TWSE 2498

2018

HTC Corporation 2018 AGM AGENDA BOOK

June 26, 2018 at 9 a.m.

Chuto Hotel in Taoyuan City, Jin Long Room

htc

HTC CORPORATION
2018 Annual General Shareholders' Meeting Agenda Book
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This English version is a translation based on the original Chinese version.
Where any discrepancy arises between the two versions, the Chinese version shall prevail.

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HTC CORPORATION

Agenda for the 2018 Annual General Shareholders' Meeting

Time and Date: June 26, 2018 (Tuesday) at 9:00 a.m.

Location: Chuto Hotel, Jin Long Room (No.398 Taoying Road, Taoyuan City)

1. Opening Remarks by the Chair
2. Matters to Report:

   Item 1：Fiscal 2017 Business Report

   Item 2：Supervisors Audit Report

   Item 3：Amendment of the Company's "Rules of Procedure for Board of Directors Meetings"
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   Item 1：Adoption of the Fiscal 2017 Business Report and Financial Statements

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   Item 1：Discussion on the proposal to partially amend the Articles of Incorporation
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Matters to Report:

Item 1

Title: Fiscal 2017 Business Report, submitted for review. (Proposed by the Board of Directors)

Introduction:

(1) Please refer to Supplement 1 of this handbook (page 6) for the Fiscal 2017 Business Report.

(2) Please review.

Item 2

Title: Supervisors Audit Report, submitted for review. (Proposed by the Board of Directors)

Introduction:

(1) Please refer to Supplement 2 of this handbook (page 11) for the Supervisors Audit Report.

(2) Please review.

Item 3

Title: Amendment of the Company's "Rules of Procedure for Board of Directors Meetings", submitted for review. (Proposed by the Board of Directors)

Introduction:

(1) Amendment to the Company's "Rules of Procedure for Board of Directors Meetings" is proposed according to the partial amendment to the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies" by the Financial Supervisory Commission on July 28, 2017. Please refer to Supplement 3 of this handbook (page 12) for the revision of the company's Rules of Procedure for Board of Directors Meetings adopted by the board of directors.

(2) Please review.

Adoption Matters

Item 1

Title: Adoption of the Fiscal 2017 Business Report and Financial Statements.

(Proposed by the Board of Directors)

Introduction:

(1) The compilation of the Company's Fiscal 2017 Business Report and Financial Statements are completed and has been approved by the Board of Directors. The Financial Statements have been audited and certified by Hsu, Wen-Ya, CPA, and Casey Lai, CPA, of Deloitte & Touche. The Business Report and Financial Statements have been audited by the Supervisors, and are hereby submitted for adoption by this Annual General Shareholders' Meeting.

(2) Please refer to Supplement 1 (page 6), Supplement 4 (page 18) and Supplement 5 (page 29) of this handbook for the Fiscal 2017 Business Report, the CPA Audit Report issued by Deloitte & Touche and the Financial Statements, respectively.

(3) Adoption requested.

Resolution:

Item 2

Title: Adoption of the Fiscal 2017 Deficit Compensation Proposal.

(Proposed by the Board of Directors)

Introduction:

(1) The Company's net loss for Fiscal 2017 was NT$16,905,712,247. Please refer to Supplement 6 of this handbook (page 40) for the Chart of the Deficit Compensation for Fiscal 2017. It is proposed not to distribute share dividends to the shareholders.

(2) Adoption requested.

Resolution:

Discussion Matters:

Item 1

Title: Discussion on the proposal to partially amend the Articles of Incorporation is submitted for discussion. (Proposed by the Board of Directors)

Introduction:

(1) Partial amendment to the Company's Articles of Incorporation is proposed due to establish an audit committee as required by laws and regulations and to change the number of seats of directors based on actual needs.

(2) Please refer to Supplement 7 of this handbook (page 41) for the Before and After Revision of the Articles of Incorporation

(3) Resolution requested.

Resolution:

Extraordinary Motions

Closure of the Meeting

Supplement 1

HTC CORPORATION

Fiscal 2017 Business Report

In the year that HTC celebrated its 20th anniversary, we want to express our deep appreciation towards our shareholders for your dedicated support and commitment to our pursuit of brilliance. Over the last three years, we've been working hard to position HTC for the future, focusing on delivering the innovation and technology that defines HTC and devoting the necessary resources to create great products. We produced another strong year of innovation in 2017, recording more technology firsts and consolidating our position as thought leaders across our product groups.

In September 2017, we entered a ground-breaking business cooperation agreement with Google, Inc., whereby the 'Powered by HTC' engineering and technical teams working on Google's Pixel smartphones were transferred to Google in a deal worth $1.1 billion. Building on our decade-long strategic relationship with Google, this agreement allows us to strengthen our HTC-branded smartphone business, enabling a more focused product portfolio, greater operational efficiency and financial flexibility. It also enables HTC to continue investing in emerging frontier technologies, including VR, AR, AI, Smart IoT and Blockchain which will be vital across all of our businesses and present significant long-term growth opportunities.

This agreement also represents a substantial investment in Taiwan as a key innovation and engineering hub, and it is a true testament to the engineering and innovation powerhouse that HTC has built over the last twenty years. The teams that have been transferred to Google will continue to play a key role in building the Android ecosystem for the benefit of the whole industry.

This move, combined with the significant effort we have made in strengthening and investing in our innovation teams, streamlining our business processes and reducing our operating expenditure over the past three years, has created a solid foundation on which we can build the future of HTC.

HTC VISION: VIVE Reality

Early in 2018, we defined a new vision for HTC, a vision to unite all teams and businesses around a single direction: VIVE Reality.

VIVE was founded three years ago on the uniting of humanity and technology to unleash the imagination. VIVE Reality describes the convergence of Virtual and Augmented Reality (VR and AR), artificial intelligence (AI), high-speed connectivity and other emerging technologies, where humans interact with virtual and augmented reality environments naturally and natively. 5G and subsequent wireless connectivity standards will usher in a whole new era of experiences that will truly revolutionize the way we live, work, and play. Light-speed data transmission and edge computing will enable access to immersive content anywhere, in real time. In this new ecosystem, smartphones will continue to play a vital role, and indeed will be the first step towards 5G for most of us, although they may take on different forms in the future as the need for device-based computing power diminishes. 5G and AI are

complementary technologies for VR and AR, enabling each device to provide the most immersive experiences for consumers and enterprises.
This convergence of technologies is reflected in HTC's realigned organization, with the VIVE and smartphone businesses collectively able to leverage the technical expertise and extensive experience of the diverse, world class design, engineering and manufacturing teams within HTC. This will enable us to continue to create beautiful, considered and intelligent products that empower our customers to pursue their own brilliance.

PRODUCT STRATEGY
Smartphones and Connected Devices

The HTC-branded smartphone business remains a strategic business for HTC. Smartphones are with us 24 hours a day; they are our digital hub and our primary connection to friends and family. HTC has a long and distinguished history in this industry, and we continue to raise the bar for innovation.

2017 saw several industry-first smartphone innovations introduced in the new family of smartphones called the U series, which included the flagship HTC U11, the HTC U11+ and the HTC U11 life.

For many years, interactions on smartphones have centered around on-screen interaction, but the HTC U11 introduced the next dimension in touch interaction: the squeeze. HTC Edge Sense is an unprecedented, intuitive way to interact with your smartphone, allowing users to launch and operate their favorite applications with a simple squeeze of their phone. HTC Edge Sense also featured in the HTC U11+ smartphone launched later in the year.

Our camera technologies were unparalleled in 2017, with smartphones designed by our teams taking the top three scores in the independent DxOMark industry benchmark. The HTC U11 achieved the highest ever ranking for a smartphone camera at launch. At the same time, our audio technologies were further refined, with HTC USonic offering personalized audio settings and the most advanced headset for personal audio, which even included active noise cancellation.

2017 was the year that AI came to smartphones with HTC Sense Companion, with the HTC U11 introducing the world to both Google Assistant and Amazon Alexa personal assistants available at the simple utterance of their respective wake-up phrases.

Finally, there was a new design language for all U series smartphones in the form of a seamless, curved 'liquid glass surface', created using a specialized technology for a remarkable reflective finish in strong colors, some with a stunning dual-tone effect.

In line with HTC practice, we will continue to bring flagship technologies to the wider market smartphones, with several features of the HTC U series set to feature on mid-range phones in 2018. We were delighted to launch our latest flagship, the HTC U12+, in the first half of 2018, gaining wide media coverage and strong acclaim. We also announced Project Exodus, an innovative framework for the best crypto networks. Working with the blockchain community, Project Exodus will result in a new smartphone to power the decentralized web for users more concerned about their privacy.

HTC VIVE Virtual Reality

The HTC VIVE has been firmly established as the industry leader in PC-based virtual reality (VR), and 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. The VIVE business unit retains its four distinct business areas, covering hardware, platform, content generation, and an accelerator program.

The HTC VIVE virtual reality system saw continued sales momentum over the year, with a price reduction to spur wider access in advance of the launch of the new headset, the HTC VIVE Pro, which was revealed at the Consumer Electronics Show (CES) in January 2018 to wide acclaim, winning many ‘best in show’ awards. A full headset upgrade with greatly enhanced resolution and built-in audio as well as improved design, the HTC VIVE Pro started shipping in Q2 2018. 2017 also saw the launch in China of the VIVE Focus, the first standalone headset in the VIVE series, which has been strongly welcomed, especially by the enterprise sector.

Beyond the headset, HTC launched two other innovations serving to expand the VR ecosystem: first, the VIVE Tracker, a device that can be affixed to real-life peripheral accessories and tracked by the base stations in the same way as the controllers. The Tracker has proved popular for applications like VR Sports, where it can be affixed to a table tennis paddle or a baseball bat for that authentic feel. Second was the VIVE Wireless Adaptor, also announced at the CES show in 2018, which allows users to ‘cut the cord’ and experience VIVE PC VR untethered.

