


<b>Meeting Date:</b>	Fri, 18 Jun 2010 09:00	<b>Proxy Deadline:</b>		<b>Type:</b>	AGM	<b>Issue date:</b>	Fri, 04 Jun 2010
<b>Meeting Location:</b>	Chuto Hotel, Jin Long Room, No. 398, Taoying Road, Taoyuan City, Taiwan						
<b>Current Indices:</b>							
<b>Sector:</b>	Computer hardware						

	PROPOSALS	ADVICE
1	<b>Opening remarks by the Chair</b>	<b>Non-Voting</b>
2.1	<b>Receive the report on the 2009 business operations</b>	<b>Non-Voting</b>
2.2	<b>Receive the 2009 audited reports</b>	<b>Non-Voting</b>
2.3	<b>Receive the share buy-back execution report</b>	<b>Non-Voting</b>
3.1	<b>Approve the 2009 business reports and financial statements</b> The financial statements were made available sufficiently before the meeting and they have been audited and certified. Support is recommended.	<b>For</b>
3.2	<b>Approve the 2009 profit distribution proposal</b> The company's Articles of Incorporation stipulate that for earnings, the order of distribution shall be followed according to below: (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 pay remuneration to directors and supervisors at 0.3% maximum of the balance after withholding the amounts under subparagraphs 1 to 3; (5) to pay bonus to employees at 5% minimum of the balance after withholding the amounts under subparagraphs 1 to 3, or such balance plus the unappropriated retained earnings of previous years. However, the bonus may not exceed the limits on employee bonus distributions as set out in the Regulations Governing the Offering and Issuance of Securities by Issuers.  The company has reported earnings of NT\$ 22,608,903,476. It is therefore proposed to distribute NT\$26 per share (NT\$ 20,122,331,946) as a cash dividend and NT\$0.5 per share (NT\$ 386,967,920) as a stock dividend from retained earnings. The dividend payout ratio of approximately 90% is acceptable. Employee bonuses payable for 2009 amount to NT\$4,859,236,091 of which 60% will be distributed in cash. We have concerns that the remaining 40%, or NT\$ 1,943,694,436, will be distributed as stock dividends to employees and the number of shares shall be calculated based on the closing price one day prior to the 2010 AGM. Therefore, it is not possible to assess the dilutive impact on existing shareholdings. Based on our concerns over potential dilution we recommend an abstain vote.	<b>Abstain</b>
3.3	<b>Approve the issuance of new shares from retained earnings</b> Approval is sought for a capital increase of a total of NT\$ 386,967,920 by the issuance of 38,696,792 new shares (excluding employee profit sharing in stock). Shareholders will receive a stock dividend of 50 shares for every 1,000 shares held. The new shares will rank pari passu with the existing issued shares. PIRC considers that the proposal does not have a negative effect on shareholders' rights as there is no dilution risk and no cost associated. We recommend support.	<b>For</b>

