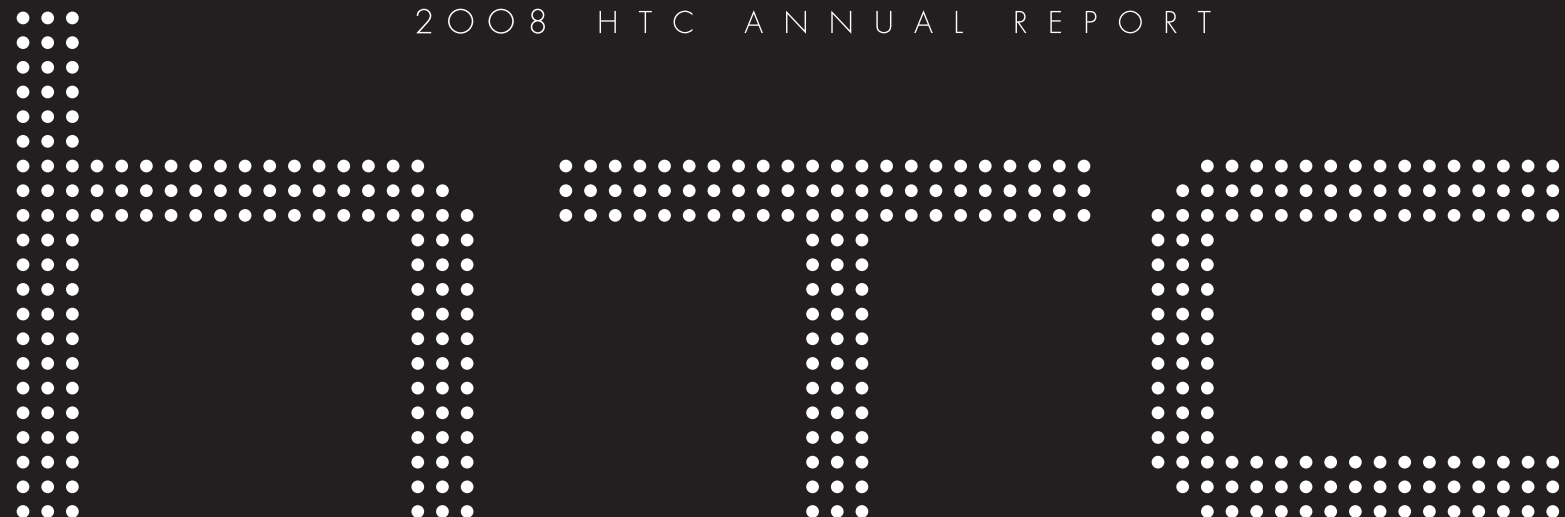


2008 H T C A N N U A L R E P O R T



> HTC Spokesman

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Title: Chief Financial Officer
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> Auditors

Deloitte & Touche
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> Overseas Stock Exchange Information

Trading: Luxembourg Stock Exchange
www.bourse.lu

> HTC Website

www.htc.com

2008 HTC ANNUAL REPORT



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CEO & President

LETTER TO SHAREHOLDERS

Dear HTC Shareholders,

Your support and confidence in the HTC this past year have been invaluable to our growth and success. For this, please accept our warm and sincere gratitude. 2008 marked another banner year for our sales and our business, and I am pleased to share with you some of the highlights in this letter.

HTC sales of converged devices remain robust despite the ongoing global financial crisis that has crippled most major financial markets and tightened credit worldwide since the latter half of 2008. HTC sales growth continues to be driven by our sleeker, thinner product designs; readily navigated, user-friendly interfaces and continuing price advantage. HTC is further benefiting from the general consumer shift away from older generation mobile phones to new 'smart phones' able to take full advantage of telecom service providers' expanding suite of mobile digital services. Product innovation leadership and expanding market demand have combined yet again to deliver a banner year for HTC.

Continued buoyant growth prospects for converged device sales have encouraged major mobile phone makers as well as others to target investments on this sector. While Symbian, Windows Mobile, Blackberry and iPhone have long provided system standards for mobile service applications, it is the recent launch of the Android operating system that is now blazing the trail forward into the age of the truly mobile Internet. In-house R&D capabilities nurtured over more than a decade give HTC a leading edge in both Windows Mobile and Android system applications. HTC, the first in the industry to launch a mobile phone based on the Android platform, consistently demonstrates R&D and innovation leadership as well as an unsurpassed ability to package products that appeal to increasingly discerning and demanding consumers.

HTC brand value and image are earning increasing recognition in consumer markets around the world. Following on the success of our first self branded product, HTC Touch, we launched the flagship Diamond product line in 2008. Blazing new ground in fashion consciousness, telecommunications technology and user satisfaction, Diamond sold 2 million units worldwide in a short six-month period and set a new, all-time HTC sales record. The stellar success of Diamond builds on consumer acceptance and support already won by the HTC brand.

Financial Performance

Consolidated revenue in 2008 of NT\$152.35 billion represent an NT\$34.14 billion (28.9%) increase over 2007 revenue. The 12.03 million product units shipped this past year represent a 21.3% increase over 2007. 3G wireless device units accounted for at least 70% of this total. Growth in non-ODM revenues topped 40%.

Revenue from less profitable ODM sales fell last year below 10% of total corporate revenues. Such helped raise the HTC consolidated gross profit ratio to 33.5% in 2008 - a 1.1 percentage point growth over the 32.4% (adjusted) achieved in 2007. Investments in building the value and image of the HTC brand as well as continued R&D and innovation work gave HTC a consolidated operating expense ratio for the year of 13.6%. The consolidated operating margin achieved 19.9% in 2008. Net profits for the year before and after taxes totaled NT\$31.59 billion and NT\$28.64 billion, respectively. The after tax profit margin in 2008 was 18.8%, and EPS after tax totaled NT\$37.97. Before employee bonus distributions, HTC's total after tax profit totaled NT\$34.25 billion; NT\$5.31 billion (18.4%) more than earned in 2007, resulting in an after tax EPS of NT\$45.41.

Note 1: 2008 financial forecast numbers were not disclosed and thus cannot be compared to actual achievements.

Note 2: For purposes of comparison, the adjusted consolidated gross profit ratio used here for 2007 was 32.4%, which includes product warranty expenses (NT\$5.02 billion), provision for loss on inventory (NT\$0.68 billion) and employee bonus expense (NT\$0.76 billion). It, therefore, differs from the consolidated gross profit ratio published in HTC financial reports for 2007.



Chairman

Significant Achievements

HTC made impressive progress along other fronts as well during 2008:

> 6 May 2008

HTC launches its flagship HTC Touch Diamond line of smart phones in London. The sleek profile and smart look of each distinctive model are just the beginning. These revolutionary smart phones incorporate HTC's pioneering TouchFLO 3D - a touch interface that brings a new level of ease and accuracy to mobile phone operations, supporting fast broadband Internet data throughput speeds and featuring a fully redesigned, exceptionally user-friendly browser. HTC Touch Diamond truly delivers full Internet functionality 'anytime, anywhere'. The outstanding craftsmanship in the Touch Diamond line creates a new standard for mobile telecommunications and encourages consumers to desire and expect more from their mobile phone devices.

> 23 September 2008

HTC joins hands with Google, the world's largest online search provider, and US telecommunications service provider T-Mobile to launch the T-Mobile G1 smart phone in New York City. Designed and built by HTC, the G1 is the first mobile phone built on the Android platform - confirming HTC as the innovative leader in the global smart phone industry. The G1 gives users instant access to Google's multifaceted online services as well as to a full suite of developer-provided applications and content - making going online on the go easier, more effective and eminently more fun. The G1 is more than just a milestone in mobile phone and Internet development - it is a revolutionary mobile telecommunications experience.

> 2008

Investments in R&D and production further enhance competitiveness and set the stage for sustained growth.

HTC's board of directors approves in February an allocation of NT\$3.335 billion to purchase land in Xindian City, a suburb of Taipei. This will be the future home of the company's Taipei R&D Center, slated for completion within 3 years.

HTC purchases the renowned San Francisco-based design house One & Company Design, Inc. through its subsidiary H.T.C. (B.V.I.) Corp. The strategic acquisition is expected to further sharpen HTC's edge in mobile phone innovation and design work.

To meet growing demand for products as well as raise precision and efficiencies at each stage of the production process, the board of directors passes a decision to expand manufacturing facilities located in the Kangqiao Industrial Zone near Shanghai in China. The new facilities came online in October.

Corporate Social Responsibility

The board of directors approves regular annual donations to the HTC Social Welfare and Charity Foundation or Education Foundation. This foundation funds leadership and character training for elementary, junior high and senior high students; co-sponsors local community development and urban cultural revitalization efforts; targets the special needs of disadvantaged groups; and provides disadvantaged children opportunities to further their academic careers.

HTC Foundation efforts have carefully targeted the needs of the community. The Foundation signed a white paper on character development with the Taoyuan County Government in March 2008, agreeing to joint execution of a three-year plan to implement character development education programs in 100 schools. A total of 454 schools are now signatories to HTC's Memorandum of Understanding on Foundation Education. Adding to Yuli Township (Hualien County) and Longtan Township (Taoyuan County), townships joining the HTC-sponsored "Township of character" plan during 2008 include Shihzi Township (Pingtung County), Sinyi Township (Nantou County), and Yuanlin Township (Changhua County). The



program works with and energizes local public agencies to proactively foster good character in youth and promote an atmosphere receptive to and supportive of strong character and culture.

The HTC Foundation established the nation's first institute dedicated to character-building and English training in Hualien's Meilun District. The institute provides character-building and English enhancement curricula free of charge to fourth grade elementary school students from around Hualien County. In addition, the Foundation offers scholarships for children with special financial needs and financial aid to low-income families and sponsors after school tutoring programs. Each year, Foundation disbursements benefit over 2,000 youths from disadvantaged families both in Taiwan and overseas.

Outlook

Despite a worldwide downturn in economic conditions and the negative impact of such on overall industrial growth, continued growth is forecast for the smart phone sector. HTC's long-term focus on smart phone technologies and products, coupled with stable and healthy corporate operations, give us confidence that growth prospects for HTC business remain strong.

HTC will continue to implement thoroughly its commitments to innovation and the highest standards of quality and performance in order to continue introducing new, more competitive smart phone devices that deliver to users an exceptional and streamlined mobile telecommunications experience. Outstanding products and responsive service are the twin engines driving the HTC brand to global market success and creating a "rising star" set to benefit shareholders, consumers and employees together.

HTC Corporation

Chairman

CEO & President

II. COMPANY PROFILE



State of California Governor Arnold Schwarzenegger, Vodafone CEO Fritz Joussen and German Chancellor Angela Merkel each held in their hands one of this year's hottest technology products - the HTC Magic - at a cornerstone press event for 2009 CeBIT. Governor Schwarzenegger took the opportunity to announce that California would be the first US state to form a strategic alliance with CeBIT, Germany's largest IT exhibition.

HTC - The Global Leader in Mobile Phone Innovation and Design

The HTC was founded in May 1997 with a focus on the design, production and marketing of innovative and multi-functional converged devices. With the launch of the proprietary HTC brand in 2007, the company has focused its energies on building and expanding a global branding strategy. HTC purposely breaks with traditional mobile phone makers to put the 'user' at the center of the product design process, with overall objectives of enhancing life and communications. 'Iconic simplicity' stands at the core of the HTC design approach - helping strike the optimal balance between appearance, functionality and cutting-edge technology. Closing the distance between people through exceptionally-designed, always-innovative mobile phones and simplifying & improving text messaging functions are two of our most important goals. HTC looks forward to infusing further style and depth into product designs and applications.

Now into its second decade, HTC has cultivated exceptional in-house research and development (R&D) capabilities. Committed to creating value differentiation in products that deliver superior performance to users, the company now has a world-class product line under the HTC brand name designed and developed to meet high demands for quality and innovation from telecommunications service providers and distributors in Europe, the Americas and Asia. Apart from exceptional R&D, HTC has excellent manufacturing capabilities and a highly qualified global network that support our products, customers and distributors. Performance in terms of both product development and market sales have won for HTC strategic partnership relationships with some of the world's top names in telecommunications and high technology. Corporate relationships with partners around the globe provide access to the latest technologies, which HTC adapts and incorporates into trendsetting new products and value-added services.

In 2007, HTC established a subsidiary operation in Shanghai, HTC (Shanghai WGQ), to enhance overall after-sales and repair service quality. During 2008, HTC acquired, through its H.T.C. (B.V.I.) Corp. subsidiary, the highly respected San Francisco-based design house, One

& Company Design, Inc. The acquisition has coalesced at HTC the world's most advanced mobile phone design and innovation team. The team will spearhead internal efforts at HTC to refine and enhance innovation and design capabilities - essential to give greater depth and completeness to product design planning work, break new design ground and further confirm HTC leadership in the design of advanced mobile phones.

Dedication, the right combination of talent, accumulated experience and decision making backed by a keen insight into market trends are all essential ingredients contributing to building HTC's success as a global leader in global telecommunications products and technologies. In the short term, HTC will launch highly competitive new smart phones designed on both the Windows Mobile and Android operating systems. The company will also continue building value into its proprietary HTC brand, raise global recognition for the brand, and further streamline operations to optimize cost structures. In the future, HTC will focus on expanding its exposure in the global market and seek out new and strategically advantageous partnerships with leading companies and telecommunications service providers in order to better anticipate and meet user product and service expectations. The company will also continue to cultivate in-house global logistics management capabilities to support fully the success of HTC as a top-tier international brand.



HTC's registration number on the Taiwan Stock Exchange (TSE) is 2498.

A. Corporate Philosophy

From the very beginning, HTC has maintained a clear and straightforward approach to its business. The company does not copy or imitate the work of others and fosters a corporate culture averse to being a follower. Rather, corporate energies and time are invested in creating original innovation able to infuse further value into HTC products.

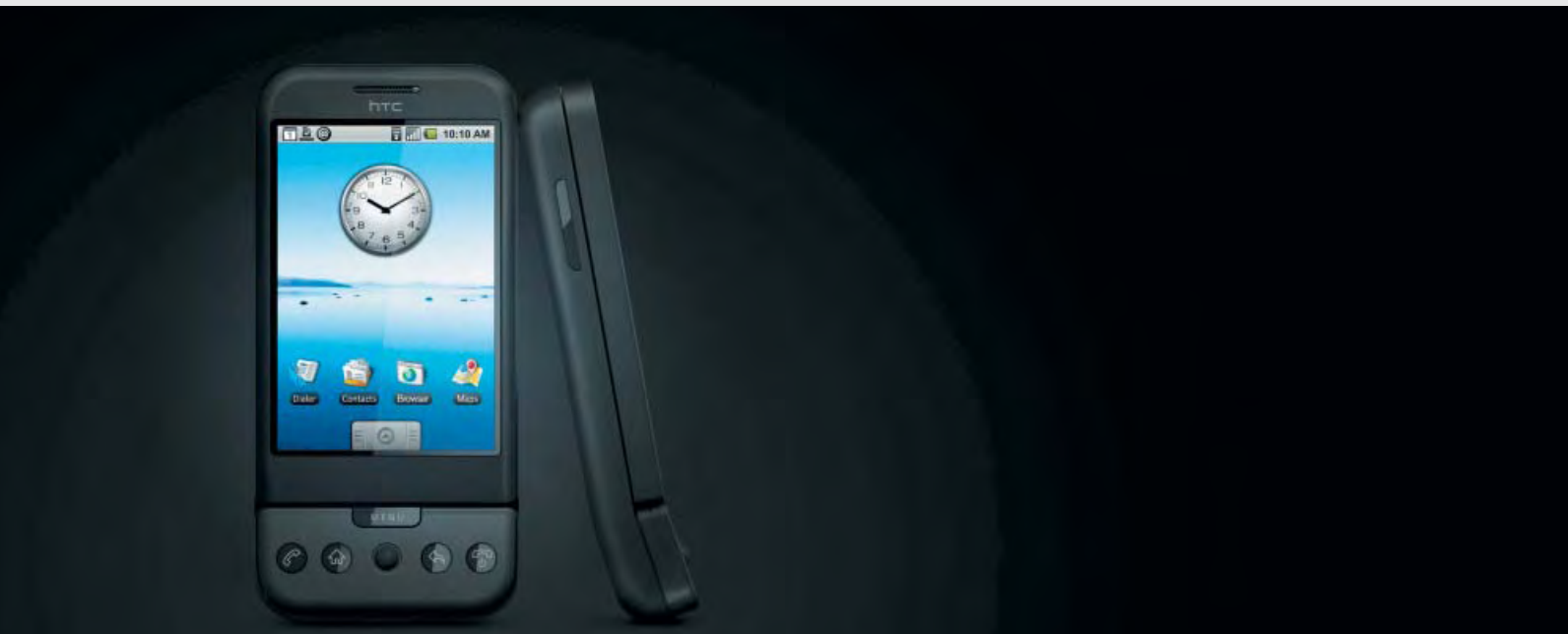
to develop products using Windows® CE, the newly-launched Microsoft® operating system designed specifically for consumer electronic products. HT Cho (then-President and now Board Director) and Peter Chou (then-Vice President and now CEO & President), organized an HTC R&D team to develop and launch the world's first handheld PDA. This positive first step forward solidified HTC's reputation and convinced Microsoft to make HTC a product creation partner. The experience also created the

accurately that the GSM standard would spread from Europe to dominate the U.S. and Japanese markets as well. Chou subsequently arranged visits to Europe's largest telecommunications operators to discuss an innovative new approach for the industry- the development of customized devices for the wireless communications market.

In 2002, HTC broke new ground for the industry by launching two new mobile wireless devices, the O2

telecommunication service needs. Results were fed into the development of customized converged devices, which formed the vanguard of HTC's strategic move into the global telecommunications market and its calculated creation of a supporting sales and service network.

- > Strategic Rollout of the Global HTC Brand
HTC Touch 'Touches Off' Worldwide Demand for Touch Screen Functionality



Since the launch of our proprietary HTC brand, we have dedicated our efforts to making the HTC brand truly world-class. Product design work now more than ever considers the habits and preferences of users in our major markets, and the entire organization is increasingly attuned to user and customer needs. The company is geared toward meeting challenges head on, resisting complacency and routine, and constantly challenging itself to do better. We look forward to leveraging the HTC brand to bring HTC's energy and innovation to every corner of the world.

B. Company History

HTC has undergone three comprehensive realignments since it was founded.

- > Professional PDA Designer, Dedicated to Innovative R&D
The firm began operations in 1997 with authorization

solid foundation on which the HTC-Microsoft partnership continues to grow and flourish.

The Compaq iPAQ, designed and manufactured by HTC for the Compaq Computer Corporation, was a huge market success when it was launched in 2000. The iPAQ went on to earn an entry in the 2000. The turn of the millennia marked HTC's emergence as a recognized up-and-coming player in the global PDA market.

- > Leader of the Pack in Converged Devices
HTC's first major realignment came in 1999, when a decision was made to take the company rapidly into the arena of telecommunications. Current HTC CEO & President Peter Chou saw the increasingly important role that mobile telecommunications products would play in daily life and predicted

XDA and Orange SPV, in partnership, respectively, with O2 (UK) and Orange (France). The products, designed around Microsoft's latest operating system, helped telecommunications service providers boost average revenue per user (ARPU) rates and earned worldwide attention.

By integrating Internet, entertainment, video and personal data assistant functions onto a handheld device offering a large, easy-to-read and high resolution display panel, HTC ushered in a new era in the history of converged devices. Cell phones would no longer be simple devices used to send and receive voice and text communications; they now offered information and entertainment on the move - a platform over which to plug into the world. It was at this stage that HTC began actively working with customers to develop test devices to help better understand the full range of customer

Quarterly sales of HTC branded products in Europe have risen steadily since the HTC brand was launched in that market in June 2007. In May of 2008, after acquiring a controlling stake in regional smartphone distributor Dopod International, HTC announced the strategic launch of its proprietary brand worldwide. The company then founded a new subsidiary, HTC Asia Pacific Pte. Ltd., to handle HTC marketing and sales in the Asia-Pacific region and further bolster global marketing capabilities. The global launch in London of HTC Touch sparked a new wave of excitement and interest worldwide in smartphone products and foretold the release of other new consumer-oriented smartphone models. The quick success of HTC Touch hinted at the strong potential for long-term success of the brand in the global market for wireless telecommunication products.



Internet revolution.

ODM sales fell below 10% of overall corporate revenues in 2008, underscoring the increasing range and attractiveness of mobile phones now sold under the HTC brand name. Dedicated to satisfying the mobile telecommunication needs of customers in both mass and niche markets, HTC continues to focus efforts fully on achieving its long term vision and business objectives.

HTC continues to see a buoyant future ahead for the smart phone sector as well as for the integration of full Internet functions into mobile communications. In spite of the recent downturn in global economic conditions, we continue to see growth opportunities for HTC in the mobile telecommunications sector. As an increasing number of users upgrade to smart phones from earlier mobile phone models, HTC is confident that its user-friendly features, designed to shorten distances between people, will be appreciated and rewarded by strong mass market sales.

C. Products

HTC's principal activities currently include R&D and design work on converged devices built on the Microsoft Windows Mobile and Android operating system. Work includes the development of product styling/designs, operating systems, interface software, human-machine interfaces, and application software.

HTC launched its flagship line HTC Touch Diamond to an excited reception in London in May 2008. The Touch Diamond product line delivers an entirely new mobile Internet experience using the latest generation TouchFLO 3D touch screen interface. Touch Diamond represents a breakthrough in mobile telephone technology that has revolutionized consumer expectations of and ideas about mobile telecommunications.

In September 2008, HTC led the pack in North America and Europe by joining Google, the world's largest online search provider, and leading telecom service provider T-Mobile to launch the T-Mobile G1 smart phone, the world's first mobile phone designed on the Android operating system. In February 2009, HTC joined Singapore Telecommunications Limited

and Australia's Optus to launch the Asia Pacific's first Android phone - the HTC Dream. These two historic launches make HTC the first mobile phone maker to offer cutting-edge Android mobile phones in the world's three most important telecom markets.

HTC's presence was widely evident at the 2009 Mobile World Congress held in February 2009. Underscoring HTC's position as an innovation leader in the wireless communications sector, many of the innovative technology and product breakthroughs on display were the result of cooperation between HTC and the biggest names in telecom service and high technology - including Vodafone, Orange, T-Mobile, Qualcomm, Microsoft and Google. HTC took advantage of the Congress to spotlight its products designed to simplify and streamline interpersonal

communications, including Footprints™, Push Internet and the all-new Straight Talk™.

HTC has a strong and proven track record of delivering to markets worldwide increasingly simple, easy to use innovative mobile telecommunications products. Not only has HTC created a new model for success in the mobile telecommunications sector and assumed a leading role worldwide at the fore of telecommunications trends, we are an increasingly clear and influential advocate for new global standards designed to promote market opportunities for high value services, deliver greater convenience to users and pave the way forward to the next mobile



HTC is actively engaged in product R&D, manufacturing, and brand marketing as well as technical support and relevant after-sales service activities. At present, our products can be divided into Android Phone, Touch Phone, PDA Phone and Smartphone categories.

D. Management Team

>	Cher Wang	Chairman
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No.	Name	Position
1	Peter Chou	Chief Executive Officer & President
2	Fred Liu	Chief Operation Officer & Senior Executive Vice President
3	Hui-Ming Cheng	Chief Financial Officer & Spokesman
4	Jason Juang	Executive Vice President
5	Cliff Chiang	Vice President
6	CS Wang	Vice President
7	David Chen	Vice President
8	David Wang	Vice President
9	HC Hung	Vice President
10	Jack Tong	Vice President
11	Jason Mackenzie	Vice President
12	Jim Lin	Vice President
13	KH Tung	Vice President
14	Lotus Chen	Vice President
15	Florian Seiche	Vice President
16	Andy Chen	Associate Vice President
17	Cliff Chou	Associate Vice President
18	Ralph Wang	Associate Vice President
19	Sam Teng	Associate Vice President
20	Simon Hsieh	Associate Vice President
21	Simon Lin	Associate Vice President
22	Steve Wang	Associate Vice President
23	WH Liu	Associate Vice President
24	James Chen	Controller
25	Eric Chou	Chief Information Officer
26	Horace Luke	Chief Innovation Officer
27	John Wang	Chief Marketing Officer
28	Grace Lei	General Counsel
29	Edward Wang	Director
30	Joey Cheng	Director
31	Vincent Tseng	Director





SHAO-LUN LEE

> Supervisor on behalf of Way-Chih Investment Co., Ltd.

WEN-CHI CHEN

> Director

JOSEF FELDER

> Independent Director

CHER WANG

> Chairman
> Chairman of the Compensation Committee

CHEN-KUO LIN

> Independent Director
> Member of the Compensation Committee

HT CHO

> Director
> Member of the Compensation Committee

PO-CHENG KO

> Supervisor

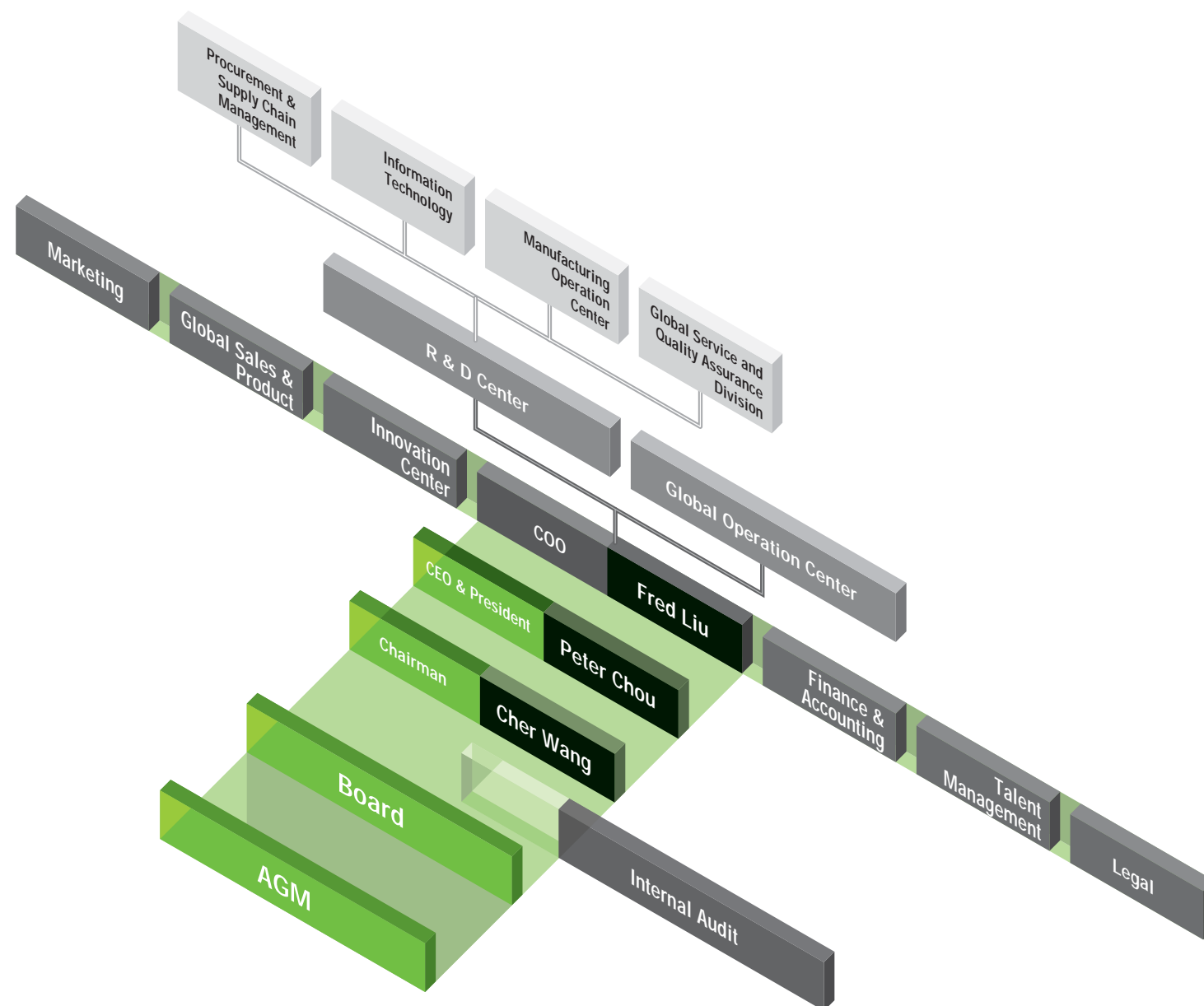
CALEB OU-YANG

> Supervisor

BOARD OF DIRECTORS : Cher Wang . HT Cho . Wen-Chi Chen . Chen-Kuo Lin . Josef Felder

BOARD OF SUPERVISORS : Po-Cheng Ko . Shao-Lun Lee . Caleb Ou-Yang

F. Organization



Organization Functions

> Marketing

The Marketing Division is responsible for corporate image planning; maintaining and enhancing external public relations; corporate marketing activities worldwide; and analyzing industry data and trends. It is also in charge of formulating and implementing corporate marketing and product plans.

> Global Sales & Product

The Global Sales & Product Division leads and supports HTC sales teams around the world with responsibilities for HTC product sales, customer development, order confirmation/follow-up, customer relationship maintenance, and facilitating the resolution of customer service problems.

> Innovation Center

The Center takes the lead in researching practical product applications, technology concepts, integration opportunities, and practical design ideas for emerging technologies. Research results are referenced and used by other HTC R&D units in their respective product development activities.

> R&D Center

Develops long-term product development plans for HTC R&D work and implements relevant progress reviews, creating a positive "research culture" and value perspective within R&D units.

> Global Operation Center

The Center is responsible to plan out HTC's global production capabilities and factory expansion work. The Center also conducts assessments of manufacturing sites, arranges product delivery schedules, schedules production, controls for product quality and takes charge of worldwide after-sales service programs for HTC products. The fundamental objective of the Center is to see that manufactured products meet or exceed customer expectations with regard to quality, delivery time, and service.

> Procurement & Supply Chain Management

Responsible for general purchasing activities, the appropriate control of input materials and finished products, ensuring proper production line operations, ensuring delivery dates are kept, and negotiating all the details related to the purchase and delivery of materials needed in production.

> Information Technology

Plans projects related to the establishment and enhancement of corporate IT systems; sets up and maintains security and data network systems; develops and manages disaster recovery plans for company software/hardware systems.

> Manufacturing Operation Center

Responsible for product manufacturing and production capacity allocation.

> Global Service and Quality Assurance Division

Responsible for implementing HTC quality control and global after-sales service responsibilities to ensure HTC products satisfy customer needs and expectations.

> Internal Audit

Audits internal controls to help ensure maximum operating effectiveness is maintained; confirms accuracy of financial and accounting data.

> Finance & Accounting

Responsible for corporate financial regulations, investor relations, global tax planning, capital management, investment planning, risk management, and general and cost accounting work.

> Talent Management

Develops and manages HTC's human resources; promotes a positive corporate culture; develops and implements employee service mechanisms and directs human resource and HR system planning in support of overall corporate goals.

> Legal

Responsible for the review, planning and execution of all legal matters related to corporate contracts, trademarks, patents, intellectual property, and litigations.



G. Worldwide Office Locations

> Headquarters

No. 23, Xinghua Road,
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> HTC Electronics (Shanghai) Co., Ltd.

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H. Human Resources

At the close of 2008, HTC employed 9,353 staff worldwide; an increase of 45.5% over end-of-year 2007. The increase included 126 managers, 376 professional staff, 158 administrative staff and 2,266 production line technical staff. At the close of 2008, women held 13.0% of HTC's 591 management positions, while foreign (non-Taiwan) nationals held 10.4% of HTC management and specialist positions.

Statistics related to the structure of human resources at HTC (excluding outsourced labor):

> Employee by Position Type

	Mar. 31, 2009	Dec. 31, 2008	Dec. 31, 2007
Management	522	525	465
Specialists	2,746	2,718	2,342
Administrators	615	712	488
Technical Staff	4,275	5,398	3,132
Total	8,158	9,353	6,427

> Gender, Average Age and Average Years of Service

	Mar. 31, 2009	Dec. 31, 2008	Dec. 31, 2007
Male	4,293	5,131	3,512
Female	3,865	4,222	2,915
Average Age	30	28	30
Average Years of Service	2.5	2.1	2.3

> Employees' Highest Level of Academic Achievement

	Mar. 31, 2009	Dec. 31, 2008	Dec. 31, 2007
PhD	53	48	25
Master's	1,713	1,750	1,240
Bachelor's	2,142	2,294	1,566
Technical / Vocational	809	866	777
Other	3,441	4,395	2,819

I. Awards

The HTC was honored in 2008 by being listed in Forbes magazine's "Asia Fab 50" register of the best public corporations in the Asia-Pacific region. In 2008, HTC was also honored by not one but two prestigious Taiwan Business Awards - for Best Innovation Management Award and International Achievement Award. It was the first time in the six year history of the Taiwan Business Awards that a company was honored with two simultaneous awards.

2008 | Shanghai, China

Forbes
Asia



III.

BUSINESS OPERATIONS

A. Industry Overview

Steady advances in the wireless telecommunications sector have infused mobile phones with virtually unlimited potential. The mobile telecommunications sector has emerged as a truly global industry, with brand owners working on a broad spectrum of market-oriented solutions geared toward a future of the 'always on' Internet. The 'mobile Internet', a concept already widely accepted and anticipated in the marketplace, will require that most consumers upgrade from their current mobile phones, and offers a clear path forward and upward for HTC during difficult economic times. Critical to success, however, will be continuous innovation and the continued introduction and success of new products to create both immediate sales opportunities and encourage the expectation of better yet to come.

Much more than a device to send and receive communications, today's mobile phones are ubiquitous multimedia devices used to listen to music, browse web pages, send and receive email, take advantage of high speed Internet applications and plug into satellite based global positioning services. The mobile phone seems on a course set to make it a multifaceted technology platform ideally suited for work as well as entertainment. Communication tailored to the needs of individual users is an increasingly influential factor in mobile phone design work and essential if we are to not only simplify, but streamline the way we communicate with one another. HTC is working actively to revolutionize voice, text message and e-mail communications.

Mobile telecommunications have, in recent years, advanced beyond 2G voice communication technology standards to embrace new 3G standards, centered on supporting mobile Internet services. The fruition of steady investments by telecommunications service providers in 3G Internet infrastructure, coupled with the increasingly advanced functionalities and ergonomics being integrated into the latest mobile phone models, are driving growth in demand for a diversified range of mobile digital services. Responding to the new potentials inherent in mobile telecommunications,

consumers are increasingly replacing their traditional mobile phone sets with handheld 'smart phones'. These trends are helping support continued buoyant smart phone sales growth in spite of the worsening overall conditions in the global economy seen since 3Q 2008. Nokia indicates that global sales of smart phones topped 160 million units in 2008 - a 33% rise over sales during the previous year.

Launches of HTC Touch and the original iPhone in 2007 uncorked general market demand for touch screen smart phones. HTC then launched in 2008 the world's first 3D touch screen interface in the ground-breaking HTC Touch Diamond series of 3G smart phones. Apple also upgraded original iPhone functions in the release of the Apple iPhone 3G. These product launches fired growth trends further, into which, from the second half of 2008, other competitors began launching touch phone models of their own, including the Blackberry Storm, Samsung Omnia and Nokia N97. HTC's pioneering efforts in this highly successful sector give it a technological lead over competitors of at least a year.

Consumers increasingly reflect individual lifestyle and personality preferences into their mobile phone purchase decisions. HTC works consistently to infuse greater innovative and technological diversity into its product solutions to ensure its product offering is well received by a broad spectrum of consumers.

Following intensive efforts to optimize mobile phone interface ergonomics and improve user satisfaction, mobile phone operating systems have migrated toward convergence on open system standards. Led by Internet search engine leader Google, the Open Handset Alliance has promoted aggressively the development and utilization of open code Android operating software to support leading edge mobile phone applications. Nokia, after acquiring Symbian in 2008, is in the process of making Symbian system codes open source in order to encourage more widespread development of Symbian-based mobile phone software applications. T-Mobile G1, the world's first mobile phone designed around the Android operating system, was launched in 2008, joining a market dominated by mainstream operating systems Symbian, Windows Mobile, Blackberry and iPhone. Leveraging Android's enhanced mobile Internet functionalities, the T-Mobile G1 heralded the dawn of a new era of mobile Internet.



Reflecting its tenacious dedication to innovation, HTC's successful 2007 launch of its HTC Touch series was quickly followed by the launch of its flagship HTC Touch Diamond series of smart phones in May 2008. In September of the same year, HTC joined with Google and T-Mobile USA to announce the worldwide launch of the first mobile phone designed on the Android operating system - yet another example of HTC leadership in innovation and exceptional business operations. Against prevalent adverse economic conditions, HTC maintained strong growth momentum, shipping 12.03 million units during 2008 realizing an overall 7.5% share of sales worldwide of converged devices.

In terms of key inputs, the negative growth in global mobile phone shipments that began during 4Q 2008 was anticipated by cutbacks in production capacity utilization by downstream

component vendors during the 3rd quarter, increased competition among vendors for mobile phone maker orders, and vendor-initiated price reductions. The steady easing of previously tight supplies for small and medium dimension display panels and li-ion batteries provide the most vivid examples of the easier supply situation faced by HTC for critical components. The softening overall market for mobile telecommunications products that began in 4Q 2008 has also improved the availability of power amplifiers as well as other active and passive components.

As overall global shipments of mobile phones are expected to decrease during 2009, supplies in related parts and component markets should continue to exceed demand. While maintaining supply stability, HTC will continue to pressure suppliers to raise production efficiencies and reduce

production costs in order to realize competitive advantages that are sustainable and mutually-beneficial. HTC will also take advantage of the current component oversupply situation to reduce purchase costs and maximize cost structures.

B. Market Analysis

2008 saw increasingly fierce competition amongst smart phone operating systems worldwide. While retaining its position as the most widely used operating system, Nokia's Symbian has seen its overall share of overall unit sales slide. The joint promotion by Google, HTC and T-Mobile USA of the first mobile phone based on the Android system has invigorated the potential for the platform's success in the global market. In light of current investments by other

mobile phone makers in developing and manufacturing Android-based systems, Android phone growth prospects should not be underestimated.

Prospects glow brightly for continued vigorous growth in the converged phone sector. Rising consumer demand for high data transfer speeds are leading a general trend toward upgrading to 3G mobile phones. With the age of the mobile Internet fast approaching, mobile phone designers and telecommunication operators are forming the increasingly close relationships necessary to introduce the diverse and steadily expanding suite of mobile digital services essential to meet high market expectations and to encourage consumers to replace their traditional mobile phone models with new smart phones.

> Demand

Rapid advances in wireless telecommunications R&D are making smart phones increasingly light, thin and compact while delivering interfaces increasingly tuned and responsive to user needs. Hardware has largely migrated to 3G technologies, while onboard GPS systems and touch screen controls are quickly becoming standard mobile phone features. With investments in 3G network by telecom service providers starting to show results and a diverse range of associated services being offered at ever more competitive prices, handheld smart phones are increasingly moving to the 'center' of the mass mobile phone market.

> Supply

Observing the potential inherent in the handheld smart phone market, major names in the traditional mobile phone sector are stepping up their involvement in this segment. Companies previously not involved in mobile phones, such as Apple and Google, are also stepping into the fray. Also, the trend toward developing and marketing phones designed on non-proprietary operating systems has opened the field for explosive growth in the number and variety of mobile Internet software applications available. Such is already enriching the development and growth of the mobile Internet environment.

C. Business Scope

HTC's main business focus is on the converged phone sector. We are a leading developer and manufacturer of smart phones designed on Windows Mobile and Android operating systems. Main products include Touch Phone, PDA Phones, Smartphone and Android Phone. We market and sell products under our proprietary HTC brand name as well as co-brands (through strategic co-branding relationships with telecom service providers). We are also working on plans to promote the HTC corporate brand.

Reflecting the maturation of wireless communication technologies, more than 70% of units currently shipped by HTC are based on 3G or higher standards. On the heels of HTC Touch's successful launch the previous year, HTC launched its new flagship line, HTC Diamond, in 2008. HTC Diamond has since gone on to break all previous sales records. At present, touch phones account for over half of all mobile phone units shipped by HTC.

HTC has directed focused efforts on building a global sales and marketing infrastructure ever since the 2006 decision to retool corporate operations to develop and market products under the HTC brand. Working to foster a strong brand image in principal markets, HTC now sells mobile phones under the HTC brand in Europe, North America and Asia through major local telecom service providers and channel retailers. Sales achieved by the HTC brand overseas underscore the success already met by corporate brand promotion efforts.

In-house R&D capabilities nurtured at HTC since its inception have produced leading edge innovations in mobile phone technology and design. Strategic alliances with Microsoft, Google and Qualcomm have helped HTC get first to market with new generation products and innovations, work with telecom service providers to raise average revenue per user (ARPU) and realize a worldwide sales and service network able to deliver on promises of innovation and quality made to customers.



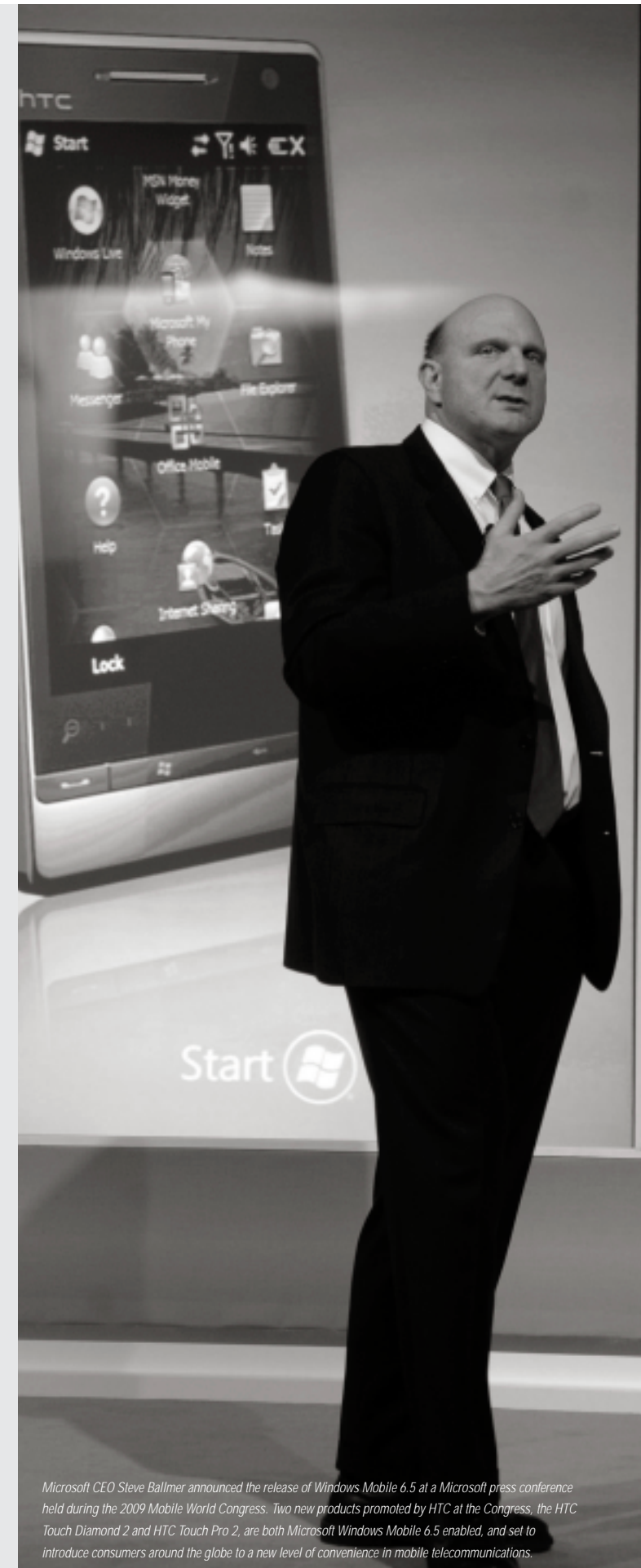
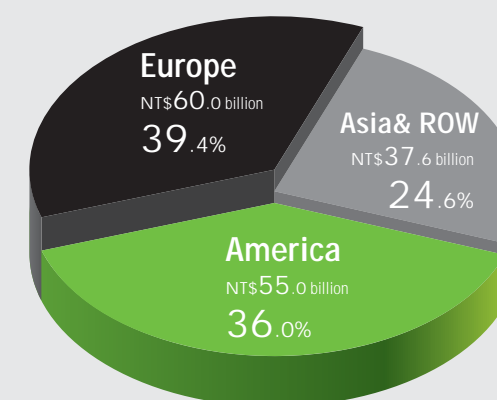
D. Business Objectives

HTC will grow to become the world's leading smart phone brand. While continuing to bring exceptional smart phone devices to market, HTC also dedicates significant resources to refining and improving user interface software and to creating new value for the HTC brand. HTC's TouchFLO 3D, for example, was the first commercially-available 3D user interface for mobile communications - developed specifically by HTC to enrich the mobile Internet experience.

In terms of growing brand value, HTC now has sales outlets in all principal national markets. Over 70 telecom service providers in more than 50 countries - including the world's largest mobile telecom operator, Vodafone, and the largest telecom service provider in the United States, Verizon - now carry HTC brand line products. HTC further works with channel partners to augment marketing and sales networks. Efforts to target emerging markets for smart phones have already developed successful sales businesses in the Middle East, Latin America and Russia. All flagship HTC products are supported by global sales and service coverage to facilitate consumer awareness and endorsement of the HTC brand. HTC is committed to continued efforts to develop and grow HTC brand value.

European and North American markets remained the focus of HTC business expansion during 2008. Europe and the Americas accounted for 39.4% and 36.0%, respectively, of HTC worldwide sales. Asia and other regions accounted for the rest (24.6%). Revenue growth for the year topped 28.7%, with emerging markets providing the most exciting growth numbers. With 3G and touch phones at the heart of business growth, HTC will continue R&D to make its converged devices smarter and sleeker and expanding cooperation to new telecom service providers and channel partners in order to expand further the market for converged phones.

2008 HTC Revenue by Region:



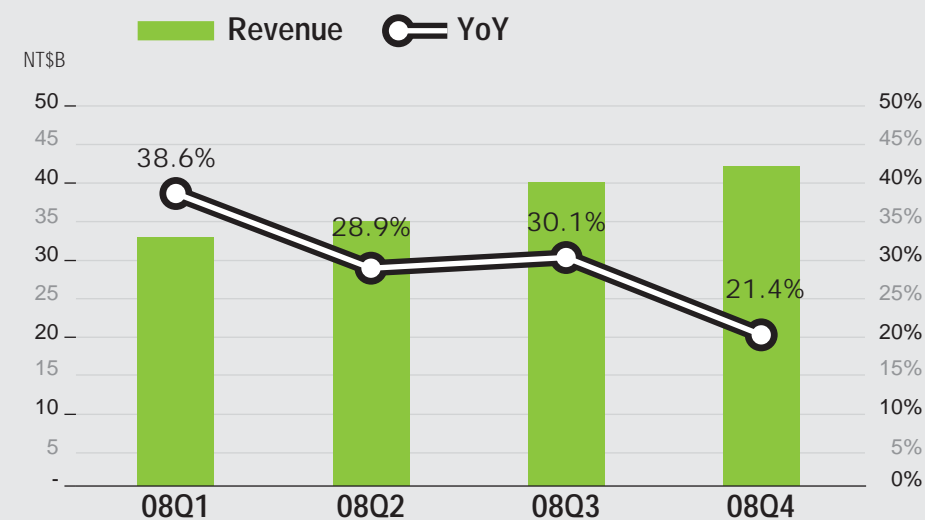
Microsoft CEO Steve Ballmer announced the release of Windows Mobile 6.5 at a Microsoft press conference held during the 2009 Mobile World Congress. Two new products promoted by HTC at the Congress, the HTC Touch Diamond 2 and HTC Touch Pro 2, are both Microsoft Windows Mobile 6.5 enabled, and set to introduce consumers around the globe to a new level of convenience in mobile telecommunications.



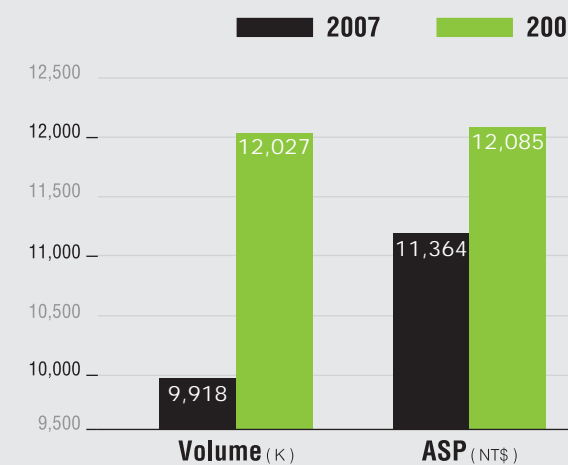
E. Analysis of Business Results

Innovation, streamlined business operations and the ability to respond quickly to market opportunities and challenges have won for HTC another exceptional year of growth. Despite worsening global economic conditions, HTC turned in especially strong results during the second half of last year with continued promotion of the flagship Diamond line of products and the launch of the world's first mobile phone designed around the Android operating system. Revenues for 2008 reached NT\$152.6 billion, an increase of 28.7% over 2007.

ODM sales account for an increasingly small fraction of overall HTC sales - reflecting the corporation's stress on promoting its proprietary brand in recent years. ODM sales accounted for less than 10% of the corporate revenue stream in 2008. Therefore, while HTC's overall mobile phone sales grew by just 21%, Non ODM sales registered in at a significantly stronger 40%. Average revenue per unit sold rose in 2008 to NT\$12,085 (from NT\$11,364 in 2007) - a reflection of shrinking ODM sales and the increasing importance of 3G phones in the HTC portfolio. In terms of accounting, 2008 saw HTC begin treating employee bonuses as an expense item. Also, early application of



Statement of Financial Accounting Standards (SFAS) No. 10 means that HTC now recognizes the value of inventory, better reflecting the true relationship between products and cost, and now counts provisions for product warranty and write-downs of inventories and the reversal of write-downs.



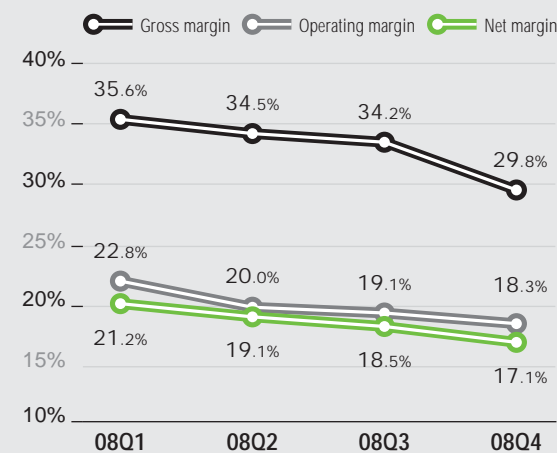
Raising operational effectiveness and streamlining cost structures are keys to the success of HTC business operations. Executive-directed efforts at such are already showing results. Gross margin, a key performance indicator in the converged phone sector, slightly decreased in 2008 to 33.6% (pre-employee bonus); 0.3 percentage points over the 33.9% (adjusted)¹ achieved in 2007. Seasonal variance in gross margin this past year reflected the combined influence of products and sales efforts. A one-time obsolescence write-off caused the 0.5 percentage points slip in gross margin recorded during the second quarter, while a restructured HTC product offering resulted in a slight drop in gross margin during the third quarter. While a fourth quarter drop in the value of the euro against the NT dollar, rise in ODM orders and new strategic pricing of T-Mobile G1 mobile phones saw gross margin slide to 30.1% (pre-employee bonus), net operating margin (pre-employee bonus) remained at 22.0%. Gross margin from the sale of HTC mobile phones designed on the Windows

Touch! Windows Mobile

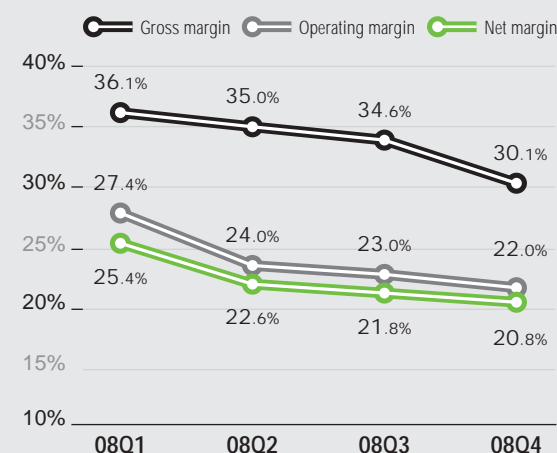


Mobile operating system remained constant, reflecting HTC's success in improving cost structures.

Gross margin, Operating margin & Net margin (Post Employee Bonus)



(Pre Employee Bonus)



Since launching the HTC brand, HTC has maintained an investment focus on innovative R&D and on enhancing the value and image of the HTC brand. The operating expense ratio (pre-employee bonus) registered 9.8% for the year, 1.7 percentage points higher than that² in 2007 and was in line with the 10% target set by the company at the beginning of the year. Overall performance in 2008 remained exceptional. Net profit after tax (pre-employee bonus) reached NT\$34.2 billion, a rise of 18.4% over 2007. The net profit margin (pre-employee bonus) achieved 22.4%. Earnings per share (pre-employee bonus) for the year came to NT\$45.41, the highest for any Taiwan listed company, underscoring the inherent value to investors of their HTC holdings.