The VIVE Focus launch saw the launch of the VIVE WAVE Open Platform, which is aimed at bringing together the highly fragmented mobile VR market by creating a common platform and storefront across multiple hardware vendors, enabling easy mobile VR content development and device optimization. Numerous content developers have already built VR content optimized for VIVE Wave, with more set to join as the platform gains momentum.

The VIVEPORT VR app marketplace has grown considerably in the past year, and now hosts over 1,000 content titles globally, providing an exceptional platform for content developers to promote their titles and enable greater monetization opportunities. During 2017, VIVEPORT Subscriptions was introduced, whereby subscribers can try five titles a month, which has created a consistent and growing revenue stream as well as building customer loyalty.

Content is a critical aspect of the VR ecosystem, with the number of titles across VIVEPORT and Steam at over 3,000 by early 2018. The VIVE platform received a boost in 2017 with the publication of Triple-A games for the HTC VIVE, including major franchises such as Star Trek: Bridge Crew, Doom VFR, L.A. Noir and FallOut 4, with more set to follow in 2018. These titles deliver hundreds of hours of gameplay, bringing the original PC games to life in room-scale VR with the HTC VIVE, and it is anticipated that these popular brands will provide fresh momentum to the adoption of VR among more mainstream consumers.

VIVE Studios, the content production engine for VIVE, saw the publication of several popular titles in 2017, including Front Defense. VIVE Studios continues to enhance its in-house content design and engineering capabilities, and it invests in external projects to produce compelling content in both gaming and non-gaming fields.

The VIVE X accelerator program executed its third batch of companies in 2017, and added Tel Aviv to its Beijing, Taipei, Shenzhen and San Francisco roster of locations, with London to roll out the first European batch in 2018. Over thirty companies per batch have taken part, focused on developing VR content, applications and tools that take VR into new areas and enhance VR operations.

Other new initiatives launched in 2017 include:

- VIVE Arcade: 2017 saw the first wave roll-out of VR arcades globally, with VIVEPORT Arcade creating a new revenue stream for developers and arcade owners. As the number of games designed for arcades grows, HTC sees arcades as the ideal forum for a wider group of consumers to try VR with minimal outlay and experience the immersive HTC VIVE.
- VIVE Arts: a multimillion dollar fund to enable and preserve cultural heritage for the world, and to democratize creation and artistic expression in the arts. VIVE Arts addresses a diverse, global audience and contributes to the knowledge and enjoyment of our cultural heritage, both in museums and in the home. HTC VIVE has helped bring exhibitions to life in the National Palace Museum in Taipei, and the Tate Modern and Royal Academy in London, among many others.
- VR for Impact: a multimillion dollar fund to inspire innovators to create compelling content that drives awareness around the United Nations ‘Sustainable Development Goals’; including experiences that make us more proactive in helping humanity solve some of the most difficult challenges facing our world today. Current content highlights global problems like deforestation, and the mass demise of honey bees; there are also applications for medical training and treatment in remote areas. In early 2018, HTC opened up this initiative to work with the World Economic Forum for wider engagement and thus greater impact.

The enterprise market continues to recognize the value of totally immersive VR in enhancing their business processes and collaboration activities, with companies both large and small around the world adopting the HTC VIVE for their strategic applications. Top-tier automotive and airline companies number among VIVE users, and there has been rapid growth in medical, healthcare and retail applications. With VR looking set to become a mainstream consumer technology in the near future, we look forward to the VIVE becoming a material contributor in HTC’s portfolio.

FINANCIAL PERFORMANCE

HTC continued its on-going drive for operating efficiency over the year, and we have stepped up those efforts following completion of the cooperation agreement with Google in early 2018, undertaking a significant realignment of smartphone business resources in order to bring operating expenditure in line with current and anticipated business needs. The consolidation of Company processes and management

structure changes have clarified organizational objectives and will drive greater efficiency across the regions, enabling a stronger, clearer focus on innovation for all teams.
Over 2017, HTC earned NT$62.1 billion in revenue, with a gross profit of NT$1.3 billion and a gross margin of 2.16%; however, the operating margin of -28.05% led to a net income of -NT$16.9 billion, corresponding to an earnings per share of -NT$20.58.

While keeping a keen eye on expenditure, HTC continues to invest in key technologies that will enable the Company to leapfrog current generation product trends and drive our vision of VIVE Reality.

CORPORATE RESPONSIBILITY

HTC takes our responsibility as a corporate citizen seriously, especially as a manufacturer, and makes every effort to conserve resources, and reduce waste and our carbon footprint.

HTC continued to work hard at further improving our energy management at our manufacturing facilities in 2017, achieving an electricity use reduction rate of up to 49.83%, compared to 42.26 % for 2016. The corresponding reduction in carbon emissions represented a greenhouse gas emission reduction of up to 50.20%, again comparing favorably to 2016's 42.69 %.

Progress was also made regarding the green fields and planted areas inside the factories, which are irrigated with recycled sewage water to avoid increasing total water consumption. This contributed to a sewage recycling rate of 73.99% in 2017, up from 72.54% the previous year

HTC is committed to smart, sustainable growth, and we strive to maximize our contribution towards a better world.

Our Pursuit of Brilliance is never-ending, and we have the right strategy, world-class talent and a heritage of innovation that will drive HTC's next stage of growth. As we look ahead, I am confident that our core strengths of innovation, engineering and system integration, combined with our strong IP portfolio and commitment to platform development, will continue to be the foundation for our success.

HTC Corporation

Chairwoman and CEO: Cher Wang

Chief Accountant: Hsiu Lai

Supplement 2

HTC CORPORATION

Supervisors Audit Report

The Board of Directors has prepared the Company's 2017 Business Report, Financial Statements and Deficit Compensation Proposal. HTC Corporation's Financial Statements have been audited and certified by Hsu, Wen-Ya, CPA, and Casey Lai, CPA, of Deloitte & Touche and an audit report relating to the Financial Statements has been issued. The Business Report, Financial Statements and Deficit Compensation Proposal have been reviewed and considered to be complied with relevant rules by the undersigned, the supervisor of HTC Corporation. According to Article 219 of the Company Law, I hereby submit this report.

HTC CORPORATION

Supervisor:

Huang-Chieh Chu

Way-Chih Investment Co., Ltd.
Representative: Shao-Lun Lee

March 30, 2018

Supplement 3

HTC Corporation

Rules of Procedure for Board of Directors Meetings

Article 1 Basis for the adoption of these rules
To establish a strong governance system and sound supervisory capabilities for the directors meetings of this corporation and strengthen management functions, these rules are adopted pursuant to the provisions of Article 26-3, paragraph 8 of the Securities and Exchange Act and Article 2 of the Regulations Governing Procedure for Board of Directors Meetings of Public Companies issued by the Financial Supervisory Commission.

Article 2 Scope of these rules
The procedural rules for this corporation's board of directors meeting, its main agenda items, operational procedures, required content of meeting minutes, public announcements, and other compliance requirements, shall be handled in accordance with the provisions in these rules.

Article 3 Convening of a board of directors meeting and meeting notification
The board of directors shall meet at least quarterly.

Each director and supervisor shall be given at least seven days advance notice of the reasons for convening a board of directors meeting. In emergency circumstances, however, a meeting may be called on shorter notice.

With the prior consent of the recipients, the meeting notice of the preceding paragraph may be given by electronic means.

All matters set forth in Article 7, paragraph 1, subparagraphs 1 through 8 shall be specified in the notice of the reasons for convening a board of directors meeting; none of those matters may be raised by an extraordinary motion except in the case of an emergency or for legitimate reason.

Article 4 Meeting place and time
A board of directors meeting shall be held at the location and during the business hours of the corporation, or at a place and time convenient for all directors to attend and suitable for holding such a meeting.

Article 5 Meeting notification and pre-meeting materials
The agenda working group of this Corporation shall be the Finance and Accounting Department.

The agenda working group shall prepare agenda items for board of directors meetings and fully provide sufficient pre-meeting materials, to be sent together with the notice of the meeting.

A director of the opinion that the pre-meeting materials provided are insufficient may request the agenda working group to supplement them. If a director is of the opinion that materials concerning any proposal are insufficient, the deliberation of such proposal may be postponed by a resolution of the board of directors.

Article 6 Reports
Agenda items for regular board of directors meetings shall include at least the following:
1.Matters to be reported:
(1) Minutes of the last meeting and action taken.
(2) Report on important financial and business matters.

(3) Report on internal audit activities.
(4) Other important matters to be reported.
2.Matters for discussion:
(1) Items for continued discussion from the last meeting.
(2) Items for discussion at this meeting.
3.Extraordinary motions.

Article 7 Matters for discussion
The matters listed below as they relate to this corporation shall be raised for discussion at the board of directors meeting:
1.Corporate business plan.
2.Annual and semi-annual financial reports, with the exception of semi-annual financial reports which, under laws and regulations, need not be audited and attested by a certified public accountant.
3.Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Act, and assessment of the effectiveness of the internal control system.
4.Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of any procedure for handling financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, loans of funds to others, and endorsements or guarantees for others.
5.The offering, issuance, or private placement of any equity-type securities.
6.The appointment or discharge of a financial, accounting, or internal audit officer.
7.A donation to a related party or a major donation to a non-related party, provided that a public-interest donation of disaster relief for a major natural disaster may be submitted to the following board of directors meeting for retroactive recognition.
8.Any matter required by Article 14-3 of the Securities and Exchange Act or any other law, regulation, or bylaw to be approved by resolution at a shareholders meeting or to be resolved by to a meeting of the board of directors, or any material matter as may be prescribed by the competent authority.
9.Long-term corporate business strategy.
10.Screening and approval of the corporate budget.
11.Screening and approval of major capital expenditures of the corporation.

The term "related party" in subparagraph 7 of the preceding paragraph, means a related party as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The term "major donation to a non-related party" means any individual donation, or cumulative donations within a 1-year period to a single recipient, at an amount of NTD100 million or more, or at an amount equal to or greater than 1 percent of net operating revenue or 5 percent of paid-in capital as stated in the certified public accountant-attested financial report for the most recent year.

