines Corporation	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: Ralph Wang, Dannie Liu, Majorie L. Elic, Juancho S. Ong, Edgardo C. Abenis	858,765 shares	100.00%

(Continued)

Company	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	Investment Holding Percentage
PT. High Tech Computer Indonesia	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: Jackson Yang	185,625 shares	99.00%
	Director	HTC Corporation Representative: Jackson Yang	1,875 shares	1.00%
	Supervisor	High Tech Computer Asia Pacific Pte. Ltd. Representative: Edward Wang	185,625 shares	99.00%
	Supervisor	HTC Corporation Representative: Edward Wang	1,875 shares	1.00%
HTC (Thailand) Limited	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: Peter Shen, ChiaTe Lu	10,000,000 shares	100.00%
HTC India Private Limited	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: ChiaTe Lu, Cha-Li Ou Yang, Rohit Sharma	495,000 shares	99.00%
	Director	HTC Holding Cooperatief U.A. Representative: ChiaTe Lu, Cha-Li Ou Yang, Rohit Sharma	5,000 shares	1.00%
HTC Malaysia Sdn. Bhd.	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: Chiate Lu, NORAZMAN BIN MAT ZIN, YAHAYA BIN ABU BAKAR	25,000 shares	100.00%
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 Cooperatief U.A.	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: Peter Shen, Yvonne Theuns	EUR 208,242 thousands	99.99%
	Director	HTC Corporation Representative: Peter Shen, Yvonne Theuns	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%
HTC Myanmar Company Limited	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: ChiaTe Lu	99,000 shares	99.00%
	Director	HTC HK Limited Representative: ChiaTe Lu	1,000 shares	1.00%
HTC Vietnam Services One Member Limited Liability Company	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: ChiaTe Lu	USD 200 thousands	100.00%
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%
HTC Electronics (Shanghai) Co., Ltd.	Chairperson	HTC HK, Limited Representative: Peter Shen	USD 2,909 thousands	100.00%

(Continued)

Company	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	Investment Holding Percentage
HTC Communication Technology (Beijing) Co., Ltd	Chairperson	HTC Communication Technologies (Shanghai) limited Representative: Peter Shen	RMB 10,500 thousands	100.00%
HTC Netherlands B.V.	Representative	HTC Holding Cooperatief U.A.	143,881,816 shares	100.00%
HTC EUROPE CO. LTD.	Director	HTC Netherlands B.V. Representative: Peter Shen, ChiaTe Lu	104,061,442 shares	100.00%
HTC BRASIL	Representative	HTC Netherlands B.V.	1,987,399 shares	99.99%
	Representative	HTC Holding Cooperatief U.A.	1 share	0.01%
HTC Belgium BVBA/ SPRL	Director	HTC Netherlands B.V. Representative: Gilbert Ng, TMF Management	18,549 shares	100.00%
HTC NIPPON Corporation	Director	HTC Netherlands B.V. Representative: Peter Shen, ChiaTe Lu, Cha-Li Ou Yang, Kojima Masakatin	1,000 shares	100.00%
HTC France Corporation	President	HTC Netherlands B.V. Representative: Graham Wheeler	11,000,000 shares	100.00%
HTC South Eastern Europe Limited Liability Company	Administrator	HTC Netherlands B.V. Representative: Nikitas Glykas	149 shares	99.33%
	Administrator	HTC Holding Cooperatief U.A. Representative: Nikitas Glykas	1 share	0.67%
HTC Nordic ApS	Director	HTC Netherlands B.V. Representative: Graham Wheeler, ChiaTe Lu	80,000 shares	100.00%
HTC Italia SRL	Director	HTC Netherlands B.V. Representative: (Liquidator) Gilbert Ng	EUR 10 thousands	100.00%
HTC Germany GmbH	Director	HTC Netherlands B.V. Representative: Graham Wheeler	25,000 shares	100.00%
HTC Iberia S.L.U.	Director	HTC Netherlands B.V. Representative: Graham Wheeler	3,006 shares	100.00%
HTC Poland sp z o.o.	Director	HTC Netherlands B.V. Representative: Graham Wheeler, ChiaTe Lu	4,687 shares	100.00%
HTC Communication Canada, Ltd.	Director	HTC Netherlands B.V. Representative: Peter Shen, Daniel O'Brien, ChiaTe Lu	1,500,000 shares	100.00%
HTC Communication Sweden AB	Director	HTC Netherlands B.V. Representative: Graham Wheeler, ChiaTe Lu	1,000,000 shares	100.00%
HTC Luxembourg S.a.r.l.	Director	HTC Netherlands B.V. Representative: ChiaTe Lu, Anne Bolkow	12,500 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 Cooperatief U.A. 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 Cooperatief U.A. 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%

(Continued)

Company	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	Investment Holding Percentage
HTC America, Inc.	Director	HTC America Holding, Inc. Representative: Peter Shen, ChiaTe Lu	1,000 shares	100.00%
One & Company Design, Inc.	Director	HTC America Holding, Inc. Representative: ChiaTe Lu	60,000 shares	100.00%
HTC America Innovation, Inc.	Director	HTC America Holding, Inc. Representative: Hui-Mei Tseng	1,000 shares	100.00%
HTC America Content Services, Inc.	Director	HTC America Holding, Inc. Representative: ChiaTe Lu	31,000 shares	100.00%
Dashwire, Inc.	Director	HTC America Holding, Inc. Representative: ChiaTe Lu	100 shares	100.00%
Inquisitive Minds, Inc.	Director	HTC America Holding, Inc. Representative: ChiaTe Lu	100 shares	100.00%
HTC VIVE TECH (BVI) Corp.	Director	HTC VIVE Holding (BVI) Corp. Representative: Peter Shen, ChiaTe Lu	70,000,000 shares	100.00%
HTC VIVE TECH Corp.	Chairperson	HTC VIVE Tech (BVI) Corp. Representative: Peter Shen	100,000 shares	100.00%
	Director	HTC VIVE Tech (BVI) Corp. Representative: ChiaTe Lu	100,000 shares	100.00%
	Director	HTC VIVE Tech (BVI) Corp. Representative: Cha-Li Ou Yang	100,000 shares	100.00%
	Supervisor	HTC VIVE Tech (BVI) Corp. Representative: Hui-Mei Tseng	100,000 shares	100.00%
HTC VIVE TECH (HK) Limited	Director	HTC VIVE TECH (BVI) Corp. Representative: Peter Shen, ChiaTe Lu, Cha-Li Ou Yang	68,000,000 share	100.00%
HTC VIVE TECH (Beijing) Co. Limited	Director	HTC VIVE TECH (HK) Limited Representative: Peter Shen	USD 800 thousands	100.00%
HTC VIVE TECH (UK) Limite	Director	HTC VIVE TECH (HK) Limited. Representative: Peter Shen, ChiaTe Lu, Cha-Li Ou Yang	6,000,000 shares	100.00%
DeepQ (BVI) Corp.	Director	DeepQ Holding (BVI) Corp Representative: Peter Shen, ChiaTe Lu	164,700,000 shares	100.00%
DeepQ Technology Corp.	Chairperson	DeepQ (BVI) Corp. Representative: Peter Shen	39,521,200 shares	100.00%
	Director	DeepQ (BVI) Corp. Representative: ChiaTe Lu	39,521,200 shares	100.00%
	Director	DeepQ (BVI) Corp. Representative: Cha-Li Ou Yang	39,521,200 shares	100.00%
	Supervisor	DeepQ (BVI) Corp. Representative: Hui-Mei Tseng	39,521,200 shares	100.00%
DeepQ Technology (Beijing) Co., Ltd	Chairperson	DeepQ (BVI) Corp. Representative: Peter Shen	USD 3,000 thousands	100.00%
VRChat, Inc.	Director	GAYLOR, GRAHAM BLUM, JOUDREY, JESSE BRIAN FRANK	79,257,249 shares	50.37%
Uomo vitruviano Corp.	Chairperson	HTC VR Content (BVI) Corp. Representative: Peter Shen	5,000,000 shares	100.00%
	Director	HTC VR Content (BVI) Corp. Representative: ChiaTe Lu	5,000,000 shares	100.00%
	Director	HTC VR Content (BVI) Corp. Representative: Cha-Li Ou Yang	5,000,000 shares	100.00%
	Supervisor	HTC VR Content (BVI) Corp. Representative: Hui-Mei Tseng	5,000,000 shares	100.00%
VRChat. Ca. Development Inc	Director	GAYLOR, GRAHAM BLUM, JOUDREY, JESSE BRIAN FRANK	100 shares	100.00%

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	\$ 8,186,444	\$45,864,838	\$15,972,299	\$29,892,539	\$4,882,966	(\$ 6,338,292)	(\$ 5,949,942)	(\$ 7.27)
Investee:								
H.T.C. (BVI.) Corp.	4,206,658	2,022,567	-	2,022,567	-	(698)	607	-
High Tech Computer Asia Pacific Pte. Ltd.	15,764,977	21,108,583	890	21,107,693	3,928	(47,340)	(201,368)	(0.36)
HTC Investment Corporation	300,000	166,602	139	166,463	1,941	1,874	1,820	0.06
HTC Investment One (BVI) Corporation	9,510,229	287,681	35	287,646	-	(713)	167,093	0.50
HTC Investment (BVI) Corp.	740,909	3,311,457	-	3,311,457	1,770	(69,566)	(72,198)	(2.78)
HTC VIVE Holding (BVI) Corp.	199,476	195,502	-	195,502	-	(8,065)	(7,821)	(1.12)
HTC VIVE Investment (BVI) Corp	284,965	286,472	19	286,453	-	-	70	0.01
DeepQ Holding (BVI) Corp.	470,192	402,953	19	402,934	-	(35,382)	(36,809)	(2.23)
HTC Smart phone (BVI) Corp.	942	677	-	677	-	-	(102)	(3.09)
HTC VR Content (BVI) Corp.	48,729	45,837	19	45,818	-	(5,318)	(5,569)	(3.26)
HTC (Australia and New Zealand) PTY LTD.	87,855	213,475	7,793	205,682	(6,467)	(313)	(299)	(0.75)
HTC Philippines Corporation	5,699	6,074	-	6,074	-	-	-	-
PT. High Tech Computer Indonesia	3,405	22,786	4,206	18,580	-	(1)	(27)	(0.14)
HTC (Thailand) Limited	23,787	48,400	145	48,255	265	(178)	(199)	(0.02)
HTC India Private Limited	1,950	260,223	110,819	149,404	5,340	170	336	0.67
HTC Malaysia Sdn. Bhd.	1,733	21,954	(79)	22,033	467	(822)	(1,235)	(49.40)
HTC Communication Co., Ltd.	3,633,304	1,969,217	246,337	1,722,880	531,927	(112,968)	(102,490)	-
HTC HK, Limited	138,312	4,256,856	4,734	4,252,122	27,498	26,591	29,033	0.77
HTC Holding Cooperatief U.A.	7,297,242	10,228,334	16,165	10,212,169	-	(10,605)	(8,458)	-
HTC Communication Technologies (Shanghai) limited	113,986	644,439	130,376	514,063	389,688	27,955	35,356	-
HTC Myanmar Company Limited	2,127	2,135	-	2,135	-	-	-	-
HTC Vietnam Services One Member Limited Liability Company	5,245	10,429	1,712	8,717	3,668	(206)	(140)	-
S3 Graphics Co, Ltd.	8,785	88,790	-	88,790	-	124	328	-
HTC Corporation (Shanghai WGQ)	42,745	82,351	3,798	78,553	-	(1,688)	(6,329)	-
HTC Electronics (Shanghai) Co., Ltd.	82,896	4,016,003	4,449	4,011,554	-	(4,415)	33,365	-
HTC Communication Technology (Beijing) Co., Ltd.	45,985	128,421	30,402	98,019	137,076	8,198	6,699	-
HTC Netherlands B.V.	5,041,928	10,273,978	50,222	10,223,756	2,963	(4,648)	(7,302)	(0.05)
HTC EUROPE CO., LTD.	4,049,237	9,444,221	360,233	9,083,988	328,039	(25,745)	5,530	0.05

(Continued)

Company	Capital Stock	Assets	Liabilities	Net Worth	Net Sales	Income (Loss) from Operation	Net Income (Net of Tax)	EPS (Net of Tax)
HTC BRASIL	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
HTC Belgium BVBA/SPRL	650	7,692	750	20,224	1,474	70	1,877	101.19
HTC NIPPON Corporation	78,768	409,044	106,364	302,680	249,770	3,215	(4,073)	72.73
HTC FRANCE CORPORATION	385,464	67,927	27,824	40,103	63,432	3,021	1,799	0.16
HTC South Eastern Europe Limited Liability Company	158	5,305	2,857	2,448	(4,205)	(4,205)	(2,658)	(17,720)
HTC Nordic ApS.	377	13,208	2,095	11,113	6,021	112	89	1.11
HTC Italia SRL	350	6,051	3,084	2,967	-	(388)	(397)	-
HTC Germany GmbH.	876	119,583	3,928	115,655	39,894	1,025	776	31.04
HTC Iberia S.L.	105	25,727	10	25,717	109	(489)	(468)	156.00
HTC Poland sp. z o.o.	1,793	6,163	2,232	3,931	27,246	1,314	(152)	(32.34)
HTC Communication Canada, Ltd.	42,745	68,489	2,089	66,400	3	-	31	0.02
HTC Communication Sweden AB	3,475	6,110	(29)	6,139	22	400	111	0.11
HTC Luxembourg S.a.r.l.	438	11,522	648	10,874	-	(1,367)	(2,550)	(204.00)
HTC Middle East FZ-LLC	27,153	55,293	1,997	53,296	27,075	1,370	1,109	316.86
HTC Communication Solutions Mexico, S.A DE C. V.	72	20,398	14,462	5,936	2,676	91	62	1.24
HTC Servicios DE Operation Mexico, S.A DE C. V.	72	6,578	1,863	4,715	2,015	49	50	1.00
HTC America Holding Inc.	7,583,670	8,262,093	2,696	8,259,397	-	(46,209)	(51,023)	(0.14)
HTC America Inc.	4,787,412	6,902,005	562,796	6,339,209	1,809,783	108,601	125,281	125,281.00
One & Company Design, Inc.	1,038	2,755	60	2,695	-	-	-	-
HTC America Innovation Inc.	85,490	539,903	37,857	502,046	275,421	18,419	6,039	6,039.00
HTC America Content Services, Inc.	943,234	351,896	225,492	126,404	91,095	(146,942)	(177,301)	(5,719.39)
Dashwire, Inc.	0.003	1,490	52,608	(51,118)	-	(24)	(25)	(250.00)
Inquisitive Minds, Inc.	0.03	29,930	3,591	26,339	33	(2,836)	(2,947)	(29,470.00)
HTC VIVE TECH BVI Corp.	199,476	195,539	37	195,502	-	(7,731)	(7,821)	(0.11)
HTC VIVE TECH Corp.	1,000	724	-	724	-	(9)	(9)	(0.09)
HTC VIVE TECH (HK) Limited	193,776	194,116	-	194,116	-	-	(7,470)	(0.11)
HTC VIVE TECH (Beijing) Co. Limited	22,797	23,263	2,247	21,016	-	(49)	(1,345)	-
HTC VIVE TECH (UK) Limited	170,979	173,279	202	173,077	-	(137)	(6,126)	(1.02)
DeepQ (BVI) Corp.	469,337	402,440	19	402,421	-	(35,208)	(36,657)	(0.22)
DeepQ Technology Corp.	395,212	323,805	4,346	319,459	25,349	(31,116)	(30,707)	(0.78)
DeepQ Technology (Beijing) Co., Ltd	85,490	78,507	304	78,203	1,362	(1,410)	(7)	-
VRChat, Inc.	525,229	250,949	887	250,062	-	(163,821)	(146,399)	(1.85)
Uomo vitruviano Corp.	50,000	43,910	124	43,786	8,436	(11,965)	(5,441)	(1.09)
VRChat, Ca. Development Inc.	35,459	3,491	-	3,491	41,627	19,602	20,351	-

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.

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

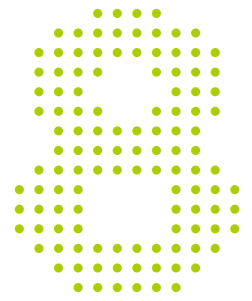
There were no circumstances requiring preparation of an Affiliates Report.

7.2 Private Placement Securities in 2020 and as of the Date of This Annual Report: None.

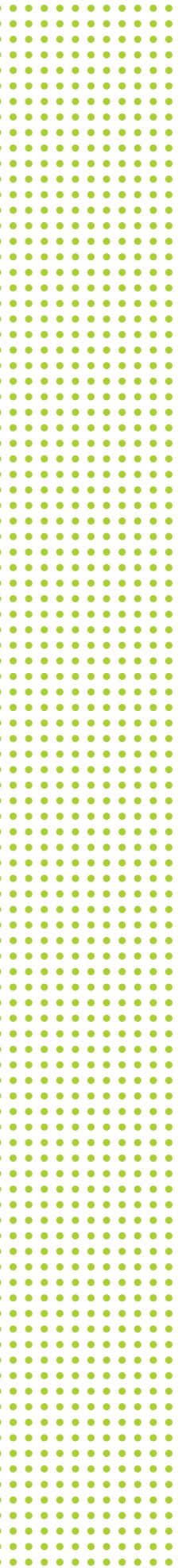
7.3 Status of HTC Common Shares and GDRS Acquired, Disposed of, and Held By Subsidiaries in 2020 as of the Date of This Annual Report: None.

7.4. Any Events in 2020 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					
	2020	2019	2018	2017	2016	
Current Assets	6,643,929	14,722,869	28,067,272	15,795,358	41,119,540	
Property, plant and equipment	6,876,940	7,171,857	7,638,244	9,742,069	10,501,997	
Intangible Assets	31,848	27,068	33,668	72,384	309,321	
Other Assets	33,688,316	33,048,001	34,152,320	39,416,734	50,679,456	
Total Assets	47,241,033	54,969,795	69,891,504	65,026,545	102,610,314	
Current Liabilities	Before Appropriation	17,118,814	19,915,673	24,566,928	31,295,988	50,831,122
	After Appropriation	*	19,915,673	24,878,076	31,295,988	50,831,122
Non-current Liabilities	229,680	200,352	155,738	34,981	7,686	
Total Liabilities	Before Appropriation	17,348,494	20,116,025	24,722,666	31,330,969	50,838,808
	After Appropriation	*	20,116,025	25,033,814	31,330,969	50,838,808
Capital Stock	8,186,444	8,188,086	8,188,135	8,208,261	8,220,087	
Capital Surplus	15,761,158	15,594,766	15,576,268	15,551,491	15,614,641	
Retained Earnings	Before Appropriation	11,415,513	14,805,990	24,491,992	12,204,252	29,139,080
	After Appropriation	*	14,805,990	24,180,844	12,204,252	29,139,080
Other Equity	(5,470,576)	(3,735,072)	(3,087,557)	(2,268,428)	(1,202,302)	
Treasury Stock	-	-	-	-	-	
Total Stockholders' Equity	Before Appropriation	29,892,539	34,853,770	45,168,838	33,695,576	51,771,506
	After Appropriation	*	34,853,770	44,857,690	33,695,576	51,771,506

*Subject to change after 2020 shareholders' meeting resolution

8.1.2. Abbreviated Consolidated Balance Sheets - IFRS

Unit: NT\$ thousand

項目	Year					As of 2021.03.31	
	2020	2019	2018	2017	2016		
Current Assets	28,682,927	35,668,753	48,460,206	38,489,385	68,562,382	27,126,566	
Property, plant and equipment	7,666,798	7,888,181	8,425,886	10,798,613	12,025,496	7,779,717	
Intangible Assets	101,943	108,877	1,181,256	2,315,441	3,878,356	99,556	
Other Assets	8,614,669	9,069,016	9,643,471	14,981,967	18,682,948	9,345,978	
Total Assets	45,066,337	52,734,827	67,710,819	66,585,406	103,149,182	44,351,817	
Current Liabilities	Before Appropriation	14,775,024	17,276,071	22,317,100	32,807,450	51,274,276	13,512,996
	After Appropriation	*	17,276,071	22,628,248	32,807,450	51,274,276	*
Non-Current Liabilities	337,737	461,473	173,851	52,828	103,400	1,832,227	
Total Liabilities	Before Appropriation	15,112,761	17,737,544	22,490,951	32,860,278	51,377,676	15,345,223
	After Appropriation	*	17,737,544	22,802,099	32,860,278	51,377,676	*
Capital Stock	8,186,444	8,188,086	8,188,135	8,208,261	8,220,087	8,186,444	
Capital Surplus	15,761,158	15,594,766	15,576,268	15,551,491	15,614,641	15,799,390	
Retained Earnings	Before Appropriation	11,415,513	14,805,990	24,491,992	12,204,252	29,139,080	10,216,243
	After Appropriation	*	14,805,990	24,180,844	12,204,252	29,139,080	*
Other Equity	(5,470,576)	(3,735,072)	(3,087,557)	(2,268,428)	(1,202,302)	(5,238,948)	
Treasury Stock	-	-	-	-	-	-	
Non-Controlling Interest	61,037	143,513	51,030	29,552	-	43,465	
Total Stockholders' Equity	Before Appropriation	29,953,576	34,997,283	45,219,868	33,725,128	51,771,506	29,006,594
	After Appropriation	*	34,997,283	44,908,720	33,725,128	51,771,506	*

* Subject to change after 2020 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) Earning per share

Item	Year				
	2020	2019	2018	2017	2016
Revenues	4,882,966	8,550,208	22,205,824	59,333,893	74,228,118
Gross Profit (Loss)	644,081	433,955	(750,644)	(568,623)	7,368,471
Operating (Loss) Income	(6,338,292)	(8,402,665)	(12,437,947)	(15,591,825)	(11,462,190)
Non-operating Income and Expenses	375,661	(800,564)	29,437,368	(1,865,626)	369,761
Net (Loss) Income Before Tax	(5,962,631)	(9,203,229)	16,999,421	(17,457,451)	(11,092,429)
Net (Loss) Income from Continuing Operations	(5,949,942)	(9,358,078)	12,068,202	(16,905,713)	(10,560,103)
Non-Continuing Operations Loss	-	-	-	-	-
Net (Loss) Income	(5,949,942)	(9,358,078)	12,068,202	(16,905,713)	(10,560,103)
Other Comprehensive Income and Loss For The Year – Net of Income Tax	823,961	(640,906)	(568,106)	(1,299,573)	(2,455,613)
Total Comprehensive (Loss) Income For The Year	(5,125,981)	(9,998,984)	11,500,096	(18,205,286)	(13,015,716)
Basic (Loss) Earnings Per Share	(7.27)	(11.43)	14.72	(20.58)	(12.81)
Diluted (Loss) Earnings Per Share	(7.27)	(11.43)	14.50	(20.58)	(12.81)

8.2.2. Abbreviated Consolidated Statements of Comprehensive income – IFRS

Unit: NT\$ thousands,
except (Loss) Earning per share

Item	Year					As of 2021.03.31
	2020	2019	2018	2017	2016	
Revenue	5,805,708	10,014,966	23,740,610	62,119,814	78,161,158	1,175,087
Gross Profit	1,564,764	2,028,111	515,018	1,339,692	9,434,591	340,208
Operating Loss	(6,391,393)	(9,850,256)	(13,963,613)	(17,425,517)	(14,608,064)	(1,278,084)
Non-operating Income and Expenses	364,844	430,827	31,192,095	466,682	4,024,116	238,579
Net (Loss) Income Before Tax	(6,026,549)	(9,419,429)	17,228,482	(16,958,835)	(10,583,948)	(1,039,505)
Net (Loss) Income from Continuing Operations	(6,022,598)	(9,413,070)	12,024,901	(16,920,359)	(10,560,103)	(1,038,130)
Non-Continuing Operations Loss	-	-	-	-	-	-
Net (Loss) Income	(6,022,598)	(9,413,070)	12,024,901	(16,920,359)	(10,560,103)	(1,038,130)
Other Comprehensive Income and Loss for the Period, Net of Income Tax	814,141	(647,414)	(565,847)	(1,299,051)	(2,455,613)	52,916
Total Comprehensive (Loss) Income for the Period	(5,208,457)	(10,060,484)	11,459,054	(18,219,410)	(13,015,716)	(985,214)
(Loss) Profit For The Year Attributable To Owners Of The Parent	(5,949,942)	(9,358,078)	12,068,202	(16,905,713)	(10,560,103)	(1,020,213)
(Loss) Profit For The Year Attributable To Non-Controlling Interest	(72,656)	(54,992)	(43,301)	(14,646)	-	(17,917)
Total Comprehensive Income Attributable To Owners Of the Parent	(5,125,981)	(9,998,984)	11,500,096	(18,205,286)	(13,015,716)	(967,642)
Total Comprehensive Income Attributable To Non-Controlling Interest	(82,476)	(61,500)	(41,042)	(14,124)	-	(17,572)
Basic (Loss) Earnings Per Share	(7.27)	(11.43)	14.72	(20.58)	(12.81)	(1.25)
Diluted (Loss) Earnings Per Share	(7.27)	(11.43)	14.50	(20.58)	(12.81)	(1.25)

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

Year	CPA Firm	Certified Public Accountant	Auditor's Opinion
2016	Deloitte & Touche	Wen-Yea Shyu and Kwan-Chung Lai	Unqualified Opinion
2017	Deloitte & Touche	Wen-Yea Shyu and Kwan-Chung Lai	Unqualified Opinion
2018	Deloitte & Touche	Wen-Yea Shyu and Kwan-Chung Lai	Unqualified Opinion with emphasis matter
2019	Deloitte & Touche	Wen-Yea Shyu and Kwan-Chung Lai	Unqualified Opinion
2020	Deloitte & Touche	Chi-Ming Hsu and Kuo-Tyan Hong	Unqualified Opinion

8.3. Financial Analysis for the Past Five Fiscal Years

8.3.1. Financial Analysis – IFRS

Item	Year					
	2020	2019	2018	2017	2016	
Capital Structure Analysis	Debt Ratio (%)	37	37	35	48	50
	Long-term Fund to Fixed Assets Ratio (%)	438	489	593	346	493
Liquidity Analysis	Current Ratio (%)	39	74	114	50	81
	Quick Ratio (%)	32	64	101	26	54
	Debt Services Coverage Ratio (%)	(1,088)	(1,269)	8,892	(558)	(2,150)
Operating Performance Analysis	Average Collection Turnover(Times)	9.75	13.64	12.58	7.81	5.04
	Days Sales Outstanding	37	27	29	47	72
	Average Inventory Turnover (Times)	2.21	2.31	2.87	4.39	3.86
	Average Payment Turnover (Times)	0.46	0.72	1.64	2.74	2.28
	Average Inventory Turnover Days	165	158	127	83	95
	Fixed Assets Turnover (Times)	0.70	1.15	2.56	5.86	6.28
	Total Assets Turnover (Times)	0.10	0.14	0.33	0.71	0.65
	Return on Total Assets (%)	(11.63)	(14.98)	17.89	(20.13)	(9.18)
	Return on Equity (%)	(18.38)	(23.39)	30.60	(39.56)	(18.12)
	Ratio of income before tax to paid-in capital (%)	(72.84)	(112.40)	207.61	(212.68)	(134.94)
Profitability Analysis	Net Margin (%)	(121.85)	(109.45)	54.35	(28.49)	(14.23)
	Basic Earnings Per Share (NT\$)	(7.27)	(11.43)	14.72	(20.58)	(12.81)
	Cash Flow Ratio (%)	(46.57)	(52.84)	(48.38)	(54.61)	(24.22)
Cash Flow	Cash Flow Adequacy Ratio (%)	(1,230.30)	(1,109.66)	(862.49)	(567.10)	(31.85)
	Cash Flow Reinvestment Ratio (%)	(22.13)	(27.02)	(22.47)	(38.73)	(19.80)
Leverage	Operating Leverage	0.04	0.09	0.19	0.06	(0.37)
	Financial Leverage	1	1	1	1	1

1. Financial Structure and solvency

Due to the impact of the market competition in the industry, while HTC continued to streamline its operations and control costs and expenses with a strict manner, it still suffered a loss after tax in 2020. The loss led to a decrease in operating cash outflow, resulting in a decrease in current assets, current ratio, and quick ratio. As the Company suffered a loss in 2020, debt services coverage ratio resulted in negative.