¹ To be on a comparative basis, the gross margin in 2007 was adjusted by product warranty expenses of NT\$5.02 billion and provision for loss on inventories of NT\$0.48 billion. Therefore, the gross margin (adjusted) was 33.9% different from gross margin shown on audited financial reports.

² To be on a comparative basis, the operating expense ratio in 2007 was adjusted by product warranty expenses of NT\$5.02 billion. Therefore, the operating expense ratio (adjusted) was 8.1% different from gross margin shown on audited financial reports.

F. Brand Strategy

Managing the HTC brand is a long-term commitment at the core of HTC's overall business strategy. Brand management is meant to help sustain HTC's success over the long run and represents a natural path forward for many of Taiwan's more successful businesses. HTC brand management strategy is grounded in innovation-based product differentiation and strong customer satisfaction with products.

Innovation, encoded in the 'DNA' of the HTC, is readily evident in the already respectable list of products designed,

manufactured and sold first by HTC. HTC products are solidly built from the inside out to deliver a user experience second to none and a reputation that promises to continue to grow and build further value into the brand. Brand marketing at HTC targets the creation of brand value rather than simply brand awareness.

The Touch Diamond line of converged phones, launched in 2008, includes the HTC Touch Diamond and HTC Touch Pro. Products in the line promise and deliver an exciting new mobile Internet experience and the latest generation TouchFLO 3D user interface. Sales of Touch Diamond products broke 2 million units in 6 months, highlighting the respect already earned by the HTC brand among consumers in key markets worldwide.

This past September, HTC joined Internet search engine leader, Google, and US telecom service provider, T-Mobile to launch T-Mobile G1, the world's first smart phone

designed on the open Android platform. US sales topped 1 million units in the first four months of sale. The G1 marked a major leap forward in mobile Internet development and accessibility.

HTC's presence was widely evident at the 2009 Mobile World Congress held in February 2009. Underscoring HTC's position as an innovation leader in the wireless communications sector, many of the innovative technology and product breakthroughs on display were the result of cooperation between HTC and the biggest names in telecom service and high technology - including Vodafone, Orange, T-Mobile, Qualcomm, Microsoft and Google.

During the 2009 Mobile World Congress, HTC announced with strategic partner Vodafone the launch of its newest addition to the Android-based smart phone family, HTC Magic. Simplifying how users receive and use information, the new model features a distinctive and sporty design, a



full suite of powerful functions and the latest technologies. HTC Magic is the most recent example of how HTC infuses style and depth into mobile phone products and applications.

HTC, working to establish a consistent value and image for its brand worldwide, has focused on promoting simple, clear messages aimed at earning global consumer endorsement and enthusiasm in order to extend and deepen the commercial value of innovative efforts. The fact that ODM sales contributed to less than 10% of total HTC revenues in 2008 shows that HTC's global brand strategy is achieving a certain measure of success. Under the banner of the HTC brand, the corporation will continue to develop a single global business strategy honed to highlight the image and value of the HTC brand and create a premier international brand that will sustain and extend the corporation's long-term competitiveness.

G. Progress in Research & Development

Since its inception, HTC has invested consistently to nurture in-house R&D capabilities and develop innovative

technologies. Today, R&D professionals account for nearly one-third of all HTC personnel, and annual R&D investments regularly represent 6~7% of total revenues. HTC products are frequent trailblazers, earning a long line of 'firsts', including that for the design and production of Microsoft's first smart phone and for Microsoft's first 3G smart phone and PDA phone. The HTC Touch Diamond, launched in 2008, represents yet another important first - integrating fashion, leading edge telecommunications and an exceptionally user-friendly interface into one, thoroughly innovative smart phone.

After joining the Open Handset Alliance, HTC, in September 2008, announced the launch of the world's first Android-based mobile phone, the T-Mobile G1. The T-Mobile G1 underscores HTC capabilities and leadership in innovative design and development in the mobile telecommunications sector. The T-Mobile G1 adds a line of smart phones positioned to lead the way into the age of the 'anywhere, anytime' Internet to HTC's main product lineup based around the highly versatile and successful Windows Mobile platform. In the arena of wireless Internet applications, HTC joined in November 2008 with Russian

telecom services operator SCARTEL to launch the world's first dual mode GSM/WiMAX mobile phone - the HTC Max 4G. The HTC Max 4G blazes a trail for others to follow in terms of its integration and support of new generation mobile Internet services.

Dedication to continued enhancement of innovation, aesthetics and functionality in product designs directed HTC's decision to approve the purchase of San Francisco (USA)-based One & Company Design, Inc. by its subsidiary H.T.C. (B.V.I.) Corp. The acquisition gives substance to HTC commitments to put consumer convenience and preferences in the 'driver's seat' of design, innovation and production efforts. The combination of HTC and One & Company creates a world-class design team, embracing top technology innovators and design professionals, able to enhance HTC core design strengths and open the door for HTC to participate in the design of a wide array of general consumer products. Already a leader in wireless communication technology, this team is well positioned to mature into the world's most advanced mobile phone design and innovation team able to deliver to consumers and telecom operators exceptionally designed

and highly innovative products.

Building on its strong track record of innovative success, HTC will continue to launch leading edge, new generation products. The corporation will continue to build its converged phones on Windows Mobile and Android platforms. Apart from enhancing 3G wireless data transfer rates, HTC is making progress on developing TD-SCDMA broadband integrated technologies. HTC is also 'breaking the mold' in terms of device appearance and functionality, proving that smart phones can be streamlined and stylish while delivering telecommunications results at the leading edge of technology. HTC products will further focus on serving the needs of the general consumer market in order to ensure advanced multimedia and mobile internet services are accessible to as many people as possible.

R&D Expenditures in Recent Years and To Date:

NT\$ millions			
Item	2007	2008 ^(note)	2009Q1 ^(note)
R&D Expenses	3,866	9,618	2,080
As a Percentage of Total Revenue	3.3%	6.3%	6.6%

Note: Included employee bonus expenses



H. Corporate Governance

In recent years, HTC has made great strides implementing effective corporate governance measures in business operations. Corporate governance has risen significantly, with strong positive effects realized in terms of risk management and the transparency of financial information disclosures. Developments in this area include:

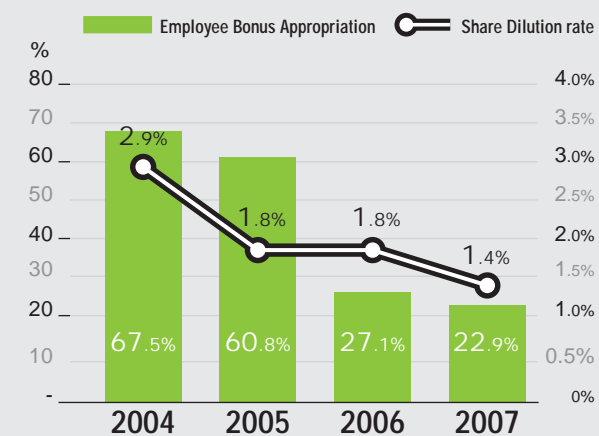
1. Independent Director Positions Created

At the 2007 board of directors' election, two new independent directors were elected in accordance with the Securities and Exchange Law, with the objective of strengthening corporate governance, supporting board director independence and functions and enhancing the effectiveness of board operations.

2. Remuneration Committee Created

As requested by board directors, HTC has established a remuneration committee in accordance with relevant regulations, comprising three board directors. The board chairperson serves as ex officio committee chairperson. The other two directors on the committee, at least one of whom is a serving independent director, are appointed by the chairperson. On June 22nd, 2007, HTC board member HT Cho and independent director Chen-Kuo Lin were approved by the board to serve on the remuneration committee. HTC chairman Cher Wang is serving as the committee's chairperson. The main responsibility of this committee is to monitor and review on behalf of the board HTC remuneration policies and mechanisms and make relevant recommendations to the board of directors.

The 2008 employee bonus appropriation rate for accrued expenses is set at 18% of net profit after taxes, prior to this employee bonus adjustment. The actual value of the bonus distribution allocation must



be approved by the board of directors after final accounting figures for the year have been published and agreed to by the 2009 board. During the past three year period, the dilution ratio resulting from employee bonus distributions has ranged between 1.4% and 1.8%.

3. Board of Supervisor Proceedings

Prior to the committee's creation, most of committee functions are being addressed by the HTC board of supervisors. According to Article 14-5 of Securities and Exchange Law, issues brought before the supervisors are reviewed by a supervisory committee and, if no objections are raised, then forwarded to the board of directors for disposition. Meetings of the board of supervisors take place every quarter, at which financial, legal, internal audit and other issues are reported to members. Issues



On 16 June 2008, Mobile Communications Business Group Director for Microsoft China Benjamin Tan; HTC Chief Marketing Officer John Wang; Dopod Chief Operating Officer Paul Hsu; HTC Executive Vice President Jason Juang; and Microsoft Corporate Vice President, Mobile Communications Product Group, Todd Warren joined forces in Beijing, China to promote the most outstanding mobile telecommunications product launched this year - the HTC Touch Diamond.

are reviewed by supervisors and certified public accountants based on considerations of risk management, intercompany transactions, changes in accounting policy, assessments of IPR infringement risk, reasonableness of provision and accrual items to present fairly on financial reports.

4. Immediate Disclosure of Information & Reliable Financial Forecasting

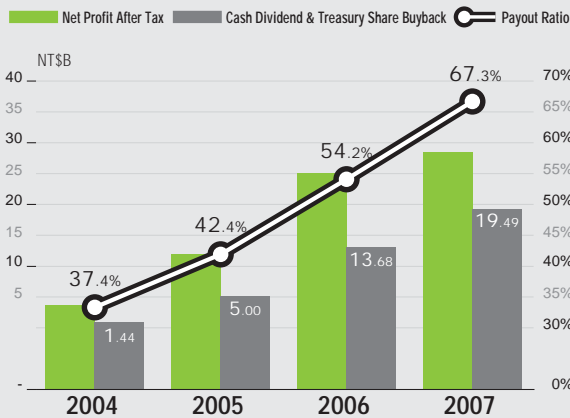
HTC has been working diligently to enhance the timeliness and transparency of financial disclosures. In addition to publishing important data related to HTC's business in a timely fashion online in accordance with regulations, HTC publishes monthly revenue reports up to six days ahead of schedule, while initial un-audited quarterly results are released at the beginning of the first month after the end of each quarter. The board of directors meets regularly

within one month of the close of each quarter. Quarterly phone conferences are held for investors every quarter, at which regularly scheduled topics include anticipated revenues, profits and costs for the following quarter. Investor conferences are also held at the beginning of the new year to discuss matters related to annual revenues and costs of business in order to help investors maintain an immediate perspective on business operations. Business results achieved over the past 8 quarters have all met or exceeded forecast numbers. HTC also invests to maintain and enhance its Internet presence. A complete overhaul of the HTC website, launched in March 2008, has added new information disclosure items and English website content. Such are geared toward enhancing the value and clarity of website content in order to facilitate timely acquisition by investors of key business and financial information.

5. Sound Dividend Policies

HTC has maintained consistent dividend policies over the years. Factors considered in determining dividend distributions include assessments of current and future investment environments, current capital needs, domestic and international competition, and budgetary considerations. Shareholder interests and the need to strike a balance between dividend distributions and long term financial planning needs are also considered. The board of directors, in accordance with regulations, sets a distribution plan each year for submission to shareholders. In recent years, HTC has been able to maintain relatively high dividend payments. Dividend distributions in 2007 amounted to 67.3%. Dividend payments are made primarily in cash. In 2007, for example, cash dividends of NT\$34 per share and share dividends of NT\$3 per share were distributed to shareholders. HTC's current(2009) Board of Directors

endorsed a high cash dividend rate policy with total cash dividend distribution of 2008 and 2009 surpluses set at a minimum NT\$20 billion. These disbursements will be made during 2009 and 2010.



* Payout ratio= (cash dividend + treasury share buyback) / net profit after tax.

I. Corporate Social Responsibility

The board of directors approves regular annual donations to the HTC Social Welfare and Charity Foundation or Education Foundation. This foundation funds leadership and character training for elementary, junior high and senior high students; co-sponsors community-level leadership and character improvement initiatives for youth; targets the special needs of disadvantaged groups; and provides disadvantaged children opportunities to further their academic careers.

HTC Foundation, through a continuing education plan, works to create core personal and community values that stress forthrightness, integrity, love, respect, caring, positive thinking and a respect for our natural environment and resources. Sponsored efforts carefully target the needs of the community. The Foundation signed a white paper on character development with the Taoyuan County Government in March 2008 agreeing to joint execution of a three-year plan to implement character development education programs in 100 schools. The plan leverages support from a tightly woven network of county education authorities, schools, communities and families. Apart from programs already ongoing in Hualien's Yuli Township and Longtan Township in Taoyuan, the 'Character Town' plan secured formal support in 2008 from the mayors of Shihzih Township (Pingtung County), Sinyi Township (Nantou County), and Yuanlin Township (Changhua County), all of whom have agreed to work together to promote character development education in their jurisdictions.

The HTC Foundation established the nation's first institute dedicated to character-building and English training in Hualien's Meinong District. Located on a disused campus of the National Hua-lien Special Education School for the Mentally Retarded, the institute provides character-building and English enhancement curricula free of charge to fourth grade elementary school students from around Hualien County. Programs are organized as 5-day, 4-night field trips that encourage students to learn good character fundamentals and English in a relaxed setting.

In addition, the Foundation offers scholarships for children with special financial needs and financial aid to low-income families and sponsors after school tutoring programs. Other charitable programs sponsored by the HTC Foundation during 2008 include:

- > Sponsorship funding for emergency relief efforts in the aftermath of the major earthquake in Sichuan Province, China and a cyclone that struck Burma through the Ling Jiou Mountain Buddhist Foundation;
- > Sponsorship of after-school tutoring for 300 disadvantaged elementary school students under a charitable program organized and administered by the Chinese Christian Relief Association;
- > Sponsorship of expenses necessary to care for the basic needs of 289 needy children in Taiwan and abroad under World Vision;
- > Sponsorship of The Potential Development Center for Spinal Cord efforts to rehabilitate patients recovering from severe spinal cord injuries;
- > Sponsorship of programs organized and administered by various organizations, such as the Champions Education Association and Rainbow Family Life Education Association, focused on enhancing the life skills and good character of youth
- > Sponsorship of scholarship and daily needs support for 100 outstanding high school students from low-income families living in Ningxia and Liaoning Provinces in China.
- > Scholarship support is also being provided for nearly 1,000 students at 6 schools in the remote Chinese area and Qinghai Province.

HTC will continue sponsoring public activities that target environmental protection and care for disadvantaged groups. HTC is a proud citizen of the global community and willingly shoulders its social responsibilities as a successful corporation in order to improve society and enhance the livelihood of those in greatest need.



J. MAJOR SUPPLIERS/CUSTOMERS REPRESENTING AT LEAST 10% OF GROSS PURCHASE/REVENUE FOR MOST RECENT TWO-YEAR PERIOD

> Major Suppliers Representing at Least 10% of Gross Purchase

(Amount in NT\$ millions)

Supplier Code	2008		2007	
	Amount	%	Amount	%
a	\$ 13,992	18	\$ 7,756	13
TOTAL	\$ 13,992	18	\$ 7,756	13

> Major Customers Representing at Least 10% of Gross Revenue

(Amount in NT\$ millions)

Customer Code	2008		2007	
	Amount	%	Amount	%
A	\$ 26,867	18	\$ 19,633	17
B	21,631	14	15,902	13
C	21,372	14	12,592	11
D	4,414	3	16,932	14
TOTAL	\$ 74,284	49	\$ 65,059	55

K. PRODUCTION AND SALES FOR MOST RECENT TWO-YEAR PERIOD

> Production

Unit: 1,000 units / NT\$ millions

	2008			2007		
	Production Capacity	Production Quantity	Production Value	Production Capacity	Production Quantity	Production Value
PDA Phones and Smartphones	16,848	12,567	79,158	8,790	9,970	59,753
TOTAL	16,848	12,567	79,158	8,790	9,970	59,753

Note 1: Production capacity represents the normal capacity of current production equipment after making adjustments for necessary production stoppages, non-work holidays, etc. Production quantity above capacity is achieved by outsourcing.

Note 2: Each product has an alternate(s) that are added in calculations of production capacity.

> Sales

units: 1,000 units / NT\$ millions

	2008 ^(note)				2007 ^(note)			
	Domestic Sales		Export Sales		Domestic Sales		ExportSales	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
PDA Phones and Smartphones	272	3,075	11,755	142,275	173	2,142	9,744	110,558
Other Items (accessories)	122	48	25,160	5,106	258	44	38,426	4,598
TOTAL	394	3,123	36,915	147,380	431	2,186	48,170	115,156

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

L. PRINCIPAL CONTRACTUAL AGREEMENTS

Principle current contractual agreements shown below were either effective as of the HTC annual report publishing date or expired during the most recent reporting period.

Agreement Type	Party	Period of Effectiveness	Main Clauses	Terms & Conditions
Patent Authorization	Microsoft	2007.01.01~2011.1.31	(1) Patent authorization for embedded application software; (2) Royalty payments shall be made in accordance with agreement terms.	None
Patent Authorization	Siemens Aktiengesellschaft	2004.07 until last patent expires	(1) GSM/GPRS/EDGE compliant proprietary technology and/or patents; (2) Royalty payments shall be made in accordance with agreement terms.	None
Patent Authorization	ALCATEL/TCL & Alcatel	2004.07~2009.06 (5 years)	(1) GSM/GPRS/EDGE compliant proprietary technology and/or patents; (2) Royalty payments shall be made in accordance with agreement terms.	None
Patent Authorization	Lucent Technologies GRL LLC	2004.07~2009.06 (5 years)	(1) GSM/GPRS/EDGE/ CDMA/WCDMA compliant proprietary technology and/or patents; (2) Royalty payments shall be made in accordance with agreement terms.	None
Patent Authorization	KONINKLIJKE PHILIPS ELECTRONICS N.V.	2004.01.05 until last patent expires	(1) Patents necessary in the production of GSM and/or DCS 1800/1900 compliant communications devices; (2) Royalty payments shall be made in accordance with agreement terms.	None
Patent Authorization	InterDigital Technology Corporation	2003.12.31 until last patent expires	(1) Authorization for digital communications patents based on TDMA and CDMA; (2) Royalty payments shall be made in accordance with agreement terms.	None
Patent Authorization	Motorola, Inc.	2003.12.23 until either 1) HTC stops using Motorola intellectual property rights or 2) the last patent authorized under this agreement expires.	(1) TDMA, NARROWBAND CDMA, WIDEBAND CDMA and TD/CDMA standards compliant proprietary technology and/or patents; (2) Royalty payments shall be made in accordance with agreement terms.	None
Patent Authorization	Telefonaktiebolaget LM Ericsson	2008.12.15~2013.12.14	(1) Essential patent authorizations needed to manufacture, use and sell in compliance with GSM; (2) Royalty payments shall be made in accordance with agreement terms.	None
Patent Authorization	Ericsson Mobile Platform AB	2003.04~2011.03	(1) Authorization covers EDGE wireless communications technology. Payments under the authorization agreement commenced on July 24, 2003. (2) Royalty payments shall be made in accordance with agreement terms.	None
Patent Authorization	Nokia Corporation	2003.01.01 until last patent expires	Authorizations cover GSM wireless communications technologies. Royalty payments shall be made based on production quantity, with the value of such defined in the agreement.	None
Patent Authorization	Qualcomm Incorporated	2000.12.20 until one of the following occurs to cause expiry: (1) One party is in breach of contract terms and fails to rectify such within 30 days of receiving written notification from the other party. (2) HTC no longer uses any of Qualcomm's intellectual property rights. Qualcomm must be notified in writing 60 days before contract expiry is scheduled to take effect.	(1) Patent authorization related to CDMA R&D, production and sales; (2) Royalty payments shall be made in accordance with agreement terms.	None
Technology Authorization	Texas Instruments France	2000.01.14~2010.01.13	(1) Authorized transfer of GSM pan (2) Royalty payments shall be made according to the agreed	None

1. INFORMATION ON THE COMPANY'S DIRECTORS, SUPERVISORS, GENERAL MANAGER, ASSISTANT GENERAL MANAGERS, DEPUTY ASSISTANT GENERAL MANAGERS, AND THE SUPERVISORS OF ALL THE COMPANY'S DIVISIONS AND BRANCH UNITS, AS FOLLOWS:

(1) Directors and Supervisors:

> Directors' and Supervisors' Information (I)

Unit: Share : %

Title	Name	Date Elected	Term Expires	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Other persons holding shares in their name		Principal work experience and academic qualifications	Positions held concurrently in the company and/or in any other company	Other executives, Directors and supervisors who are spouses or within second-degree relative of consanguinity		
					shares	%	shares	%	shares	%	shares	%			Title	Name	Relation
Chairman	Cher Wang	06/20/2007	06/19/2010	04/30/1999	13,940,207	3.22%	23,558,949	3.16%	19,342,525	2.59%	0	0.00%	> Masters in Economics from the University of California, Berkeley. > First International Computer, Inc. (FIC) into the motherboard business while in the position of General Manager of the PC Division.	> Chairman, VIA TECHNOLOGIES, INC. > Chairman (Representative), H.T.C.(B.V.I)Corp. > Director, HTC Social Welfare Foundation. > Chairman, Via Faith Hope and Love Foundation. > Chairman, Chinese Christian faith Hope and Love Foundation.	Director	Wen-Chi Chen	Spouse
Director	HT Cho	06/20/2007	06/19/2010	04/23/2001	323,000	0.07%	366,470	0.05%	0	0.00%	0	0.00%	> National Taipei Institute of Technology, majoring in electronic engineering. > President & CEO of HTC Corporation. > Digital Equipment Corporation of consulting engineer	> Chairman, HTC Social Welfare Foundation. > Chairman, HTC Education Foundation. > Director, Associated Industries China, Inc. > Director (Representative), Chinese Television System Corp. > Director, Chunghwa Telecom Foundation. > Director, Digitimes Publication Inc.	None	None	None
Director	Wen-Chi Chen	06/20/2007	06/19/2010	04/30/1999	11,445,282	2.64%	19,342,525	2.59%	23,558,949	3.16%	0	0.00%	> MSCS from the California Institute of Technology. > President, VIA Technologies, Inc. > President, Symphony Laboratories.	> President & Director, VIA Technologies, Inc. > Director, HTC Social Welfare Foundation. > Director, Via Faith Hope and Love Foundation. > Director, Chinese Christian faith Hope and Love Foundation.	Chairman	Cher Wang	Spouse
Independent Director	Chen-Kuo Lin	06/20/2007	06/19/2010	06/20/2007	0	0.00%	0	0.00%	0	0.00%	0	0.00%	> Bachelor degree in Economics from National Taiwan University. > Advanced study at the Department of Economics in Oklahoma State University, U.S.A. > Advanced study at the Department of Economics in Harvard University, U.S.A. > Minister, Ministry of Finance, Executive Yuan. > Chairman, Taiwan External Trade Development Council. (TAITRA) > Chairman, Taiwan Asset Management Corporation. > Professor, Department of Economics in National Taiwan University.	> Chairman, Board of TUNGHAI UNIVERSITY. > Independent director & Chairman of the Audit Committee of the Board, Taiwan High Speed Rail Corporation.	None	None	None
Independent Director	Josef Felder	06/20/2007	06/19/2010	06/20/2007	0	0.00%	0	0.00%	0	0.00%	22,000	0.00%	> Study in Advanced Management Program in Graduate of Harvard Business School, Boston. > Chief Executive Officer, Unique. (Flughafen Zürich AG) > Director, FIG (Flughafen Immobilien Gesellschaft) > Senior leadership positions in Crossair. > President, SIAA (Swiss International Airports Association) > Member of the Executive Committee of Aerosuisse and Member of the Board of AC I(Airports Council International) in Brussels.	> Director, AMAG > Director, Cereal Holding AG	None	None	None
Supervisor	Po-Cheng Ko	06/20/2007	06/19/2010	06/20/2007	0	0.00%	0	0.00%	0	0.00%	0	0.00%	> Masters in Accounting from Soochow University.	> Associate professor, Department of Accounting in Soochow University. > Independent Director of Topoint Technology Co., Ltd. > Supervisor of CyberPower Systems, Inc.	None	None	None
Supervisor	Way-Chih Investment Co., Ltd. Representative: Shao-Lun Lee	06/20/2007	06/19/2010	04/30/1999	22,398,079	5.18%	37,852,752	5.08%	0	0.00%	0	0.00%	> Ph.D in Material Science and D.Eng in Electrical Engineering from UCLA. > Executive Assistant to the Chairperson of Via Technologies, Inc. > Executive Vice President, LAM RESEARCH CO., LTD	> Director, IC Broadcasting Co., Ltd > Director, Chinese Christian faith Hope and Love Foundation. > Director, Via Faith Hope and Love Foundation.	None	None	None
Supervisor	Caleb Ou-Yang	06/20/2007	06/19/2010	06/20/2007	0	0.00%	0	0.00%	0	0.00%	0	0.00%	> National Taiwan Ocean University.	None	None	None	None

Note : Shareholding based on 21 April 2009 book of Stockholders' register.



> Major shareholders of Institutional Shareholders

Name of Institutional Shareholders	Major shareholders of Institutional Shareholders
Way-Chih Investment Co., LTD.	Cher Wang

> Major Shareholder(s) to The Company Listed in The Above Table Is on The Right Hand Column:

Not applicable

> Directors' and Supervisors' Information(II)

Title/Name	Meet one of the following professional qualification requirements, together with at least five years work experience		Conditions										Selected current positions/number of other public companies concurrently serving as an independent director	
			Conforms to the independent situation (note 1)											
			An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, College or University	A judge, public prosecutor, attorney, certified public accountant or other professional or technical specialists who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Have workexperience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the company	1	2	3	4	5	6	7		8	9	10
Chairman Cher Wang		✓										✓	✓	N/A
Director HT Cho		✓			✓	✓	✓		✓	✓	✓	✓	✓	N/A
Director Wen-Chi Chen		✓										✓	✓	N/A
Independent Director Chen-Kuo Lin	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Independent Director Josef Felder		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A
Supervisor Po-Cheng Ko	✓	✓	✓	✓	✓	✓				✓	✓	✓		1
Supervisor Way-Chih Investment Co., Ltd.														
Representative Shao-Lun Lee		✓			✓	✓					✓	✓		N/A
Supervisor Caleb Ou-Yang			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A

Note1 : Independence of the directors and supervisors with a "✓" sign as shown as follows:

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent Company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, children of minor age , or held by the person under others. names, in an aggregate amount of 10% or more of the total number of issued shares of the Company or ranking in the top 10 in holdings.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any of the persons in the preceding three subparagraphs.

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company or that holds shares ranking in the top five in holdings.

(6) Not 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.

(7) Not 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.

(8) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.

(9) Not been a person of any conditions defined in Article 30 of the Company Law.

(10) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

(2) The General Manager, Assistant General Managers, Deputy Assistant General Managers, and The Chiefs of All The Company's Divisions and Branch Units:

Unit: Share : %

Title	Name	Date Elected	Shareholding (note)		Spouse & Minor Shareholding		Other persons holding shares in their name		Principal work experience and academic qualifications	Positions held concurrently in any other company	Managers Who are Spouses or within Second-degree Relative of Consanguinity		
			shares	%	shares	%	shares	%			Title	Name	Relation
Chief Executive Officer & President	Peter Chou	04/30/2004	2,963,874	0.40%	1,028,000	0.14%	0	0.00%	> Department of Electronic Engineering, National MUSEUM of Marine Biology & Aquarium. > Director, Server platform design division, Digital Equipment Corporation.	> Director (Representative), HTC America, Inc. > Director (Representative), HTC EUROPE CO. LTD > Director (Representative), High Tech Computer Asia Pacific Pte. Ltd. > Director (Representative), High Tech Computer Singapore Pte. Ltd. > Director (Representative), High Tech Computer (H.K.) Limited > Director (Representative), HTC (Australia and New Zealand) Pty. Ltd. > Director (Representative), HTC Philippines Corporation > Director (Representative), High Tech Computer (SuZhou) Co., Ltd. > Director (Representative), Hua-chuang Automobile Information Technical Center Co., Ltd. > Chairman (Representative), HTC Investment Corporation > Supervisor (Representative), PT. High Tech Computer Indonesia > Director (Representative), HTC India Private Limited > Director (Representative), HTC Malaysia Sdn. Bhd.	None	None	None
Chief Operation Officer & Senior Executive Vice President	Fred Liu	04/24/2006	1,670,326	0.22%	0	0.00%	0	0.00%	> Department of Electrical Engineering, Tatung University. > Director, Digital Equipment Corporation.	> Director (Representative), HTC America, Inc. > Director (Representative), HTC EUROPE CO. LTD > Director (Representative), HTC NIPPON Corporation > Director (Representative), HTC HK, Limited > Director (Representative), HTC Belgium BVBA/SPRL > Director (Representative), High Tech Computer Asia Pacific Pte.Ltd. > Director (Representative), High Tech Computer Singapore Pte. Ltd. > Director (Representative), HTC (Australia and New Zealand) Pty. Ltd. > Director (Representative), HTC Philippines Corporation > Director (Representative), PT. High Tech Computer Indonesia > Chairman (Representative), High Tech Computer (SuZhou) Co., Ltd. > Chairman (Representative), Communication Global Certification Inc. > Chairman (Representative), HTC Corporation (Shanghai WGQ) > Director (Representative), VIA TECHNOLOGIES, INC. > Director (Representative), HTC Investment Corporation > Director (Representative), HTC (Thailand) Limited > Director (Representative), HTC India Private Limited > Director (Representative), HTC Malaysia Sdn. Bhd. > Director (Representative), HTC Electronics (Shanghai) Co., Ltd.	None	None	None
Chief Financial Officer & Spokesman	Hui-Ming Cheng	09/08/2006	100,000	0.01%	0	0.00%	0	0.00%	> MS, Chemical Engineering, UCLA; MBA, Indiana University > Senior Vice President, Fubon Financial Holding Co., Ltd. > Chief Financial Officer & Senior Vice President, Taiwan Mobile Co.,Ltd. > Vice President, WINBOND ELECTRONICS CORP.	> Supervisor, WINBOND ELECTRONICS CORP. > Independent Supervisor, Acme Electronics Corporation. > Supervisor (Representative), Communication Global. Certification Inc. > Supervisor, Ming Wen Investment Co., Ltd. > Supervisor, Cui Yuan Investment Co., Ltd. > Director (Representative), HTC Investment Corporation > Director, Walsin Lihwa Corporation > Director (Representative), HTC Malaysia Sdn. Bhd.	None	None	None

(Continue)

Unit: Share : %

Title	Name	Date Elected	Shareholding (note)		Spouse & Minor Shareholding		Other persons holding shares in their name		Principal work experience and academic qualifications	Positions held concurrently in any other company	Managers Who are Spouses or within Second-degree Relative of Consanguinity		
			shares	%	shares	%	shares	%			Title	Name	Relation
Executive Vice President	Jason Juang	12/01/2007	90,000	0.01%	185,000	0.02%	0	0.00%	> Chung Yuan Christian University > Executive Vice President, HP	> Chairman (Representative), HTC Communication Co., Ltd.	None	None	None
Vice President	Cliff Chiang	05/08/2007	49,430	0.01%	0	0.00%	0	0.00%	> Master in Computer Science, University of Texas at Dallas > R&D Section Manager, HP Singapore	None	None	None	None
Vice President	CS Wang	03/12/2001	239,196	0.03%	0	0.00%	0	0.00%	> Master, Michigan State University > Vice President, Production Enterprise, RCA.	> Director (Representative), President, High Tech Computer (SuZhou) Co., Ltd > Chairman (Representative), HTC Electronics (Shanghai) Co., Ltd.	None	None	None
Vice President	David Chen	05/08/2007	433,870	0.06%	780	0.00%	0	0.00%	> National United University. > Principal Engineer, Digital Equipment Corporation.	None	None	None	None
Vice President	David Wang	05/05/2008	10,000	0.00%	0	0.00%	0	0.00%	> Institute of Labor Study, Chinese Culture University. > A.V. P. , HR of Quanta Computer Inc. > Director, TSMC > Director, Philips Taiwan. > Co-Director, NCR	None	None	None	None
Vice President	HC Hung	05/08/2007	397,697	0.05%	0	0.00%	0	0.00%	> WPI > Director, Digital Equipment Corporation. > Senior Director, BySources Inc.	None	None	None	None
Vice President	Jack Tong	07/01/2007	15,000	0.00%	0	0.00%	0	0.00%	> Department of Civil Engineering, Feng Chia University. > Chief Executive Officer, Dopod International Corp.	> Chairman (Representative), HTC Innovation Limited > Director (Representative), HTC Communication Co., Ltd.	None	None	None
Vice President	Jason Mackenzie	09/26/2007	51,000	0.01%	0	0.00%	0	0.00%	> Vice President of T-Mobile	None	None	None	None
Vice President	Jim Lin	05/08/2007	184,605	0.02%	755	0.00%	0	0.00%	> National Taiwan University of Science and Technology. > Director, Digital Equipment Corporation.	> Director (Representative), Communication Global Certification Inc.	None	None	None
Vice President	KH Tung	09/13/2004	97,398	0.01%	0	0.00%	0	0.00%	> Department of Industry Engineering, Chung Yuan Christian University. > President, Worldwide Logistic, First International Computer, Inc.	> Chairman(Representative), Exedea Inc. > Supervisor(Representative), HTC NIPPON Corporation > Chairman(Representative), BandRich Inc. > Director (Representative), HTC Electronics (Shanghai) Co., Ltd.	None	None	None
Vice President	Lotus Chen	04/01/2004	38,987	0.01%	231	0.00%	0	0.00%	> Masterin Computer Engineering, National Chiao Tung University > Chairman, Ulead Systems, Inc. > Chairman & President, IA Style Inc.	None	None	None	None
Vice President	Florian Seiche	05/08/2007	187,058	0.03%	0	0.00%	0	0.00%	> Direct of Devices,Orange Group	> Director(Representative), HTC Italia SRL	None	None	None
Associate Vice President	Andy Chen	05/08/2007	65,097	0.01%	0	0.00%	0	0.00%	> Fu Jen Catholic University. > Program Manager, Digital Equipment Corporation.	> Director (Representative), HTC Innovation Limited > Director (Representative), HTC Communication Co., Ltd.	None	None	None
Associate Vice President	Cliff Chou	06/01/2008	76,848	0.01%	0	0.00%	0	0.00%	> Master in Electronics Engineering, National Chiao Tung University > Senior Manager, ACER Computer > Project Manager, Taiwan IBM	None	None	None	None
Associate Vice President	Ralph Wang	06/01/2008	54,520	0.01%	0	0.00%	0	0.00%	> Electronic Engineering, Fu Jen Catholic University > Senior Director, GVC > Project Manager, Philip	None	None	None	None
Associate Vice President	Sam Teng	06/01/2008	125,614	0.02%	0	0.00%	0	0.00%	> Bachelor degree, Information Management, Ming Chuan University > Product Manager in electronic companies	None	None	None	None
Associate Vice President	Simon Hsieh	06/01/2008	0	0.00%	0	0.00%	0	0.00%	> Master in Information Engineering, National Taiwan University > Assistance Manager, ASUS	> Director (Representative), Communication Global Certification Inc.	None	None	None

(Continue)

Unit: Share : %

Title	Name	Date Elected	Shareholding (note)		Spouse & Minor Shareholding		Other persons holding shares in their name		Principal work experience andacademic qualifications	Positions held concurrently in any other company	Managers Who are Spouses or within Second-degree Relative of Consanguinity		
			shares	%	shares	%	shares	%			Title	Name	Relation
Associate Vice President	Simon Lin	06/01/2008	62,860	0.01%	0	0.00%	0	0.00%	> M.S., Electrical Engineering, University of Texas > Director, R&D, Digital Equipment Corporation	None	None	None	None
Associate Vice President	Steve Wang	06/01/2008	28,000	0.00%	0	0.00%	0	0.00%	> Azusa Pacific University > VP, IA Style Inc.	None	None	None	None
Associate Vice President	WH Liu	06/01/2008	103,310	0.01%	0	0.00%	0	0.00%	> Master in Electronic Engineering, National Taiwan University of Science and Technology > Senior Manager of WM System Architecture Design	None	None	None	None
Controller	James Chen	02/10/2009	0	0.00%	0	0.00%	0	0.00%	> NCCU/Accounting > Manager, TSMC > BU Controller, LITE-ON	None	None	None	None
Chief Information Officer	Eric Chou	01/16/2008	10,000	0.00%	0	0.00%	0	0.00%	> Royal Roads University > Senior Director, Semiconductor Manufacturing International Corporation (SMIC)	None	None	None	None
Chief Innovation Officer	Horace Luke	05/08/2007	141,383	0.02%	0	0.00%	0	0.00%	> The University of Washington > Chief Creative Officer, Microsoft	> Director (Representative), One & Company Design, Inc.	None	None	None
Chief Marketing Officer	John Wang	05/08/2007	36,200	0.00%	0	0.00%	0	0.00%	> MBA, Harvard Business School > CEO, Quickdot Corporation	None	None	None	None
General Counsel	Grace Lei	05/08/2007	89,850	0.01%	5,070	0.00%	0	0.00%	> Master of Laws, University of Pennsylvania > Master of Laws, National Taiwan University. > Partner, Winkler Partners Attorneys at Law of Taiwan and Foreign Legal Affairs > Partner, TSAI, LEE & CHEN CO., LTD.	None	None	None	None
Director	Edward Wang	03/10/2009	9,000	0.00%	0	0.00%	0	0.00%	> Tunghai University/Business administration > VP, Hotung Group	> Supervisor (Representative), HTC Communication Co., Ltd. > Director (Representative), One & Company Design, Inc. > Director (Representative), HTC Belgium BVBA/SPRL	None	None	None
Director	Joey Cheng	02/09/2009	0	0.00%	0	0.00%	0	0.00%	> West Texas A&M University Business School/ business manage > Executive Director, Goldman Sachs > Sr.Marketing Manager, Marvell Semiconductor	None	None	None	None
Director	Vincent Tseng	12/13/2004	27,006	0.00%	0	0.00%	0	0.00%	> Master of Business Administration, Fu Jen Catholic University. > Chief Financial Officer, Pan Pacific Inc.	None	None	None	None

Note: Shareholding based on 21 April 2009 book of Stockholders' register including Shares under Trust with Discretion Reserved.

(3) Remuneration Paid During The Most Recent Fiscal Year to Directors, Supervisors, The General Manager, and Assistant General Managers:

> Remuneration Paid to Directors (Including Independent Director)

2008: Unit: NT\$ thousands

Title	Name	Remuneration paid to Directors								Total Remuneration (A+B+C+D) as a percentage of 2008 net income (%) (note 7)		Compensation earned as employee of HTC subsidiary affiliates								Total Compensation(A+B+C+D+E+F+G) as a percentage of 2008 net income (%) (note 7)		Compensation paid to Directors from non-subsidiary affiliates		
		Salary (A) (note 1)		Retirement pay (B)		Compensation from profit sharing (C)(note 2)		Allowance (D) (note 3)				Salary, Bonuses, and Allowance (E) (note 4)		Retirement pay (F)		Employee profit sharing (G) (note 5)		Exercisable Employee Stock Options (H) (note 6)						
		HTC	All Consolidated	HTC	All Consolidated	HTC	All Consolidated	HTC	All Consolidated	HTC	All Consolidated	HTC	All Consolidated	HTC	All Consolidated	HTC	All Consolidated	HTC	All Consolidated					
		Entities	Entities	Entities	Entities	Entities	Entities	Entities	Entities	Entities	Entities	Cash	Stock	Cash	Stock	Entities	Entities							
Chairman	Cher Wang																							
Director	HT Cho																							
Director	Wen-Chi Chen	13,485	13,485	0	0	0	0	0	0	0.05%	0.05%	0	0	0	0	0	0	0	0	0	0	0.05%	0.05%	None
Independent Director	Chen-Kuo Lin																							
Independent Director	Josef Felder																							

Remuneration Paid to Directors

Scale of remunerations to directors of the Company	Name			
	Total Remuneration (A+B+C+D)		Total Compensation (A+B+C+D+E+F+G)	
	HTC	All Consolidated Entities I	HTC	All Consolidated Entities J
Under NT\$ 2,000,000	Cher Wang, HT Cho, Wen-Chi Chen	Cher Wang, HT Cho, Wen-Chi Chen	Cher Wang, HT Cho, Wen-Chi Chen	Cher Wang, HT Cho, Wen-Chi Chen
NT\$ 2,000,000~5,000,000	Chen-Kuo Lin	Chen-Kuo Lin	Chen-Kuo Lin	Chen-Kuo Lin
NT\$ 5,000,000~10,000,000	Josef Felder	Josef Felder	Josef Felder	Josef Felder
NT\$ 10,000,000~15,000,000	-	-	-	-
NT\$ 15,000,000~30,000,000	-	-	-	-
NT\$ 30,000,000~50,000,000	-	-	-	-
NT\$ 50,000,000~100,000,000	-	-	-	-
Over NT\$ 100,000,000	-	-	-	-
Total	5	5	5	5

- Note 1: The director's compensation in the most recent fiscal year (including salary, post differential allowances, severance pay, and various awards and bonuses)
- Note 2: The amount proposed for distribution to directors as compensation, as passed by the board of directors prior to the shareholders' meeting for the most recent fiscal year's earnings distribution proposal.
- Note 3: Expenses relating to business execution by directors in the most recent fiscal year (includes provision of transportation allowances, special allowances, various subsidies, living accommodations, and personal car).
- Note 4: All salary, post differential allowances, severance pay, various bonuses, cash rewards, transportation allowances, special allowances, various material benefits, living accommodations, and personal cars received by directors concurrently serving as employees (including those concurrently serving as president, vice-general president, or other managerial officers and employees) in the preceding fiscal year.
- Note5: When directors concurrently serving as employees (including those concurrently serving as president, vice-general president, or other managerial officers or employees) received employee bonuses (including stock and cash bonuses) in the most recent fiscal year, the planned amount of employee bonuses approved for distribution by the board of directors prior to the shareholders' meeting for the current year's earnings distribution proposal shall be disclosed. If that amount cannot be estimated, the employee bonus amount for this year will calculated based on last year's actual distribution ratio.
- Note 6: The number of subscribe shares represented by employee stock warrants (not including the portion already exercised) received by directors concurrently serving as employees (including those concurrently serving as president, vice-general president, or other managerial officers or employees) up to the date of printing of the annual report.
- Note 7: The 2008 net income NTD28,635,349 (Financial Statements), NTD28,552,526 (Consolidated Financial Statements) in the most recent fiscal year.
- * Compensation information disclosed in this statement differs from the concept of income under the Income Tax Act. This statement is intended to provide information disclosure and not tax-related information.

> Remuneration Paid to Supervisors

2008: Unit: NT\$ thousands

Title	Name	Remuneration paid to Supervisors				Total Remuneration(A+B+C+D) as a percentage of 2008 net income (%) (note4)		Compensation paid to Supervisors from non-subsiary affiliates	
		Salary (A) (note1)		Retirement pay (B)		Compensation from profit sharing (C)(note2)		Allowance (D) (note3)	
		HTC	All Consolidated Entities	HTC	All Consolidated Entities	HTC	All Consolidated Entities	HTC	All Consolidated Entities
Supervisor	Po-Cheng Ko								
Supervisor	Way-Chih Investment Co., Ltd. Representative: Shao-Lun Lee	3,500	3,500	0	0	0	0	15	15
Supervisor	Caleb Ou-Yang								

Remuneration Paid to Supervisors

Scale of remunerations to supervisors of the Company	Name	
	Total Remuneration (A+B+C+D)	
	HTC	All Consolidated Entities E
Under NT\$ 2,000,000	Shao-Lun Lee, Caleb Ou-Yang	Shao-Lun Lee, Caleb Ou-Yang
NT\$ 2,000,000~5,000,000	Po-Cheng Ko	Po-Cheng Ko
NT\$ 5,000,000~10,000,000	-	-
NT\$ 10,000,000~15,000,000	-	-
NT\$ 15,000,000 ~30,000,000	-	-
NT\$ 30,000,000~50,000,000	-	-
NT\$ 50,000,000~100,000,000	-	-
Over NT\$ 100,000,000	-	-
Total	3	3

- Note 1: The supervisor's compensation in the most recent fiscal year (including salary, post differential allowances, severance pay, and various awards and bonuses)
- Note 2: The amount proposed for distribution to supervisor as compensation, as passed by the board of directors prior to the shareholders' meeting for the most recent fiscal year's earnings distribution proposal.
- Note 3: Expenses relating to business execution by supervisor in the most recent fiscal year (includes provision of transportation allowances, special allowances, various subsidies, living accommodations, and personal car).
- Note 4: The 2008 net income NTD28,635,349 (Financial Statements), NTD28,552,526 (Consolidated Financial Statements) in the most recent fiscal year.
- * Compensation information disclosed in this statement differs from the concept of income under the Income Tax Act. This statement is intended to provide information disclosure and not tax-related information.

> Remuneration Paid to President and Vice Presidents

2008 Unit: NT\$ thousands

2008:Unit: NT\$ thousands															Compensati on paid to President & Vice Presidents from non-subsidiary affiliates	
Title	Name	Salary(A) (note 1)		Retirement pay (B) (note 11)		Bonus & Perquisite (C) (note 2)		Employee profit sharing (D) (note 3)				Total Remuneration(A+B+C+D)as a percentage of 2008 net income (%) (note 6)		Exercisable Employee Stock Options (note 4)		
		HTC	All Consolidated Entities	HTC	All Consolidated Entities	HTC	All Consolidated Entities	Cash	HTC Stock	All Consolidated Entities Cash	All Consolidated Entities Stock	HTC	All Consolidated Entities	HTC	All Consolidated Entities	
Chief Executive Officer & President	Peter Chou															
Chief Operation Officer & Senior Executive Vice President	Fred Liu															
Chief Financial Officer & Spokesman	Hui-Ming Cheng															
Executive Vice President	Jason Juang															
Vice President	Cliff Chiang															
Vice President	CS Wang															
Vice President	David Chen															
Vice President (note8)	David Wang	60,360.36	76,230.36	2,098.27	2,227.44	19,162.64	23,575.23					0.29% (note6)	0.36% (note6)	0	0	None
Vice President	HC Hung															
Vice President	Jack Tong															
Vice President	Jason Mackenzie															
Vice President	Jim Lin															
Vice President	KH Tung															
Vice President	Lotus Chen															
Vice President	Florian Seiche															
Associate Vice President	Andy Chen															
Associate Vice President (note9)	Cliff Chou															
Associate Vice President (note9)	Ralph Wang															
Associate Vice President (note9)	Sam Teng															
Associate Vice President (note9)	Simon Hsieh															
Associate Vice President (note9)	Simon Lin															
Associate Vice President (note9)	Steve Wang															
Associate Vice President (note9)	WH Liu															
Controller (note10)	James Chen															
Chief Information Officer(note7)	Eric Chou															

Remuneration Paid to President and Vice Presidents

		Name
Scale of remunerations to managers of the Company	HTC (Remuneration paid does not include cash and stock dividends from 2008 profit sharing)	All Consolidated Entities E (Remuneration paid does not include cash and stock dividends from 2008 profit sharing)
Under NT\$2,000,000	Jason Mackenzie, Florian Seiche, James Chen	James Chen
NT\$ 2,000,000-5,000,000	Jason Juang, Cliff Chiang, CS Wang, David Chen, David Wang, HC Hung, Jack Tong, Jim Lin, KH Tung, Lotus Chen, Andy Chen, Cliff Chou, Ralph Wang, Sam Teng, Simon Hsieh, Simon Lin, Steve Wang, WH Liu, Eric Chou	Jason Juang, Cliff Chiang, CS Wang, David Chen, David Wang, HC Hung, Jack Tong, Jim Lin, KH Tung, Lotus Chen, Andy Chen, Cliff Chou, Ralph Wang, Sam Teng, Simon Hsieh, Simon Lin, Steve Wang, WH Liu, Eric Chou
NT\$ 5,000,000-10,000,000	Peter Chou, Fred Liu, Hui-Ming Cheng,	Peter Chou, Fred Liu, Hui-Ming Cheng, Jason Mackenzie
NT\$ 10,000,000-15,000,000	-	Florian Seiche
NT\$ 15,000,000-30,000,000	-	-
NT\$ 30,000,000-50,000,000	-	-
NT\$ 50,000,000-100,000,000	-	-
Over NT\$ 100,000,000	-	-
Total	25	25

Note 1: The president and vice presidents compensation in the most recent fiscal year including salary, post differential allowances, severance pay.

Note 2: Various awards, bonuses, provision of transportation allowances, special allowances, various subsidies, living accommodations, and personal car by president and vice presidents in the most recent fiscal year.

Note 3: The amount proposed for distribution to president and vice presidents as employee bonus amount (including stock and cash bonuses), as passed by the board of directors prior to the shareholders' meeting for the most recent fiscal year's earnings distribution proposal, If that amount cannot be estimated, the employee bonus amount for this year will calculated based on last year's actual distribution ratio.

Note 4: The number of subscribe shares represented by employee stock warrants (not including the portion already exercised) received by president and vice presidents up to the date of printing of the annual report.

Note 5: The 2008 net income NTD28,635,349 (Financial Statements), NTD28,552,526 (Consolidated Financial Statements) in the most recent fiscal year.

Note 6: Not including for earnings distribution of employee bonus amount.

Note 7: Mr. Eric Chou joined HTC on January 16, 2008.

Note 8: Mr. David Wang joined HTC on May 5, 2008.

Note 9: Mr. Cliff Chou, Ralph Wang, Sam Teng, Simon Hsieh, Simon Lin, Steve Wang, WH Liu took position on June 1, 2008.

Note 10: Mr. James Chen joined HTC on February 10, 2009.

Note 11: Pensions funded according to applicable law.

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

> Employee Profit Sharing Granted to Management Team

2008: Unit: NT\$ thousands

Manager		Stock	Cash	Total Employee Profit Sharing	Total Employee Profit Sharing Paid to Management Team as a percentage of 2008 net income(%)
Title	Name				
Chief Executive Officer & President	Peter Chou				
Chief Operation Officer					
& Senior Executive Vice President	Fred Liu				
Chief Financial Officer & Spokesman	Hui-Ming Cheng				
Executive Vice President	Jason Juang				
Vice President	Cliff Chiang				
Vice President	CS Wang				
Vice President	David Chen				
Vice President (note3)	David Wang				
Vice President	HC Hung				
Vice President	Jack Tong				
Vice President	Jason Mackenzie				
Vice President	Jim Lin				
Vice President	KH Tung			Not available	
Vice President	Lotus Chen				
Vice President	Florian Seiche				(Distribution list of employee bonus is not available due to the company's final decision has not been made.)
Associate Vice President	Andy Chen				
Associate Vice President (note4)	Cliff Chou				
Associate Vice President (note4)	Ralph Wang				
Associate Vice President (note4)	Sam Teng				
Associate Vice President (note4)	Simon Hsieh				
Associate Vice President (note4)	Simon Lin				
Associate Vice President (note4)	Steve Wang				
Associate Vice President (note4)	WH Liu				
Controller (note6)	James Chen				
Chief Information Officer (note2)	Eric Chou				
Chief Innovation Officer	Horace Luke				
Chief Marketing Officer	John Wang				
General Counsel	Grace Lei				
Director (note8)	Clement Lin				
Director (note7)	Edward Wang				
Director (note5)	Joey Cheng				
Director	Vincent Tseng				

* The planned amount of employee bonuses(including stock and cash bonuses) approved for distribution by the board of directors prior to the shareholders' meeting for the current year's earnings distribution proposal shall be disclosed. If that amount cannot be estimated, the employee bonus amount for this year will be calculated based on last year's actual distribution ratio. Refers to the 2008 net income NTD28,635,349 in the most recent fiscal year.

Note 1: Applicable scope of Officers shall be made in accordance with 27 March 2003 No. 0920001301

Regulation as follows:

- (1) Chief Executive Officer or equivalent
- (2) Vice President or equivalent
- (3) Associated Vice President or equivalent
- (4) Director of Finance Department
- (5) Director of Accounting Department
- (6) Other Director(s) within Company with signature authority

Note 2: Mr. Eric Chou joined HTC on January 16, 2008.

Note 3: Mr. David Wang joined HTC on May 5, 2008.

Note 4: Mr. Cliff Chou, Ralph Wang, Sam Teng, Simon Hsieh, Simon Lin, Steve Wang, WH Liu took position on June 1, 2008.

Note 5: Mr. Joey Cheng joined HTC on February 9, 2009.

Note 6: Mr. James Chen joined HTC on February 10, 2009.

Note 7: Mr. Edward Wang took position on March 10, 2009.

Note 8: Relieved of from accounting officer and accounting director on 30 April 2009 due to job rotation.