The term "within a 1-year period" in the preceding paragraph, means a period of 1 year calculated retroactively from the date on which the current board of directors meeting is convened. Amounts already submitted to and passed by a resolution of the board are exempted from inclusion in the calculation.

The Company shall have at least one independent director attend the board meeting in person; with respect to a matter required by paragraph 1 to be resolved by a meeting of the board of directors, all independent directors of the Company shall attend the board meeting in person, if an independent director is unable to attend in person, the independent director shall appoint other independent directors to attend by proxy. If an independent director objects to or expresses reservations about such matter, it shall be recorded in the board meeting minutes; an independent director intending to express objection or reservations but unable to attend the meeting in person shall, unless there is some legitimate reason to do otherwise, issue a written opinion in advance, which shall be recorded in the board meeting minutes.

Article 8 Board of directors authorization principles
Apart from matters referred to in paragraph 1 of the preceding article, which are required to be submitted

for discussion by the board of directors, when the board of directors delegates any exercise of its powers pursuant to laws or regulations or the company's articles of incorporation, matters such as the level and substance of the delegation shall be concretely and specifically set out.

Article 9 Preparation of documents such as the attendance book, and attendance by proxy of a director
When a board of directors meeting is held, an attendance book shall be provided for the directors who attend to sign-in, and be available for future reference.

Directors shall attend board meetings in person. If a director is unable to attend in person, the director may, in accordance with the company's articles of incorporation, appoint another director to attend in their place. Attendance via telecommunications is deemed as attendance in person.

A director who appoints another director to attend a board meeting in their place shall in each instance give the appointed director a written proxy stating the scope of authorization with respect to the reasons for convening the meeting.

A person appointed under the second paragraph of this Article may accept a proxy from one person only.

Article 10 Meeting chair and acting chair
Meetings of the board of directors shall be convened and chaired by the chairman of the board. However, the first meeting of each newly elected board of directors shall be called and chaired by the director who received votes representing the largest portion of voting rights at the shareholders meeting in which the directors were elected; if there are two or more directors so entitled to convene the meeting, they shall choose one person by and from among themselves to do so.

When the chairman of the board is on leave or for any reason unable to exercise the powers of the chairman, the vice chairman shall act in place of the chairman; if there is no vice chairman or the vice chairman is also on leave or for any reason unable to exercise those powers, the chairman shall designate one of the directors to do so. Where the chairman does not make such a designation, a director shall be elected by and from among the directors to serve as chair.

Article 11 Non-voting participants
When the corporation convenes a board of directors meeting, the agenda working group shall provide relevant materials to the directors attending the meeting for their reference as necessary.

As merited by the content of a proposal to be put forward at the meeting, the convener of the board of directors meeting may notify relevant personnel of subsidiaries to attend, and when necessary, may also invite certified public accountants, attorneys, or other professionals to attend the meeting as non-voting participants and to make explanatory statements, provided that they shall leave the meeting when deliberation or voting takes place..

Article 12 Convening of board of directors meetings
If one-half of all the directors are not in attendance at the appointed meeting time, the meeting chair may announce postponement of the meeting time, provided that the meeting may be postponed two times only. If the quorum is still not met after two postponements, the chair may reconvene the meeting following the procedures provided in Article 3, paragraph 2.

The term "all directors" as used in the preceding paragraph and in Article 18, paragraph 2, subparagraph 2 shall be calculated as the number of directors then actually in office.

Article 13 Discussion of proposals
A board of directors meeting shall be conducted according to the order of the agenda procedure as stated in the meeting notice. However, that order may be changed with the approval of a majority of directors in

attendance at the meeting.

The meeting chair may not declare the meeting closed without the approval of a majority of directors in attendance at the meeting.

If at any time during the course of a board of directors meeting the number of directors sitting at the meeting does not constitute a majority of the directors in attendance at the meeting, then upon a motion by the directors sitting at the meeting, the chair shall declare a suspension of the meeting, in which case Section 1 of the preceding article shall apply mutatis mutandis.

Article 14 Voting-I
When the chair at a board of directors meeting is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed and call a vote.

When a proposal comes to a vote at a board of directors meeting, if upon inquiry by the chair all directors in attendance voices no objection, that proposal is deemed approved. If upon inquiry by the chair there is an objection, the proposal shall be brought to a vote.

One voting method for proposals at a board of directors meeting shall be selected by the chair from among the provisions below, provided that when one of those in attendance has an objection, the chair shall solicit multiple opinions upon which to make a decision:
1. Show of hands.
2. Roll call vote.
3. Vote by ballot.
4. Vote by a method selected at the corporation's discretion.

The previous two sections concerning the full body of directors do not apply to the directors who are precluded from the use of voting rights according to Article 17.

Article 15 Voting-II and vote monitoring and counting methods
When there is any amendment or alternative to a proposal, the chair shall place such amended proposal or alternative proposal together with the original proposal and determine their voting order. If any one among them is passed, the other proposals shall thereupon be deemed rejected, and no further voting on them shall be required.

If a vote on a proposal requires monitoring and counting personnel, the chair shall appoint such personnel, however, all monitoring personnel shall be directors.

Voting results shall be made known immediately and recorded in writing.

If matters put to a resolution constitute material information under law or regulation or the provisions of the Taiwan Stock Exchange Corporation (or GreTai Securities Market) regulations, this corporation shall input the content of such resolution into the Market Observation Post System (MOPS) within the prescribed time period.

Article 16 Voting-III
Except as otherwise provided in the Securities and Exchange Act, the Company Act, or the Article of Incorporation, a resolution on a proposal at a board of directors meeting requires the approval of a majority of the directors in attendance at a meeting attended by a majority of all directors.

Article 17 Recusal system for directors
If an interested party relationship exists for a director, or the juristic person he/she represents, regarding an agenda item, the director shall state the important aspects of the interested party relationship at the

respective meeting. When the relationship is likely to prejudice the interests of the corporation, that director may not participate in the discussion and voting on that item, and shall recuse himself/herself during the discussion and voting on the resolution, and also may not exercise voting rights as proxy on behalf of another director.

With respect to a resolution at a board of directors meeting, the provisions of Article 180, paragraph 2, of the Company Act, as applied mutatis mutandis under Article 206, paragraph 3, of that Act, shall apply in cases where a director is prohibited by the preceding paragraph from exercising voting rights.

Article 18 Meeting minutes and sign-in matters
Minutes shall be prepared of the discussions at a board of directors meeting, and the minutes shall record the matters listed below in a detailed and accurate manner:

1. Session (or year), time, and place of meeting.
2. Name of the meeting chair.
3. Attendance of directors at the meeting, specifying the names and number of directors in attendance, excused, and absent.
4. Names and titles of those attending the meeting as nonvoting participants.
5. Name of minutes taker.
6. Matters reported on.
7. Discussion items: the method of resolution and the result for each proposal; a summary of the comments made by directors, supervisors, experts, and other persons; the name of any director that is an interested party as referred to in paragraph 1 of the preceding article, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal; opinions expressing objections or reservations at the meeting that were included in records or stated in writing; and any opinion issued in writing by an independent director under Article 7, paragraph 4.
8. Extraordinary motions: the name of the mover; the method of resolution and the result for each motion; a summary of the comments made by directors, supervisors, experts, and other persons; the name of any director that is an interested party as referred to in paragraph 1 of the preceding article, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal; and opinions expressing objections or reservations at the meeting that were included in records or stated in writing.
9. Other matters required to be recorded.

Any of the following matters in relation to a resolution passed at a meeting of the board of directors shall be stated in the meeting minutes, and within two days from the date of the meeting be published on an information reporting website designated by the competent authority:

1. Any matter about which an independent director expresses an objection or reservation of which there is a record or written statement.
2. If the corporation has established an audit committee, what is adopted with the approval of two-thirds or more of all directors without having been passed by the audit committee.

The attendance book forms a part of the minutes for each board of directors meeting and shall be kept appropriately within the corporation during the existence of company.

The minutes of a board of directors meeting shall bear the signature or seal of both the meeting chair and the minutes taker; a copy of the minutes shall be distributed to each director and supervisor within 20 days after the meeting and kept appropriately as important company records during the existence of the company.

The production and distribution of the meeting minutes referred to in paragraph 1 may be done in electronic form.

Article 19 Documentation by audio or video tape
The Corporation shall document proceedings of a board of directors meeting in their entirety via audio or video and keep such documentation for a minimum of 5 years; such documentation may be kept in electronic form.

If before the end of the period for keeping documentation under the preceding paragraph any litigation arises with respect to a resolution of a board of directors meeting, the relevant audio or video documentation shall continue to be kept until the litigation has concluded.

Where a board of directors meeting is held via telecommunications, the video-conferencing of the meeting forms a part of the meeting minutes and shall be retained during the existence of the company.

Article 20 Supplementary provisions
These rules of procedure, and any amendments hereto, shall be adopted by approval of a board of directors meeting, and shall be reported to the shareholders meeting.

Supplement 4

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 (the Company), which comprise the parent company only balance sheets as of December 31, 2017 and 2016, 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 the Company as of December 31, 2017 and 2016, 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 Taiwan, 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 the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of Taiwan, 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, 2017. 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, 2017 are as follows:

<u>Allowances for Doubtful Accounts</u>

As of December 31, 2017, the balance of allowances for doubtful accounts amounted to NT$2,349,999 thousand. The allowance for doubtful accounts was arrived at by reference to the aging of receivables and credit risk assessment of customers. The Company has only one major customer. All the other customers are located in areas with varied economic situations; thus, the credit risk are also varied. The Company's use of judgment in evaluating the adequacy of allowance for doubtful accounts and the large amount of trade receivables make the evaluation of allowance for doubtful accounts a key audit matter.