2. Operating capacity

Operating capacity ratio decreased as a result of a decrease in shipment volume in 2020.

3. Profitability

As the austerity policy continued to be implemented, the loss in 2020 decreased from the previous period, resulting in an improvement in the profitability ratio.

4. Cash flow

As 2020 was a loss, it resulted in a net cash outflow from operating activities. With the continuous implementation of the austerity policy, capital expenditures and inventories decreased, resulting in a decrease in the cash flow adequacy ratio from the previous period.

8.3.2. Consolidated Financial Analysis - IFRS

Item	Year					As of 2021.03.31	
	2020	2019	2018	2017	2016		
Capital Structure Analysis	Debt Ratio (%)	34	34	33	49	50	35
	Long-term Fund to Fixed Assets Ratio (%)	394	448	538	313	431	396
Liquidity Analysis	Current Ratio (%)	194	206	217	117	134	201
	Quick Ratio (%)	182	190	197	84	103	187
	Debt Services Coverage Ratio (%)	(407)	(489)	8,998	(508)	(1,997)	(104)
Operating Performance Analysis	Average Collection Turnover (Times)	10.57	7.68	4.28	4.80	4.07	10.59
	Days Sales Outstanding	35	48	85	76	90	34
	Average Inventory Turnover (Times)	1.65	1.92	2.68	4.10	3.48	1.59
	Average Payment Turnover (Times)	0.66	0.96	1.91	2.98	2.46	0.57
	Average Inventory Turnover Days	221	190	136	89	105	230
	Fixed Assets Turnover (Times)	0.75	1.23	2.47	5.44	5.69	0.61
	Total Assets Turnover (Times)	0.12	0.17	0.35	0.73	0.67	0.11
Profitability Analysis	Return on Total Assets (%)	(12.29)	(15.60)	17.91	(19.90)	(9.08)	(2.30)
	Return on Equity (%)	(18.60)	(23.53)	30.50	(39.60)	(18.12)	(3.53)
	Ratio of income before tax to paid-in capital (%)	(73.62)	(115.04)	210.41	(206.61)	(128.76)	(12.70)
	Net Margin (%)	(103.74)	(93.99)	50.65	(27.24)	(13.51)	(88.34)
	Basic Earnings Per Share (NT\$)	(7.27)	(11.43)	14.72	(20.58)	(12.81)	(1.25)
Cash Flow	Cash Flow Ratio (%)	(50.64)	(53.08)	(42.55)	(57.94)	(18.76)	(12.35)
	Cash Flow Adequacy Ratio (%)	(2,561.76)	(855.67)	(646.86)	(480.86)	(30.23)	(2,898.03)
	Cash Flow Reinvestment Ratio (%)	(20.21)	(22.79)	(17.62)	(38.56)	(14.49)	(4.43)
Leverage	Operating Leverage	(0.12)	(0.11)	0.19	0.06	(0.37)	(0.15)
	Financial Leverage	1	1	1	1	1	0.99

1. Financial Structure and solvency

Due to the impact of the market competition in the industry, while HTC continued to streamline its operations and control costs and expenses with a strict manner, it still suffered a loss after tax in 2020. The loss led to a decrease in operating cash outflow, resulting in a decrease in current assets, current ratio, and quick ratio. As the Company suffered a loss in 2020, debt services coverage ratio resulted in negative.

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Operating capacity ratio decreased as a result of a decrease in shipment volume in 2020.

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As the austerity policy continued to be implemented, the loss in 2020 decreased from the previous period, resulting in an improvement in the profitability ratio.

4. Cash flow

As 2020 was a loss, it resulted in a net cash outflow from operating activities. With the continuous implementation of the austerity policy, capital expenditures and inventories decreased, resulting in a decrease in the cash flow adequacy ratio from the previous period.

8.4. Audit Committee Review Report

HTC CORPORATION

Audit Committee Review Report

The Board of Directors has prepared the Company's 2020 Business Report, Financial Statements and proposal for deficit compensation. HTC Corporation's Financial Statements have been audited and certified by Chi-Ming Hsu CPA, and Kuo-Tyan Hong CPA, of Deloitte & Touche and an audit report relating to the Financial Statements has been issued. The Business Report, Financial Statements and proposal for deficit compensation have been reviewed and considered to be complied with relevant rules by the undersigned, the Audit Committee of HTC Corporation. According to relevant requirements of the Securities and Exchange Act and the Company Law, we hereby submit this report.

HTC CORPORATION
Chairman of the Audit Committee:
Chen-Kuo Lin

March 17, 2021

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, 2020 and 2019, 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, 2020 and 2019, 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 auditing standards generally accepted in 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, 2020. 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, 2020 are as follows:

Revenue Recognition

According to the accounting policy stated in Note 4, revenue from the sale of goods is recognized when the control and risks are transferred to the buyers. Sales of particular products to customers that account for 32% of operating revenue have terms and conditions that are more complicated than those with other products. Because of the significance of such sales revenue, revenue recognition of such products was deemed to be a key audit matter.

We have obtained understanding and have verified the accounting policy and the design and implementation of internal controls with respect to HTC Corporation's revenue recognition of such products. We checked the compliance with the accounting policy on revenue recognition of such products by reviewing the relevant delivery orders, the customer-signed receipts of goods delivered and receipts of payments received from customers. We selected samples from the recognized revenue of such products and confirmed compliance with IFRS 15.

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 auditing standards generally accepted in 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 auditing standards generally accepted in 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, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Chi-Ming Hsu and Kenny Hong.

Deloitte & Touche
Taipei, Taiwan
Republic of China
March 18, 2021

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, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 2,271,628	5	\$ 10,452,400	19
Financial assets at fair value through profit or loss - current (Notes 7 and 30)	173,357	-	69,055	-
Trade receivables, net (Note 10)	136,360	-	189,937	1
Trade receivables - related parties, net (Notes 10 and 31)	367,180	1	106,950	-
Other receivables (Note 10)	24,544	-	64,754	-
Current tax assets (Note 26)	17,435	-	37,197	-
Inventories (Note 11)	958,024	2	1,744,345	3
Prepayments (Notes 12 and 31)	222,948	1	271,340	1
Other current financial assets (Notes 9 and 32)	2,472,010	5	1,786,889	3
Other current assets	443	-	2	-
Total current assets	6,643,929	14	14,722,869	27
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Note 8)	3,340	-	4,242	-
Investments accounted for using equity method (Note 13)	27,827,285	59	26,955,097	49
Property, plant and equipment (Notes 14 and 31)	6,876,940	15	7,171,857	13
Right-of-use assets (Note 15)	3,721	-	8,321	-
Investment properties, net (Note 16)	2,148,401	4	2,068,531	4
Intangible assets (Note 17)	31,848	-	27,068	-
Deferred tax assets (Note 26)	3,217,527	7	3,468,482	6
Refundable deposits	2,247	-	78,065	-
Net defined benefit asset - non-current (Note 22)	331,282	1	289,464	1
Other non-current financial assets (Notes 9 and 32)	142,483	-	150,505	-
Other non-current assets (Note 12)	12,030	-	25,294	-
Total non-current assets	40,597,104	86	40,246,926	73
TOTAL	\$ 47,241,033	100	\$ 54,969,795	100

(Continued)

LIABILITIES AND EQUITY	2020		2019	
	Amount	%	Amount	%
CURRENT LIABILITIES				
Short-term borrowings (Note 18)	\$ 900,000	2	\$ -	-
Financial liabilities at fair value through profit or loss - current (Notes 7 and 30)	90,599	-	119,755	-
Trade payables (Notes 19 and 31)	8,368,129	18	10,197,831	18
Other payables (Notes 20 and 31)	6,223,740	13	7,544,835	14
Current tax liabilities (Note 26)	10,811	-	11,403	-
Provisions - current (Note 21)	1,217,854	2	1,438,149	3
Lease liabilities - current (Note 15)	2,434	-	4,131	-
Other current liabilities (Note 20)	305,247	1	599,569	1
Total current liabilities	17,118,814	36	19,915,673	36
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Note 26)	84,333	-	59,323	-
Lease liabilities - non-current (Note 15)	1,335	-	4,213	-
Guarantee deposits received (Note 30)	144,012	1	136,816	1
Total non-current liabilities	229,680	1	200,352	1
Total liabilities	17,348,494	37	20,116,025	37
EQUITY (Note 23)				
Share capital - ordinary shares	8,186,444	17	8,188,086	15
Capital surplus	15,761,158	33	15,594,766	28
Retained earnings				
Legal reserve	15,725,509	33	18,895,136	34
Special reserve	3,080,480	7	3,080,480	6
Accumulated deficits	(7,390,476)	(16)	(7,169,626)	(13)
Other equity	(5,470,576)	(11)	(3,735,072)	(7)
Total equity	29,892,539	63	34,853,770	63
TOTAL	\$ 47,241,033	100	\$ 54,969,795	100

(Concluded)

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, 2020 AND 2019

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

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 24 and 31)	\$ 4,882,966	100	\$ 8,550,208	100
OPERATING COST (Notes 11, 25 and 31)	4,238,885	87	8,116,253	95
GROSS PROFIT	644,081	13	433,955	5
UNREALIZED (GAIN) LOSS	(58,511)	(1)	31,956	1
REALIZED (LOSS) GAIN	(31,956)	(1)	178,837	2
REALIZED GROSS GAIN	553,614	11	644,748	8
OPERATING EXPENSES (Notes 25 and 31)				
Selling and marketing	1,152,508	23	1,691,524	20
General and administrative	2,091,571	43	2,862,669	33
Research and development	3,647,827	75	4,493,220	53
Total operating expenses	6,891,906	141	9,047,413	106
OPERATING LOSS	(6,338,292)	(130)	(8,402,665)	(98)
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 25)	68,947	1	166,541	2
Other income (Notes 25 and 31)	853,131	18	757,243	9
Other gains and losses (Notes 14, 17 and 25)	(386,666)	(8)	(459,806)	(5)
Finance costs (Note 25)	(5,474)	-	(7,249)	-
Share of the loss of subsidiaries (Note 13)	(154,277)	(3)	(1,257,293)	(15)
Total non-operating income and expenses	375,661	8	(800,564)	(9)
LOSS BEFORE INCOME TAX	(5,962,631)	(122)	(9,203,229)	(107)
INCOME TAX BENEFIT(EXPENSE) (Note 26)	12,689	-	(154,849)	(2)
LOSS FOR THE YEAR	(5,949,942)	(122)	(9,358,078)	(109)

(Continued)

	2020		2019	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF INCOME TAX				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 22)	\$ 2,075	-	\$ 15,552	-
Unrealized loss on investments in equity instruments designated as at fair value through other comprehensive income	(902)	-	(285,867)	(4)
Share of the comprehensive income of subsidiaries - items that will not be reclassified to profit or loss	1,612,416	33	318,113	4
Income tax relating to items that will not be reclassified to profit or loss (Note 26)	(249)	-	(1,866)	-
	1,613,340	33	45,932	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(789,379)	(16)	(686,838)	(8)
Other comprehensive income (loss) for the year, net of income tax	823,961	17	(640,906)	(8)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	\$ (5,125,981)	(105)	\$ (9,998,984)	(117)
LOSS PER SHARE (Note 27)				
Basic	\$ (7.27)		\$ (11.43)	

(Concluded)

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

HTC CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
 FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

	Share Capital		Retained Earnings		Retained Earnings		Other Equity			Total Equity
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	(Accumulated Deficits) Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Losses on Financial Assets at Fair Value Through Other Comprehensive Income	Unearned Employee Benefit		
BALANCE, JANUARY 1, 2019	\$ 8,188,135	\$ 15,576,268	\$ 18,297,655	\$ -	\$ 6,194,337	\$ (2,052,019)	\$ (1,028,461)	\$ (7,077)	\$ 45,168,838	
Appropriation of 2018 earnings										
Legal reserve	-	-	597,481	-	(597,481)	-	-	-	-	
Special reserve	-	-	-	3,080,480	(3,080,480)	-	-	-	-	
Cash dividends	-	-	-	-	(311,148)	-	-	-	(311,148)	
Net loss for the year ended December 31, 2019	-	-	-	-	(9,358,078)	-	-	-	(9,358,078)	
Other comprehensive income and loss for the year ended December 31, 2019	-	-	-	-	13,686	(686,838)	32,246	-	(640,906)	
Changes in capital surplus from investments in associates accounted for using the equity method	-	(34,121)	-	-	(21,702)	-	-	-	(55,823)	
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	(8,760)	-	-	-	(8,760)	
Share-based payments	(49)	52,619	-	-	-	-	-	7,077	59,647	
BALANCE, DECEMBER 31, 2019	8,188,086	15,594,766	18,895,136	3,080,480	(7,169,626)	(2,738,857)	(996,215)	-	34,853,770	
Legal reserve in covering accumulated deficits	-	-	(3,169,627)	-	3,169,627	-	-	-	-	
Net loss for the year ended December 31, 2020	-	-	-	-	(5,949,942)	-	-	-	(5,949,942)	
Other comprehensive income and loss for the year ended December 31, 2020	-	-	-	-	1,826	(789,379)	1,611,514	-	823,961	
Share-based payments	(1,642)	166,392	-	-	-	-	-	-	164,750	
Disposal of investments in equity instruments at fair value through other comprehensive income by subsidiaries	-	-	-	-	2,557,639	-	(2,557,639)	-	-	
BALANCE, DECEMBER 31, 2020	\$ 8,186,444	\$ 15,761,158	\$ 15,725,509	\$ 3,080,480	\$ (7,390,476)	\$ (3,528,236)	\$ (1,942,340)	\$ -	\$ 29,892,539	

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, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	\$ (5,962,631)	\$ (9,203,229)
Adjustments for:		
Depreciation expenses	450,994	486,823
Amortization expenses	171	13,069
Expected credit loss reversed on trade receivables	(160,000)	(30,000)
Finance costs	5,474	7,249
Interests income	(68,947)	(166,541)
Compensation costs of employee share-based payments	156,448	53,003
Share of the loss of subsidiaries	154,277	1,257,293
Net gain on disposal of property, plant and equipment	(4,445)	(83,963)
Net loss on disposal of intangible assets	290	-
Impairment loss on non-financial assets	398,662	242,709
Unrealized gain (loss) on sales	58,511	(31,956)
Realized loss (gain) on sales	31,956	(178,837)
Gain from lease modification	(19)	(441)
Changes in operating assets and liabilities		
(Increase) decrease in financial assets mandatorily classified as at fair value through profit or loss	(133,458)	51,955
Decrease (increase) in trade receivables	213,577	(83,997)
(Increase) decrease in trade receivables - related parties	(260,230)	270,786
Decrease in other receivables	39,770	14,088
Decrease in inventories	385,636	865,487
Decrease in prepayments	48,392	264,992
(Increase) decrease in other current assets	(441)	566
(Increase) decrease in other non-current assets	(39,743)	15,399
Decrease in trade payables	(1,829,702)	(1,724,060)
Decrease in other payables	(1,313,358)	(1,949,708)
Decrease in provisions	(220,295)	(426,917)
Decrease in other current liabilities	(294,322)	(379,898)
Cash used in operations	(8,343,433)	(10,716,128)
Interest received	69,387	175,022
Interest paid	(5,474)	(7,249)
Income tax return	307,575	24,827
Net cash used in operating activities	(7,971,945)	(10,523,528)

(Continued)

	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	\$ (74,620)	\$ (96,740)
Proceeds from disposal of property, plant and equipment	4,445	101,982
Decrease in refundable deposits	75,818	11,293
Payments for intangible assets	(1,305)	(6,536)
Proceeds from disposal of intangible assets	40	5,048
Payments for investment properties	(153,274)	-
Increase in other financial assets	(677,099)	-
Decrease in other financial assets	-	8,858,883
Net cash (used in) generated from investing activities	(825,995)	8,873,930
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	900,000	-
Proceeds from guarantee deposits received	7,196	13,763
Repayment of the principal portion of lease liabilities	(4,435)	(17,116)
Dividends paid to owners of the Company	-	(311,148)
Net cash outflow on acquisition of subsidiaries	(285,593)	(1,028,704)
Net cash generated from (used in) financing activities	617,168	(1,343,205)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(8,180,772)	(2,992,803)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	10,452,400	13,445,203
CASH AND CASH EQUIVALENTS, END OF THE YEAR	\$ 2,271,628	\$ 10,452,400

(Concluded)

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

HTC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(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 smart mobile and virtual reality devices and after-sales service.

In March 2002, the Company had its stock listed on the Taiwan Stock Exchange. On November 19, 2003, the Company listed some of its shares of stock on the Luxembourg Stock Exchange in the form of global depositary receipts.

The parent company only financial statements are presented in the Company’s functional currency, New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The parent company only financial statements were approved by the Company’s board of directors and authorized for issue on March 17, 2021.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS**a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively the “IFRSs”) endorsed and issued into effect by the Financial****Supervisory Commission (FSC)**

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Company’s accounting policies:

b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendment to IFRS 16 “Covid-19 - Related Rent Concessions”	June 1, 2020

As of the date the parent company only financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of above standards and interpretations will have on the Company’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)

(Continued)

New IFRSs	Effective Date Announced by IASB (Note)
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 IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

(Concluded)

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

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments specify that the Company should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;
- The Company may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if

the amounts are immaterial; and

- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

- 1) The Company changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- 2) The Company chose the accounting policy from options permitted by the standards;
- 3) The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
- 4) The accounting policy relates to an area for which the Company is required to make significant judgements or assumptions in applying an accounting policy, and the Company discloses those judgements or assumptions; or
- 5) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Statement of Compliance**

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

Basis of Preparation

The parent company only financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value, and net

defined benefit assets which are measured at the fair value of plan assets less the present value of the defined benefit obligation.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

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

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

Classification of Current and Non-current Assets and Liabilities

Current assets include:

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

Current liabilities are:

- a. Liabilities held primarily for the purpose of trading;
- b. Liabilities due to be settled within twelve months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the

consolidated financial statements are authorized for issue; and

- c. Liabilities for which the Company does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The aforementioned assets and liabilities that are not classified as current are classified as non-current.

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 and work-in-process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

Investments in Subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

Subsidiaries are the entities controlled by the Company.

Under the equity method, investments in a subsidiary are initially recognized in the parent company only balance sheet at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiaries. The Company also recognizes the changes in the equity of subsidiaries attributable to the Company.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company's loss of control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amounts of the investment and the fair value of the consideration paid or received is recognized directly in equity.

When the Company's share of losses of a subsidiary equals or exceeds its interest in that subsidiary (which includes any carrying amount of the investment in subsidiary accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the entire financial statements of the invested company. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes the reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits and losses from downstream transactions with a subsidiary are eliminated in full. Profits and losses from upstream with a subsidiary and side stream transactions between subsidiaries are recognized in the Company' parent company only financial statements only to the extent of interests in the subsidiary that are not related to the Company.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment loss.

Properties, plant and equipment in the course of construction are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

For a transfer from the property, plant and equipment classification to investment properties, the deemed cost of the property for subsequent accounting is its carrying amount.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

Intangible Assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

Impairment of Tangible and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified. Corporate assets are allocated to the individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible

assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

Before the Company recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories, property, plant and equipment and intangible assets related to the contract applicable under IFRS 15 shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Company expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

a. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

1) Measurement category

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost, and investments in equity instruments at FVTOCI.

a) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends or interest earned on such financial assets are recognized in other income; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 30.

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.

2) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

d. Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts and interest rate swaps.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedged relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those

of the host contracts and the host contracts are not measured at FVTPL.

Provisions

Provisions, including those arising from contractual obligation specified in service concession arrangement to maintain or restore infrastructure before it is handed over to the grantor, are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

a. Warranty provisions

The Company provides warranty service for one year to two years. The warranty liability is estimated on the basis of evaluation of the products under warranty, past warranty experience, and pertinent factors.

b. Onerous contracts

Onerous contracts are those in which the Company's unavoidable costs of meeting the contractual obligations exceed the economic benefits expected to be received from the contract. The present obligations arising under onerous contracts are recognized and measured as provisions.

Revenue Recognition

The Company identifies the contract with the customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

a. Revenue from the sale of goods

Revenue from the sale of goods comes from sales of electronic equipment. Sales of electronic equipment are recognized as revenue when the goods are delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers,

and bears the risks of obsolescence. Trade receivables are recognized concurrently.

b. Revenue from the rendering of services

Revenue from the rendering of services comes from product design, online subscription content service, device examinations, and extended warranty services.

c. Licensing revenue

The Company does not promise to undertake activities that will change the functionality of software in software licensing transaction. Furthermore, such software remains functional without the updates and the technical support. Therefore, the upfront royalty is recognized as revenue when the patents subsequent usage occurs.

Leases

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

a. The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The current lease contract of the Company are all operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

When a lease includes both land and building elements, the Company assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Company. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear

that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

b. The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

Borrowing Costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than those stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Employee Benefits

Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plans except that remeasurement is recognized in profit or loss.

Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Company can no longer withdraw the offer of the termination benefit and when the Company recognizes any related restructuring costs.

Share-based Payment Arrangements**Share-based payment transactions of the Company**

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in capital surplus - employee share options. The fair value determined at the grant date of the equity-settled share-based payments is recognized as an expense in full at the grant date when the share options granted vest immediately.

Restricted shares for employees are recognized as other equity - unearned employ's bonus on the date of grant, with a corresponding increase in capital surplus - restricted shares for employees.

At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the capital surplus - employee share options and capital surplus - restricted shares for employees.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current tax

According to the Income Tax Law, an additional tax on unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the parent company only financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and

assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred tax

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Accrued Marketing Expenses

The Company accrues marketing expenses on the basis of agreements and any known factors that would significantly affect the accruals. In addition, depending on the nature of relevant events, the accrued marketing expenses are accounted for as an increase in marketing expenses or as a decrease in revenues.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, the management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Company considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key Sources of Estimation Uncertainty**a. Impairment of tangible and intangible assets other than goodwill**

The Company measures the useful life of individual assets and the probable future economic benefits in a specific asset group, which depends on subjective judgment, asset characteristics and industry, during the impairment testing process. Any change in accounting estimates due to economic circumstances and business strategies might cause material impairment in the future.

Impairment profit (loss) on tangible and intangible assets other than goodwill recognized were NT\$2,023 thousand and NT\$(67,733) thousand for the years ended December 31, 2020 and 2019, respectively.

b. Valuation of inventories

Inventories are measured at the lower of cost or net realizable value. Judgment and estimation are applied in the determination of net realizable value at the end of 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.

As of December 31, 2020 and 2019, the carrying amounts of inventories were NT\$958,024 thousand and NT\$1,744,345 thousand, respectively.

c. Realization of deferred tax assets

Deferred tax assets should be recognized only to the extent that the entity has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available. The management applies judgment and accounting estimates to evaluate the realization of deferred tax assets. The management takes expected sales growth, profit rate, duration of exemption, tax credits, tax planning and etc. into account to make judgment and accounting estimates. Any change in global economy, industry environment and regulations might cause material adjustments to deferred tax assets.