(4) Separately compare and describe total remuneration as a percentage of net income as paid by this company, and by each other company included in the consolidated financial statements, during the past two fiscal years to its directors, supervisors, the general manager, and assistant general managers, and analyze and describe remuneration policies, standards, and packages, the procedure for setting remuneration, and linkage to performance.

> Total remuneration as a percentage of net income as paid by this company, during the past two fiscal years to its directors, supervisors, the general manager, and assistant general managers, and analyze.

Title	Total remuneration as a percentage of net income		
	2008	2007	increases or decreases %
Directors	0.05%	0.02%	0.03%
Supervisors	0.01%	0.01%	0%
President and Vice Presidents	0.29% (not1)	3.61% (note2)	- (note3)

Note 1: During the current fiscal year up to the date of printing of the annual report, distribution list of employee bonus is not available due to the company's final decision has not been made.

Note 2: The total remuneration of year 2007, related to amount of stock bonus, is based on closing price on 31 December 2007.

Note 3: The ratio of year 2008 excludes the amount of employee bonus, and is not comparable with the ratio of year 2007.

> HTC's compensation policy provides remuneration based on the salary level for a given position within the given market, the scope of authority and duties of that position within the company, and the employee's contribution to the company's operational goals. Company procedures for setting compensation provide fair levels of remuneration in consideration of the overall operational performance of the company as well as the employee's achievement of individual performance goals and contribution to the company's performance. If, in addition to the fixed annual bonus of two month's salary, distribution of additional annual bonuses is proposed in consideration of on operational conditions, a resolution approving the bonuses must be passed by the board of directors.

2. THE STATE OF THE COMPANY'S IMPLEMENTATION OF CORPORATE GOVERNANCE:

(1) The State of Operations of The Board of Directors:

> The Board of Directors conducted Eight Meetings in 2008. The Directors and Supervisors' attendance status is as follows :

Title	Name (Note 1)	Addendance in Person (B)	By Proxy	Attendance Rate in Person (%) [B/A] (Note 2)	Notes
Chairman	Cher Wang	6	1	75.00%	
Director	Wen-Chi Chen	5	1	62.50%	
Director	HT Cho	8	0	100.00%	
Independent Director	Chen-Kuo Lin	7	0	87.50%	
Independent Director	Josef Felder	5	3	62.50%	
Supervisor	Wei-Chi Investment Co., Ltd. Representative: Shao-Lun Lee	5	0	62.50%	
Supervisor	Po-Cheng Ko	7	0	87.50%	
Supervisor	Caleb Ou-Yang	0	0	0.00%	

Other matters to be included:

- For the matters listed under Article 14-3 of the Securities and Exchange Act and other matters on which independent directors have expressed opposition or reservations for which there is a written record or a written statement of a board of director's resolution, the date, period, content of related proposals, and the opinions of all independent directors and the company's response to the opinions must be given.

There were no independent directors expressing opposition or reservation with respect to any board of directors meeting during the preceding fiscal year, and no written record or written statement of related board resolutions.

- For implementation of director recusal for proposals involving personal interests, the name of the director, content of the proposal, reason for the recusal, and participation in voting must be given.

> Director: Cher Wang, Wen-Chi Chen

Content of proposal: Discuss the planned capital increase of US\$5,040,996 at HTC Asia Pacific PTE. Ltd. to acquire HTC Electronics (Shanghai) Co., Ltd., which is 100 percent owned by HTC related party Landtek Corporation (BVI).

Reasons for recusal and voting participation: According to the strict, substantive measures for determination adopted by HTC, the sole director and shareholder of the counterparty, Landtek Corporation (BVI), is a related person of Chairman Cher Wang and Director Wen-Chi Chen. The two directors therefore voluntarily recused themselves and did not attend this meeting of the board of directors or participate in the deliberation and voting.

> Director: Cher Wang, Wen-Chi Chen

Content of proposal: Discuss proposed purchase of related party Syuda Construction Company land.

Reasons for recusal and voting participation: The sole juristic-person shareholder of the counterparty in this transaction, Syuda Construction Company, is Hongmao Investment Corporation Ltd., whose Chairman, Cher Wang, is also the Chairman of HTC. Two directors voluntarily recused themselves and did not participate in the deliberation or voting on this proposal.

> Director: Cher Wang, Wen-Chi Chen

Content of proposal: Discuss payment of compensation for relocation costs to related party Xander International Corporation.

Reasons for recusal and voting participation: As Director Wen-Chi Chen is chairman of Xander, the party to receive compensation, two directors voluntarily recused themselves and did not participate in the deliberation or voting on this proposal.

> Director: HT Cho

Content of proposal: Discuss allocation of NT\$20 million in special funds for donation to the HTC Social Welfare and Charity Foundation, to be used for for disaster relief in the earthquake disaster region of Sichuan Province.

Reasons for recusal and voting participation: Director HT Cho, as Chairman of the HTC Social Welfare and Charity Foundation, the subject recipient of the donation under this proposal, voluntarily recused himself and did not participate in deliberation or voting.

- Assessment of goals for enhancing functions of the board during current and preceding fiscal years (such as establishing an audit committee and increasing transparency) and the status of implementation.

> At the time of the end-of-term elections for directors and supervisors in the 2007 fiscal year, the HTC voluntarily selected two independent directors in accordance with the provisions of the Securities and Exchange Act in order to create sound corporate governance, strengthen the independence and functions of directors, and enhance the operational effectiveness of the board of directors. In 2008 the " Guidelines for the Corporate Governance" were completed and adopted, guaranteeing that the board of directors has the authority to independently supervise corporate operations and to make all corporate decisions necessary to fulfill its responsibilities to shareholders and to society.

> In accordance with provisions of the Compensation Committee Articles of Incorporation drafted by the board of directors, i.e., that the Compensation Committee shall be composed of three directors with the chairman of the board as ex officio chairman and the remaining two appointed by the board of directors, and that it shall include at least one independent director, HTC also, in its board of directors meeting of 22 June 2007, appointed director HT Cho and independent director Chen-Kuo Lin to the Compensation Committee, while Chairman Cher Wang was made its chairman. The principal duties of the Compensation Committee include assisting the board of directors in supervising the company's compensation system and making appropriate recommendations to the board.

> Currently, prior to the establishment of the audit committee, most of its functions are performed by the supervisors meetings. That is, in accordance with Article 14-5 of the Securities and Exchange Act, matters intended to be handled by resolution of the audit committee may first be passed with no opinion by the supervisors meeting and submitted to the board of directors meeting for deliberation and voting. In addition, regular supervisors meetings are convened on a quarterly basis to hear reports on important financial, legal

compliance, and internal auditing matters, among which is included a joint assessment with the supervisors and CPA on the principles and appropriateness of the various allowances and reserves set out in the financial statement, in order to enhance appropriate expression of those matters in HTC financial reports.

> HTC has also been endeavoring in recent years to enhance the timeliness and transparency of its information disclosure. In addition to making timely posts of important information on financial and business matters on the Market Observation Post System, HTC also provides early announcement (on 6th every month) of its monthly revenues, and at the beginning of the month following the end of each quarter, it announces its preliminary revenue figures, while also convening online investor conferences on a regular, quarterly basis to allow investors timely access to information on company operations and performance in each quarter. In December 2008 the HTC Investor Relations Website was revised. A special corporate governance page was added along with disclosures of financial information, in order to make disclosures of information through the website more complete and allow investors

to obtain important information on our corporate finances and operations in a more timely manner and better understand the state of corporate governance matters. HTC has maintained its "A" rating in the Securities and Futures Institute's information evaluations in three successive rating periods, and during the fifth evaluation, it was also rated high in transparency among exchange or OTC listed companies for its voluntarily disclosures of information.

Note 1: For juristic person directors and supervisors, the names of the juristic person's shareholders and its representatives shall be disclosed.

Note 2: When a director or supervisor leaves his post prior to the closing date of the fiscal year, the date shall be noted in the "notes" column and their attendance rate (as a percentage) calculated based on the ratio of the number of directors meetings during their term to the actual number of meetings at which they attended or observed.

If an election for directors or supervisors is held prior to the closing date of the fiscal year, the old and new directors and supervisors shall be listed, and a designation placed in the "notes" column beside each indicating the date of the election and whether each is new, old, or serving successive terms. Their attendance rates (as a percentages) shall be calculated based on the ratio of the number of directors meetings during their term to the actual number of meetings at which they attended or observed.

(2) Supervisor participation in board of directors meetings

> The Board of Directors conducted Eight Meetings in 2008. The Supervisors' attendance status is as follow:

Title	Name	Addendance in Person (B)	Attendance Rate in Person (%) [B/A] (Note)	Notes
Supervisor	Wei-Chi Investment Co., Ltd. Representative: Shao-Lun Lee	5	62.50%	
Supervisor	Po-Cheng Ko	7	87.50%	
Supervisor	Caleb Ou-Yang	0	0.00%	

Other matters to be included:

- Identity and Responsibilities of Supervisors:

HTC currently has two independent directors and is not yet able to establish an audit committee. Currently, therefore, the only choice has been to establish supervisors and use supervisor's meetings to carry out most functions in place of an audit committee.

> Supervisor communication with employees or shareholders (e.g., Channels and methods of communication)

Supervisors can make use of channels such as supervisors meetings, board of directors meetings, shareholders meetings, and internal audit reports to communicate with management-level officers and with shareholders.

> Supervisor communication with chief internal auditors and CPAs (e.g., financial and operational matters on which they communicate, their methods, and results)

HTC supervisors can communicate through their regular quarterly

supervisor meetings with HTC's financial, legal, and internal auditing officers, who report to the supervisors on such issues as risk management, assessment of risk of major litigious actions, and internal auditing reports, so that the supervisors are familiar with the company's assessment and management of risk.

Based on HTC's principle of sound, conservative accounting, its supervisors and CPAs regularly undertake joint reviews of major account titles in its quarterly financial statements, examining basic assumptions underlying the allocation of allowances and reserves under those titles and assessing the reasonableness and accuracy of book value estimates in order to ensure that the statements fairly and reasonably present allowances and reserves. Adjustments to accounting estimates during the 2008 fiscal year included setting the reserve rate of allowance for doubtful accounts at 1.81 percent of accounts receivable, a slight increase from the previous fiscal year. In allowances for reduction of inventory to market, because

HTC began early to apply the newly amended valuation methods of Statement of Financial Accounting Standards No. 10, the reserve rate of allowances for loss on decline in inventory value or loss on items retired was 18 percent of total inventory, an increase of 5 percent over the previous fiscal year. Product warranty reserves were recalculated on the basis of past experience as well as a special assessment performed for HTC by accounting firm Deloitte & Touche, and the product warranty reserve rate for 2008 was set at 4 percent of net sales. Reasonable assessments have been performed and reserves allocated for risk currently associated with HTC intellectual property in order to reduce the degree of any material effect on HTC finances, business, and operations.

During each quarter, supervisors also have regular individual meetings with CPAs. Supervisors must first review and be satisfied with CPA independence and the professional fees for attestation of annual financial reports, which matters are then submitted to the board of directors for resolution. In 2008 there was frequent interaction between internal auditors and supervisors. In addition to their regular monthly meetings with internal personnel, supervisors also participated in interviews with the officers responsible for self-assessment of internal controls and accompanied internal auditing personnel on audits at overseas subsidiaries. The size of the internal auditing staff expanded due to attention to the issue from the supervisors and board of directors. Integration of internal auditing and risk assessment has begun, and internal auditing is being adjusted toward a more risk-based approach. Procedures are now in place to guide pre-audit preparations, and steps are also being put in place for pre-audit risk-assessment interviews with officers. In internal auditing methods, the population-sample distinction has been strengthened, and auditing programs are continually undergoing adjustment and correction. Internal auditing personnel must conduct cross-validations to help ensure that audit procedures do not deviate from the proper direction and that accurate internal auditing resources will be effectively utilized.

Due to the fact that risk assessment procedures are currently still informal, risk assessments in 2009 will need to become systematized and thoroughly documented. Internal audits and risk assessments need to be more clearly and effectively linked, and internal auditing should be applied to audits of risk items, including off-book disclosures. As a larger staff of assistants is called upon, related training issues must also be addressed. Relevant material standards must be established and unified with risk standards so that audits can be applied to risk items and audit reports can more closely address matters of concern to the higher levels of corporate management.

2. If supervisors in attendance at a board of directors meeting state opinions, the meeting date, session number, agenda, and result of resolutions must be noted, along with the company's handling of the supervisors' opinions.
- Prior to each quarterly meeting of the board of directors, HTC convenes a regular supervisors meeting at which important matters relating to finances, legal issues, and internal audits are reported to the supervisors, and the supervisors in turn produce a quarterly supervisors' report for submission to the board of directors. Important related-party transactions are first submitted to the supervisors meetings, which must first review the transactions and issue an unqualified opinion that is then submitted for deliberation and resolution by the board of directors. In proposals affecting one interested party, the representative of juristic person supervisor Wei-Chi Investment Co., Ltd. was voluntarily recused during the supervisors meetings and board of directors meetings that touched on the proposals. There has been no instance of a supervisor expressing a dissenting opinion regarding a board of directors' resolution during the most recent fiscal year.

Note : When a supervisor leaves his post prior to the closing date of the fiscal year, the date shall be noted in the "notes" column and their attendance rate (as a percentage) calculated based on the ratio of the number of directors meetings during their term to the actual number of meetings at which they attended or observed.

If an election for supervisors is held prior to the closing date of the fiscal year, the old and new supervisors shall be listed, and a designation placed in the "notes" column beside each indicating the date of the election and whether each is new, old, or serving successive terms. Their attendance rates (as a percentages) shall be calculated based on the ratio of the number of directors meetings during their term to the actual number of meetings at which they attended or observed.

(3) The State of The Company's Implementation of Corporate Governance, Any Departure of Such Implementation from The Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies, and The Reason for Any Such Departure

Item	Implementation Status	Reason for Non-implementation
1. Shareholding structure & Shareholders' Rights		None
(1) Method of handling shareholder suggestions or complaints	> To guarantee shareholders' rights and interests, HTC has established spokespersons to properly handle any suggestions, doubts, or disputes involving shareholders.	
(2) The Company's possession of a list of major shareholders and a list of ultimate owners of these major shareholders	> When HTC provides shareholder registers in accordance with book closures carried out at the company by the shareholder services agent, the registers indicate the major shareholders controlling the company and the persons with ultimate control over the major shareholders. HTC, in accordance with regulations, also provides information regularly on pledges and the increase and decrease in shareholdings of shareholders with a more than 10% stake in the company.	
(3) Risk management mechanism and "firewall" between the Company and its affiliates	> The division of responsibilities and duties between HTC and its affiliated enterprises with respect to management of personnel, resources, and finances are clear, while risk assessments are rigorously performed and appropriate firewalls have been set up. HTC conducts business relations with affiliated enterprises on the principles of fairness and reasonableness, while observing the Transaction Operating Procedure for HTC Corporation's Designated Company, Enterprise Group and Related Person and other related regulations such as those governing internal controls. In matters governed by contract, the terms and conditions for pricing and payment methods have been clearly prescribed, and both non-arms-length transactions and financial tunneling are prohibited. As duly requested, the shareholders meeting and the board of directors have adopted resolutions eliminating non-competition restrictions with respect to directors and managerial officers.	
2. Composition and Responsibilities of the Board of Directors		None
(1) Independent Directors	> At the end-of-term elections for directors and supervisors at the 2007 ordinary shareholders meeting, the HTC voluntarily selected two independent directors in accordance with the provisions of the Securities and Exchange Act; the number of independent directors exceeds one-fifth of the total number of directors.	
(2) Regular evaluation of external auditors' independence	> In 2008 HTC switched to regularly scheduled annual reviews and assessments of the independence of CPAs performed by the supervisors, and prior to submitting a proposal to the board of directors for deliberation on a change in CPAs, it submits the academic and professional qualifications of the CPA to the supervisors meeting and arranges for the CPA to be interviewed by the supervisors in order to review and assess their independence. HTC will draw up plans in the future to have the supervisors perform regular assessments of the independence of the CPA.	
3. Communication channel with stakeholders	> HTC provides detailed contact information, including telephone numbers and email address, in the "contact us" space on its corporate website. We have put personnel in place to exclusively deal with messages to the spokesperson mailboxes and investor email mailboxes so that various subject parties (including interested parties) will have channels for communication with HTC as circumstances require.	None
4. Information Disclosure		None
(1) Establishment of a corporate website to disclose information regarding the Company's financials, business and corporate governance status	> HTC has also set up both Chinese and English websites. Investor information pages include information on financial and business issues and corporate governance, while product information pages provide information relating to our products and businesses.	
(2) Other information disclosure channels (e.g., maintaining an English-language website, appointing responsible people to handle information collection and disclosure, appointing spokespersons, webcasting investors conference)	> HTC has set up English and Chinese investor relations websites, and dedicated personnel have been appointed who are responsible for collecting information and making timely updates to website content. HTC Chief Financial Officer Hui-Ming Cheng has been appointed spokesperson, and a spokesperson email address has been established with an employee exclusively responsible for its handling, in order to implement the spokespersons system. An investors conference is convened online each quarter, with sound recording and presentation of the proceedings posted on the company website after the conference.	
5. Operations of the Company's Nomination Committee, Compensation Committee, or other committees of the Board of Directors	> After the term-end elections for directors and supervisors at its ordinary shareholders meeting of 2007, HTC's board of directors chose Compensation Committee members in accordance with provisions of the Compensation Committee Articles of Incorporation drafted by the board of directors, i.e., that the Compensation Committee shall be composed of three directors with the chairman of the board as ex officio chairman and the remaining two appointed by the board of directors, and that at least one shall be an independent director. At the board of directors meeting of 22 June 2007, director HT Cho and independent director Chen-Kuo Lin were appointed to the Compensation Committee, while Chairman Cher Wang was made its chairman. The principal duties of the Compensation Committee include assisting the board of directors in supervising the company's compensation system and making appropriate recommendations to the board.	None

6. If the Company has established corporate governance policies based on TSE Corporate Governance Best Practice Principles, please describe any discrepancy between the policies and their implementation:

In 2008 HTC adopted its "Guidelines for the Corporate Governance". Its provisions are based on the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies, and were also drafted with reference to the corporate governance rules and practices of companies in Taiwan and abroad with outstanding records in that area, to guarantee that the board of directors has the authority to independently supervise corporate operations and to make all corporate decisions necessary to fulfill its responsibilities to shareholders and society.

7. Other important information helpful to understanding HTC corporate governance practices (employee rights and interests, employee care, investor relations, supplier relations, rights of interested parties, professional development of directors and supervisors, implementation of risk management policies and risk measurement standards, implementation of customer policies, and HTC's purchase of professional liability insurance for directors and supervisors):

• Employee rights and interests and employee care

HTC's employee code of conduct provides rules and guidelines for employees to follow while involved in company operations. All employees of our company and its branches and subsidiaries, regardless of their position, level, or location, abide by this code of conduct. Any unlawful conduct, either at the company or otherwise is prohibited.

One of HTC's general principles is to provide a safe and healthy work environment, fair opportunities, and principles for handling company resources and company information.

In relations with customers and suppliers, HTC endeavors to maintain long-term relationships based on a fair and reasonable approach in order to create win-win partner relationships.

In regulating conflicts of interest, HTC provides principles of conduct for the guidance of employees when facing issues in this area.

1. HTC is committed to providing employees with a working environment free of discrimination or harassment (including sexual harassment). Any form of speech or conduct intended to incite hatred, conduct in violation of the code which could lead to accidental injury, or instances of discrimination or harassment, will be immediately reported to the responsible department for investigation and punishment.
2. Due caution is also to be exercised in dealing with employee personal information, which shall be handled so as to give due regard to both the needs of the organization and the employee's right to privacy. Divulging personal employee information of any kind is inappropriate in any situation except where so required by government laws or regulations.

3. HTC's hiring policies all comply with the relevant laws and regulations, and provide fair opportunities to both applicants and employees. Hiring decisions are based on HTC's operating needs, the nature of the work, and applicants' abilities. HTC's hiring policies must comply with the relevant laws and regulations. Decisions on hiring are made based on the company's operational needs, the job requirements, and applicant qualifications. Fair opportunities are provided to both applicants and employees, and there will be absolutely no discrimination on the basis of any nonwork-related factor, including the applicant's race, skin color, social position, language, belief system, religion, political party, family origin, gender, sexual orientation, marital status, appearance, facial features, mental or physical disabilities, previous union affiliations, or any other factor protected by government order. Relations between the company and any employee shall be based on the principles of respect and good faith, without considerations of private interest. These principles are applied (but not limited) to recruitment, hiring, training, promotion, pay scales, benefits, transfers, and other types of associations and recreational activities.

• Investor relations

HTC carries out its social responsibility in the area of investor relations by endeavoring to enhance the transparency of its financial information and the timeliness of its announcements of financial and business information. In addition to immediate announcement of material information, there is early announcement (within six days) of monthly operating revenues, and preliminary earnings information is announced at the beginning of the next month after the end of each quarter. Investor/press conferences are held in Chinese and English, with an average of more than 100 institutional investors from Taiwan and abroad participating in the on-line conferences. The above information is uploaded to the company website at the same time.

In addition to the regularly scheduled information disclosures above, HTC also actively participates in investment seminars held by local and overseas securities firms and investor/press conferences; it also arranges meetings with domestic and foreign investors in order to further explain financial figures and operational results that have already been publicly released, helping investors better understand HTC financial and business information. Further, because HTC is one of Taiwan's main domestic listed companies, analysts in research departments at more than ten international securities firms routinely publish analysis reports regarding HTC's financial and business conditions, which also provides investors with independent, professional investment analyses.

HTC's investor relations activities in 2008, in summary, were as follows: Throughout the year, HTC participated in more than ten institutional investor conferences held by important domestic or international securities firms in Taiwan, Hong Kong, and Singapore, and during the fourth quarter visited its main investors in the European and American regions. At the same time, foreign and domestic institutional investors and analysts frequently visited our investor relations department or contacted it by telephone, resulting in a total of 200 visits or contacts by institutional investors during 2008. HTC in the future will continue to advance its work in each aspect of investor relations in order to fulfill the societal obligations and responsibilities of a listed company toward its investors and shareholders.

• Supplier relations and rights of interested parties

HTC has adopted Procedures for Transactions with Specified Companies, Group Enterprises, and Related Parties as a guarantee of the rights and interests of HTC and interested parties. HTC has also signed purchasing contracts with all its suppliers to govern all transactions and cooperative efforts between it and those other parties as a guarantee of their lawful rights and interests.

• Status of professional development of directors, supervisors, and managerial officers:

HTC directors and supervisors voluntarily attend the seminars held by professional training institutes as required by law and regulation; in addition, to further strengthen implementation of corporate governance, regular attendance by directors, supervisors, and managerial officers is planned for courses in finance, business, commerce, law, and accounting that also cover corporate governance issues, or for courses on internal control systems and liability in connection with preparation of financial reports. Details of professional development courses taken by directors, supervisors, and managerial officers for the period of the 2008 fiscal year up to the date of annual report publication can be found in Appendixes 1 and 2.

• Status of implementation of risk management policies and standards for measurement of risk:

HTC has adopted relevant risk management policies and standards for measurement of risk, and has established a dedicated unit to carry out risk management and risk measurement. With respect to implementation, HTC has performed new assessments in the area of operational risk after transitioning principal operations toward brand company business. After adjustment, the allocation policies for risk factors reflected in the account titles of its financial statements, such as Allowance for Bad Debts on Receivables, Product Warranty Reserve, and License Fee Allowances, will be submitted for review by the supervisors and the CPA in order to ensure that HTC financial statements adequately and reasonably express these factors.

HTC's management of possible risk associated with promotion of its global brand business is explained below:

1. Exchange gain/loss risk: Specially appointed personnel will strengthen risk management and handle the necessary exchange rate hedging. Reserve accounts for on-book liabilities in any currency will also be valued at the exchange rate on the balance sheet date, reducing as much as possible the effects of currency fluctuations on HTC business and finances.
2. Receivables risk: Management of receivables risk is based on segmentation of responsibility, as responsibility is shifted from the original business unit to a finance unit for effective management of receivables quality and lowered risk of bad debt.
3. Management of idle inventory problems: In addition to enhanced procurement supplier management and better estimates of sales volumes, idle inventory should be attended to early and appropriation of reserves for loss on idle inventory should be monitored.

4. Global tax risk: Handling of tax issues and risks arising from the global reach of HTC operations has been outsourced to an international tax affairs institution, which undertakes the necessary tax assessments and planning, which will also assist in plans for reorganization of overseas subsidiaries.

5. Product design quality: Additionally, to ensure quality of design in HTC products, HTC has also established a department for design quality, which is exclusively responsible for control and management of quality in both hardware and software, product safety, and conformance with environmental regulations around the world. The department provides a complete range of product testing and certification.

• Status of customer-protection policy implementation:

HTC strictly abides by the contracts it signs with customers and related provisions in order to protect the rights and interests of its customers. Regular deliberation on and assessment of the Product Warranty Reserve for after-sales product service ensures that allocations made to those reserves are reasonably sufficient and that they adequately express the warranty responsibilities which HTC should assume for its products.

• Status of liability insurance provided by HTC for directors and supervisors:

HTC amended its Articles of Incorporation by passage of a resolution at the 2006 ordinary shareholders meeting. Article 16 of the amended Articles of Incorporation provides that the company may acquire liability insurance for all directors and supervisors throughout their term, within the scope of the indemnity liability they bear under law in connection with their business responsibilities, to minimize and disperse the risk of material loss or damage to the company and shareholders as a consequence of any illegal act. Currently, in accordance with the articles of incorporation, HTC has purchased Liability Insurance for Directors, Supervisors, and Key Personnel (For insurance details please see Appendix 3), thereby transferring the risk arising from negligence or erroneous or improper conduct by directors, supervisors, or key personnel, enhancing the soundness of company management and providing protection for directors and supervisors.

8. If the Company has a self corporate governance evaluation or has authorized any other professional organization to conduct such an evaluation, the evaluation results, major deficiencies or suggestions, and improvements are stated as follows:

As of 2008, HTC has not yet issued any corporate governance self-assessment report or engaged any other professional institute to perform a corporate governance assessment for it. It has become a member of the ROC's Corporate Governance Association (CGA), and the regular participation of its directors, supervisors, and operations and management-level personnel in the CGA's Directors and Supervisors Association provides opportunities for exchanges with government, business, and academia on topics such as enterprise orientation, strategy development, operations and management, and financial, legal, and corporate governance issues, thereby advancing and strengthening the effectiveness of HTC's enterprise management and the effective operation of its corporate governance.

Appendix 1: Continuing Education/Training of Directors and Supervisors

Title	Name	Date of Training		Organization	Training/Speech	Hours
		From	To			
Chairman	Cher Wang	2008.02.27	2008.02.27	Winkler Partners	Responsibilities and Restrictions on Directors, Supervisors, and Managers in a Public Company	2
		2009.04.30	2009.04.30	Deloitte & Touche Taiwan	Understanding the impacts of IFRS	2.5
Director	Wen-Chi Chen	2009.04.30	2009.04.30	Deloitte & Touche Taiwan	Understanding the impacts of IFRS	2.5
Director	HT Cho	2008.02.27	2008.02.27	Winkler Partners	Responsibilities and Restrictions on Directors, Supervisors, and Managers in a Public Company	2
		2009.04.30	2009.04.30	Deloitte & Touche Taiwan	Understanding the impacts of IFRS	2.5
Independent Director	Chen-Kuo Lin	2008.02.27	2008.02.27	Winkler Partners	Responsibilities and Restrictions on Directors, Supervisors, and Managers in a Public Company	2
		2009.02.26	2009.02.26	Taiwan Corporate Governance Association (TCGA)	Legal liabilities and professional risk of directors, supervisors, and managerial officers	3
		2009.04.30	2009.04.30	Deloitte & Touche Taiwan	Understanding the impacts of IFRS	2.5
Independent Director	Josef Felder	2008.02.27	2008.02.27	Winkler Partners	Responsibilities and Restrictions on Directors, Supervisors, and Managers in a Public Company	2
		2009.04.30	2009.04.30	Deloitte & Touche Taiwan	Understanding the impacts of IFRS	2.5
Supervisor	Po-Cheng Ko	2008.01.31	2008.01.31	Corporate Governance Association in Taiwan	CG 6004 Corporate Governance System	6
		2008.02.27	2008.02.27	Winkler Partners	Responsibilities and Restrictions on Directors, Supervisors, and Managers in a Public Company	2
		2008.03.12	2008.03.12	Accounting Research and Development Foundation in Taiwan	Financial auditing	6
		2008.03.17	2008.03.17	Accounting Research and Development Foundation in Taiwan	Legal responsibilities on senior managers for inappropriate assertion of financial statements	3
		2008.06.03	2008.06.03	Corporate Governance Association in Taiwan	Responsibilities and Obligation on a Company, Directors and Supervisors under the Securities and Exchange Act	3
		2008.07.15	2008.07.15	Corporate Governance Association in Taiwan	Financial risk management and tax planning	3
		2009.02.26	2009.02.26	Taiwan Corporate Governance Association (TCGA)	Legal liabilities and professional risk of directors, supervisors, and managerial officers	3
		2009.03.06	2009.03.06	Taiwan Stock Exchange Corporation (TWSE)	2009 Corporate social responsibility, sustainable management and investment forum	2
Juristic Person Supervisor: Representative	Shao-Lun Lee	2008.02.27	2008.02.27	Winkler Partners	Responsibilities and Restrictions on Directors, Supervisors, and Managers in a Public Company	2
		2009.04.30	2009.04.30	Deloitte & Touche Taiwan	Understanding the impacts of IFRS	2.5

Appendix 2: Continuing Education/Training of Management Team

Title	Name	Date of Training	Organization	Training/Speech	Hours
Chief Operation Officer & Senior Executive Vice President	Fred Liu	2008.02.27	Winkler Partners	Responsibilities and Restrictions on Directors, Supervisors, and Managers in a Public Company	2
		2009.02.26	Taiwan Corporate Governance Association (TCGA)	Legal liabilities and professional risk of directors, supervisors, and managerial officers	3
		2009.04.30	Deloitte & Touche Taiwan	Understanding the impacts of IFRS	2.5
Chief Financial Officer & Spokesman	Hui-Ming Cheng	2008.02.27	Winkler Partners	Responsibilities and Restrictions on Directors, Supervisors, and Managers in a Public Company	2
		2009.02.26	Taiwan Corporate Governance Association (TCGA)	Legal liabilities and professional risk of directors, supervisors, and managerial officers	3
		2009.04.30	Deloitte & Touche Taiwan	Understanding the impacts of IFRS	2.5
Executive Vice President	Jason Juang	2008.02.27	Winkler Partners	Responsibilities and Restrictions on Directors, Supervisors, and Managers in a Public Company	2
Vice President	Cliff Chiang	2009.02.26	Taiwan Corporate Governance Association (TCGA)	Legal liabilities and professional risk of directors, supervisors, and managerial officers	3
Vice President	CS Wang	2008.02.27	Winkler Partners	Responsibilities and Restrictions on Directors, Supervisors, and Managers in a Public Company	2
		2009.02.26	Taiwan Corporate Governance Association (TCGA)	Legal liabilities and professional risk of directors, supervisors, and managerial officers	3
Vice President	David Wang	2009.02.26	Taiwan Corporate Governance Association (TCGA)	Legal liabilities and professional risk of directors, supervisors, and managerial officers	3
Vice President	Jack Tong	2008.02.27	Winkler Partners	Responsibilities and Restrictions on Directors, Supervisors, and Managers in a Public Company	2
Vice President	Jim Lin	2008.02.27	Winkler Partners	Responsibilities and Restrictions on Directors, Supervisors, and Managers in a Public Company	2
		2009.02.26	Taiwan Corporate Governance Association (TCGA)	Legal liabilities and professional risk of directors, supervisors, and managerial officers	3
Vice President	KH Tung	2008.02.27	Winkler Partners	Responsibilities and Restrictions on Directors, Supervisors, and Managers in a Public Company	2
		2009.02.26	Taiwan Corporate Governance Association (TCGA)	Legal liabilities and professional risk of directors, supervisors, and managerial officers	3
Vice President	Lotus Chen	2009.02.26	Taiwan Corporate Governance Association (TCGA)	Legal liabilities and professional risk of directors, supervisors, and managerial officers	3
Associate Vice President	Andy Chen	2008.02.27	Winkler Partners	Responsibilities and Restrictions on Directors, Supervisors, and Managers in a Public Company	2
Associate Vice President	Cliff Chou	2009.02.26	Taiwan Corporate Governance Association (TCGA)	Legal liabilities and professional risk of directors, supervisors, and managerial officers	3
Associate Vice President	Simon Hsieh	2009.02.26	Taiwan Corporate Governance Association (TCGA)	Legal liabilities and professional risk of directors, supervisors, and managerial officers	3
Controller	James Chen	2009.02.26	Taiwan Corporate Governance Association (TCGA)	Legal liabilities and professional risk of directors, supervisors, and managerial officers	3
		2009.04.30	Deloitte & Touche Taiwan	Understanding the impacts of IFRS	2.5
Chief Information Officer	Eric Chou	2008.02.27	Winkler Partners	Responsibilities and Restrictions on Directors, Supervisors, and Managers in a Public Company	2
Chief Innovation Officer	Horace Luke	2008.02.27	Winkler Partners	Responsibilities and Restrictions on Directors, Supervisors, and Managers in a Public Company	2

Title	Name	Date of Training	Organization	Training/Speech	Hours
Chief Marketing Officer	John Wang	2008.02.27	Winkler Partners	Responsibilities and Restrictions on Directors, Supervisors, and Managers in a Public Company	2
		2009.02.26	Taiwan Corporate Governance Association (TCGA)	Legal liabilities and professional risk of directors, supervisors, and managerial officers	3
General Counsel	Grace Lei	2008.02.27	Winkler Partners	Responsibilities and Restrictions on Directors, Supervisors, and Managers in a Public Company	2
		2009.02.26	Taiwan Corporate Governance Association (TCGA)	Legal liabilities and professional risk of directors, supervisors, and managerial officers	3
		2009.04.30	Deloitte & Touche Taiwan	Understanding the impacts of IFRS	2.5
Director	Clement Lin	2008.02.27	Winkler Partners	Responsibilities and Restrictions on Directors, Supervisors, and Managers in a Public Company	2
		2008.09.12	Accounting Research and Development Foundation in Taiwan	Financial Supervisory Commission (FSC) seminar on the implementation of regulations for expensing employee profit-sharing contributions and the FASC Statement of Financial Accounting Standards No. 39, "Accounting for Stock-Based Compensation"	6
		2008.11.18	Accounting Research and Development Foundation in Taiwan	Corporate investment and business valuation for mergers and acquisitions	9
		2009.02.26	Taiwan Corporate Governance Association (TCGA)	Legal liabilities and professional risk of directors, supervisors, and managerial officers	3
		2009.04.30	Deloitte & Touche Taiwan	Understanding the impacts of IFRS	2.5
		2009.02.26	Taiwan Corporate Governance Association (TCGA)	Legal liabilities and professional risk of directors, supervisors, and managerial officers	3
Director	Edward Wang	2009.02.26	Taiwan Corporate Governance Association (TCGA)	Legal liabilities and professional risk of directors, supervisors, and managerial officers	3
Director	Joey Cheng	2009.02.26	Taiwan Corporate Governance Association (TCGA)	Legal liabilities and professional risk of directors, supervisors, and managerial officers	3
Director	Vincent Tseng	2008.02.27	Winkler Partners	Responsibilities and Restrictions on Directors, Supervisors, and Managers in a Public Company	2
		2008.12.22	Accounting Research and Development Foundation in Taiwan	Seminar on the revised FASC Statement of Financial Accounting Standards No.10, "Accounting For Inventory" (2008)	3
		2008.12.23	Accounting Research and Development Foundation in Taiwan	Seminar on the Production of Consolidated Financial Statements (2008)	6
		2008.12.30	The Institute of Internal Auditors	Approaches to internal control self-assessment (CSA) (2008)	6
		2009.02.26	Taiwan Corporate Governance Association (TCGA)	Legal liabilities and professional risk of directors, supervisors, and managerial officers	3

Appendix 3: Directors, Supervisors and Key Personnel Liability Insurance

No	Insured Object	Insurance Company	Insured Amount (NTD)	Insurance period
1	All directors and supervisors	Fubon Insurance Co., Ltd. (Insureds include HTC-appointed juristic person directors' representatives at investee companies and key personnel)	656,000,000	From: 96.03.15 To: 97.03.15
2	All directors and supervisors	Fubon Insurance Co., Ltd. (Insureds include HTC-appointed juristic person directors' representatives at investee companies and key personnel)	984,000,000	From: 97.03.15 To: 98.03.15

(4) For The Status of The HTC's Corporate Governance

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

(5) Other important information helpful to understanding the company's corporate governance may also be disclosed

Due to a number of factors, including the shift in HTC's principal business operations in recent years to own-brand manufacturing, the growing scale of its operations, and the continued expansion of investment in and establishment of overseas subsidiaries, HTC has continued to examine and, as needed, to revise or adopt new rules, procedures, and rules of implementation for internal operations which will enhance the efficiency of its operations and strengthen mechanisms for risk control and management, while ultimately also enhancing the conduct of corporate governance. Over the last two years, in line with the formulation or amendment of relevant securities laws and regulations by the competent securities authority in Taiwan, and in consideration of its operational needs, HTC has adopted or revised its "Rules of Procedure for Board of Directors Meetings", "Procedures for the Acquisition or Disposal of Assets", "Procedures for the Handling of Derivatives Trading", "Guidelines for the Corporate Governance", "Rules of Procedure for Shareholders Meetings", and "Bylaws for the Election of Directors and Supervisors". In addition it has also adopted the "Procedures for the Handling of Derivatives Trading", " Credit Policy and Operation Procedure", and "Rules for Assignment of Directors and Supervisors at Investee Companies", while also revising implementation rules that guide its internal operations, such as its "Transaction Operating Procedure for HTC's Designated Company, Enterprise Group and Related Person" and "Budget Management Procedures".

(6) The section on the state of implementation of the company's internal control system shall furnish the following:

> A Statement on Internal Control.

HTC Corporation Internal Control System Statement

Date: 4/30/2009

The Company states the following with regard to its internal control system during the period from 1/1/2008 to 12/31/2008, based on the findings of a self-evaluation:

1. The Company is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and management. The Company has established such a system aimed at providing reasonable assurance of the achievement of objectives in the effectiveness and efficiency of operations (including profits, performance, and safeguard of asset security), reliability of financial reporting, and compliance with applicable laws and regulations.

2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three goals mentioned above. Furthermore, the effectiveness of an internal control system may change along with changes in environment or circumstances. The internal control system of the Company contains self-monitoring mechanisms, however, and the Company takes corrective actions as soon as a deficiency is identified.

3. The Company judges the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies promulgated by the Financial Supervisory Commission, Executive Yuan (hereinbelow, the "Regulations"). The internal control system judgment criteria adopted by the Regulations divide internal control into five
- elements based on the process of management control: 1. control environment 2. risk assessment 3. control activities 4. information and communications 5. monitoring. Each element further contains several items. Please refer to the Regulations for details.

4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.

5. Based on the findings of the evaluation mentioned in the preceding paragraph, the Company believes that during the stated time period its internal control system (including its supervision of subsidiaries), encompassing internal controls for knowledge of the degree of achievement of operational effectiveness and efficiency objectives, reliability of financial reporting, and compliance with applicable laws and regulations, was effectively designed and operating, and reasonably assured the achievement of the above-stated objectives.

6. This Statement will become a major part of the content of the Company's Annual Report and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.

7. This statement has been passed by the Board of Directors Meeting of the Company held on 4/30/2009, where all of the five attending directors affirmed the content of this Statement.

HTC Corporation



Chairman: Cher Wang



President: Peter Chou



> Where a CPA has been hired to carry out a special audit of the internal control system, furnish the CPA audit report:
None

(7) For the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report, disclose any sanctions imposed in accordance with the law upon the company or its internal personnel, any sanctions imposed by the company upon its internal personnel for violations of internal control system provisions, principal deficiencies, and the state of any efforts to make improvements:

None

(8) Material Resolutions of A Shareholders Meeting and A Board of Directors Meeting during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report.

Item	Date	Material resolutions	Note
Year 2008			
Board of directors meeting	2008.01.18	1. Adopted resolution to increase the capital of High Tech Computer Asia Pacific PTE. Ltd. by USD 5,040,996 in order to obtain HTC Electronics (Shanghai) Co., Ltd. which is 100% owned by Landtek Corporation (BVI), a related party of HTC.	
Board of directors meeting	2008.02.27	1. Adopted resolution on setting aside Company's 2008 dividend for employees. 2. Adopted resolution regarding the subjects for convening the 2008 Annual Shareholders' Meeting, AGM date, place and the submission period for shareholder's proposals. 3. Adopted resolution for purchasing land for the construction of R&D headquarter in Taipei County, Xindian City. 4. Adopted resolution to increase the capital of High Tech Computer Asia Pacific PTE. Ltd. in order to increase capital held in HTC Electronics (Shanghai) Co., Ltd. for the investment capital it needs to build factories in Shanghai Nanhui and purchasing equipment.	
Board of directors meeting	2008.04.25	1. Adopted resolution on Fiscal 2007 earnings distribution. 2. Adopted resolution to allocate earnings and employee bonus to a capital increase and issuance of new shares. 3. Adopted resolution to increase the capital of High Tech Computer Corporation (Suzhou) by USD 5 million through an increase of the capital of H.T.C. (B.V.I.) Corp. 4. Adopted resolution to set up a domestic investment company.	
Shareholders meeting	2008.06.13	1. Adoption of the Fiscal 2007 Business Report and Financial Statement 2. Adoption of the Fiscal 2007 Earnings Distribution Proposal. 3. Adopted resolution to allocate earnings and employee bonus to a capital increase and issuance of new shares. 4. Adopted resolution to amend the Articles of Incorporation.	Execution summary for the material resolutions of the shareholders meeting please refer to note
Board of directors meeting	2008.06.30	1. Adopted resolution on the date of record for the distribution of dividends as well as the date of capital increase, and the closing period for share transfer.	
Board of directors meeting	2008.07.31	1. Adopted resolution to lift Company executive Mr. Hui-Ming Cheng's non-compete restriction. 2. Adopted resolution to purchase Run-Top Corporation's RC Office Building. 3. Adopted resolution for Company to increase capital to Singapore holding company High Tech Computer Asia Pacific PTE. Ltd. by USD 8 million which will be used to indirectly invest in a China subsidiary.	
Board of directors meeting	2008.10.07	1. Adopted resolution on the repurchasing of the Corporation's shares and cancellation of such shares.	
Board of directors meeting	2008.10.31	1. Adopted resolution on the proposed NTD 300 million in donation to HTC Cultural and Educational Foundation. 2. Adopted resolution on setting up a B.V.I. subsidiary whose primary business is the sale of raw materials and semi-finished products.	
Board of directors meeting	2008.12.31	1. Adopted resolution on registering a change of share status to write-off 10,000,000 shares of Company's treasury stock and setting the record date for the reduction of paid-up capital. 2. Adopted resolution on the purchase of Hualon Factory No.1 real estate. 3. Adopted resolution on the purchase of Syuda Construction Company's real estate, a related party.	
Year 2009			
Board of directors meeting	2009.02.26	1. Adopted resolution on setting aside Company's 2009 dividend for employees. 2. Adopted resolution to convene the 2009 Annual Shareholders' Meeting, meeting date/time/place and the submission period and place for shareholders' proposals 3. Adopted resolution to increase the capital of High Tech Computer Asia Pacific PTE. Ltd by an investment in order to increase capital held in HTC Electronics (Shanghai) Co. Ltd. (Wei-Hon) by USD 8 million for the purpose of factory construction at its Shanghai Kangqiao Factory.	
Board of directors meeting	2009.04.30	1. Adopted resolution on the Fiscal 2008 earnings distribution proposal. 2. Adopted resolution on capital increase by retained earnings (shareholder bonuses and employee bonuses) and issuance of new shares. 3. Adopted resolution on Company's proposed dividend distribution for 2009, scheduled to be discussed in 2010. The proposed cash dividend distribution for shareholders will be no less than NTD 20 billion. 4. Adopted resolution on changing of the Corporate Principal Accounting Officer. 5. Adopted resolution to amend the agenda for convening the 2009 Annual General Shareholders' Meeting of the Company. 6. Adopted resolution on reorganization of Company's overseas subsidiaries' investment structure.	

Note:1. Acting pursuant to resolutions adopted at the 2008 regular shareholders meeting regarding the earnings distribution proposal and the earnings capitalization proposal, HTC completed the following actions in 2008: an amendment registration to reflect its capitalization of earnings; distributions of cash and stock dividends; and distributions of employee bonus shares and cash bonuses.

Note: 2. Acting pursuant to a resolution adopted at the 2008 regular shareholders meeting regarding the proposal to amend the HTC Articles of Incorporation, HTC has completed an amendment registration with the Ministry of Economic Affairs.

(9) Where, during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report, a director or supervisor has expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof:

None

(10) A Summary of Resignations and Dismissals, during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report, of Persons Connected with The Company's Financial Report (Including The Chairman of The Board of Directors, General Manager, Principal Accounting Officer, and Chief Internal Auditor):

Item	Resolution
Type of personnel changed	Principal Accounting Officer
Date of board meeting	98/04/30 (Effective date)
Name and title of the replaced person	Clement Lin, Director of Finance and Accounting Division
Name and title of the replacement	James Chen, Controller of Finance and Accounting Division
Reason for the change	For job rotation

3. INFORMATION ON CPA PROFESSIONAL FEES :

(1) When non-audit fees paid to the certified public accountant, to the accounting firm of the certified public accountant, and/or to any affiliated enterprise of such accounting firm are equivalent to one quarter or more of the audit fees paid thereto, the amounts of both audit and non-audit fees as well as details of non-audit services shall be disclosed

Accounting Firm	Name of CPA	Audit Fee	Non-Audit Fee				Whether the CPA's Audit Period Covers an Entire Fiscal Year			Note
			System Design	Company Registration	Human Resource	Others (note 1)	Subtotal	Yes	No	
Deloitte & Touche	Ming-Hsien Yang Kwan-Chung Lai	9,260,000	-	356,000	-	1,570,000	1,926,000	√		Transfer pricing report, international tax consultation, review of shareholders' meeting annual report, and CPA opinion on earnings capitalization.

Note 1: Please record non-audit fees separately according to service item. If non-audit fees indicated under "Other" constitute 25 percent of total non-audit fees, the nature of those service items shall be indicated in the Remarks column.

(2) When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous year, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed.

HTC did not change its accounting firm.

(3) When the audit fees paid for the current year are lower than those for the previous fiscal year by 15 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed.

Audit fee of year 2008 is higher than previous year.

4. INFORMATION ON REPLACEMENT OF CERTIFIED PUBLIC ACCOUNTANT :

If the company has replaced its certified public accountant within the last two fiscal years or any subsequent interim period, it shall disclose the following information

(1) Regarding the former certified public accountant

Date of replacement	10/29/2007		
Reason and specifying of replacement	Due to adjustments in the managerial organization at Deloitte & Touche, the certifying CPAs have been changed from Wang, Tze-Chun, CPA and Lai, Kwan-Chung, CPA to Yang, Ming-Hsien, CPA and Lai, Kwan-Chung, CPA.		
Specifying whether it was the certified public accountant that voluntarily ended the engagement or declined further engagement	Concerned Person		
	Condition	Accountant	Appointer
	voluntarily ended the engagement	-	-
	discontinued the engagement.	-	-
Issued an audit report expressing other than an unqualified opinion during the two most recent years, furnish the opinion and reason.	None		
Indicate whether there was any disagreement between the company and the former certified public accountant	Yes		Accounting principles or practices
			Financial report disclosure
			Auditing scope or procedure
			Other
	No	√	
	Description		
Disclose the information (Other matters required for disclosure under Article 10, subparagraph 5, item 1, point 4 of the Regulations Governing Information to be Published in Annual Reports of Public Companies).	None		

(2) Regarding the successor certified public accountant

Name of the accounting firm	Deloitte & Touche
Name of the certified public accountant	Ming-Hsien Yang, Kwan-Chung Lai
Date of engagement	10/29/2007
If prior to the formal engagement of the successor certified public accountant, the company consulted the newly engaged accountant regarding the accounting treatment of or application of accounting principles to a specified transaction, or the type of audit opinion that might be rendered on the company's financial report, the company shall state and identify the subjects discussed during those consultations and the consultation results.	None
The company shall consult and obtain written views from the successor certified public accountant regarding the matters on which the company did not agree with the former certified public accountant, and shall make disclosure thereof.	None

(3) Response letter from the former CPA regarding the matters under Article 10, subparagraph 5, item 1, and Article 10, subparagraph 5, item 2, of these the Regulations Governing Information to be Published in Annual Reports of Public Companies.

None

5. WHERE THE COMPANY'S CHAIRPERSON, GENERAL MANAGER, OR ANY MANAGERIAL OFFICER IN CHARGE OF FINANCE OR ACCOUNTING MATTERS HAS IN THE MOST ECENT YEAR HELD A POSITION AT THE ACCOUNTING FIRM OF ITS CERTIFIED PUBLIC ACCOUNTANT OR AT AN AFFILIATED ENTERPRISE OF SUCH ACCOUNTING FIRM, THE NAME AND POSITION OF THE PERSON, AND THE PERIOD DURING WHICH THE POSITION WAS HELD, SHALL BE DISCLOSED. :

None

6. ANY TRANSFER OF EQUITY INTERESTS AND/OR PLEDGE OF OR CHANGE IN EQUITY INTERESTS BY A DIRECTOR, SUPERVISOR, MANAGERIAL OFFICER, OR SHAREHOLDER WITH A STAKE OF MORE THAN 10 PERCENT DURING THE MOST RECENT FISCAL YEAR OR DURING THE CURRENT FISCAL YEAR UP TO THE DATE OF PRINTING OF THE ANNUAL REPORT

(1) Net change in shareholding by Directors, Supervisors, Management, and Shareholders

Unit: share

Title (note 1)	Name	2008		01/01/2009-04/21/2009	
		Change in quantity of shareholding	Change in quantity of pledged shares	Change in quantity of shareholding	Change in quantity of pledged shares
Chairman	Cher Wang	5,436,680	0	0	0
Director	HT Cho	33,570	0	0	0
Director	Wen-Chi Chen	4,463,659	0	0	0
Independent Director	Chen-Kuo Lin	0	0	0	0
Independent Director	Josef Felder	0	0	0	0
Supervisor	Po-Cheng Ko	0	0	0	0
Supervisor	Way-Chih Investment Co.,Ltd. Representative:Shao-Lun Lee	8,735,250	0	0	0
Supervisor	Caleb Ou-Yang	0	0	0	0
Chief Executive Officer & President	Peter Chou	501,201	0	0	0
Chief Operation Officer & Senior Executive Vice President	Fred Liu	428,844	0	0	0
Chief Financial Officer & Spokesman	Hui-Ming Cheng	(18,200)	0	(56,000)	0
Executive Vice President	Jason Juang	90,000	0	0	0
Vice President	Cliff Chiang	(14,670)	0	(55,000)	0
Vice President	CS Wang	21,660	0	0	0
Vice President	David Chen	135,470	0	0	0
Vice President (note 3)	David Wang	10,000	0	0	0
Vice President	HC Hung	79,391	0	0	0
Vice President	Jack Tong	(46,812)	0	(45,000)	0
Vice President	Jason Mackenzie	29,304	0	(8,304)	0
Vice President	Jim Lin	68,216	0	0	0
Vice President	KH Tung	10,938	0	0	0
Vice President	Lotus Chen	30,612	0	(88,000)	0
Vice President	Florian Seiche	54,458	0	(9,000)	0
Associate Vice President	Andy Chen	1,099	0	0	0
Associate Vice President (note 4)	Cliff Chou	48,503	0	0	0

(Continue)

Title (note 1)	Name	2008		01/01/2009-04/21/2009	
		Change in quantity of shareholding	Change in quantity of pledged shares	Change in quantity of shareholding	Change in quantity of pledged shares
Associate Vice President (note 4)	Ralph Wang	24,120	0	0	0
Associate Vice President (note 4)	Sam Teng	53,218	0	(5,000)	0
Associate Vice President (note 4)	Simon Hsieh	41,000	0	(41,000)	0
Associate Vice President (note 4)	Simon Lin	55,660	0	(45,000)	0
Associate Vice President (note 4)	Steve Wang	30,600	0	(24,600)	0
Associate Vice President (note 4)	WH Liu	54,610	0	0	0
Controller (note 6)	James Chen	-	-	0	0
Chief Information Officer (note 2)	Eric Chou	10,000	0	0	0
Chief Innovation Officer	Horace Luke	61,383	0	0	0
Chief Marketing Officer	John Wang	19,200	0	(63,000)	0
General Counsel	Grace Lei	44,350	0	(37,000)	0
Director (note 10)	Clement Lin	22,600	0	(41,000)	0
Director (note 7)	Edward Wang	-	-	0	0
Director (note 5)	Joey Cheng	-	-	0	0
Director	Vincent Tseng	10,386	0	0	0
GSSD General Manager (note 8)	Johnson Sher	0	0	-	-
Director (note 9)	Peter Chiang	(6,822)	0	-	-
Director (note 9)	Casper Chang	(6,800)	0	-	-

(Concluded)

- Note 1: Shareholders whose total holdings of company shares exceed 10 percent shall be registered as major shareholders and listed separately.
- Note 2: On 16 January 2008 Eric Chou was newly hired as key managerial personnel; the disclosures regarding increases or decreases in shares and pledged amounts are applicable from the date the post was assumed.
- Note 3: On 5 May 2008 David Wang was newly hired as key managerial personnel; the disclosures regarding increases or decreases in shares and pledged amounts are applicable from the date the post was assumed.
- Note 4: On 1 June 2008 they were newly hired as key managerial personnel; the disclosures regarding increases or decreases in shares and pledged amounts is applicable from the date on which they assumed their posts.
- Note 5: On 9 February 2009 they were newly hired as key managerial personnel; the disclosures regarding increases or decreases in shares and pledged amounts is applicable from the date on which they assumed their posts.
- Note 6: On 10 February 2009 they were newly hired as key managerial personnel; the disclosures regarding increases or decreases in shares and pledged amounts is applicable from the date on which they assumed their posts.
- Note 7: On 10 March 2009 they were newly hired as key managerial personnel; the disclosures regarding increases or decreases in shares and pledged amounts is applicable from the date on which they assumed their posts.
- Note 8: Johnson Sher has already resigned on 31 May 2008
- Note 9: Peter Chiang and Casper Chang has already resigned on 31 December 2008
- Note 10: Relieved of from accounting officer and accounting director on 30 April 2009 due to job rotation
- Note 11: Where the counterparty in any such transfer or pledge of equity interests is a related party, the following information shall be disclosed.