We obtained an understanding of the accounting policy on the evaluation of allowance for doubtful accounts, including the assessment of credit risk on every customer. We tested the aging schedule prepared by the Company against the supporting documents. We checked compliance with the Company's policy on the evaluation of allowance for doubtful accounts. We compared the allowance for doubtful accounts at the end of the current and prior periods for reasonableness.

For the accounting policy on the evaluation of allowance for doubtful accounts, please refer to Note 4; for critical accounting judgments and key sources of estimation uncertainty, please refer to Note 5; and for other relevant disclosures, please refer to Notes 10 and 28.

Valuation of Inventories

The Company's operations are mainly in the research, manufacture and sale of smart mobile devices, and the balance of inventories amounted to NT$6,673,385 thousand as of December 31, 2017. Due to the rapid change in technology, the industry is highly competitive; in addition, since the management needs to apply judgment to evaluate the net realizable value of inventories and as the balance of inventories represents a significant portion of the Company's total assets as of December 31, 2017, the valuation of inventories was deemed to be a key audit matter.

We evaluated the accounting policy on the assessment of inventory write-downs. We obtained an understanding of the products and their classifications and marketing plans and we tested the Company's determination of net realizable value.

For the accounting policy on the assessment of inventory write-downs, please refer to Note 4; for critical accounting judgments and key sources of estimation uncertainty, please refer to Note 5; and for other relevant disclosures, please refer to Note 11.

Impairment of Property, Plant and Equipment, Prepayments, Intangible Assets and Deferred Tax Assets

As of December 31, 2017, the carrying amounts of property, plant and equipment, prepayments, intangible assets and deferred tax assets were NT$9,742,069 thousand, NT$3,262,353 thousand, NT$72,384 thousand and NT$8,867,425 thousand, respectively. The Company operates in a highly competitive environment. From previous periods, the current period operating conditions and earnings deteriorated significantly, indicating potential impairment of the assets. As impairment may be material to the Company's financial statements for the year ended December 31, 2017, the evaluation of impairment was deemed to be a key audit matter.

The audit procedures performed in respect of the assessment of assets for impairment included the following:

1. We obtained an understanding of the procedures and controls performed by management in assessing the impairment of assets.

2. We evaluated whether the assessment performed by management considered the operating conditions and the industry situation.

3. We evaluated the reasonableness of comparable information, discount rate and recovery rate used in the report of external expert.

For the accounting policy on the impairment of property, plant and equipment, prepayments, intangible assets and deferred tax assets, please refer to Note 4; for critical accounting judgments and key sources of estimation uncertainty, please refer to Note 5; and for other relevant disclosures, please refer to Notes 12, 15, 16 and 24.

Revenue Recognition

According to the accounting policy stated in Note 4, revenue from the sale of goods is recognized when the significant risks and ownership are transferred to the buyers. Considering that receivables from identified customers have become overdue for number of days but trading with the customers continued, and because revenues from such customers have significant influence on the Company's financial statements for the year ended December 31, 2017, the revenue recognition was deemed to be a key audit matter.

We have obtained necessary understanding and have verified the accounting policy and the design and implementation of internal controls with respect to the Company's revenue recognition. We checked compliance with the accounting policy on revenue recognition by reviewing the relevant contracts. For ensuring the Company's compliance with IAS 18, samples from the recognized revenue have been selected to verify if the conditions of revenue recognition were met.

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 from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company'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 the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including management and supervisors, are responsible for overseeing the Company'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 from 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 Taiwan, 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 Taiwan, 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 the Company'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 the Company'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 the Company 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 the entities or business activities within the Company 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, 2017 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 audit resulting in this independent auditors' report are Wen-Yea Shyu and Kwan-Chung Lai.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 25, 2018

<u>*Notice to Readers*</u>

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 Taiwan, 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 Taiwan, 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 Taiwan, 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. Also, as stated in Note 4 to the parent company only financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.

HTC CORPORATION

PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017		2016	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	$ 5,464,879	8	$ 15,299,273	15
Financial assets at fair value through profit or loss - current (Notes 7 and 28)	65,199	-	143,642	-
Trade receivables, net (Note 10)	1,247,623	2	4,951,500	5
Trade receivables - related parties, net (Notes 10 and 29)	946,098	2	6,659,174	7
Other receivables (Note 10)	38,413	-	84,714	-
Current tax assets (Note 24)	41,962	-	33,505	-
Inventories (Note 11)	6,673,385	10	12,685,394	12
Prepayments (Notes 12 and 29)	1,035,501	2	1,084,696	1
Other current financial assets (Note 30)	149,195	-	112,943	-
Other current assets	133,103	-	64,699	-
Total current assets	15,795,358	24	41,119,540	40
NON-CURRENT ASSETS				
Available-for-sale financial assets - non-current (Note 28)	91	-	86	-
Financial assets measured at cost - non-current (Notes 9 and 28)	510,292	1	515,861	1
Investments accounted for using equity method (Note 14)	27,704,536	43	37,673,892	37
Property, plant and equipment (Notes 15 and 29)	9,742,069	15	10,501,997	10
Intangible assets (Note 16)	72,384	-	309,321	-
Deferred tax assets (Note 24)	8,867,425	14	8,431,842	8
Refundable deposits (Note 28)	87,727	-	1,435,391	1
Net defined benefit asset - non-current (Note 20)	19,811	-	41,588	-
Other non-current assets (Note 12)	2,226,852	3	2,580,796	3
Total non-current assets	49,231,187	76	61,490,774	60
TOTAL	$ 65,026,545	100	$ 102,610,314	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - current (Notes 7 and 28)	$ 75,184	-	$ 133,420	-
Note and trade payables (Note 17)	15,050,481	23	26,647,656	26
Trade payable - related parties (Notes 17 and 29)	245,927	1	803,465	1
Other payables (Notes 18 and 29)	11,908,114	18	17,849,265	18
Current tax liabilities (Note 24)	11,306	-	12,202	-
Provisions - current (Note 19)	3,187,020	5	3,065,589	3
Other current liabilities (Note 18)	817,956	1	2,319,525	2
Total current liabilities	31,295,988	48	50,831,122	50
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Note 24)	33,716	-	6,218	-
Guarantee deposits received (Note 28)	1,265	-	1,468	-
Total non-current liabilities	34,981	-	7,686	-
Total liabilities	31,330,969	48	50,838,808	50
EQUITY (Note 21)				
Share capital - ordinary shares	8,208,261	13	8,220,087	8
Capital surplus	15,551,491	24	15,614,641	15
Retained earnings				
Legal reserve	18,297,655	28	18,297,655	18
(Accumulated deficits) unappropriated earnings	(6,093,403)	(9)	10,841,425	10
Other equity	(2,268,428)	(4)	(1,202,302)	(1)
Total equity	33,695,576	52	51,771,506	50
TOTAL	$ 65,026,545	100	$ 102,610,314	100

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, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Loss Per Share)

	2017		2016	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES (Notes 8, 22 and 29)	$ 59,333,893	100	$ 74,228,118	100
OPERATING COSTS (Notes 11, 20, 23 and 29)	59,902,516	101	66,859,647	90
GROSS (LOSS) PROFIT	(568,623)	(1)	7,368,471	10
UNREALIZED GAINS	(194,475)	-	(688,022)	(1)
REALIZED GAINS	688,022	1	1,178,011	2
REALIZED GROSS (LOSS) PROFIT	(75,076)	-	7,858,460	11
OPERATING EXPENSES (Notes 20, 23 and 29)				
Selling and marketing	3,361,768	6	6,289,362	9
General and administrative	2,688,454	5	3,040,714	4
Research and development	9,466,527	16	9,990,574	13
Total operating expenses	15,516,749	27	19,320,650	26
LOSS FROM OPERATIONS	(15,591,825)	(27)	(11,462,190)	(15)
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 23)	377,293	1	192,955	-
Other gains and losses (Notes 8, 9, 13, 15 and 23)	855,945	1	3,005,805	4
Finance costs	(31,251)	-	(5,156)	-
Share of the profit or loss of subsidiaries and joint ventures (Note 14)	(3,067,613)	(5)	(2,823,843)	(4)
Total non-operating income and expenses	(1,865,626)	(3)	369,761	-
LOSS BEFORE INCOME TAX	(17,457,451)	(30)	(11,092,429)	(15)
INCOME TAX BENEFIT (Note 24)	551,738	1	532,326	1
LOSS FOR THE YEAR	(16,905,713)	(29)	(10,560,103)	(14)

(Continued)

HTC CORPORATION

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Loss Per Share)

	2017		2016	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME AND LOSS				
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit plans (Note 20)	$ (32,368)	-	$ (53,143)	-
Share of the profit or loss of subsidiaries - items that will not be reclassified to profit or loss	(632)	-	(683)	-
Income tax relating to the components of other comprehensive loss - items that will not be reclassified to profit or loss (Note 24)	3,885	-	6,377	-
	(29,115)	-	(47,449)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(1,401,850)	(2)	(2,254,715)	(3)
Unrealized gains on available-for-sale financial assets	5	-	11	-
Share of the profit or loss of subsidiaries - items that may be reclassified to profit or loss	131,387	-	(153,460)	(1)
	(1,270,458)	(2)	(2,408,164)	(4)
Other comprehensive loss for the year, net of income tax	(1,299,573)	(2)	(2,455,613)	(4)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	$ (18,205,286)	(31)	$ (13,015,716)	(18)
LOSS PER SHARE (Note 25)				
Basic	$ (20.58)		$ (12.81)	