As of December 31, 2020 and 2019, the carrying amounts of deferred tax assets were NT\$3,217,527 thousand and NT\$3,468,482 thousand, respectively.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	2019
Cash on hand	\$ 595	\$ 640
Checking accounts and demand deposits	2,056,434	2,204,920
Time deposits (with original maturities less than three months)	<u>214,599</u>	<u>8,246,840</u>
	<u>\$ 2,271,628</u>	<u>\$ 10,452,400</u>

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

	December 31	
	2020	2019
Bank balance	0.01%-0.40%	0.01%-0.66%

Forward Exchange Contracts

	Buy/Sell	Currency	Maturity Date	Notional Amount (In Thousands)	
<u>December 31, 2020</u>					
Foreign exchange contracts	Sell	EUR/USD	2021.1.13-2021.3.10	EUR	26,000
Foreign exchange contracts	Sell	JPY/USD	2021.1.13-2021.3.10	JPY	4,806,000
Foreign exchange contracts	Sell	GBP/USD	2021.1.13-2021.2.24	GBP	34,000
Foreign exchange contracts	Sell	CAD/USD	2021.1.20	CAD	6,000
Foreign exchange contracts	Sell	RMB/USD	2021.1.13-2021.3.10	RMB	592,850
Foreign exchange contracts	Buy	RMB/USD	2021.1.13-2021.3.10	RMB	734,631
Foreign exchange contracts	Buy	JPY/USD	2021.1.13-2021.3.10	JPY	2,418,335
Foreign exchange contracts	Buy	USD/NTD	2021.1.13-2021.3.10	USD	210,000
Foreign exchange contracts	Buy	EUR/USD	2021.1.20-2021.3.10	EUR	50,000
Foreign exchange contracts	Buy	GBP/USD	2021.1.13-2021.3.10	GBP	46,000
Foreign exchange contracts	Buy	AUD/USD	2021.1.20	AUD	6,000
Foreign exchange contracts	Buy	SGD/USD	2021.3.10	SGD	180,827
<u>December 31, 2019</u>					
Foreign exchange contracts	Sell	EUR/USD	2020.1.8-2020.3.6	EUR	14,000
Foreign exchange contracts	Sell	JPY/USD	2020.1.10-2020.3.6	JPY	3,300,000
Foreign exchange contracts	Sell	GBP/USD	2020.1.8-2020.2.26	GBP	18,000
Foreign exchange contracts	Sell	CAD/USD	2020.2.26	CAD	6,000
Foreign exchange contracts	Sell	AUD/USD	2020.2.21	AUD	1,000
Foreign exchange contracts	Sell	RMB/USD	2020.1.8-2020.2.26	RMB	384,150
Foreign exchange contracts	Buy	RMB/USD	2020.1.8-2020.3.6	RMB	727,465
Foreign exchange contracts	Buy	JPY/USD	2020.1.8-2020.3.6	JPY	3,918,335
Foreign exchange contracts	Buy	USD/NTD	2020.1.8-2020.3.6	USD	369,500
Foreign exchange contracts	Buy	EUR/USD	2020.1.8-2020.3.6	EUR	30,000
Foreign exchange contracts	Buy	GBP/USD	2020.1.8-2020.2.21	GBP	17,000
Foreign exchange contracts	Buy	AUD/USD	2020.1.10-2020.2.21	AUD	9,000
Foreign exchange contracts	Buy	HKD/USD	2020.1.17	HKD	626,440

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2020	2019
<u>Financial assets - current</u>		
Financial assets held for trading		
Derivative financial assets (not under hedge accounting)		
Foreign exchange contracts	<u>\$ 173,357</u>	<u>\$ 69,055</u>
<u>Financial liabilities - current</u>		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange contracts	<u>\$ 90,599</u>	<u>\$ 119,755</u>

The Company entered into forward exchange contracts to manage exposures due 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 were as follows:

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in Equity Instruments at FVTOCI

	December 31	
	2020	2019
Domestic investments		
Listed shares and emerging market shares	\$ 456	\$ 306
Unlisted shares	<u>2,884</u>	<u>3,936</u>
	<u>\$ 3,340</u>	<u>\$ 4,242</u>

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term business development strategic purposes. Accordingly, the Company's management determined to designate these investments in equity instruments as at FVTOCI as the Company believes 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	
	2020	2019
Time deposits with original maturities of more than three months	\$ 2,613,493	\$ 1,936,394
Restricted demand deposits	<u>1,000</u>	<u>1,000</u>
	<u>\$ 2,614,493</u>	<u>\$ 1,937,394</u>
Current	\$ 2,472,010	\$ 1,786,889
Non-current	<u>142,483</u>	<u>150,505</u>
	<u>\$ 2,614,493</u>	<u>\$ 1,937,394</u>

For details of pledged other financial assets, refer to Note 32.

10. TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2020	2019
<u>Trade and overdue receivables</u>		
At amortized cost		
Trade receivables	\$ 207,231	\$ 320,015
Trade receivables - related parties	367,180	106,950
Overdue receivables	961,961	2,053,491
Less: Allowances for impairment loss	(70,871)	(130,078)
Less: Allowances for impairment loss - overdue receivables	<u>(961,961)</u>	<u>(2,053,491)</u>
	<u>\$ 503,540</u>	<u>\$ 296,887</u>
<u>Other receivables</u>		
Interest receivables	\$ 6,002	\$ 6,442
VAT refund receivables	-	32,389
Others	<u>18,542</u>	<u>25,923</u>
	<u>\$ 24,544</u>	<u>\$ 64,754</u>

a. Trade receivables at amortized cost

The average credit period of the sale 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 only 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 annually.

In order to minimize credit risk, the Company's management has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is 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, the

Company's management believes the Company's credit risk was significantly reduced.

The Company applies the simplified approach to allowing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss allowances for all trade receivables. The expected credit losses on trade receivables are estimated using an allowance matrix with reference to past default experiences of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic

conditions at the reporting date.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Company's allowance matrix.

December 31, 2020					
	Non Past Due	1-90 Days	91-180 Days	Over 181 Days	Total
Expected credit loss rate	0%-4%	4%-40%	10%-100%	100%	
Gross carrying amount	\$ 511,812	\$ -	\$ 2,494	\$ 60,105	\$ 574,411
Loss allowance (Lifetime ECL)	(8,272)	-	(2,494)	(60,105)	(70,871)
Amortized cost	\$ 503,540	\$ -	\$ -	\$ -	\$ 503,540

December 31, 2019					
	Non Past Due	1-90 Days	91-180 Days	Over 181 Days	Total
Expected credit loss rate	0%-4%	4%-40%	10%-100%	100%	
Gross carrying amount	\$ 300,360	\$ -	\$ 3,647	\$ 122,958	\$ 426,965
Loss allowance (Lifetime ECL)	(3,473)	-	(3,647)	(122,958)	(130,078)
Amortized cost	\$ 296,887	\$ -	\$ -	\$ -	\$ 296,887

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

	For the Year Ended December 31	
	2020	2019
Balance, beginning of the year	\$ 2,183,569	\$ 2,213,569
Less: Loss allowance reversed	(160,000)	(30,000)
Less: Amounts written off	(990,737)	-
Balance, end of the year	\$ 1,032,832	\$ 2,183,569

b. Other receivables

Others were primarily prepayments on behalf of vendors or customers and grants from suppliers.

11. INVENTORIES

	December 31	
	2020	2019
Finished goods	\$ 306,016	\$ 499,723
Work-in-process	12,312	11,236
Semi-finished goods	95,522	195,057
Raw materials	425,070	1,010,578
Inventory in transit	119,104	27,751
	\$ 958,024	\$ 1,744,345

The cost of inventories write-downs recognized as operation costs for the years ended December 31, 2020 and 2019 were NT\$400,685 thousand and NT\$174,976 thousand, respectively.

12. PREPAYMENTS

	December 31	
	2020	2019
Prepaid expense	\$ 109,996	\$ 80,177
Software and hardware maintenance	58,121	113,929
Prepaid royalty	52,274	69,432
Prepaid equipment	12,030	25,294
Prepaid service	2,122	4,659
Prepayments to suppliers	435	3,143
	\$ 234,978	\$ 296,634
Current	\$ 222,948	\$ 271,340
Non-current	12,030	25,294
	\$ 234,978	\$ 296,634

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2020	2019
Investment in subsidiaries	\$ 27,827,285	\$ 26,955,097

Investments in Subsidiaries

	December 31	
	2020	2019
<u>Unlisted equity investments</u>		
H.T.C. (B.V.I.) Corp.	\$ 2,022,567	\$ 2,153,865
High Tech Computer Asia Pacific Pte. Ltd.	21,107,693	21,835,047
HTC Investment Corporation	166,463	213,264
PT. High Tech Computer Indonesia	62	62
HTC Holding Cooperatief U.A.	13	13
HTC Investment One (BVI) Corporation	287,646	134,470
HTC Investment (BVI) Corp.	3,311,457	1,898,054
HTC VIVE Holding (BVI) Corp.	195,502	206,515
HTC VIVE INVESTMENT (BVI) Corp.	286,453	302,515
DeepQ Holding (BVI) Corp.	402,934	158,975
HTC Smartphone (BVI) Corp.	677	821
HTC VR Content (BVI) Corp.	45,818	51,496
	\$ 27,827,285	\$ 26,955,097

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	
	2020	2019
H.T.C. (B.V.I.) Corp.	100.00%	100.00%
High Tech Computer Asia Pacific Pte. Ltd.	100.00%	100.00%
HTC Investment Corporation	100.00%	100.00%
PT. High Tech Computer Indonesia	1.00%	1.00%
HTC Holding Cooperatief U.A.	0.01%	0.01%
HTC Investment One (BVI) Corporation	100.00%	100.00%
HTC Investment (BVI) Corp.	100.00%	100.00%
HTC VIVE Holding (BVI) Corp.	100.00%	100.00%
HTC VIVE INVESTMENT (BVI) Corp.	100.00%	100.00%
DeepQ Holding (BVI) Corp.	100.00%	100.00%
HTC Smartphone (BVI) Corp.	100.00%	100.00%
HTC VR Content (BVI) Corp.	100.00%	100.00%

Refer to Note 13 to the consolidated financial statements for the year ended December 31, 2020 for the details of the subsidiaries indirectly held by the Company.

The Company and its subsidiary, High Tech Computer Asia Pacific Pte. Ltd., acquired equity interests of 1% and 99%, respectively, in PT. High Tech Computer Indonesia and acquired equity interests of 0.01% and 99.99%, respectively, in HTC Holding Cooperatief U.A. As a result, PT. High Tech Computer Indonesia and HTC Holding Cooperatief U.A. are considered as subsidiaries of the Company.

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

14. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2020	2019
<u>Carrying amounts</u>		
Land	\$ 4,566,756	\$ 4,546,099
Buildings	2,147,339	2,324,010
Machinery and equipment	113,258	242,075
Other equipment	49,587	59,673
	\$ 6,876,940	\$ 7,171,857

Movements of property, plant and equipment for the years ended December 31, 2020 and 2019 were as follows:

	2020				
	Land	Buildings	Machinery and Equipment	Other Equipment	Total
Cost					
Balance, beginning of the year	\$ 4,546,099	\$ 3,819,601	\$ 3,341,220	\$ 660,363	\$ 12,367,283
Additions	20,657	9,245	20,402	29,843	80,147
Disposals	-	(134,454)	(437,504)	(43,169)	(615,127)
Reclassified as investment properties	-	(89,907)	-	-	(89,907)
Balance, end of the year	<u>4,566,756</u>	<u>3,604,485</u>	<u>2,924,118</u>	<u>647,037</u>	<u>11,742,396</u>
Accumulated depreciation					
Balance, beginning of the year	-	1,495,591	2,959,015	594,780	5,049,386
Depreciation expenses	-	155,747	147,266	39,929	342,942
Disposals	-	(134,454)	(398,207)	(41,821)	(574,482)
Reclassified as investment properties	-	(59,738)	-	-	(59,738)
Balance, end of the year	<u>-</u>	<u>1,457,146</u>	<u>2,708,074</u>	<u>592,888</u>	<u>4,758,108</u>
Accumulated impairment					
Balance, beginning of the year	-	-	140,130	5,910	146,040
Impairment losses recognized	-	-	1,953	-	1,953
Disposals	-	-	(39,297)	(1,348)	(40,645)
Balance, end of the year	<u>-</u>	<u>-</u>	<u>102,786</u>	<u>4,562</u>	<u>107,348</u>
Net book value, end of the year	<u>\$ 4,566,756</u>	<u>\$ 2,147,339</u>	<u>\$ 113,258</u>	<u>\$ 49,587</u>	<u>\$ 6,876,940</u>

	2019				
	Land	Buildings	Machinery and Equipment	Other Equipment	Total
Cost					
Balance, beginning of the year	\$ 4,546,099	\$ 4,057,101	\$ 4,991,668	\$ 1,084,408	\$ 14,679,276
Additions	-	15,122	31,192	25,580	71,894
Disposals	-	(870)	(1,681,640)	(449,625)	(2,132,135)
Reclassified as investment properties	-	(251,752)	-	-	(251,752)
Balance, end of the year	<u>4,546,099</u>	<u>3,819,601</u>	<u>3,341,220</u>	<u>660,363</u>	<u>12,367,283</u>
Accumulated depreciation					
Balance, beginning of the year	-	1,505,994	4,345,947	930,806	6,782,747
Depreciation expenses	-	162,553	157,373	47,956	367,882
Disposals	-	(870)	(1,544,305)	(383,982)	(1,929,157)
Reclassified as investment properties	-	(172,086)	-	-	(172,086)
Balance, end of the year	<u>-</u>	<u>1,495,591</u>	<u>2,959,015</u>	<u>594,780</u>	<u>5,049,386</u>
Accumulated impairment					
Balance, beginning of the year	-	-	250,478	7,807	258,285
Impairment losses recognized	-	-	8,968	63,746	72,714
Disposals	-	-	(119,316)	(65,643)	(184,959)
Balance, end of the year	<u>-</u>	<u>-</u>	<u>140,130</u>	<u>5,910</u>	<u>146,040</u>
Net book value, end of the year	<u>\$ 4,546,099</u>	<u>\$ 2,324,010</u>	<u>\$ 242,075</u>	<u>\$ 59,673</u>	<u>\$ 7,171,857</u>

For the years ended December 31, 2020 and 2019, the Company determined that the carrying amounts of some of equipment were expected to be unrecoverable. Thus, it recognized impairment losses of NT\$1,953 thousand and NT\$72,714 thousand classified as other gains and losses, respectively. Refer to Note 25 for details.

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives as follows:

Buildings	5-50 years
Machinery and equipment	3-6 years
Other equipment	3-5 years

The major component parts of the buildings held by the Company included plants, electro-powering machinery and engineering systems, etc., which are depreciated over their estimated useful lives of 40 to 50 years, 20 years and 5 to 10 years, respectively.

The Company leased part of the buildings out. The leased assets were reclassified as investment properties because the standards related to investment properties are applied on leased assets. For the details, refer to Note 16.

Property pledged as collateral for bank borrowings are set out in Note 32.

There were no capitalized interests for the years ended December 31, 2020 and 2019.

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2020	2019
Carrying amounts		
Buildings	<u>\$ 3,721</u>	<u>\$ 8,321</u>
For the Year Ended December 31		
	2020	2019
Additions to right-of-use assets	<u>\$ 1,760</u>	<u>\$ 8,911</u>
Depreciation charge for right-of-use assets		
Buildings	<u>\$ 4,479</u>	<u>\$ 17,580</u>

b. Lease liabilities

	December 31	
	2020	2019
Carrying amounts		
Current	<u>\$ 2,434</u>	<u>\$ 4,131</u>
Non-current	<u>\$ 1,335</u>	<u>\$ 4,213</u>
Discount rate for lease liabilities was as follows:		
	December 31	
	2020	2019
Buildings	2%	2%

c. Material lease-in activities and terms

The Company leases certain buildings for the use of plants and offices with original lease terms of 2 to 4 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.

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term leases	<u>\$ 5,064</u>	<u>\$ 8,467</u>
Total cash outflow for leases	<u>\$ (9,643)</u>	<u>\$ (26,695)</u>

The Company leases certain office equipment and other equipment which qualify as short-term leases and low-value asset leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

16. INVESTMENT PROPERTIES, NET

Movement of investment properties, net for the years ended December 31, 2020 and 2019 were as follows:

	2020	2019
Cost		
Balance, beginning of the year	\$ 3,123,895	\$ 2,872,143
Additions	153,274	-
Disposals	(72,150)	-
Reclassification	89,907	251,752
Balance, end of the year	<u>3,294,926</u>	<u>3,123,895</u>
Accumulated depreciation		
Balance, beginning of the year	\$ 1,055,364	\$ 781,917
Depreciation expense	103,573	101,361
Disposals	(72,150)	-
Reclassification	59,738	172,086
Balance, end of the year	<u>1,146,525</u>	<u>1,055,364</u>
Net book value, end of the year	<u>\$ 2,148,401</u>	<u>\$ 2,068,531</u>

The abovementioned investment properties were leased out for 3 to 5 years. The lease contracts contain market

review clauses in the event that the lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating leases of investment properties as of December 31, 2020 and 2019 were as follows:

	December 31	
	2020	2019
Year 1	\$ 621,177	\$ 594,820
Year 2	326,055	594,649
Year 3	-	312,878
	<u>\$ 947,232</u>	<u>\$ 1,502,347</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 determination of fair value for the investment properties leased in December 31, 2020 and 2019 were performed by independent qualified professional appraisers and the fair values were measured by using Level 3 inputs, respectively. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The fair values as of December 31, 2020 and 2019 were NT\$3,107,498 thousand and NT\$3,005,890 thousand, respectively.

17. INTANGIBLE ASSETS

	December 31	
	2020	2019
Carrying amounts		
Patents	\$ -	\$ -
Other intangible assets	<u>31,848</u>	<u>27,068</u>
	<u>\$ 31,848</u>	<u>\$ 27,068</u>

Movements of intangible assets for the years ended December 31, 2020 and 2019 were as follows:

	2020		
	Patents	Other Intangible Assets	Total
Cost			
Balance, beginning of the year	\$ 2,516,290	\$ 915,841	\$ 3,432,131
Additions	-	1,305	1,305
Disposals	-	(330)	(330)
Eliminations	<u>(2,229,400)</u>	<u>(884,712)</u>	<u>(3,114,112)</u>
Balance, end of the year	<u>286,890</u>	<u>32,104</u>	<u>318,994</u>
Accumulated amortization			
Balance, beginning of the year	2,405,205	884,797	3,290,002
Amortization expenses	-	171	171
Eliminations	<u>(2,229,400)</u>	<u>(884,712)</u>	<u>(3,114,112)</u>
Balance, end of the year	<u>175,805</u>	<u>256</u>	<u>176,061</u>
Accumulated impairment			
Balance, beginning of the year	111,085	3,976	115,061
Reversed	<u>-</u>	<u>(3,976)</u>	<u>(3,976)</u>
Balance, end of the year	<u>111,085</u>	<u>-</u>	<u>111,085</u>
Net book value, end of the year	<u>\$ -</u>	<u>\$ 31,848</u>	<u>\$ 31,848</u>

	2019		
	Patents	Other Intangible Assets	Total
Cost			
Balance, beginning of the year	\$ 2,516,290	\$ 1,197,681	\$ 3,713,971
Additions	-	6,536	6,536
Disposals	-	(5,048)	(5,048)
Eliminations	<u>-</u>	<u>(283,328)</u>	<u>(283,328)</u>
Balance, end of the year	<u>2,516,290</u>	<u>915,841</u>	<u>3,432,131</u>
Accumulated amortization			
Balance, beginning of the year	2,401,280	1,158,981	3,560,261
Amortization expenses	3,925	9,144	13,069
Eliminations	<u>-</u>	<u>(283,328)</u>	<u>(283,328)</u>
Balance, end of the year	<u>2,405,205</u>	<u>884,797</u>	<u>3,290,002</u>
Accumulated impairment			
Balance, beginning of the year	111,085	8,957	120,042
Reversed	<u>-</u>	<u>(4,981)</u>	<u>(4,981)</u>
Balance, end of the year	<u>111,085</u>	<u>3,976</u>	<u>115,061</u>
Net book value, end of the year	<u>\$ -</u>	<u>\$ 27,068</u>	<u>\$ 27,068</u>

18. BORROWINGS

Short-term Borrowings

	December 31	
	2020	2019
Unsecured borrowings		
Line of credit borrowings	<u>\$ 900,000</u>	<u>\$ -</u>

The range of interest rates on line of credit borrowings was 0.98%-1.10% per annum at December 31, 2020.

Long-term Borrowings

The company had pledged the land and buildings as collateral for the long-term borrowings (Refer to Note 32). As of December 31, 2020, the long-term borrowings has contracted lines of credit, but has not yet allocated the long-term borrowings.

19. TRADE PAYABLES

	December 31	
	2020	2019
Trade payables	\$ 8,364,974	\$ 10,195,535
Trade payables - related parties	<u>3,155</u>	<u>2,296</u>
	<u>\$ 8,368,129</u>	<u>\$ 10,197,831</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. According to the payment obligations adjusted by periodical negotiation with suppliers, it was recognized as an adjustment to operating costs or expenses by its nature.

20. OTHER LIABILITIES

	December 31	
	2020	2019
Other payables		
Accrued expenses	\$ 6,217,554	\$ 7,530,912
Payables for purchase of equipment	<u>6,186</u>	<u>13,923</u>
	<u>\$ 6,223,740</u>	<u>\$ 7,544,835</u>
Other current liabilities		
Advance receipts	\$ 159,196	\$ 177,354
Agency receipts	25,770	43,232
Others	<u>120,281</u>	<u>378,983</u>
	<u>\$ 305,247</u>	<u>\$ 599,569</u>

Accrued Expenses

	December 31	
	2020	2019
Services	\$ 2,463,196	\$ 2,403,807
Marketing	1,608,059	2,172,655
Salaries, bonuses and compensation	1,212,546	1,587,509
Materials and molding expenses	551,455	787,176
Import, export and freight	40,362	65,871
Repairs, maintenance and sundry purchase	34,836	52,057
Others	<u>307,100</u>	<u>461,837</u>
	<u>\$ 6,217,554</u>	<u>\$ 7,530,912</u>

The Company accrued marketing expenses on the basis of related agreements and other factors that would significantly affect the accruals.

	2020		
	Warranty Provision	Others	Total
Balance, beginning of the year	\$ 1,409,032	\$ 29,117	\$ 1,438,149
Provisions recognized	39,228	(15,396)	23,832
Usage	(235,384)	(3,477)	(238,861)
Effect of foreign currency exchange differences	<u>(5,266)</u>	<u>-</u>	<u>(5,266)</u>
Balance, end of the year	<u>\$ 1,207,610</u>	<u>\$ 10,244</u>	<u>\$ 1,217,854</u>

	2019		
	Warranty Provision	Others	Total
Balance, beginning of the year	\$ 1,804,852	\$ 60,214	\$ 1,865,066
Provisions recognized	142,694	8,207	150,901
Usage	(536,436)	(39,304)	(575,740)
Effect of foreign currency exchange differences	<u>(2,078)</u>	<u>-</u>	<u>(2,078)</u>
Balance, end of the year	<u>\$ 1,409,032</u>	<u>\$ 29,117</u>	<u>\$ 1,438,149</u>

The Company provides warranty service to its customers. The warranty period varies by product and is generally one year to two years. The warranties are estimated on the basis of 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. PROVISIONS

	December 31	
	2020	2019
Warranties	\$ 1,207,610	\$ 1,409,032
Others	<u>10,244</u>	<u>29,117</u>
	<u>\$ 1,217,854</u>	<u>\$ 1,438,149</u>

Movement of provisions for the years ended December 31, 2020 and 2019 were as follows:

22. 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\$127,593 thousand and NT\$153,420 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, 2020 and 2019, respectively. As of December 31, 2020 and 2019, the amounts of contributions payable were NT\$28,127 thousand and NT\$37,023 thousand, respectively, and the amounts were paid subsequent to the end of the reporting period.

Defined Benefit Plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated based on the years of services and the average monthly salaries of the six months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements

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, 2019	\$ (314,090)	\$ 584,448	\$ 270,358
Current service cost	(5,728)	-	(5,728)
Net interest (expense) income	<u>(4,319)</u>	<u>8,129</u>	<u>3,810</u>
Recognized in profit or loss	<u>(10,047)</u>	<u>8,129</u>	<u>(1,918)</u>
Remeasurement			
Return on plan assets	-	19,769	19,769
Actuarial loss - changes in demographic assumptions	(22,463)	-	(22,463)
Actuarial loss - changes in financial assumptions	(16,836)	-	(16,836)
Actuarial gain - experience adjustments	<u>35,082</u>	<u>-</u>	<u>35,082</u>
Recognized in other comprehensive income	<u>(4,217)</u>	<u>19,769</u>	<u>15,552</u>
Contributions from the employer	-	5,472	5,472
Benefits paid	<u>3,022</u>	<u>(3,022)</u>	<u>-</u>
Balance at December 31, 2019	<u>(325,332)</u>	<u>614,796</u>	<u>289,464</u>
Current service cost	(8,404)	-	(8,404)
Past service cost	45,252	-	45,252
Net interest (expense) income	<u>(3,253)</u>	<u>6,148</u>	<u>2,895</u>
Recognized in profit or loss	<u>33,595</u>	<u>6,148</u>	<u>39,743</u>
Remeasurement			
Return on plan assets	-	18,696	18,696
Actuarial loss - changes in financial assumptions	(24,439)	-	(24,439)
Actuarial gain - experience adjustments	<u>8,190</u>	<u>-</u>	<u>8,190</u>
Recognized in other comprehensive income	<u>(16,621)</u>	<u>18,696</u>	<u>2,075</u>
Benefits paid	<u>4,022</u>	<u>(4,022)</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ (304,336)</u>	<u>\$ 635,618</u>	<u>\$ 331,282</u>

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 2020 to April 2021 and May 2019 to April 2020, and had been approved by the competent authority in May 2020 and May 2019, respectively.