(2) Stock Transfer Information:

04/21/2009

Name ^(note 1)	Reason for Transfer ^(note 2)	Date of Transaction	Party to Transaction	Relationship of other party in Transaction to Company, Director, Supervisor and Shareholder holding 10% or more of the total number of shares issued by the Company	shares	Price
Peter Chou	Favor	12/12/2008	Ping Chou	Children	150,000	-
Peter Chou	Favor	12/12/2008	An Chou	Children	150,000	-

Note 1: The Company's director, supervisor, manager and shareholder holding exceed 10%

Note 2: The Acquisition or Disposal.

(3) Shares Pledged Information:

04/21/2009

Name ^(note 1)	Reason for pledged change ^(note 2)	Date of Change	Party to Transaction	Relationship of other party in Transaction to Company, Director, Supervisor and Shareholder holding 10% or more of the total number of shares issued by the Company	shares	Holding percentage	Pledge percentage	Amount (thousand)
Hui-Ming Cheng	Pledge	03/26/2008	Bank SinoPac Chengnei Branch	None	70,000	0.02%	0.01%	26,000
Hui-Ming Cheng	Ransom	04/18/2008	Bank SinoPac Chengnei Branch	None	30,000	0.02%	0.01%	-
Hui-Ming Cheng	Ransom	08/06/2008	Bank SinoPac Chengnei Branch	None	40,000	0.02%	0.01%	-

Note 1: The Company's director, supervisor, manager and shareholder holding exceed 10%

Note 2: The pledge or ransom.

7. RELATIONSHIP INFORMATION, IF AMONG THE COMPANY'S 10 LARGEST SHAREHOLDERS ANY ONE IS A RELATED PARTY, AS DEFINED IN THE STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 6.

04/21/2009

Name ^(note 1)	Shareholding		Shareholding under spouse and underage children of minor age		Shareholding under the title of third party		Top 10 shareholders who are related parties to each other. ^(Note 2)		
	Shares	%	Shares	%	Shares	%	Name	Relationship	Note
Euro Pacific Growth Fund Special Account under custodial administration of Chase Manhattan Bank	38,751,100	5.20%	0	0.00%	0	0.00%	None	None	
Way-Chih Investment Co., LTD.	37,852,752	5.08%	0	0.00%	0	0.00%	• Way-Lien Technology Inc. • Hon-Mou Investment Co., Ltd. • Cher Wang • Wen-Chi Chen	• Same chairman • Same chairman • Chairman of Way-Chih • Spouse of chairman	
Way-Lien Technology	36,396,764	4.88%	0	0.00%	0	0.00%	• Way-Chih Investment Co.,LTD. • Hon-Mou Investme nt Co.,Ltd. • Cher Wang • Wen-Chi Chen	• Same chairman • Same chairman • Chairman of Way-Lien • Spouse of chairman	
Cher Wang	23,558,949	3.16%	19,342,525	2.59%	0	0.00%	• Wen-Chi Chen • Way-Chih Investment Co.,LTD. • Way-Lien Technology Inc. • Hon-Mou Investment Co.,Ltd.	• Spouse • Cher wang is Way-Chih's chairman • Cher wang is Way-Lien's chairman • Cher wang is Hon-Mou's chairman	
Hon-Mou Investment Co., Ltd.	22,014,333	2.95%	0	0.09%	0	0.00%	• Way-Chih Investment Co.,LTD. • Way-Lien Technology Inc. • Cher Wang • Wen-Chi Chen	• Same chairman • Same chairman • Chairman of Hon-Mou • Spouse of chairman	
Wen-Chi Chen	19,342,525	2.59%	23,558,949	3.16%	0	0.00%	• Cher Wang • Way-Chih Investment Co.,LTD. • Way-Lien Technology Inc. • Hon-Mou Investment Co.,Ltd.	• Spouse • Spouse of Way-Chih's chairman • Spouse of Way-Lien's chairman • Spouse of Hon-Mou's chairman	
Capital Revenue Founder Company Investment Special Account under custodial administration of Chase Manhattan Bank	15,308,500	2.05%	0	0.00%	0	0.00%	None	None	
The Central Bank of Saudi Arabia Investment Special Account under custodial administration of Chase Manhattan Bank	14,565,698	1.95%	0	0.00%	0	0.00%	None	None	
World Capital Growth and Revenue Fund Company Investment Special Account under custodial administration of Chase Manhattan Bank	11,872,500	1.59%	0	0.00%	0	0.00%	None	None	
HTC Depository Receipts Special Account under custodial administration of Citibank N.A.	11,677,074	1.57%	0	0.00%	0	0.00%	None	None	

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

Note 2: The shareholders listed above, including judicial and natural persons, shall disclose their mutual relationships.

8. THE TOTAL NUMBER OF SHARES AND TOTAL EQUITY STAKE HELD IN ANY SINGLE ENTERPRISE BY THE COMPANY, ITS DIRECTORS ANDSUPERVISORS, MANAGERS, AND ANY COMPANIES CONTROLLED EITHER DIRECTLY OR INDIRECTLY BY THE COMPANY

03/31/2009 Unit: share: dollar: %

Long-term investments (note)	Investments by HTC		Investments directly or indirectly controlled by directors, supervisors, and managers of HTC		Total investments	
	Shares/Investment Amount	%	Shares/Investment Amount	%	Shares/Investment Amount	%
H.T.C(B.V.I) Corp.	562,677,850 shares	100%	0	0%	562,677,850 shares	100%
HTC America, Inc.	0	0%	18,000,000 shares	100%	18,000,000 shares	100%
HTC EUROPE CO.LTD.	0	0%	5,000,000 shares	100%	5,000,000 shares	100%
High Tech Computer (SuZhou) Co., Ltd.	0	0%	USD20,000,000 (NTD662,388 thousand dollars)	100%	USD20,000,000 (NTD662,388 thousand dollars)	100%
Exedea Inc.	0	0%	100 shares	100%	100 shares	100%
HTC NIPPON Corporation	0	0%	1,000 shares	100%	1,000 shares	100%
HTC Brasil	0	0%	1,987,399 shares	99.99%	1,987,399 shares	99.99%
High Tech Computer (Shanghai WGO)	0	0%	USD 1,500,000 (NTD49,845 thousand dollars)	100%	USD 1,500,000 (NTD49,845 thousand dollars)	100%
HTC HK, Limited	300,000 shares	100%	0	0%	300,000 shares	100%
HTC Belgium BVBA/SPRL	0	0%	18,550 shares	100%	18,550 shares	100%
HTC Italia SRL	0	0%	EUR 10,000	100%	EUR 10,000	100%
Vitamin D, Inc.	13,500,000 shares	25.90%	0	0%	13,500,000 shares	25.90%
BandRich Inc.	13,500,000 shares	50.66%	0	0%	13,500,000 shares	50.66%
Communication Global Certification Inc.	10,000,000 shares	100%	0	0%	10,000,000 shares	100%
PT. High Tech Computer Indonesia	1,875 shares	1%	185,625 shares	99%	187,500 shares	100%
High Tech Computer Asia Pacific Pte. Ltd.	65,055,000 shares	100%	0	0%	65,055,000 shares	100%
High Tech Computer Singapore Pte. Ltd.	0	0%	14,000,000 shares	100%	14,000,000 shares	100%
High Tech Computer (H.K.) Limited	0	0%	2,000,000 shares	100%	2,000,000 shares	100%
HTC (Australia and New Zealand) Pty. Ltd.	0	0%	400,000 shares	100%	400,000 shares	100%
HTC Philippines Corp.	0	0%	858,767 shares	99.99%	858,767 shares	99.99%
HTC India Private Limited	0	0%	500,000 shares	100%	500,000 shares	100%
HTC Investment Corporation	30,000,000 shares	100%	0	0%	30,000,000 shares	100%
HTC Electronics (Shanghai) Co., Ltd.	0	0%	USD48,000,000 (NTD1,461,360 thousand dollars)	100%	USD48,000,000 (NTD1,461,360 thousand dollars)	100%
HTC (Thailand) Limited	0	0%	10,000,000 shares	100%	10,000,000 shares	100%
One & Company Design, Inc.	0	0%	60,000 shares	100%	60,000 shares	100%
HTC Malaysia Sdn. Bhd.	0	0%	25,000 shares	100%	25,000 shares	100%
HTC Innovation Limited	0	0%	5,000 shares	100%	5,000 shares	100%
HTC Communication Co., Ltd.	0	0%	USD1,600,000 (NTD55,336 thousand dollars)	100%	USD1,600,000 (NTD55,336 thousand dollars)	100%

Note: HTC Long-term Investments.

9. SOCIAL RESPONSIBILITY REPORT

With its emphasis on promoting communication and quality of life, HTC's foundational mission has always been a non-traditional style of design that puts the focus on people. "Iconic simplicity" sums up our design concepts and our core vision- HTC hopes that its painstaking design process, and the innovative cell phones that result, will bring people closer together and further simplify the way they receive information. This is our fundamental design goal, and in the future we hope to continue making style and rich functionality a part of cell phones and the way they are used.

In areas such as mobile computing and communications devices, HTC's drive for innovation and its added-value designs, world-class manufacturing, and global distribution and logistics capabilities have made it a leading innovator at the forefront of the global communications industry. But while increasing the profitability of our operations is important, that goal must be balanced with environmental protection and social responsibility. That is why honest management, employee care, a green environment, and giving back to society have become management ideals toward which we strive at HTC. We strongly believe that "sustainable management" is not just a slogan, but that the combined efforts of all HTC employees will be needed to fulfill our responsibilities as a corporate citizen.

HTC is concerned with environmental and workplace safety and health issues because we believe they are the foundation for sustainable management. Now that implementing environmentalism and workplace safety and health as part of our system of management has brought positive results in terms of ISO14001 and OHSAS18001 certification, they have become a powerful support in our efforts to create a global brand.

HTC is additionally continuing to make improvements on an annual basis in the area of energy conservation, waste reduction, and recycling and re-use. As the problem of global warming grows more serious, HTC is adopting a wide variety of energy-saving measures and has lowered its CO2 emissions to help reduce the impact of climate change. Energy saving policies were implemented in 2007. In addition, HTC has set standards in its green product policies even higher than those required by related environmental laws and regulations.

HTC's policies regarding its corporate social responsibilities are as follows:

In promoting corporate social responsibility as a primary working goal, HTC espouses concepts such honest management, employee care, a green environment, and giving back to the society in order to help fulfill its social responsibilities in the following areas:

- > Full compliance with local laws and regulations.
- > Protecting employee work-related rights and ensuring fair employment opportunities.
- > Active participation in energy saving, greenhouse gas (GHG) emissions reduction, and environmental protection work in all areas.
- > True financial transparency management.
- > Continuing innovation in products and services to raise customer satisfaction.
- > Simultaneous attention to shareholder interests, underprivileged groups in society, and support of various public service activities.

HTC sets a high ethical standard through its outstanding corporate governance and its responsibility as a corporate citizen.

(1) Energy and resource conservation and recovery

1. HTC is actively fulfilling its responsibilities to the earth and the environment by implementing the Industrial Development Bureau's guidance project for the reduction of greenhouse gas(GHG) emissions. Completion of HTC's inventory of sources and amounts of greenhouse gas(GHG) emissions in accordance with ISO14064-1 standard is expected by August 2009.
2. HTC regularly measures airborne concentrations of N-hexane, isopropanol, and lead on its production lines, they are currently well below the permissible levels set by law and regulation in Taiwan.
3. Resource-saving designs to minimize water and electricity use were incorporated into our plants and offices, and HTC continues to promote awareness about water and electricity conservation among employees by means of the following:
 - Use of flow-reduced water faucets, installation of water-saving & low-flush devices in toilets, and use of captured rainwater for toilet flushing.
 - Control of air condition temperature and installation of converter devices on air condition units to reduce the load on water chiller units.
 - Reduction of electricity use by implementation of time-

controlled lighting between floors and yearly replacement of the T5 energy saving lighting in plants and offices.

- Addition of converter devices to elevators and air compressors and installation of heat pumps in dormitories to reduce electricity use.
4. Installation of water pollution treatment facilities, along with specialists for repair and maintenance, in order to meet effluent quality standard for water treatment plant.
 5. HTC has initiated sorting of everyday waste and production line recyclables at its plants in a concrete step toward waste reduction. HTC is continuing to promote the recycling of everyday waste such as aluminum foil wrapping, PET bottles, metal cans, and plastic containers, donating all recycled items to charity groups; our employees should be applauded for their environmental efforts. Other reusable resources from the production line- cardboard boxes, bamboo crates, plastic, and circuit board trimmings- are also sorted to raise the recycling rate.

(2) Promoting Employee Health

1. HTC makes counseling services available to all employees in the field of career/work, family and relatives, relationships, and psychological stress through its Employee Assistance Program (EAP).
2. In addition to regularly scheduled routine physical exams for employees, HTC also provides special physical exams for employees engaged in special process and in-depth physicals for higher-level supervisory personnel. HTC also engages qualified hospitals to perform cancer prevention screening such as Pap. Smear and Breast Ultrasound for female employees.
3. In 2005, HTC began creating a smoke-free workplace by setting up outdoor smoking areas, which won it the 2nd National Award for Outstanding Workplace for the Smoke Prevention from the Bureau of Health Promotion, Department of Health, Taiwan. In 2008, along with the John Tung Foundation and Northern District Center for workplace health promotion & tobacco control, HTC began holding classes to help those employees who wanted to quit smoking. Enrollment in the classes totaled 92 persons, with a total of 52 employees who were successfully aided in giving up the habit.
4. HTC regularly provides health-related knowledge through lectures given by professional medical and nursing personnel, helping employees gain a better understanding and awareness of health issues and working toward preventing chronic illness, promoting health, and releasing stress.
5. Employees are encouraged to actively participate in activities for the public interest. Blood donation activities are held quarterly

by HTC at the Taoyuan plant, while the Xindian office participates half a year in the blood donation drives held at the Gigabyte Education Foundation.

6. In order to provide reliable and clean drinking water, HTC requests agencies recognized by the Environmental Protection administration to carry out a total bacterial count and coliform bacillus count each quarter in the volumes required by law. Maintenance and disinfection of drinking water equipments are also performed regularly.
7. HTC regularly provides health exams in accordance with law and regulation for employees in special process involving lead or ionizing radiation.
8. HTC provides employees with a variety of leisure and fitness facilities (including a multi-sport playing field, gym, aerobics room, and spinning room) as well as activities for body shaping and relief from muscle soreness and fatigue in gym. Body mass index (BMI) management and physical fitness testing (including muscular strength, muscular endurance, and cardiovascular endurance indices) help improve employees' physical constitutions and they were actively encouraged to participate in appropriate leisure activities.
9. In addition to the HTC Semiannual Athletic Season and family days held semi-annually, employees are encouraged to bring their families for workouts at the company on Saturday and Sunday, where they can use the gym under the guidance of a professional trainer and enjoy a free lunch or dinner supplied by HTC afterwards. These benefits help encourage a sense of belonging and identification between employees and HTC.
10. With the assistance of the HTC Employee Welfare Committee and in cooperation with the Eden Social Welfare Foundation, blind massagists help HTC employees relieve stress through massage.

(3) Workplace environmentalism, safety and health

With the commitment to protect environment and manage the safety and health in all respects, HTC agrees to provide and maintain a working environment that can secure safety and health of its employees. In addition, HTC will follow the beliefs stated below to create a better quality of life for the employees, customers, suppliers and contractors.

- > Considering environmental protection, safety, health, hygiene, manufacturing and quality are equally important.
- > Thinking the safety and health of employees, suppliers, contractors and the other related 3rd parties are equally important.

- > Requiring our employees to obey relevant safety standards and working procedures.
- > Working to prevent any foreseeable dangers and proceeding loss control system.
- > Following the requirements of relevant laws and regulations.
- > Maintaining the Environment Safety and Hygiene management system based on the spirit of continual improvement.

HTC is vigorously implementing an Environmental Management System (ISO14001) and a Occupational Health and Safety Management System (OHSAS 18001), which have passed the ISO 14001(2004 Edition) and OHSAS 18001(2007Edition) certifications. The main aspects of HTC's implementation of the Environmental Management System and Occupational Health and Safety Management System are outlined below:

1. The environmental safety and health committee is convened regularly to study, discuss, coordinate, and make recommendations regarding environment, safety, and health matters. Meetings focus on the status of success in reaching company goals and policies during the quarter, analysis of accidents inside or outside the plant, employee health promotion, implementation of environmental matters, and results of testing in the employee's working environments. Reports on the above matters are delivered to the committee members and labor representatives.
 2. Since its founding, risk assessments have always been performed at HTC that target its product processes, equipment, and use of chemical products in order to reduce the number of accidents caused by processes or equipment and exposures to chemical products.
- Chemical management system
 - Regular inspections of dangerous machinery and equipment
 - Regular fire-prevention maintenance and repair and structural safety tests
 - Emergency response drills, including group formation drills and on-site use of fire-prevention equipment, are regularly scheduled to increase employees' emergency response capabilities.
 - Employee education and training in relation to basic labor safety & health and emergency rescue training.
 - Information on any accidents is collected and statistically analyzed on a regular basis to ascertain the status of any accidents occurring either inside or outside the plant.
3. In order to reduce operating risk when contracting workers enter the plant, they must first receive training about the operation of dangerous apparatus and how to apply the work undertaken. Dynamic inspection of work status at irregular intervals helps to ensure safety.

(4) Green product research and development

In green product R&D, early 2000 marked the introduction of eco-design processes in which the stages of design, manufacture, use, and even the end of the product life cycle were examined to find new room for eco-friendly product design. The thinking behind our eco-designs stretches from the end-of-the-pipeline treatment directly back to the initial design stages; one consideration is a reduction in the use of environmentally harmful substances such as lead, cadmium, hexavalent chromium, and mercury, etc. Another requirement is increasing the product recycling rate and the ratio of reusable resources in order to reduce negative environmental impacts. A variety of green products have therefore been developed by using design concepts centered around lower toxicity, higher energy efficiency, and recyclability. These products meet customer needs while conforming with international environmental regulations, enhancing our green competitiveness and fulfilling our ideals of sustainable development.

1. Low toxicity
By the year 2000 HTC had already instituted controls on harmful substances in consideration of trends in international environmental regulations and the related concerns of our customers. By 2005 it had produced the world's first PDA phone to conform with the EU's RoHS Directive (Restriction on the Use of Certain Hazardous Substances in Electrical and Electronic Equipment Directive). From that time to the present, HTC has required that all parts, modules, and materials delivered to its plants conform with its substances control checklist. Its control of restricted substances goes beyond the six controlled substances of the RoHS Directive to include substances such as formaldehyde, ozone-depleting substances, and chlorinated paraffin, etc. which have been placed under control by international environmental laws and regulations as well as by our customers.

In 2006 HTC also established a green supply chain management platform, which gave its R&D engineers a product information database from which they could choose eco-friendly materials meeting the standards of international laws and regulations and customer requirements. Product reliability is enhanced and certification times reduced when green materials are part of the process from the initial design stages. The supply chain management platform was overhauled in 2008, giving it a simpler and more convenient user interface and making it a more effective tool for overall control of environmentally harmful substances.

2. Energy efficiency

In the overall life cycle of an electronic communications product, the most energy-intensive stage is the period of use by the consumer, and energy use during this stage is a major cause of greenhouse gas production. For that reason we give intense scrutiny to the question of energy efficiency during the research and development phase, and all power supplies used with HTC products must conform to the international energy efficiency standards below in order to reach our goals for saving energy.

- > US EPA Energy Star
- > California Energy Commission
- > EU Code of Conduct

In addition to formulating standards for power supply energy use, our R&D team has developed outstanding power management systems that respond to consumers' habitual modes of use and allow the handset to automatically enter an energy-saving standby mode, reducing energy use and extending battery life. Some models also include ambient light sensors that trigger an automatic LCD backlighting adjustment function, which in addition to creating more readable displays, also contributes to energy saving goals.

3. Recyclability

The primary goal of design-for-recyclability is meeting the requirements of international environmental regulations with regard to recycling rates. HTC's standards for product recycling rates in 2008 used assessment criteria taken from the EU's Waste Electrical and Electronic Equipment (WEEE) Directive. For the above reasons, HTC makes design-for-recyclability assessments and other simulations part of its initial research and development phase. Product disassembly and materials simulations are carried out to allow calculation of product materials compositions and their relative recycling rates, while strategies involving materials labeling, simplification of assemblies, and design for ease of disassembly provide feedback to R&D units in the form of design strategies with reference value for R&D processes. These procedures mean that recycling operations can be carried out smoothly during the disposal phase at the end of a product's useful life cycle, enhancing the benefits of recycling and reducing the impact on the environment.

4. Green packaging

In addition to considerations of visual appeal and packaging strength requirements, HTC's green packaging concepts also extend to the development of materials that satisfy the environmental design concepts of low toxicity, low volume, and recyclability:

> Low-toxicity design

- Packaging materials meet the standards of the EU directive on packaging materials. Levels of lead, cadmium, mercury, and hexavalent chromium are all below the limits fixed by law.
- Packaging materials use no PVCs. Packaging materials contain no ODS (ozone depleting substances) restricted by the Montreal Protocol.
- Printing inks are low-volatility or environmental vegetable-based inks such as soy ink.

> Low-volume design

- No use of expanded polystyrene foam (EPS) beads for packing
- Maximization of stacking volume during shipping to reduce the amounts of packing materials required
- Improved shock-absorbing packaging, reducing the need for shock-absorbing packing materials during shipping

> Design-for-recycling

- Manufacture of corrugated board with more than 90% recycled pulp
- When visual design considerations make the use of virgin materials unavoidable, all packaging materials meet FSC¹ (Forest Stewardship Council), PEFC² (Programme for the Endorsement of Forest Certification schemes), or SFI³ (Sustainable Forestry Initiative) certification.

¹ FSC Forest Stewardship Council; <http://www.fsc.org>

² PEFC Programme for the Endorsement of Forest Certification; <http://www.pefc.org>

³ SFI Sustainable Forest Initiative; <http://www.sfiprogram.org/>

5. Eco-design cases

HTC employs a variety of eco-design strategies during R&D stages, resulting each year in the development of a wide variety of green products:

- Environmental surface treatment methods While a lustrous metallic finish is a necessary part of the appearance of HTC products, it cannot interfere with their radio frequency functions and electromagnetic compatibility. HTC thus uses the NCVM (non-conductive vacuum metallization) surface treatment process, which meets the needs of both visual design and telecommunications functions, and in addition, the process reduces the use of nickel plating, contributing to clean manufacturing processes and helping reduce the problem of some users' skin allergy to nickel.

- Reduction of circuit board surface area

In keeping with the need for slim, lightweight devices that also have rich functionality, HTC has begun using an advanced form of multi-layer circuitboard design that greatly reduces the circuitboard's required surface area. In 2008, some newly developed models achieved a reduction in circuitboard surface from 56cm² to 16cm², while retaining the same functionality. This type of advanced design results in a reduction in both weight and the use of circuit boards, furthermore, helping to save resources as well as reduce the subsequent burden on the environment.

- One-piece packaging design methods
HTC makes use of a one-piece cardboard packaging material made of 100% recycled pulp and that is recyclable, as shown below, in a clever design developed by our packaging design experts that use packaging material to maximum efficiency to reduce its overall volume. The product is well protected even without the use of plastic foam packaging, which brings further reductions in unnecessary packaging in order to achieve our goals for green packaging.

6. Looking toward the future

In 2008, HTC successfully made environmental concepts such as lower toxicity, higher energy efficiency, and recyclability part of its green product design efforts, resulting in the development of numerous "green" products with highly creative designs and environmental concepts. HTC's spirit of constant forward progress in these areas will continue in the future. HTC has set out even more rigorous environmental standards as design goals for new products in 2009, and its continued development and promotion of green products will help it to meet the standards of international environmental laws as well as customer demands as it moves ahead toward the vision of sustainable development.

(5) HTC Foundation

In 2008, HTC and HTC Social Welfare & Charity Foundation or HTC Education Foundation, to which it donates each year, engaged in community participation through the following public interest activities:

1. Continuing support for 200 children from low-income households in Haiti and the Republic of Ghana for the fourth consecutive year in cooperation with World Vision Taiwan.
2. Continuing support for 89 children from low-income households in the Yuli Township of Hualien, Taiwan, for the fifth

consecutive year in cooperation with World Vision Taiwan.

3. Sponsorship of after-school study-program for 300 children from low-income households, for the fifth consecutive year in cooperation with the Chinese Christian Relief Association.
4. Contributions by the Foundation and HTC of NT\$20 million each to disaster relief in Sichuan Province for donation to rebuilding projects in disaster regions. Employees have also donated nearly NT\$ 4 million for construction of the Chadian Township elementary school in Mian County, Shanxi.
5. Provision of NT\$ 3 million for assistance to Myanmar hurricane disaster relief in cooperation with the Ling Jiou Mountain Buddhist Foundation.
6. Provision of scholarships for 1,000 students for the second consecutive year at six schools in China's remote northwest regions and Qinghai Province.
7. Provision of tuition and board year-round for 100 needy senior high school students for the second consecutive year with outstanding records in China's Ningxia and Liaoning Provinces.
8. Sponsorship of Good Deed Representative Yin Guanghua for the third consecutive year in giving character-building lectures at hundreds of schools and prisons around the country.
9. Provision of assistance for the second consecutive year to the Rehabilitation Hope Project at the Development Center for the Spinal Cord Injured.
10. In addition, HTC provides long-term support for youth education and character-building organizations for the fifth consecutive year, including the Champions Education Association and the Rainbow Family Life Education Association.
11. Provision of free Carnegie motivation training course to school teachers through the "Pan Shi Education Project" for a cumulative total of 20,000 persons and teacher character education training for a cumulative total of 15,000 persons throughout Taiwan. In 2008 we promoted the "Character Building Schools" for 16 schools in Taoyuan.
12. Contribution to establishment of a Character & English Institute in Hualien County by providing full sponsorship for attendance for all 4th-grade elementary students in Hualien County at a five-day four-night camp for character building and English learning. HTC contributes tens of millions of New Taiwan Dollars in sponsorship for all operating and upkeep costs, while also participating in development of courses that provide English teaching to minorities and residents of remote districts.
13. Sponsorship of children from low income families, in the Taoyuan County English Village.
14. Continuing promotion of HTC's "Character Township" plans for public servants in 5 townships, providing training to a cumulative total of 2,000 visits.

1. CAPITAL AND SHARES

(1) Capitalization:

04/30/2009 Unit: Share: NT\$

Month/Year	Price	Authorized		Paid-in		Sources of capital	Capital increase by assets other than cash	Remark
		Shares	Amount	Shares	Amount			Other
03/1998	10	19,500,000	195,000,000	19,500,000	195,000,000	Cash offering	None	-
10/1998	10	200,000,000	2,000,000,000	100,000,000	1,000,000,000	Cash offering	None	Note 1
08/2000	40	200,000,000	2,000,000,000	125,000,000	1,250,000,000	Cash offering	None	Note 2
04/2001	163.5	200,000,000	2,000,000,000	127,600,000	1,276,000,000	Cash offering	None	Note 3
06/2002	10	200,000,000	2,000,000,000	162,720,000	1,627,200,000	Capitalization of profits	None	Note 4
09/2003	10	270,000,000	2,700,000,000	202,764,000	2,027,640,000	Capitalization of profits	None	Note 5
11/2003	131.1	270,000,000	2,700,000,000	217,164,000	2,171,640,000	Cash offering	None	Note 6
03/2004	10	270,000,000	2,700,000,000	218,731,347	2,187,313,470	Merger offering	None	Note 7
08/2004	10	450,000,000	4,500,000,000	271,427,616	2,714,276,160	Capitalization of profits	None	Note 8
01/2005	127.95	450,000,000	4,500,000,000	276,311,395	2,763,113,950	Conversion of ECB	None	Note 9
04/2005	127.95	450,000,000	4,500,000,000	288,763,321	2,887,633,210	Conversion of ECB	None	Note 9
09/2005	10	450,000,000	4,500,000,000	357,015,985	3,570,159,850	Capitalization of profits	None	Note 10
08/2006	10	550,000,000	5,500,000,000	436,419,182	4,364,191,820	Capitalization of profits	None	Note 11
04/2007	10	550,000,000	5,500,000,000	432,795,182	4,327,951,820	Capital reduction : Cancellation of Treasury Shares	None	Note 12
09/2007	10	650,000,000	6,500,000,000	573,133,736	5,731,337,360	Capitalization of profits	None	Note 13
08/2008	10	1,000,000,000	10,000,000,000	755,393,856	7,553,938,560	Capitalization of profits	None	Note 14
02/2009	10	1,000,000,000	10,000,000,000	745,393,856	7,453,938,560	Capital reduc tion : Cancellation of Treasury Shares	None	Note 15

Note 1: Approval Document No.: The 23 July 1998 Letter No. Taiwan-Finance-Securities-I-59976 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 2: Approval Document No.: The 21 July 2000 Letter No. Taiwan-Finance-Securities-I-59899 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 3: Approval Document No.: The 13 April 2001 Letter No. Taiwan-Finance-Securities-I-118901 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 4: Approval Document No.: The 30 April 2002 Letter No. Taiwan-Finance-Securities-I-119837 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 5: Approval Document No.: The 28 July 2003 Letter No. Taiwan-Finance-Securities-I-0920133959 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 6: Approval Document No.: The 06 November 2003 Letter No. Taiwan-Finance-Securities-I-0920146220 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 7: Approval Document No.: The 16 January 2004 Letter No. Taiwan-Finance-Securities-I-0920162653 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 8: Approval Document No.: The 09 July 2004 Letter No. Finance-Supervisory-Securities-I-0930130457 of the Securities and Futures Bureau of the Financial Supervisory mission Executive Yuan.

Note 9: Approval Document No.: The 14 January 2003 Letter No. Taiwan-Finance-Securities-I-09100169047 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 10: Approval Document No.: The 12 July 2005 Letter No. Financial-Supervisory-Securities-I-0940128133 of the Securities and Futures Bureau of the Financial Supervisory Commission Executive Yuan.

Note 11: Approval Document No.: The 06 July 2006 Letter No. Financial-Supervisory-Securities-I-0950128723 of the Securities and Futures Bureau of the Financial Supervisory Commission Executive Yuan.

Note 12: Approval Document No.: The 25 January 2007 Letter No. Financial-Supervisory-Securities-III0960004848 of the Securities and Futures Bureau of the Financial Supervisory Commission Executive Yuan.

Note 13: Approval Document No.: The 12 July 2007 Letter No. Financial-Supervisory-Securities-I-0960036213 of the Securities and Futures Bureau of the Financial Supervisory Commission Executive Yuan.

Note 14: Approval Document No.: The 25 June 2008 Letter No. Financial-Supervisory-Securities-I-0970031749 of the Securities and Futures Bureau of the Financial Supervisory Commission Executive Yuan

Note 15: Approval Document No.: The 16 December 2008 Letter No. Financial-Supervisory-Securities-III0970068202 of the Securities and Futures Bureau of the Financial Supervisory Commission Executive Yuan

04/30/2009 Unit: Share

Type of Stock	Authorized Capital			Remark
	Outstanding shares	Unissued Shares	Total	
Common stock	745,393,856	254,606,144	1,000,000,000	16,000,000 shares are reserved for the holders of stock warrants, preferred shares with warrants, or corporate bonds with warrants to exercise their stock warrants.

(2) Shareholder Structure:

04/21/2009

Number	Shareholder structure				
	Government Agencies	Financial Institutions	Other Juridical Persons	Foreign Institutions & Natural Persons	Domestic Natural Persons
Number of shareholders	1	29	376	1,472	34,589
Shareholding	2,181,819	15,863,852	159,064,321	410,629,666	157,654,198
Holding percentage	0.29%	2.13%	21.34%	55.09%	21.15%

Total

36,467

745,393,856

100.00%

(3) Diffusion of Ownership:

each share having a par value of NT\$10 04/21/2009

Shareholder Ownership (Unit : share)	Number of Shareholders	Ownership	Ownership
1~999	8,521	2,417,676	0.32%
1,000~5,000	22,810	41,585,140	5.58%
5,001~10,000	2,277	16,684,405	2.24%
10,001~15,000	742	9,248,055	1.24%
15,001~20,000	402	7,185,088	0.96%
20,001~30,000	395	9,893,711	1.33%
30,001~40,000	220	7,715,816	1.04%
40,001~50,000	155	7,074,956	0.95%
50,001~100,000	340	24,181,635	3.24%
100,001~200,000	240	33,620,261	4.51%
200,001~400,000	155	44,481,817	5.97%
400,001~600,000	69	33,543,013	4.50%
600,001~800,000	33	22,328,555	3.00%
800,001~1,000,000	18	15,716,102	2.11%
Over 1,000,001	90	469,717,626	63.01%
Total	36,467	745,393,856	100.00%

(4) List of Principal Shareholders:

04/21/2009

Name of principal shareholders	Shares	
	Current Shareholding	Percentage
Euro Pacific Growth Fund Special Account under custodial administration of Chase Manhattan Bank	38,751,100	5.20%
Way-Chih Investment Co., LTD.	37,852,752	5.08%
Way-Lien Technology Inc.	36,396,764	4.88%
Cher Wang	23,558,949	3.16%
Hon-Mou Investment Co., Ltd.	22,014,333	2.95%
Wen-Chi Chen	19,342,525	2.59%
Capital Revenue Founder Company Investment Special Account under custodial administration of Chase Manhattan Bank	15,308,500	2.05%
The Central Bank of Saudi Arabia Investment Special Account under custodial administration of Chase Manhattan Bank	14,565,698	1.95%
World Capital Growth and Revenue Fund Company Investment Special Account under custodial administration of Chase Manhattan Bank	11,872,500	1.59%
HTC Depositary Receipts Special Account under custodial administration of Citibank N.A.	11,677,074	1.57%

(5) Provide Share Prices for The Past Two Fiscal Years, Together with The Company's Net Worth Per Share, Earnings Per Share, Dividends Per Share, and Related Information:

		Year		
Item		2007	2008	01/01/2009 ~ 03/31/2009
Market price per share	Highest market price	703	888	446
	Lowest market price	390	256	308.50
	Average market price	548.64	576.90	371.09
Net worth per share(note)	Before distribution	97.84	80.30	88.06
	After distribution	61.73	(note)	(note)
Earnings per share	Weighted average shares(thousand shares)	573,229	754,148	745,394
	Earnings per share	50.48	37.97	6.54
	Retroactively adjusted earnings per share	38.30	(note)	(note)
Dividends per share	Cash dividends	34	27 (note)	-
	Stock dividends	Dividends from retained earnings	0.3	0.05 (note)
		Dividends from capital surplus	-	-
	Accumulated undistributed dividend			
Reutrn on investment	Price/Earnings ration	10.87	15.19	-
	Price/Dividend ratio	16.14	21.37 (note)	-
	Cash dividend yield	6.20%	4.68 (note)	-

Note : Pending 2009 shareholders' approval

(6) Company's Dividend Policy and Implementation Thereof:

- > Dividend Policy :
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.
- According to the company's Articles of Incorporation, 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 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. Where bonus to employees is allocated by means of new share issuance, the employees to receive bonus may include employees serving with affiliates who meet specific requirements. Such specific requirements shall be prescribed by the board of directors.

6. For any remainder, the board of directors shall propose allocation ratios based on the dividend policy set forth in paragraph 2 of this Article and propose them at the shareholders' meeting.
- > The dividend distributions proposed at the most recent shareholders' meeting : (Board of Directors has adopted, 2009 pending on the approval of the Shareholders General Meeting.)
On April 30, 2009 Company adopted a resolution passed by Board of Directors for the distribution of 2008 earnings for the proposed allocation of NTD 372,696,920 in stock dividend and NTD 20,125,634,120 in cash dividend, propose to distribute NT\$0.5 stock dividends and NT\$27 cash dividends per share.(based on book closure date of outstanding shares for 2009 Annual Shareholders Meeting), the Board of Directors may make the required adjustments to the actual earnings distribution ratio on the basis of the number of issued and outstanding stocks registered in the Common Stockholders' Roster as at the record date.
- > If a material change in dividend policy is expected, provide an explanation :
There is no material change in dividend policy.

(7) Impact of The Stock Dividend Proposal of This Shareholders Meeting on Operational Performance and Earnings Per Share:

Company is not required to make public Company's 2009 financial forecast information ; therefore it is inapplicable.

(8) Information on Employee Profit Sharing & Regular Compensation for Directors and Supervisors:

- > Company's Articles of Incorporation stipulate the distribution of employee profit sharing as well as Directors and Supervisors' remuneration in terms of percentage or scope.

- 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.

> Board of Directors has adopted the proposed distribution of bonus for employees in the following manner :

Unit: NT\$ 1,000

Distributions of Earnings in 2008	Accrued Expenses for Employee Bonus	Resolution Approved by the Board of Directors	
			April 30, 2009
Employee Bonus	6,164,889	Employee Stock Bonus (Note)	4,954,889
		Employee Cash Bonus	1,210,000
		Total Amount	6,164,889
Directors' and Supervisors' Remunerations	0		0

Note: The value of employee cash/stock bonuses and director/supervisor remunerations proposals approved by the board of directors is the same as the Company's accrued expenses in the financial reporting period.

Note: For employee stock bonuses NT\$4,954,889,133 ,the number of shares shall be calculated based on the closing price one day prior to the 2009 regular shareholders' meeting on an ex-dividend basis. For employees receiving less than one share, bonuses will be distributed in the form of cash. However, the maximum number of new shares issued for employee profit sharing shall not exceed an employee stock bonus dilution rate of 1.75%. which is the ratio of employee stock bonuses to outstanding shares ex-dividends. Shares that exceed the dilution rate of 1.75% will be converted into cash and be distributed to employees in the form of cash converted.

> Distributions of earnings in 2007 as employees' bonus and remunerations for directors and supervisors :

Unit: NT\$ 1,000; 1,000 shares

Distributions of earnings in 2007	Resolution	Actual
Date of passage of annual dividends of the Board of Directors' Meeting resolution	April 25, 2008	
Date of Regular Shareholders' Meeting	June 13, 2008	
Employee Stock Bonus	Total Number of Shares	10,320
	Total Amount	103,200
Employee Cash Bonus	Total Amount	1,210,000
Director' and Supervisors' Remunerations	0	0

(9) Share Repurchases:

Topic	Explanation
Initial Estimation of Share Buy-back Status	
Board of Director resolution	10/7/2008
Purpose of the share buy-back	To stabilize stock price by maintaining company credibility and shareholders rights. According to the Regulations Governing Share Repurchase by Listed and OTC Companies, Article 2 requires off-setting of buy-back Treasury stocks.
Type of share buy-back	Common stock
Total amount allocated for share buy-back	NTD 5,000,000,000
Buy-back period	10/08/2008-12/07/2008
Estimated number of buy-back shares (as percentage of total outstanding shares)	10,000,000 shares (1.32%)
Estimated buy-back price interval	Buy-back stock price is between NTD 400 to NTD 500. It is further resolved by the Board of Directors to continue buy-back of shares if the stock price falls under NTD 400.
Method of Buy-back	Buy-back shares from stock exchange
Actual Stock Buy-back Status	
Buy-back period	10/13/2008-12/05/2008
Number of buy-back shares (as a percentage of total shares outstanding)	10,000,000 shares (1.32%)
Total amount for buy-back shares	NTD 3,408,149,000
Average price per buy-back share	NTD 340.81
Number of Shares Cancelled or Transferred	Cancelled 10,000,000 shares
Cumulative number of own shares held	0 shares
Ratio of cumulative number of own shares held during the repurchase period to the total number of the Company's issued shares	0%

2. ISSUANCE OF CORPORATE BONDS

None

3. STATUS OF PREFERRED SHARES

None

4. GLOBAL DEPOSITORY RECEIPTS

04/30/2009

Issuing Date	11/19/2003		
Issuance & Listing	Luxembourg		
Total amount	USD 105,182,100.60		
Offering price per GDR	USD 15.4235		
Units issued	8,321,966(note)		
Underlying securities	Cash offering and HTC common shares from selling shareholders		
Common shares represented	33,287,870(note)		
Rights & obligations of GDR holders	Same as those of common share holders		
Trustee	Not applicable		
Depository bank	Citibank, N.A. - New York		
Custodian bank	Citibank, N.A. - Taipei Branch		
GDRS outstanding	2,996,078		
Apportionment of expenses for the issuance & maintenance	All fees and expenses such as underwriting fees, legal fees, listing fees and other expenses related to issuance of GDRS were borne by HTC and the selling shareholders, while maintenance expenses such as annual listing fees and accountant fees were borne by HTC.		
Terms & conditions in the deposit agreement & custody agreement	See deposit agreement and custody agreement for details		
Closing price per GDR	2008	High	USD 116.29
		Low	USD 32.87
		Average	USD 74.16
	01/01/2009 -04/30/2009	High	USD 54.18
		Low	USD 37.32
		Average	USD 44.91

Note: The total number of units issued includes additional issuance on 18 August 2004, 12 August 2005, 1 August 2006, 20 August 2007 and 21 July 2008 of dividends on the common shares represented by overseas depository receipts, in respective amounts of 216,088 units (representing 864,352 common shares), 70,290 units (representing 281,161 common shares), 218,776 units (representing 875,107 common shares), 508,556 units (representing 2,034,224 common shares) and 488,656 units (representing 1,954,626 common shares).

5. STATUS OF EMPLOYEE SHARE SUBSCRIPTION WARRANTS

- > The annual report shall disclose unexpired employee subscription warrants issued by the company in existence as of the date of printing of the annual report, and shall explain the effect of such warrants upon shareholders' equity:

During the current fiscal year up to the date of printing of the annual report, HTC did not have unexpired employee subscription warrants issued by the company; therefore it is inapplicable.

- > The annual report shall disclose the names of top-level company executives holding employee share subscription warrants and the cumulative number of such warrants exercised by said executives as of the date of printing of the annual report. The annual report shall also disclose the names of the ten employees holding employee subscription warrants authorizing purchase of the most shares where the purchase price of such shares is NT\$30 million or greater, along with the cumulative number of warrants exercised by these ten employees, as of the date of printing of the annual report:

During the current fiscal year up to the date of printing of the annual report, HTC did not have unexpired employee subscription warrants issued by the company; therefore it is inapplicable.

6. THE SECTION ON MERGERS, ACQUISITIONS, AND ISSUANCE OF NEW SHARES DUE TO ACQUISITION OF SHARES OF OTHER COMPANIES

- (1) During the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report, the company has completed a merger, acquisition, or issuance of new shares due to acquisition of shares of other companies. :

None

- (2) During the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report, the board of directors has adopted a resolution approving a merger, acquisition, or issuance of new shares due to acquisition of shares of other companies. :

None

7. THE SECTION ON IMPLEMENTATION OF THE COMPANY'S FUNDS UTILIZATION PLANS

HTC did not implementation of the company's funds utilization plans or planned that were completed but have not yet fully yielded the benefits, during the current fiscal year up to the date of printing of the annual report.



VI. FINANCIAL STATUS, OPERATING RESULTS AND RISK MANAGEMENT

1. FINANCIAL STATUS

Unit : NT\$ thousands

Item	2008	2007	Difference	
			Amount	%
Current Assets	101,271,990	83,172,719	18,099,271	22
Long-term Investments	5,160,891	2,899,109	2,261,782	78
Properties	7,375,651	3,715,901	3,659,750	98
Other Assets	1,417,830	656,817	761,013	116
Total Assets	115,226,362	90,444,546	24,781,816	27
Current Liabilities	54,558,470	34,368,139	20,190,331	59
Long-term Liabilities	0	0	0	0
Other Liabilities	6,406	628	5,778	920
Total Liabilities	54,564,876	34,368,767	20,196,109	59
Capital Stock	7,553,938	5,731,337	1,822,601	32
Capital Surplus	4,417,534	4,415,845	1,689	0
Retained Earnings	52,036,321	45,920,120	6,116,201	13
Equity Adjustments	63,970	8,477	55,493	655
Treasury Stock	(3,410,277)	0	(3,410,277)	0
Total Stockholders' Equity	60,661,486	56,075,779	4,585,707	8

Explanations of the main reasons for and the impact of any material changes (a change from the previous period of 20 percent or more and amounting to at least NT\$10 million) in HTC's assets, liabilities, and shareholders' equity in the most recent two fiscal years, and the plan for related future measures.

- Higher revenues and profits were main contributors to the increase in current assets recorded for the period; reflected in increases in bank deposits, accounts receivables, and inventories.
- Long-term investments rose for the period, primarily in response to production planning needs. HTC founded High Tech Computer Asia Pacific Pte. Ltd. in order to register and establish HTC Electronics (Shanghai) Co. Ltd., the HTC subsidiary operation that is now responsible for manufacturing converged phones and electronic components. HTC Investment Corporation, founded in 2008, is tasked with making strategic investments on behalf of HTC Corporation.
- The increase in properties for the period is principally due to the purchase of several tracts of land and buildings, slated for use in the development of the HTC Campus and Taipei R&D Center.
- The increase in other assets for the period is principally due to increases in deferred income tax assets resulting from increased product warranty provision, accrued marketing costs, accrued licensing fees due to more revenues and shipments realized. Also, the purchase of production facilities from Runtop Inc. provided HTC with leased assets which were previously leased by a third party for use of said facilities.
- The increase in current liabilities for the period is principally due to a rise in non ODM business sales, reflected in increased accrued marketing costs and accrued warranty liabilities necessary to enhance the perceived value and image of HTC products in the market. The reclassification of employee bonus as expensed costs resulted in a new accrued expense item (employee bonus) of NT\$6.2 billion at the end of year. The above resulted in an increase in current liabilities of 59% over the previous fiscal year.
- The increase in capital stock for the period is principally due to an unappropriated earnings and a capital stock increase due to employee bonuses.
- The increase in equity adjustment is principally due to fluctuations in currency exchange rates and adjustments in long-term equity investments made in order to reflect current currency exchange rates.
- The increase in treasury stock is principally due to efforts made during the period to bolster company credit and shareholder interests through share buybacks. All repurchased shares credited to treasury stock, 10 million shares in total, were formally eliminated on 2 February 2009.

2. OPERATING RESULTS

(1). Operating Results: Comparative Analysis Table

Unit: NT\$1,000

Item	Year		Difference	%
	2008 ^(note1)	2007 ^(note2)		
Revenues	152,558,766	118,579,958	33,978,808	29
Cost of Revenues	101,916,912	78,402,458	23,514,454	30
Gross Profit	50,641,854	40,177,500	10,464,354	26
(Unrealized) Realized Profit From Intercompany Transactions	40,984	(11,064)	52,048	(470)
Realized Gross Profit	50,682,838	40,166,436	10,516,402	26
Operating Expenses	20,426,453	9,630,899	10,795,554	112
Operating Income	30,256,385	30,535,537	(279,152)	(1)
Nonoperating Income and Gains	2,300,018	1,810,908	489,110	27
Nonoperating Expenses and Losses	965,924	195,148	770,776	395
Income From Continuing Operations Before Income Tax	31,590,479	32,151,297	(560,818)	(2)
Income Tax	(2,955,130)	(3,212,435)	257,305	(8)
Income From Continuing Operations	28,635,349	28,938,862	(303,513)	(1)

Note 1: Included employee bonus expenses

Note 2: In accordance with 2008 financial reporting, write-downs of inventories or reversal of write-downs and product warranty costs registered during the period 2004 to 2007 have been reclassified as cost of revenue items.

Analysis and explanation of the percentage of increase/decrease for the most recent two fiscal years (when the change in gross income is 20 percent or more, a separate discrepancy analysis (Table 2) shall also be prepared):

- Revenues, cost of revenues and gross profit are all up over the previous period. Rises may principally be attributed to HTC's regular introduction and promotion of new products, such as those in the HTC Touch Diamond product line, which have sold well in the market. Revenues rose 29% for the period, with operating costs and gross profit showing rises as well. Reclassification of employee bonuses as an expense item added NT\$0.64 billion to cost of revenues. Excluding the impact of employee bonus reclassification and exchange rate fluctuations, cost of revenues and gross profit grew at a rate similar to that of revenues for the period.
- Realized profit from intercompany transactions increased over the previous period due primarily to lower inventories of HTC products held by the subsidiaries at the end of the accounting period.
- The rise in operating expenses recorded over the previous reporting period is principally due to the recognition as of 2008 of employee bonus expenses, totaling NT\$5.49 billion, accrued as operating expenses. Excluding the impact of employee bonus expenses, the operating expenses grew 55% for the period. Also, investments are continuing to be targeted on product innovation, brand value enhancement and brand recognition, with related expenses higher for the period than in the last.
- Non-operating income and gains from such rose for the period primarily due to increased interest income arising from higher bank savings. HTC engages in forward exchange transactions to minimize exposure to foreign currency exchange risks. The significant instability in forex markets during the period resulted in attendant gains on foreign exchange transactions and losses in valuation, recorded, respectively as non-operating income and non-operating expenses. In addition, non-operating expenses and losses rose for the period primarily due to the elevated financial risks posed by an HTC customer, which in turn placed HTC at risk of being required to assume responsibility for payment to upstream suppliers of relevant costs of goods already delivered to said customer of NT\$260 million.

(2) Analysis of Change in Gross Income

Gross profit rose NT\$10,464,354 thousand (26%) over the previous period. Principal reasons underpinning the increase include variations in sales prices, cost prices, the sales mix, and sales volume for primary product lines. Analysis and explanations of each follow below:

Unit: NT\$1,000

Product Type	Variance of gross Profit in 2007 and 2006	Variance Owing to Price Difference	Variance Owing to Cost Difference	Variance Owing to Product Mix Difference	Variance Owing to Quantity Difference
PDA	(326,875)	3,018	1,694	(406,860)	75,273
Smartphone	(2,479,437)	(664,075)	1,206,466	(4,221,800)	1,199,972
PDA Phone	13,637,241	(5,787,238)	(2,215,232)	15,231,208	6,408,503
Subtotal	10,830,929	(6,448,295)	(1,007,072)	10,602,548	7,683,748
Others	(366,575)				
Total	10,464,354				

Explanation of variances:

- Sales Price Variances: PDA products realized a positive sales price variance for the period due to higher average PDA prices supported by the relatively smaller percentage of low-priced PDA models in the market. Smartphone and PDA Phone realized negative sales price variances for the period due to efforts by HTC to promote its proprietary brand, resulting in an increase in marketing subsidies and price supports that decreased average sales prices.
- Cost Price Variances: A positive cost price variance was achieved for Smartphone products due to the reduced importance in this category of ODM sales, which carry higher costs. PDA Phone products saw a negative cost price variance for the period due to HTC's launch of new models in the category, the costs of components and assembly for which are relatively high.
- Sales Mix Variances: PDA Phone was the most important product group for HTC in terms of sales for the period. As such, its share of overall sales grew, while products in other groups declined in overall importance. While the PDA Phone group realized a positive sales mix variance for the period, HTC's other two product groups saw a negative variance. The overall sales mix variance for the period was positive.
- Volume Variances: There was a slight increase in sales volume over the same time in the previous period. Extrapolation of a corresponding increase in sales volume based on the sales mix proportions from the previous period resulted in a positive volume variance.

The combined result of changes described above was an increase of NT\$10,464,354 in gross profit for the period.