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

HTC CORPORATION

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Share Capital		Retained Earnings		Other Equity				
	Ordinary Shares	Capital Surplus	Legal Reserve	Unappropriated Earnings (Accumulated Deficits)	Exchange Differences on Translating Foreign Operations	Unrealized Losses on Available-for-sale Financial Assets	Unearned Employee Benefit	Treasury Shares	Total Equity
BALANCE, JANUARY 1, 2016	$ 8,318,695	$ 15,505,853	$ 18,297,655	$ 21,782,432	$ 1,473,417	$ (13,633)	$ (371,369)	$ (200,955)	$ 64,792,095
Net loss for the year ended December 31, 2016	-	-	-	(10,560,103)	-	-	-	-	(10,560,103)
Other comprehensive income and loss for the year ended December 31, 2016	-	-	-	(47,449)	(2,254,715)	(153,449)	-	-	(2,455,613)
Buy-back of treasury shares	-	-	-	-	-	-	-	(436,869)	(436,869)
Retirement of treasury shares	(111,600)	(192,769)	-	(333,455)	-	-	-	637,824	-
Share-based payments	12,992	301,557	-	-	-	-	117,447	-	431,996
BALANCE, DECEMBER 31, 2016	8,220,087	15,614,641	18,297,655	10,841,425	(781,298)	(167,082)	(253,922)	-	51,771,506
Net loss for the year ended December 31, 2017	-	-	-	(16,905,713)	-	-	-	-	(16,905,713)
Other comprehensive income and loss for the year ended December 31, 2017	-	-	-	(29,115)	(1,401,850)	131,392	-	-	(1,299,573)
Issuance of stock from exercise of employee stock options	100	445	-	-	-	-	-	-	545
Share-based payments	(11,926)	(63,595)	-	-	-	-	204,332	-	128,811
BALANCE, DECEMBER 31, 2017	$ 8,208,261	$ 15,551,491	$ 18,297,655	$ (6,093,403)	$ (2,183,148)	$ (35,690)	$ (49,590)	$ -	$ 33,695,576

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, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	$ (17,457,451)	$ (11,092,429)
Adjustments for:		
Depreciation expense	716,572	1,121,095
Amortization expense	237,503	361,804
Bad debt reversed	(362,870)	(299,951)
Finance costs	31,251	5,156
Interest income	(76,579)	(121,919)
Compensation costs of employee share-based payments	129,647	404,461
Share of the profit or loss of subsidiaries and joint ventures	3,067,613	2,823,843
Gain on disposal of property, plant and equipment	-	(3,199,503)
Impairment losses on financial assets	5,569	-
Impairment losses on non-financial assets	5,757,281	1,956,188
Unrealized gains on sales	194,475	688,022
Realized gains on sales	(688,022)	(1,178,011)
Changes in operating assets and liabilities		
Decrease in financial instruments held for trading	20,207	48,727
Decrease in trade receivables	4,066,747	1,359,474
Decrease in trade receivables - related parties	5,713,076	1,296,178
Decrease in other receivables	44,682	174,371
Decrease in inventories	453,086	1,192,584
Decrease in prepayments	49,195	2,292,526
Increase in other current assets	(68,404)	(10,208)
Decrease in other non-current assets	336,098	1,903,888
Decrease in note and trade payables	(11,597,002)	(3,007,062)
(Decrease) increase in trade payable - related parties	(557,711)	418,724
Decrease in other payables	(5,910,360)	(6,217,185)
Increase (decrease) in provisions	121,431	(2,386,218)
Decrease in other current liabilities	(1,501,569)	(698,174)
Cash used in operations	(17,275,535)	(12,163,619)
Interest received	78,198	120,334
Interest paid	(31,251)	(5,156)
Income tax refund (paid)	138,185	(262,765)
Net cash used in operating activities	(17,090,403)	(12,311,206)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of investments accounted for using equity method	-	182,579
Proceeds from disposal of non-current assets held for sale	-	6,060,000
Payments for property, plant and equipment	(178,538)	(463,690)
Disposal of property, plant and equipment	-	2,880,172
Increase in refundable deposits	-	(47,813)
Decrease in refundable deposits	1,347,664	-
Payments for intangible assets	(566)	(48,987)

(Continued)

HTC CORPORATION

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
Increase in other current financial assets	$ (36,252)	$ (112,943)
Dividend received	4,421	1,926
Net cash generated from investing activities	1,136,729	8,451,244
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in guarantee deposits received	(203)	(166)
Proceeds from exercise of employee stock options	545	-
Payments for treasury shares	-	(436,869)
Net cash outflow on acquisition of subsidiaries	(225,632)	(1,092,718)
Capital reduction of subsidiaries	6,344,570	-
Net cash generated from (used in) financing activities	6,119,280	(1,529,753)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(9,834,394)	(5,389,715)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	15,299,273	20,688,988
CASH AND CASH EQUIVALENTS, END OF THE YEAR	$ 5,464,879	$ 15,299,273

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

Supplement 5

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 (collectively referred to as the Company), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, 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 the Company as of December 31, 2017 and 2016, 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 Taiwan, 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 Taiwan, 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 the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of Taiwan, 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, 2017. 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, 2017 are as follows:

Allowance for Doubtful Accounts

As of December 31, 2017, the balance of allowance for doubtful accounts amounted to NT$3,901,541 thousand. The allowance for doubtful accounts was arrived at by reference to the aging of receivables and credit risk assessment of customers. The Company has only one major customer. All the other customers are located in areas with varied economic situations; thus, the credit risk are also varied. The Company's use of judgment in evaluating the adequacy of allowance for doubtful accounts and the large amount of trade receivables make the evaluation of allowance for doubtful accounts a key audit matter.

We obtained an understanding of the accounting policy on the evaluation of allowance for doubtful accounts, including the assessment of credit risk on every customer. We tested the aging schedule prepared by the Company against the supporting documents. We checked compliance with the Company's policy on the evaluation of allowance for doubtful accounts. We compared the allowance for doubtful accounts at the end of the current and prior periods for reasonableness.

For the accounting policy on the evaluation of allowance for doubtful accounts, please refer to Note 4; for critical accounting judgments and key sources of estimation uncertainty, please refer to Note 5; and for other relevant disclosures, please refer to Notes 11 and 32.

Valuation of Inventories

The Company's operations are mainly in the research, manufacture and sale of smart mobile devices, and the balance of inventories amounted to NT$7,381,426 thousand as of December 31, 2017. Due to the rapid change in technology, the industry is highly competitive; in addition, since the management needs to apply judgment to evaluate the net realizable value of inventories and as the balance of inventories represents a significant portion of the consolidated financial statements as of December 31, 2017, the valuation of inventories was deemed to be a key audit matter.

We evaluated the accounting policy on the assessment of inventory write-downs. We obtained an understanding of the products and their classifications and marketing plans and we tested the Company's determination of net realizable value.

For the accounting policy on the assessment of inventory write-downs, please refer to Note 4; for critical accounting judgments and key sources of estimation uncertainty, please refer to Note 5; and for other relevant disclosures, please refer to Note 12.

Impairment of Property, Plant and Equipment, Prepayments, Intangible Assets and Deferred Tax Assets

As of December 31, 2017, the carrying amounts of property, plant and equipment, prepayments, intangible assets and deferred tax assets were NT$10,798,613 thousand, NT$3,976,719 thousand, NT$2,315,905 thousand and NT$8,990,648 thousand, respectively. The Company operates in a highly competitive environment. From previous periods, the current period operating conditions and earnings deteriorated significantly, indicating potential impairment of the assets. As impairment may be material to the consolidated financial statements for the year ended December 31, 2017, the evaluation of impairment was deemed to be a key audit matter.

The audit procedures performed in respect of the Company's assessment of assets for impairment included the following:

1. We obtained an understanding of the procedures and controls performed by management in assessing the impairment of assets.

2. We evaluated whether the assessment performed by management considered the operating conditions and the industry situation.

3. We evaluated the reasonableness of comparable information, discount rate and recovery rate used in the report of external expert.

For the accounting policy on the impairment of property, plant and equipment, prepayments, intangible assets and deferred tax assets, please refer to Note 4; for critical accounting judgments and key sources of estimation uncertainty, please refer to Note 5; and for other relevant disclosures, please refer to Notes 13, 17, 19 and 27.

Revenue Recognition

According to the accounting policy stated in Note 4, revenue from the sale of goods is recognized when the significant risks and ownership are transferred to the buyers. Considering that some trade receivables have become overdue indicating credit risk in customers, sales revenue may need stricter validation. Because of the significance of sales revenue, revenue recognition was deemed to be a key audit matter.

We have obtained necessary understanding and have verified the accounting policy and the design and implementation of internal controls with respect to the Company's revenue recognition. We checked compliance with the accounting policy on revenue recognition by reviewing the relevant contracts. For ensuring the Company's compliance with IAS 18, samples from the recognized revenue have been selected to verify if the conditions of revenue recognition were met.

Other Matters

We have also audited the parent company only financial statements of HTC Corporation as of and for the years ended December 31, 2017 and 2016 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 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 Taiwan, 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 from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company'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 the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including management and supervisors, are responsible for overseeing the Company's 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 from 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 Taiwan, 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 Taiwan, 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 the Company'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 the Company'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 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 the Company 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 the Company 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, 2017 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 audit resulting in this independent auditors' report are Wen-Yea, Shyu and Kwan-Chung, Lai.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 25, 2018

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 Taiwan, 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 Taiwan, 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 Taiwan, 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. Also, as stated in Note 4 to the consolidated financial statements, the additional footnote disclosures that are not required under accounting principles and practices generally applied in Taiwan, the Republic of China were not translated into English.