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

	December 31	
	2020	2019
Present value of defined benefit obligation	\$ (304,336)	\$ (325,332)
Fair value of plan assets	<u>635,618</u>	<u>614,796</u>
Net defined benefit asset	<u>\$ 331,282</u>	<u>\$ 289,464</u>

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/and 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/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	
	2020	2019
Discount rate	0.500%	1.000%
Expected rate of salary increase	4.000%	4.000%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would (increase) decrease as follows:

	December 31	
	2020	2019
Discount rate		
0.25% increase	\$ 10,787	\$ 11,916
0.25% decrease	\$ (11,280)	\$ (12,471)
Expected rate of salary increase		
0.25% increase	\$ (10,743)	\$ (11,938)
0.25% decrease	\$ 10,339	\$ 11,477

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	
	2020	2019
The expected contributions to the plan for the next year	\$ -	\$ -
The average duration of the defined benefit obligation	15.45 years	15.51 years

23. EQUITY

Share Capital

a. Ordinary shares

	December 31	
	2020	2019
Number of shares authorized (in thousands of shares)	1,000,000	1,000,000
Shares authorized	\$ 10,000,000	\$ 10,000,000
Number of shares issued and fully paid (in thousands of shares)	818,644	818,809
Shares issued	\$ 8,186,444	\$ 8,188,086

In 2019, the Company retired 5 thousand restricted shares for employees, totaling NT\$49 thousand. As a result, the Company's issued and outstanding ordinary shares as of December 31, 2019 decreased to NT\$8,188,086 thousand, divided into 818,809 thousand ordinary shares at a par value of NT\$10. Every ordinary share carries one vote per share and a right to dividends.

In 2020, the Company retired 165 thousand restricted shares for employees, totaling NT\$1,642 thousand. As a result, the Company's issued and outstanding ordinary shares as of December 31, 2020 decreased to NT\$8,186,444 thousand, divided into 818,644 thousand ordinary shares at a par value of NT\$10. Every ordinary share carries one vote per share and a right to dividends.

80,000 thousand 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"), and 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 get the Company's ordinary shares. As of December 31, 2020, there were 8,510.3 thousand units of GDRs redeemed, representing 34,041 thousand ordinary shares, and the outstanding GDRs represented 2,019.5 thousand ordinary shares or 0.24% of the Company's issued and outstanding ordinary shares.

Capital Surplus

	December 31	
	2020	2019
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital</u>		
Arising from issuance of ordinary shares	\$ 14,728,086	\$ 14,726,491
Arising from consolidation excess	23,288	23,288
Arising from expired share options	656,431	527,421
<u>May be used to offset a deficit only</u>		
Changes in equity-method associates capital surplus	26,752	26,752
<u>May not be used for any purpose</u>		
Arising from employee share options	326,601	290,258
Arising from employee restricted shares	-	556
	\$ 15,761,158	\$ 15,594,766

The capital surplus arising from shares issued in excess of par (including share premium from the issuance of ordinary shares, treasury share transactions, consolidation excess and expired share options) 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 28.

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% 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.
- The board of directors shall propose allocation ratios for any remainder profit after withholding the amounts under subparagraphs a. to d. 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 considers its operating environment, industry developments, and long-term interests of shareholders as well as its programs to maintain operating efficiency and meet its capital expenditure budget and financial goals when determining the share or cash dividends to be paid. The Company's dividend policy stipulates that at least 50% of total dividends may be distributed as cash dividends.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's capital. Legal reserve may be used to offset deficit. If the Company has no accumulated deficit and the legal reserve has exceeded 25% of its issued and outstanding ordinary share, the excess may be transferred to ordinary share or distributed in cash.

Items referred to under Rule No. 1010012865 issued by the FSC should be appropriated to or reversed from a special reserve by the Company.

The accumulated deficits off-setting for 2019 and the appropriation of earnings for 2018 have been approved in the shareholders' meeting on June 19, 2020 and June 21, 2019, respectively. The appropriations and dividends per share were as follows:

	(The Accumulated Deficits Off-setting)		Dividends Per Share (NT\$)	
	Appropriation of Earnings			
	For 2019	For 2018	For 2019	For 2018
Legal reserve	\$ -	\$ 597,481	\$ -	\$ -
Special reserve	-	3,080,480	-	-
Cash dividends	-	311,148	-	0.38
Legal reserve used to offset accumulated deficits	3,169,627	-	-	-

The accumulated deficits off-setting for 2020, which were proposed by the Company's board of directors on March 17, 2021, were as follows:

	For the Year Ended December 31,
	2020
Legal reserve used to offset accumulated deficits	\$ 3,390,476

The accumulated deficits off-setting for 2020 will be resolved by the shareholders in their meeting to be held on June 18, 2021.

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 translating 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 on 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.

c. Unearned employee benefit

In the meeting of shareholders on June 2, 2015 and June 19, 2014, the shareholders approved a restricted share plan for employees. See Note 28 for the information of restricted shares issued.

	For the Year Ended December 31	
	2020	2019
Balance, beginning of the year	\$ -	\$ (7,077)
Share-based payment expenses recognized	-	7,077
Balance, end of the year	\$ -	\$ -

24. OPERATING REVENUE

	For the Year Ended December 31	
	2020	2019
Sale of goods	\$ 4,607,924	\$ 7,938,853
Other operating income	275,042	611,355
	\$ 4,882,966	\$ 8,550,208

25. NET (LOSS) INCOME FROM CONTINUING OPERATIONS AND OTHER COMPREHENSIVE INCOME AND LOSS

a. Interest income

	For the Year Ended December 31	
	2020	2019
Interest income		
Bank deposits	\$ 68,947	\$ 166,541

b. Other income

	For the Year Ended December 31	
	2020	2019
Rental income	\$ 713,699	\$ 613,423
Others	139,432	143,820
	\$ 853,131	\$ 757,243

c. Other gains and losses

	For the Year Ended December 31	
	2020	2019
Net gain on disposal of property, plant and equipment	\$ 4,445	\$ 83,963
Net loss on the disposal of intangible assets	(290)	-
Net foreign exchange gain	92,226	64,848
Net gain (loss) on valuation of financial instruments at fair value through profit or loss	82,758	(50,700)
Impairment loss reversed (recognized) on non-financial assets (Notes 14 and 17)	2,023	(67,733)
Other loss	(567,828)	(490,184)
	\$ (386,666)	\$ (459,806)

d. Finance costs

	For the Year Ended December 31	
	2020	2019
Interest on bank loans	\$ 1,519	\$ -
Interest on lease liabilities	144	1,112
Others	3,811	6,137
	\$ 5,474	\$ 7,249

e. Gain on reversal of impairment loss on financial assets

	For the Year Ended December 31	
	2020	2019
Trade receivables (included in operating expense)	\$ (160,000)	\$ (30,000)

f. Depreciation and amortization

	For the Year Ended December 31	
	2020	2019
Property, plant and equipment	\$ 342,942	\$ 367,882
Investment properties	103,573	101,361
Intangible assets	171	13,069
Right-of-use assets	4,479	17,580
	\$ 451,165	\$ 499,892

An analysis of depreciation - by function		
Operating costs	\$ 43,085	\$ 51,986
Operating expenses	304,336	333,476
Other expenses	103,573	101,361
	\$ 450,994	\$ 486,823

An analysis of amortization - by function		
Operating costs	\$ -	\$ -
Operating expenses	171	13,069
	\$ 171	\$ 13,069

g. Employee benefits expense

	For the Year Ended December 31	
	2020	2019
Short-term benefits	\$ 2,919,650	\$ 3,685,320
Post-employment benefits (Note 22)		
Defined contribution plans	127,593	153,420
Defined benefit plans	(39,743)	1,918
	87,850	155,338

Share-based payments (Note 28)		
Equity-settled share-based payments	\$ 156,448	\$ 53,003
Separation benefits	321,750	307,777
Total employee benefits expense	\$ 3,485,698	\$ 4,201,438

An analysis of employee benefits expense - by function		
Operating costs	\$ 325,851	\$ 808,560
Operating expenses	2,838,097	3,194,748
Other losses	321,750	198,130
	\$ 3,485,698	\$ 4,201,438

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

	December 31	
	2020	2019
Loss carryforward	\$ 74,268,847	\$ 65,488,191
Deductible temporary differences	\$ 4,930,335	\$ 8,086,375

f. Information about unused loss carry-forward

Loss carryforwards as of December 31, 2019 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
7,782,555	2030
<u>\$ 86,381,385</u>	

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

As of December 31, 2020 and 2019, the taxable temporary differences associated with investment in subsidiaries for which no deferred tax assets have been recognized were NT\$5,987,783 thousand and NT\$6,621,415 thousand, respectively.

h. Income tax assessments

The Company's tax returns through 2018 had been assessed by the tax authorities.

27. LOSS PER SHARE

	Unit: NT\$ Per Share	
	For the Year Ended December 31	
	2020	2019
Basic loss per share	\$ (7.27)	\$ (11.43)

The loss and weighted average number of ordinary shares outstanding for the computation of loss per share were as follows:

Net Loss for the Years

	For the Year Ended December 31	
	2020	2019
Net loss for the year	\$ (5,949,942)	\$ (9,358,078)

Shares

	Unit: In Thousands of Shares	
	For the Year Ended December 31	
	2020	2019
Weighted average number of ordinary shares used in the computation of basic loss per share	<u>818,731</u>	<u>818,811</u>

The exercise price of the outstanding options issued by the Company exceeded the average market price of the shares during the years ended December 31, 2020 and 2019, which were excluded from the computation of diluted loss per share.

28. SHARE-BASED PAYMENT ARRANGEMENTS

Employee Share Option Plan of the Company

Qualified employees of the Company and its subsidiaries were granted 15,000 thousand options in November 2013. Each option entitles the holder to subscribe for one common share of the Company. The options granted are valid for 7 years and exercisable at certain percentages after the second anniversary from the grant date.

Qualified employees of the Company and its subsidiaries were granted 19,000 thousand options in October 2014. Each option entitles the holder to subscribe for one common 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 and its subsidiaries 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 and its subsidiaries 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 and its subsidiaries 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 the Company's ordinary shares, the exercise price is adjusted accordingly.

Information on employee share options was as follows:

	For the Year Ended December 31			
	2020		2019	
	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	35,961	\$ 53.41	6,909	\$ 138.19
Shares granted	-		30,000	35.35
Shares forfeited	(5,430)		(948)	
Balance, end of the year	<u>30,531</u>	45.32	<u>35,961</u>	53.41
Options exercisable, end of the year	<u>3,210</u>		<u>6,307</u>	
Weighted-average fair value of option granted (NT\$)	\$ -		\$ 15.34	

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

	December 31	
	2020	2019
Range of exercise price (NT\$)	\$ 35.05-\$ 149	\$ 3 5.05-\$ 149
Weighted-average remaining contractual life (years)	8.06 years	8.43 years

Options granted in November and May 2019 were priced using the Black-Scholes option pricing model. Options granted in August 2015, October 2014 and November 2013 were priced using the trinomial option pricing model. The inputs to the model are as follows:

	November 2019	May 2019	August 2015	October 2014	November 2013
Grant-date share price (NT\$)	\$35.05	\$35.50	\$54.50	\$134.50	\$149.00
Exercise price (NT\$)	\$35.05	\$35.50	\$54.50	\$134.50	\$149.00
Expected volatility	43.64%-44.09%	44.94%-45.01%	39.26%	33.46%	45.83%
Expected life (years)	10 years	10 years	10 years	10 years	7 years
Expected dividend yield	-	-	4.04%	4.40%	5.00%
Risk-free interest rate	0.6125%-0.6348%	0.6082%-0.6224%	1.3965%	1.7021%	1.63%

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.

Employee Restricted Shares

In the shareholders' meeting on June 19, 2014 and June 2, 2015, the shareholders approved a restricted share plan for employees amounting to NT\$50,000 thousand and NT\$75,000 thousand, consisting of 5,000 thousand and 7,500 thousand shares, respectively. In 2014 and 2015, the Company's board of directors passed a resolution to issue 5,000 thousand and 7,500 thousand shares, respectively.

The restrictions on the rights of the employees who acquire the restricted shares but have not met the vesting conditions are as follows:

- The employees cannot sell, pledge, transfer, donate or in any other way dispose of these shares.
- The employees holding these shares are entitled to receive dividends in cash or shares.
- The employees holding these shares have no voting rights.

If an employee fails to meet the vesting conditions, the Company will recall or buy back and cancel the restricted shares. For the years ended December 31, 2020 and 2019, the Company retired 165 thousand and 5 thousand restricted shares for employees, totaling NT\$1,642 thousand and NT\$49 thousand, respectively. There are no outstanding employee restricted shares as of December 31, 2020. The related information is as follows

Grant-date	July 18, 2016	December 23, 2015	November 2, 2014
Grant-date fair value (NT\$)	\$96.90	\$76.20	\$134.50
Exercise price	Gratuitous	Gratuitous	Gratuitous
Numbers of shares (thousand shares)	2,657	4,006	4,600
Vesting period (years)	1-4 years	1-3 years	1-3 years

Compensation Cost of Share-based Payment Arrangements

Compensation cost of share-based payment arrangement recognized (reversed) was NT\$156,448 thousand and NT\$53,003 thousand for the years ended December 31, 2020 and 2019, respectively.

29. 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, issues new debt, and redeems debt.

The Company is not subject to any externally imposed capital requirements.

30. FINANCIAL INSTRUMENTS

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

Financial instruments not carried at fair value held by the Company include financial assets measured at cost. The management considers that the carrying amounts of financial assets not measured at fair value approximate their fair value or the fair value are not measured reliably.

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

a. Fair value hierarchy

December 31, 2020	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial instruments				
Foreign exchange contracts	\$ -	\$ 173,357	\$ -	\$ 173,357
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares and emerging market shares	\$ 456	\$ -	\$ -	\$ 456
Domestic unlisted shares	-	-	2,884	2,884
	\$ 456	-	2,884	3,340
Financial liabilities at FVTPL				
Derivative financial instruments				
Foreign exchange contracts	\$ -	\$ 90,599	\$ -	\$ 90,599
December 31, 2019				
Financial assets at FVTPL				
Derivative financial instruments				
Foreign exchange contracts	\$ -	\$ 69,055	\$ -	\$ 69,055
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares and emerging market shares	\$ 306	\$ -	\$ -	\$ 306
Domestic unlisted shares	-	-	3,936	3,936
	\$ 306	-	3,936	4,242
Financial liabilities at FVTPL				
Derivative financial instruments				
Foreign exchange contracts	\$ -	\$ 119,755	\$ -	\$ 119,755

There were no transfers between Levels 1 and 2 for the years ended December 31, 2020 and 2019.

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

For the year ended December 31, 2020

	Financial Assets at FVTOCI
Financial Assets	Equity Instruments
Balance at January 1, 2020	\$ 3,936
Recognized in other comprehensive income	(1,052)
Balance at December 31, 2020	\$ 2,884

For the year ended December 31, 2019

	Financial Assets at FVTOCI
Financial Assets	Equity Instruments
Balance at January 1, 2019	\$ 289,884
Recognized in other comprehensive income	(285,948)
Balance at December 31, 2019	\$ 3,936

c. Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement

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 for the purpose of measuring Level 3 fair value measurement

For fair value measurements categorized within Level 3 of the fair value hierarchy as investments in equity instruments, the lack of quoted prices in an active market categorized the financial assets into Level 3 of which fair values are based on valuations

provided by market participants or quoted prices of the counterparty. Quantitative information is not disclosed since the relationship between significant unobservable inputs and the fair value cannot be fully controlled.

e. Valuation process for the fair value measurement within Level 3

The investment department will confirm the reliability, independence and correspondence of the information sources in representative of the exercise price. Any adjustments should be made in order to ensure the rationality of the valuation presented.

f. Sensitivity analysis of the fair value regarding reasonable and possible alternative assumption within Level 3.

No sensitive analysis of replacement assumptions need to be implemented for the valuation of financial instruments as fair value measurement within Level 3 since the valuation by the Company is reasonable without the adoption of a self-estimated model.

Categories of Financial Instruments

	For the Year Ended December 31	
	2020	2019
Financial assets		
Financial assets at FVTPL		
Held for trading	\$ 173,357	\$ 69,055
Amortized cost (Note 1)	5,416,452	12,829,500
Financial assets at FVTOCI		
Equity instruments	3,340	4,242
Financial liabilities		
Financial liabilities at FVTPL		
Held for trading	\$ 90,599	\$ 119,755
Amortized cost (Note 2)	15,661,651	17,922,174

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

Note 2: The balances included financial liabilities measured at amortized cost, which comprise, short-term borrowings, trade payables, other payables, agency receipts and guarantee deposits received.

Financial Risk Management Objectives and Policies

The Company's financial instruments mainly include short-term borrowings, equity and debt investments, trade receivables, other receivables, trade payables and other payables. The Company's Corporate Treasury function provides services to the business, coordinates access to

domestic and international financial markets, 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 was governed by the Company's policies approved by the board of directors, which 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 was reviewed by the internal auditors on a continuous basis. The Company did not enter into or trade 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 for monitoring risks and policies implemented to mitigate risk exposures.

a. Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates. The Company entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk.

There had been no change to the Company's exposure to market risks or the manner in which these risks were managed and measured.

Foreign currency risk

The Company undertook transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arose. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities and of the derivatives exposing to foreign currency risk at the end of the reporting period are set out in Note 35.

Sensitivity analysis

The Company was mainly exposed to the currency United States dollars (USD), Euro (EUR), Renminbi (RMB) and Japanese yen (JPY).

The following table details the Company's sensitivity to a 1% increase and decrease in the New Taiwan dollars ("NTD", the functional currency) against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign currency forward contracts designated as cash flow hedges. A positive number below 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.

	Profit or Loss		Equity	
<u>For the year ended</u>				
<u>December 31, 2020</u>				
USD	\$	71,485	\$ (	171,300)
EUR	(	210)	(	8,911)
RMB	(	1,039)	(	71,772)
JPY		2,455	(	5,154)
<u>For the year ended</u>				
<u>December 31, 2019</u>				
USD	(	9,974)	(	125,365)
EUR	(	4,780)	(	3,492)
RMB	(	22,554)	(	61,865)
JPY		2,321	(	1,469)

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 counterparties 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 balance sheets. The Company does not issue any financial guarantee involving credit risk.

The Company 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.

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 monitor liquidity risk of shortage of funds by the maturity date of financial instruments and financial assets.

1) Liquidity risk tables for non-derivative financial liabilities

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay.

	Less Than 3 Months		3 to 12 Months		Over 1 Year	
Short-term borrowings	\$	800,000	\$	100,000	\$	-
Trade payables		2,107,180		6,260,949		-
Other payables		4,068,891		2,154,849		-
Lease liabilities		622		1,865		1,345
Agency receipts		25,770		-		-
Guarantee deposits received		-		-		144,012
	\$	<u>7,002,463</u>	\$	<u>8,517,663</u>	\$	<u>145,357</u>

December 31, 2019

	Less Than 3 Months	3 to 12 Months	Over 1 Year
Trade payables	\$ 2,598,274	\$ 7,599,557	\$ -
Other payables	4,832,834	2,712,001	-
Lease liabilities	1,346	2,910	4,415
Agency receipts	43,232	-	-
Guarantee deposits received	-	-	136,816
	<u>\$ 7,475,686</u>	<u>\$ 10,314,468</u>	<u>\$ 141,231</u>

2) Liquidity risk tables for derivative financial instruments

The following table detailed 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, 2020

	Less Than 3 Months	3 Months to 1 Year	Over 1 Year
Net settled			
Foreign exchange contracts	<u>\$ 31,550</u>	<u>\$ -</u>	<u>\$ -</u>
Gross settled			
Foreign exchange contracts			
Inflows	\$ 21,228,990	\$ -	\$ -
Outflows	(21,174,628)	-	-
	<u>\$ 54,362</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2019

	Less Than 3 Months	3 Months to 1 Year	Over 1 Year
Net settled			
Foreign exchange contracts	<u>\$ 2,098</u>	<u>\$ -</u>	<u>\$ -</u>
Gross settled			
Foreign exchange contracts			
Inflows	\$ 22,493,831	\$ -	\$ -
Outflows	(22,528,214)	-	-
	<u>\$ (34,383)</u>	<u>\$ -</u>	<u>\$ -</u>

3) Bank credit limit

	December 31	
	2020	2019
Unsecured bank general credit limit		
Amount used	\$ 1,173,605	\$ 283,455
Amount unused	<u>12,942,388</u>	<u>16,574,220</u>
	<u>\$ 14,115,993</u>	<u>\$ 16,857,675</u>
Secured bank general credit limit		
Amount unused	<u>\$ 5,000,000</u>	<u>\$ -</u>

Amount used includes guarantee for short-term borrowings, customs duties and for patent litigation.

31. 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
HTC (Australia and New Zealand) PTY LTD.	Subsidiary
HTC (Thailand) Limited	Subsidiary
HTC India Private Limited	Subsidiary
HTC Malaysia Sdn. Bhd.	Subsidiary

(Continued)

Related-party Relationship with the Company

HTC Communication Co., Ltd.	Subsidiary
HTC HK, Limited	Subsidiary
HTC Communication Technologies (SH)	Subsidiary
HTC Vietnam Services One Member Limited Liability Company	Subsidiary
HTC Communication (BJ) Tech Co.	Subsidiary
HTC Netherlands BV.	Subsidiary
HTC EUROPE CO., LTD.	Subsidiary
HTC BRASIL (Note 1)	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
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
Uomo Vitruviano Corp.	Subsidiary
HTC Belgium BVBA, Russia Branch	Subsidiary
DeepQ Technology Corp.	Subsidiary
VIA Technologies Inc.	Its chairman is HTC's director
Xander International Corp.	Its chairman is HTC's director
VIA Labs, Inc.	Its chairman is HTC's director
Way Chih Investment Co., Ltd.	Its director is HTC's chairwoman (Note 2)
HTC Education Foundation	Its chairman is HTC's director

(Continued)

Related-party Relationship with the Company

Chinese Christian Faith and Love Foundation	Its director is HTC's chairwoman
Hung-Mao Investment Co., Ltd.	Its significant shareholder in substance is HTC's chairwoman
Nan Ya Plastics Corporation	Its director in substance and HTC's chairwoman are relatives and other relatives
Employees' Welfare Committee	Employees' Welfare Committee of HTC
Kun Chang Investment Co., Ltd.	Its director is HTC's chairwoman
Gui Zhou Wei Ai Technology Group Co., Ltd. (Note 3)	Associates
Chengdu Weiai New Economic Technology Institute	Subsidiary of associates
HTC Social Welfare and Charity Foundation	Its chairman is HTC's director
TVBS Media Inc.	Its director is HTC's chairwoman

(Concluded)

Note 1: The dissolution of HTC BRASIL was approved in its shareholders' meeting held on September 22, 2020. As of December 31, 2020, the liquidation process has not been completed.

Note 2: Way Chih Investment Co., Ltd. was previously the supervisor of HTC. On June 21, 2019, an audit committee was set up to replace supervisors and was approved by the shareholders' meeting. The function of supervisors will be automatically discharged after expiration of the term of office.

Note 3: On July 26, 2020, Gui Zhou Wei Ai Technology Group Co., Ltd has changed the name from Gui Zhou Wei Ai Educational Technology Co., Ltd and was approved by the shareholders' meeting.

Operating Sales

	For the Year Ended December 31	
	2020	2019
Subsidiaries		
HTC America Inc.	\$ 1,260,361	\$ 772,735
HTC Communication Co., Ltd.	275,726	933,178
HTC NIPPON Corporation	192,769	-
Others	829	207,336
Other related parties	<u>27,487</u>	<u>4,455</u>
	<u>\$ 1,757,172</u>	<u>\$ 1,917,704</u>

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

	December 31	
	2020	2019
Subsidiaries		
HTC America Inc.	\$ 324,452	\$ 75,475
HTC Communication Inc.	-	27,079
HTC NIPPON Corporation	40,725	-
Others	2,003	3,798
Other related parties	-	598
	<u>\$ 367,180</u>	<u>\$ 106,950</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, 2020 and 2019.

Purchase

	For the Year Ended December 31	
	2020	2019
Purchase		
Subsidiaries	\$ 121,639	\$ -
Other related parties	<u>4,846</u>	<u>8,456</u>
	<u>\$ 126,485</u>	<u>\$ 8,456</u>

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

	December 31	
	2020	2019
Subsidiaries	\$ 1,503	\$ -
Other related parties	<u>1,652</u>	<u>2,296</u>
	<u>\$ 3,155</u>	<u>\$ 2,296</u>

Purchase prices for related parties and third parties were similar. The outstanding balances of trade payables to related parties are unsecured and will be settled in cash.

Compensation of Key Management Personnel

	For the Year Ended December 31	
	2020	2019
Short-term benefits	\$ 168,925	\$ 89,559
Post-employment benefits	1,912	878
Share-based payments	<u>11,107</u>	<u>2,783</u>
	<u>\$ 181,944</u>	<u>\$ 93,220</u>

The remuneration of directors and key executives was determined by the remuneration committee on the basis of the performance of individuals and market trends.

Lease Expense

	For the Year Ended December 31	
	2020	2019
Other related parties	<u>\$ 3,451</u>	<u>\$ 4,085</u>

The Company leased meeting rooms 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, 2020, the gross lease payments to be received are NT\$13,714 thousand. The amounts of lease income recognized for the year ended December 31, 2020 were NT\$1,143 thousand.

Property, Plant and Equipment Acquired

	Price	
	For the Year Ended December 31	
	2020	2019
Other related parties	<u>\$ 84</u>	<u>\$ -</u>

Services, Marketing and Commission Expenses

	For the Year Ended December 31	
	2020	2019
Subsidiaries		
HTC Communication Technologies (SH)	\$ 375,576	\$ 571,009
HTC EUROPE CO., LTD.	319,357	489,806
Others	626,900	862,898
Other related parties	<u>96</u>	<u>-</u>
	<u>\$ 1,321,929</u>	<u>\$ 1,923,713</u>

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

	December 31	
	2020	2019
Subsidiaries	\$ 1,366,006	\$ 1,427,696
Other related parties	<u>709</u>	<u>7,321</u>
	<u>\$ 1,366,715</u>	<u>\$ 1,435,017</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 parties provide digital photography and consultancy service and sell epidemic prevention products to the Company. The cost and fee was NT\$1,886 thousand and NT\$10,464 thousand for the years ended December 31, 2020 and 2019, respectively.