<b>3.4</b>	<b>Amend the Articles of Incorporation</b> Shareholder approval is sought to partially amend the Articles of Incorporation to bring them in line with the regulatory authority's policy of promoting issuance of paperless securities and to facilitate the company's calling of board meetings whereby each director and supervisor shall be given at least 7 days advance notice (although a meeting may be called on a shorter notice in emergencies). As disclosure is acceptable and we have no concerns over the proposed changes we recommend support.	<b>For</b>
<b>3.5</b>	<b>Amend the procedures of asset acquisition or disposal</b> The company has stated that the procedures have been revised in response to business needs. The proposed amendments deal with the level of authorisation required for the acquisition or disposal of securities. As disclosure is acceptable and we have no concerns over the proposed changes we recommend support.	<b>For</b>
<b>3.6</b>	<b>Approve the revision to the procedures of endorsement and guarantee</b> The company has stated that the procedures have been revised to bring them in line with the partial amendment to the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies published on March 19, 2010 by the Financial Supervisory Commission, and in response to operational needs of the company. As disclosure is acceptable and we have no concerns over the proposed changes we recommend support.	<b>For</b>
<b>3.7</b>	<b>Approve the revision to the procedures of monetary loans</b> The company has stated that the procedures have been revised to bring them in line with the partial amendment to the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies published on March 19, 2010 by the Financial Supervisory Commission, and in response to operational needs of the company. As disclosure is acceptable and we have no concerns over the proposed changes we recommend support.	<b>For</b>
<b>3.8.1.1</b>	<b>Re-elect Cher Wang</b> Executive Chair. Acceptable proposal.	<b>For</b>
<b>3.8.1.2</b>	<b>Re-elect Wen-Chi Chen</b> Non-executive director. Not independent by the company, not independent by PIRC as Mr Chen currently holds 2.62% of the company's issued share capital. Together with his wife and executive chairperson Mrs Wang, they currently hold 5.82% of the company's issued share capital. In addition, he has served on the board for more than nine years. There are insufficient independent directors on the board in our view.	<b>Oppose</b>
<b>3.8.1.3</b>	<b>Re-elect HT Cho</b> Executive director. Acceptable proposal.	<b>For</b>
<b>3.8.1.4</b>	<b>Elect Ho-Chen Tan</b> Non-executive director. Not independent by the company, not independent by PIRC. There are insufficient independent directors on the board in our view.	<b>Oppose</b>
<b>3.8.2.1</b>	<b>Re-elect Josef Felder</b> Non-executive director. Independent by the company, independent by PIRC. However, we have concerns over his aggregate time commitments and note that he attended only 57.14% of board meetings held during the year under review.	<b>Oppose</b>
<b>3.8.2.2</b>	<b>Re-elect Chen-Kuo Lin</b> Non-executive director. Independent by the company, independent by PIRC.	<b>For</b>
<b>3.8.3.1</b>	<b>Elect a representative of Way-Chin Investment Co. Ltd as a Supervisor</b> Shareholder approval is sought to elect Mr Shao-Lun Lee as a representative supervisor of Way-Chih Investment Co. Ltd., a major shareholder of the company holding 5.14% of the issued share capital. PIRC considers that all supervisors should be independent as the duty of the supervisory board is to act as an internal control mechanism overseeing the actions of directors and managers of the company. Therefore, opposition is recommended.	<b>Oppose</b>
<b>3.8.3.2</b>	<b>Re-elect Po-Cheng Ko as a Supervisor</b> Mr Po-Cheng Ko does not meet all of the company's independence criteria, as he falls into the following three categories: a non-independent director or a	<b>Oppose</b>

supervisor of the company or any of its affiliates; a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the company; and a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof. No further information has been disclosed. PIRC considers that all supervisors should be independent as the duty of the supervisory board is to act as an internal control mechanism overseeing the actions of directors and managers of the company. Therefore, opposition is recommended.

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|----------------|--|-------------------|
| <b>3.8.3.3</b> | <b>Re-elect Caleb Ou-Yang as a Supervisor</b><br>Mr Caleb Ou-Yang Ko does not meet all of the company's independence criteria, as he falls into the following category: a non-independent director or a supervisor of the company or any of its affiliates. No further information has been disclosed. PIRC considers that all supervisors should be independent as the duty of the supervisory board is to act as an internal control mechanism overseeing the actions of directors and managers of the company. Therefore, opposition is recommended.  | <b>Oppose</b>     |
| <b>3.9</b>     | <b>Approve to release the prohibition on the newly-elected Directors from participation in competitive business</b><br>Shareholder approval is sought to remove the non-compete limitations on newly elected directors according to article 209 of the Company Act. The company has stated that the details of the overlapping duties of the newly elected directors will be supplied when the proposal is submitted for resolution before the AGM. We consider that shareholders should receive this information sufficiently before the meeting to allow them to assess the proposal. Therefore, we recommend an abstain vote. | <b>Abstain</b>    |
| <b>4</b>       | <b>Extraordinary motions</b><br>PIRC does not consider such resolutions appropriate, as shareholders are provided with insufficient information regarding the implications involved.   | <b>Oppose</b>     |
| <b>5</b>       | <b>Closure of the meeting</b>  | <b>Non-Voting</b> |

\* = *Special Resolution*

## 1.1 BOARD OF DIRECTORS

PIRC assesses a non-executive director's independence according to PIRC's shareholder guidelines. Comments represent PIRC's analysis based on information in the report and accounts. *A = audit committee, R = remuneration committee, N = nomination committee, C = CSR or Ethics Committee, \* = committee chairman.*

**Board changes during year (after previous AGM): None disclosed.**

Cher Wang		Chairman (Executive)	
<b>Age:</b>	n/d	<b>Date Appointed:</b>	1999
<b>Shares:</b>	24736896	<b>Options:</b>	
<b>Severance Entitlement</b>		<b>LTIP:</b>	
<b>Other Positions:</b>	VIA Technologies, Inc [Ch], Formosa Plastics Corporation [Dir], H.T.C.(B.V.I) Corp [Ch Representative], HTC Social Welfare Foundation [Dir], ex-First International Computer, Inc. [Exec]		
<b>Comment:</b>	Mrs Wang currently holds 3.2% of the company's issued share capital. Together with her husband and executive director Mr Chen, they currently hold 5.82% of the company's issued share capital.		