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017		2016	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	$ 10,443,227	16	$ 30,080,217	29
Financial assets at fair value through profit or loss - current (Notes 7 and 32)	65,199	-	143,642	-
Available-for-sale financial assets - current (Note 32)	312,106	-	199,344	-
Debt investments with no active market - current (Note 32)	-	-	8,067	-
Trade receivables, net (Notes 11 and 33)	8,537,096	13	15,961,835	15
Other receivables (Note 11)	103,497	-	168,526	-
Current tax assets (Note 27)	131,901	-	184,817	-
Inventories (Note 12)	7,381,426	11	14,163,571	14
Prepayments (Note 13)	1,742,986	3	1,833,499	2
Non-current assets held for sale (Note 14)	1,647,763	3	-	-
Other current financial assets (Notes 10 and 34)	7,988,363	12	5,750,450	6
Other current assets	135,821	-	68,414	-
Total current assets	38,489,385	58	68,562,382	66
NON-CURRENT ASSETS				
Available-for-sale financial assets - non-current (Note 32)	91	-	86	-
Financial assets measured at cost - non-current (Notes 9 and 32)	3,187,240	5	3,363,736	3
Debt investments with no active market - non-current (Note 32)	-	-	25,009	-
Investments accounted for using equity method (Note 16)	413,120	1	531,445	1
Property, plant and equipment (Notes 17 and 33)	10,798,613	16	12,025,496	12
Investment properties, net (Note 18)	-	-	1,527,001	1
Intangible assets (Note 19)	2,315,441	3	3,878,356	4
Deferred tax assets (Note 27)	8,990,648	14	8,957,876	9
Refundable deposits (Note 32)	139,016	-	1,501,480	1
Net defined benefit asset - non-current (Note 23)	18,119	-	40,439	-
Other non-current assets (Note 13)	2,233,733	3	2,735,876	3
Total non-current assets	28,096,021	42	34,586,800	34
TOTAL	$ 66,585,406	100	$ 103,149,182	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - current (Notes 7 and 32)	$ 75,184	-	$ 133,420	-
Note and trade payables (Notes 20 and 33)	14,569,222	22	26,247,728	26
Other payables (Note 21)	11,681,890	18	18,348,734	18
Current tax liabilities (Note 27)	253,240	-	155,651	-
Provisions - current (Note 22)	3,377,201	5	3,384,311	3
Other current liabilities (Note 21)	2,850,713	4	3,004,432	3
Total current liabilities	32,807,450	49	51,274,276	50
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Note 27)	47,147	-	81,294	-
Guarantee deposits received (Note 32)	5,681	-	22,106	-
Total non-current liabilities	52,828	-	103,400	-
Total liabilities	32,860,278	49	51,377,676	50
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 24)				
Share capital - ordinary shares	8,208,261	12	8,220,087	8
Capital surplus	15,551,491	24	15,614,641	15
Retained earnings				
Legal reserve	18,297,655	27	18,297,655	18
(Accumulated deficits) unappropriated earnings	(6,093,403)	(9)	10,841,425	10
Other equity	(2,268,428)	(3)	(1,202,302)	(1)
Total equity attributable to owners of the parent	33,695,576	51	51,771,506	50
NON-CONTROLLING INTERESTS	29,552	-	-	-
Total equity	33,725,128	51	51,771,506	50
TOTAL	$ 66,585,406	100	$ 103,149,182	100

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, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Loss Per Share)

	2017		2016	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 8, 25 and 33)	$ 62,119,814	100	$ 78,161,158	100
OPERATING COST (Notes 12, 23, 26 and 33)	60,780,122	98	68,726,567	88
GROSS PROFIT	1,339,692	2	9,434,591	12
OPERATING EXPENSES (Notes 23, 26 and 33)				
Selling and marketing	4,792,893	8	8,861,758	11
General and administrative	3,532,107	5	4,223,697	6
Research and development	10,440,209	17	10,957,200	14
Total operating expenses	18,765,209	30	24,042,655	31
OPERATING LOSS	(17,425,517)	(28)	(14,608,064)	(19)
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 26)	673,103	1	643,078	1
Other gains and losses (Notes 8, 14, 17 and 26)	(85,851)	-	3,448,618	4
Finance costs	(33,315)	-	(5,298)	-
Share of the profit or loss of associates and joint venture (Note 16)	(87,255)	-	(62,282)	-
Total non-operating income and expenses	466,682	1	4,024,116	5
LOSS BEFORE INCOME TAX	(16,958,835)	(27)	(10,583,948)	(14)
INCOME TAX BENEFIT (Note 27)	38,476	-	23,845	-
LOSS FOR THE YEAR	(16,920,359)	(27)	(10,560,103)	(14)
OTHER COMPREHENSIVE INCOME AND LOSS, NET OF INCOME TAX				
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit plans (Note 23)	(33,129)	-	(53,981)	-
Income tax relating to items that will not be reclassified to profit or loss (Note 27)	4,014	-	6,532	-
	(29,115)	-	(47,449)	-

(Continued)

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Loss Per Share)

	2017		2016	
	Amount	**%**	**Amount**	**%**
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	$ (1,401,328)	(2)	$ (2,254,715)	(3)
Unrealized gain (loss) on available-for-sale financial assets	131,392	-	(153,449)	-
	(1,269,936)	(2)	(2,408,164)	(3)
Other comprehensive loss for the year, net of income tax	(1,299,051)	(2)	(2,455,613)	(3)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	$ (18,219,410)	(29)	$ (13,015,716)	(17)
NET LOSS FOR THE YEAR ATTRIBUTABLE TO				
Owners of the parent	$ (16,905,713)	(27)	$ (10,560,103)	(14)
Non-controlling interests	(14,646)	-	-	-
	$ (16,920,359)	(27)	$ (10,560,103)	(14)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO				
Owners of the parent	$ (18,205,286)	(29)	$ (13,015,716)	(17)
Non-controlling interests	(14,124)	-	-	-
	$ (18,219,410)	(29)	$ (13,015,716)	(17)
LOSS PER SHARE (Note 28)				
Basic	$ (20.58)		$ (12.81)	

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

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Parent										
			Retained Earnings		Other Equity						
	Share Capital Ordinary Shares	Capital Surplus	Legal Reserve	Unappropriated Earnings (Accumulated Deficits)	Exchange Differences on Translating Foreign Operations	Unrealized Losses on Available-for-sale Financial Assets	Unearned Employee Benefit	Treasury Shares	Total	Non-controlling Interests	Total Equity
BALANCE, JANUARY 1, 2016	$ 8,318,695	$ 15,505,853	$ 18,297,655	$ 21,782,432	$ 1,473,417	$ (13,633)	$ (371,369)	$ (200,955)	$ 64,792,095	$ -	$ 64,792,095
Net loss for the year ended December 31, 2016	-	-	-	(10,560,103)	-	-	-	-	(10,560,103)	-	(10,560,103)
Other comprehensive income and loss for the year ended December 31, 2016	-	-	-	(47,449)	(2,254,715)	(153,449)	-	-	(2,455,613)	-	(2,455,613)
Buy-back of treasury shares	-	-	-	-	-	-	-	(436,869)	(436,869)	-	(436,869)
Retirement of treasury shares	(111,600)	(192,769)	-	(333,455)	-	-	-	637,824	-	-	-
Share-based payments	12,992	301,557	-	-	-	-	117,447	-	431,996	-	431,996
BALANCE, DECEMBER 31, 2016	8,220,087	15,614,641	18,297,655	10,841,425	(781,298)	(167,082)	(253,922)	-	51,771,506	-	51,771,506
Net loss for the year ended December 31, 2017	-	-	-	(16,905,713)	-	-	-	-	(16,905,713)	(14,646)	(16,920,359)
Other comprehensive income and loss for the year ended December 31, 2017	-	-	-	(29,115)	(1,401,850)	131,392	-	-	(1,299,573)	522	(1,299,051)
Issuance of stock from exercise of employee stock options	100	445	-	-	-	-	-	-	545	-	545
Share-based payments	(11,926)	(63,595)	-	-	-	-	204,332	-	128,811	-	128,811
Non-controlling interests	-	-	-	-	-	-	-	-	-	43,676	43,676
BALANCE, DECEMBER 31, 2017	$ 8,208,261	$ 15,551,491	$ 18,297,655	$ (6,093,403)	$ (2,183,148)	$ (35,690)	$ (49,590)	$ -	$ 33,695,576	$ 29,552	$ 33,725,128

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

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	$ (16,958,835)	$ (10,583,948)
Adjustments for:		
Depreciation expenses	1,006,481	1,752,322
Amortization expenses	1,386,637	1,639,516
Bad debt (reversed) expense	(362,870)	1,175,179
Finance costs	33,315	5,298
Interests income	(283,574)	(382,550)
Dividend income	(47,284)	(138,761)
Compensation costs of employee share-based payments	128,811	431,996
Share of the profit or loss of associates and joint venture	87,255	62,282
Net loss (gain) on disposal of property, plant and equipment	80,397	(3,196,381)
Net gain on sale of investments	(24,305)	-
Impairment loss on financial assets	109,779	-
Impairment loss on non-financial assets	6,048,636	2,054,453
Changes in operating assets and liabilities		
Decrease in financial instruments held for trading	20,207	48,727
Decrease in trade receivables	7,787,609	2,857,064
Decrease in other receivables	77,814	312,686
Decrease in inventories	1,068,702	2,918,208
Decrease in prepayments	90,513	2,567,469
(Increase) decrease in other current assets	(67,407)	26,197
Decrease in other non-current assets	396,101	1,993,672
Decrease in note and trade payables	(11,678,506)	(3,350,657)
Decrease in other payables	(6,662,537)	(6,574,405)
Decrease in provisions	(7,110)	(2,607,947)
Decrease in other current liabilities	(1,595,625)	(685,331)
Cash used in operations	(19,365,796)	(9,674,911)
Interest received	280,246	336,626
Interest paid	(33,315)	(5,298)
Income tax return (paid)	109,418	(275,929)
Net cash used in operating activities	(19,009,447)	(9,619,512)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments to acquire debt investment with no active market	-	(24,548)
Payments to acquire financial assets measured at cost	(218,734)	(203,283)
Proceeds from disposal of financial assets measured at cost	91,107	-
Acquisition of associates	(6,019)	(363,754)
Proceeds from disposal of investments accounted for using equity method	-	182,579
Net cash inflow on acquisition of subsidiaries	5,974	-
Payments for non-current assets held for sale	(3,830)	-
Proceeds from disposal of non-current assets held of sale	-	6,060,000
Payments for property, plant and equipment	(262,375)	(601,427)

(Continued)