Other Related-party Transactions

To enhance products diversity, the Company has entered into technology license agreement with subsidiaries. As of December 31, 2020 and 2019 the amounts of prepaid royalty were NT\$52,274 thousand and NT\$55,217 thousand, respectively.

The Company collects property management fees, utility fees, disposal of restricted assets and processing charges from other related companies. The other income was NT\$10,865 thousand and NT\$35,017 thousand for the years ended December 31, 2020 and 2019, respectively.

32. PLEDGED ASSETS

As of December 31, 2020 and 2019, the time deposits and demand deposits amounting to NT\$237,521 thousand and NT\$267,394 thousand and were classified as other financial assets and were provided respectively as collateral for rental deposits, litigation, customs duties patent, vendors cooperation and performance bond.

The following assets were pledged as collateral for bank borrowings:

	December 31, 2020
Property, plant and equipment	
Land	\$ 3,337,100
Buildings	1,171,670
Investment properties	<u>848,872</u>
	<u>\$ 5,357,642</u>

33. COMMITMENTS, CONTINGENCIES AND SIGNIFICANT CONTRACTS

- a. In April 2008, IPCom GMBH & CO., KG ("IPCom") filed a multi-claim lawsuit against the Company with the District Court of Mannheim, Germany, alleging that the Company infringed IPCom's patents. In November 2008, the Company filed a declaratory judgment action for non-infringement and patent invalidity against three of IPCom's patents with the Washington Court, District of Columbia.

In October 2010, IPCom filed a new complaint against the Company alleging infringement of patent owned by IPCom in District Court of Dusseldorf, Germany.

In June 2011, IPCom filed a new complaint against the Company alleging infringement of patent owned by IPCom with the High Court in London, the United Kingdom. In September 2011, the Company filed declaratory judgment action for non-infringement and invalidity in Milan, Italy. Legal proceedings in above-mentioned courts in Germany and Italy are still ongoing. The Company implemented the alternative solution since 2012. The Company evaluated the lawsuits and considered the risk of patents-in-suits are low. Also, preliminary injunction and summary judgment against the alternative solution of the Company are very unlikely.

In February 2017, the court of appeals of the United Kingdom found the alternative solution of the Company did not infringe any patent and only some old products without the alternative solution infringed the United Kingdom part of European Patent No. 1 841 268 (EP '268 patent). In July 2017, the EP '268 patent was held as valid by the European Patent Office. In December 2019, the High Court of the United Kingdom issued an injunction order against the old products without the alternative solution and such injunction expired on February 15, 2020, the date EP'268 expired. The damage trial has not been scheduled by the court yet.

In regard to the Company's motion for summary judgment in Washington Court and invalidity proceedings in the United States Patent and Trademark Office (USPTO), Washington Court granted the Company's summary judgment motion in March 2012 and ruled on non-infringement of two of patents-in-suit. As for the third patent-in-suit, the

Washington Court had granted a stay on case pending the decision of IPCOM's appeal. In January 2014, the Court of Appeals for the Federal Circuit affirmed the Washington Court's decision. In June 2019, the Federal Circuit issued an order that affirmed the USPTO's decision that invalidated the third patent-in-suit. In October 2019, the Washington Court dismissed the US case according to a joint stipulation of dismissal filed by both parties.

As of the date that the board of directors approved and authorized the issuing of the consolidated financial statements, the courts have not issued a ruling with respect to the above-mentioned patents-in-suit.

- 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.

34. OTHER ITEMS

Due to the impact of the COVID-19 pandemic, some of the Company's subsidiaries, customers and suppliers were forced to implement quarantine measures. After an overall assessment by the management, there was no significant impact on the Company's operation, financial statements and as well as going concern assumption.

35. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant financial assets and liabilities denominated in foreign currencies were as follows:

	December 31			
	2020		2019	
	Foreign Currencies	Exchange Rate	Foreign Currencies	Exchange Rate
Financial assets				
Monetary items				
USD	\$ 512,893	28.50	\$ 865,045	30.10
EUR	55,241	35.04	61,790	33.74
JPY	3,744,545	0.2764	2,212,773	0.2771
RMB	584,117	4.38	593,659	4.32
Investments accounted for using the equity method				
USD	230,217	28.50	163,012	30.10
SGD	982,557	21.57	976,381	22.36
Financial liabilities				
Monetary items				
USD	763,749	28.50	831,909	30.10
EUR	54,642	35.04	47,625	33.74
JPY	4,632,713	0.2764	3,050,372	0.2771
RMB	560,401	4.38	71,857	4.32

For the years ended December 31, 2020 and 2019, realized and unrealized net foreign exchange gain were NT\$174,984 thousand and NT\$14,148 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.

36. SIGNIFICANT CONTRACTS

The Company specializes in the research, design, manufacture and sale of smart mobile devices and virtual reality devices. To enhance the quality of its products and manufacturing technologies, the Company has patent agreements, as follows:

Contractor	Term	Description
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.
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.
KONINKLIJKE PHILIPS NV.	December 23, 2019 - December 31, 2024	Authorization to use UMTS/LTE patents and portable feature patents; royalty payment based on agreement.

8.6. INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders

HTC Corporation

Opinion

We have audited the accompanying consolidated financial statements of HTC Corporation and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of HTC Corporation and its subsidiaries as of December 31, 2020 and 2019, 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 auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of HTC Corporation and its subsidiaries in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. 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, 2020 are as follows:

Revenue Recognition

According to the accounting policy stated in Note 4, revenue from the sale of goods is recognized when the control and risks are transferred to the buyers. Sales of particular products to customers that account for 17% of operating revenue have terms and conditions that are more complicated than those with other products. Because of the significance of such sales revenue, revenue recognition of such products was deemed to be a key audit matter.

We have obtained understanding and have verified the accounting policy and the design and implementation of internal controls with respect to HTC Corporation and its subsidiaries' revenue recognition of such products. We checked the compliance with the accounting policy on revenue recognition of such products by reviewing the relevant delivery orders, the customer-signed receipts of goods delivered and receipts of payments received from customers. We selected samples from the recognized revenue of such products and confirmed compliance with IFRS 15.

Other Matters

We have also audited the parent company only financial statements of HTC Corporation as of and for the years ended December 31, 2020 and 2019 on which we have issued an unmodified opinion.

Responsibilities of Management and those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in 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 auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of HTC Corporation and its subsidiaries' internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on HTC Corporation and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause HTC Corporation and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within HTC Corporation and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Chi-Ming Hsu and Kenny Hong.

Deloitte & Touche
Taipei, Taiwan
Republic of China
March 18, 2021

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, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 16,375,830	36	\$ 28,143,761	53
Financial assets at fair value through profit or loss - current (Notes 7 and 31)	173,357	-	69,055	-
Financial assets at fair value through other comprehensive income - current (Notes 8 and 31)	68,774	-	1,069,433	2
Notes receivables and trade receivables, net (Notes 10 and 32)	475,713	1	422,378	1
Other receivables (Note 10)	78,017	-	108,823	-
Current tax assets (Note 27)	242,033	1	231,198	1
Inventories (Note 11)	1,527,103	4	2,359,780	5
Prepayments (Note 12)	269,094	1	425,332	1
Other current financial assets (Notes 9 and 33)	9,470,781	21	2,837,350	5
Other current assets	2,225	-	1,643	-
Total current assets	28,682,927	64	35,668,753	68
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 7 and 31)	336,918	1	361,307	1
Financial assets at fair value through other comprehensive income - non-current (Notes 8, 31 and 32)	1,560,351	4	1,665,744	3
Investments accounted for using equity method (Note 14)	549,657	1	477,956	1
Property, plant and equipment (Notes 15, 32 and 33)	7,666,798	17	7,888,181	15
Right-of-use assets (Note 16)	139,026	-	311,581	1
Investment properties, net (Notes 17 and 33)	2,181,884	5	2,068,531	4
Intangible assets (Note 18)	101,943	-	108,877	-
Deferred tax assets (Note 27)	3,328,452	7	3,604,075	7
Refundable deposits (Note 31)	27,139	-	110,525	-
Net defined benefit assets - non-current (Note 23)	331,282	1	289,464	-
Other non-current financial assets (Notes 9 and 33)	142,483	-	150,505	-
Other non-current assets (Note 12)	17,477	-	29,328	-
Total non-current assets	16,383,410	36	17,066,074	32
TOTAL	\$ 45,066,337	100	\$ 52,734,827	100

(Continued)

LIABILITIES AND EQUITY	2020		2019	
	Amount	%	Amount	%
CURRENT LIABILITIES				
Short-term borrowings (Notes 19 and 33)	\$ 900,000	2	\$ -	-
Financial liabilities at fair value through profit or loss - current (Notes 7 and 31)	90,599	-	119,755	-
Trade payables (Notes 20 and 32)	6,028,712	14	6,888,171	13
Other payables (Notes 21 and 32)	5,689,212	13	7,215,158	14
Current tax liabilities (Note 27)	63,961	-	150,381	-
Provisions - current (Note 22)	1,410,042	3	1,794,236	4
Lease liabilities - current (Notes 16 and 32)	68,220	-	102,784	-
Other current liabilities (Note 21)	524,278	1	1,005,586	2
Total current liabilities	14,775,024	33	17,276,071	33
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Note 27)	86,253	-	70,674	-
Lease liabilities - non-current (Notes 16 and 32)	81,834	-	225,930	1
Guarantee deposits received (Note 31)	169,650	1	164,869	-
Total non-current liabilities	337,737	1	461,473	1
Total liabilities	15,112,761	34	17,737,544	34
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 24)				
Share capital - ordinary shares	8,186,444	18	8,188,086	15
Capital surplus	15,761,158	35	15,594,766	30
Retained earnings				
Legal reserve	15,725,509	35	18,895,136	36
Special reserve	3,080,480	7	3,080,480	6
Accumulated deficits	(7,390,476)	(17)	(7,169,626)	(14)
Other equity	(5,470,576)	(12)	(3,735,072)	(7)
Total equity attributable to owners of the parent	29,892,539	66	34,853,770	66
NON-CONTROLLING INTERESTS	61,037	-	143,513	-
Total equity	29,953,576	66	34,997,283	66
TOTAL	\$ 45,066,337	100	\$ 52,734,827	100

(Concluded)

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, 2020 AND 2019

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

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 25 and 32)	\$ 5,805,708	100	\$ 10,014,966	100
OPERATING COSTS (Notes 11, 26 and 32)	4,240,944	73	7,986,855	80
GROSS PROFIT	1,564,764	27	2,028,111	20
OPERATING EXPENSES (Notes 26 and 32)				
Selling and marketing	1,767,310	30	2,719,938	27
General and administrative	2,604,176	45	3,506,120	35
Research and development	3,584,671	62	5,652,309	56
Total operating expenses	7,956,157	137	11,878,367	118
OPERATING LOSS	(6,391,393)	(110)	(9,850,256)	(98)
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 26)	218,526	4	439,066	4
Other income (Notes 26 and 32)	1,052,775	18	816,859	8
Other gains and losses (Notes 12, 14, 15, 18 and 26)	(883,458)	(15)	(755,161)	(8)
Finance costs (Notes 26 and 32)	(14,787)	(1)	(19,208)	-
Share of profit or loss of associates (Note 14)	(8,212)	-	(50,729)	-
Total non-operating income and expenses	364,844	6	430,827	4
LOSS BEFORE INCOME TAX	(6,026,549)	(104)	(9,419,429)	(94)
INCOME TAX BENEFIT (Note 27)	3,951	-	6,359	-
LOSS FOR THE YEAR	(6,022,598)	(104)	(9,413,070)	(94)
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)	2,075	-	15,552	-
Unrealized gain on investments in equity instruments designated as at fair value through other comprehensive income	1,611,514	28	32,246	1
Income tax relating to items that will not be reclassified to profit or loss (Note 27)	(249)	-	(1,866)	-
Total other comprehensive income and loss	1,613,340	28	45,932	1

(Continued)

	2020		2019	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	\$ (799,199)	(14)	\$ (693,346)	(7)
Other comprehensive income and loss for the year, net of income tax	814,141	14	(647,414)	(6)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	\$ (5,208,457)	(90)	\$ (10,060,484)	(100)
NET LOSS FOR THE YEAR ATTRIBUTABLE TO				
Owners of the parent	\$ (5,949,942)	(103)	\$ (9,358,078)	(93)
Non-controlling interests	(72,656)	(1)	(54,992)	(1)
Total net loss for the year attributable to	\$ (6,022,598)	(104)	\$ (9,413,070)	(94)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO				
Owners of the parent	\$ (5,125,981)	(88)	\$ (9,998,984)	(100)
Non-controlling interests	(82,476)	(2)	(61,500)	-
Total net loss for the year attributable to	\$ (5,208,457)	(90)	\$ (10,060,484)	(100)
LOSS PER SHARE (Note 28)				
Basic	\$ (7.27)		\$ (11.43)	

(Concluded)

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

HTC CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
 FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

	Share Capital		Retained Earnings			Other Equity					
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Accumulated Deficits	Exchange Differences on Translating Foreign Operations	Unrealized Loss on Financial Assets at Fair Value Through Other Comprehensive Income	Unearned Employee Benefit	Total	Non-controlling Interests	Total Equity
BALANCE, JANUARY 1, 2019	\$ 8,188,135	\$ 15,576,268	\$ 18,297,655	\$ -	\$ 6,194,337	\$ (2,052,019)	\$ (1,028,461)	\$ (7,077)	\$ 45,168,838	\$ 51,030	\$ 45,219,868
Appropriation of 2018 earnings											
Legal reserve	-	-	597,481	-	(597,481)	-	-	-	-	-	-
Special reserve	-	-	-	3,080,480	(3,080,480)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(311,148)	-	-	-	(311,148)	-	(311,148)
Net loss for the year ended December 31, 2019	-	-	-	-	(9,358,078)	-	-	-	(9,358,078)	(54,992)	(9,413,070)
Other comprehensive income and loss for the year ended December 31, 2019	-	-	-	-	13,686	(686,838)	32,246	-	(640,906)	(6,508)	(647,414)
Changes in capital surplus from investments in associates accounted for using the equity method	-	(34,121)	-	-	(21,702)	-	-	-	(55,823)	-	(55,823)
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	(8,760)	-	-	-	(8,760)	153,983	145,223
Share-based payments	(49)	52,619	-	-	-	-	-	7,077	59,647	-	59,647
BALANCE, DECEMBER 31, 2019	8,188,086	15,594,766	18,895,136	3,080,480	(7,169,626)	(2,738,857)	(996,215)	-	34,853,770	143,513	34,997,283
Legal reserve in covering accumulated deficits	-	-	(3,169,627)	-	3,169,627	-	-	-	-	-	-
Net loss for the year ended December 31, 2020	-	-	-	-	(5,949,942)	-	-	-	(5,949,942)	(72,656)	(6,022,598)
Other comprehensive income and loss for the year ended December 31, 2020	-	-	-	-	1,826	(789,379)	1,611,514	-	823,961	(9,820)	814,141
Share-based payments	(1,642)	166,392	-	-	-	-	-	-	164,750	-	164,750
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	2,557,639	-	(2,557,639)	-	-	-	-
BALANCE, DECEMBER 31, 2020	\$ 8,186,444	\$ 15,761,158	\$ 15,725,509	\$ 3,080,480	\$ (7,390,476)	\$ (3,528,236)	\$ (1,942,340)	\$ -	\$ 29,892,539	\$ 61,037	\$ 29,953,576

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, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	\$ (6,026,549)	\$ (9,419,429)
Adjustments for:		
Depreciation expense	627,208	720,434
Amortization expense	8,285	1,083,946
Expected credit loss reversed on trade receivables	(160,000)	(30,000)
Finance costs	14,787	19,208
Interest income	(218,526)	(439,066)
Dividend income	(1,814)	(160)
Compensation cost of employee share-based payments	164,750	59,647
Share of the loss of associates	8,212	50,729
Net loss (gain) on disposal of property, plant and equipment	12,003	(82,033)
Net loss on disposal of intangible assets	290	-
Impairment loss on non-financial assets	353,877	389,283
Gain from lease modifications	(14,134)	(473)
Changes in operating assets and liabilities		
(Increase) decrease in financial assets mandatorily classified as at fair value through profit or loss	(133,458)	51,955
Decrease in note and trade receivables	106,665	1,290,772
Decrease in other receivables	42,793	20,428
Decrease in inventories	485,910	725,387
Decrease in prepayments	147,105	650,652
(Increase) decrease in other current assets	(582)	11,169
(Increase) decrease in other non-current assets	(41,156)	3,610
Decrease in trade payables	(859,459)	(2,724,676)
Decrease in other payables	(1,283,992)	(1,988,723)
Decrease in provisions	(384,194)	(209,954)
(Decrease) increase in other current liabilities	(440,194)	52,139
Cash used in operations	(7,592,173)	(9,765,155)
Interest received	206,539	531,522
Interest paid	(14,403)	(19,208)
Income tax (paid) refunded	(81,834)	82,793
Net cash used in operating activities	(7,481,871)	(9,170,048)

(Continued)

	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	\$ (87,329)	\$ (153,254)
Proceeds from disposal of financial assets at fair value through other comprehensive income	2,625,998	-
Return of investments accounted for fair value through other comprehensive income	57,414	137,736
Purchase of financial assets at fair value through profit or loss	(13,198)	(134,347)
Acquisition of investments accounted for using the equity method	(100,943)	(171,767)
Payments for property, plant and equipment	(237,628)	(150,198)
Proceeds from disposal of property, plant and equipment	5,236	108,544
Decrease in refundable deposits	83,386	14,437
Payments for intangible assets	(1,306)	(6,536)
Proceeds from disposal of intangible assets	40	5,048
Payments for investment properties	(187,146)	-
Increase in other financial assets	(6,625,409)	-
Decrease in other financial assets	-	14,081,618
Dividend received	1,814	160
Net cash (used in) generated from investing activities	(4,479,071)	13,731,441
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	900,000	-
Proceeds from guarantee deposits received	4,781	34,469
Repayment of the principal portion of lease liabilities	(103,497)	(123,574)
Dividends paid to owners of the Company	-	(311,148)
Change in non-controlling interests	-	145,223
Net cash generated from (used in) financing activities	801,284	(255,030)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(608,273)	(612,150)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(11,767,931)	3,694,213
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	28,143,761	24,449,548
CASH AND CASH EQUIVALENTS, END OF THE YEAR	\$ 16,375,830	\$ 28,143,761

(Concluded)

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

HTC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(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 smart mobile and virtual reality devices 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 17, 2021.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS**a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed****and issued into effect by the Financial Supervisory Commission (FSC)**

The initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Company’s accounting policies.

b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendment to IFRS 16 “Covid-19-Related Rent Concessions”	June 1, 2020

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

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

(Concluded)

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

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments specify that the Group should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;
- The Group may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
- Not all accounting policy information relating to

material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

- 1) The Group changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- 2) The Group chose the accounting policy from options permitted by the standards;
- 3) The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
- 4) The accounting policy relates to an area for which the Group is required to make significant judgements or assumptions in applying an accounting policy, and the Group discloses those judgements or assumptions; or
- 5) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

Except for the above impact, 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 IFRSs as endorsed and issued into effect by the FSC.

Basis of Preparation

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

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

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

Classification of Current and Non-current Assets and Liabilities

Current assets include:

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

Current liabilities are:

- a. Liabilities held primarily for the purpose of trading;
- b. Liabilities due to be settled within twelve months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- c. Liabilities for which the Company does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The aforementioned assets and liabilities that are not classified as current are classified as non-current.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the HTC and the entities controlled by the HTC (i.e., its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective

date of acquisition up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 13 for the detailed information on subsidiaries (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 and work-in-process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

Investments in Associates

An associate is an entity over which the Company has significant influence and that is not a subsidiary.

The Company uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized in the consolidated balance sheet at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the equity of associates attributable to the Company.

When the Company subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments

accounted for by the equity method, with a corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates. If the Company's ownership interest is reduced due to the additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Company's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Company's consolidated financial statements only to the extent of interests in the associate that are not related to the Company.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

For a transfer from the property, plant and equipment classification to investment properties, the deemed cost of the property for subsequent accounting is its carrying amount.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributable goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal, and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Intangible Assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition,

they are measured on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

Impairment of Tangible and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

Before the Company recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories, property, plant and equipment and intangible assets related to the contract applicable under IFRS 15 shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Company expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in

the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

Financial Instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

a. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

1) Measurement category

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost, and investments in equity instruments at FVTOCI.

a) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured

at fair value, and any dividends or interest earned on such financial assets are recognized in other income; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 31.

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.

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, 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. For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

Borrowing Costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on

qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than those stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Employee Benefits

Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plans except that remeasurement is recognized in profit or loss.

Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Company can no longer withdraw the offer of the termination benefit and when the Company recognizes any related restructuring costs.

Share-based Payment Arrangements

Share-based payment transactions of the Company

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in capital surplus - employee share options. The fair value determined at the grant date of the equity-settled share-based payments is recognized as an expense in full at the grant date when the share options granted vest immediately.

Restricted shares for employees are recognized as other equity - unearned employ's bonus on the date of grant, with a corresponding increase in capital surplus - restricted shares for employees. If restricted shares for employees are granted for consideration and should be returned, they are recognized as payables.

At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the capital surplus - employee share options and capital surplus - restricted shares for employees.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Law, an additional tax on unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of

taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred tax

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Accrued Marketing Expenses

The Company accrues marketing expenses on the basis of agreements and any known factors that would significantly affect the accruals. In addition, depending on the nature of relevant events, the accrued marketing expenses are accounted for as an increase in marketing expenses or as a decrease in revenues.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Company considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key Sources of Estimation Uncertainty**a. Impairment of tangible and intangible assets other than goodwill**

The Company measures the useful life of individual

assets and the probable future economic benefits in a specific asset group, which depends on subjective judgment, asset characteristics and industry, during the impairment testing process. Any change in accounting estimates due to economic circumstances and business strategies might cause material impairment in the future.

Impairment loss on tangible and intangible assets other than goodwill recognized were NT\$7,110 thousand and NT\$172,805 thousand for the years ended December 31, 2020 and 2019, respectively.

b. Valuation of inventories

Inventories are measured at the lower of cost or net realizable value. Judgment and estimation are applied in the determination of net realizable value at the end of 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.

As of December 31, 2020 and 2019, the carrying amounts of inventories were NT\$1,527,103 thousand and NT\$2,359,780 thousand, respectively.

c. Realization of deferred tax assets

Deferred tax assets should be recognized only to the extent that the entity has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available. The management applies judgment and accounting estimates to evaluate the realization of deferred tax assets. The management takes expected sales growth, profit rate, duration of exemption, tax credits, tax planning and etc. into account to make judgment and accounting estimates. Any change in global economy, industry environment and regulations might cause material adjustments to deferred tax assets.

As of December 31, 2020 and 2019, the carrying amounts of deferred tax assets were NT\$3,328,452 thousand and NT\$3,604,075 thousand, respectively.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	2019
Cash on hand	\$ 1,071	\$ 1,156
Checking accounts and demand deposits	14,676,832	14,362,300
Time deposits (with original maturities less than three months)	<u>1,697,927</u>	<u>13,780,305</u>
	<u>\$ 16,375,830</u>	<u>\$ 28,143,761</u>

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

	December 31	
	2020	2019
Bank balance	0.01%-0.40%	0.01%-0.66%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2020	2019
Financial assets		
Financial assets held for trading		
Derivative financial assets (not under hedge accounting)		
Foreign exchange contracts	\$ 173,357	\$ 69,055
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Convertible bonds	310,416	337,829
Warrants	<u>26,502</u>	<u>23,478</u>
	<u>\$ 510,275</u>	<u>\$ 430,362</u>
Current	\$ 173,357	\$ 69,055
Non-current	<u>336,918</u>	<u>361,307</u>
	<u>\$ 510,275</u>	<u>\$ 430,362</u>
Financial liabilities - current		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange contracts	<u>\$ 90,599</u>	<u>\$ 119,755</u>

The Company entered into forward exchange contracts to manage exposures due 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 were as follows:

Forward Exchange Contracts

	Buy/Sell	Currency	Maturity Date	Notional Amount (In Thousands)	
				2020	2019
December 31, 2020					
Foreign exchange contracts	Sell	EUR/USD	2021.1.13-2021.3.10	EUR	26,000
Foreign exchange contracts	Sell	JPY/USD	2021.1.13-2021.3.10	JPY	4,806,000
Foreign exchange contracts	Sell	GBP/USD	2021.1.13-2021.2.24	GBP	34,000
Foreign exchange contracts	Sell	CAD/USD	2021.1.20	CAD	6,000
Foreign exchange contracts	Sell	RMB/USD	2021.1.13-2021.3.10	RMB	592,850
Foreign exchange contracts	Buy	RMB/USD	2021.1.13-2021.3.10	RMB	734,631
Foreign exchange contracts	Buy	JPY/USD	2021.1.13-2021.3.10	JPY	2,418,335
Foreign exchange contracts	Buy	USD/NTD	2021.1.13-2021.3.10	USD	210,000
Foreign exchange contracts	Buy	EUR/USD	2021.1.20-2021.3.10	EUR	50,000
Foreign exchange contracts	Buy	GBP/USD	2021.1.13-2021.3.10	GBP	46,000
Foreign exchange contracts	Buy	AUD/USD	2021.1.20	AUD	6,000
Foreign exchange contracts	Buy	SGD/USD	2021.3.10	SGD	180,827

(Continued)

	Buy/Sell	Currency	Maturity Date	Notional Amount (In Thousands)	
December 31, 2019					
Foreign exchange contracts	Sell	EUR/USD	2020.1.8-2020.3.6	EUR	14,000
Foreign exchange contracts	Sell	JPY/USD	2020.1.10-2020.3.6	JPY	3,300,000
Foreign exchange contracts	Sell	GBP/USD	2020.1.8-2020.2.26	GBP	18,000
Foreign exchange contracts	Sell	CAD/USD	2020.2.26	CAD	6,000
Foreign exchange contracts	Sell	AUD/USD	2020.2.21	AUD	1,000
Foreign exchange contracts	Sell	RMB/USD	2020.1.8-2020.2.26	RMB	384,150
Foreign exchange contracts	Buy	RMB/USD	2020.1.8-2020.3.6	RMB	727,465
Foreign exchange contracts	Buy	JPY/USD	2020.1.8-2020.3.6	JPY	3,918,335
Foreign exchange contracts	Buy	USD/NTD	2020.1.8-2020.3.6	USD	369,500
Foreign exchange contracts	Buy	EUR/USD	2020.1.8-2020.3.6	EUR	30,000
Foreign exchange contracts	Buy	GBP/USD	2020.1.8-2020.2.21	GBP	17,000
Foreign exchange contracts	Buy	AUD/USD	2020.1.10-2020.2.21	AUD	9,000
Foreign exchange contracts	Buy	HKD/USD	2020.1.17	HKD	626,440

(Concluded)

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in Equity Instruments at FVTOCI

	December 31	
	2020	2019
Domestic investments		
Listed shares and emerging market shares	\$ 46,091	\$ 87,473
Unlisted shares	<u>33,397</u>	<u>56,573</u>
	<u>79,488</u>	<u>144,046</u>
Foreign investments		
Listed shares	68,774	1,069,433
Unlisted shares	813,308	812,020
Unlisted beneficiary certificate	<u>667,555</u>	<u>709,678</u>
	<u>1,549,637</u>	<u>2,591,131</u>
	<u>\$ 1,629,125</u>	<u>\$ 2,735,177</u>
Current	\$ 68,774	\$ 1,069,433
Non-current	<u>1,560,351</u>	<u>1,665,744</u>
	<u>\$ 1,629,125</u>	<u>\$ 2,735,177</u>

These investments in equity instruments are not held for trading. Instead, they are held for business development strategic purposes. Accordingly, the Company's management determined to designate these investments in equity instruments as at FVTOCI as the Company believes 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	
	2020	2019
Time deposits with original maturities of more than three months	\$ 9,607,821	\$ 2,986,855
Restricted demand deposits	<u>5,443</u>	<u>1,000</u>
	<u>\$ 9,613,264</u>	<u>\$ 2,987,855</u>
Current	\$ 9,470,781	\$ 2,837,350
Non-current	<u>142,483</u>	<u>150,505</u>
	<u>\$ 9,613,264</u>	<u>\$ 2,987,855</u>

For details of pledged other financial assets, refer to Note 33.

10. TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2020	2019
Notes, trade and overdue receivables		
At amortized cost		
Notes receivable	\$ 1	\$ 2
Trade receivables	546,583	551,856
Trade receivables - related parties	-	598
Overdue receivables	961,961	2,053,491
Less: Allowances for impairment loss	(70,871)	(130,078)
Less: Allowances for impairment loss - overdue receivables	<u>(961,961)</u>	<u>(2,053,491)</u>
	<u>\$ 475,713</u>	<u>\$ 422,378</u>
Current	\$ 475,713	\$ 422,378
Non-current	-	-
	<u>\$ 475,713</u>	<u>\$ 422,378</u>

	December 31	
	2020	2019
Other receivables		
Interest receivables	\$ 42,216	\$ 243,528
VAT refund receivables	11,958	50,876
Receivables from disposal of investments	-	1,254,698
Others	23,843	27,718
Less: Allowances for impairment loss	-	(1,467,997)
	<u>\$ 78,017</u>	<u>\$ 108,823</u>
Current	\$ 78,017	\$ 108,823
Non-current	-	-
	<u>\$ 78,017</u>	<u>\$ 108,823</u>

a. 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 basically 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, the Company's management has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is 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, the Company's management believes the Company's credit risk was significantly reduced.

The Company applies the simplified approach to allowing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss allowances for all trade receivables. The expected credit losses on trade receivables are estimated using an allowance matrix with reference to past default experiences of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Company's allowance matrix.

	December 31, 2020				
	Non Past Due	1-90 Days	91-180 Days	Over 181 Days	Total
Expected credit loss rate	0%-4%	4%-40%	10%-100%	100%	
Gross carrying amount	\$ 483,985	\$ -	\$ 2,494	\$ 60,105	\$ 546,584
Loss allowance (Lifetime ECL)	(8,272)	-	(2,494)	(60,105)	(70,871)
Amortized cost	<u>\$ 475,713</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 475,713</u>
December 31, 2019					
	Non Past Due	1-90 Days	91-180 Days	Over 181 Days	Total
Expected credit loss rate	0%-4%	4%-40%	10%-100%	100%	
Gross carrying amount	\$ 425,851	\$ -	\$ 3,647	\$ 122,958	\$ 552,456
Loss allowance (Lifetime ECL)	(3,473)	-	(3,647)	(122,958)	(130,078)
Amortized cost	<u>\$ 422,378</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 422,378</u>

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

	For the Year Ended December 31	
	2020	2019
Balance, beginning of the year	\$ 2,183,569	\$ 2,213,569
Less: Loss allowance reversed	(160,000)	(30,000)
Less: Amounts written off	(990,737)	-
Balance, end of the year	<u>\$ 1,032,832</u>	<u>\$ 2,183,569</u>

b. Other receivables

Receivables from disposal of investments are derived from the sale of shares of Saffron Media Group Ltd. in 2013. In March 2020, the Company wrote off all the receivables after considering cost benefit.

Others were primarily prepayments on behalf of vendors or customers and grants from suppliers.

The movements of the loss allowance of other receivables are as follows:

	For the Year Ended December 31	
	2020	2019
Balance, beginning of the year	\$ 1,467,997	\$ 1,529,699
Less: Amounts written off	(1,467,997)	-
Foreign exchange gains and losses	-	(61,702)
Balance, end of the year	<u>\$ -</u>	<u>\$ 1,467,997</u>

11. INVENTORIES

	December 31	
	2020	2019
Finished goods	\$ 760,047	\$ 1,005,304
Work-in-process	14,337	11,739
Semi-finished goods	133,828	248,119
Raw materials	499,785	1,066,867
Inventory in transit	<u>119,106</u>	<u>27,751</u>
	<u>\$ 1,527,103</u>	<u>\$ 2,359,780</u>

The cost of inventories write-downs recognized as operation costs for the years ended December 31, 2020 and 2019 were NT\$346,767 thousand and NT\$216,478 thousand, respectively.

12. PREPAYMENTS

	December 31	
	2020	2019
Prepaid expenses	\$ 214,084	\$ 305,848
Net input VAT	44,867	62,367
Prepaid software	15,127	43,453
Prepaid equipment	12,058	25,322
Prepayments to suppliers	435	3,456
Prepaid royalty	-	14,214
	<u>\$ 286,571</u>	<u>\$ 454,660</u>
Current	\$ 269,094	\$ 425,332
Non-current	<u>17,477</u>	<u>29,328</u>
	<u>\$ 286,571</u>	<u>\$ 454,660</u>

Prepayments for royalties were primarily for the procurement of royalty rights and were classified as current or non-current in accordance with their nature. For details of content of contracts, refer to Note 37. For the years ended December 31, 2020 and 2019, the Company determined that the carrying amount of some of the prepayments for software were expected to be unrecoverable, and thus recognized an impairment loss of NT\$9,133 thousand and NT\$84,315 thousand classified as other gains and losses. Refer to Note 26.

13. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

The consolidated entities as of December 31, 2020 and 2019 were as follows:

Investor	Investee	Main Businesses	% of Ownership		Remark	
			December 31			
			2020	2019		
HTC Corporation	H.T.C. (B.V.I.) Corp.	International holding company and general investing activities	100.00	100.00	-	
	High Tech Computer Asia Pacific Pte. Ltd.	International holding company; marketing, repair and after-sales services	100.00	100.00	-	
	HTC Investment Corporation	General investing activities	100.00	100.00	-	
	PT. High Tech Computer Indonesia	Marketing, repair and after-sales services	1.00	1.00	-	
	HTC Holding Cooperatief U.A.	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	-	
	HTC VIVE 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 Smartphone (BVI) Corp.	"	100.00	100.00	-	
	High Tech Computer Asia Pacific Pte. Ltd.	HTC (Australia and New Zealand) PTY. Ltd.	Marketing, repair and after-sales services	100.00	100.00	-
		HTC Philippines Corporation	"	99.99	99.99	-
		PT. High Tech Computer Indonesia	"	99.00	99.00	-
HTC (Thailand) Limited		"	100.00	100.00	-	
HTC India Private Ltd.		"	99.00	99.00	-	
HTC Malaysia Sdn. Bhd.		"	100.00	100.00	-	
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 Cooperatief U.A.		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	HTC Vietnam Services One Member Limited Liability Company	Marketing, repair and after-sales services	100.00	100.00	-	
	HTC Myanmar Company Limited	"	99.00	99.00	-	
	S3 Graphics Co., Ltd.	Design, research and development of graphics technology	100.00	100.00	-	
	HTC Communication Technologies (SH)	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 HK, Limited	HTC Electronics (Shanghai) Co., Ltd.	Manufacture and sale of smart mobile devices and virtual reality devices	100.00	100.00	-	
	HTC Myanmar Company Limited	Marketing, repair and after-sales services	1.00	1.00	-	

(Continued)

Investor	Investee	Main Businesses	% of Ownership		Remark	
			December 31			
			2020	2019		
HTC Holding Cooperatief U.A.	HTC Netherlands B.V.	International holding company; marketing, repair and after-sales services	100.00	100.00	-	
	HTC India Private Ltd.	Marketing, repair and after-sales services	1.00	1.00	-	
	HTC South Eastern Europe Limited Liability Company	"	0.67	0.67	-	
	HTC Communication Solutions Mexico, S.A DE C.V.	"	1.00	1.00	-	
	HTC Servicios DE Operacion Mexico, S.A DE C.V.	Human resources management	1.00	1.00	-	
	HTC Netherlands B.V.	HTC EUROPE CO., LTD.	International holding company Marketing, repair and after-sales services	100.00	100.00	-
		HTC BRASIL	Marketing, repair and after-sales services	-	99.99	1)
		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	International holding company; marketing, repair and after-sales services	100.00	100.00	-
		HTC South Eastern Europe Limited liability Company	Marketing, repair and after-sales services	99.33	99.33	-
		HTC Nordic ApS.	"	100.00	100.00	-
		HTC Italia SRL	"	100.00	100.00	-
		HTC Germany GmbH	"	100.00	100.00	-
HTC Iberia, S.L.		"	100.00	100.00	-	
HTC Poland sp. z.o.o.	"	100.00	100.00	-		
HTC Communication Canada, Ltd.	"	100.00	100.00	-		
HTC Communication Sweden AB	"	100.00	100.00	-		
HTC Luxembourg S.a.r.l.	Online/download media services	100.00	100.00	-		
HTC Middle East FZ-LLC	Marketing, repair and after-sales services	100.00	100.00	-		
HTC Communication Solutions Mexico, S.A DE C.V.	"	99.00	99.00	-		
HTC Servicios DE Operacion Mexico, S.A DE C.V.	Human resources management	99.00	99.00	-		
HTC EUROPE CO., LTD.	HTC America Holding Inc.	International holding company	100.00	100.00	-	
HTC America Holding Inc.	HTC America Inc.	Sale of smart mobile devices and virtual reality devices	100.00	100.00	-	
	One & Company Design, Inc.	Design, research and development of application software	100.00	100.00	-	
	HTC America Innovation Inc.	"	100.00	100.00	-	
	HTC America Content Services, Inc.	Online/download media services	100.00	100.00	-	
	Dashwire, Inc.	Design and management of cloud synchronization technology	100.00	100.00	-	
	Inquisitive Minds, Inc.	Development and sale of digital education platform	100.00	100.00	-	
HTC VIVE Holding (BVI) Corp.	HTC VIVE TECH (BVI) Corp.	International holding company	100.00	100.00	-	

(Continued)

Investor	Investee	Main Businesses	% of Ownership		Remark
			December 31		
			2020	2019	
HTC VIVE TECH (BVI) Corp.	HTC VIVE TECH Corp.	Research, development and sale of virtual reality devices	100.00	100.00	-
	HTC VIVE TECH (HK) Limited	"	100.00	100.00	-
HTC VIVE TECH (HK) Limited	HTC VIVE TECH (UK) Limited	Research, development and sale of virtual reality devices	100.00	100.00	-
	HTC VIVE TECH (Beijing)	"	100.00	100.00	-
DeepQ Holding (BVI) Corp.	DeepQ (BVI) Corp.	International holding company	100.00	100.00	-
DeepQ (BVI) Corp.	DeepQ Technology Corp.	Medical technology and health care	100.00	100.00	-
	DeepQ Technology (Beijing)	Development and marketing of software technology	100.00	100.00	-
HTC Investment (BVI) Corporation	VRChat, Inc.	Development of virtual reality contents	50.37	50.37	-
VRChat, Inc.	VRChat Ca. Development Inc.	Development of virtual reality contents	100.00	100.00	-
HTC VR Content (BVI) Corp.	Uomo Vitruviano Corp.	Development of virtual reality contents	100.00	100.00	-

(Concluded)

Remark:

1) The dissolution of HTC BRASIL was approved in its shareholders' meeting held on September 22, 2020. As of December 31, 2020, the liquidation process has not been completed.

b. Subsidiaries excluded from the consolidated financial statements: None.

c. Details of subsidiaries that have material non-controlling interests: None.

14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2020	2019
Investment in associates	\$ 549,657	\$ 477,956

Investments in Associates - Associates That Are Not Individually Material

	December 31	
	2020	2019
Unlisted equity investments		
East West Artists, LLC	\$ -	\$ -
Steel Wool Games, Inc.	143,129	104,473
Surgical Theater, LLC	184,057	228,674
MOR Museum Inc.	40,429	45,353
VR Education Holdings PLC	88,922	-
Gui Zhou Wei Ai Technology Group Co., Ltd.	93,120	99,456
	<u>\$ 549,657</u>	<u>\$ 477,956</u>

For the year ended December 31, 2019, the Company determined that the carrying amount of some of the investments in associates were expected to be unrecoverable and thus recognized impairment losses of NT\$20,757 thousand which was classified as other gains and losses. Refer to Note 26.

On July 26, 2020, Gui Zhou Wei Ai Technology Group Co., Ltd has changed the name from Gui Zhou Wei Ai Educational Technology Co., Ltd. and was approved by the shareholders' meeting.

b. Lease liabilities

	December 31	
	2020	2019
Carrying amounts		
Current	<u>\$ 68,220</u>	<u>\$ 102,784</u>
Non-current	<u>\$ 81,834</u>	<u>\$ 225,930</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2020	2019
Buildings	0.5%-10%	0.5%-10%

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 10 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.

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term leases	<u>\$ 24,647</u>	<u>\$ 28,837</u>
Total cash outflow for leases	<u>\$ (137,531)</u>	<u>\$ (165,478)</u>

The Company leases certain office equipment and other equipment which qualify as short-term leases and low-value asset leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

17. INVESTMENT PROPERTIES, NET

	December 31	
	2020	2019
Carrying amounts		
Buildings	<u>\$ 2,181,884</u>	<u>\$ 2,068,531</u>

Movement of investment properties, net for the years ended December 31, 2020 and 2019 were as follows:

	2020	2019
Cost		
Balance, beginning of the year	\$ 3,123,895	\$ 2,872,143
Additions	187,146	-
Disposals	(72,150)	-
Reclassification	<u>89,907</u>	<u>251,752</u>
Balance, end of the year	<u>3,328,798</u>	<u>3,123,895</u>
Accumulated depreciation		
Balance, beginning of the year	1,055,364	781,917
Depreciation expense	103,962	101,361
Disposals	(72,150)	-
Reclassification	<u>59,738</u>	<u>172,086</u>
Balance, end of the year	<u>1,146,914</u>	<u>1,055,364</u>
Net book value, end of the year	<u>\$ 2,181,884</u>	<u>\$ 2,068,531</u>

The abovementioned investment properties were leased out for 3 to 5 years. The lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating leases of investment properties as of December 31, 2020 was as follows:

	December 31	
	2020	2019
Year 1	\$ 625,381	\$ 594,820
Year 2	328,173	594,649
Year 3	-	312,878
	<u>\$ 953,554</u>	<u>\$ 1,502,347</u>

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

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

The determination of fair value for the investment properties leased in December 31, 2020 and 2019 were performed by independent qualified professional appraisers and the fair values were measured by using Level 3 inputs, respectively. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The fair values as of December 31, 2020 and 2019 were NT\$3,245,050 thousand and NT\$3,005,890 thousand, respectively.

The investment properties pledged as collateral for bank borrowings are set out in Note 33.

18. INTANGIBLE ASSETS

	December 31	
	2020	2019
Carrying amounts		
Goodwill	\$ 64,010	\$ 67,614
Other intangible assets	<u>37,933</u>	<u>41,263</u>
	<u>\$ 101,943</u>	<u>\$ 108,877</u>

Movements of intangible assets for the years ended December 31, 2020 and 2019 were as follows:

	2020			
	Patents	Goodwill	Other Intangible Assets	Total
Cost				
Balance, beginning of the year	\$ 11,546,590	\$ 717,982	\$ 1,476,878	\$ 13,741,450
Additions	-	-	1,306	1,306
Disposals	-	-	(330)	(330)
Eliminations	(2,229,400)	(174,253)	(884,712)	(3,288,365)
Effect of foreign currency exchange differences	<u>(481,350)</u>	<u>(28,983)</u>	<u>(25,395)</u>	<u>(535,728)</u>
Balance, end of the year	<u>8,835,840</u>	<u>514,746</u>	<u>567,747</u>	<u>9,918,333</u>
Accumulated amortization				
Balance, beginning of the year	11,435,505	-	1,244,285	12,679,790
Amortization expenses	-	-	8,285	8,285
Eliminations	(2,229,400)	-	(884,712)	(3,114,112)
Effect of foreign currency exchange differences	<u>(481,350)</u>	<u>-</u>	<u>(16,982)</u>	<u>(498,332)</u>
Balance, end of the year	<u>8,724,755</u>	<u>-</u>	<u>350,876</u>	<u>9,075,631</u>
Accumulated impairment				
Balance, beginning of the year	111,085	650,368	191,330	952,783
Reversed	-	-	(3,976)	(3,976)
Eliminations	-	(174,253)	-	(174,253)
Effect of foreign currency exchange differences	<u>-</u>	<u>(25,379)</u>	<u>(8,416)</u>	<u>(33,795)</u>
Balance, end of the year	<u>111,085</u>	<u>450,736</u>	<u>178,938</u>	<u>740,759</u>
Net book value, end of the year	<u>\$ -</u>	<u>\$ 64,010</u>	<u>\$ 37,933</u>	<u>\$ 101,943</u>

(Concluded)

	2019			
	Patents	Goodwill	Other Intangible Assets	Total
Cost				
Balance, beginning of the year	\$ 11,734,540	\$ 729,299	\$ 1,819,813	\$ 14,283,652
Additions	-	-	6,536	6,536
Disposals	-	-	(5,048)	(5,048)
Eliminations	-	-	(332,750)	(332,750)
Effect of foreign currency exchange differences	(187,950)	(11,317)	(11,673)	(210,940)
Balance, end of the year	<u>11,546,590</u>	<u>717,982</u>	<u>1,476,878</u>	<u>13,741,450</u>
Accumulated amortization				
Balance, beginning of the year	10,563,272	-	1,567,249	12,130,521
Amortization expenses	1,066,688	-	17,258	1,083,946
Eliminations	-	-	(332,750)	(332,750)
Effect of foreign currency exchange differences	(194,455)	-	(7,472)	(201,927)
Balance, end of the year	<u>11,435,505</u>	<u>-</u>	<u>1,244,285</u>	<u>12,679,790</u>
Accumulated impairment				
Balance, beginning of the year	111,085	660,278	200,512	971,875
Reversed	-	-	(4,981)	(4,981)
Effect of foreign currency exchange differences	-	(9,910)	(4,201)	(14,111)
Balance, end of the year	<u>111,085</u>	<u>650,368</u>	<u>191,330</u>	<u>952,783</u>
Net book value, end of the year	<u>\$ -</u>	<u>\$ 67,614</u>	<u>\$ 41,263</u>	<u>\$ 108,877</u>

(Concluded)

The Company owns patents of graphics technologies. As of December 31, 2018, the carrying amount of such patents was NT\$1,056,258 thousand. The patents was fully amortized over their remaining economic lives on the November 30, 2019.

19. BORROWINGS

a. Short-term borrowings

	December 31	
	2020	2019
Unsecured borrowings		
Line of credit borrowings	<u>\$ 900,000</u>	<u>\$ -</u>

The range of interest rates on line of credit borrowings was 0.98%-1.10% per annum at December 31, 2020.

b. Long-term borrowings

The Company had pledged the land and buildings as collateral for the long-term borrowings (refer to Note 33). As of December 31, 2020, the long-term borrowings has contracted lines of credit, but has not yet allocated the long-term borrowings.

20. TRADE PAYABLES

	December 31	
	2020	2019
Trade payables	\$ 6,027,060	\$ 6,885,875
Trade payables - related parties	<u>1,652</u>	<u>2,296</u>
	<u>\$ 6,028,712</u>	<u>\$ 6,888,171</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. According to the payment obligations adjusted by periodical negotiation with suppliers, it was recognized as an adjustment to operating costs or expenses by its nature.

21. OTHER LIABILITIES

	December 31	
	2020	2019
Other payables		
Accrued expenses	\$ 5,683,026	\$ 7,201,235
Payables for purchase of equipment	<u>6,186</u>	<u>13,923</u>
	<u>\$ 5,689,212</u>	<u>\$ 7,215,158</u>
Other liabilities		
Advance receipts	\$ 331,460	\$ 531,274
Agency receipts	63,791	87,419
Others	<u>129,027</u>	<u>386,893</u>
	<u>\$ 524,278</u>	<u>\$ 1,005,586</u>

Accrued Expenses

	December 31	
	2020	2019
Marketing	\$ 1,767,100	\$ 2,335,102
Salaries, bonuses and compensation	1,386,551	1,851,294
Services	1,162,990	1,104,638
Materials and molding expenses	551,454	787,176
Insurance	41,961	54,162
Import, export and freight	41,241	67,789
Repairs, maintenance and sundry purchase	35,790	52,451
Others	<u>695,939</u>	<u>948,623</u>
	<u>\$ 5,683,026</u>	<u>\$ 7,201,235</u>

The Company accrued marketing expenses on the basis of related agreements and other factors that would significantly affect the accruals.

	2020		
	Warranty Provision	Others	Total
Balance, beginning of the year	\$ 1,477,671	\$ 316,565	\$ 1,794,236
Provisions recognized (reversed)	52,571	(15,396)	37,175
Usage	(268,136)	(140,466)	(408,602)
Effect of foreign currency exchange differences	(4,785)	(7,982)	(12,767)
Balance, end of the year	<u>\$ 1,257,321</u>	<u>\$ 152,721</u>	<u>\$ 1,410,042</u>
	2019		
	Warranty Provision	Others	Total
Balance, beginning of the year	\$ 1,943,976	\$ 60,214	\$ 2,004,190
Provisions recognized	124,048	305,032	429,080
Usage	(586,067)	(39,304)	(625,371)
Effect of foreign currency exchange differences	(4,286)	(9,377)	(13,663)
Balance, end of the year	<u>\$ 1,477,671</u>	<u>\$ 316,565</u>	<u>\$ 1,794,236</u>

The Company provides warranty service to its customers. The warranty period varies by product and is generally one year to two years. The warranties are estimated on the basis of 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

22. PROVISIONS

	December 31	
	2020	2019
Warranties	\$ 1,257,321	\$ 1,477,671
Others	<u>152,721</u>	<u>316,565</u>
	<u>\$ 1,410,042</u>	<u>\$ 1,794,236</u>

Movement of provisions for the years ended December 31, 2020 and 2019 were as follows:

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. Besides, the employees of the Company's subsidiary are members of a state-managed retirement benefit plan operated by local government. The subsidiaries is 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\$160,600 thousand and NT\$240,777 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, 2020 and 2019, respectively. As of December 31, 2020 and 2019, the amounts of contributions payable were NT\$29,799 thousand and NT\$39,285 thousand, respectively, and the amounts were paid subsequent to the end of the reporting period.

Defined Benefit Plans

The defined benefit plan adopted by HTC in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated based on the years of services and the average monthly salaries of the six months before retirement. HTC contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, HTC assesses the balance in the pension fund. If the amount of the balance in the

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, 2019	\$ (314,090)	\$ 584,448	\$ 270,358
Current service cost	(5,728)	-	(5,728)
Net interest (expense) income	(4,319)	8,129	3,810
Recognized in profit or loss	(10,047)	8,129	(1,918)
Remeasurement			
Return on plan assets	-	19,769	19,769
Actuarial loss - changes in demographic assumptions	(22,463)	-	(22,463)
Actuarial loss - changes in financial assumptions	(16,836)	-	(16,836)
Actuarial gain - experience adjustments	35,082	-	35,082
Recognized in other comprehensive income	(4,217)	19,769	15,552
Contributions from the employer	-	5,472	5,472
Benefits paid	3,022	(3,022)	-
Balance at December 31, 2019	(325,332)	614,796	289,464
Current service cost	(8,404)	-	(8,404)
Past service cost	45,252	-	45,252
Net interest (expense) income	(3,253)	6,148	2,895
Recognized in profit or loss	33,595	6,148	39,743
Remeasurement			
Return on plan assets	-	18,696	18,696
Actuarial loss - changes in demographic assumptions	(372)	-	(372)
Actuarial loss - changes in financial assumptions	(24,439)	-	(24,439)
Actuarial gain - experience adjustments	8,190	-	8,190
Recognized in other comprehensive income	(16,621)	18,696	2,075
Benefits paid	4,022	(4,022)	-
Balance at December 31, 2020	\$ (304,336)	\$ 635,618	\$ 331,282

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 2020 to April 2021 and May 2019 to April 2020, and had been approved by the competent authority in May 2020 and May 2019, respectively.