3. CASH FLOW

(1) Analysis of Change in Cash Flow for the Most Recent Fiscal Year

Unit: NT\$1,000

Item	2008	2007	%
Cash Flow Ratio (%)	69	116	(41)
Cash Flow Adequacy Ratio (%)	221	291	(24)
Cash Flow Reinvestment Ratio (%)	28	47	(40)

Explanation and analysis of change in increase/decrease ratios:

- The cash flow ratio for the period declined due to the reclassification of employee bonuses, an NT\$6.2 billion allocation accrued, as an expensed cost. Promotion of HTC's proprietary brand also resulted in a rise in accrued marketing expenses, warranty liabilities and other related current liabilities.
- The cash flow adequacy ratio for the period declined. While cash flow from operations have risen steadily over the past five years, financial outlays this period to purchase land and buildings necessary for the future HTC Campus and Taipei R&D Center resulted in significantly higher capital expenditures. Also, the value of cash dividends paid out during the period (for fiscal year 2007) was somewhat higher than that of previous periods.
- The cash reinvestment ratio declined for the period largely due to the purchase of land and buildings necessary for the future HTC Campus and Taipei R&D Center. Said purchases served to greatly increase the value of gross fixed assets at the end of the period.

(2) Cash Liquidity Analysis for the Coming Year

Unit: NT\$1,000

Beginning cash balance	Projected whole-year cash flow from operating activities	Projected whole-year cash outflow	Projected cash surplus (deficit) amount	Remedial measures for projected cash deficit	
				Investment plan	Financial management plan
61,826,873	37,756,872	26,497,924	73,085,821	-	-
Remedial measures for projected cash deficit: Not Applicable					

4. THE EFFECT ON FINANCIAL OPERATIONS OF MATERIAL CAPITAL EXPENDITURES DURING THE MOST RECENT FISCAL YEAR

(1) Review and Analysis of Material Capital Expenditures and Funding Sources

> Material capital expenditure utilization and funding sources

Unit: NT\$1,000

Planned items	Actual or projected sources of capital	Actual or projected date of completion	Total amount of required capital	Actual or projected capital utilization				
				2006	2007	2008	2009	2010
Plant Construction & Equipment / Facilities Purchase	Working capital	2008	2,546,277	372,131	587,349	1,586,797		
Purchase, Installation and Maintenance of Equipment / Facilities	Working capital	2009	746,669			172,384	574,285	
Purchase & Construction of New Plant	Working capital	2010	7,579,848			2,765,318	3,064,530	1,750,000

> Anticipated benefits

- Construction of new plant facilities, Taipei R&D building and HTC Campus
New buildings and facilities to provide employees with suitably designed and furnished work environments to support and enhance long-term, sustained business operations.
- Purchase and installation of equipment and facilities
Replacement / upgrade of equipment and facilities is essential to raising productivity and reducing overall costs of doing business, and to supporting HTC's share of the market and operating profit margin.

5. STATUS OF INVESTMENT DIVERSIFICATION DURING CURRENT YEAR

(1) Analysis of Equity Investments

Unit: NT\$1,000

Item	Amount ^(Note)	Policy	Primary reason for profits or losses	Corrective plans	Other future investment plans
H.T.C. (B.V.I.) Corp.	457,727	Financial holding company: indirect investment in overseas maintenance, installation, after-sales service, and . market development companies	Gains by the invested enterprise	—	Please refer to (2)
High Tech Computer Aisa Pacific PTE. Ltd.	1,463,114	Investment holding	Losses by the invested enterprise	—	Please refer to (2)

Note: The investment amount for the current fiscal year exceeds five percent of paid-in capital.

(2) Future Investment Plans

Long-term strategic investments made by the corporation focus primarily on supporting HTC's business success and growth in its main business. Investment and acquisition decisions are taken based on the benefit of such to the design and development of future products, expansion of sales and long-term development of the corporation. Practical objectives of such investments include reducing the cost of products, raising the quality and inherent value of products, enhancing the convenience of product user interfaces, strengthening customer service and increasing overall operational effectiveness. Major investments planned for our main business address the areas of mobile content, communications, mobile and information security, location based services, entertainment and user interface / experience innovation. Investments currently approved by the board of directors include a capitalization increase of US\$8 million in High Tech Computer Asia Pacific PTE, Ltd. to, indirectly, invest in the establishment of a subsidiary in China, the primary business interests of which will be market development, repair and after sales service as well as the support of China-based distributors working to develop China market sales for HTC products. HTC has allocated an additional US\$8 million for its China subsidiary, HTC Electronics (Shanghai) Co., Ltd. Funds will help finance expansion of production facilities in Shanghai's Kangqiao Industrial Zone. Said allocations for the two China investments will be executed following approval by Taiwan's Investment Commission (Ministry of Economic Affairs). Furthermore, HTC has approved an investment of US\$12.5 million through the British Virgin Islands to establish a subsidiary focused on trading raw materials and semi-finished products.

6. RISK FACTORS OF RELEVANCE TO HTC BUSINESS OPERATIONS

(1) Potential Factors of Influence on HTC Competitiveness & Growth Goals and Related Measures / Countermeasures

Competitiveness in the sector in which HTC competes comes primarily from factors including: 1) successful product research and development (R&D) efforts and innovativeness and 2) strategic partnership relationships with industry leaders and an incisive understanding and grasp of market trends. In addition to strong competencies in these two areas, HTC maintains strong global business development, streamlined production management and global logistics capabilities - adding further depth to its overall competitive position.

- Factors Favorable to the Achievement of HTC Growth Goals

1. Partnerships with Industry Leaders Allow HTC Role in Leading Industry Change and Trends

From the very beginning, strategic partnerships with industry leaders such as Microsoft, Qualcomm, Google and Texas Instruments and telecommunications service providers have helped HTC develop and expand markets for converged devices such as the world's first Windows Mobile based smart phone, the first smart phone featuring a 3D user interface, and, in 2008, the world's first smart phone designed on the new Android operating system. Such partnerships help inject innovation and variation into HTC products while ensuring HTC stands with industry leaders to drive and shape industry trends.

2. Strategies to Reform Corporate Culture, Enhance Organizational Strengths and Raise HTC Global Brand Value and Recognition

HTC has in recent years made increasingly successful efforts to remold and enhance internal corporate culture in a way that reflects the corporation's shift away from ODM business to a new focus on the business of developing and marketing its proprietary brand. The corporation is also bolstering strengths in non-technical, executive management talent essential to extending international sales and marketing networks and product design capabilities. Expected results include a strengthening of the overall corporate organization

and solid implementation of the HTC global brand strategy.																	
3. Tightly Knit Working Groups and Exceptional Implementation Capabilities Underpin HTC Global Logistics and Cost Control Mechanisms																	
In addition to strong financials and leading R&D capabilities, our manufacturing and global logistics - certified to the highest international standards (including ISO-9001, ISO-14001, TL-9000 and OHSAS 18001) - help ensure HTC maintains a commanding position in the global smart phone market. Continued success will rely on the support and hard work of all HTC employees, a continuing commitment to innovation and an insistence on holding all procedures to high standards. At HTC, we foster close cooperation amongst departments, ensure the effective implementation of plans and directives, effectively manage global logistics and rigorously control costs.																	
4. Long-Term Cooperation with Telecom Service Providers Give HTC a Direct Window onto Consumer Needs and Preferences																	
HTC has developed over many years unique cooperative relationships with many of the world's leading telecom service providers, among which include Europe's top five telecom operators, the four largest telecom operators in the United States and quite a few rising stars in the telecom service markets of Asia. These valuable partnerships represent direct channels for HTC products to reach mass markets. Close working relationships help us better appreciate user needs and preferences, while providing exceptional opportunities to develop products and services tailored to meet a diverse range of telecom operator needs. Such helps ensure HTC remains able to hone technologies, products and services to end user needs and expectations.																	
5. Market Growth Continues Unabated; Migration to 3G Expected to Increase Demand for Data Transmission Speeds																	
Product models are regularly updated and improved, while the rapid evolution of critical		components and supporting software are quickly expanding the role and value of mobile phones in our daily lives. Market research forecasts that the product market served by HTC will continue to see growth over the coming several years. Ongoing investment and promotion of the 3G network by telecom operators are also expected to spur consumers to upgrade to 3G enabled mobile phones. These external market factors should benefit HTC business growth and future expansion.															
		6. Comprehensiveness of Domestic Industry Infrastructures															
		Taiwan now enjoys a relatively strong and comprehensive domestic network able to act upon and supply HTC input needs. Most critical HTC components, including printed circuit boards, resistors, capacitors, chipsets, and power supplies and modules are now domestically sourced. Supported by a large technically skilled workforce, Taiwan suppliers continue to be able to leverage their production automation advantages, streamlined cost structures, flexibility and strong management capabilities to win business and remain a viable link in the international supply chain.															
		<ul style="list-style-type: none">Factors Adverse to the Achievement of HTC Growth Goals, and Relevant Countermeasures															
		Trends toward smart phone products are encouraging new entrants into the market, attracted by the sector's continued strong growth prospects. As the curtain rises on the post-information age, large corporations such as Apple can also be expected to become involved in smart phone product development and production activities. Under such a scenario, we anticipate that mobile telecommunication devices will be increasingly designed to serve an expanding menu of applications, incorporate increasingly diverse functions, anticipate shorter life cycles and enter an increasingly competitive market. In addition, difficult economic factors worldwide are placing negative pressures on demand growth for mobile phones. In light of these several adverse factors, HTC has put into effect countermeasures as follows:															
		1. Redoubled Emphasis on R&D and Innovation. HTC will work to maximize the practical advantages of R&D efforts and to shorten product development cycles in order to maintain and strengthen its leading edge in the smart phone sector. HTC will enhance product differentiation to support profit margins, avoid price-based competition, and earn stronger sales performances. The successful launches of HTC Touch and Touch Diamond signal the importance of the mass market in mobile phone design work. As such, innovation and R&D efforts are also being channeled toward making devices that are increasingly user friendly and functional.															
		2. HTC will continue to enhance and improve product designs, production, logistics & distribution support, and after sales service for its current customers with an eye toward striking new strategic partnerships with major global manufacturers and brand owners. We are committed to keeping on top of global developments to secure a stronger platform for continued growth and success.															
		3. HTC will plan and put in place efficient global materials supply and logistics support systems as one critical component in the company's global logistics model. Volume buying will be leveraged to lower input costs, while a materials requirement planning (MRP) system will be engaged to manage material inventories and anticipate replacement needs. Such measures will help lower inventory management costs and reduce inventory devaluation and obsolescence losses.															
		4. The productivity of each link in HTC's business chain must be maximized, with enhanced time management, standardized workflows, and the comprehensive implementation of ISO quality control policies. Benefits will include lower process and communication costs and comprehensive quality management to raise HTC competitiveness.															
		5. At present, critical components for HTC products are still purchased from suppliers located overseas. However, even so, HTC's leadership position and strong technical grounding mean that all suppliers have been exceptionally willing to accommodate and meet HTC priorities in order to maintain and expand their own market sales. As we manage our relationships with all suppliers as important strategic alliances, we are able to secure their further support, which has helped further lower our costs of materials purchases.															
		6. In terms of our current reliance on multiple channels for input supplies, HTC continues to identify and build supplier relationships that cover multiple material input needs and enhance supply stability. Our objective remains a consistent and uninterrupted supply of all material inputs obtained within a highly competitive cost structure.															
		7. As the most vibrant and fastest growing sector of Taiwan's economy, the electronics industry requires a steady stream of human resources. Layoffs and downsizing in the general manufacturing sector have increased the difficulty in finding and hiring entry-level workers. Thus, HTC plans to continue bringing entry-level workers from overseas to work in its domestic operations while working closely with academic organizations to help increase domestic hirings in the future.															
		(2)Risk Issues															
		An analysis of positive and negative factors affecting the markets and sectors in which HTC operates offers the following assessment of risks faced by the corporation and related response measures.															
		1. The effects of interest rate changes, exchange rate fluctuations and price inflation on HTC profitability, and anticipated response measures to be taken:															
		Affect on HTC profitability:															
		<table><tr><td>Item</td><td>2008 (NT\$1,000 or %)</td></tr><tr><td>Net Interest Income</td><td>1,368,090</td></tr><tr><td>Net Forex Income</td><td>146,682</td></tr><tr><td>Net Interest Income as percentage of net revenue</td><td>0.9%</td></tr><tr><td>Net Interest Income as percentage of Earnings Before Tax</td><td>4.3%</td></tr><tr><td>Net Forex Income as percentage of net revenue</td><td>0.1%</td></tr><tr><td>Net Forex Income as percentage of Earnings Before Tax</td><td>0.5%</td></tr></table>		Item	2008 (NT\$1,000 or %)	Net Interest Income	1,368,090	Net Forex Income	146,682	Net Interest Income as percentage of net revenue	0.9%	Net Interest Income as percentage of Earnings Before Tax	4.3%	Net Forex Income as percentage of net revenue	0.1%	Net Forex Income as percentage of Earnings Before Tax	0.5%
Item	2008 (NT\$1,000 or %)																
Net Interest Income	1,368,090																
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Net Interest Income as percentage of Earnings Before Tax	4.3%																
Net Forex Income as percentage of net revenue	0.1%																
Net Forex Income as percentage of Earnings Before Tax	0.5%																

Working capital required to support the expansion of HTC business operations has over recent years been supplied exclusively from internal finances. As the corporation has taken out no long-term loans, fluctuations in interest rates have had no effect on corporate debt. In terms of its finances, HTC has held to a relatively prudent policy of pursuing healthy growth. Asset allocation decisions place priority on security and fluidity, with most funds placed in time-mature NT dollar denominated savings accounts. In 2008, the average return on such accounts was 2.44%, which was reflected in total interest income for the year of NT\$1.3 billion. A single percentage point movement up or down in HTC's average earned interest rate would cause interest earnings to rise or fall by NT\$0.6 billion.

HTC revenues are denominated primarily in US dollars and euros. Production costs are denominated in US dollars. Thus, significant fluctuations in international exchange rates may impact upon sales made in foreign currencies, operational costs and net operating income. In addition to strictly managing the quality and timeliness of foreign currency invoice payments, HTC engages in long-term forex contract arrangements to minimize its exposure to currency exchange risk. Financial derivatives related to currency exchange risk held by HTC at the close of 2008 were valued at USD 37 million, EUR 141 million, GBP 3.87 million, JPY 1.60 billion, AUD 17 million and CAD 760 thousand. Fluctuations in currency exchange rates set off complementary movements in the fair value of related derivatives. If the quoted exchange rate of one of the abovementioned currencies were to fall 1% against the NT dollar, the benefit to HTC of its derivative holdings would be close to NT\$89 million.

During 2008, the value of the euro fell from an initial NT\$48:EUR1 to NT\$41:EUR1 before ending the year at NT\$46:EUR1. During the same period, the US dollar strengthened against the NT dollar, rising from NT\$30:USD1 at the start of 2008 and ending the year at around NT\$32.86:USD1. Net income from foreign exchange during the year totaled NT\$146.682 million. Through careful

management, the potential risk posed by foreign currency exchange has remained under effective control .

The general rate of inflation in Taiwan during 2008 was 3.6% had an insignificant impact on HTC profits.

2. Risks associated with high-risk/high-leveraged investment; lending, endorsements, guarantees for other parties and financial derivative transactions:

HTC does not make in high-risk, highly leveraged investments, loans to others, endorsements, or guarantees. All financial derivatives transactions are conducted to avoid exchange-rate fluctuation risks for foreign-currency denominated assets and liabilities, and conducted in accordance with the policies and measures adopted in HTC's Procedures for the Acquisition or Disposal of Assets.

3. Future R&D plans and anticipated R&D expenditures:

Research and development efforts conducted by the corporation in recent years have focused primarily on user interfaces and mobile Internet products as well as on developing the capabilities necessary to deliver technical and after sales service support to relevant products. Recent results of HTC R&D efforts include the 2008 launch of HTC Touch Diamond - a 3G smart phone incorporating the world's first 3D touch screen user interface, and the September launch of T-Mobile G1 - the world's first smart phone designed on the Android operating system, developed jointly by HTC, Google and T-Mobile USA. HTC will continue to focus on developing smart phones operating on Windows Mobile and Android platforms and continue introducing new, conceptually innovative generations of products that meet customer needs and desires. HTC anticipates investing 6%~7% of earnings in R&D in order to sustain its competitive edge in this area.

4. Effects of domestic / foreign government policies and regulations on HTC finances, and response measures:

In response to recent changes in accounting regulations, as of 1 January 2008, HTC has adopted Interpretation 96-052 - "Accounting for Bonuses to Employees, Directors and Supervisors" issued in March 2007 by the Accounting Research and Development Foundation with respect to recognizing as compensation expenses bonuses paid to employees and remuneration to directors and supervisors rather than as appropriations from earnings. Ahead of government requirements, HTC has also implemented revisions to Statement of Financial Accounting Standards No. 10 related to how accounts are managed with regard to inventory. Note 4 to the financial statements provides a detailed description of the reasons underlying recent accounting practice changes and their impact upon 2008 financial reporting.

Based on current plans, the government will amend the Statute for Upgrading, which will expire at the end of 2009. HTC currently enjoys benefit primarily in terms of tax credits for R&D investment and a five-year tax break. Once tax breaks come to term, any assessment of the impact of such on profitability will need to take into consideration how relevant laws have been revised. Also, with regard to the five-year tax break, approved applicants may apply and receive benefits even prior to formal implementation of incentive measures and still enjoy benefits for the entire designated five-year period.

Apart from the above, there have been no changes in domestic or foreign laws or policies that have affected in any significant manner the financial situation of HTC. Attention remains focused on relevant developments, and HTC is prepared to develop response measures that protect and advance its business needs.

5. Effects on HTC finances of changes in technology and the business sector, and response measures:

Wireless telecommunications is today a mainstream trend in the development of the IT industry and technologies. Smart phones are now the keystone product in wireless telecommunications. With demand for wireless

Internet taking off and platforms gradually ratcheting up to 3.5G, HTC adjusts its product R&D work and alters its business to reflect changing trends. Such can only further benefit development and refinement of core technologies and products at HTC. Concurrent efforts are made to join with international telecommunications service providers to introduce new products in order to maximize HTC's position in the global wireless telecommunications sector and deliver excellent opportunities for growth. Active management of the HTC brand has already reduced significantly the distance between the corporation and its markets and customers. HTC will continue to leverage assets and resources effectively to secure new technologies and R&D results while instilling higher standards of quality for its products in order to realize a full range of competitive advantages. HTC has maintained a consistently strong handle on evolutionary change in all of its core technology. Apart from regularly launching new touch screen mobile phone models, the corporation was the first maker in the world to launch an Android-based mobile phone and the first ever to launch a GSM/Wimax mobile phone. HTC will continue to develop products incorporating the latest application technologies to both satisfy and stimulate market demand as well as earn the trust and respect of partners and investors.

6. Effect on the company's crisis management of changes in the company's corporate image, and measures to be taken in response:

HTC strives to maintain a high standard of professional ethics and business operations management. HTC is governed by a code of corporate integrity and ethical standards and its management team tolerates no unethical acts or lapses in integrity.

7. Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken:

HTC has no new acquisition plans as of the printing date of this annual report.

8. Anticipated benefits and risks posed by HTC plant expansion work, and response measures:

Responding to global market demand for mobile smart phone devices, in addition to continuously reviewing and improving production processes to enhance capacity, quality and cost savings, HTC invested in an existing production plant at Kangqiao, near Shanghai, China, which began filling orders before the end of 2008. Current HTC capacity addresses the need for expansion while adding flexibility to manufacturing scheduling, which has enhanced overall competitiveness. The Shanghai facility is also a beachhead for HTC in the Mainland Chinese 3G mobile phone market, on the eve of that market's liberalization. HTC has also carefully selected a number of outsourcing partners to help produce components and products for orders that HTC's current capacity would otherwise be unable to fill. This practice has infused additional flexibility into HTC's production capacity.

9. Concentration risks associated with purchases and sales, and response measures:

a. Purchases

The technology of materials / components suppliers in the mobile phone sector is increasingly mature and stable, giving HTC the potential for alternative suppliers when designing new products and avoiding risks associated with sourcing from one supplier. Also, benefiting from economy of scale production and a market in 2009 characterized by supplies outstripping demand, HTC is working aggressively to reduce costs of component / part purchases in order to optimize cost structures.

b. Sales

Markets for HTC products are distributed across Europe, the Americas and Asia. Local telecom service providers and HTC brand retailer partners are the two principal sales channels used by the corporation. The imminent arrival of 3.5G to the mainstream of mobile telecommunications is expected to enhance steadily the influence of telecom service providers in the mobile phone market, which can be expected to benefit HTC

products significantly. Apart from working with current customers to expand markets and strengthening strategic cooperative partnerships, HTC regularly communicates with the world's leading IT and telecom companies with regard to cooperative projects. Such also facilitates HTC's understanding of and insight into market trends. Reflecting the increasing importance of the HTC brand in the corporation's portfolio, HTC will step up measures to strengthen supervision of channel retailers as well as to further cement strong and positive mutual working relations in order to reduce business and sales concentration risks.

10. Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken:

As of the printing date of this annual report, no transfer or change of hands of a significant portion of HTC share rights has occurred with respect to any director, supervisor, or major shareholder holding more than a 10 percent stake in the company.

11. Effect upon and risk to company associated with any change in governance personnel or top management, and mitigation measures being or to be taken:

There was no change in HTC managerial control in the 2008 fiscal year.

12. Lawsuits and other legal proceedings. This category should include all lawsuits and other non-litigation legal proceedings related to the corporation; its directors, supervisors, president, senior executives; major shareholders owning greater than 10% of outstanding shares; and corporate subsidiaries, the results of which could significantly affect shareholder rights and / or share prices. Statements should be provided with regard to the issue(s) under dispute, the value of the object of litigation, date of lawsuit submission, principals involved and developments in the legal matter as of the printing date of this annual report.

(1) Major lawsuits, non-litigious legal proceedings or administrative litigations currently involving HTC, the results of which could significantly affect shareholder rights and / or share prices: None

(2) HTC has made appropriate financial provisions for all general lawsuits subject to court hearings in which the corporation is currently involved. None

pose a threat of impacting significantly on corporate finances or operations.

13. Other important risks and mitigation measures being or to be taken:
None

14. Risk Management Organizational Structure

Responsible/Implementation Unit	Items to be Implemented	Implementation Tasks
Legal Department	Contractual and legal risks	Evaluation of the company's overall contractual risks
Finance and Accounting Division	Risks associated with operational decisions and financial management	Capital allocation and management, investment plans, client credit control, operations analysis, and cost analysis
Internal Audit	Internal control risks	Evaluation of internal control system soundness and effectiveness
Product Marketing Division	Risks associated with product trends	Future product development trends and customer demand
Design Quality & Engineering Service Division	Risks associated with product design and quality	Ensure quality design of software/hardware in HTC products and product safety
Manufacturing Operation Center	Risks associated with quality control in production	Enhance the quality of product manufacturing
Global Service and Quality Assurance Division	Risks associated with product quality	Provide after-sales service and improve its quality

7. OTHER IMPORTANT MATTERS

(1) Relevant Certification Status of Financial Transparency Personnel as Required by the Competent Authority

Division	Name	Relevant Training and Certification
Finance and Accounting Division	Clement Lin	Training certification associated with the competent authority's 2008 implementation of laws related to the expensing of employee profit sharing contributions, response strategies for accounting treatment and practice, accounting treatment and disclosure and presentation of financial instruments (Statement of Financial Accounting Standards No. 34 and No. 36).
	Mingyi Wu	Certified Financial Analyst (CFA), Financial Risk Manager (FRM)
	Jerry Chen	Internal auditor, Certified Public Accountant(CPA)
	Sally Wang	Certified Public Accountant(CPA)
Internal Audit Division	Vincent Tseng	Approaches to internal control self-assessment (CSA) (2008) Seminar on the revised FASC Statement of Financial Accounting Standards No. 10, "Accounting For Inventory" (2008)
	Mico Yu	Information Security Management Audit

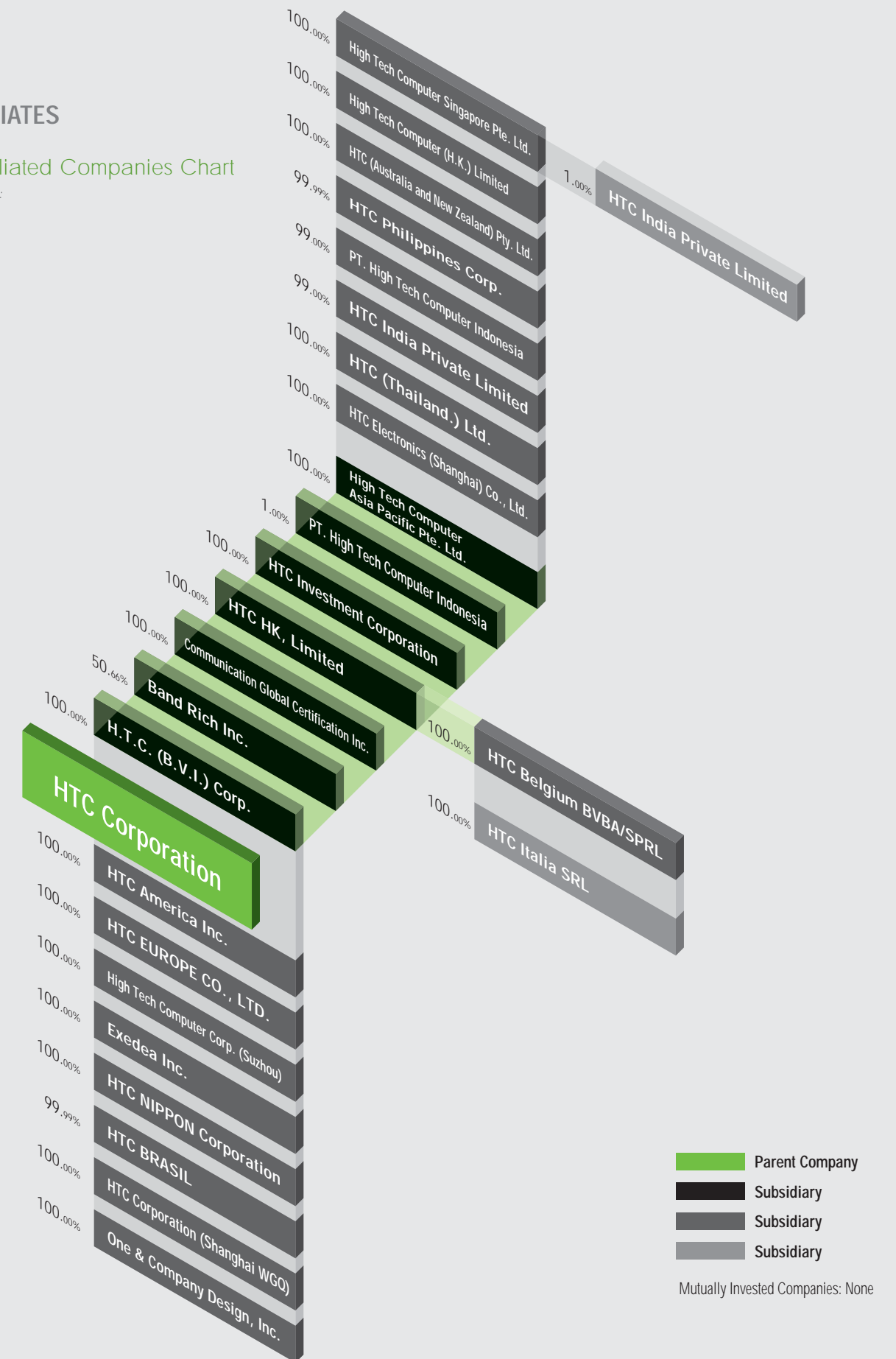
VII. AFFILIATE INFORMATION AND OTHER SPECIAL NOTES



1. AFFILIATES

HTC Affiliated Companies Chart

(As of 2008.12.31) :



HTC Affiliated Companies

Amount in thousands

Company	Date of Incorporation	Place of Registration	Capital Stock		Business Activities
Investor:					
HTC Corporation	1997.05.15	No.23, Xinghua Rd., Taoyuan City, Taoyuan County 330, Taiwan, R.O.C.	NT\$	7,553,938	Principally engaged in design, manufacture and marketing of PDA phones, smart phones and related components, as well as the provision of related technologies and after services
Investee:					
H.T.C. (B.V.I.) Corp.	2000.08.01	3F, Omar Hodge Building, Wickhams Cay I, P.O. Box 362, Road Town,Tortola, British Virgin Islands	NT\$ (US\$	1,860,562 56,231)	Global investing activities
BandRich Inc.	2006.04.11	7F., No.188, Baoqiao Rd., Xindian, City, Taipei County 231, Taiwan, R.O.C.	NT\$	266,500	Product design and the manufacturing, wholesaling and retailing of electronic parts and components
HTC HK, Limited	2006.08.26	31/F THE CENTER 99 QUEEN'S ROAD CENTRAL HK	NT\$ (HKD	1,277 300)	Global investing activities
Communications Global Certification Inc.	1998.09.01	5F., No.364, Sec. 2, Xiyuan Rd., Wanhua District, Taipei City 108, Taiwan, R.O.C.	NT\$	100,000	Import of controlled telecommunications radio frequency devices and information software services
High Tech Computer Asia Pacific Pte. Ltd.	2007.07.12	260 Orchard Road #07-04 Heeren, Singapore	NT\$ (US\$	2,023,774 65,055)	Global investing activities
HTC Investment Corporation	2008.07.24	5F., No.364, Sec. 2, Xiyuan Rd., Wanhua District, Taipei City 108, Taiwan, R.O.C.	NT\$	300,000	General investing activities
HTC America Inc.	2003.01.06	15224 Interlachen Drive, Austin, TX USA 78717	NT\$ (US\$	594,286 18,000)	Marketing , repair and after-sales services
HTC EUROPE CO., LTD.	2003.07.09	Capella house, Snowdon Drive, Winterhill, Milton Keynes, MK6 1AJ, UK	NT\$ (GBPE	324,800 5,000)	Marketing , repair and after-sales services
High Tech Computer Corp. (Suzhou)	2003.01.01	Suzhou Industrial Park, China	NT\$ (US\$	662,388 20,000)	Manufacture and sale of smart handheld devices and electronic components
Exedea Inc.	2004.12.28	5950 Corporate Dr. Houston, Texas 77036 2306	NT\$ (US\$	35 1)	Distribution and sales
HTC NIPPON Corporation	2006.03.22	16F Akasaka Twin Tower Main Tower, 2-17-22 Akasaka, Minato-ku, Tokyo 1070052 Japan	NT\$ (JP¥	2,768 10,000)	Marketing , repair and after-sales services
HTC BRASIL	2006.10.25	Alameda Joaquim Eugenio de Lima, no.696, cj.193, Borough of Jardim Paulista, ZIP CODE: 01403-000, Sao Paulo	NT\$ (BRL	33,058 1,987)	Marketing , repair and after-sales services

(Continue)

Company	Date of Incorporation	Place of Registration	Capital Stock		Business Activities
High Tech Computer Corp. (Shanghai WGQ)	2007.07.09	Shanghai Waigaoqiao Free Trade Zone, China	NT\$ (US\$	49,845 1,500)	Repair and after-sales service businesses
One & Company Design, Inc.	2003.10.04	2700 18th Street San Francisco, CA, USA, 94110	NT\$ (US\$	1,174 36)	Design, research and development of application software
HTC Belgium BVBA/SPRL	2006.10.12	2000 Antwerpen, Henri Van Heurckstraat 15	NT\$ (EUR	783 19)	Marketing , repair and after-sales services
HTC Italia SRL	2007.02.19	Piazza Marconi, 15- 00144, Rome, Italy	NT\$ (EUR	422 10)	Marketing , repair and after-sales services
High Tech Computer Singapore Pte. Ltd.	2007.07.12	260 Orchard Road #07-04 Heeren, Singapore	NT\$ (SG\$	315,771 14,000)	Marketing , repair and after-sales services after-sales services related businesses
High Tech Computer(H.K.) Limited	2007.08.03	Unit 808-09A, 8th Floor, AIA Tower, 183 Electric Road, North Point, Hong Kong	NT\$ (HK\$	85,132 20,000)	Marketing , repair and after-sales services
HTC (Australia and New Zealand) Pty. Ltd.	2007.08.28	Suite 3002, Level 30, 100 Miller Street, North Sydney, Australia	NT\$ (AU\$	117,871 4,000)	Marketing , repair and after-sales services
HTC Philippines Corp.	2007.12.06	810 Antel Global Corporate Center, Julio Vargas Avenue, Ortigas Center, Pasig City	NT\$ (PHP	6,596 8,588)	Marketing , repair and after-sales services
PT. High Tech Computer Indonesia	2007.12.03	PLAZA LIPPO, 3rd Floor, Jl. Jend. Sudirman Kav 25, Jakarta 12920	NT\$ (US\$	6,184 188)	Marketing , repair and after-sales services
HTC India Private Limited	2008.01.30	315-315A, 3rd Floor, Rectangle No.1, District Commercial Complex-D4 Saket, New Delhi-110017 India	NT\$ (INR	4,133 5,000)	Marketing , repair and after-sales services
HTC (Thailand.) Ltd.	2007.11.06	496-502 Amarin Plaza, 10th Floor, Ploenchit Road, Lumpini Sub-District, Pathumwan Distric, Bangkok, Thailand 10330	NT\$ (THB	23,427 25,000)	Marketing , repair and after-sales services
HTC Electronics (Shanghai) Co., Ltd.	2007.01.22	Room 123,No. 2502,Hunan Road, Kangqiao Industrial Zone, Nanhui District, Shanghai, China	NT\$1,458,590 (US\$	47,909)	Design, manufacture and sale of smart handheld devices and electronic components

(Concluded)

Note 1: Paid-in capital is translated at the exchange rate current at the time the capital contribution was effected.

Common Shareholders of HTC and Its Subsidiaries or Its Affiliates with Actual or Deemed Control:

None.

The Industries Covered By The Businesses Operated By All Affiliates, And An Explanation Of The Intra-firm Division of Labor:

1. Industries covered by the businesses operated by all affiliates:
Principally engaged in design, manufacture and marketing of PDA phones, smart phones and related components, as well as the provision of related technologies and after services
2. Division of labor among all affiliates:
The controlling company, HTC Corporation, is the primary R&D and manufacturing base and provider of technical resources. For its affiliates:

a. The primary business of H.T.C. (B.V.I.) Corp., HTC HK, Limited and High Tech Computer Asia Pacific Pte. Ltd. is global investing activities.

b. BandRich Inc. engages in product design and the manufacturing, wholesaling and retailing of electronic parts and components.

c. Communications Global Certification, Inc. engages in the import of controlled telecommunications radio frequency devices and information software services.

d. The primary business of HTC Investment Corporation is general investing activities.

e. High Tech Computer Corp. (Suzhou) engages in manufacture and sale of smart handheld devices and electronic components.

f. Exedea Inc. engages in distribution and sales.

- g. HTC Corporation (Shanghai WGQ) engages in repair and after-sales service.
- h. One & Company Design, Inc. engages in design, research and development of application software.
- i. HTC Electronics (Shanghai) Co., Ltd. engages in design, manufacture and sale of smart handheld devices and electronic components.
- j. The remaining companies engage in marketing, repair and after-sales services.

Rosters of Directors, Supervisors, and Presidents of HTC Affiliated Companies

Unit: NT\$ thousands, except shareholding

			Shareholding	
Company	Title	Name	Shares (Investment Amount)	% (Investment Holding %)
Investor:				
HTC Corporation	Chairman	Cher Wang	23,558,949 shares	3.12%
	Director	Wen-Chi Chen	19,342,525 shares	2.56%
	Director	HT Cho	366,470 shares	0.05%
	Independent Director	Chen-Kuo Lin	-	-
	Independent Director	Josef Felder	22,000 shares	-
	Supervisor	Way-Chih Investment Co., Ltd. Representative: Shao-Lun Lee	37,852,752 shares	5.01%
	Supervisor	Po-Cheng Ko	-	-
	Supervisor	Caleb Ou-Yang	-	-
Investee:				
H.T.C. (B.V.I.) Corp.	Chairman	HTC Corporation Representative: Cher Wang	562,310,350 shares	100.00%
BandRich Inc.	Chairman	HTC Corporation Representative: KH Tung etc.	13,500,000 shares	50.66%
	Director	Top Taiwan Venture Capital Co., Ltd. Representative: Andy Chiu etc.	3,000,000 shares	11.26%
	Director	Wen-Yi Kuo	350,000 shares	1.31%
	Supervisor	HTC Corporation Representative: Clement Lin	13,500,000 shares	50.66%
	Supervisor	Top Taiwan Venture Capital Co., Ltd. Representative: Shuan-Ta Liu	3,000,000 shares	11.26%
HTC HK, Limited	Director	HTC Corporation Representative : Fred Liu	300,000 shares	100.00%
Communication Global Certification Inc.	Chairman	HTC Corporation Representative : Fred Liu	10,000,000 shares	100.00%
	Director	HTC Corporation Representative: Jim Lin, Simon Hsieh	10,000,000 shares	100.00%
	Supervisor	HTC Corporation Representative: Hui-Ming Cheng	10,000,000 shares	100.00%
High Tech Computer Asia Pacific Pte. Ltd.	Director	HTC Corporation Representative: Peter Chou, Fred Liu	65,055,000 shares	100.00%
HTC Investment Corporation	Chairman	HTC Corporation Representative: Peter Chou	30,000,000 shares	100.00%
	Director	HTC Corporation Representative: Fred Liu, Hui-Ming Cheng	30,000,000 shares	100.00%
	Supervisor	HTC Corporation Representative: Clement Lin	30,000,000 shares	100.00%

(Continue)

				Shareholding
Company	Title	Name	Shares (Investment Amount)	% (Investment Holding %)
Investee:				
HTC America, Inc.	Director	H.T.C. (B.V.I.) Corp. Representative: Peter Chou, Fred Liu	18,000,000 shares	100.00%
HTC EUROPE CO. LTD.	Director	H.T.C. (B.V.I.) Corp. Representative : Peter Chou, Fred Liu	5,000,000 shares	100.00%
High Tech Computer Corp. (Suzhou)	Chairman	H.T.C. (B.V.I.) Corp. Representative: Fred Liu	NT\$ 662,388	100.00%
Exedea Inc.	Chairman	H.T.C. (B.V.I.) Corp. Representative : KH Tung	100 shares	100.00%
HTC NIPPON Corporation	Chairman	H.T.C. (B.V.I.) Corp. Representative: David Kou	1,000 shares	100.00%
HTC BRASIL	Representative	H.T.C. (B.V.I.) Corp.	1,987,399 shares	99.99%
HTC Corporation (Shanghai WGQ)	Chairman	H.T.C. (B.V.I.) Corp. Representative : Fred Liu	NT\$ 49,845	100.00%
One & Company Design, Inc.	Director	H.T.C. (B.V.I.) Corp. Representative: Edward Wang, Horace Luke	60,000 shares	100.00%
HTC Belgium BVBA/SPRL	Director	HTC HK, Limited Representative: Fred Liu, Edward Wang	18,550 shares	100.00%
HTC Italia SRL	Director	HTC Belgium BVBA/SPRL Representative :Florian Seiche	NT\$ 422	100.00%
High Tech Computer Singapore Pte. Ltd.	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: Peter Chou, Fred Liu	14,000,000 shares	100.00%
High Tech Computer(H.K.)Limited	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: Peter Chou	2,000,000 shares	100.00%
HTC (Australia and New Zealand) Pty. Ltd.	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: Peter Chou, Fred Liu	400,000 shares	100.00%
PT. High Tech Computer Indonesia	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: Fred Liu	185,625 shares	99.00%
	Director	HTC Corporation Representative: Fred Liu	1,875 shares	1.00%
	Supervisor	High Tech Computer Asia Pacific Pte. Ltd. Representative: Peter Chou	185,625 shares	99.00%
	Supervisor	HTC Corporation Representative: Peter Chou	1,875 shares	1.00%
HTC India Private Limited	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: Peter Chou, Fred Liu	495,000 shares	99.00%
	Director	High Tech Computer Singapore Pte. Ltd. Representative: Peter Chou, Fred Liu	5,000 shares	1.00%
HTC (Thailand.) Ltd.	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: Fred Liu	10,000,000 shares	100.00%
HTC Electronics (Shanghai) Co.,	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: CS Wang	NT\$ 1,461,360	100.00%

(Continue)

Operational Highlights of HTC Affiliated Companies

Unit: NT\$ thousands, except EPS (\$)

Company	Capital Stock	Assets	Liabilities	Net Worth	Net Sales	Income from Operation	Net Income (Net of Tax)	Basic EPS (Net of Tax)
Investor:								
High Tech Computer	7,553,938	115,226,362	54,564,876	60,661,486	152,558,766	30,256,385	28,635,349	37.97
Investee:								
H.T.C. (B.V.I.) Corp.	1,860,562	1,998,067	124,389	1,873,678	-	(97)	47,630	0.11
BandRich Inc.	266,500	308,372	250,216	58,156	957,073	(155,517)	(167,850)	(6.30)
HTC HK, Limited	1,277	46,743	-	46,743	-	(86)	39,012	130.04
Communications Global Certification Inc.	100,000	202,132	102,802	99,330	135,906	(11,046)	(8,038)	(0.80)
High Tech Computer Asia Pacific Pte. Ltd.	2,023,774	2,161,097	66,175	2,094,922	63,057	(565)	(45,721)	(1.16)
HTC Investment Corporation	300,000	301,392	386	301,006	-	(437)	1,006	0.03
HTC America Inc.	594,286	1,743,376	1,087,314	656,062	3,498,691	130,659	37,568	2.09
HTC EUROPE CO.,LTD.	324,800	1,084,392	822,471	261,921	2,973,886	121,177	(44,355)	(8.87)
HIGH TECH COMPUTER (SUZHOU) CO., LTD.	662,388	808,585	136,336	672,249	449,254	(69,034)	25,594	-
Exedea Inc.	35	10,138	542	9,596	-	(703)	(708)	(7,080.00)
HTC NIPPON Corporation	2,768	122,189	100,853	21,336	331,845	23,569	14,126	14,126.00
HTC BRASIL	33,058	34,129	22,529	11,600	252,767	5,050	546	0.27
High Tech Computer Corp.(Shanghai WGQ)	49,845	72,190	13,646	58,544	86,826	25,095	20,604	-
One & Company Design, Inc.	1,174	56,373	34,474	21,899	102,555	12,223	7,070	117.83
HTC Belgium BVBA/SPRL	783	221,685	175,113	46,572	616,769	50,442	39,097	2,107.65
HTC Italia SRL	422	15,009	5,549	9,460	74,683	3,845	3,674	-
High Tech Computer Singapore Pte. Ltd.	315,771	377,887	53,224	324,663	177,752	(1,440)	(803)	(0.06)
High Tech Computer(H.K.) Limited	85,132	102,155	26,460	75,695	115,596	(11,887)	(11,596)	(5.80)
HTC (Australia and New Zealand) Pty.Ltd.	117,871	116,786	17,907	98,879	118,888	5,565	8,732	21.83
HTC Philippines Corp.	6,596	6,560	- 6,560	-	-	-	-	-
PT. High Tech Computer Indonesia	6,184	6,151	- 6,151	-	-	-	-	-
HTC India Private Limited	4,133	120,162	113,080	7,082	124,385	10,146	3,970	7.94
HTC (Thailand.) Ltd.	23,427	33,977	9,365	24,612	34,625	1,515	800	0.08
HTC Electronics (Shanghai) Co., Ltd.	1,458,590	1,984,710	436,955	1,547755	23,059	(25,389)	(46,256)	-

(Concluded)

Note 1: Authorized capital is translated at the exchange rate at the time the capital contribution was effected. The balance sheet foreign exchange rate is based on the exchange rate on the balance sheet date. The foreign exchange rate for the income statement is based on the weighted average exchange rate for the given period.

Consolidated Financial Statements of HTC
Affiliated Companies

Pursuant to the Regulations Governing Preparation of Consolidated Business Reports Covering Affiliated Enterprises, Consolidated Financial Statements Covering Affiliated Enterprises, and Reports on Affiliations and to Letter No. Taiwan-Finance-Securities-04448 of the Securities and Futures Commission, Ministry of Finance, HTC shall prepare the affiliates' consolidated financial statements and issue the declaration of Attachment 1 of that Letter. That declaration has already been issued by HTC and placed on page 1 of the affiliates' financial statement; please refer to it there.

Affiliates Report

There were no circumstances requiring preparation of an Affiliates Report.

2. PRIVATE PLACEMENT SECURITIES
IN 2008 AND AS OF THE DATE OF
THIS ANNUAL REPORT:

None.

3. STATUS OF HTC COMMON
SHARES AND GDRS ACQUIRED,
DISPOSED OF, AND HELD BY
SUBSIDIARIES:

None.

4. ANY EVENTS IN 2008 AND AS OF
THE DATE OF THIS ANNUAL
REPORT THAT HAD SIGNIFICANT
IMPACTS ON SHAREHOLDERS'
RIGHT OR SECURITY PRICES AS
STATED IN ITEM 2 PARAGRAPH 2
OF ARTICLE 36 OF SECURITIES
AND EXCHANGE LAW OF TAIWAN:

None.

5. OTHER NECESSARY SUPPLEMENT:

Key Functionalities and Manufacturing
Processes for Primary Product Lines:

HTC's main products are handheld devices and Windows Mobile and Android operating systems based wireless equipment, including their design, production, and manufacturing. The main applications for those products are personal calendar and name card management, multimedia entertainment, meeting records, pending project reminders, the sending/receiving of e-mail, real-time information searches, financial transactions, data base management, medical history information access, and process control management.

- The workflow for handheld devices, from R&D through production, is as follows:



2009 Environmental Protection Expenditures

Primary products manufactured by the HTC Corporation include personal data assistant (PDA) and converged phone products. With regard to production processes, airborne pollutants are an issue of concern only during soldering work and solid wastes are generated at various production stages. HTC production processes generate no wastewater.

HTC places a high priority on effectively managing wastes generated by operations, and consistently allocates significant funds to install and maintain pollution prevention facilities and retain professional staff. HTC provides offsite training for staff to earn licenses needed to operate

installed pollution control equipment. HTC further implements internal training programs and conducts audits to ensure relevant pollution control mechanisms operate properly and effectively in order to continue reducing pollution at HTC. HTC regularly contracts with licensed independent inspectors to review its operational environment. Every audit and inspection of HTC facilities conducted since HTC was founded has confirmed that company operations comply with all relevant government rules and regulations. The environmental management systems currently in place at HTC were accredited under ISO-14001:2004 in an effort to enhance management effectiveness and achieve 'clean production' objectives.

1. Losses (including financial compensation) and fines due to pollution incidents from the start of the most recent fiscal year up to the date of report publication:

Item	2009	2010	2011
Anticipated Equipment Purchases / Expenditures	1. Install oil-water separation system at old 2. Water reduction campaign: implementation & promotion. 3. Install heat pump system in dormitories.	1. Roll out of new solar power generation system; 2. Incorporate environmentally friendly materials in new administrative building construction; 3. Install energy saving light fixtures, independent power controls and energy saving sensor light switches; 4. Install water saving devices; 5. Roll out of energy saving air conditioning equipment; 6. Install converters on elevators and air compressors; 7. Implement rainwater collection & recycling; 8. Install new wastewater handling facilities.	1. Continued roll out of new solar power generation system; 2. Install environmentally friendly materials (e.g., recycled floorboards, double low e glass) in new admin building; 3. Continue to install power saving light fixtures and sensor switches; 4. Continue to install water saving devices; 5. Continue to install power saving air conditioning equipment; 6. Continue to install converters on elevators and air compressors; 7. Continue to install rainwater collection & recycling systems; 8. Install wastewater handling facilities; 9. Install heat pump system in dormitories.
Anticipated Benefits	1. Improve quality of kitchen wastewater; 2. Enhance awareness of / attitudes toward energy conservation; improve water conservation facilities; encourage collective efforts for significant results; 3. Heat pumps help reduce electricity demand.	1. Use of solar energy reduces need for electricity generated by carbon fuels and related pollution / environmental impacts; 2. Use of environmentally friendly (green) materials & energy saving light fixtures reduces power use. 3. T5 low EMF, low temperature light tubes reduce energy waste. Independent switches for each light fixture allows switch on only when needed to save on energy; 4. Water saving taps and dual flush systems in lavatories, washrooms, kitchenettes and bathrooms reduce water use and waste. 5. Aircon temperature controls upgraded with on/off timers & converters to save energy; 6. Elevators & compressors upgraded with converters to save energy; 7. Rainwater recycling; 8. Upgraded wastewater handling facilities further reduces waterborne emissions into the environment.	1. Solar energy helps reduce pollution and environmental / ecological damage; 2. Green materials meet environmental protection requirements and reduce heat transfer to save energy; 3. T5 low EMF, low temperature light tubes reduce energy waste. Independent switches for each light fixture allows switch on only when needed to save on energy; 4. Water saving taps and dual flush systems in lavatories, washrooms, kitchenettes and bathrooms reduce water use and waste. 5. Aircon temperature controls upgraded with on/off timers & converters to save energy; 6. Elevators & compressors upgraded with converters to save energy; 7. Rainwater recycling; 8. Upgraded wastewater handling facilities further reduces waterborne emissions into the environment; 9. Heat pumps help reduce electricity demand.
TOTAL	16,000	70,800	25,000

HTC has never been fined or otherwise penalized for pollution by environmental authorities.

2. Future strategies (inclusive of Environmental
Protection facility improvements) and planned
expenditures:

- > Continue to strengthen operations management to comply with government rules / regulations and reduce the occurrence of abnormalities.
- > Strengthen waste collection and recycling efforts. Encourage resource reuse as part of efforts to achieve waste volume reduction targets.
- > Continue to promote implementation and operation of ISO-14001 environmental management systems. Achieve 'green' environmental goals leveraging both technology and management.
- > Major planned environmental expenditures over the next 2 years include:

Environmental protection and employee health & safety measures

Environmental Protection: HTC is committed to operating low-polluting, low-hazard work environments. HTC adheres to all domestic environmental protection regulations. Cardboard boxes, containers and plastic packaging material are collected and separated for recycling. HTC requires suppliers to comply with EU WEEE and RoHS environmental requirements in order to reduce industrial waste, prevent pollution, enhance general quality of life and offer consumers products that reflect HTC's low environmental impact commitment.

Employee Health and Safety: New employees are given health and safety education training to ensure familiarity with safety rules related to HTC's work environment and production processes. HTC holds regular fire safety drills to familiarize all employees with the use of fire prevention and suppression facilities. HTC has been certified under OHSAS18001:2007, by the Council of Labor Affairs (CLA) local health & safety oversight office and by the Department of Health as a smoke-free worksite. The HTC health and safety management handbook and manual of health and safety regulations are posted to the company's website.

Relevant efforts are designed to ensure employees recognize and help implement HTC's social commitment to environmental protection and execute critical health and safety measures in the workplace.

Compliance with European Restriction of Hazardous Substances (RoHS) requirements and relevant measures

- A. An office within HTC dedicated to developing a corporate compliance strategy and creating an implementation framework was established in 1999;
- B. Toxic material control specifications and rules for handling relevant certification documents have already been established for material inputs used by the company.

Labor-Management Relationship

At HTC, each employee is encouraged and given opportunities to extend and deepen his / her professional skills and knowledge; sharpen a proactive and positive approach to professional responsibilities; internalize serious and responsible work values; adopt honest and forthright work habits and pursue excellence in all tasks and responsibilities. While ensuring employees stand at the top of their respective professional fields, HTC also places great importance on fostering a work environment that sufficiently challenges employees and offers the opportunity for satisfying career growth. Innovation and competitiveness at HTC benefits greatly from its positive, forward-looking work environment.

Personnel Recruitment

One of the goals of HTC's human resource strategy is to hire and retain outstanding personnel. The company upholds the principle of equal opportunity, and affirms the contribution that employee diversity makes to company culture and the spirit of innovation. In recruiting personnel, HTC employs an open selection process based on ability, seeking the right person for the position. It does not discriminate due to non-work factors such as race, color, social status, language, religion, political affiliation, place of family origin, sexual orientation, marital status, appearance, physical or mental disabilities, previous union membership, or against those whose status is protected by government order. Through its industry-education cooperation programs, student internship system, and summer work-study program, HTC provides many students with work-study opportunities, and actively participates in recruitment and overseas job fair activities of all types to recruit personnel with similar values and aspirations from all over the world.

Training & Development

HTC operates a workplace environment highly conducive to learning and professional growth. By encouraging employees to improve themselves and to maintain and enhance professional skills, HTC is sustaining its competitive advantage while keeping a promise to help employees grow as individuals. HTC maintains comprehensive training curricula targeting technical and managerial skills and personal development (e.g., language training, new staff orientation) to help employees fulfill their potential and deepen expertise. HTC further offers its employees in-service

training scholarships as well as subsidizes off-site training to encourage growth and permit the pursuit of personal fulfillment.

Staff Training Hours & Expenditures during 2008 (by category):

Category		Total Training Hours	Expenditure (NT\$)
Technical		29,870	2,247,602
Management		10,893	3,701,163
Personal	Orientation Training (for New Staff)	13,724	94,226
Development	Effectiveness Enhancement	56,507	5,831,068
TOTAL		110,994	11,874,059

Employee Benefits and Satisfaction

To provide employees with a challenging as well as dynamic and attractive work environment, HTC promotes numerous employee assistance programs on an ongoing basis to motivate employees, provide additional benefits, and promote communication between the company and its employees. These programs include:

- > Diversified Employee Benefits: HTC provides labor, health, and group insurance, a subsidized annual company trip, employee medical examinations, departmental fellowship luncheons and dinners, tri-annual holiday bonuses, subsidies for weddings/funerals/childbirth, activity subsidies for social groups, an employee health club, various fitness courses, and bookstore gift certificates.
- > Open Channels of Communication: HTC has established an employee complaint system, complaint hotline, written complaint box, e-mail complaint box, labor-management meetings, and regularly conducts employee opinion surveys to provide useful information for supervisory leadership, internal operations, and enhancement of employee satisfaction and involvement in work.
- > Sponsorship of Regularly Scheduled Activities: HTC holds regularly scheduled company sports days, family days, and sports competitions, as well as arts

competition activities designed to give employees more informal group leisure-time activities.