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
Proceeds from disposal of property, plant and equipment	$ 17,766	$ 2,935,283
Increase in advance receipts - disposal of property	1,388,243	-
Decrease in refundable deposits	1,362,464	78,862
Payments for intangible assets	(566)	(75,455)
Increase in other current financial assets	(2,237,913)	(1,650,160)
Dividend received	47,284	83,844
Net cash generated from investing activities	183,401	6,421,941
CASH FLOWS FROM FINANCING ACTIVITIES		
Refund of guarantee deposits received	(16,425)	(8,053)
Proceeds from exercise of employee stock options	545	-
Buy-back of treasury shares	-	(436,869)
Net cash used in financing activities	(15,880)	(444,922)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(795,064)	(1,624,089)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(19,636,990)	(5,266,582)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	30,080,217	35,346,799
CASH AND CASH EQUIVALENTS, END OF THE YEAR	$ 10,443,227	$ 30,080,217

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

Supplement 6

HTC CORPORATION

The Chart of 2017 Deficit Compensation

UNIT: NT$

Item	Amount	
	Total	
Accumulated earnings at beginning of 2017		10,841,424,908
Less : Net loss of 2017	(16,905,712,247)	
Less : Remeasurement of defined benefit plan	(28,483,705)	
Less : Subsidiary's remeasurement of defined benefit plan recognized by equity method	(631,994)	
Deficit to be compensated at end of 2017		(6,093,403,038)

HTC CORPORATION

Chairwoman and CEO：Cher Wang

Chief Accountant：Hsiu Lai

Supplement 7

HTC Corporation

Article of Incorporation

Before and After Revision

Article no.	Original article	Amended article	Notes
Article 13	The Company shall have five to <u>seven</u> directors and two supervisors. The directors and supervisors shall be elected by a candidate nomination system. They shall be elected by the shareholders meeting from among the slate of director and supervisor candidates. The term of office is three years, and they may continue in office if re-elected. The aggregate shareholding percentages of the entire bodies of directors and supervisors shall comply with the regulations prescribed by the securities supervisory authorities.	The Company shall have five to <u>nine</u> directors and two supervisors. The directors and supervisors shall be elected by a candidate nomination system. They shall be elected by the shareholders meeting from among the slate of director and supervisor candidates. The term of office is three years, and they may continue in office if re-elected. The aggregate shareholding percentages of the entire bodies of directors and supervisors shall comply with the regulations prescribed by the securities supervisory authorities.	The amendment is to establish an audit committee as required by laws and regulations and to change the number of seats of directors based on actual needs.
Article 22	These Articles of Incorporation were adopted on 10 May 1997. The first amendment was made on 1 July 1997. The second amendment was made on 26 February 1998. The third amendment was made on 8 May 1998. The fourth amendment was made on 22 October 1998. The fifth amendment was made on 24 April 2000. The sixth amendment was made on 23 April 2001. The seventh amendment was made on 13 July 2001. The eighth amendment was made on 14 March 2002. The ninth amendment was made on 26 June 2003. The 10th amendment was made on 16 June 2004. The 11th amendment was made on 13 June 2005. The 12th amendment was made on 2 May 2006.	These Articles of Incorporation were adopted on 10 May 1997. The first amendment was made on 1 July 1997. The second amendment was made on 26 February 1998. The third amendment was made on 8 May 1998. The fourth amendment was made on 22 October 1998. The fifth amendment was made on 24 April 2000. The sixth amendment was made on 23 April 2001. The seventh amendment was made on 13 July 2001. The eighth amendment was made on 14 March 2002. The ninth amendment was made on 26 June 2003. The 10th amendment was made on 16 June 2004. The 11th amendment was made on 13 June 2005. The 12th amendment was made on 2 May 2006.	Add the date of amendment in this Article.

HTC Corporation

Article of Incorporation

Before and After Revision

Article no.	Original article	Amended article	Notes
	The 13th amendment was made on 20 June 2007. The 14th amendment was made on 13 June 2008. The 15th amendment was made on 19 June 2009. The 16th amendment was made on 18 June 2010. The 17th amendment was made on 15 June 2011. The 18th amendment was made on 21 June 2013. The 19th amendment was made on 19 June 2014. The 20th amendment was made on 2 June 2015. The 21st amendment was made on 24 June 2016.	The 13th amendment was made on 20 June 2007. The 14th amendment was made on 13 June 2008. The 15th amendment was made on 19 June 2009. The 16th amendment was made on 18 June 2010. The 17th amendment was made on 15 June 2011. The 18th amendment was made on 21 June 2013. The 19th amendment was made on 19 June 2014. The 20th amendment was made on 2 June 2015. The 21st amendment was made on 24 June 2016. The 22nd amendment was made on 26 June 2018.	

Appendix 1

HTC Corporation

Rules of Procedure for Shareholders Meetings

Article 1
The proceedings of shareholders meetings of the Corporation shall be conducted in accordance with these Rules of Procedure. Matters on which these Rules of Procedure are silent shall be handled in accordance with applicable laws and regulations.

Article 2
Shareholders who attend a shareholders meeting shall hand in an attendance card at the meeting in lieu of signing in. The number of shares in attendance shall be calculated based on the number of attendance cards that are handed in.

Article 3
The venue for the shareholders meeting shall be the location of the Corporation, or a place convenient for shareholders to attend and suited to convening a shareholders meeting. The time at which the meeting begins may not be earlier than 9 a.m. or later than 3 p.m.

Article 4
The chair shall call the meeting to order at the appointed meeting time. However, when the shareholders in attendance do not represent a majority of the total number of issued shares, the chair may announce the postponement of the meeting time; no more than two such postponements, for a combined total of not more than one hour, may be made. If the quorum is not met after two postponements and the shareholders in attendance represent one third or more of the total number of issued shares, a tentative resolution may be approved pursuant to the Company Act. The execution of a tentative resolution referred to in this paragraph shall be handled in accordance with the applicable provisions of the Company Act.

When the number of shares represented by the shareholders in attendance reaches the statutory number before the end of the meeting, the chair may resubmit the tentative resolution for a vote by the meeting in accordance with the provisions of the Company Act.

Article 5
If a shareholders meeting is convened by the board of directors, the chairman of the board shall chair the meeting. If the chairman of the board is unable to exercise powers for some reason, the chairman may designate one director to do so on the chairman's behalf. If the chairman does not designate a representative, the directors shall mutually select a chair from among themselves. If a shareholders meeting is convened by a party with convening power other than the board of directors, the convening party shall chair that meeting. When two or more parties meet this description, they shall mutually select a chair from among themselves.

Article 6
The Corporation may appoint retained attorneys or certified public accountants, or relevant personnel, to attend a shareholders meeting in a non-voting capacity. Staff handling administrative affairs of a shareholders meeting shall wear identification cards or arm bands.

Article 7
If a shareholders meeting is convened by the board of directors, the board of directors shall adopt the shareholders meeting agenda, compile and print a meeting agenda book, and distribute it to the attending shareholders or proxies. The meeting proceedings shall follow the order set in the agenda, which may not be changed without a shareholders meeting resolution.

If a shareholders meeting is convened by a party with convening power other than the board of directors, the provisions of the preceding paragraph shall apply mutatis mutandis.

Unless by resolution of the meeting, the chair may not declare the meeting closed before all of the items (including extraordinary motions) on the meeting agenda have been concluded. After the meeting is closed, shareholders may not separately elect a chair and resume the meeting at the original or another venue.

Article 8
Shareholders in attendance have the duty to comply with the meeting rules of procedure, abide by resolutions, and maintain order in the meeting place.

Article 9
Before speaking, shareholders in attendance must record the main points of their speech, their attendance number (or shareholder account number) and account name on a speaker's slip. The order in which they speak will be set by the chair. A shareholder in attendance who submits a speaker's slip but does not speak shall be deemed to have not spoken. Where the content of the speech and that recorded on the speaker's slip do not correspond, the spoken content shall prevail. When a shareholder in attendance is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the permission of the chair and the shareholder that has the floor; the chair shall stop any violation. A shareholder may not speak more than twice on the same proposal, and a single speech may not exceed five minutes, provided that with the chair's permission, these restrictions shall not apply.

If a shareholder's speech violates the provisions of the preceding paragraph or exceeds the scope of the agenda item, the chair may terminate the speech.

Article 10
When a proposal is under discussion, the chair may at an appropriate time declare the discussion closed, and when necessary, may also suspend discussion and speeches.

Article 11
The chair shall appoint scrutineers and ballot counters for votes on proposals; however, the scrutineers shall be shareholders. The results of the vote shall be made known immediately and recorded in writing.

Article 12
During a shareholders meeting, if the chair declares the meeting closed in violation of the meeting rules of procedure, one person may be elected as chair with the agreement of a majority of the shareholder voting rights in attendance, and the meeting may continue.

Article 13
The corporation shall document the proceedings of a shareholders meeting in their entirety via audio or video, and preserve such documentation for at least one year.

Article 14
Except for special resolutions as specified in the Company Act and the Articles of Incorporation that shall comply with the provisions therein, passage of a vote on a proposal shall require the consent of a majority of the voting rights of shareholders in attendance. If before a vote a non-ballot voting method is adopted and upon inquiry by the chair there is no objection, it is deemed passed, and its effectiveness shall be the same as a vote by ballot.

Article 15
While a meeting is in progress, the chair may consider the time schedule and announce a break. If a force majeure event occurs, the chair may rule for a temporary suspension of the meeting, and announce the time when the meeting will be reconvened depending on the circumstances, or the shareholders meeting may make a resolution to reconvene the meeting within five days without notification or public announcement.

Article 16
The chair may direct the sergeant-at-arms (or security personnel) to help maintain order at the meeting place. When the sergeant-at-arms (or security personnel) help maintain order at the meeting place, they shall wear an arm band bearing the words "sergeant-at-arms".

Article 17
Matters on which these Rules of Procedure are silent shall be handled in accordance with the Company Act and the Article of Incorporation of the Corporation.

Article 18
These Rules of Procedure, and any amendments hereto, shall be implemented after being adopted as a resolution by the board of directors and passed by a shareholders meeting.