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

	December 31	
	2020	2019
Present value of defined benefit obligation	\$ (304,336)	\$ (325,332)
Fair value of plan assets	635,618	614,796
Net defined benefit asset	\$ 331,282	\$ 289,464

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/and 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/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	
	2020	2019
Discount rates	0.500%	1.000%
Expected rates of salary increase	4.000%	4.000%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would (increase) decrease as follows:

	December 31	
	2020	2019
Discount rates		
0.25% increase	\$ 10,787	\$ 11,916
0.25% decrease	\$ (11,280)	\$ (12,471)
Expected rates of salary increase		
0.25% increase	\$ (10,743)	\$ (11,938)
0.25% decrease	\$ 10,339	\$ 11,477

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	
	2020	2019
The expected contributions to the plan for the next year	\$ -	\$ -
The average duration of the defined benefit obligation	15.45 years	15.51 years

24. EQUITY

Share Capital

a. Ordinary shares

	December 31	
	2020	2019
Number of shares authorized (in thousands of shares)	1,000,000	1,000,000
Shares authorized	\$ 10,000,000	\$ 10,000,000
Number of shares issued and fully paid (in thousands of shares)	818,644	818,809
Shares issued	\$ 8,186,444	\$ 8,188,086

In 2019, HTC retired 5 thousand restricted shares for employees, totaling NT\$49 thousand. As a result, HTC's issued and outstanding ordinary shares as of December 31, 2019 decreased to NT\$8,188,086 thousand, divided into 818,809 thousand ordinary shares at a par value of NT\$10. Every ordinary share carries one vote per share and a right to dividends.

In 2020, HTC retired 165 thousand restricted shares for employees, totaling NT\$1,642 thousand. As a result, HTC's issued and outstanding ordinary shares as of December 31, 2020 decreased to NT\$8,186,444 thousand, divided into 818,644 thousand ordinary shares at a par value of NT\$10. Every ordinary share carries one vote per share and a right to dividends.

80,000 thousand shares of HTC's ordinary shares authorized were reserved for the issuance of employee share options.

b. Global depositary receipts

In November 2003, HTC issued 14,400 thousand ordinary shares, corresponding to 3,600 thousand

units of Global Depositary Receipts (“GDRs”). For this GDR issuance, HTC’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 HTC to redeem the GDRs to acquire HTC’s ordinary shares. As of December 31, 2020, there were 8,510.3 thousand units of GDRs redeemed, representing 34,041 thousand ordinary shares, and the outstanding GDRs represented 2,019.5 thousand ordinary shares or 0.24% of HTC’s outstanding ordinary shares.

Capital Surplus

	December 31	
	2020	2019
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital</u>		
Arising from issuance of ordinary shares	\$ 14,728,086	\$ 14,726,491
Arising from consolidation excess	23,288	23,288
Arising from expired share options	656,431	527,421
<u>May be used to offset a deficit only</u>		
Changes in equity-method associates capital surplus	26,752	26,752
<u>May not be used for any purpose</u>		
Arising from employee share options	326,601	290,258
Arising from employee restricted shares	-	556
	<u>\$ 15,761,158</u>	<u>\$ 15,594,766</u>

The capital surplus arising from shares issued in excess of par (including share premium from the issuance of ordinary shares, treasury share transactions, consolidation excess and expired share options) 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.

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% 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.
- The board of directors shall propose allocation ratios for any remainder profit after withholding the

amounts under subparagraphs a. to d. 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, HTC considers its operating environment, industry developments, and long-term interests of shareholders as well as its programs to maintain operating efficiency and meet its capital expenditure budget and financial goals when determining the shares or cash dividends to be paid. HTC’s dividend policy stipulates that at least 50% of total dividends may be distributed as cash dividends.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the HTC’s capital. Legal reserve may be used to offset deficit. If HTC has no accumulated deficit and the legal reserve has exceeded 25% of its issued and outstanding ordinary share, the excess may be transferred to ordinary share or distributed in cash.

Items referred to under Rule No. 1010012865 issued by the FSC should be appropriated to or reversed from a special reserve by the Company.

The accumulated deficits off-setting for 2019 and the appropriation of earnings for 2018 have been approved in the shareholders’ meeting on June 19, 2020 and June 21, 2019, respectively. The appropriations and dividends per share were as follows:

	(The Accumulated Deficits Off-setting)		Dividends Per Share (NT\$)	
	Appropriation of Earnings			
	For 2019	For 2018	For 2019	For 2018
Legal reserve	\$ -	\$ 597,481	\$ -	\$ -
Special reserve	-	3,080,480	-	-
Cash dividends	-	311,148	-	0.38
Legal reserve used to offset accumulated deficits	3,169,627	-	-	-

The accumulated deficits off-setting for 2020, which were proposed by the Company’s board of directors on March 17, 2021, were as follows:

	For the Year Ended December 31, 2020
Legal reserve used to offset accumulated deficits	<u>\$ 3,390,476</u>

The accumulated deficits off-setting for 2020 will be resolved by the shareholders in their meeting to be held on June 18, 2021.

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

Other Equity Items

a. Exchange differences on translating 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 on 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.

c. Unearned employee benefit

In the meeting of shareholders on June 2, 2015 and June 19, 2014, the shareholders approved a restricted stock plan for employees. See Note 29 for the information of restricted shares issued.

	For the Year Ended December 31	
	2020	2019
Balance, beginning of the year	\$ -	\$ (7,077)
Share-based payment expenses recognized	-	7,077
Balance, end of the year	<u>\$ -</u>	<u>\$ -</u>

25. OPERATING REVENUE

	For the Year Ended December 31	
	2020	2019
Sale of goods	\$ 5,413,529	\$ 9,194,135
Other operating income	<u>392,179</u>	<u>820,831</u>
	<u>\$ 5,805,708</u>	<u>\$ 10,014,966</u>

26. NET (LOSS) GAIN FROM CONTINUING OPERATIONS AND OTHER COMPREHENSIVE INCOME AND LOSS

a. Interest income

	For the Year Ended December 31	
	2020	2019
Interest income		
Bank deposits	\$ 218,526	\$ 415,114
Others	<u>-</u>	<u>23,952</u>
	<u>\$ 218,526</u>	<u>\$ 439,066</u>

b. Other income

	For the Year Ended December 31	
	2020	2019
Rental income	\$ 740,121	\$ 641,547
Dividends	1,814	160
Others	<u>310,840</u>	<u>175,152</u>
	<u>\$ 1,052,775</u>	<u>\$ 816,859</u>

c. Other gains and losses

	For the Year Ended December 31	
	2020	2019
Net (loss) gain on disposal of property, plant and equipment	\$ (12,003)	\$ 82,033
Net loss on the disposal of intangible assets	(290)	-
Net foreign exchange (loss) gain	(152,293)	216,810
Net gain (loss) on valuation of financial instruments at fair value through profit or loss	82,758	(50,700)
Impairment loss on non-financial assets (Notes 12, 14, 15 and 18)	(7,110)	(172,805)
Gain from lease modifications	14,134	473
Other expenses	<u>(808,654)</u>	<u>(830,972)</u>
	<u>\$ (883,458)</u>	<u>\$ (755,161)</u>

d. Finance costs

	For the Year Ended December 31	
	2020	2019
Interest on bank loans	\$ 1,519	\$ -
Interest on lease liabilities	9,387	13,067
Others	<u>3,881</u>	<u>6,141</u>
	<u>\$ 14,787</u>	<u>\$ 19,208</u>

e. Gain on reversal of impairment loss on financial assets

	For the Year Ended December 31	
	2020	2019
Trade receivables (included in operating expense)	<u>\$ (160,000)</u>	<u>\$ (30,000)</u>

f. Depreciation and amortization

	For the Year Ended December 31	
	2020	2019
Property, plant and equipment	\$ 411,946	\$ 476,967
Investment properties	103,962	101,361
Intangible assets	8,285	1,083,946
Right-of-use assets	<u>111,300</u>	<u>142,106</u>
	<u>\$ 635,493</u>	<u>\$ 1,804,380</u>
An analysis of depreciation - by function		
Operating costs	\$ 49,233	\$ 52,726
Operating expenses	474,013	566,347
Other expenses	<u>103,962</u>	<u>101,361</u>
	<u>\$ 627,208</u>	<u>\$ 720,434</u>
An analysis of amortization - by function		
Operating costs	\$ -	\$ -
Operating expenses	<u>8,285</u>	<u>1,083,946</u>
	<u>\$ 8,285</u>	<u>\$ 1,083,946</u>

g. Employee benefits expense

	For the Year Ended December 31	
	2020	2019
Short-term benefits	\$ 4,440,937	\$ 5,813,039
Post-employment benefits (Note 23)		
Defined contribution plans	160,600	240,777
Defined benefit plans	<u>(39,743)</u>	<u>1,918</u>
	<u>120,857</u>	<u>242,695</u>
Share-based payments (Note 29)		
Equity-settled share-based payments	<u>164,750</u>	<u>59,647</u>
Separation benefits	<u>540,000</u>	<u>360,888</u>
Total employee benefits expense	<u>\$ 5,266,544</u>	<u>\$ 6,476,269</u>
An analysis of employee benefits expense - by function		
Operating costs	\$ 390,209	\$ 812,820
Operating expenses	4,336,335	5,429,120
Other expenses	<u>540,000</u>	<u>234,329</u>
	<u>\$ 5,266,544</u>	<u>\$ 6,476,269</u>

h. Employees' compensation and remuneration of directors and supervisors

In compliance with HTC's Articles of Incorporation, the amendments stipulate the distribution of employees' compensation and remuneration to directors and supervisors at rates of no less than 4% and of no more than 0.25%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors and supervisors. No employee's compensation and remuneration of directors and supervisors were estimated for the years ended December 31, 2020 and 2019 as the Company reported net losses for both periods. If there will be a change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the differences will be recorded as a change in accounting estimate in the subsequent year.

For any further information on the employees' compensation and remuneration of directors and supervisors approved in the meetings of the board of directors in 2020 and 2019, see disclosures in the Market Observation Post System.

i. Impairment loss recognized (reversed) on non-financial assets

	For the Year Ended December 31	
	2020	2019
Inventories (included in operating costs)	\$ 346,767	\$ 216,478
Intangible asset (included in other gains and losses)	(3,976)	(4,981)
Prepayments (included in other gains and losses)	9,133	84,315
Investment accounted for using equity method (included in other gains and losses)	-	20,757
Property, plant and equipment (included in other gains and losses)	<u>1,953</u>	<u>72,714</u>
	<u>\$ 353,877</u>	<u>\$ 389,283</u>

j. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2020	2019
Foreign exchange gains	\$ 1,047,810	\$ 1,379,895
Foreign exchange losses	(1,200,103)	(1,163,085)
Valuation net gain (loss) arising from financial instruments classified as held for trading	<u>82,758</u>	<u>(50,700)</u>
	<u>\$ (69,535)</u>	<u>\$ 166,110</u>

27. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax benefit recognized in profit or loss

	For the Year Ended December 31	
	2020	2019
In respect of the current year		
Current tax	\$ 11,794	\$ 143,234
Deferred tax	<u>(969)</u>	<u>(106,937)</u>
	<u>10,825</u>	<u>36,297</u>
Adjustments for previous years		
Current tax	(101,313)	(525,624)
Deferred tax	<u>86,537</u>	<u>482,968</u>
	<u>(14,776)</u>	<u>(42,656)</u>
Income tax benefit recognized in profit or loss	<u>\$ (3,951)</u>	<u>\$ (6,359)</u>

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

	For the Year Ended December 31	
	2020	2019
Loss before income tax	\$ (6,026,549)	\$ (9,419,429)
Income tax benefit calculated at the statutory rate	\$ (1,205,309)	\$ (1,883,885)
Effect of expenses that were not deductible in determining taxable profit	26,769	18,815
Effect of temporary differences	1,084,572	1,355,473
Effect of loss carryforward	140,039	450,399
Effect of different tax rates of subsidiaries operating in other jurisdictions	(35,246)	95,495
Adjustments for previous years' tax	(14,776)	(42,656)
Income tax benefit recognized in profit or loss	\$ (3,951)	\$ (6,359)

b. Income tax expense recognized in other comprehensive income

	For the Year Ended December 31	
	2020	2019
Deferred tax		
Recognized in current year		
Income tax expense of remeasurement on defined benefit plan	\$ 249	\$ 1,866

c. Current tax assets and liabilities

	December 31	
	2020	2019
Current tax assets		
Tax refund receivable	\$ 242,033	\$ 231,198
Current tax liabilities		
Income tax payable	\$ 63,961	\$ 150,381

d. Deferred tax balances

Movements of deferred tax assets and deferred tax liabilities for the years ended December 31, 2020 and 2019 were as follows:

	2020				
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Translation Adjustment	Closing Balance
Deferred tax assets					
Temporary differences					
Unrealized royalties	\$ 422,597	\$ (101,108)	\$ -	\$ -	\$ 321,489
Unrealized marketing expenses	179,295	(46,950)	-	(1,363)	130,982
Unrealized warranty expense	169,083	(24,171)	-	-	144,912
Allowance for loss on decline in value of inventory	74,363	(11,832)	-	-	62,531
Unrealized profit	-	10,933	-	-	10,933
Unrealized salary and welfare	43,053	(7,831)	-	(2,118)	33,104
Unrealized contingent losses on purchase orders	3,494	(2,265)	-	-	1,229
Financial instruments at FVTPL	6,084	(6,084)	-	-	-
Others	189,909	6,887	-	(508)	196,288
Loss carryforwards	2,516,197	(89,202)	-	(11)	2,426,984
	\$ 3,604,075	\$ (271,623)	\$ -	\$ (4,000)	\$ 3,328,452
Deferred tax liabilities					
Temporary differences					
Financial instruments at FVTPL	\$ -	\$ 9,931	\$ -	\$ -	\$ 9,931
Defined benefit plans	36,906	2,598	249	-	39,753
Unrealized loss	5,971	(5,971)	-	-	-
Others	27,797	9,004	-	(232)	36,569
	\$ 70,674	\$ 15,562	\$ 249	\$ (232)	\$ 86,253

	2019				
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Translation Adjustment	Closing Balance
Deferred tax assets					
Temporary differences					
Unrealized royalties	\$ 447,859	\$ (25,262)	\$ -	\$ -	\$ 422,597
Unrealized marketing expenses	274,664	(95,536)	-	167	179,295
Unrealized warranty expense	216,581	(47,498)	-	-	169,083
Allowance for loss on decline in value of inventory	224,650	(150,287)	-	-	74,363
Unrealized profit	21,461	(21,461)	-	-	-
Unrealized salary and welfare	46,601	(2,690)	-	(858)	43,053
Unrealized contingent losses on purchase orders	7,226	(3,732)	-	-	3,494
Financial instruments at FVTPL	-	6,084	-	-	6,084
Others	237,206	(45,403)	-	(1,894)	189,909
Loss carryforwards	2,480,812	35,432	-	(47)	2,516,197
	\$ 3,957,060	\$ (350,353)	\$ -	\$ (2,632)	\$ 3,604,075
Deferred tax liabilities					
Temporary differences					
Financial instruments at FVTPL	\$ 151	\$ (151)	\$ -	\$ -	\$ -
Defined benefit plans	32,535	2,505	1,866	-	36,906
Unrealized loss	-	5,971	-	-	5,971
Others	10,765	17,353	-	(321)	27,797
	\$ 43,451	\$ 25,678	\$ 1,866	\$ (321)	\$ 70,674

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

	December 31		Remaining Carrying	Expiry Year
	2020	2019		
Loss carryforward	\$ 77,836,411	\$ 68,325,325	\$ 1,015,202	2021
Deductible temporary differences	\$ 5,288,033	\$ 8,439,404	993,590	2022
			497,391	2023
			4,257,094	2024
			22,468,526	2025
			22,167,741	2026
			17,909,682	2027
			15,538	2028
			12,037,362	2029
			7,899,974	2030
			698,691	2031-2039
			\$ 89,960,791	

f. Information about unused loss carry-forward

Loss carryforwards as of December 31, 2020 comprised of:

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

As of December 31, 2020 and 2019, the taxable temporary differences associated with investment in subsidiaries for which no deferred tax assets have been recognized were NT\$5,987,783 thousand and NT\$6,621,415 thousand, respectively.

h. Income tax assessments

HTC's tax returns through 2018 had been assessed by the tax authorities.

The income tax returns of HTC Investment Corporation, Uomo Vitmviano Corp., Deep Q Technology Corp. and HTC VIVE TECH Corp. for the years through 2018 have been examined and approved by the tax authorities.

28. LOSS PER SHARE

	Unit: NT\$ Per Share	
	For the Year Ended December 31	
	2020	2019
Basic loss per share	<u>\$ (7.27)</u>	<u>\$ (11.43)</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	
	2020	2019
Loss for the year attributable to owners of the parent	<u>\$ (5,949,942)</u>	<u>\$ (9,358,078)</u>

Shares

	Unit: In Thousands of Shares	
	For the Year Ended December 31	
	2020	2019
Weighted average number of ordinary shares used in the computation of basic loss per share	<u>818,731</u>	<u>818,811</u>

The exercise price of the outstanding options issued by the Company exceeded the average market price of the shares during the years ended December 31, 2020 and 2019, which were excluded from the computation of diluted loss per share.

29. SHARE-BASED PAYMENT ARRANGEMENTS**Employee Share Option Plan of the Company**

Qualified employees of HTC and its subsidiaries were granted 15,000 thousand options in November 2013. Each option entitles the holder to subscribe for one common share of HTC. The options granted are valid for 7 years and exercisable at certain percentages after the second anniversary from the grant date.

Qualified employees of HTC and its subsidiaries were granted 19,000 thousand options in October 2014. Each option entitles the holder to subscribe for one common share of HTC. 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 and its subsidiaries were granted 1,000 thousand options in August 2015. Each option entitles the holder to subscribe for one ordinary share of HTC. 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 and its subsidiaries were granted 20 thousand options in May 2019. Each option entitles the holder to subscribe for one thousand ordinary shares of HTC. 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 and its subsidiaries were granted 10,000 thousand options in November 2019. Each option entitles the holder to subscribe for one ordinary share of HTC. 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 HTC's ordinary shares on the grant date. For any subsequent changes in HTC's ordinary shares, the exercise price is adjusted accordingly.

Information on employee share options were as follows:

	For the Year Ended December 31			
	2020		2019	
	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	35,961	\$ 53.41	6,909	\$ 138.19
Options granted	-		30,000	35.35
Options forfeited	<u>(5,430)</u>		<u>(948)</u>	
Balance, ending of the year	<u>30,531</u>	45.32	<u>35,961</u>	53.41
Options exercisable, end of the year	<u>3,210</u>		<u>6,307</u>	
Weighted-average fair value of option granted (NT\$)	<u>\$ -</u>		<u>\$ 15.34</u>	

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

	December 31	
	2020	2019
Range of exercise price (NT\$)	\$35.05-\$149	\$35.05-\$149
Weighted-average remaining contractual life (years)	8.06 years	8.43 years

Options granted in November and May 2019 were priced using the Black-Scholes option pricing model. Options granted in August 2015, October 2014 and November 2013 were priced using the trinomial option pricing model. The inputs to the model are as follows:

	November 2019	May 2019	August 2015	October 2014	November 2013
Grant-date share price (NT\$)	\$35.05	\$35.50	\$54.50	\$134.50	\$149.00
Exercise price (NT\$)	\$35.05	\$35.50	\$54.50	\$134.50	\$149.00
Expected volatility	43.64%-44.09%	44.94%-45.01%	39.26%	33.46%	45.83%
Expected life (years)	10 years	10 years	10 years	10 years	7 years
Expected dividend yield	-	-	4.04%	4.40%	5.00%
Risk-free interest rate	0.6125%-0.6348%	0.6082%-0.6224%	1.3965%	1.7021%	1.63%

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.

- The employees cannot sell, pledge, transfer, donate or in any other way dispose of these shares.
- The employees holding these shares are entitled to receive dividends in cash or shares.
- The employees holding these shares have no voting rights.

Employee Restricted Shares

In the shareholders' meeting on June 19, 2014 and June 2, 2015, the shareholders approved a restricted share plan for employees amounting to NT\$50,000 thousand and NT\$75,000 thousand, consisting of 5,000 thousand and 7,500 thousand shares, respectively. In 2014 and 2015, HTC's Board of Directors passed a resolution to issue 5,000 thousand and 7,500 thousand shares, respectively.

If an employee fails to meet the vesting conditions, HTC will recall or buy back and cancel the restricted shares. For the years ended December 31, 2020 and 2019, HTC retired 165 thousand and 5 thousand restricted shares for employees, totaling NT\$1,642 thousand and NT\$49 thousand, respectively. There are no outstanding employee restricted shares as of December 31, 2020. The related information is as follows:

The restrictions on the rights of the employees who acquire the restricted shares but have not met the vesting conditions are as follows:

Grant-date	July 18, 2016	December 23, 2015	November 2, 2014
Grant-date fair value (NT\$)	\$96.90	\$76.20	\$134.50
Exercise price	Gratuitous	Gratuitous	Gratuitous
Numbers of shares (thousand shares)	2,657	4,006	4,600
Vesting period (years)	1-4 years	1-3 years	1-3 years

Compensation Cost of Share-based Payment Arrangements

Compensation cost of share-based payment arrangement recognized was NT\$164,750 thousand and NT\$59,647 thousand for the years ended December 31, 2020 and 2019, 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

a. Fair value hierarchy

December 31, 2020				
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial instruments				
Foreign exchange contracts	\$ -	\$ 173,357	\$ -	\$ 173,357
Convertible bonds	-	-	310,416	310,416
Warrants	-	-	26,502	26,502
	<u>\$ -</u>	<u>\$ 173,357</u>	<u>\$ 336,918</u>	<u>\$ 510,275</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares and emerging market shares	\$ 46,091	\$ -	\$ -	\$ 46,091
Domestic unlisted shares	-	-	33,397	33,397
Overseas listed shares	68,774	-	-	68,774
Overseas unlisted shares	-	-	813,308	813,308
Overseas unlisted beneficiary certificates	-	-	667,555	667,555
	<u>\$ 114,865</u>	<u>\$ -</u>	<u>\$ 1,514,260</u>	<u>\$ 1,629,125</u>
Financial liabilities at FVTPL				
Derivative financial instruments				
Foreign exchange contracts	\$ -	\$ 90,599	\$ -	\$ 90,599

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, issues new debt, and redeems debt.

The Company is not subject to any externally imposed capital requirements.

31. 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 cost. The management considers that the carrying amounts of financial assets not measured at fair value approximate their fair values or the fair values are not measured reliably.

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

December 31, 2019				
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial instruments				
Foreign exchange contracts	\$ -	\$ 69,055	\$ -	\$ 69,055
Convertible bonds	-	-	337,829	337,829
Warrants	-	-	23,478	23,478
	<u>\$ -</u>	<u>\$ 69,055</u>	<u>\$ 361,307</u>	<u>\$ 430,362</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares and emerging market shares	\$ 87,473	\$ -	\$ -	\$ 87,473
Domestic unlisted shares	-	-	56,573	56,573
Overseas listed shares	1,069,433	-	-	1,069,433
Overseas unlisted shares	-	-	812,020	812,020
Overseas unlisted beneficiary certificates	-	-	709,678	709,678
	<u>\$ 1,156,906</u>	<u>\$ -</u>	<u>\$ 1,578,271</u>	<u>\$ 2,735,177</u>
Financial liabilities at FVTPL				
Derivative financial instruments				
Foreign exchange contracts	\$ -	\$ 119,755	\$ -	\$ 119,755

There were no transfers between Levels 1 and 2 for the years ended December 31, 2020 and 2019.

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

For the year ended December 31, 2020

Financial Assets	Financial Assets at FVTPL	Financial Assets at FVTOCI	Total
	Derivatives	Equity Instruments	
Balance at January 1, 2020	\$ 361,307	\$ 1,578,271	\$ 1,939,578
Recognized in other comprehensive income	-	(31,911)	(31,911)
Purchases	13,198	87,329	100,527
Disposals	-	(723)	(723)
Return of investments	-	(57,414)	(57,414)
Reclassification	(17,953)	17,953	-
Effect of foreign currency exchange differences	(19,634)	(79,245)	(98,879)
Balance at December 31, 2020	<u>\$ 336,918</u>	<u>\$ 1,514,260</u>	<u>\$ 1,851,178</u>

For the year ended December 31, 2019

Financial Assets	Financial Assets at FVTPL	Financial Assets at FVTOCI	Total
	Derivatives	Equity Instruments	
Balance at January 1, 2019	\$ 236,464	\$ 2,241,637	\$ 2,478,101
Recognized in other comprehensive income	-	(640,213)	(640,213)
Purchases	134,347	153,254	287,601
Return of investments	-	(137,736)	(137,736)
Effect of foreign currency exchange differences	(9,504)	(38,671)	(48,175)
Balance at December 31, 2019	<u>\$ 361,307</u>	<u>\$ 1,578,271</u>	<u>\$ 1,939,578</u>

c. Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement

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 for the purpose of measuring Level 3 fair value measurement

For fair value measurements categorized within Level 3 of the fair value hierarchy as investments in equity instruments, the lack of quoted prices in an active market categorized the financial assets into Level 3 of which fair values are based on valuations provided by market participants or quoted prices of the counter party. Quantitative information is not disclosed since the relationship between significant unobservable inputs and the fair value cannot be fully controlled.

e. Valuation process for the fair value measurement within Level 3

The investment department will confirm the reliability, independence and correspondence of the information sources in representative of the exercise price. Any adjustments should be made in order to ensure the rationality of the valuation presented.

f. Sensitivity analysis of the fair value regarding reasonable and possible alternative assumption within Level 3

No sensitive analysis of replacement assumptions need to be implemented for the valuation of financial instruments as fair value measurement within Level 3 since the valuation by the Company is reasonable without the adoption of a self-estimated model.