- > Employee Bonuses: Consistent with the profit-sharing concept, HTC has established an employee bonus and incentive system, a bonus award system for improvement proposals and patent designs, and bonuses for competitive activities on themes such as quality improvement.

Human Resource Retention

- > Retention Plan: HTC has set up a plan for retention of exemplary employees, encouraging them to contribute their talents and share in the resulting achievements.
- > Length of Service Awards: HTC provides employee service awards and recognition activities for those who complete five and ten-year periods of service.
- > Internal Job Rotation System: HTC has instituted an internal job rotation system and necessary related assistance, and supports job rotation requests to facilitate job enrichment and employee career plans.

Salary and Compensation and Retirement Systems

- > Salary and Compensation System: HTC's Salary and Compensation System provides a market-competitive salary based on an employee's academic qualifications and experience, length of professional service, and position within the company, as well as additional performance bonuses allocated for a given year through proposals of the President on the basis of company performance that are adopted by resolutions of the board of directors. Fixed-percentage bonuses are also allocated to employees each year based on motions from the board of directors that are adopted by resolutions at annual shareholders' meetings. Employee performance bonus and bonus amounts are based on work performance and level of contribution in order to provide encouragement and to acknowledge employees' efforts and achievements.
- > Retirement System: Since its inception, HTC has formulated the rules governing its retirement pension in

accordance with the law. Beginning in November of 1999, two percent of the total paid compensation each year was allocated to a retirement pension fund. Beginning in fiscal 2004, eight percent of total paid compensation each year was allocated to a retirement pension reserve, and transferred into an Employee Retirement Pension Fund Oversight Committee Special Account for saving and payouts. Following implementation of the new labor pension system on 1 July 2005, HTC began making contributions according to law for employees that chose the new system, and for employees wishing to remain with the old system, HTC adjusted the original eight percent allocation to two percent, after performing an actuarial study and submitting the proposal to the competent authority for recordation and approval.

Agreements Between Labor and Management & Measures to Protect

Employee Rights and Interests

HTC is devoted to creating an atmosphere of mutual trust between labor and management. The company also emphasizes internal communication, providing numerous channels for suggestions and responses such as a complaint hotline, written complaint box, e-mail complaint box, labor-management meetings, and regular surveys of employee opinion that have fostered harmonious labor-management relations.

During the most recent fiscal year, labor-management relations have been harmonious with no losses resulting from labor-management conflicts, and there is no future projected amount for any loss of this type.

2008 HTC ANNUAL REPORT

FINANCIAL INFORMATION

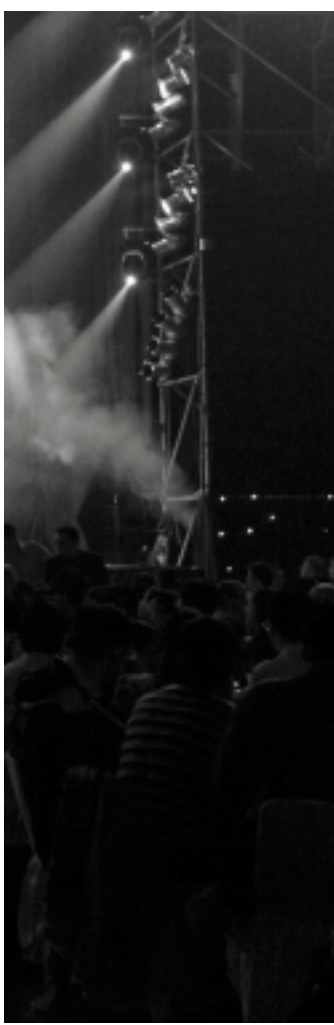
www.newmops.tse.com.tw / www.htc.com

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1. ABBREVIATED BALANCE SHEETS AND INCOME STATEMENTS FOR THE PAST FIVE FISCAL YEARS

(1). Abbreviated Balance Sheets

Unit : NT\$ thousands						Year	
Item		2008	2007	2006	2005	2004	2009.3.31
Current Assets		101,271,990	83,172,719	61,810,772	36,616,174	19,391,836	97,795,810
Long-term Investments		5,160,891	2,899,109	824,481	325,533	352,000	5,496,185
Properties		7,375,651	3,715,901	2,909,624	2,495,256	2,518,942	8,357,197
Intangible Assets		0	0	0	0	0	0
Other Assets		1,417,830	656,817	449,300	484,309	278,298	1,379,725
Total Assets		115,226,362	90,444,546	65,994,177	39,921,272	22,541,076	113,028,917
Current Liabilities	Before Appropriation	54,558,470	34,368,139	23,421,319	16,935,170	9,421,405	47,386,909
	After Appropriation	*	55,064,686	37,106,789	22,384,394	11,071,221	*
Long-term Liabilities		0	0	0	0	1,477,171	0
Other Liabilities		6,406	628	640	561	273,078	2,141
Total Liabilities	Before Appropriation	54,564,876	34,368,767	23,421,959	16,935,731	11,171,654	47,389,050
	After Appropriation	*	55,065,314	37,107,429	22,384,955	12,821,470	*
Capital stock		7,553,938	5,731,337	4,364,192	3,570,160	2,763,114	7,453,938
Capital surplus		4,417,534	4,415,845	4,452,688	4,436,843	3,090,328	4,359,473
Retained Earnings	Before Appropriation	52,036,321	45,920,120	33,988,785	14,984,714	5,535,113	53,659,115
	After Appropriation	*	23,400,972	18,899,930	8,741,458	3,202,770	*
Unrealized Loss On Financial Instruments		(1,632)	(1,187)	(238)	(1,135)	(1,268)	(1,147)
Cumulative Translation Adjustments		65,602	9,664	10,786	(5,041)	(17,865)	168,488
Net Loss Not Recognized As Pension Cost		0	0	0	0	0	0
Treasury Stock		(3,410,227)	0	(243,995)	0	0	0
Total Stockholders' Equity	Before Appropriation	60,661,486	56,075,779	42,572,218	22,985,541	11,369,422	65,639,867
	After Appropriation	*	35,379,232	28,886,748	17,536,317	9,719,606	*

*Subject to change after shareholders' meeting resolution

(2). Abbreviated Income Statements

NT\$ thousands (Except EPS:NT\$)						
						Year
Item	2008	2007	2006	2005	2004	2009Q1 (Note 2)
Revenues	152,558,766	118,579,958	104,816,548	72,768,522	36,397,166	31,590,366
Gross Profit (Note 1)	50,641,854	40,177,500	31,322,998	16,007,644	6,726,767	9,500,785
Operating Income (Note 1)	30,256,385	30,535,537	25,820,624	12,259,009	3,777,982	4,845,509
Non-operating Income and Gains (Note 1)	2,300,018	1,810,908	1,234,336	215,271	301,878	801,068
Non-operating Expenses and Losses (Note 1)	965,924	195,148	97,082	318,341	119,332	254,558
Income from Continuing Operations before Income Tax	31,590,479	32,151,297	26,957,878	12,155,939	3,960,528	5,392,019
Income from Continuing Operations	28,635,349	28,938,862	25,247,327	11,781,944	3,855,346	4,874,823
Income (Loss) from Discontinued Operations	-	-	-	-	-	-
Income (Loss) from Extraordinary Items	-	-	-	-	-	-
Cumulative Effect of Changes in Accounting Principle	-	-	-	-	-	-
Net Income	28,635,349	28,938,862	25,247,327	11,781,944	3,855,346	4,874,823
Basic Earnings Per Share	37.97	38.30	33.15	15.59	5.38	6.54

Note 1: In accordance with 2008 financial reporting requirements, write-downs of inventories or reversal of write-downs and product warranty costs

registered during the period 2004 to 2007 have been reclassified as cost of revenues items.

Note 2: Included employee bonus expenses

(3) . The Name of the Certified Public Accountant and the Auditor's Opinion

Year	CPA Firm	Certified Public Accountant	Auditor's Opinion
2004	Deloitte Touche Tohmatsu	Ming-Hsien Yang and Wen-Yea Shyu	Unqualified Opinion
2005	Deloitte Touche Tohmatsu	Tze-Chun Wang and Kwan-Chung Lai	Unqualified Opinion
2006	Deloitte Touche Tohmatsu	Tze-Chun Wang and Kwan-Chung Lai	Unqualified Opinion
2007	Deloitte Touche Tohmatsu	Ming-Hsien Yang and Kwan-Chung Lai	Unqualified Opinion
2008	Deloitte Touche Tohmatsu	Ming_Hsien Yang and Kwan-Chung Lai	Modified Unqualified Opinion

2. FINANCIAL ANALYSIS

		Unit : NT\$ thousands					
Item (Note 2~3)		2008	2007	2006	2005	2004	2009.3.31
		(Note 1)					(Note 1)
Capital Structure Analysis	Debt Ratio (%)	47	38	35	42	50	42
	Long-term Fund to Fixed Assets Ratio (%)	822	1,509	1,463	921	510	785
Liquidity Analysis	Current Ratio (%)	186	242	264	216	206	206
	Quick Ratio (%)	169	218	233	183	157	189
	Times Interest Earned (Times)	136,167	133,409	90,464	614	136	117,219
Operating Performance Analysis	Average Collection Turnover (Times)	6.09	6.01	6.09	6.25	5.21	5.19
	Days Sales Outstanding	60	61	60	58	70	70
	Average Inventory Turnover (Times)	12.68	12.14	13.01	11.38	8.69	11.02
	Average Payment Turnover (Times)	4.08	4.03	4.80	5.22	4.60	3.62
	Average Inventory Turnover Days	29	30	28	32	42	33
	Fixed Assets Turnover (Times)	20.68	31.91	36.02	29.16	14.45	15.12
	Total Assets Turnover (Times)	1.32	1.31	1.59	1.82	1.61	1.12
Profitability Analysis	Return on Total Assets (%)	28	37	48	38	20	17
	Return on Equity (%)	49	59	77	69	41	31
	Operating Income to Paid-in Capital Ratio (%)	401	533	592	343	137	65
	Pre-tax Income to Paid-in Capital Ratio (%)	418	561	618	340	143	72
	Net Margin (%)	19	24	24	16	11	15
Cash Flow	Basic Earnings Per Share (NT\$)	37.97	38.30	33.15	15.59	5.38	6.54
	Cash Flow Ratio (%)	69	116	106	75	31	24
	Cash Flow Adequacy Ratio (%)	221	291	296	196	72	249
	Cash Flow Reinvestment Ratio (%)	28	47	44	44	15	16
Leverage	Operating Leverage	1.44	1.20	1.16	1.26	1.70	1.66
	Financial Leverage	1.00	1.00	1.00	1.00	1.01	1.00

Changes in certain 2008 financial ratios as compared with previous years may be attributed to the following factors present during the most recent fiscal year:

1. Classification from 1 January 2008 of employee bonus distributions as expensed costs

In terms of ratios noted in the table above, only the ratio for 2008 has been adjusted to reflect employee bonuses as expensed costs. Ratios for other years continue to count such under earnings distributions. 2008 employee bonus expenses decreased net income by NT\$5.6 billion, which reduced apparent profitability accordingly. By adjusting out employee bonus distributions, return on total assets would be 33% and return on equity

would be 59% for 2008. Also, operating profit and profit before tax would represent, respectively, 482% and 499% of the paid in capital ratio, the net margin would be 22%, and earnings per share would rise to NT\$45.41. Such highlights further the exceptional profit performance of HTC.

2. Purchase of multiple lots and buildings for future HTC Taipei R&D Center and HTC Compus.

Working to enhance competitiveness further, HTC is continuing to expand investments in research and development. HTC purchased land located in Xindian City, Taipei County for NT\$3.335 billion on which buildings will be raised to house HTC's Taipei R&D Center. Also, to improve the working environment for HTC employees, the company

purchased various properties near to its Taoyuan headquarters. Together, these purchases caused HTC's net fixed assets to rise to NT\$7.4 billion at the end of the current period; a rise of 98% over the NT\$3.7 billion in net fixed assets reported at the close of 2007. Thus, the long-term fund to fixed assets ratio and fixed assets turnover are lower for the period. Payments for land and building purchases have also reduced the company's cash flow adequacy ratio and cash flow reinvestment ratio.

3. Growth in HTC non-ODM (original design manufacturing) revenues during 2008 exceeded 40%

Since the launch of the proprietary HTC brand, HTC has aggressively promoted brand business and invested significantly to build brand value and image. Such led to accrued marketing / advertising expenditures and warranty liabilities for 2008 to grow 70% over the previous period. The counting of employee bonus distributions as expenditure costs caused HTC to register at the close of 2008 NT\$6.2 billion in new accrued bonus expenses. As such, current liabilities for 2008 were up 59% over the previous period and the debt ratio rose to 47%. Similarly, the current ratio, quick ratio and cash flow ratio for the period all declined.

Note 1: Included employee bonus expenses

Note 2: In accordance with 2008 financial reporting requirements, write-downs of inventories or reversal of write-downs and product warranty costs registered during the period 2004 to 2007 have been reclassified as cost of revenues items.

Note 3: Glossary

a. Capital Structure Analysis

(1) Debt Ratio = Total Liabilities / Total Assets.

(2) Long-term Fund to Fixed Assets Ratio = (Shareholders' Equity + Long-term Liabilities) / Net Fixed Assets.

b. Liquidity Analysis

(1) Current Ratio = Current Assets / Current Liabilities.

(2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities.

(3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses.

c. Operating Performance Analysis

(1) Average Collection Turnover = Net Sales / Average Trade Receivables.

(2) Days Sales Outstanding = 365 / Average Collection Turnover.

(3) Average Inventory Turnover = Cost of Sales / Average Inventory.

(4) Average Payment Turnover = Cost of Sales / Average Trade Payables.

(5) Average Inventory Turnover Days = 365 / Average Inventory Turnover.

(6) Fixed Assets Turnover = Net Sales / Net Fixed Assets.

(7) Total Assets Turnover = Net Sales / Total Assets.

d. Profitability Analysis

(1) Return on Total Assets = (Net Income + Interest Expenses * (1 - Effective Tax Rate)) / Average Total Assets.

(2) Return on Equity = Net Income / Average Shareholders' Equity.

(3) Net Margin = Net Income / Net Sales.

(4) Earnings Per Share = (Net Income - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding.

e. Cash Flow

(1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities.

(2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend.

(3) Cash Flow Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Fixed Assets + Investments + Other Assets + Working Capital).

f. Leverage

(1) Operating Leverage = (Net Sales - Variable Cost) / Income from Operations.

(2) Financial Leverage = Income from Operations / (Income from Operations - Interest Expenses)


3. 2008 SUPERVISOR'S REPORT

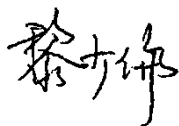
HTC Corporation Supervisor's Report

The Board of Directors has prepared the Company's 2008 Business Report, Financial Statements and Earnings Distribution Proposal. HTC Corporation's Financial Statements have been audited and certified by Ming-Hsien Yang, CPA, and Kwan-Chung Lai, CPA, of Deloitte & Touche and an audit report relating to the Financial Statements has been issued. The Business Report, Financial Statements and Earnings Distribution 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:

Po-Cheng Ko 

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

April 30, 2009

4. INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
HTC Corporation

We have audited the accompanying balance sheets of HTC Corporation (the "Company," formerly High Tech Computer Corporation) as of December 31, 2006, 2007 and 2008, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended, all expressed in New Taiwan dollars. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HTC Corporation as of December 31, 2006, 2007 and 2008, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As discussed in Note 4 to the financial statements, the Company adopted Interpretation 96-052 - "Accounting for Bonuses to Employees, Directors and Supervisors" of the Accounting Research and Development Foundation and also adopted early on January 1, 2008 the newly revised Statement of Financial Accounting Standards No. 10 - "Accounting for Inventories."

We have also audited the consolidated financial statements of HTC Corporation as of and for the years ended December 31, 2006, 2007 and 2008 and have expressed a modified unqualified opinion on those financial statements in our report dated January 17, 2009 (not presented herewith).

Our audits also comprehended the translation of the 2008 New Taiwan dollar amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 3. Such U.S. dollar amounts are presented solely for the convenience of readers.

January 17, 2009

Notice to Readers

> The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

> The auditors' report and the accompanying financial statements were originally presented in more than one set of Chinese reports. For the convenience of readers, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail. Also, as stated in Note 2 to the financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English

HTC CORPORATION
(Formerly High Tech Computer Corporation)
BALANCE SHEETS

DECEMBER 31, 2006, 2007 AND 2008
(In Thousands, Except Par Value)

	2006	2007	2008	
ASSETS	NT\$	NT\$	NT\$	US\$
				(Note 3)
CURRENT ASSETS				
Cash (Note 5)	\$ 34,397,388	\$ 55,036,232	\$ 61,826,873	\$ 1,884,966
Bond investments not quoted in an active market (Notes 2 and 13)	-	33,030	-	-
Notes receivable, net (Notes 2 and 8)	58,930	3,058	3,456	105
Accounts receivable, net (Notes 2 and 8)	18,317,979	18,943,867	28,856,786	879,780
Accounts receivable from related parties, net (Notes 2 and 25)	1,311,790	536,875	938,770	28,621
Other current financial assets (Notes 9 and 25)	368,497	284,051	275,506	8,400
Inventories (Notes 2, 4 and 10)	4,983,891	6,119,413	7,418,467	226,173
Prepayments (Notes 11 and 25)	1,881,119	1,537,327	1,237,631	37,733
Deferred income tax assets (Notes 2 and 22)	428,077	562,025	552,494	16,844
Other current assets	63,101	116,841	162,007	4,939
Total current assets	61,810,772	83,172,719	101,271,990	3,087,561
LONG-TERM INVESTMENTS				
Available-for-sale financial assets - noncurrent (Notes 2 and 7)	1,733	784	339	10
Financial assets carried at cost (Notes 2 and 12)	1,192	501,192	501,192	15,280
Investments accounted for by the equity method (Notes 2 and 14)	559,877	2,397,133	4,342,704	132,400
Prepayments for long-term investments (Notes 2 and 14)	261,679	-	316,656	9,654
Total long-term investments	824,481	2,899,109	5,160,891	157,344
PROPERTIES (Notes 2, 15 and 25)				
Cost				
Land	610,293	610,293	3,568,124	108,784
Buildings and structures	1,083,065	2,239,919	2,853,645	87,002
Machinery and equipment	2,913,495	3,336,489	3,927,100	119,729
Molding equipment	201,247	201,247	172,632	5,263
Computer equipment	180,855	212,623	264,248	8,056
Transportation equipment	1,938	1,335	2,732	83
Furniture and fixtures	105,016	115,696	127,202	3,878
Leased assets	4,712	4,712	4,712	144
Leasehold improvements	22,816	44,487	95,208	2,903
Total cost	5,123,437	6,766,801	11,015,603	335,842
Less: Accumulated depreciation	(2,684,143)	(3,196,844)	(3,728,827)	(113,684)
Prepayments for construction-in-progress and equipment-in-transit	470,330	145,944	88,875	2,709
Properties, net	2,909,624	3,715,901	7,375,651	224,867
OTHER ASSETS				
Assets leased to others	-	-	309,959	9,450
Refundable deposits	36,991	93,437	117,464	3,582
Deferred charges (Note 2)	119,059	88,108	52,125	1,589
Deferred tax assets (Notes 2 and 22)	219,230	380,085	821,144	25,035
Other (Notes 2 and 18)	74,020	95,187	117,138	3,571
Total other assets	449,300	656,817	1,417,830	43,227
TOTAL	\$ 65,994,177	\$ 90,444,546	\$ 115,226,362	\$ 3,512,999

(Continue)

LIABILITIES AND STOCKHOLDERS' EQUITY	2006	2007	2008	
	NT\$	NT\$	NT\$	US\$
				(Note 3)
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss (Notes 2, 6 and 24)	\$ 76,470	\$ 96,256	\$ 514,083	\$ 15,673
Notes and accounts payable (Note 25)	16,847,039	22,020,118	27,907,144	850,827
Income tax payable (Notes 2 and 22)	1,758,717	2,514,394	3,937,745	120,053
Accrued expenses (Notes 4, 16 and 25)	2,791,129	5,269,829	15,632,936	476,614
Payable for purchase of equipment	35,342	170,184	157,786	4,811
Other current liabilities (Notes 17 and 25)	1,912,622	4,297,358	6,408,776	195,390
Total current liabilities	23,421,319	34,368,139	54,558,470	1,663,368
OTHER LIABILITIES				
Guarantee deposits received	640	628	6,406	195
Total liabilities	23,421,959	34,368,767	54,564,876	1,663,563
STOCKHOLDERS' EQUITY (Note 19)				
Capital stock - NT\$10.00 par value				
Authorized: 1,000,000 thousand shares				
Issued and outstanding: 436,419 thousand shares in 2006, 573,134 thousand shares in 2007 and 775,394 thousand shares in 2008				
Common stock	4,364,192	5,731,337	7,553,938	230,303
Capital surplus				
Additional paid-in capital	4,410,871	4,374,244	4,374,244	133,361
Long-term equity investments	15,845	15,845	17,534	535
Merger	25,972	25,756	25,756	785
Retained earnings				
Legal reserve	1,991,520	4,516,253	7,410,139	225,919
Special reserve	6,175	-	-	-
Accumulated earnings	31,991,090	41,403,867	44,626,182	1,360,555
Cumulative translation adjustments (Note 2)	10,786	9,664	65,602	2,000
Unrealized valuation losses on financial instruments (Notes 2 and 7)	(238)	(1,187)	(1,632)	(50)
Treasury stock (Notes 2 and 20)	(243,995)	-	(3,410,277)	(103,972)
Total stockholders' equity	42,572,218	56,075,779	60,661,486	1,849,436
TOTAL	\$ 65,994,177	\$ 90,444,546	\$ 115,226,362	\$ 3,512,999

(Concluded)

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

(With Deloitte & Touche audit report dated January 17, 2009)

HTC CORPORATION
(Formerly High Tech Computer Corporation)
STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2006, 2007 AND 2008
(In Thousands, Except Earnings Per Share)

	2006	2007	2008	
	NT\$	NT\$	NT\$	US\$
				(Note 3)
REVENUES (Notes 2 and 25)	\$ 104,816,548	\$ 118,579,958	\$ 152,558,766	\$ 4,651,182
COST OF REVENUES (Notes 4, 21 and 25)	73,493,550	78,402,458	101,916,912	3,107,223
GROSS PROFIT	31,322,998	40,177,500	50,641,854	1,543,959
UNREALIZED PROFIT FROM INTERCOMPANY TRANSACTIONS (	164,011)	(175,075)	(134,091)	(4,088)
REALIZED PROFIT FROM INTERCOMPANY TRANSACTIONS	15,077	164,011	175,075	5,338
REALIZED GROSS PROFIT	31,174,064	40,166,436	50,682,838	1,545,209
OPERATING EXPENSES (Notes 21 and 25)				
Selling and marketing	1,738,498	4,837,071	9,009,785	274,689
General and administrative	660,515	927,680	1,798,900	54,844
Research and development	2,954,427	3,866,148	9,617,768	293,225
Total operating expenses	5,353,440	9,630,899	20,426,453	622,758
OPERATING INCOME	25,820,624	30,535,537	30,256,385	922,451
NONOPERATING INCOME AND GAINS				
Interest income	438,982	816,136	1,368,322	41,717
Gains on equity-method investments (Notes 2 and 14)	-	103,997	-	-
Gains on disposal of properties (Note 25)	41,361	2,120	5,631	172
Foreign exchange gain (Note 2)	603,127	658,247	660,765	20,145
Other	150,866	230,408	265,300	8,089
Total nonoperating income and gains	1,234,336	1,810,908	2,300,018	70,123
NONOPERATING EXPENSES AND LOSSES				
Interest expense	298	241	232	7
Losses on equity-method investments (Notes 2 and 14)	12,554	-	57,289	1,747
Losses on disposal of properties	3,377	662	5,931	181
Valuation loss on financial instruments, net (Notes 2 and 6)	76,470	96,256	514,083	15,673
Other (Notes 17 and 25)	4,383	97,989	388,389	11,841
Total nonoperating expenses and losses	97,082	195,148	965,924	29,449
INCOME BEFORE INCOME TAX	26,957,878	32,151,297	31,590,479	963,125
INCOME TAX (Notes 2 and 22)	(1,710,551)	(3,212,435)	(2,955,130)	(90,096)
NET INCOME	\$ 25,247,327	\$ 28,938,862	\$ 28,635,349	\$ 873,029

(Continue)

	2006		2007		2008	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
	NT\$	NT\$	NT\$	NT\$	NT\$	US\$
					(Note 3)	(Note 3)
BASIC EARNINGS PER SHARE (Note 23)	\$ 35.39	\$ 33.15	\$ 42.55	\$ 38.30	\$ 41.89	\$ 1.28
DILUTED EARNINGS PER SHARE (Note 23)	\$ 35.08	\$ 32.85	\$ 42.55	\$ 38.30	\$ 40.42	\$ 1.23
					\$ 36.64	\$ 1.12

(Concluded)

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

(With Deloitte & Touche audit report dated January 17, 2009)

HTC CORPORATION
(Formerly High Tech Computer Corporation)
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2006, 2007 AND 2008
(In Thousands)

	Capital Stock Issued and Outstanding Common Stock	Additional Paid-in Capital	Long-Term Equity Investments	Capital Surplus Merger
<i>New Taiwan Dollars</i>				
BALANCE, JANUARY 1, 2006	\$ 3,570,160	\$ 4,410,871	\$ -	\$ 25,972
Adjustments due to accounting changes (Note 4)	-	-	-	-
Appropriation of the 2005 net earnings				
Legal reserve	-	-	-	-
Special reserve	-	-	-	-
Stock dividends	714,032	-	-	-
Transfer of employee bonuses to common stock	80,000	-	-	-
Employee bonuses	-	-	-	-
Cash dividends	-	-	-	-
Net income in 2006	-	-	-	-
Translation adjustments on long-term equity investments	-	-	-	-
Unrealized gain on financial instruments	-	-	-	-
Adjustment due to changes in ownership percentage in investees	-	-	15,845	-
Purchase of treasury stock	-	-	-	-
BALANCE, DECEMBER 31, 2006	4,364,192	4,410,871	15,845	25,972
Appropriation of the 2006 net earnings				
Legal reserve	-	-	-	-
Special reserve	-	-	-	-
Stock dividends	1,298,385	-	-	-
Transfer of employee bonuses to common stock	105,000	-	-	-
Employee bonuses	-	-	-	-
Cash dividends	-	-	-	-
Net income in 2007	-	-	-	-
Translation adjustments on long-term equity investments	-	-	-	-
Unrealized loss on financial instruments	-	-	-	-
Purchase of treasury stock	-	-	-	-
Retirement of treasury stock	(36,240)	(36,627)	-	(216)
BALANCE, DECEMBER 31, 2007	5,731,337	4,374,244	15,845	25,756
Appropriation of the 2007 net earnings				
Legal reserve	-	-	-	-
Stock dividends	1,719,401	-	-	-
Transfer of employee bonuses to common stock	103,200	-	-	-
Employee bonuses	-	-	-	-
Cash dividends	-	-	-	-
Net income in 2008	-	-	-	-
Translation adjustments on long-term equity investments	-	-	-	-
Unrealized loss on financial instruments	-	-	-	-
Adjustment due to changes in ownership percentage in investees	-	-	1,689	-
Purchase of treasury stock	-	-	-	-
BALANCE, DECEMBER 31, 2008	\$ 7,553,938	\$ 4,374,244	\$ 17,534	\$ 25,756
<i>U.S. Dollars</i>				
BALANCE, JANUARY 1, 2008	\$ 174,736	\$ 133,361	\$ 483	\$ 785
Appropriation of the 2007 net earnings				
Legal reserve	-	-	-	-
Stock dividends	52,421	-	-	-
Transfer of employee bonuses to common stock	3,146	-	-	-
Employee bonuses	-	-	-	-
Cash dividends	-	-	-	-
Net income in 2008	-	-	-	-
Translation adjustments on long-term equity investments	-	-	-	-
Unrealized loss on financial instruments	-	-	-	-
Adjustment due to changes in ownership percentage in investees	-	-	52	-
Purchase of treasury stock	-	-	-	-
BALANCE, DECEMBER 31, 2008	\$ 230,303	\$ 133,361	\$ 535	\$ 785

Retained Earnings						
Legal Reserve	Special Reserve	Accumulated Earnings	Cumulative Translation Adjustments	Unrealized Valuation Losses on Financial Instruments	Treasury Stock	Total
\$ 813,326	\$ 19,133	14,152,255	\$ (5,041)	\$ (1,135)	\$ -	\$ 22,985,541
-	-	-	-	48	-	48
1,178,194	-	(1,178,194)	-	-	-	-
-	(12,958)	12,958	-	-	-	-
-	-	(714,032)	-	-	-	-
-	-	(80,000)	-	-	-	-
-	-	(451,000)	-	-	-	(451,000)
-	-	(4,998,224)	-	-	-	(4,998,224)
-	-	25,247,327	-	-	-	25,247,327
-	-	-	15,827	-	-	15,827
-	-	-	-	849	-	849
-	-	-	-	-	-	15,845
-	-	-	-	-	(243,995)	(243,995)
1,991,520	6,175	31,991,090	10,786	(238)	(243,995)	42,572,218
2,524,733	-	(2,524,733)	-	-	-	-
-	(6,175)	6,175	-	-	-	-
-	-	(1,298,385)	-	-	-	-
-	-	(105,000)	-	-	-	-
-	-	(2,000,000)	-	-	-	(2,000,000)
-	-	(11,685,470)	-	-	-	(11,685,470)
-	-	28,938,862	-	-	-	28,938,862
-	-	-	(1,122)	-	-	(1,122)
-	-	-	-	(949)	-	(949)
-	-	-	-	-	(1,747,760)	(1,747,760)
-	-	(1,918,672)	-	-	1,991,755	-
4,516,253	-	41,403,867	9,664	(1,187)	-	56,075,779
2,893,886	-	(2,893,886)	-	-	-	-
-	-	(1,719,401)	-	-	-	-
-	-	(103,200)	-	-	-	-
-	-	(1,210,000)	-	-	-	(1,210,000)
-	-	(19,486,547)	-	-	-	(19,486,547)
-	-	28,635,349	-	-	-	28,635,349
-	-	-	55,938	-	-	55,938
-	-	-	-	(445)	-	(445)
-	-	-	-	-	-	1,689
-	-	-	-	-	(3,410,277)	(3,410,277)
\$ 7,410,139	\$ -	\$ 44,626,182	\$ 65,602	\$ (1,632)	\$ (3,410,277)	\$ 60,661,486
\$ 137,691	\$ -	\$ 1,262,313	\$ 295	\$ (36)	\$ -	\$ 1,709,628
88,228	-	(88,228)	-	-	-	-
-	-	(52,421)	-	-	-	-
-	-	(3,146)	-	-	-	-
-	-	(36,890)	-	-	-	(36,890)
-	-	(594,102)	-	-	-	(594,102)
-	-	873,029	-	-	-	873,029
-	-	-	1,705	-	-	1,705
-	-	-	-	(14)	-	(14)
-	-	-	-	-	-	52
-	-	-	-	-	(103,972)	(103,972)
\$ 225,919	\$ -	\$ 1,360,555	\$ 2,000	\$ (50)	\$ (103,972)	\$ 1,849,436

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

(With Deloitte & Touche audit report dated January 17, 2009)

HTC CORPORATION
(Formerly High Tech Computer Corporation)
STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2006, 2007 AND 2008
(In Thousands)

	2006 NT\$	2007 NT\$	NT\$	2008 US\$ (Note 3)
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	\$ 25,247,327	\$ 28,938,862	\$ 28,635,349	\$ 873,029
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation (including depreciation of assets leased to others)	601,382	525,055	568,208	17,323
Transfer of properties to expenses	-	-	18,059	551
Foreign exchange loss on bond investments not quoted in an active market	-	-	2,670	81
Amortization	31,178	30,951	35,983	1,097
(Gain) loss on disposal of properties, net	(37,984)	(1,458)	300	9
Losses (gains) on equity-method investments	12,554	(103,997)	57,289	1,747
Deferred income tax assets	(168,447)	(294,803)	(431,528)	(13,156)
Prepaid pension costs	(24,260)	(21,167)	(21,951)	(669)
Net changes in operating assets and liabilities				
Financial instruments at fair value through profit or loss	136,555	19,786	417,827	12,739
Notes and accounts receivable	(4,065,007)	(570,016)	(9,913,317)	(302,235)
Accounts receivable from related parties	(891,010)	774,915	(401,895)	(12,253)
Other current financial assets	(313,503)	84,446	8,545	261
Inventories	(146,338)	(1,135,522)	(1,299,054)	(39,605)
Prepayments	(1,406,858)	343,792	299,696	9,137
Other current assets	(32,776)	(53,740)	(45,166)	(1,377)
Notes and accounts payable	3,050,346	5,173,079	5,887,026	179,482
Income tax payable	1,141,854	755,677	1,423,351	43,395
Accrued expenses	1,135,322	2,929,700	10,363,107	315,948
Other current liabilities	605,960	2,385,612	1,989,656	60,660
Net cash provided by operating activities	24,876,295	39,781,172	37,594,155	1,146,164
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of properties	(997,233)	(1,201,063)	(4,577,491)	(139,558)
Proceeds of the sales of properties	44,664	5,155	7,879	240
Increase in long-term investments - equity method	(478,933)	(1,472,702)	(2,108,829)	(64,294)
Increase in financial assets carried at cost	-	(500,000)	-	-
Purchase of bond investments not quoted in an active market	-	(33,030)	-	-
Increase in refundable deposits	(1,713)	(56,446)	(24,027)	(732)
Net cash used in investing activities	(1,433,215)	(3,258,086)	(6,702,468)	(204,344)
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase (decrease) in guarantee deposits received	79	(12)	5,778	176
Cash dividends	(4,998,224)	(11,685,470)	(19,486,547)	(594,102)
Bonus to employees	-	(2,451,000)	(1,210,000)	(36,890)
Purchase of treasury stock	(243,995)	(1,747,760)	(3,410,277)	(103,972)
Net cash used in financing activities	(5,242,140)	(15,884,242)	(24,101,046)	(734,788)
NET INCREASE IN CASH	18,200,940	20,638,844	6,790,641	207,032
CASH, BEGINNING OF YEAR	16,196,448	34,397,388	55,036,232	1,677,934
CASH, END OF YEAR	\$ 34,397,388	\$ 55,036,232	\$ 61,826,873	\$ 1,884,966

(Continue)

	2006 NT\$	2007 NT\$	NT\$	2008 US\$ (Note 3)
SUPPLEMENTAL CASH FLOW INFORMATION				
Cash paid during the year				
Interest (net of amounts capitalized)	\$ 298	\$ 241	\$ 232	\$ 7
Income tax	\$ 737,145	\$ 2,751,561	\$ 1,963,307	\$ 59,857
NONCASH INVESTING AND FINANCING ACTIVITIES				
Transfer of bond investment not quoted in an active market to investments accounted for by the equity method	\$ -	\$ -	\$ 33,030	\$ 1,007
Transfer of properties to assets leased to others	\$ -	\$ -	\$ 309,959	\$ 9,450
Transfer of retained earnings and employee bonuses to common stock	\$ 794,032	\$ 1,403,385	\$ 1,822,601	\$ 55,567
Retirement of treasury stock	\$ -	\$ 1,991,755	\$ -	\$ -
INCREASE IN LONG-TERM INVESTMENTS - EQUITY METHOD				
Increase in investments accounted for by the equity method	\$ 478,933	\$ 1,472,702	\$ 2,231,529	68,035
Increase in payable for purchase of investments	-	-	(122,700)	(3,741)
Cash paid for increase in long-term investments	\$ 478,933	\$ 1,472,702	\$ 2,108,829	\$ 64,294
PURCHASE OF PROPERTIES				
Cost of properties purchased	\$ 1,022,430	\$ 1,335,029	\$ 4,564,155	139,151
(Increase) decrease in payable for purchase of equipment	(21,303)	(134,842)	12,398	378
(Increase) decrease in lease payable	(3,894)	876	938	29
Cash paid for purchase of properties	\$ 997,233	\$ 1,201,063	\$ 4,577,491	\$ 139,558
BONUS TO EMPLOYEES				
Appropriation of bonus to employees	\$ 451,000	\$ 2,000,000	\$ 1,210,000	36,890
(Increase) decrease in payable for employee bonus	(451,000)	451,000	-	-
Cash paid	\$ -	\$ 2,451,000	\$ 1,210,000	\$ 36,890

(Concluded)

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

(With Deloitte & Touche audit report dated January 17, 2009)

1.ORGANIZATION AND OPERATIONS

HTC Corporation (the “Company,” formerly High Tech Computer Corporation until June 13, 2008) was incorporated on May 15, 1997 under the Company Law of the Republic of China to design, manufacture and sell smart handheld devices. In March 2002, the Company’s stock was listed on the Taiwan Stock Exchange. On November 19, 2003, the Company started trading Global Depositary Receipts on the Luxembourg Stock Exchange.

To have synergies with companies in similar industries, lower operating costs and expenses, and enhance competitiveness and research and development capabilities, the Company’s Board of Directors proposed on October 31, 2003 to merge the Company with IA Style, Inc. The effective merger date was March 1, 2004.

The Company had 4,590, 5,569 and 8,285 employees as of December 31, 2006, 2007 and 2008, respectively.

2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, Business Accounting Law, Guidelines Governing Business Accounting, and accounting principles generally accepted in the Republic of

China (“ROC”). Under these guidelines, law and principles, certain estimates and assumptions have been used for the allowance for doubtful accounts, allowance for loss on inventories, depreciation of Properties, royalty, pension cost, allowance for product warranties, bonuses to employees, etc. Actual results may differ from these estimates.

The accompanying financial statements were originally presented in more than one set of Chinese reports. For readers’ convenience, the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If inconsistencies arise between the English version and the Chinese version or if differences arise in the interpretations between the two versions, the Chinese version of the financial statements shall prevail. However, the accompanying financial statements do not include the English translation of the additional footnote disclosures that are not required under ROC generally accepted accounting principles but are required by the Securities and Futures Bureau for their oversight purposes.

The Company’s significant accounting policies are summarized as follows:

Current/Noncurrent Assets and Liabilities

Current assets include cash, cash equivalents, and those assets held primarily for trading purposes or to be realized, sold or consumed within one year from the balance sheet date. All other assets such as Properties and intangible assets are classified as

noncurrent. Current liabilities are obligations incurred for trading purposes or to be settled within one year from the balance sheet date. All other liabilities are classified as noncurrent.

Financial Assets/Liabilities at Fair Value through Profit or Loss

Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss (“FVTPL”) include financial assets or financial liabilities held for trading and those designated as at FVTPL on initial recognition. The Company recognizes a financial asset or a financial liability on its balance sheet when the Company becomes a party to the contractual provisions of the financial instrument. A financial asset is derecognized when the Company has lost control of its contractual rights over the financial asset. A financial liability is derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired.

Financial instruments at FVTPL are initially measured at fair value. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss. At each balance sheet date subsequent to initial recognition, financial assets or financial liabilities at FVTPL are remeasured at fair value, with changes in fair value recognized directly in profit or loss in the year in which they arise. Cash dividends received subsequently (including those received in the year of investment) are recognized as income for the year.

On derecognition of a financial asset or a financial liability, the difference between its carrying amount and the sum of the consideration received and receivable or consideration paid and payable is recognized in profit or loss.

A derivative that does not meet the criteria for hedge accounting is classified as a financial asset or a financial liability held for trading. If the fair value of the derivative is positive, the derivative is recognized as a financial asset; otherwise, the derivative is recognized as a financial liability.

Fair values of financial assets and financial liabilities at the balance sheet date are determined as follows: publicly traded stocks - at closing prices; open-end mutual funds - at net asset values; bonds - at prices quoted by the Taiwan GreTai Securities Market; and financial assets and financial liabilities without quoted prices in an active market - at values determined using valuation techniques.

Available-for-Sale Financial Assets

Available-for-sale financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are remeasured at fair value, with changes in fair value recognized in equity until the financial assets are disposed of, at which time, the cumulative gain or loss previously recognized in equity is included in profit or loss for the year.

The recognition, derecognition and the fair value bases of available-for-sale financial assets are similar to those of financial assets at FVTPL.

Cash dividends are recognized on the stockholders' resolutions, except for dividends distributed from the pre-acquisition profit, which are treated as a reduction of investment cost. Stock dividends are not recognized as investment income but are recorded as an increase in the number of shares. The total number of shares subsequent to the increase is used for recalculation of cost per share.

An impairment loss is recognized when there is objective evidence that the financial asset is impaired. Any subsequent decrease in impairment loss for an equity instrument classified as available-for-sale is recognized directly in equity.

Revenue Recognition, Accounts Receivable and Allowance for Doubtful Accounts

Revenue from sales of goods is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods, primarily upon shipment, because the earnings process has been completed and the economic benefits associated with the transaction have been realized or are realizable.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts agreed between the Company and the customers for goods sold in the normal course of business, net of sales discounts and volume rebates.

For trade receivables due within one year from the balance sheet date, as the nominal value of the consideration to be received approximates its fair value and transactions are frequent, fair value of the consideration is not determined by discounting all future receipts using an imputed rate of interest.

An allowance for doubtful accounts is provided on the basis of a review of the collectability of accounts receivable. The Company assesses the probability of collections of accounts receivable by examining the aging analysis of the outstanding receivables and assessing the value of the collateral provided by customers.

Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process. Before January 1, 2008, inventories were stated at the lower of cost or market value (replacement cost or net realizable value). Any write-down was made on a category by category basis. Market value meant replacement cost for raw materials and supplies and net realizable value for finished goods and work in process. As stated in note 4, effective January 1, 2008, inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made item by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded and adjusted to approximate weighted-average cost on the balance sheet date.

Financial Assets Carried At Cost

Investments in equity instruments with no quoted prices in an active market and with fair values that cannot be reliably measured, such as non-publicly traded stocks and stocks traded in the emerging stock market, are measured at their original cost. The accounting treatment for dividends on financial assets carried at cost is similar to that for dividends on available-for-sale financial assets. An impairment loss is recognized when there is objective evidence that the asset is impaired. A reversal of this impairment loss is disallowed.

Bond investments not quoted in an active market

Bond investments not quoted in an active market are stated at amortized cost and are classified as current or noncurrent based on their maturities.

Bond investments not quoted in an active market-current are investments receiving fixed or determinable amounts. Other features of these bond investments are as follows:

- a.The bond investments have not been designated as at fair value through profit or loss.
- b.The bond investments have not been designated as available for sale.

Those investments that are noncurrent are classified as bond investment not quoted in an active market-noncurrent under funds and investments.

Investments Accounted for by the Equity Method

Investments in which the Company holds 20 percent or more of the investees' voting shares or exercises significant influence over the investees' operating and financial policy decisions are accounted for by the equity method.

Prior to January 1, 2006, the difference between the acquisition cost and the Company's proportionate share in the investee's equity was amortized by the straight-line method over five years. Effective January 1, 2006, pursuant to the revised Statement of Financial Accounting Standard ("SFAS") No. 5, "Long-term Investments Accounted for by Equity Method", the acquisition cost is allocated to the assets acquired and liabilities assumed based on their fair values at the date of acquisition, and the excess of the acquisition cost over the fair value of the identifiable net assets acquired is recognized as goodwill. Goodwill is not being amortized. The excess of the fair value of the net identifiable assets acquired over the acquisition cost is used to reduce the fair value of each of the noncurrent assets acquired (except for financial assets other than investments accounted for by the equity method, noncurrent assets held for sale, deferred income tax assets, prepaid pension or other postretirement benefit) in proportion to the respective fair values of the noncurrent assets, with any excess recognized as an extraordinary gain. Effective January 1, 2006, the accounting treatment for the unamortized investment premium arising on acquisitions before January 1, 2006 is the same as that for goodwill and the premium is no longer being amortized. For any

investment discount arising on acquisitions before January 1, 2006, the unamortized amount continues to be amortized over the remaining year.

Profits from downstream transactions with an equity-method investee are eliminated in proportion to the Company's percentage of ownership in the investee; however, if the Company has control over the investee, all the profits are eliminated. Profits from upstream transactions with an equity-method investee are eliminated in proportion to the Company's percentage of ownership in the investee.

When the Company subscribes for its investee's newly issued shares at a percentage different from its percentage of ownership in the investee, the Company records the change in its equity in the investee's net assets as an adjustment to investments, with a corresponding amount credited or charged to capital surplus. When the adjustment should be debited to capital surplus, but the capital surplus arising from long-term investments is insufficient, the shortage is debited to retained earnings.

Properties

Properties are stated at cost less accumulated depreciation. Borrowing costs directly attributable to the acquisition or construction of Properties are capitalized as part of the cost of those assets. Major additions and improvements to Properties are capitalized, while costs of repairs and maintenance are expensed currently.

Assets held under capital leases are initially recognized as assets of the Company at the lower of their fair value at the inception of the lease or the present value of the minimum lease payments; the corresponding liability is included in the balance sheet as obligations under capital leases. The interest included in lease payments is expensed when paid.

Depreciation is calculated on a straight-line basis over the estimated service lives of the assets plus one additional year for salvage value: buildings(including auxiliary equipment) - 3 to 50 years; machinery and equipment - 3 to 5 years; office equipment - 3 to 5 years; transportation equipment - 5 years; and leasehold improvements - 3 years.

Properties still in use beyond their original estimated useful lives are further depreciated over their newly estimated useful lives. Depreciation of revaluated assets is provided on a straight-line basis over their remaining estimated useful lives determined at the time of revaluation.

The related cost (including revaluation increment), accumulated depreciation, accumulated impairment losses and any unrealized revaluation increment of an item of properties are derecognized from the balance sheet upon its disposal. Any gain or loss on disposal of the asset is included in nonoperating gains or losses in the year of disposal.

If the properties are leased to others, the related costs and accumulated depreciation would be transferred from properties to other assets - assets leased to others.

Deferred Charges

Deferred charges are telephone installation charges, computer software costs and deferred license fees. Installation charges and computer software are amortized on a straight-line basis over 3 years, and deferred license fees, over 10 years.

Asset Impairment

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is charged to earnings unless the asset is carried at a revalued amount, in which case the impairment loss is treated as a deduction to the unrealized revaluation increment.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased accordingly, but the increased carrying amount may not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized in earnings, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as an increase in the unrealized revaluation increment. A reversal of an impairment loss on goodwill is disallowed.

For long term equity investments for which the Company has significant influence but with no control, the carrying amount (including goodwill) of each investment is compared with its own recoverable amount for the purpose of impairment testing.

Accrued Marketing Expenses

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

Reserve for Warranty Expenses

The Company provides warranty service for one to two years depending on the contract with customers. The warranty liability is estimated on the basis of management's evaluation of the products under warranty, past warranty experience, and pertinent factors.

Product-Related Costs

The cost of revenues consists of costs of goods sold, unallocated overheads, abnormal costs, write-downs of inventories and the reversal of write-downs. The provisions for product warranty are estimated and recorded under cost of revenues when sales are recognized.

Pension Plan

Pension cost under a defined benefit plan is determined by actuarial valuations. Contributions made under a defined contribution plan are recognized as pension cost during the year in which employees render services.

Curtailment or settlement gains or losses of the defined benefit plan are recognized as part of the net yearic pension cost for the year.

Income Tax

The Company applies intra-year and inter-year allocations for its income tax, whereby (1) a portion of income tax expense is allocated to the cumulative effect of changes in accounting principles; and (2) deferred income tax assets and liabilities are recognized for the tax effects of temporary differences, unused loss carryforward and unused tax credits. Valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. A deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or noncurrent based on the expected length of time before it is realized or settled.

Tax credits for purchases of machinery, equipment and technology, research and development

expenditures, and personnel training expenditures are recognized using the flow-through method.

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

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the stockholders approve to retain the earnings.

Stock-Based Employee Compensation Plans

Employee stock options granted between January 1, 2004 and December 31, 2007 were accounted for under the interpretations issued by the Accounting Research and Development Foundation ("ARDF"). The Company adopted the intrinsic value method, under which compensation cost was recognized on a straight-line basis over the vesting period.

Treasury Stock

The Company adopted the Statement of Financial Accounting Standards No. 30 - "Accounting for Treasury Stocks," which requires the treasury stock held by the Company to be accounted for by the cost method. The cost of treasury stock is shown as a deduction to arrive at stockholders' equity, while gain or loss from selling treasury stock is treated as an adjustment to capital surplus.

When treasury stocks are sold and the selling price is above the book value, the difference should be credited to the capital surplus - treasury stock

transactions. If the selling price is below the book value, the difference should first be offset against capital surplus from the same class of treasury stock transactions, and any remainder should be debited to retained earnings. The carrying value of treasury stocks should be calculated using the weighted-average method.

When the Company's treasury stock is retired, the treasury stock account should be credited, and the capital surplus - premium on stock account and capital stock account should be debited proportionately according to the share ratio. The difference should be credited to capital surplus or debited to capital surplus and/or retained earnings.

Foreign Currencies

The financial statements of foreign operations are translated into New Taiwan dollars at the following exchange rates:

- a. Assets and liabilities - at exchange rates prevailing on the balance sheet date;
- b. Stockholders' equity - at historical exchange rates;
- c. Dividends - at the exchange rate prevailing on the dividend declaration date; and
- d. Income and expenses - at average exchange rates for the year.

Exchange differences arising from the translation of the financial statements of foreign operations are recognized as a separate component of stockholders' equity. Such exchange differences are recognized as gain or loss in the year in which

the foreign operations are disposed of.

Nonderivative foreign-currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Exchange differences arising from the settlement of foreign-currency assets and liabilities are recognized as gain or loss.

At the balance sheet date, foreign-currency monetary assets and liabilities are revalued using prevailing exchange rates and the exchange differences are recognized in profit or loss.

At the balance sheet date, foreign-currency nonmonetary assets (such as equity instruments) and liabilities that are measured at fair value are revalued using prevailing exchange rates, with the exchange differences treated as follows:

- a. Recognized in stockholders' equity if the changes in fair value are recognized in stockholders' equity;
- b. Recognized in profit and loss if the changes in fair value is recognized in profit or loss.

Foreign-currency nonmonetary assets and liabilities that are carried at cost continue to be stated at exchange rates at the trade dates.

If the functional currency of an equity-method investee is a foreign currency, translation adjustments will result from the translation of the investee's financial statements into the reporting currency of the Company. These adjustments are accumulated and reported as a separate component of stockholders' equity.

Reclassifications

Certain 2006 and 2007 accounts have been reclassified to be consistent with the presentation of the financial statements as of and for the year ended December 31, 2008.

3.TRANSLATION INTO U.S. DOLLARS

The financial statements are stated in New Taiwan dollars. The translation of the 2008 New Taiwan dollar amounts into U.S. dollar amounts are included solely for the convenience of readers, using the noon buying rate of NT\$32.80 to US\$1.00 quoted by the Bank of Taiwan on December 31, 2008. The convenience translation should not be construed as representations that the New Taiwan dollar amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other exchange rate.

4.ACCOUNTING CHANGES

a.Interpretation 96-052 - “Accounting for Bonuses to Employees, Directors and Supervisors”

					Years Ended December 31																
					2006		2007		2008												
					Amount	%	Amount	%	Amount	%											
					NT\$		NT\$		NT\$	US											
					(Note 3)																
Revenues	\$	104,816,548	100	\$	118,579,958	100	\$	152,558,766	\$	4,651,182	100										
Cost of revenues		73,493,550	70		78,402,458	66		101,272,708		3,087,582	66										
Gross profit		31,322,998	30		40,177,500	34		51,286,058		1,563,600	34										
Unrealized profit from intercompany transactions	(164,011)	-	(175,075)	-	(134,091)	(4,088)	-						
Realized profit from intercompany transactions		15,077	-		164,011	-		175,075		5,338	-										
Realized gross profit		31,174,064	30		40,166,436	34		51,327,042		1,564,850	34										
Operating expenses		5,353,440	5		9,630,899	8		14,940,318		455,498	10										
Operating income		25,820,624	25		30,535,537	26		36,386,724		1,109,352	24										
Nonoperating income and gains		1,234,336	1		1,810,908	1		2,300,018		70,123	2										
Nonoperating expenses and losses		97,082	-		195,148	-		965,924		29,449	1										
Income before income tax		26,957,878	26		32,151,297	27		37,720,818		1,150,026	25										
Income tax	(1,710,551)	(2)	(3,212,435)	(3)	(3,471,433)	(105,837)	(2)
Net income	\$	25,247,327	24	\$	28,938,862	24	\$	34,249,385	\$	1,044,189	23										

In March 2007, the Accounting Research and Development Foundation issued an interpretation that requires companies to recognize as compensation expenses bonuses paid to employees and remuneration to directors and supervisors beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. The adoption of this interpretation resulted in a decrease of NT\$5,614,036 thousand (US\$171,160 thousand) in net income, including employee bonus payable of NT\$6,164,889 thousand (US\$187,954 thousand), minus the allocation to inventory of NT\$34,550 thousand (US\$1,053 thousand) and minus the tax saving of NT\$516,303 thousand (US\$15,741 thousand), and a decrease in after income tax basic earnings per share of NT\$7.44 for the year ended December 31, 2008.