HT Cho		Executive Director	
<b>Age:</b>	60	<b>Date Appointed:</b>	2001
<b>Shares:</b>	276143	<b>Options:</b>	
<b>Severance Entitlement</b>		<b>LTIP:</b>	
<b>Other Positions:</b>	HTC Foundation [Fnd & Ch], Associated Industries China, Inc [Dir], Chinese Television System Corp [Dir Representative], Digitimes Publication Inc [Dir], ex-Digital Equipment Corporation [Head of Taiwan Engineering]		
<b>Comment:</b>	Mr. Cho served as President of HTC from 1997 to 2004 and was CEO from 2004 to 2005.		

Wen-Chi Chen		Non-Executive Director	
<b>Age:</b>	n/d	<b>Date Appointed:</b>	1999
<b>Shares:</b>	20309651	<b>Options:</b>	
<b>Severance Entitlement</b>		<b>LTIP:</b>	
<b>Other Positions:</b>	VIA Technologies, Inc [Pres], HTC Social Welfare Foundation [Dir], ex-Symphony Laboratories [Pres]		
<b>Comment:</b>	Not independent by the company, not independent by PIRC as Mr Chen currently holds 2.62% of the company's issued share capital. Together with his wife and executive chairperson Mrs Wang, they currently hold 5.82% of the company's issued share capital. In addition, he has served on the board for more than nine years.		

Ho-Chen Tan		Non-Executive Director	
<b>Age:</b>	n/d	<b>Date Appointed:</b>	2009
<b>Shares:</b>	0	<b>Options:</b>	
<b>Severance Entitlement</b>		<b>LTIP:</b>	

<b>Other Positions:</b>	THI Engineering Consulting Co. [Pres], ex-Taipei City Government, Department of Transportation Dir, ex-Department of Communications [Executive Vice Minister], ex-Chung Hua Telecommunication Co. [Ch]
<b>Comment:</b>	Not independent by the company.

<b>Chen-Kuo Lin</b>		<b>Non-Executive Director</b>	
<b>Age:</b>	n/d	<b>Date Appointed:</b>	2007
<b>Shares:</b>	0	<b>Options:</b>	
<b>Severance Entitlement</b>		<b>LTIP:</b>	
<b>Other Positions:</b>	Tunghai University [Ch], Taiwan High Speed Rail Corporation [Ch], ex-Minister of Finance in Taiwan, ex-Taiwan External Trade Development Council [Ch], ex-Taiwan Asset Management Corporation [Ch], ex-Department of Economics in National Taiwan University [Prof]		
<b>Comment:</b>	Independent by the company, independent by PIRC.		

<b>Josef Felder</b>		<b>Non-Executive Director</b>	
<b>Age:</b>	n/d	<b>Date Appointed:</b>	2007
<b>Shares:</b>	0	<b>Options:</b>	
<b>Severance Entitlement</b>		<b>LTIP:</b>	
<b>Other Positions:</b>	Cereal Holding AG [NED], AMAG, Zürich [NED], Zingg-Lamprecht AG [NED], Edelweiss Air AG [NED], Schulthess Group AG [NED], Gutsbetrieb Oetlishausen AG [Dir], Pro Juventute, Zürich [NED], Luzerner Kantonalbank AG [NED], ex-Unique (Flughafen Zürich AG) [CEO], ex-FIG (Flughafen Immobilien Gesellschaft) [Dir], ex-Crossair [Senior Positions], ex-SIAA (Swiss International Airports Association) [Pres], ex-Aerosuisse [Dir], ex-ACI (Airports Council International) [Dir]		
<b>Comment:</b>	Independent by the company, independent by PIRC. We have concerns over his aggregate time commitments and note that he attended only 57.14% of board meetings held during the year under review.		

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