Categories of Financial Instruments

	December 31	
	2020	2019
Financial assets		
Financial assets at FVTPL		
Held for trading	\$ 173,357	\$ 69,055
Mandatorily at FVTPL	336,918	361,307
Amortized cost (Note 1)	26,569,963	31,773,342

(Continued)

	December 31	
	2020	2019
Financial assets at FVTOCI		
Equity instruments	1,629,125	2,735,177
Financial liabilities		
Financial liabilities at FVTPL		
Held for trading	90,599	119,755
Amortized cost (Note 2)	12,851,365	14,355,617
		(Concluded)

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

Note 2: The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, trade payables, other payables, agency receipts 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, coordinates access to domestic and international financial markets, 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 was governed by the Company's policies approved by the board of directors, which 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 was reviewed by the internal auditors on a continuous basis. The Company did not enter into or trade 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 for monitoring risks and policies implemented to mitigate risk exposures.

a. Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange

rates. The Company entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk.

There had been no change to the Company's exposure to market risks or the manner in which these risks were managed and measured.

Foreign currency risk

The Company undertook transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arose. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities and of the derivatives exposing to foreign currency risk at the end of the reporting period are set out in Note 36.

Sensitivity analysis

The Company was mainly exposed to the United States dollars (USD), Euro (EUR), Renminbi (RMB) and Japanese yen (JPY).

The following table details the Company's sensitivity to a 1% increase and decrease in the New Taiwan dollar ("NTD", the functional currency) against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign currency forward contracts designated as cash flow hedges. A positive number below 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.

	Profit or Loss	Equity
For the year ended		
December 31, 2020		
USD	\$ 71,485	\$ (171,300)
EUR	(210)	(8,911)
RMB	(1,039)	(71,772)
JPY	2,455	(5,154)

(Continued)

	Profit or Loss	Equity
For the year ended		
December 31, 2019		
USD	(9,974)	(125,365)
EUR	(4,780)	(3,492)
RMB	(22,554)	(61,865)
JPY	2,321	(1,469)

(Concluded)

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 counterparties 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 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.

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, 2020

	Less Than 3 Months	3 Months to 1 Year	Over 1 Year
Short-term borrowings	\$ 800,000	\$ 100,000	\$ -
Trade payables	837,478	5,191,234	-
Other payables	3,534,363	2,154,849	-
Lease liabilities	23,538	55,971	84,711
Agency receipts	63,791	-	-
Guarantee deposits received	-	-	169,650
	<u>\$ 5,259,170</u>	<u>\$ 7,502,054</u>	<u>\$ 254,361</u>

December 31, 2019

	Less Than 3 Months	3 Months to 1 Year	Over 1 Year
Trade payables	\$ 425,184	\$ 6,462,987	\$ -
Other payables	4,503,157	2,712,001	-
Lease liabilities	32,598	78,450	238,130
Agency receipts	87,419	-	-
Guarantee deposits received	-	-	164,869
	<u>\$ 5,048,358</u>	<u>\$ 9,253,438</u>	<u>\$ 402,999</u>

2) Liquidity risk tables for derivative financial instruments

The following table detailed 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, 2020

	Less Than 3 Months	3 Months to 1 Year	Over 1 Year
Net settled			
Foreign exchange contracts	<u>\$ 31,550</u>	<u>\$ -</u>	<u>\$ -</u>
Gross settled			
Foreign exchange contracts			
Inflows	\$ 21,228,990	\$ -	\$ -
Outflows	(21,174,628)	-	-
	<u>\$ 54,362</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2019

	Less Than 3 Months	3 Months to 1 Year	Over 1 Year
Net settled			
Foreign exchange contracts	<u>\$ 2,098</u>	<u>\$ -</u>	<u>\$ -</u>
Gross settled			
Foreign exchange contracts			
Inflows	\$ 22,493,831	\$ -	\$ -
Outflows	(22,528,214)	-	-
	<u>\$ (34,383)</u>	<u>\$ -</u>	<u>\$ -</u>

3) Bank credit limit

	December 31	
	2020	2019
Unsecured bank general credit limit		
Amount used	\$ 1,173,605	\$ 283,455
Amount unused	<u>12,942,388</u>	<u>16,574,220</u>
	<u>\$ 14,115,993</u>	<u>\$ 16,857,675</u>
Secured bank overdraft facilities:		
Amount unused	<u>\$ 5,000,000</u>	<u>\$ -</u>

Amount used included short-term borrowings, guarantees for customs duties and patent litigation.

32. RELATED-PARTY TRANSACTIONS

Balance, 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. Besides as disclosed elsewhere in other notes, details of transactions between the Company and other related parties are disclosed below.

The Names and Relationships of Related-parties

Related-party	Relationship with the Company
VIA Technologies Inc.	Its chairman is HTC's director
Xander International Corp.	Its chairman is HTC's director
VIA Labs, Inc.	Its chairman is HTC's director
Way Chih Investment Co., Ltd.	Its director is HTC's chairwoman (Note 1)
HTC Education Foundation	Its chairman is HTC's director
Chinese Christian Faith and Love Foundation	Its director is HTC's chairwoman
Hung-Mao Investment Co., Ltd.	Its significant shareholder is HTC's chairwoman
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
VIA Technologies (Shenzhen) Co., Ltd.	The chairman of its parent company is HTC's director
Premier Investment & Consultant (Shanghai) Co., Ltd.	Its chairwoman is HTC's chairwoman
PROOF OF CAPITAL, L.P.	Its co-founder is HTC's key management
Chengdu Weiai New Economic Technology Institute	Subsidiary of associates
Weishang Electronics (Shanghai) Co., Ltd.	Related party in substance
Kun Chang Investment Co., Ltd.	Its director is HTC's chairwoman
Gui Zhou Wei Ai Technology Group Co., Ltd. (Note 2)	Associates
HTC Social Welfare and Charity Foundation	Its chairman is HTC's director
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

Note 1: Way Chih Investment Co., Ltd. was previously the supervisor of HTC. On June 21, 2019, an audit committee was set up to replace supervisors and was approved by the shareholders' meeting. The function of supervisors will be automatically discharged after expiration of the term of office.

Note 2: On July 26, 2020, Gui Zhou Wei Ai Technology Group Co., Ltd has changed the name from Gui Zhou Wei Ai Educational Technology Co., Ltd and was approved by the shareholders' meeting.

Operating Sales

	For the Year Ended December 31	
	2020	2019
Other related parties	\$ <u>27,487</u>	\$ <u>4,455</u>

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

	December 31	
	2020	2019
Other related parties	\$ <u>-</u>	\$ <u>598</u>

Some related parties whose received products sold at prices which were no different from sales 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 bad debt risk, hence no bad debt expense had been recognized for the years ended December 31, 2020 and 2019.

Purchase

	For the Year Ended December 31	
	2020	2019
Other related parties	\$ <u>4,846</u>	\$ <u>8,456</u>

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

	December 31	
	2020	2019
Other related parties	\$ <u>1,652</u>	\$ <u>2,296</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	
	2020	2019
Short-term benefits	\$ 189,169	\$ 110,373
Post-employment benefits	1,912	878
Share-based payments	<u>11,107</u>	<u>2,783</u>
	\$ <u>202,188</u>	\$ <u>114,034</u>

The remuneration of directors and key executives was determined by the remuneration committee on the basis of

the performance of individuals and market trends.

Lease Liabilities

	December 31	
	2020	2019
VIA Technologies (China) Co., Ltd.	\$ 26,117	\$ 6,052
Premier Investment & Consultant (Shanghai) Co., Ltd.	27,941	74,607
Weishang Electronics (Shanghai) Co., Ltd.	<u>41,788</u>	<u>52,671</u>
	\$ <u>95,846</u>	\$ <u>133,330</u>

Finance Costs

	For the Year Ended December 31	
	2020	2019
VIA Technologies (China) Co., Ltd.	\$ 953	\$ 854
Premier Investment & Consultant (Shanghai) Co., Ltd.	2,327	3,268
Weishang Electronics (Shanghai) Co., Ltd.	<u>2,013</u>	<u>2,695</u>
	\$ <u>5,293</u>	\$ <u>6,817</u>

Lease Expense

	For the Year Ended December 31	
	2020	2019
HTC Education Foundation	\$ 2,552	\$ 4,085
Other related parties	<u>2,683</u>	<u>867</u>
	\$ <u>5,235</u>	\$ <u>4,952</u>

The Company leased offices, staff dormitory and meeting rooms owned by VIA Technologies (China) Co., Ltd., Weishang Electronics (Shanghai) Co., Ltd., Premier Investment & Consultant (Shanghai) Co., Ltd. and other related party under an operating lease agreement, respectively. The rental payment is determined at the prevailing rates in the surrounding area.

Acquisitions of Financial Assets

The Company injected US\$8,000 thousand to become a limited partner of PROOF OF CAPITAL, L.P. As of December 31, 2020, US\$4,000 thousand was invested and was classified as financial assets at FVTOCI depending on its nature.

Acquisitions of Property, Plant and Equipment

	Price	
	For the Year Ended December 31	
	2020	2019
Other related parties	\$ <u>84</u>	\$ <u>-</u>

Other Related-party Transactions

Other related parties provide property management, digital photography and consultancy service and sell epidemic prevention products to the Company. The cost and fee was NT\$13,706 thousand and NT\$10,464 thousand for the years ended December 31, 2020 and 2019, respectively.

As of December 31, 2020 and 2019, the outstanding balances of other payables to related parties were NT\$709 thousand and NT\$7,321 thousand, respectively.

The Company collects property management fees, utility fees, disposal of restricted assets and processing charges from other related companies. The other income was NT\$10,865 thousand and NT\$35,017 thousand for the years ended December 31, 2020 and 2019, respectively.

33. PLEDGED ASSETS

As of December 31, 2020 and 2019, the time deposits and demand deposits amounting to NT\$237,521 thousand and NT\$267,394 thousand and were classified as other financial assets and were provided respectively as collateral for rental deposits, litigation, customs duties, patent, vendors cooperation and performance bond.

The following assets were pledged as collateral for bank borrowings:

	December 31, 2020
Property, plant and equipment	
Land	\$ 3,337,100
Buildings	1,171,670
Investment properties	<u>848,872</u>
	\$ <u>5,357,642</u>

34. COMMITMENTS, CONTINGENCIES AND SIGNIFICANT CONTRACTS

- a. In April 2008, IPCom GMBH & CO., KG (“IPCom”) filed a multi-claim lawsuit against the Company with the District Court of Mannheim, Germany, alleging that the Company infringed IPCom’s patents. In November 2008, the Company filed declaratory judgment action for non-infringement and invalidity against three of IPCom’s patents with the Washington Court, District of Columbia.

In October 2010, IPCom filed a new complaint against the Company alleging infringement of patent owned by IPCom in District Court of Dusseldorf, Germany.

In June 2011, IPCom filed a new complaint against the Company alleging infringement of patent owned by IPCom with the High Court in London, the United Kingdom. In September 2011, the Company filed declaratory judgment action for non-infringement and invalidity in Milan, Italy. Legal proceedings in above-mentioned courts in Germany and Italy are still ongoing. The Company implemented the alternative solution since 2012. The Company evaluated the lawsuits and considered the risk of patents-in-suits are low. Also, preliminary injunction and summary judgment against the alternative solution of the Company are very unlikely.

In February 2017, the court of appeals of the United Kingdom found the alternative solution of the Company did not infringe any patent and only some old products without the alternative solution infringed the United Kingdom part of European Patent No. 1 841 268 (EP ‘268 patent). In July 2017, the EP ‘268 patent was held as valid by the European Patent Office. In December 2019, the High Court of the United Kingdom issued an injunction order against the old products without the alternative solution and such injunction expired on February 15, 2020, the date EP’268 expired. The damage trial has not been scheduled by the court yet.

In regard to the Company’s motion for summary judgment in Washington Court and invalidity proceedings in the United States Patent and Trademark Office (USPTO), Washington Court granted the Company’s summary judgment motion in March 2012 and ruled on non-infringement of two of patents-in-suit. As for the third patent-in-suit, the

Washington Court had granted a stay on case pending the decision of IPCOM's appeal. In January 2014, the Court of Appeals for the Federal Circuit affirmed the Washington Court's decision. In June 2019, the Federal Circuit issued an order that affirmed the USPTO's decision that invalidated the third patent-in-suit. In October 2019, the Washington Court dismissed the US case according to a joint stipulation of dismissal filed by both parties.

As of the date that the board of directors approved and authorized the issuing of the consolidated financial statements, the courts have not issued a ruling with respect to the above-mentioned patents-in-suit.

- 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. OTHER ITEMS

Due to the impact of the COVID-19 pandemic, some of the Company's subsidiaries, customers and suppliers were forced to implement quarantine measures. After an overall assessment by the management, there was no significant impact on the Company's operation, financial statements and as well as going concern assumption.

36. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than the functional currencies of the entities in the Group and the exchange rates between the foreign currencies and the respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

	December 31			
	2020		2019	
	Foreign Currencies	Exchange Rate	Foreign Currencies	Exchange Rate
Financial assets				
Monetary items				
USD	\$ 940,845	28.50	\$ 1,243,659	30.10
EUR	61,653	35.04	67,394	33.74
JPY	4,110,707	0.2764	2,712,542	0.2771
RMB	1,658,768	4.38	1,648,264	4.32
Non-monetary items				
USD	64,249	28.50	97,096	30.10
RMB	12,717	4.38	6,885	4.32
Investments accounted for using the equity method				
USD	16,021	28.50	12,574	30.10
RMB	21,263	4.38	14,587	4.32
Financial liabilities				
Monetary items				
USD	769,458	28.50	850,181	30.10
EUR	53,755	35.04	46,392	33.74
JPY	4,740,907	0.2764	3,154,076	0.2771
RMB	635,223	4.38	158,108	4.32

For the years ended December 31, 2020 and 2019, realized and unrealized net foreign exchange (loss) gain were NT\$(69,535) thousand and NT\$166,110 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.

37. SIGNIFICANT CONTRACTS

The Company specializes in the research, design, manufacture and sale of smart mobile devices and virtual reality devices. To enhance the quality of its products and manufacturing technologies, the Company has patent agreements, as follows:

Contractor	Term	Description
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.
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.
KONINKLIJKE PHILIPS NV.	December 23, 2019 - December 30, 2024	Authorization to use UMTS/LTE patents and portable feature patents; royalty payment based on agreement.

38. SEGMENT INFORMATION

The Company's operations are mainly focus on the research, design, manufacture and sale of smart mobile and virtual reality devices and its operating revenue takes 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, 2020 and 2019 were as follows:

	December 31	
	2020	2019
Taiwan	\$ 9,085,082	\$ 9,310,547
Country Z	92,524	237,654
Country X	196,083	263,154
Others	<u>733,439</u>	<u>604,620</u>
	<u>\$ 10,107,128</u>	<u>\$ 10,415,975</u>

The countries that accounted for 10% or more of consolidated total revenues for the years ended December 31, 2020 and 2019 were as follows:

	For the Year Ended December 31	
	2020	2019
Taiwan	\$ 1,111,152	\$ 1,969,273
Country Z	2,104,366	3,401,565
Country X	406,802	1,097,410
Others	<u>2,183,388</u>	<u>3,546,718</u>
	<u>\$ 5,805,708</u>	<u>\$ 10,014,966</u>

Major Customer

External customers which accounted for 10% or more of the Company's total revenues for the years ended December 31, 2020 and 2019 were as follows:

	For the Year Ended December 31	
	2020	2019
Customer A	\$ 569,680	\$ 1,174,567

HTC Code of Conduct

HTC's Code of Conduct is a guideline to provide high ethical standards for all employees in conducting HTC business activities. All employees of HTC Corp., including branches and subsidiary companies, must follow these ethical standards regardless of the employees' position, grade level, and location.

This Code includes three major sections: the General Moral Imperative, Vendors/Suppliers and Customers Relationship, and Conflict of Interests.

The General Moral Imperative section requires that HTC commits to providing a safe and healthy work environment and equal opportunities, and that it establishes a behavioral code for the treatment of knowledge about the company's assets/properties/information.

The Vendors/Suppliers and Customer Relationship section requires that HTC commits to maintaining a fair, legal, and longterm relationship with its vendors/suppliers and customers to the benefit of all parties.

The Conflict of Interest section describes the behavioral rules for employees in situations of divided interest.

This Code is superior to any other local regulations except certain mandatory laws/acts issued by the local government. In such cases, the Talent Management Division should submit the specific local laws/acts to Corporate Talent Management Division in order to waive this specific regulation of the Code in that location. Otherwise, any violation of HTC Code of Conduct and applicable policies may cause disciplinary action up to and including the termination of employment. The employees are responsible for understanding and complying with the HTC Code of Conduct, as well as other applicable HTC policies/rules.

Mandatory Contents

1.0 General Moral Imperatives

While maintaining a work culture that ensures the company's success, HTC strives to treat each employee fairly and with dignity. HTC is also committed to complying with the labor laws of each country it operates in. As well, each employee is responsible for complying with all applicable external and internal laws, and follow up any new revision of company policies.

1.1 Work Environments:

HTC is committed to comply with local laws and regulations to establish a safe and healthy workplace, free from recognized hazards. Furthermore, HTC is thoroughly dedicated to providing employees with a workplace that is free of harassment (including sexual harassment) and discrimination. Any language or behavior of intention to cause hostilities or violations of this policy is strictly prohibited and shall be reported to a responsible authority immediately.

1.2 Corporate Confidentiality:

During the term of employment with HTC and thereafter, each employee must hold in strict confidence and not disclose, directly or indirectly, any "Confidential Information" (as defined below) gained from HTC or its customers or vendors/ suppliers to any third party without the prior written consent of HTC. "Confidential Information" must be used only for the purpose of executing work for HTC. "Confidential Information" shall mean all business, technical, operational or other information that is not generally known to the public and that an employee develops, has access to, and becomes acquainted with during the term of employment, whether or not such information (A) is owned by HTC, HTC's customers, vendors/suppliers, or any third party with which HTC desires to establish a business relationship with; (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 roadmaps, product design records, product test plans and reports, product software and source codes, product pricing, product appearance, product specifications, tooling specifications, 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. Documents, databases, or other related materials to any computer programs or any development stages thereof;

3. Discoveries, concepts, ideas, designs, sketches, engineering drawings, specifications, circuit layouts, circuit diagrams, mechanical drawings, flow charts, production processes, procedures, models, molds, samples, components, trouble shooting guides, chips and other know-how; and

4. Proprietary information of any third party (such as customers or vendors/ suppliers) that the Company has a duty of confidentiality pursuant to contracts or required by any applicable laws.

1.3 Protection of Property, HTC's Assets, and Personal Information:

Copyrights, patents, trade marks/secrets, the terms of license agreements and any kind of intellectual property are under protection by related laws or regulations; violations are strictly prohibited. The Company's assets are not limited to physical equipment and facilities only, but also include technologies, trademarks, and other invisible concepts & confidential information. The utilization of company assets is for business matters and should be maintained, updated, and recorded properly and regularly. This is also applicable to the use of employee personal data. Those who are dealing with employee data shall consider the business matters and employees' privacy as well. The only exception that permits the revelation of employees' personal data is where such disclosure is required by government laws.

1.4 Equal Opportunity:

HTC's Employment Policy is to comply with all applicable laws. Hiring decisions are based on HTC's business needs and the qualifications of applicants, and HTC strives to 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 etc. Everyone must be treated with dignity and respect. This principle applies to all areas of employment, including, but not limited to, recruitment, hiring, training, promotion, compensation, benefits, transfer, and social and recreational programs. All employees should be responsible for the data accuracy and quality in any type of report in all aspects of their daily work. Any intention of misleading or incorrect data is not acceptable and may cause disciplinary action.

1.5 Political Activities:

The Company encourages employees to participate in public activities as responsible citizens. However, HTC employees are prohibited from engaging in political activities on behalf of HTC. The Company is not allowed to donate or engage the political activities in most global operations. Therefore, employees must be aware of that their involvements are on an individual basis, and no contribution or donation to political candidates or parties can be made under the company name. Furthermore, employees must not organize or hold any speeches or activities connected to political activities on Company premises.

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 securing and negotiating business, all employees should attempt to establish long-term relationships with our customers and vendors/suppliers by providing essential and accurate information about our products and services. Employees shall demonstrate their professionalism with a sincere, firm, and rational attitude while dealing with customers or vendors/suppliers. Conflicts caused by emotional languages or behaviors are strictly prohibited.

2.2 Product Quality and Safety:

The Company is committed to pursue excellence and maintain quality at all times. The Company strives to continuously improve the quality of products and service in compliance with the related safety regulations/laws in order to benefit our customers and vendors/suppliers and achieve world-class competitiveness. To maintain HTC's valuable reputation and the benefits to our customers and vendors/suppliers, all employees must comply with our quality processes and safety requirements.

2.3 Performance of Contracts:

Company contracts must be executed not only in accordance with the requirements of each contract, but also in compliance with all the laws and regulations applicable to our business. Any unfair or unreasonable regulation or condition should be avoided. Purchasing decisions must

be made in the best interests of HTC by considering the vendors'/suppliers' suitability, quality, price, and delivery of products or services; any personal preferences are not allowed for special offers. Purchasing agreements/sales contracts and related evaluation information should be documented clearly and confidentially. The contract information of customers and vendors/suppliers, including but not limited to their names, price, delivery condition, payment terms, are as confidential as Company documents. Every employee must protect this confidential information from misuse and disclosure.

2.4 Business Travel:

All employees are responsible for ensuring that their business travels are intended to further Company business interests, and the business travel and entertainment expenditures shall be reasonable, prudent, and in accordance with applicable Company policies. On behalf of the Company, employees should 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. If the common local custom is to engage in recreational activities (e.g. golf tournaments) for business purposes, then these activities should be minimized when possible in case of the expenses are not paid in personal.

2.5 Gifts, Entertainment and Business

Courtesies:

All employees or their family (means employee's spouse, parents, the parents of the spouse, children, siblings, grandparents, grandchildren, and other close relatives and friends) are not allowed to request, accept, or offer bribes or illegal profits (including but not limited to kickbacks, commissions, cash, securities, costly gifts and undue entertainment, or any direct or indirect improper gifts inconsistent with the normal trading course or insider trading) from/to customers, suppliers/vendors, or anyone in a business relationship in any kind of situation, nor to conduct any behavior that violates his/her duties and cause damage to HTC and directly or indirectly favor himself/herself, employees of HTC's vendor/supplier/business partner, or related parties. Employees may provide or accept meals or entertainment if these activities are

legitimate, consistent with accepted business practices and demonstrably help to build a business relationship.

However, regardless of the amount, employees are not allowed to accept or give kickbacks and bribes, such as (but not limited to) any type of gift, cash, stock, bond or its equivalent, or to participate in any business courtesy that may compromise the employees' judgment or motivate the employees to perform acts prohibited by laws/regulations or HTC policies. Meal expenses between/among colleagues cannot be treated as entertainment expenses.

However, expenditures incurred for entertainment immediately before, during, or after a business meeting are acceptable, if those who will enjoy the entertainment are from another country or continent.

2.6 In the event that any HTC employee is offered/requested kickbacks, commissions, gifts, or inappropriate offers from a representative of a vendor, supplier or business partner, he/she is required to report the incident to HTC (anti-corruption@htc.com). An internal investigation team will look into the matter, with the employee's identity treated in strict confidentiality.

2.7 Employees are not to solicit or lure other employees in the company to violate their duties.

2.8 Employees who are responsible for the custody or use of any HTC property are not misuse or abuse the company's property.

3.0 Conflict of Interest

All employees must avoid any activity that is or has the appearance of being hostile, adverse, or competitive with the Company, or that interfaces with the proper performance of their duties, responsibilities or loyalties to the Company.

3.1 Inside Trading:

All employees are not permitted, using their own names or the names of people with whom they have personal relationships, to engage in business ventures the same as or similar to HTC or to invest exceeding five percent of total market value in such a company. Employees are also prohibited from use so-called "Inside Information" to gain personal profit or to influence the independent judgment

of business entities, such as investment in competitors, customers, vendors/suppliers or subcontractors. "Inside Information" comprises facts that an employee knows, but people outside of HTC may not know, which might be in written form or discussed orally in a meeting. Inside information may also be information received from another company, such as from customers, suppliers or companies with which HTC has a joint research or development program. Therefore, employees may never use inside information to trade or influence the trading of stocks of HTC or other companies and should also not provide "tips" or share inside information with any other person who might trade stock. Insider trading violates company policies and may subject the employee to criminal penalties in accordance with the government's regulations/laws.

3.2 Creditor and debtor relations:

Employees may have debtor and creditor relations with colleagues without interest to help each other for urgent situation, but are not allowed to have creditor or debtor relations with subordinates, customers, suppliers/vendors, or anyone in a business relationship, nor introduce such persons (including colleagues) to anyone to enter any debtor- creditor relations.

3.3 Outside Employment:

All employees are prohibited to work either part-time or full-time for or receive payments of services from any competitors, customers, vendors/suppliers or subcontractors of HTC. If any employee is invited to serve as a lecturer, board member of an outside company, advisory board, committee or agency, he/ she must get appropriate approval from the local top manager of Company in advance. Even if an invitation is not listed as above, permission from a top manager is required. In general, employees are not restricted from being members of the boards of charitable or community organizations. HTC also permits employees obtaining appropriate approval to serve as directors of an outside company that is invested in by HTC or is not a competitor or service provider of a competitor.

3.4 Third party invitations, which may reference your role and/or knowledge as an employee at HTC:

If any HTC employee is invited to join external meetings, conferences, seminars, lectures, etc., or if asked to be a host or judge for an event during or outside of office hours, he/she must secure approval from the line manager and local PR team prior to participation.

3.5 The company provides employees with a full range of welfare measures such as life insurance, health and convenience services. As employees, you should appreciate the resources provided by the company and do not abuse or misuse the corporate welfare system.

3.6 HTC employees are not allowed to persuade anyone in the company, customers or third-parties such as suppliers or subcontractors to invest in other businesses.



HTC Corporation



Chairwoman: Cher Wang