Appendix 2

HTC Corporation

Articles of Incorporation

Chapter I General Provisions

Article 1
This Company, organized under the Company Act as a company limited by shares, shall be named HTC Corporation. (hereinafter, "the Company").

Article 2
The scope of business of the Company is as follows:

1. CC01080 Electronic Parts and Components Manufacturing.
2. CC01101 Controlled Telecommunications Radio Frequency Equipment and Materials Manufacturing.
3. CC01110 Computers and Computing Peripheral Equipment Manufacturing.
4. C805050 Industrial Plastic Products Manufacturing.
5. CC01120 Data Storage Media Manufacturing and Duplicating.
6. E605010 Computing Equipment Installation.
7. E701040 Basic Telecommunications Equipment Construction.
8. E701020 Satellite Television Equipment and Materials Installation for Channels KU and C.
9. E701030 Controlled Telecommunications Radio Frequency Equipment and Materials Installation and Construction
10. F113030 Wholesale of Precision Instruments.
11. F113050 Wholesale of Computing and Business Machinery Equipment.
12. F113070 Wholesale of Telecommunications Equipment.
13. F118010 Wholesale of Computer Software.
14. F119010 Wholesale of Electronics Materials.
15. F213030 Retail sale of Computing and Business Machinery Equipment.
16. F213040 Retail Sale of Precision Instruments.
17. F213060 Retail Sale of Telecommunications Equipment.
18. F218010 Retail Sale of Computer Software.
19. F219010 Retail Sale of Electronics Materials.
20. F401010 International Trade.
21. F401021 Controlled Telecommunications Radio Frequency Equipment and Materials Import.
22. G801010 Warehousing and Storage.
23. I301010Software Design Services.
24. I301020Data Processing Services.
25. I301030Digital Information Supply Services.
26. F399040Retail Business Without Shop
27. CF01011Medical Materials and Equipment Manufacturing
28. F108031Wholesale of Drugs, Medical Goods
29. F208031Retail sale of Medical Equipments
30. ZZ99999All business items that are not prohibited or restricted by law, except those that are subject to special approval.

Article 2~1
The Company may act as a guarantor and may invest in other companies. The total amount of the

Company's investment in other companies is exempted from the prohibition against exceeding 40 percent of paid-in capital set out in Article 13 of the Company Act.

Article 3
The Company is headquartered in Taoyuan City, Taiwan and when necessary may establish branches at home and abroad as resolved by the board of directors.

Article 4
Deleted.

Chapter II Shares

Article 5
The authorized capital of the Company is NT$ 10 billion consisting of 1 billion, shares, all of common stock, with a par value of NT$10 per share. The Board of directors is authorized to issue the shares in separate installments as required. Among these shares, 80 million shares are reserved for the holders of stock warrants, preferred shares with warrants, or corporate bonds with warrants to exercise their stock warrants.

Article 5~1
In the event that the Company becomes duly entitled to purchase back its own shares, the board of directors is authorized to do so in accordance with laws and regulations.

Article 6
Deleted.

Article 7
The share certificates of the Company shall without exception be in registered form, signed by, or affixed with the seals of, at least three directors, and authenticated by the competent governmental authority or a registration institution authorized thereby before issuance.

Shares issued by the Company need not be in certificate form, but shall be registered with a securities depository enterprise.

Article 8
All entries in the shareholders register due to share transfers shall be suspended for 60 days prior to an ordinary shareholders meeting, or for 30 days prior to an extraordinary shareholders meeting, or for 5 days prior to the record date fixed for distributing dividends, bonus, or any other benefit.

Chapter III Shareholders Meeting

Article 9
Shareholders meetings of the Company are of two kinds: ordinary shareholders meetings and extraordinary shareholders meetings. The ordinary shareholders meeting is called once per year within six months from the close of the fiscal year. Extraordinary shareholders meetings may be called in accordance with applicable laws and regulations whenever necessary.

Article 10
For any shareholders meeting, a shareholder may appoint a proxy to attend the meeting by using the proxy form issued by the Company and specifying the scope of proxy. Shareholder attendance by proxy shall be

subject to the Company Act and also to the Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies issued by the competent authority.

Article 11
Each shareholder of the Company is entitled to one vote per share, except under circumstances in which shares have no voting power as set out in the applicable regulations.

Article 12
Unless otherwise provided by applicable law or regulation, a resolution of the shareholders meeting shall be adopted by consent of a majority of the votes represented by those in attendance at a meeting attended, in person or by proxy, by shareholders who represent a majority of the total issued shares.

Chapter IV Directors and Supervisors

Article 13
The Company shall have five to seven directors and two supervisors. The directors and supervisors shall be elected by a candidate nomination system. They shall be elected by the shareholders meeting from among the slate of director and supervisor candidates. The term of office is three years, and they may continue in office if re-elected. The aggregate shareholding percentages of the entire bodies of directors and supervisors shall comply with the regulations prescribed by the securities supervisory authorities.

Article 13-1
There shall be at least two independent directors among the Company's directors, and the independent directors shall represent at least one-fifth of the directors seats. The relevant regulations of the competent securities authority shall be followed regarding the professional qualifications, shareholding, moonlighting restrictions, nomination and election, and other compliance requirements regarding independent directors.

Article 14
The board of directors shall consist of the directors of the company, and the chairman of the board of directors shall be elected from among the directors by a majority of directors in attendance at a meeting attended by at least two-thirds of the directors. The chairman of the board of directors shall represent the Company in external matters.

Directors shall attend meetings of the board of directors in the preceding paragraph in person. In the event that a board of directors meeting is held through video conference, a director who participates in the meeting by means of video system shall be deemed to have attended in person. If a director is unavailable to attend a meeting in person, the director may issue a power of attorney for the given meeting specifying the scope of the authorized powers to authorize another director to attend the meeting on the director's behalf, provided that a director may represent only one other director at a meeting.

Article 14-1
Each director and supervisor shall be given at least 7 days advance notice of the convening of a board of directors meeting of the Company. In emergency circumstances, however, a meeting may be called on shorter notice.
The meeting notice referred to in the preceding paragraph shall specify the reasons for convening the meeting, and shall be made in writing, by e-mail, or by facsimile.

Article 15
If the chairman of the board of directors is on leave or cannot exercise powers or perform duties for any

reason, an acting chairman shall be designated in accordance with Article 208 of the Company Act.

Article 16
When the Company’s directors and supervisors 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. If the Company operates at a profit, they also may allocate remuneration in accordance with Article 19.

The company may acquire liability insurance for all directors and supervisors, within the scope of the indemnity liability they bear under law in connection with their business responsibilities, throughout their term to minimize and disperse the risk of material loss or damage to the company and shareholders as a consequence of any illegal act .

Chapter V Managerial Officers

Article 17
The Company may have managerial officers, whose appointment, dismissal, and remuneration shall be handled in accordance with Article 29 of the Company Act.

Chapter VI Accounting

Article 18
At the end of each fiscal year, the board of directors shall prepare the following documents, which shall be submitted to the supervisors for auditing 30 days prior to the ordinary shareholders meeting, and submitted to the shareholders' meeting for approval:
1. Business report;
2. Financial report;
3. Proposal for allocating profit or covering loss.

Article 19
If the Company makes profit for the current year, Company shall have minimum of 4% of such profit distributable as employees' compensation at in the form of stock or in cash as resolved by the board of directors. Employees of subsidiaries of the Company meeting certain specific requirements shall also be entitled to receive such stock or cash. 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 and supervisors. Proposed distribution of profit as employees’ compensation and remuneration to directors and supervisors 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 and supervisors based on preceding proposed ratios.

Article 20
If the Company has earnings after the annual final accounting, it 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 set forth in paragraph 2 of this Article and propose such allocatioin ratio at the shareholders' meeting.

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

Chapter Seven Bylaws

Article 21
Any matters insufficiently provided for in these Articles of Incorporation shall be handled in accordance with the Company Act.

Article 22
These Articles of Incorporation were adopted on 10 May 1997.
The first amendment was made on 1 July 1997.
The second amendment was made on 26 February 1998.
The third amendment was made on 8 May 1998.
The fourth amendment was made on 22 October 1998.
The fifth amendment was made on 24 April 2000.
The sixth amendment was made on 23 April 2001.
The seventh amendment was made on 13 July 2001.
The eighth amendment was made on 14 March 2002.
The ninth amendment was made on 26 June 2003.
The 10th amendment was made on 16 June 2004.
The 11th amendment was made on 13 June 2005.
The 12th amendment was made on 2 May 2006.
The 13th amendment was made on 20 June 2007.
The 14th amendment was made on 13 June 2008.
The 15th amendment was made on 19 June 2009.
The 16th amendment was made on 18 June 2010.
The 17th amendment was made on 15 June 2011.
The 18th amendment was made on 21 June 2013.
The 19th amendment was made on 19 June 2014.
The 20th amendment was made on 2 June 2015.
The 21st amendment was made on 24 June 2016.

HTC CORPORATION

Chairwoman: Cher Wang

Appendix 3

HTC CORPORATION

Shareholding of all Directors and Supervisors and Minimum Required Shareholding

1. Company's current Directors and Supervisors' shareholding are as follows:

Total common shares outstanding	820,958,855 shares
Minimum Required Shareholding by all Directors	26,270,683 shares
Minimum Required Shareholding by all Supervisors	2,627,068 shares

2.

Record Date: April 28, 2018

Title	Name	Current Shareholding	Percentage
Chairperson	Cher Wang	32,272,427	3.93%
Director	Wen-Chi Chen	22,391,389	2.73%
Director	HT Cho	96,530	0.01%
Director	David Bruce Yoffie	0	0.00%
Independent Director	Chen-Kuo Lin	0	0.00%
Independent Director	Josef Felder	300,000	0.04%
Supervisor	Way-Chih Investment Co., Ltd.	43,819,290	5.34%
Supervisor	Huang-Chieh Chu	0	0.00%
Total Directors (excluding Independent Directors)		54,760,346	6.67%
Total Supervisors		43,819,290	5.34%