Had the bonuses to employees and remuneration to directors and supervisors not been recognized as compensation expenses, net income would have been calculated as follows:

b.SFAS No. 39, “Accounting for Share-based Payment”

On January 1, 2008, the Company adopted the newly released Statement of Financial Accounting Standards (SFAS) No. 39 - “Accounting for Share-based Payments.” Except as mentioned above, the adoption resulted in no material effect on the Company’s financial statements as of and for the year ended December 31, 2008.

c.SFAS No. 10 - “Accounting for Inventories”

On January 1, 2008, the Company adopted early the newly revised SFAS No. 10, “Accounting for Inventories”. The main revisions are (1) inventories are stated at the lower of cost or net realizable value, and inventories are written down to net realizable value item-by-item except when the grouping of similar o r related items is appropriate; (2) unallocated overheads are

recognized as expenses in the period in which they are incurred; and (3) abnormal costs, write-downs of inventories and any reversal of write-downs are recorded as cost of goods sold for the period. The adoption had no material effect on the Company’s financial statements as of and for the year ended December 31, 2008.

For an enhanced presentation of product-related costs, the cost of revenues consists of costs of goods sold, unallocated overheads, abnormal costs, write-downs of inventories and the reversal of write-downs. The provisions for product warranty are estimated and recorded under cost of revenues when sales are recognized.

Had the newly revised SFAS No. 10 not been applied retroactively, net income would have been calculated as follows:

	Years Ended December 31																				
	2006				2007				2008												
	Amount		%	Amount		%	Amount		%												
	NT\$			NT\$			NT\$	US\$													
								(Note 3)													
Revenues	\$	104,816,548	100	\$	118,579,958	100	\$	152,558,766	\$	4,651,182	100										
Cost of revenues		70,779,066	68		72,880,172	61		94,805,450		2,890,410	62										
Gross profit		34,037,482	32		45,699,786	39		57,753,316		1,760,772	38										
Unrealized profit from intercompany transactions	(164,011)	-	(175,075)	-	(134,091)	(4,088)	-								
Realized profit from intercompany transactions		15,077	-		164,011	-		175,075		5,338	-										
Realized gross profit		33,888,548	32		45,688,722	39		57,794,300		1,762,022	38										
Operating expenses		7,336,582	7		14,665,297	13		26,426,072		805,673	17										
Operating income		26,551,966	25		31,023,425	26		31,368,228		956,349	21										
Nonoperating income and gains		1,234,336	1		1,810,908	1		2,300,018		70,123	2										
Nonoperating expenses and losses		828,424	-		683,036	-		2,077,767		63,347	2										
Income before income tax		26,957,878	26		32,151,297	27		31,590,479		963,125	21										
Income tax	(1,710,551)	(2)	(3,212,435)	(3)	(2,955,130)	(90,096)	(2)
Net income	\$	25,247,327	24	\$	28,938,862	24	\$	28,635,349	\$	873,029	19										

5.CASH

Cash as of December 31, 2006, 2007 and 2008 was as follows:

	2006	2007	2008
	NT\$	NT\$	NT\$
			US\$
			(Note 3)
Cash on hand	\$ 1,000	\$ 1,000	\$ 930
Cash in banks	4,137,988	8,776,552	1,774,195
Time deposits	30,258,400	46,258,680	60,051,748
	\$ 34,397,388	\$ 55,036,232	\$ 61,826,873
			\$ 1,884,966

On time deposits, interest rates ranged from 1.610% to 2.145%, 1.809% to 4.400% and 0.30% to 2.41%, as of December 31, 2006, 2007 and 2008, respectively.

On preferential deposits, interest rates ranged from 2.30% to 5.25%, 3.05% to 4.15% and 0.02% to 2.71% as of December 31, 2006, 2007 and 2008, respectively.

6.FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets and liabilities at fair value through profit or loss as of December 31, 2006, 2007 and 2008 were as follows:

	2006	2007	2008
	NT\$	NT\$	NT\$
			US\$
			(Note 3)
Derivatives - financial liabilities			
Forward exchange contracts	\$ 76,470	\$ 96,256	\$ 514,083
			\$ 15,673

The Company had derivative transactions in 2006, 2007 and 2008 to manage exposures related to exchange rate fluctuations. However, these transactions did not meet the criteria for hedge accounting under Statement of Financial Accounting Standards No. 34 - “Accounting for Financial Instruments.” Thus, the Company had no hedge accounting in 2006, 2007 and 2008. Outstanding forward exchange and currency option contracts as of December 31, 2006, 2007 and 2008 were as follows:

	2006
	Contract Amount
Forward exchange contracts	US\$ 78,000
Forward exchange contracts	EUR€ 108,000
Forward exchange contracts	US\$ 11,000
Forward exchange contracts	GBP£ 6,150
Forward exchange contracts	JP¥ 427,750
Forward exchange contracts	JP¥ 810,626

	2007
	Contract Amount
Forward exchange contracts	US\$ 63,000
Forward exchange contracts	EUR€ 201,500
Forward exchange contracts	US\$ 5,146
Forward exchange contracts	GBP£ 3,725
Forward exchange contracts	JP¥ 425,000

	2008
	Contract Amount
Forward exchange contracts	AUD\$ 17,000
Forward exchange contracts	EUR€ 141,000
Forward exchange contracts	GBP£ 3,870
Forward exchange contracts	JP¥ 95,000
Forward exchange contracts	US\$ 16,726
Forward exchange contracts	US\$ 37,000
Forward exchange contracts	US\$ 618

Net gain on derivative financial instruments in 2008 was NT\$311,946 thousand (US\$9,511 thousand), including realized settlement gain of NT\$826,029 thousand (US\$25,184 thousand) and valuation loss of NT\$514,083 thousand (US\$15,673 thousand).

7.AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets as of December 31, 2006, 2007 and 2008 were as follows:

	2006	2007	2008
	NT\$	NT\$	NT\$
			US\$
			(Note 3)

VIA Technologies, Inc.	\$ 1,733	\$ 784	\$ 339	\$ 10
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In December 1999, the Company invested NT\$1,971 thousand in VIA Technologies, Inc. and accounted for it as available-for-sale financial asset.

8.NOTES AND ACCOUNTS RECEIVABLE

Notes and accounts receivable as of December 31,

2006, 2007 and 2008 were as follows:

	2006	2007	2008
	NT\$	NT\$	NT\$
			US\$
			(Note 3)
Notes receivable	\$ 58,930	\$ 3,058	\$ 3,456
Accounts receivable	18,320,329	19,215,152	29,407,383
Less: Allowance for doubtful accounts	(2,350)	(271,285)	(550,597)
	\$ 18,376,909	\$ 18,946,925	\$ 28,860,242
			\$ 879,885

9.OTHER CURRENT FINANCIAL ASSETS

Other current financial assets as of December 31, 2006, 2007 and 2008 were as follows:

	2006	2007	2008
	NT\$	NT\$	NT\$
			US\$
			(Note 3)
Other receivables from related parties	\$ 130,990	\$ 171,901	\$ 13,869
Interest receivables	24,854	50,444	40,026
Other receivables	22,676	47,625	193,092
Agency payments	189,977	14,081	28,519
	\$ 368,497	\$ 284,051	\$ 275,506
			\$ 8,400

Other receivables from related parties were agency payments for related parties.

Other receivables were primarily overseas value-added tax receivables from customers, prepayment for withholding income tax of employees' bonus and travel expenses and proceeds of the sales of properties.

10.INVENTORIES

Inventories as of December 31, 2006, 2007 and 2008 were as follows:

	2006	2007	2008
	NT\$	NT\$	US\$
			(Note 3)
Finished goods	\$ 753,426	\$ 405,952	\$ 1,302,917
Work-in-process	1,207,886	1,641,460	2,435,581
Raw materials	3,914,242	4,988,289	5,303,195
	5,875,554	7,035,701	9,041,693
Less: Valuation allowance	(891,663)	(916,288)	(1,623,226)
	\$ 4,983,891	\$ 6,119,413	\$ 7,418,467

The write-down of inventories to their net realizable value amounted to NT\$1,111,843 thousand (US\$33,898 thousand) and was recognized as cost of sales for the year ended December 31, 2008. For consistency with the presentation of the financial statements for the year ended December 31, 2008, the Company reclassified “provision for loss on inventories” amounting to NT\$729,310 thousand and NT\$487,479 thousand for the years ended December 31, 2006 and 2007, respectively, to “cost of sales.”

11.PREPAYMENTS

Prepayments as of December 31, 2006, 2007 and 2008 were as follows:

	2006	2007	2008
	NT\$	NT\$	US\$
			(Note 3)
Royalty	\$ 1,631,513	\$ 1,232,901	\$ 976,824
Software and hardware maintenance	80,517	76,732	73,218
Service	50,606	32,241	89,181
Travel	47,298	6,542	3,601
Molding equipment	40,088	158,280	80,420
Materials purchases	1,479	1,838	2,875
Others	29,618	28,793	11,512
	\$ 1,881,119	\$ 1,537,327	\$ 1,237,631

Prepayments for royalty were primarily prepayments for discount purposes (Note 27 has more information).

Prepayments for others were primarily for rent and insurance expenses.

12.FINANCIAL ASSETS CARRIED AT COST

Financial assets carried at cost as of December 31, 2006, 2007 and 2008 were as follows:

	2006	2007	2008
	NT\$	NT\$	US\$
			(Note 3)
Hua-Chuang Automobile Information Technical Center Co., Ltd.	\$ -	\$ 500,000	\$ 500,000
Answer Online, Inc.	1,192	1,192	1,192
	\$ 1,192	\$ 501,192	\$ 501,192

In January 2007, the Company acquired 10% equity interest in Hua-Chuang Automobile Information Technical Center Co., Ltd. for NT\$500,000 thousand. The Company also signed a joint venture agreement with Yulon Group, the main stockholder of Hua-Chuang. Under the agreement, the Company and Yulon Group may, between January 1, 2010 and December 31, 2011, submit written requests to each other for Yulon Group to buy back NT\$300,000

thousand at original price, some of Hua-Chuang's shares bought by the Company.

In March 2004, the Company merged with IA Style, Inc. (Note 1) and acquired 1.82% equity interest in Answer Online, Inc. as a result of the merger.

These unquoted equity instruments were not carried at fair value because their fair value could not be reliably measured; thus, the Company accounted for these investments by the cost method.

13.BOND INVESTMENTS NOT QUOTED IN AN ACTIVE MARKET

As of December 31, 2007 the Company had the following bond investment, which had no quoted price in an active market:

	2007	2007	2008
	NT\$	NT\$	US\$
			(Note 3)
Bond investment	\$ -	\$ 33,030	\$ -
Less: Current portion	-	(33,030)	-
	\$ -	\$ -	\$ -

The Company bought 12-month bond issued by Vitamin D Inc. with 6% annual interest for NT\$33,030 thousand (US\$1,000 thousand). The unquoted debt instrument was not carried at fair value because its fair value could not be reliably measured.

In April 2008, the Company made a new investment of US\$350 thousand and transferred its bond investment of US\$1,000 thousand to convertible preferred stocks issued by Vitamin D Inc. As a result, the Company acquired 27% equity interest in Vitamin D Inc. and can exercise significant influence over this investee. The Company accounts for this investment by the equity method.

14.INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

Investments accounted for by the equity method as of December 31, 2006, 2007 and 2008 were as follows:

	2006		2007		2008			
	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage	Original Cost		Carrying Value	
	NT\$		NT\$		NT\$	US\$	NT\$	US\$
					(Note 3)		(Note 3)	
Equity method								
H.T.C. (B.V.I.) Corp.	\$ 422,788	100	\$ 1,427,492	100	\$ 1,543,906	\$ 47,070	\$ 1,557,022	\$ 47,470
BandRich Inc.	136,200	51	114,487	51	135,000	4,116	29,460	898
HTC HK, Limited	889	100	8,034	100	1,277	39	46,743	1,425
Communication Global Certification Inc.	-	-	281,621	100	280,000	8,537	273,583	8,341
High Tech Computer Asia Pacific Pte. Ltd.	-	-	565,499	100	2,023,774	61,700	2,094,922	63,870
Vitamin D Inc.	-	-	-	-	40,986	1,250	39,906	1,217
HTC Investment Corporation	-	-	-	-	300,000	9,146	301,006	9,177
PT. High Tech Computer Indonesia	-	-	-	-	62	2	62	2
Prepayments for long-term investments	261,679	-	-	-	316,656	9,654	316,656	9,654
	\$ 821,556		\$ 2,397,133		\$ 4,641,661	\$ 141,514	\$ 4,659,360	\$ 142,054

In August 2000, the Company acquired 100% equity interest in H.T.C. (B.V.I.) Corp. for NT\$12,834 thousand and accounted for this investment by the equity method. As of December 31, 2008 the Company had increased this investment to NT\$1,860,562 thousand (US\$56,724 thousand). Because the registration of this investment was not completed on December 31, 2008, the amounts of NT\$316,656 thousand (US\$9,654 thousand) were temporarily accounted for as “prepayments for long-term investments.” H.T.C. (B.V.I.) Corp. makes investments on behalf of the Company.

In April 2006, the Company acquired 92% equity interest in BandRich Inc. for NT\$135,000 thousand and accounted for this investment by the equity method. In May 2006, BandRich Inc. issued 12,000 thousand shares of common stock at a price of NT\$12.50 per share of which the Company didn’t purchase. The Company’s ownership percentage declined from 92% to 51% and resulted in capital surplus - long term equity investments of NT\$15,845 thousand.

In September 2006, the Company acquired 100% equity interest in HTC HK, Limited for NT\$1,277 thousand and accounted for this investment by the equity method.

In January 2007, the Company acquired 100% equity interest in Communication Global Certification Inc. for NT\$280,000 thousand and accounted for this investment by the equity method.

In July 2007, the Company acquired 100% equity interest in High Tech Computer Asia Pacific Pte. Ltd. for NT\$560,660 thousand and accounted for this investment by the equity method. As of December 31, 2008, the Company had increased this investment to NT\$2,023,774 thousand (US\$61,700 thousand).

In April 2008, the Company made a new investment of US\$350 thousand and transferred its bond investment of US\$1,000 thousand to convertible preferred stocks issued by Vitamin D Inc. As a result, the Company acquired 27%

equity interest in Vitamin D Inc. for NT\$40,986 thousand, (US\$1,250 thousand), enabling the Company to exercise significant influence over this investee. Thus, the Company accounts for this investment by the equity method. In September 2008, Vitamin D Inc. issued 2,375 thousand convertible preferred shares, but the Company did not buy any of these shares. Thus, the Company’s ownership percentage declined from 27% to 26%, and there was a capital surplus - long term equity investments of NT\$ 1,689 thousand (US\$52 thousand).

In July 2008, the Company acquired 100% equity interest in HTC Investment Corporation for NT\$300,000 thousand (US\$9,146 thousand) and accounted for this investment by the equity method.

In December 2007, the Company and its subsidiary, High Tech Computer Asia Pacific Pte. Ltd., acquired 1% and 99%, respectively, equity interest in PT. High Tech Computer Indonesia for NT\$62 thousand and NT\$6,122 thousand, respectively. As a result, the Company accounted for this investment by the equity method.

On its equity-method investments, the Company had a loss of NT\$12,554 thousand and a gain of NT\$103,997 and a loss of NT\$57,289 thousand (US\$1,747 thousand) in 2006, 2007 and 2008, respectively.

The financial statements of equity-method investees had been examined by the Company’s independent auditors.

Under the revised Statement of Financial Accounting Standards No. 7, “Consolidated Financial Statements,” which took effect on January 1, 2005, the Company included the accounts of all its direct and indirect subsidiaries in the consolidated financial statements as of and for the years ended December 31, 2006, 2007 and 2008. All significant intercompany balances and transactions have been eliminated.

15.PROPERTIES

Properties as of December 31, 2006, 2007 and 2008 were as follows:

	2006		2007		2008	
	Carrying Value		Carrying Value		Carrying Value	
	NT\$		NT\$	Cost Accumulated Depreciation	NT\$	US\$ (Note 3)
Land	\$ 610,293	\$ 610,293	\$ 3,568,124	\$ -	\$ 3,568,124	\$ 108,784
Buildings and structures	735,785	1,816,889	2,853,645	524,564	2,329,081	71,009
Machinery and equipment	1,020,799	1,037,491	3,927,100	2,700,928	1,226,172	37,383
Molding equipment	-	-	172,632	172,632	-	-
Computer equipment	41,304	51,268	264,248	192,061	72,187	2,201
Transportation equipment	706	484	2,732	1,057	1,675	51
Furniture and fixtures	23,824	29,055	127,202	98,793	28,409	866
Leased assets	3,927	3,141	4,712	2,356	2,356	72
Leasehold improvements	2,656	21,336	95,208	36,436	58,772	1,792
Prepayments for land, construction-in-progress and equipment-in-transit	470,330	145,944	88,875	-	88,875	2,709
	\$ 2,909,624	\$ 3,715,901	\$ 11,104,478	\$ 3,728,827	\$ 7,375,651	\$ 224,867

In August 2008, the Company acquired from Runtop Inc. land and building, with areas of approximately 10.6 thousand square meters and 40 thousand square meters, respectively, for NT\$900,000 thousand (US\$27,439 thousand) to have more office space and to build parking lots, dormitory, etc.

In December 2008, the Company bought the land - about 8.3 thousand square meters - from Yulon Motors Ltd. for NT\$3,335,000 thousand (US\$101,677 thousand) to build the Taipei R&D headquarters in Xindian City. Of the purchase price, 80% had been paid and 80% of ownership of the land had been transferred to the Company as of December 31, 2008. Yulon Motors Ltd. should transfer the remaining 20% of ownership of the land before December 20, 2009, and the Company should pay the remaining 20% after completing the land transfer registration.

In December 2008, the Company’s board of directors resolved to participate in the third auction held by Taiwan Financial Asset Service Corporation (“TFASC”) and acquired the land - about 16.5 thousand square meters - from Hualon Corporation for NT\$355,620 thousand (US\$10,842 thousand). Of the purchase price, NT\$71,130 thousand (US\$2,169 thousand) had been paid by the end of 2008, and the remaining NT\$284,490 thousand (US\$8,673 thousand) was paid on January 7, 2009.

16.ACCRUED EXPENSES

Accrued expenses as of December 31, 2006, 2007 and 2008 were as follows:

	2006	2007	2008	
	NT\$	NT\$	NT\$	US\$
			(Note 3)	
Bonus to employees	\$ 451,000	\$ -	\$ 6,164,889	\$ 187,954
Marketing	983,088	3,007,021	5,810,533	177,150
Services	49,221	615,365	1,180,716	35,998
Salaries & bonuses	762,942	914,062	1,012,048	30,855
Export expenses	162,221	127,867	447,814	13,653
Research materials	119,075	189,469	397,075	12,106
Meals and welfare	57,436	58,287	99,952	3,047
Repairs and maintenance	23,759	32,564	76,171	2,322
Insurance	40,398	46,967	69,978	2,134
Research and development	-	-	65,600	2,000
Pension for defined contribution plan	26,327	32,918	48,405	1,476
Travel	58,027	40,777	30,714	936
Others	57,635	204,532	229,041	6,983
	\$ 2,791,129	\$ 5,269,829	\$ 15,632,936	\$ 476,614

As discussed in Note 4 to the financial statements, the Company adopted Interpretation 96-052 - “Accounting for Bonuses to Employees, Directors and Supervisors.” As a result, the Company accrued an employee bonus payable of NT\$6,164,889 thousand (US\$187,954 thousand). Based on a resolution passed by the Company’s board of directors in February 2008, the employee bonus payable should be appropriated at 18% of net income less employee bonus expenses.

Also, in the stockholders’ meetings of 2006, 2007 and 2008, the stockholders approved the appropriation from the net earnings of 2005, 2006 and 2007, and the employee bonuses were NT\$451,000 thousand, NT\$2,000,000 thousand and NT\$1,210,000 thousand (US\$36,890 thousand), respectively. Only employee bonus payable of NT\$451,000 thousand had not been paid on December 31, 2006.

The Company accrued marketing expenses on the basis of related agreements and other factors that would significantly affect the accruals.

17.OTHER CURRENT LIABILITIES

Other current liabilities as of December 31, 2006, 2007 and 2008 were as follows:

	2006	2007	2008	
	NT\$	NT\$	NT\$	US\$
			(Note 3)	
Reserve for warranty expenses	\$1,393,995	\$3,469,957	\$5,225,862	\$159,325
Other payables (Note 25)	149,292	310,582	634,417	19,342
Agency receipts	122,897	107,618	255,853	7,801
Deferred credits - profit from intercompany transactions	164,011	175,075	134,091	4,088
Advance receipts	37,340	105,424	120,504	3,674
Directors' remuneration	21,842	21,842	21,842	666
Others	23,245	106,860	16,207	494
	\$1,912,622	\$4,297,358	\$6,408,776	\$195,390

The Company provides warranty service for one to two years, depending on the contracts with our customers. The warranty liability is estimated on management’s evaluation of the products under warranty and recognized as warranty liability.

Other payables to related parties were payables for investments accounted for by the equity method, miscellaneous expenses of overseas sales offices and repair materials.

The Company also estimated a contingent liability of NT\$259,450 thousand (US\$7,910 thousand) due to an increased financial risk from the customer. If the customer cannot pay its payments, the upstream firms might dun the Company for the customer’s liabilities. The Company is still negotiating with the customer to resolve this issue.

Agency receipts were primarily overseas value-added tax, employees’ income tax, insurance, and other items.

Deferred credits - profit from intercompany transactions were unrealized profit from intercompany transactions.

18.PENSION PLAN

The Labor Pension Act (the “Act”), which provides for a new defined contribution plan, took effect on July 1, 2005. Employees covered by the Labor Standards Law (the “Law”) before the enforcement of the Act were allowed to choose to remain to be subject to the defined benefit pension mechanism under the Law or to be subject instead to the Act. Based on the Act, the rate of the Company’s required monthly contributions to the employees’ individual pension accounts is at least 6% of monthly wages and salaries, and these contributions are recognized as pension expense in the income statement. The pension fund contributions were NT\$89,723 thousand in 2006, NT\$110,723 thousand in 2007 and NT\$158,050thousand (US\$4,818 thousand) in 2008.

Under the Law, which provides for a defined benefit pension plan, retirement payments should be made according to the years of service, with a payment of two units for each year of service but only one unit per year after the 15th year; however, total units should not exceed 45. The rate of the Company’s contributions to a pension fund was 2% after the Act took effect. The pension fund is deposited in the

Bank of Taiwan (the Central Trust of China merged with the Bank of Taiwan in 2007, with the Bank of Taiwan as the survivor entity) in the committee’s name. The pension fund balances were NT\$311,532 thousand, NT\$348,439 and NT\$388,641 thousand (US\$11,849 thousand) as of December 31, 2006, 2007 and 2008, respectively.

Based on the Statement of Financial Accounting Standards No. 18 - “Accounting for Pensions,” issued by the Accounting Research and Development Foundation of the ROC, pension cost under a defined benefit pension plan should be calculated by the actuarial method. Related disclosure is as follows:

The Company’s net pension costs under the defined benefit plan in 2006, 2007 and 2008 were as follows:

	2006	2007	2008	
	NT\$	NT\$	NT\$	US\$
			(Note 3)	
Service cost	\$ 5,259	\$ 4,930	\$ 5,194	\$ 158
Interest cost	9,400	8,591	8,699	265
Projected return on plan assets	(10,320)	(8,979)	(9,967)	(303)
Amortization of unrecognized net transition obligation, net	-	-	-	-
Amortization of net pension benefit	1,708	2,182	1,487	45
Net pension cost	\$ 6,047	\$ 6,724	\$ 5,413	\$ 165

The reconciliations between pension fund status and prepaid pension cost as of December 31, 2006, 2007 and 2008 were as follows:

	2006	2007	2008	
	NT\$	NT\$	NT\$	US\$
			(Note 3)	
Present actuarial value of benefit obligation				
Vested benefit obligation	\$ -	\$ -	\$ -	-
Non-vested benefit obligation	153,371	170,751	163,438	4,983
Accumulated benefit obligation	153,371	170,751	163,438	4,983
Additional benefits on future salaries	159,023	145,588	176,609	5,385
Projected benefit obligation	312,394	316,339	340,047	10,368
Fair value of plan assets	(311,532)	(348,439)	(388,641)	(11,849)
Funded status	862	(32,100)	(48,594)	(1,481)
Unrecognized pension loss	(74,882)	(63,087)	(68,544)	(2,090)
Prepaid pension cost	\$ (74,020)	\$ (95,187)	\$ (117,138)	\$ (3,571)

Assumptions used in actuarially determining the present value of the projected benefit obligation were as follows:

	2006	2007	2008
Weighted-average discount rate	2.75%	2.75%	2.75%
Assumed rate of increase in future compensation	4.25%	4.00%	4.00%
Expected long-term rate of return on plan assets	2.75%	2.75%	2.75%

The vested benefits as of December 31, 2006, 2007 and 2008 all amounted to NT\$0 thousand.

19.STOCKHOLDERS’ EQUITY

Capital Stock

The Company’s outstanding common stock as of January 1, 2006 amounted to NT\$3,570,160 thousand, divided into 357,016 thousand common shares at NT\$10.00 par value. In May 2006, the stockholders approved the transfer of retained earnings amounting to NT\$714,032 thousand and employee bonuses amounting to NT\$80,000 thousand to capital stock. As a result, the amount

of the Company’s outstanding common stock as of December 31, 2006 increased to NT\$4,364,192 thousand, divided into 436,419 thousand common shares at NT\$10.00 par value.

In April 2007, the Company retired 3,624 thousand treasury shares (NT\$36,240 thousand). In June 2007, the stockholders approved the transfer of retained earnings amounting to NT\$1,298,385 thousand and employee bonuses amounting to NT\$105,000 thousand to capital stock. As a result, the amount of the Company’s outstanding common stock as of December 31, 2007 was NT\$5,731,337 thousand, divided into 573,134 thousand common shares at NT\$10.00 par value.

Also, in June 2008, the stockholders approved the transfer of retained earnings amounting to NT\$1,719,401 thousand (US\$52,421 thousand) and employee bonuses amounting to NT\$103,200 thousand (US\$3,146 thousand) to capital stock. As a result, the amount of the Company’s outstanding common stock as of December 31, 2008 increased to NT\$7,553,938 thousand (US\$230,303 thousand), divided into 755,394 thousand common shares at NT\$10.00 (US\$0.30) par value.

In their meeting on December 11, 2002, the Company’s Board of Directors resolved to issue 7,000 thousand units of employee stock options in accordance with Article 28.3 of the Securities and Exchange Law. Each option represents the right to buy one newly issued common share of the Company. The exercise price is the closing price of the Company’s common shares on the option issuance date. The option holders can exercise

the right up to 35% of the granted option units no earlier than two years from the grant date. After three years from the grant date, the holders can exercise their right at up to 70% of the granted option units. After four years from the grant date, the option holders are eligible to exercise their rights on all the options owned. The exercise period is five years. The Company had issued 3,000 thousand units of the stock options to employees which were increased to 7,011 thousand units by taking into account the effect of stock dividends and the issuance of additional common stocks. After the employees’ choosing to give up the stock options in the first and second quarter of 2007, there were no employee stock options outstanding as of June 20, 2007, the date of stockholders' meeting. The remaining employee stock options which were not issued, amounting to 4,000 thousand units, expired on December 25, 2003.

Global Depositary Receipts

The Company issued 14,400 thousand common shares corresponding to 3,600 thousand units of Global Depositary Receipts (GDRs). For this GDR issuance, the Company's stockholders, including Via Technologies, Inc., also issued 12,878.4 thousand common shares, corresponding to 3,219.6 thousand GDR units. Thus, the entire offering consisted of 6,819.6 thousand GDR units. Each GDR represents four common shares, with par value of NT\$131.1. For this common share issuance, net of related expenses, NT\$1,696,855 thousand was accounted for as capital surplus. This share issuance for cash was completed and registered on November 19, 2003. The holders of these GDRs have the same rights

and obligations as the stockholders of the Company. However, the distribution of the offering and sales of GDRs and the shares represented thereby in certain jurisdictions may be restricted by law. In addition, the GDRs offered and the shares represented are not transferable, except in accordance with the restrictions described in the GDR offering circular and related laws applied in Taiwan. Through the depositary custodian in Taiwan, GDR holders are entitled to exercise these rights:

- a.To vote; and
- b.To receive dividends and participate in new share issuance for cash subscription.

Taking into account the effect of stock dividends, the GDRs increased to 8,322 thousand units (33,287.9 thousand shares). The holders of these GDRs requested the Company to redeem the GDRs to get the Company's common shares. As of December 31, 2008, there were 6,623.1 thousand units of GDRs redeemed, representing 26,492 thousand common shares, and the outstanding GDRs represented 6,796 thousand common shares or 0.90% of the Company's common shares.

Capital Surplus

Under the Company Law, capital surplus can only be used to offset a deficit. However, the capital surplus from share issued in excess of par (additional paid-in capital from issuance of common shares, conversion of bonds and treasury stock transactions) and donations may be capitalized, which however is limited to a certain percentage of

the Company's paid-in capital. Also, the capital surplus from long-term investments may not be used for any purpose.

The additional paid-in capital was NT\$4,410,871 thousand as of January 1, 2006. In April 2007, the retirement of treasury stock caused a decrease of additional paid-in capital amounted to 36,627 thousand. As a result, the additional paid-in capital as of December 31, 2008 was NT\$4,374,244 thousand (US\$133,361 thousand). Under the Company Law, the Company may transfer the capital surplus to common stock if there is no accumulated deficit.

When the Company did not subscribe for the new shares issued by BandRich Inc. in May 2006 and Vitamin D Inc. in September 2008, adjustments of NT\$15,845 thousand and NT\$1,689 thousand (US\$52 thousand) were made to the investment's carrying value and capital surplus, respectively. As a result, the capital surplus from long-term equity investments as of December 31, 2008 was NT\$17,534 thousand (US\$535 thousand).

The additional paid-in capital from a merger (Note 1), which took effect on March 1, 2004, was NT\$25,972 thousand. Then, because of treasury stock retirement in April 2007, the additional paid-in capital from a merger decreased to NT\$25,756 thousand (US\$785 thousand).

Appropriation of Retained Earnings and Dividend Policy

Based on the Company Law of the ROC and the Company's Articles of Incorporation, 10% of the Company's annual net income less any deficit should first be appropriated as legal reserve until this reserve equals its capital. From the remainder, there should be appropriations of not more than 3% as remuneration to directors and supervisors and at least 5% as bonuses to employees.

The appropriation of retained earnings should be proposed by the board of directors and approved by the stockholders in their annual meeting.

As part of a high-technology industry and a growing enterprise, the Company considers its operating environment, industry developments, and long-term interests of stockholders as well as its programs to maintain operating efficiency and meet its capital expenditure budget and financial goals in determining the stock or cash dividends to be paid. The Company's dividend policy stipulates that at least 50% of total dividends may be distributed as cash dividends.

Had the Company recognized the employees' bonuses of NT\$531,000 thousand as expenses in 2005, the pro forma earnings per share in 2005 would have decreased from NT\$33.26 to NT\$31.76, which were not adjusted retroactively for the effect of stock dividend distribution in later years. Had the Company recognized the employees' bonuses of NT\$2,105,000 thousand as expenses in

2006, the pro forma earnings per share in 2006 would have decreased from NT\$57.85 to NT\$53.03, which were not adjusted retroactively for the effect of stock dividend distribution in the following year.

Had the Company recognized the employees' bonuses of NT\$1,313,200 thousand as expenses in 2007, the pro forma earnings per share in 2007 would have decreased from NT\$50.48 to NT\$48.19, which were not adjusted retroactively for the effect of stock dividend distribution in the following year.

Based on a resolution passed by the Company's board of directors in February 2008, the employee bonus payable should be appropriated at 18% of net income less employee bonus expenses. If the actual amounts subsequently resolved by the stockholders differ from the proposed amounts, the differences are recorded in the year of stockholders' resolution as a change in accounting estimate. If bonus shares are resolved to be distributed to employees, the number of shares is determined by dividing the amount of bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day preceding the stockholders' meeting.

As of January 17, 2009, the date of the accompanying independent auditors' report, the appropriation of the 2008 earnings had not been proposed by the Board of Directors. Information on earnings appropriation can be accessed online through the Market Observation Post System on the Web site.

20.TREASURY STOCK

On October 7, 2008, the Company's board of directors passed a resolution to buy back 10,000 thousand Company shares from the open market. The repurchase period was between October 8, 2008 and December 7, 2008, and the repurchase price ranged from NT\$400 (US\$12) to NT\$500 (US\$15) per share. If the Company's share price was lower than this price range, the Company might continue to buy back its shares.

The Company bought back 10,000 thousand shares for NT\$3,410,277 thousand (US\$103,972 thousand) during the repurchase period.

(In thousands of shares)

Purpose	As of January 1, 2008	Increase	Decrease	As of December 31, 2008
For maintaining the Company's credit and stockholders' equity		- 10,000	-	10,000

On December 12, 2006, the Company's board of directors passed a resolution to buy back 5,000 thousand Company shares from the open market. The repurchase period was between December 13, 2006 and January 19, 2007, and the repurchase price ranged from NT\$601 to NT\$800 per share. If the Company's share price was lower than this price range, the Company might continue to buy back its shares.

During the repurchase period, the Company bought back 3,624 thousand shares, which were approved to be retired by the Company's board of directors in April 2007, for NT\$1,991,755 thousand.

Based on the Securities and Exchange Act of the ROC, the number of reacquired shares should not exceed 10% of the Company's issued and outstanding stocks, and the total purchase amount should not exceed the sum of the retained earnings, additional paid-in capital in excess of par, and realized capital reserve. In addition, the

Company should not pledge its treasury shares nor exercise voting rights on the shares before their reissuance.

21.PERSONNEL EXPENSES, DEPRECIATION AND AMORTIZATION

	Function					
	2006			2007		
	NT\$			NT\$		
Expense Item	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Personnel expenses	1,399,381	1,980,666	3,380,047	1,511,827	2,357,008	3,868,835
Salary	1,167,170	1,736,364	2,903,534	1,261,420	2,029,616	3,291,036
Insurance	70,395	86,345	156,740	79,743	114,041	193,784
Pension	32,485	63,285	95,770	36,610	80,837	117,447
Others	129,331	94,672	224,003	134,054	132,514	266,568
Depreciation expense	367,879	233,503	601,382	279,752	245,303	525,055
Amortization	-	31,178	31,178	-	30,951	30,951

	Function					
	2008			2008		
	NT\$			US\$ (Note 3)		
Expense Item	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Personnel expenses	2,960,403	8,421,017	11,381,420	90,256	256,738	346,994
Salary	2,602,602	7,961,251	10,563,853	79,348	242,721	322,069
Insurance	123,335	147,065	270,400	3,760	4,484	8,244
Pension	48,583	114,880	163,463	1,481	3,502	4,983
Others	185,883	197,821	383,704	5,667	6,031	11,698
Depreciation expense	271,168	294,434	565,602	8,267	8,977	17,244
Amortization	-	35,983	35,983	-	1,097	1,097

22.INCOME TAX

The Company's income tax returns through 2003 had been examined by the tax authorities. However, the Company disagreed with the tax authorities' assessment on its returns for 2001 to 2003 and applied for the administrative appeal and litigation of its returns. Nevertheless, under the conservatism guideline, the Company adjusted its

income tax for the tax shortfall stated in the tax assessment notices.

Under the Statute for Upgrading Industries, the Company was granted exemption from corporate income tax as follows:

Item Exempt from Corporate Income Tax	Exemption Period
Sales of pocket PCs, pocket PCs (wireless) and Smartphones	2004.09.15-2009.09.14
Sales of pocket PCs (wireless) and Smartphones	2004.11.30-2009.11.29
Sales of pocket PCs (wireless) and Smartphones	2005.12.20-2010.12.19
Sales of wireless or smartphone which has 3G or GPS function	2006.12.20-2011.12.19
Sales of wireless or smartphone which has 3G or GPS function	2007.12.20-2012.12.19

Income taxes payable as of December 31, 2006, 2007 and 2008 were computed as follows:

	2006	2007	2008	
	NT\$	NT\$	NT\$	US\$
				(Note 3)
Income before income tax	\$ 26,957,878	\$ 32,151,297	\$ 31,590,479	\$ 963,125
Permanent differences				
Losses (gains) on equity-method investments	12,554	(103,997)	57,289	1,747
Other	36,625	45,745	372,219	11,348
Temporary differences				
Realized pension cost	(24,260)	(21,166)	(21,951)	(669)
Unrealized loss on decline in value of inventory	304,936	24,625	706,938	21,553
Unrealized royalties	1,930,164	271,000	2,104,308	64,155
Unrealized foreign exchange losses (gains), net	(177,812)	(17,821)	6,928	211
Unrealized bad debt expenses	-	64,603	180,011	5,488
Capitalized expense	(19,414)	30,767	74,251	2,264
Unrealized warranty expense	429,492	2,075,962	1,755,905	53,533
Unrealized marketing expenses	983,087	2,023,933	2,867,307	87,418
Unrealized valuation loss on financial instruments	76,470	19,786	417,827	12,739
Unrealized profit from intercompany transactions	148,934	11,064	(40,984)	(1,250)
Other	(1,292)	43,593	(74,922)	(2,284)
Total income	30,657,362	36,619,391	39,995,605	1,219,378
Less: Tax-exempt income tax	(20,914,039)	(22,787,534)	(31,976,991)	(974,908)
Taxable income	9,743,323	13,831,857	8,018,614	244,470
Tax rate	25%	25%	25%	25%
	2,435,831	3,457,964	2,004,654	61,117
Income tax credit	(10)	(10)	(10)	-
Estimated income tax provision	2,435,821	3,457,954	2,004,644	61,117
Unappropriated earnings (additional 10% income tax)	436,049	571,507	352,583	10,749
Less: Investment research and development tax credits	(1,024,576)	(648,134)	(352,583)	(10,749)
Income tax payable determined pursuant to the Income Tax Law	\$ 1,847,294	\$ 3,381,327	\$ 2,004,644	\$ 61,117
Alternative minimum tax	\$ 1,847,294	\$ 3,381,327	\$ 3,396,417	\$ 103,549
Less: Prepaid and withheld income tax	(156,308)	(1,060,575)	(438,747)	(13,376)
Prior years' income tax payable	67,731	193,642	980,075	29,880
Income tax payable	\$ 1,758,717	\$ 2,514,394	\$ 3,937,745	\$ 120,053

The government enacted the Alternative Minimum Tax Act (the “AMT Act”), which became effective on January 1, 2006. The alternative minimum tax (“AMT”) imposed under the AMT Act is a supplemental tax levied at a rate of 10% which is payable if the income tax payable determined pursuant to the Income Tax Law is below the minimum amount prescribed under the AMT Act. The taxable income for calculating the AMT includes most of the income that is exempted from income tax under various laws and statutes. The

Company has considered the impact of the AMT Act in the determination of its tax liabilities. As a result, the current income tax payable as of December 31, 2008 should be NT\$3,396,417 thousand (US\$103,549 thousand).

The tax effects of deductible temporary differences and tax credit carryforwards that gave rise to deferred tax assets as of December 31, 2006, 2007 and 2008 were as follows:

	2006	2007	2008
	NT\$	NT\$	US\$
Temporary differences			(Note 3)
Provision for loss on decline in value of inventory	\$ 222,916	\$ 229,072	\$ 12,372
Unrealized marketing expenses	245,772	751,755	44,288
Unrealized reserve for warranty expense	348,499	867,489	39,831
Capitalized expense	31,936	39,628	1,774
Unrealized royalties	942,097	1,009,848	46,827
Unrealized bad-debt expenses	-	16,151	808
Unrealized value loss on financial instruments	19,117	24,064	3,918
Other	27,770	41,434	380
Tax credit carryforwards	-	-	66,976
Total deferred tax assets	1,838,107	2,979,441	217,174
Less: Valuation allowance	(1,134,041)	(1,970,824)	(173,153)
Total deferred tax assets, net	704,066	1,008,617	44,021
Deferred tax liabilities			
Unrealized pension cost	(18,505)	(23,797)	(893)
Unrealized foreign exchange gain, net	(38,254)	(42,710)	(1,249)
	647,307	942,110	41,879
Less: Current portion	(428,077)	(562,025)	(16,844)
Deferred tax assets - noncurrent	\$ 219,230	\$ 380,085	\$ 25,035

Details of the tax credit carryforwards were as follows:

Credit	2006	2007	2008
Grant Year	Validity Period	NT\$	US\$
		NT\$	(Note 3)
2007	2007-2011	\$ -	\$ 6,144
2008	2008-2012	-	60,832
		\$ -	\$ 66,976

Based on the Income Tax Act of the ROC, the investment and research and development tax credits can be carried forward for four years. The total credits used in each year cannot exceed half of the estimated income tax provision, except in the last year.

Valuation allowance is based on management’s evaluation of the amount of tax credits that can be carried forward for four years, based on the Company’s financial forecasts.

The income taxes in 2006, 2007 and 2008 were as follows:

	2006	2007	2008
	NT\$	NT\$	US\$
			(Note 3)
Current income tax	\$1,847,294	\$3,381,327	\$3,396,417
Increase in deferred income tax assets	(168,447)	(294,803)	(431,528)
Underestimation (overestimation) of prior year’s income tax	31,704	125,911	(9,759)
Income tax	\$1,710,551	\$3,212,435	\$2,955,130

The integrated income tax information is as follows:

	2006	2007	2008
	NT\$	NT\$	US\$
			(Note 3)
Balance of imputation credit account (ICA)	\$1,772,897	\$3,005,386	\$5,568,676
Unappropriated earnings generated from 1998	31,991,090	41,403,867	44,626,182
Actual/estimated creditable ratio (including income tax payable)	5.54 % (actual ratio)	7.26% (actual ratio)	12.48%(estimatedratio)

For distribution of earnings generated on or after January 1, 1998, the ratio for the imputation credits allocated to stockholders of the Company is based on the balance of the ICA as of the date of dividend distribution. The expected creditable ratio for the 2008 earnings may be adjusted, depending on the ICA balance on the date of dividend distribution.

23.EARNINGS PER SHARE

Earnings per share (EPS) before tax and after tax are calculated by dividing net income by the weighted average number of common shares outstanding which includes the deduction of the effect of treasury stock during each year. The weighted average number of shares used in EPS calculation was 761,697 thousand shares, 755,608 thousand shares and 754,148 thousand shares for the years ended December 31, 2006, 2007 and 2008, respectively. EPS for the years ended December 31, 2006 and 2007 were calculated

the average number of shares outstanding was adjusted retroactively for the effect of stock dividend distribution in 2008.

The Accounting Research and Development Foundation issued Interpretation 2007-052 that requires companies to recognize bonuses paid to employees, directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. If the Company may settle the bonus to employees by cash or shares, the Company should presume that the entire amount of the bonus will be settled in shares and the resulting potential shares should be included in the weighted average number of shares outstanding used in the calculation of diluted EPS, if the shares have a dilutive effect.

The number of shares is estimated by dividing the entire amount of the bonus by the closing price of

the shares at the balance sheet date. Such dilutive effects of the potential shares needs to be included in the calculation of diluted EPS until the stockholders resolve the number of shares to be

distributed to employees at their meeting in the following year. The related EPS information for the years ended December 31, 2006, 2007 and 2008 are as follows:

	2006				
	Numerators		Denominator	EPS (In Dollars)	
	Income before Income Tax	Income after Income Tax	Shares (Thousands)	Income before Income Tax	Income after Income Tax
	NT\$	NT\$		NT\$	NT\$
Basic EPS	\$26,957,878	\$25,247,327	761,697	\$35.39	\$33.15
Employee stock options	-	-	6,763		
Diluted EPS	\$26,957,878	\$25,247,327	768,460	\$35.08	\$32.85

	2007				
	Numerators		Denominator	EPS (In Dollars)	
	Income before Income Tax	Income after Income Tax	Shares (Thousands)	Income before Income Tax	Income after Income Tax
	NT\$	NT\$		NT\$	NT\$
Basic EPS	\$32,151,297	\$28,938,862	755,608	\$42.55	\$38.30
Employee stock options	-	-	-		
Diluted EPS	\$32,151,297	\$28,938,862	755,608	\$42.55	\$38.30

	2008				
	Numerators		Denominator	EPS (In Dollars)	
	Income before Income Tax	Income after Income Tax	Shares (Thousands)	Income before Income Tax	Income after Income Tax
	NT\$	NT\$		NT\$	NT\$
Basic EPS	\$31,590,479	\$28,635,349	754,148	\$41.89	\$37.97
Bonus to employees	-	-	27,400		
Diluted EPS	\$31,590,479	\$28,635,349	781,548	\$40.42	\$36.64

	2008				
	Numerators		Denominator	EPS (In Dollars)	
	Income before Income Tax	Income after Income Tax	Shares (Thousands)	Income before Income Tax	Income after Income Tax
	US\$ (Note 3)	US\$ (Note 3)		US\$ (Note 3)	US\$ (Note 3)
Basic EPS	\$963,125	\$873,029	754,148	\$1.28	\$1.16
Employees' bonus	-	-	27,400		
Diluted EPS	\$963,125	\$873,029	781,548	\$1.23	\$1.12

24.FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

>Nonderivative Financial Instruments

	December 31							
	2006		2007		2008			
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	NT\$	NT\$	NT\$	NT\$	NT\$	US\$ (Note 3)	NT\$	US\$ (Note 3)
Assets								
Available-for-sale financial assets - noncurrent	\$ 1,733	\$ 1,733	\$ 784	\$ 784	\$ 339	\$ 10	\$ 339	\$ 10
Financial assets carried at cost	1,192	1,192	501,192	501,192	501,192	15,280	501,192	15,280
Bond investments not quoted in an active market	-	-	33,030	33,030	-	-	-	-
Investments accounted for by the equity method	821,556	821,556	2,397,133	2,397,133	4,659,360	142,054	4,659,360	142,054

>Derivative Financial Instruments

	December 31							
	2006		2007		2008			
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	NT\$	NT\$	NT\$	NT\$	NT\$	US\$ (Note 3)	NT\$	US\$ (Note 3)
Liabilities								
Financial liabilities at fair value through profit or loss	76,470	76,470	96,256	96,256	514,083	15,673	514,083	15,673

Methods and Assumptions Used in Determining Fair Values of Financial Instruments

Not subject to Statement of Financial Accounting Standards No. 34 - "Financial Instruments: Recognition and Measurement" are cash, receivables, other current financial assets, payables, accrued expenses and other current financial liabilities, which have carrying amounts that approximate their fair values.

The financial instruments neither include refundable deposits nor guarantee deposits. The

fair values of refundable deposits and guarantee deposits received are based on the present value of future cash flows discounted at the average interest rates for time deposits with maturities similar to those of the financial instruments.

The fair values of financial instruments at fair value through profit or loss and available-for-sale financial assets are based on quoted market prices in an active market, and their fair values can be reliably measured. If the securities do not have market prices, fair value is measured on the basis of financial or other information. The Company

uses estimates and assumptions that are consistent with information that market participants would use in setting a price for these securities.

Methodology Used to Determine the Fair
Values of Financial Instruments

	Quoted Market Prices				Measurement Method			
	December 31				December 31			
	2006	2007	2008	2006	2007	2008		
	NT\$	NT\$	NT\$ US\$ (Note 3)	NT\$	NT\$	NT\$ US\$ (Note 3)		
Assets								
Available-for-sale financial assets - noncurrent	\$ 1,733	\$ 784	\$ 339 \$ 10	\$ -	\$ -	\$ -	\$ -	
Financial assets carried at cost	-	-	-	1,192	501,192	501,192	15,280	
Bond investments not quoted in an active market	-	-	-	-	33,030	-	-	
Investments accounted for by the equity method	-	-	-	821,556	2,397,133	4,659,360	142,054	
Liabilities								
Financial liabilities at fair value through profit or loss	76,470	96,256	514,083 15,673	-	-	-	-	

There was no loss or gain recognized for the years ended December 31, 2006, 2007 and 2008 on the fair value changes of derivatives with fair values estimated using valuation techniques. However, on the changes in fair value of available-for-sale financial assets, the Company recognized an unrealized gain of NT\$849 thousand, an unrealized loss of NT\$949 thousand and another unrealized loss of NT\$445 thousand (US\$14 thousand) under stockholders' equity in the years ended December 31, 2006, 2007 and 2008, respectively.

As of December 31, 2006, 2007 and 2008, financial assets exposed to cash flow interest rate risk amounted to NT\$30,258,400 thousand, NT\$46,258,680 thousand and NT\$60,051,748 thousand (US\$1,830,846 thousand), respectively.

As of December 31, 2007, financial assets exposed to fair value interest rate risk was NT\$33,030 thousand.

Financial Risks

>Market Risk

The Company uses derivative contracts for hedging purposes, i.e., to reduce any adverse effect of exchange rate fluctuations of accounts receivable/payable. The gains or losses on these contracts almost offset the gains or losses on the hedged items. Thus, market risk is not material.

>Credit Risk

The Company deals only with banks with good credit standing based on the banks' reputation and takes into account past experience with them. Moreover, the Company has a series of control procedures for derivative transactions. Management believes its exposure to counter-parties' default on contracts is low.

>Cash Flow Risk

The Company has sufficient working capital to settle derivative contracts. However, there are no future cash requirements for contract settlement.

25.RELATED-PARTY TRANSACTIONS

The related parties were as follows:

Related Party	Relationship with the Company
First International Computer, Inc. (FIC)	Chairperson is an immediate relative of the Company's chairperson
Xander International Corp.	Chairperson is an immediate relative of the Company's chairperson
VIA Technologies, Inc.	Same chairperson
Chander Electronics Corp.	Same chairperson
Comserve Network Netherlands B.V.	Main director is an immediate relative of the Company's chairperson
H.T.C. (B.V.I.) Corp.	Subsidiary
BandRich Inc.	Subsidiary
Communication Global Certification Inc.	Subsidiary
High Tech Computer Asia Pacific Pte. Ltd.	Subsidiary
HTC America Inc. (formerly HTC USA Inc. until August 2, 2006)	Subsidiary of H.T.C. (B.V.I.) Corp.
HTC Europe Co., Ltd.	Subsidiary of H.T.C. (B.V.I.) Corp.
High Tech Computer Corp. (Suzhou)	Subsidiary of H.T.C. (B.V.I.) Corp.
HTC Corporation (Shanghai WGQ)	Subsidiary of H.T.C. (B.V.I.) Corp.
HTC Brasil	Subsidiary of H.T.C. (B.V.I.) Corp.
Exedea Inc.	Subsidiary of H.T.C. (B.V.I.) Corp.
HTC Nippon Corporation	Subsidiary of H.T.C. (B.V.I.) Corp.
HTC Belgium BVBA/SPRL	Subsidiary of HTC HK, Limited.
High Tech Computer Singapore Pte. Ltd.	Subsidiary of High Tech Computer Asia Pacific Pte. Ltd.
High Tech Computer (H.K.) Limited	Subsidiary of High Tech Computer Asia Pacific Pte. Ltd.
HTC (Australia and New Zealand) Pty. Ltd.	Subsidiary of High Tech Computer Asia Pacific Pte. Ltd.
HTC India Private Limited	Subsidiary of High Tech Computer Asia Pacific Pte. Ltd.
HTC (Thailand.) Ltd.	Subsidiary of High Tech Computer Asia Pacific Pte. Ltd.
HTC Electronics (Shanghai)	Subsidiary of High Tech Computer Asia Pacific Pte. Ltd.
One & Company Design, Inc.	Subsidiary of H.T.C. (B.V.I.) Corp.
Employees' Welfare Committee	Employees' Welfare Committee of HTC Corporation
HTC Education Foundation for Social Welfare Charity	a non-profit organization of which the funds donated from the Company exceeds one third of the non-profit organization's total funds
High Tech Computer Foundation	a non-profit organization of which the funds donated from the Company exceeds one third of the non-profit organization's total funds

Major transactions with related parties are summarized below:

>Purchases of Inventories and Services

Related Party	2006		2007		2008		
	% to Total Net		% to Total Net		% to Total Net		
	Amount	Purchases	Amount	Purchases	Amount	Purchases	
	NT\$		NT\$		NT\$	US\$	
						(Note 3)	
High Tech Computer Corp. (Suzhou)	\$ 16,069	-	\$ 160,399	-	\$ 167,775	\$ 5,115	-
Chander Electronics Corp.	72,290	-	-	-	19,041	581	-
HTC Electronics (Shanghai)	-	-	-	-	13,975	426	-
BandRich Inc.	-	-	104	-	-	-	-
	\$ 88,359	-	\$ 160,503	-	\$ 200,791	\$ 6,122	-

Terms of payment and purchasing prices for both related and third parties were similar.

>Sales and Services Provided

Related Party	2006		2007		2008		
	% to Total		% to Total		% to Total		
	Amount	Revenues	Amount	Revenues	Amount	Revenues	
	NT\$		NT\$		NT\$	US\$	
						(Note 3)	
HTC America Inc.	\$ 953,579	1	\$ 1,094,791	1	\$ 1,524,385	\$ 46,475	2
BandRich Inc.	396	-	116,693	-	266,166	8,115	-
HTC Europe Co., Ltd.	389,302	-	687,451	1	198,346	6,047	-
Employees' Welfare Committee	228	-	212	-	101,195	3,085	-
Xander International Corp.	-	-	39,893	-	93,923	2,864	-
High Tech Computer (H.K.) Limited	-	-	3,350	-	78,703	2,399	-
High Tech Computer Singapore Pte. Ltd.	-	-	3,707	-	59,422	1,812	-
First International Computer, Inc. (FIC)	-	-	55,408	-	24,222	738	-
Exedea Inc.	2,080,052	2	191,897	-	-	-	-
Comserve Network Netherlands B.V.	-	-	37,587	-	-	-	-
Others	1,533	-	3,712	-	17,375	530	-
	\$ 3,425,090	3	\$ 2,234,701	2	\$ 2,363,737	\$ 72,065	2

The selling prices and collection terms for products sold to related parties were similar to those sold to third parties, except those for HTC America Inc., HTC Europe Co., Ltd., Exedea Inc. and Employees' Welfare Committee.

>Accounts Receivable

Related Party					December 31		
	2006		2007		2008		
	% to Total		% to Total		% to Total		
	Amount	Accounts Receivable	Amount	Accounts Receivable	Amount	Accounts Receivable	
	NT\$		NT\$		NT\$	US\$	
(Note 3)							
Accounts receivable							
HTC America Inc.	\$ 444,099	2	\$ 273,472	2	\$ 761,193	\$ 23,207	3
HTC Europe Co., Ltd.	263,376	1	248,903	1	81,917	2,497	-
Employees' Welfare Committee.	-	-	-	-	69,238	2,111	-
High Tech Computer (H.K.) Limited	-	-	3,201	-	9,893	302	-
Exedea Inc.	603,021	3	-	-	-	-	-
Others	1,294	-	11,299	-	16,529	504	-
	\$ 1,311,790	6	\$ 536,875	3	\$ 938,770	\$ 28,621	3

>Accounts Payable

Related Party					December 31		
	2006		2007		2008		
	% to Total		% to Total		% to Total		
	Amount	Accounts Payable	Amount	Accounts Payable	Amount	Accounts Payable	
	NT\$		NT\$		NT\$	US\$	
(Note 3)							
Chander Electronics Corp.	\$ -	-	\$ -	-	\$ 19,041	\$ 581	-
HTC Electronics (Shanghai)	-	-	-	-	7,626	232	-
High Tech Computer Corp. (Suzhou)	13,560	-	28,386	-	1,427	43	-
Others	494	-	1,015	-	609	19	-
	\$ 14,054	-	\$ 29,401	-	\$ 28,703	\$ 875	-

>Other Receivables

Related Party					December 31		
	2006		2007		2008		
	% to Total		% to Total		% to Total		
	Amount	Other Receivables	Amount	Other Receivable	Amount	Other Receivables	
	NT\$		NT\$		NT\$	US\$	
(Note 3)							
HTC Corporation (Shanghai WGO)	\$ -	-	\$ 342	-	\$ 6,064	\$ 185	3
HTC Nippon Corporation	27,249	18	16,917	8	1,815	56	1
HTC America Inc.	377	-	810	-	1,666	51	1
HTC Belgium BVBA/SPRL	-	-	106,024	48	1,648	50	1
High Tech Computer Corp. (Suzhou)	19,273	12	41,163	19	1,379	42	1
HTC Europe Co., Ltd.	84,055	55	6,445	3	373	11	-
Others	36	-	200	-	924	28	-
	\$ 130,990	85	\$ 171,901	78	\$ 13,869	\$ 423	7

>Prepaid Expenses

Related Party	December 31						
	2006		2007		2008		
	% to Total		% to Total		% to Total		
	Amount	Prepayment	Amount	Prepayment	Amount	Prepayment	
	NT\$		NT\$		NT\$	US\$	(Note 3)
Communication Global Certification Inc.	\$ -	-	\$ 3,728	-	\$ 24,947	\$ 760	2
HTC Nippon Corporation	3,245	-	15,789	1	24,249	739	2
One & Company Design, Inc.	-	-	-	-	13,412	409	1
HTC India Private Limited	-	-	-	-	12,138	370	1
HTC Belgium BVBA/SPRL	-	-	-	-	8,131	248	1
High Tech Computer Singapore Pte. Ltd.	-	-	-	-	4,026	123	-
HTC America Inc.	19,857	1	-	-	-	-	-
HTC Europe Co., Ltd.	17,610	1	-	-	-	-	-
HTC Corporation (Shanghai WGQ)	-	-	9,576	-	-	-	-
	\$ 40,712	2	\$ 29,093	1	\$ 86,903	\$ 2,649	7

>Accrued Expenses

Related Party	2008						
	2006		2007		2008		
	% to Total		% to Total		% to Total		
	Amount	Prepayment	Amount	Prepayment	Amount	Prepayment	
	NT\$		NT\$		NT\$	US\$	(Note 3)
HTC EUROPE CO., LTD.	\$ -	-	\$ 5,014	-	\$ 692,159	\$ 21,102	5
HTC America Inc.	-	-	2,962	-	448,740	13,681	2
High Tech Computer Asia Pacific Pte. Ltd.	-	-	-	-	65,600	2,000	1
High Tech Computer Singapore Pte. Ltd.	-	-	150,017	3	67,564	2,060	1
HTC Nippon Corporation	-	-	31,280	1	46,092	1,405	-
HTC India Private Limited	-	-	-	-	39,400	1,201	-
High Tech Computer (H.K.) Limited	-	-	-	-	26,772	816	-
HTC (Australia and New Zealand) Pty. Ltd.	-	-	60,314	1	17,969	548	-
HTC (H.K.) Limited	-	-	75,792	1	-	-	-
HTC Belgium BVBA/SPRL	-	-	145,926	3	-	-	-
Others	210	-	-	-	19,658	600	-
	\$ 210	-	\$ 471,305	9	\$ 1,423,954	\$ 43,413	9

>Other Payables to Related Parties

Related Party	December 31						
	2006		2007		2008		
	% to Total		% to Total		% to Total		
	Amount	Other Payables	Amount	Other Payables	Amount	Other Payables	
	NT\$		NT\$		NT\$	US\$	(Note 3)
HTC America Inc.	\$ 72,404	48	\$ 102,152	33	\$ 210,389	\$ 6,414	33
H.T.C. (B.V.I.) Corp.	-	-	-	-	122,700	3,741	20
HTC Nippon Corporation	11,526	8	16,978	6	20,011	610	3
Communication Global Certification Inc.	-	-	-	-	14,972	456	2
HTC Corporation (Shanghai WGQ)	-	-	-	-	5,564	170	1
HTC Europe Co., Ltd.	23,354	16	72,340	24	-	-	-
HTC Belgium BVBA/SPRL	-	-	51,266	16	-	-	-
Others	3,333	2	1,358	-	1,331	41	-
	\$ 110,617	74	\$ 244,094	79	\$ 374,967	\$ 11,432	59

>Outsourcing Expenses

Related Party	2008						
	2006		2007		2008		
	% to Total		% to Total		% to Total		
	Amount	Outsourcing Expenses	Amount	Outsourcing Expenses	Amount	Outsourcing Expenses	
	NT\$		NT\$		NT\$	US\$	(Note 3)
High Tech Computer Corp. (Suzhou)	\$ 159,134	19	\$ 347,180	66	\$ 281,470	\$ 8,581	58
HTC Electronics (Shanghai)	-	-	-	-	9,084	277	2
	\$ 159,134	19	\$ 347,180	66	\$ 290,554	\$ 8,858	60

>Service Warranty Expense

Related Party	2008						
	2006		2007		2008		
	% to Total		% to Total		% to Total		
	Amount	Warranty Expenses	Amount	Warranty Expenses	Amount	Warranty Expenses	
	NT\$		NT\$		NT\$	US\$	(Note 3)
HTC America Inc.	\$ 463,474	23	\$ 970,411	19	\$ 1,105,226	\$ 33,696	19
HTC Europe Co., Ltd.	308,187	15	329,461	7	564,780	17,219	10
HTC Corporation (Shanghai WGQ)	-	-	-	-	87,317	2,662	1
High Tech Computer (H.K.) Limited	-	-	-	-	29,738	906	-
High Tech Computer Singapore Pte. Ltd.	-	-	-	-	18,292	558	-
Comserve Network Netherlands B.V.	11,470	1	221,884	4	14,491	442	-
	\$ 783,131	39	\$ 1,521,756	30	\$ 1,819,844	\$ 55,483	30

Service warranty expense resulted from authorizing the above related parties to provide after-sales service.

>Service and Marketing Fees

Related Party	2006		2007		2008		
	% to Total Service		% to Total Service		% to Total Service		
	Amount	Expenses	Amount	Expenses	Amount	Expenses	
	NT\$		NT\$		NT\$	US\$	(Note 3)
HTC Europe Co., Ltd.	\$ 302,919	21	\$ 1,327,623	30	\$ 2,030,696	\$ 61,911	29
HTC America Inc.	464,321	32	1,336,085	30	1,846,017	56,281	27
HTC Belgium BVBA/SPRL	-	-	232,447	5	600,114	18,296	9
HTC Nippon Corporation	31,478	2	247,967	7	336,913	10,272	5
HTC BRASIL	-	-	-	-	219,394	6,689	3
High Tech Computer Singapore Pte. Ltd.	-	-	150,017	3	171,054	5,215	2
Communication Global Certification Inc.	34,814	2	115,253	3	139,200	4,244	2
HTC India Private Limited	-	-	-	-	118,461	3,612	2
HTC (Australia and New Zealand) Pty. Ltd.	-	-	60,314	1	111,902	3,412	2
High Tech Computer Asia Pacific Pte. Ltd.	-	-	-	-	65,600	2,000	1
High Tech Computer (H.K.) Limited	-	-	75,792	2	94,322	2,876	1
HTC (Thailand.) Ltd.	-	-	-	-	34,755	1,059	1
HTEK	21,685	1	-	-	-	-	-
Exedea Inc.	15,567	1	-	-	-	-	-
Others	2,400	-	2,400	-	14,442	440	-
	\$ 873,184	59	\$ 3,547,898	81	\$ 5,782,870	\$ 176,307	84

Leasing - Lessee

>Operating Expense - Rental Expense

Related Party	2006		2007		2008		
	% to Total Rental		% to Total Rental		% to Total Rental		
	Amount	Expense	Amount	Rental Expense	Amount	Rental Expense	
	NT\$		NT\$		NT\$	US\$	(Note 3)
VIA Technologies Inc.	\$ -	-	\$ -	-	\$ 3,661	\$ 112	8

The Company leased offices and parking space owned by VIA Technologies, Inc. at one-year renewable operating lease agreements, and the rental payment was determined at the prevailing rates in the surrounding area.

>Donation Expense

Related Party	2006		2007		2008		
	% to Total Donation		% to Total Donation		% to Total Donation		
	Amount	Expenses	Amount	Expenses	Amount	Expenses	
	NT\$		NT\$		NT\$	US\$	(Note 3)
HTC Education Foundation for Social Welfare Charity	\$ -	-	\$ 300,000	100	\$ 300,000	\$ 9,146	92
High Tech Computer Foundation.	300,000	100	-	-	20,000	610	6
	\$ 300,000	100	\$ 300,000	100	\$ 320,000	\$ 9,756	98

The Company donated NT\$300,000 thousand in 2006, NT\$300,000 thousand in 2007 and NT\$325,000 thousand (US\$9,909 thousand) in 2008 to help disadvantaged minorities, teenagers and other people in need. Of these donations, NT\$5,000 thousand (US\$152 thousand) went to an unrelated party.

>Other Losses

Related Party	2006		2007		2008		
	% to Total Other Losses		% to Total Other Losses		% to Total Other Losses		
	Amount	Other Losses	Amount	Other Losses	Amount	Other Losses	
	NT\$		NT\$		NT\$	US\$	(Note 3)
Xander International Corp.	\$ -	-	\$ -	-	\$ 37,500	\$ 1,143	10

The Company shared part of the moving expenses with Xander International Corp. because the Company rented the office which was originally rented by Xander International Corp.

respectively.

In 2007, the Company sold equipment to High Tech Computer Corp. (Suzhou) for NT\$5,080 thousand, resulting in a gain of NT\$2,046 thousand.

>Property Transactions

In the second quarter of 2006, the Company sold equipment to HTC Europe Co., Ltd. for NT\$141 thousand and to High Tech Computer Corp. (Suzhou) for NT\$3,914 thousand, resulting in gains of NT\$81 thousand and NT\$2,169 thousand,

In 2008, the Company sold equipment to HTC Corporation (Shanghai WGQ) for NT\$7,106 thousand (US\$217 thousand), resulting in a gain of NT\$1,175 thousand (US\$36 thousand).

>Compensation of Directors, Supervisors and Management Personnel

	2006	2007	2008	
	NT\$	NT\$	NT\$	US\$
				(Note 3)
Salaries	\$ 28,594	\$ 54,123	\$ 77,345	\$ 2,358
Incentives	14,186	27,082	19,163	584
Special compensation	-	12	15	1
Bonus	511,747	626,702	(Note)	(Note)
	\$ 554,527	\$ 707,919	\$ 96,523	\$ 2,943

Note:The appropriation of the 2008 earnings is not shown because the Board of Directors had not yet made the related proposal.

The Company’s disclosure of the compensation of directors, supervisors and management personnel for the years ended December 31, 2006, 2007 and 2008 was in compliance with Order VI-0970053275 issued by the Financial Supervisory Commission under the Executive Yuan.

The compensation of directors, supervisors and management personnel for the years ended December 31, 2006 and 2007 included the bonuses appropriated from the earnings of 2006 and 2007, which had been approved by stockholders in their annual meetings in 2007 and 2008, respectively.

26.COMMITMENTS AND CONTINGENCIES

An indirect subsidiary of the Company, HTC Electronics (Shanghai), applied to Citibank for banking facilities of US\$15,000 thousand. For these banking facilities, the Company signed a comfort letter in September 2008, assuring Citibank that the Company would supervise the management of HTC Electronics (Shanghai) and

oversee the meeting by HTC Electronics (Shanghai) of its financial obligations. As of December 31, 2008 the Company wholly owned HTC Electronics (Shanghai) indirectly.

27.SIGNIFICANT CONTRACTS

>Patent Agreements

To enhance the quality of its products and manufacturing technologies, the Company has patent agreements as follows:

Contractor	Contract Term	Description
Microsoft	January 1, 2007-January 31, 2009	Authorization to use embedded operating system; royalty payment based on agreement.
Texas Instruments France	January 14, 2000-January 13, 2010	Authorization to use GSM system software; royalty payment based on agreement.
Qualcomm Incorporated	December 20, 2000 to the following dates: (a) If the Company materially breaches any covenant and fails to take remedial action within 30 days after Qualcomm’s issuance of a written notice, the Company will be prohibited from using Qualcomm’s property or patents. (b)Any time when the Company is not using any of Qualcomm’s intellectual property, the Company may terminate this agreement upon 60 days’ prior written notice to Qualcomm.	Authorization to use CDMA technology to manufacture and sell units; royalty payment based on agreement.
Ericsson Mobile Platform AB	April 2003-March 2011	Authorization to use EDGE reference design license and support agreement; royalty payment based on agreement.
Telefonaktiebolaget LM Ericsson	December 15, 2008 -December 14, 2013	Authorization to use platform patent license agreement; royalty payment based on agreement.
Nokia Corporation	January 1, 2003 to the expiry dates of these patents.	Authorization to use wireless technology, like GSM; royalty payment based on agreement.
InterDigital Technology Corporation.	December 31, 2003 to the expiry dates of these patents.	Authorization to use TDMA and CDMA technology; royalty payment based on agreement.
KONINKLIJKE PHILIPS ELECTRONICS N.V.	January 5, 2004 to the expiry dates of these patents	GSM/DCS 1800/1900 Patent License; royalty payment based on agreement.
Motorola, Inc.	December 23, 2003 to the latest of the following dates: (a)Expiry dates of patents (b)Any time when the Company is not using any of Motorola’s intellectual property,	TDMA, NARROWBAND CDMA, WIDEBAND CDMA or TD/CDMA Standards patent license or technology; royalty payment based on agreement.
ALCATEL/TCL & Alcatel	July 1, 2004-June 30, 2009	Authorization to use GSM, GPRS or EDGE patent license or technology; royalty payment based on agreement.
Siemens Aktiengesellschaft	July 1, 2004 to the expiry dates of these patents.	Authorization to use GSM, GPRS or EDGE patent license or technology; royalty payment based on agreement.
Lucent Technologies GRL LLC	July 1, 2004-June 30, 2009	Authorization to use GSM, GPRS, EDGE, CDMA or WCDMA patent license or technology; royalty payment based on agreement.

28.OTHER EVENT

In December 2008, the Company’s board of directors resolved to buy a land near the Company in Taoyuan for NT\$791,910 thousand (US\$24,144

thousand) from a related party, Syuda Construction Company, to have more office space, parking lots, dormitory, etc. Both parties agreed to pay and transfer the ownership of the land at the same time before January 31, 2009.

29.SEGMENT INFORMATION

Industry Type

The Company mainly manufactures and sells smart handheld devices.

Foreign Operations

The Company does not have any foreign operations.

Export Sales

Export sales in 2006, 2007 and 2008 were as follows:

	2006		2007		2008
	NT\$		NT\$		US\$
					(Note 3)
Asia	\$	6,317,593	\$	11,679,026	\$ 686,601
America		49,644,601		49,815,760	1,676,269
Europe		38,917,132		47,040,613	1,829,964
Others		6,771,781		7,770,334	347,594
	\$	101,651,107	\$	116,305,733	\$ 4,540,428

Major Customers

Sales to major customers were as follows:

	2006		2007		2008
	NT\$		NT\$		US\$
					(Note 3)
A	\$	13,328,177	\$	19,633,294	\$ 819,103
B		12,304,976		15,901,462	659,501
C		10,335,852		12,592,382	651,571
D		17,738,373		16,931,462	134,585
	\$	53,707,378	\$	65,058,600	\$ 2,264,760

5. CONSOLIDATED REPORT

The Board of Directors and Stockholders
HTC Corporation

We have audited the accompanying consolidated balance sheets of HTC Corporation (formerly High Tech Computer Corporation) and subsidiaries (collectively, the “Company”) as of December 31, 2006, 2007 and 2008, and the related consolidated statements of income, changes in stockholders’ equity and cash flows for the years then ended, all expressed in New Taiwan dollars. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of HTC Corporation and subsidiaries as of December31, 2006, 2007 and 2008, and the results of their operations and their cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, and accounting principles generally accepted in the Republic of China.

As discussed in Note 4 to the financial statements, the Company adopted Interpretation 96-052 - “Accounting for Bonuses to Employees, Directors and Supervisors” of the Accounting Research and Development Foundation and also adopted early on January 1, 2008 the newly revised Statement of Financial Accounting Standards No. 10 - “Accounting for Inventories.”

Our audits also comprehended the translation of the 2008 New Taiwan dollar amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 3. Such U.S. dollar amounts are presented solely for the convenience of readers.

January 17, 2009

Notice to Readers

> The accompanying consolidated financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

> The auditors’ report and the accompanying financial statements were originally presented in more than one set of Chinese reports. For the convenience of readers, the auditors’ report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors’ report and consolidated financial statements shall prevail. Also, as stated in Note 2 to the consolidated financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.

HTC CORPORATION
(Formerly High Tech Computer Corporation)
AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2006, 2007 AND 2008
(In Thousands, Except Par Value)

	2006	2007	2008	
			NT\$	US\$
ASSETS	NT\$	NT\$	NT\$	(Note 3)
CURRENT ASSETS				
Cash (Note 5)	\$ 34,969,818	\$ 56,490,185	\$ 64,237,728	\$ 1,958,467
Bond investments not quoted in an active market (Notes 2 and 13)	-	33,030	-	-
Notes receivable, net (Notes 2 and 8)	58,930	3,532	26,009	793
Accounts receivable, net (Notes 2, 8 and 27)	19,148,301	19,470,185	29,428,769	897,219
Other current financial assets (Notes 9 and 27)	260,228	176,328	316,524	9,650
Inventories (Notes 2, 4 and 10)	5,963,513	7,237,231	8,250,337	251,535
Prepayments (Note 11)	1,867,820	1,567,761	1,285,483	39,192
Deferred tax assets (Notes 2 and 24)	428,077	570,992	550,530	16,784
Other current assets	115,936	179,267	161,320	4,918
Total current assets	62,812,623	85,728,511	104,256,700	3,178,558
LONG-TERM INVESTMENTS				
Available-for-sale financial assets - noncurrent (Notes 2 and 7)	1,733	784	339	10
Financial assets carried at cost (Notes 2 and 12)	1,192	501,192	501,192	15,280
Investments accounted for by the equity method (Notes 2 and 14)	-	-	39,906	1,217
Total long-term investments	2,925	501,976	541,437	16,507
PROPERTIES (Notes 2 and 15)				
Cost				
Land	610,293	610,293	3,568,124	108,784
Buildings and structures	1,083,065	2,254,855	2,856,815	87,098
Machinery and equipment	3,103,327	3,966,723	4,579,241	139,611
Molding equipment	201,247	212,360	194,320	5,924
Computer equipment	226,903	284,260	350,118	10,675
Transportation equipment	3,141	3,195	4,605	140
Furniture and fixtures	139,647	213,934	462,157	14,090
Leased assets	4,712	4,712	5,336	163
Leasehold improvements	76,772	119,672	188,182	5,737
Total cost	5,449,107	7,670,004	12,208,898	372,222
Less: Accumulated depreciation	(2,752,680)	(3,598,267)	(4,243,837)	(129,385)
Prepayments for construction-in-progress and equipment-in-transit	473,971	149,225	951,289	29,003
Properties, net	3,170,398	4,220,962	8,916,350	271,840
INTANGIBLE ASSETS				
Goodwill (Note 2)	-	174,253	289,308	8,820
Deferred pension cost	-	953	475	15
Total intangible assets	-	175,206	289,783	8,835
OTHER ASSETS				
Assets leased to others	-	-	309,959	9,450
Refundable deposits	45,234	132,619	193,765	5,908
Deferred charges (Note 2)	135,060	136,273	253,121	7,717
Deferred tax assets (Notes 2 and 24)	223,164	392,174	822,893	25,088
Restricted assets (Note 28)	-	34,500	41,465	1,264
Others (Notes 2 and 20)	74,020	94,260	116,937	3,565
Total other assets	477,478	789,826	1,738,140	52,992
TOTAL	\$ 66,463,424	\$ 91,416,481	\$ 115,742,410	\$ 3,528,732

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

(With Deloitte & Touche audit report dated January 17, 2009)

	2006	2007	2008	
			NT\$	US\$
LIABILITIES AND STOCKHOLDERS' EQUITY	NT\$	NT\$	NT\$	(Note 3)
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	\$ -	\$ -	\$ 75,000	\$ 2,286
Financial liabilities at fair value through profit or loss (Notes 2, 6 and 26)	76,470	96,256	514,083	15,673
Notes and accounts payable (Note 27)	17,276,571	23,201,620	28,569,935	871,035
Income tax payable (Notes 2 and 24)	1,758,717	2,558,703	4,039,613	123,159
Accrued expenses (Notes 4, 17 and 27)	2,935,078	5,126,409	15,348,770	467,950
Payable for purchase of equipment	49,058	179,280	314,086	9,576
Long-term liabilities - current portion (Note 19)	-	20,625	28,750	877
Other current liabilities (Notes 18 and 27)	1,662,003	3,970,032	6,108,696	186,240
Total current liabilities	23,757,897	35,152,925	54,998,933	1,676,796
LONG-TERM LIABILITIES				
Long-term bank loans, net of current portion (Note 19)	-	75,625	46,875	1,429
OTHER LIABILITIES				
Guarantee deposits received	640	633	6,420	196
Total liabilities	23,758,537	35,229,183	55,052,228	1,678,421
STOCKHOLDERS' EQUITY (Note 21)				
Capital stock - NT\$10.00 par value				
Authorized: 1,000,000 thousand shares				
Issued and outstanding: 436,419 thousand shares in 2006, 573,134 thousand shares in 2007 and 755,394 thousand shares in 2008				
Common stock	4,364,192	5,731,337	7,553,938	230,303
Capital surplus				
Additional paid-in capital	4,410,871	4,374,244	4,374,244	133,361
Long-term equity investments	15,845	15,845	17,534	535
Merger	25,972	25,756	25,756	785
Retained earnings				
Legal reserve	1,991,520	4,516,253	7,410,139	225,919
Special reserve	6,175	-	-	-
Accumulated earnings	31,991,090	41,403,867	44,626,182	1,360,555
Cumulative translation adjustments (Note 2)	10,786	9,664	65,602	2,000
Unrealized valuation losses on financial instruments (Notes 2 and 7)	(238)	(1,187)	(1,632)	(50)
Treasury stock (Notes 2 and 22)	(243,995)	-	(3,410,277)	(103,972)
Equity attributable to stockholders of the parent	42,572,218	56,075,779	60,661,486	1,849,436
MINORITY INTEREST	132,669	111,519	28,696	875
Total Stockholders' equity	42,704,887	56,187,298	60,690,182	1,850,311

TOTAL	\$ 66,463,424	\$ 91,416,481	\$ 115,742,410	\$ 3,528,732
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HTC CORPORATION
(Formerly High Tech Computer Corporation)
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2006, 2007 AND 2008
(In Thousands, Except Earnings Per Share)

	2006		2007		2008			
	NT\$		NT\$		US\$ (Note 3)			
REVENUES (Notes 2 and 27)	\$	105,358,397	\$	118,217,545	\$	152,353,176	\$	4,644,914
COST OF REVENUES (Notes 4, 23 and 27)		74,053,697		77,773,277		101,362,538		3,090,321
GROSS PROFIT		31,304,700		40,444,268		50,990,638		1,554,593
OPERATING EXPENSES (Notes 23 and 27)								
Selling and marketing		1,814,158		4,768,102		9,043,869		275,728
General and administrative		770,545		1,310,650		2,250,060		68,599
Research and development		2,974,003		3,705,261		9,351,439		285,105
Total operating expenses		5,558,706		9,784,013		20,645,368		629,432
OPERATING INCOME		25,745,994		30,660,255		30,345,270		925,161
NONOPERATING INCOME AND GAINS								
Interest income		445,121		828,012		1,401,127		42,717
Gains on disposal of properties		39,111		77		4,521		138
Foreign exchange gain (Note 2)		626,464		707,642		632,969		19,298
Other		173,356		236,115		280,872		8,563
Total nonoperating income and gains		1,284,052		1,771,846		2,319,489		70,716
NONOPERATING EXPENSES AND LOSSES								
Interest expense		298		1,212		10,441		319
Loss on equity-method investments (Notes 2 and 14)		-		-		6,151		188
Losses on disposal of properties		3,412		1,396		7,378		225
Valuation loss on financial instruments (Notes 2 and 6)		76,470		96,256		514,083		15,673
Other (Notes 18 and 27)		7,149		101,301		390,990		11,920
Total nonoperating expenses and losses		87,329		200,165		929,043		28,325
INCOME BEFORE INCOME TAX		26,942,717		32,231,936		31,735,716		967,552
INCOME TAX (Notes 2 and 24)	(	1,708,375)	(	3,314,224)	(	3,183,190)	(	97,048)
NET INCOME	\$	25,234,342	\$	28,917,712	\$	28,552,526	\$	870,504
ATTRIBUTABLE TO								
Stockholders of the parent	\$	25,247,327	\$	28,938,862	\$	28,635,349	\$	873,029
Minority interest	(	12,985)	(	21,150)	(	82,823)	(	2,525)
	\$	25,234,342	\$	28,917,712	\$	28,552,526	\$	870,504

(Continue)

	2006		2007		2008			
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax		
	NT\$	NT\$	NT\$	NT\$	NT\$	US\$ (Note 3)	US\$ (Note 3)	
BASIC EARNINGS PER SHARE (Note 25)	\$ 35.39	\$ 33.15	\$ 42.55	\$ 38.30	\$ 41.89	\$ 1.28	\$ 37.97	
DILUTED EARNINGS PER SHARE (Note 25)	\$ 35.08	\$ 32.85	\$ 42.55	\$ 38.30	\$ 40.42	\$ 1.23	\$ 36.64	

(Concluded)

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

(With Deloitte & Touche audit report dated January 17, 2009)

HTC CORPORATION
(Formerly High Tech Computer Corporation)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2006, 2007 AND 2008

(In Thousands)

New Taiwan Dollars	Capital Stock		Capital Surplus	
	Issued and Outstanding Common Stock	Additional Paid-in Capital	Long-Term Equity Investments	Merger
BALANCE, JANUARY 1, 2006	\$ 3,570,160	\$ 4,410,871	\$ -	\$ 25,972
Adjustments due to accounting changes (Note 4)	-	-	-	-
Appropriation of the 2005 net earnings				
Legal reserve	-	-	-	-
Special reserve	-	-	-	-
Stock dividends	714,032	-	-	-
Transfer of employee bonuses to common stock	80,000	-	-	-
Employee bonuses	-	-	-	-
Cash dividends	-	-	-	-
Net income in 2006	-	-	-	-
Translation adjustments on long-term equity investments	-	-	-	-
Unrealized gain on financial instruments	-	-	-	-
Adjustment due to changes in ownership percentage in investees	-	-	15,845	-
Purchase of treasury stock	-	-	-	-
Increase in minority interests	-	-	-	-
BALANCE, DECEMBER 31, 2006	4,364,192	4,410,871	15,845	25,972
Appropriation of the 2006 net earnings				
Legal reserve	-	-	-	-
Special reserve	-	-	-	-
Stock dividends	1,298,385	-	-	-
Transfer of employee bonuses to common stock	105,000	-	-	-
Employee bonuses	-	-	-	-
Cash dividends	-	-	-	-
Net income in 2007	-	-	-	-
Translation adjustments on long-term equity investments	-	-	-	-
Unrealized loss on financial instruments	-	-	-	-
Purchase of treasury stock	-	-	-	-
Retirement of treasury stock	(36,240)	(36,627)	-	(216)
BALANCE, DECEMBER 31, 2007	5,731,337	4,374,244	15,845	25,756
Appropriation of the 2007 net earnings				
Legal reserve	-	-	-	-
Stock dividends	1,719,401	-	-	-
Transfer of employee bonuses to common stock	103,200	-	-	-
Employee bonuses	-	-	-	-
Cash dividends	-	-	-	-
Net income in 2008	-	-	-	-
Translation adjustments on long-term equity investments	-	-	-	-
Unrealized loss on financial instruments	-	-	-	-
Adjustment due to changes in ownership percentage in investees	-	-	1,689	-
Purchase of treasury stock	-	-	-	-
BALANCE, DECEMBER 31, 2008	\$ 7,553,938	\$ 4,374,244	\$ 17,534	\$ 25,756

(Continue)

Legal Reserve	Special Reserve	Retained Earnings		Cumulative Translation Adjustments	Unrealized Valuation Losses on Financial Instruments	Treasury Stock	Minority Interests	Total
		Accumulated Earnings						
\$ 813,326	\$ 19,133	\$ 14,152,255		\$ (5,041)	\$ (1,135)	\$ -	\$ -	\$ 22,985,541
-	-	-		-	48	-	-	48
1,178,194	-	(1,178,194)		-	-	-	-	-
-	(12,958)	12,958		-	-	-	-	-
-	-	(714,032)		-	-	-	-	-
-	-	(80,000)		-	-	-	-	-
-	-	(451,000)		-	-	-	(451,000)	-
-	-	(4,998,224)		-	-	-	(4,998,224)	-
-	-	25,247,327		-	-	-	(12,985)	25,234,342
-	-	-		15,827	-	-	-	15,827
-	-	-		-	849	-	-	849
-	-	-		-	-	-	-	15,845
-	-	-		-	-	(243,995)	-	(243,995)
-	-	-		-	-	-	145,654	145,654
1,991,520	6,175	31,991,090		10,786	(238)	(243,995)	132,669	42,704,887
2,524,733	-	(2,524,733)		-	-	-	-	-
-	(6,175)	6,175		-	-	-	-	-
-	-	(1,298,385)		-	-	-	-	-
-	-	(105,000)		-	-	-	-	-
-	-	(2,000,000)		-	-	-	-	(2,000,000)
-	-	(11,685,470)		-	-	-	-	(11,685,470)
-	-	28,938,862		-	-	-	(21,150)	28,917,712
-	-	-		(1,122)	-	-	-	(1,122)
-	-	-		-	(949)	-	-	(949)
-	-	-		-	-	(1,747,760)	-	(1,747,760)
-	-	(1,918,672)		-	-	1,991,755	-	-
4,516,253	-	41,403,867		9,664	(1,187)	-	111,519	56,187,298
2,893,886	-	(2,893,886)		-	-	-	-	-
-	-	(1,719,401)		-	-	-	-	-
-	-	(103,200)		-	-	-	-	-
-	-	(1,210,000)		-	-	-	-	(1,210,000)
-	-	(19,486,547)		-	-	-	-	(19,486,547)
-	-	28,635,349		-	-	-	(82,823)	28,552,526
-	-	-		55,938	-	-	-	55,938
-	-	-		-	(445)	-	-	(445)
-	-	-		-	-	-	-	1,689
-	-	-		-	-	(3,410,277)	-	(3,410,277)
\$ 7,410,139	\$ -	\$ 44,626,182		\$ 65,602	\$ (1,632)	\$ (3,410,277)	\$ 28,696	\$ 60,690,182

U.S. Dollars	Capital Stock		Capital Surplus	
	Issued and Outstanding Common Stock	Additional Paid-in Capital	Long-Term Equity Investments	Merger
BALANCE, JANUARY 1, 2008	\$ 174,736	\$ 133,361	\$ 483	\$ 785
Appropriation of the 2007 net earnings				
Legal reserve	-	-	-	-
Stock dividends	52,421	-	-	-
Transfer of employee bonuses to common stock	3,146	-	-	-
Employee bonuses	-	-	-	-
Cash dividends	-	-	-	-
Net income in 2008	-	-	-	-
Translation adjustments on long-term equity investments	-	-	-	-
Unrealized loss on financial instruments	-	-	-	-
Adjustment due to changes in ownership percentage in investees	-	-	52	-
Purchase of treasury stock	-	-	-	-
BALANCE, DECEMBER 31, 2008	\$ 230,303	\$ 133,361	\$ 535	\$ 785

(Concluded)

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

(With Deloitte & Touche audit report dated January 17, 2009)

Legal Reserve	Special Reserve	Retained Earnings		Cumulative Translation Adjustments	Unrealized Valuation Losses on Financial Instruments	Treasury Stock	Minority Interests	Total
		Accumulated Earnings						
\$ 137,691	\$ -	\$ 1,262,313		\$ 295	\$ (36)	\$ -	\$ 3,400	\$ 1,713,028
88,228	-	(88,228)		-	-	-	-	-
-	-	(52,421)		-	-	-	-	-
-	-	(3,146)		-	-	-	-	-
-	-	(36,890)		-	-	-	- (36,890)	-
-	-	(594,102)		-	-	-	- (594,102)	-
-	-	873,029		-	-	-	(2,525)	870,504
-	-	-		1,705	-	-	-	1,705
-	-	-		-	(14)	-	- (14)	-
-	-	-		-	-	-	-	52
-	-	-		-	- (103,972)	-	- (103,972)	-
\$ 225,919	\$ -	\$ 1,360,555		\$ 2,000	\$ (50)	\$ (103,972)	\$ 875	\$ 1,850,311

HTC CORPORATION
(Formerly High Tech Computer Corporation)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2006, 2007 AND 2008

(In Thousands)

	2006	2007	2008	
	NT\$	NT\$	NT\$	US\$ (Note 3)
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	\$ 25,234,342	\$ 28,917,712	\$ 28,552,526	\$ 870,504
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation (including depreciation of assets leased to others)	638,353	681,257	746,472	22,758
Transfer of properties to expenses	-	-	18,103	552
Foreign exchange loss on bond investments not quoted in an active market	-	-	2,670	81
Amortization	40,516	51,862	61,777	1,883
(Gain) loss on disposal of properties and deferred charges, net	(35,699)	1,319	2,857	87
Loss on equity-method investments	-	-	6,151	188
Deferred income tax assets	(172,381)	(309,485)	(409,268)	(12,478)
Prepaid pension cost	(24,260)	(20,252)	(22,677)	(691)
Net changes in operating assets and liabilities				
Financial instruments at fair value through profit or loss	136,555	19,786	418,356	12,755
Notes and accounts receivable	(4,719,321)	(230,524)	(9,970,016)	(303,964)
Other current financial assets	(85,611)	83,900	(140,196)	(4,274)
Inventories	(645,482)	(1,273,718)	(1,013,635)	(30,904)
Prepayments	(1,449,856)	304,116	282,622	8,617
Other current assets	(192,527)	(63,149)	17,947	547
Notes and accounts payable	3,199,690	5,918,175	5,366,753	163,621
Income tax payable	1,141,854	799,986	1,469,214	44,793
Accrued expenses	1,241,816	2,636,439	10,221,198	311,622
Other current liabilities	459,756	2,280,787	2,016,103	61,466
Net cash provided by operating activities	24,767,745	39,798,211	37,626,957	1,147,163
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of properties	(1,166,408)	(1,424,307)	(5,639,163)	(171,926)
Proceeds of the sales of properties and deferred charges	44,701	6,552	76,857	2,343
Increase in long-term investments - equity method	-	-	(10,626)	(324)
Increase in restricted assets	-	(34,500)	(6,965)	(212)
Increase in financial assets carried at cost	-	(500,000)	-	-
Purchase of bond investments not quoted in an active market	-	(33,030)	-	-
Acquisition of a subsidiary	-	(240,039)	(6,297)	(192)
Increase in refundable deposits	(8,642)	(86,803)	(59,949)	(1,828)
Increase in deferred charges	(19,401)	(52,019)	(167,866)	(5,118)
Net cash used in investing activities	(1,149,750)	(2,364,146)	(5,814,009)	(177,257)
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase in short-term borrowings	-	-	75,000	2,287
Decrease in long-term bank loans	-	(16,231)	(20,625)	(629)
Increase (decrease) in guarantee deposits received	79	(7)	5,787	176
Cash dividends	(4,998,224)	(11,685,470)	(19,486,547)	(594,102)
Bonus to employees	-	(2,451,000)	(1,210,000)	(36,890)
Purchase of treasury stock	(243,995)	(1,747,760)	(3,410,277)	(103,972)
Increase in minority interest	161,499	-	-	-
Net cash used in financing activities	(5,080,641)	(15,900,468)	(24,046,662)	(733,130)

	2006	2007	2008	
	NT\$	NT\$	NT\$	US\$ (Note 3)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS				
	\$ 7,238	\$ (13,230)	\$ (18,743)	\$ (571)
NET INCREASE IN CASH AND CASH EQUIVALENTS	18,544,592	21,520,367	7,747,543	236,205
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	16,425,226	34,969,818	56,490,185	1,722,262
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 34,969,818	\$ 56,490,185	\$ 64,237,728	\$ 1,958,467
SUPPLEMENTAL CASH FLOW INFORMATION				
Cash paid during the year				
Interest	\$ 298	\$ 1,212	\$ 10,354	\$ 316
Income tax	\$ 738,902	\$ 2,823,723	\$ 2,111,548	\$ 64,376
NONCASH INVESTING AND FINANCING ACTIVITIES				
Transfer of bond investment not quoted in an active market to investments accounted for by the equity method	\$ -	\$ -	\$ 33,030	\$ 1,007
Transfer of properties to assets leased to others	\$ -	\$ -	\$ 309,959	\$ 9,450
Transfer of retained earnings and employee bonuses to common stock	\$ 794,032	\$ 1,403,385	\$ 1,822,601	\$ 55,567
Retirement of treasury stock	\$ -	\$ 1,991,755	\$ -	\$ -
PURCHASE OF PROPERTIES				
Cost of properties purchased	\$ 1,199,315	\$ 1,553,653	\$ 5,773,031	\$ 176,007
Increase in payable for purchase of equipment	(29,013)	(130,222)	(134,806)	(4,110)
(Increase) decrease in lease payable	(3,894)	876	938	29
Cash paid for purchase of properties	\$ 1,166,408	\$ 1,424,307	\$ 5,639,163	\$ 171,926
BONUS TO EMPLOYEES				
Appropriation of bonus to employees	\$ 451,000	\$ 2,000,000	\$ 1,210,000	\$ 36,890
(Increase) decrease in payable for employee bonus	(451,000)	451,000	-	-
Cash paid	\$ -	\$ 2,451,000	\$ 1,210,000	\$ 36,890
ACQUISITION OF A SUBSIDIARY				
Expected net cash outflow on the acquisition of a subsidiary	\$ -	\$ 240,039	\$ 128,997	\$ 3,933
Increase in other payable	-	-	(122,700)	(3,741)
Cash paid for acquisition of a subsidiary	\$ -	\$ 240,039	\$ 6,297	\$ 192

(Concluded)

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

(With Deloitte & Touche audit report dated January 17, 2009)

1.ORGANIZATION AND OPERATIONS

HTC Corporation (“HTC,” formerly High Tech Computer Corporation until June 13, 2008) was incorporated on May 15, 1997 under the Company Law of the Republic of China to design, manufacture and sell smart handheld devices. In 1998, HTC had an initial public offering and, in March 2002, had its stock listed on the Taiwan Stock Exchange. On November 19, 2003, HTC started trading Global Depositary Receipts on the Luxembourg Stock Exchange.

For HTC to have synergies with companies in similar industries, lower operating costs and expenses, and enhance competitiveness and research and development capabilities, HTC’s Board of Directors proposed on October 31, 2003 to merge HTC with IA Style, Inc. The effective merger date was March 1, 2004.

HTC and its consolidated subsidiaries, hereinafter referred to as the “Company,” had 5,654, 6,427 and 9,353 employees as of December 31, 2006, 2007 and 2008, respectively.

2.SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, and accounting principles generally accepted in the Republic of China

(“ROC”). Under these guidelines, and principles, certain estimates and assumptions have been used for the allowance for doubtful accounts, allowance for loss on inventories, depreciation of Properties, royalty, pension cost, allowance for product warranties, bonuses to employees, etc. Actual results may differ from these estimates.

The consolidated financial statements were originally presented in more than one set of Chinese reports. For readers’ convenience, the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If inconsistencies arise between the English version and the Chinese version or if differences arise in the interpretations between the two versions, the Chinese version of the financial statements shall prevail. However, the accompanying financial statements do not include the English translation of the additional footnote disclosures that are not required under ROC generally accepted accounting principles but are required by the Securities and Futures Bureau for their oversight purposes.

The Company’s significant accounting policies are summarized as follows:

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of all the direct and indirect subsidiaries of HTC and the accounts of investees that are not majority owned by HTC but in which HTC has controlling interests.

All significant intercompany balances and transactions were eliminated upon consolidation. Minority interest was presented separately in the financial statements.

The consolidated entities as of December 31, 2006, 2007 and 2008 were as follows:

Investor	Investee	Main Businesses	% of Ownership			Remark
			2006	2007	2008	
HTC Corporation	H.T.C. (B.V.I.) Corp. BandRich Inc.	Global investing activities	100.00	100.00	100.00	Incorporated in August 2000
		Design, manufacture and sale of electronic devices	50.66	50.66	50.66	Incorporated in April 2006
	HTC HK, Limited Communication Global Certification Inc.	Global investing activities	100.00	100.00	100.00	Incorporated in August 2006
		Testing and certification services	-	100.00	100.00	Invested in January 2007
	High Tech Computer Asia Pacific Pte. Ltd.	Global investing activities	-	100.00	100.00	Incorporated in July 2007
H.T.C. (B.V.I.) Corp.	HTC Investment Corporation PT. High Tech Computer Indonesia	General investing activities	-	-	100.00	Incorporated in July 2008
		Marketing, distribution and after-sales service	-	1.00	1.00	Incorporated in December 2007
	HTEK	Marketing and engineering support activities	100.00	-	-	Incorporated in August 2000 and liquidated in 2007
	HTC America Inc.	Marketing , repair and after-sales services	100.00	100.00	100.00	Incorporated in January 2003
		"	100.00	100.00	100.00	Incorporated in July 2003
	HTC EUROPE CO., LTD. High Tech Computer Corp. (Suzhou)	Manufacture and sale of smart handheld devices	100.00	100.00	100.00	Incorporated in January 2003
		Distribution and sales	100.00	100.00	100.00	Incorporated in December 2004 and invested in July 2005
	Exedea Inc.	Marketing, distribution and after-sales service	100.00	100.00	100.00	Incorporated in March 2006
		"	-	99.99	99.99	Incorporated in October 2006
	HTC NIPPON Corporation	Repair and after-sales service	-	100.00	100.00	Incorporated in July 2007
		Design, research and development of application software	-	-	100.00	Incorporated in October 2008
	HTC BRASIL HTC Corporation (Shanghai WGQ) One & Company Design, Inc.	"	-	99.99	99.99	Incorporated in October 2006
	HTC HK, Limited	Marketing, distribution and after-sales service	100.00	100.00	100.00	Incorporated in October 2006
		Marketing, distribution and after-sales service	-	100.00	100.00	Incorporated in February 2007
	HTC Belgium BVBA/SPRL	Marketing, distribution and after-sales service	-	100.00	100.00	Incorporated in February 2007
High Tech Computer Asia Pacific Pte. Ltd.	High Tech Computer Singapore Pte. Ltd.	Marketing, distribution and after-sales service	-	100.00	100.00	Incorporated in July 2007
		"	-	100.00	100.00	Incorporated in August 2007
	High Tech Computer (H.K.) Limited HTC (Australia and New Zealand) Pty. Ltd.	"	-	100.00	100.00	Incorporated in August 2007
		"	-	99.99	99.99	Incorporated in December 2007
	HTC Philippines Corp. PT. High Tech Computer Indonesia	"	-	99.00	99.00	Incorporated in December 2007
		"	-	-	100.00	Incorporated in November 2007 and invested in September 2008
	HTC India Private Ltd. HTC Electronics (Shanghai) Co., Ltd.	"	-	-	99.00	Incorporated in January 2008
		Design, manufacture and sale of smart handheld devices	-	-	100.00	Incorporated in January 2007 and invested in July 2008
	High Tech Computer Singapore Pte. Ltd.	Marketing, distribution and after-sales service	-	-	1.00	Incorporated in January 2008
		"	-	-	1.00	Incorporated in January 2008

In January 2007 and October 2008, the Company wholly acquired the shares issued by Communication Global Certification Inc. and One & Company Design, Inc. The net assets acquired were as follows:

	Communication Global Certification Inc.	One & Company Design, Inc.	
	NT\$	NT\$	US\$
			(Note 3)
Cash on hand and in banks	\$ 39,961	\$ 7,336	\$ 224
Other current assets	40,201	12,378	377
Property	175,940	16,620	507
Intangible assets	174,253	115,055	3,508
Other assets	3,913	164	5
Current liabilities	(63,315)	(15,220)	(464)
Long-term bank loans	(90,050)	-	-
Other liabilities	(903)	-	-
Total consideration	\$ 280,000	\$ 136,333	\$ 4,157
Cash consideration	\$ 280,000	\$ 136,333	\$ 4,157
Cash on hand and in banks	(39,961)	(7,336)	(224)
Expected net cash outflow on the acquisition of a subsidiary	\$ 240,039	\$ 128,997	\$ 3,933

As mentioned in Note 1, HTC and the foregoing subsidiaries are hereinafter referred to collectively as the “Company.”

Current/Noncurrent Assets and Liabilities

Current assets include cash, cash equivalents, and those assets held primarily for trading purposes or to be realized, sold or consumed within one year from the balance sheet date. All other assets such as properties and intangible assets are classified as noncurrent. Current liabilities are obligations incurred for trading purposes or to be settled within one year from the balance sheet date. All other liabilities are classified as noncurrent.

Financial Assets/Liabilities at Fair Value through Profit or Loss

Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss (“FVTPL”) include financial assets or financial liabilities held for trading and those designated as at FVTPL on initial recognition. The Company recognizes a financial asset or a financial liability on its balance sheet when the Company becomes a party to the contractual provisions of the financial instrument. A financial asset is derecognized when the Company has lost control of its contractual rights over the financial asset. A financial liability is derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired.

Financial instruments at FVTPL are initially measured at fair value. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss. At each balance sheet date subsequent to initial recognition, financial assets or financial liabilities at FVTPL are remeasured at fair value, with changes in fair value recognized directly in profit or loss in the year in which they arise. Cash dividends received subsequently (including those received in the year of investment) are recognized as income for the year. On derecognition of a financial asset or a financial liability, the difference between its carrying amount and the sum of the consideration received and receivable or consideration paid and payable is recognized in profit or loss.

A derivative that does not meet the criteria for hedge accounting is classified as a financial asset or a financial liability held for trading. If the fair value of the derivative is positive, the derivative is recognized as a financial asset; otherwise, the derivative is recognized as a financial liability.

Fair values of financial assets and financial liabilities at the balance sheet date are determined as follows: publicly traded stocks - at closing prices; open-end mutual funds - at net asset values; bonds - at prices quoted by the Taiwan GreTai Securities Market; and financial assets and financial liabilities without quoted prices in an active market - at values determined using valuation techniques.

Available-for-Sale Financial Assets

Available-for-sale financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are remeasured at fair value, with changes in fair value recognized in equity until the financial assets are disposed of, at which time, the cumulative gain or loss previously recognized in equity is included in profit or loss for the year.

The recognition, derecognition and the fair value bases of available-for-sale financial assets are similar to those of financial assets at FVTPL.

Cash dividends are recognized on the stockholders’ resolutions, except for dividends distributed from the pre-acquisition profit, which are treated as a reduction of investment cost. Stock dividends are not recognized as investment income but are recorded as an increase in the number of shares. The total number of shares subsequent to the increase is used for recalculation of cost per share.

An impairment loss is recognized when there is objective evidence that the financial asset is impaired. Any subsequent decrease in impairment loss for an equity instrument classified as available-for-sale is recognized directly in equity.

Revenue Recognition, Accounts Receivable and Allowance for Doubtful Accounts

Revenue from sales of goods is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods, primarily upon shipment, because the earnings process has been completed and the economic benefits associated with the transaction have been realized or are realizable.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts agreed between the Company and the customers for goods sold in the normal course of business, net of sales discounts and volume rebates. For trade receivables due within one year from the balance sheet date, as the nominal value of the consideration to be received approximates its fair value and transactions are frequent, fair value of the consideration is not determined by discounting all future receipts using an imputed rate of interest.

An allowance for doubtful accounts is provided on the basis of a review of the collectability of accounts receivable. The Company assesses the probability of collections of accounts receivable by examining the aging analysis of the outstanding receivables and assessing the value of the collateral provided by customers.

Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process. Before January 1, 2008, inventories were stated at the lower of cost or market value (replacement cost or net realizable value). Any write-down was made on a category by category basis. Market value meant replacement cost for raw materials and supplies and net realizable value for finished goods and work in process. As stated in note 4, effective January 1, 2008, inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made item by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded and adjusted to approximate weighted-average cost on the balance sheet date.

Financial Assets Carried At Cost

Investments in equity instruments with no quoted prices in an active market and with fair values that cannot be reliably measured, such as non-publicly traded stocks and stocks traded in the emerging stock market, are measured at their original cost. The accounting treatment for dividends on financial assets carried at cost is similar to that for dividends on available-for-sale financial assets. An impairment loss is recognized when there is objective evidence that the asset is impaired. A reversal of this impairment loss is disallowed.

Bond investments not quoted in an active market

Bond investments not quoted in an active market are stated at amortized cost and are classified as current or noncurrent based on their maturities.

Bond investments not quoted in an active market-current are investments receiving fixed or determinable amounts. Other features of these bond investments are as follows:

- a.The bond investments have not been designated as at fair value through profit or loss.
- b.The bond investments have not been designated as available for sale.

Those investments that are noncurrent are classified as bond investment not quoted in an active market-noncurrent under funds and investments.

Investments Accounted for by the Equity Method

Investments in which the Company holds 20 percent or more of the investees' voting shares or exercises significant influence over the investees' operating and financial policy decisions are accounted for by the equity method.

Prior to January 1, 2006, the difference between the acquisition cost and the Company's proportionate share in the investee's equity was amortized by the straight-line method over five years. Effective January 1, 2006, pursuant to the revised Statement

of Financial Accounting Standard ("SFAS") No. 5, "Long-term Investments Accounted for by Equity Method", the acquisition cost is allocated to the assets acquired and liabilities assumed based on their fair values at the date of acquisition, and the excess of the acquisition cost over the fair value of the identifiable net assets acquired is recognized as goodwill. Goodwill is not being amortized. The excess of the fair value of the net identifiable assets acquired over the acquisition cost is used to reduce the fair value of each of the noncurrent assets acquired (except for financial assets other than investments accounted for by the equity method, noncurrent assets held for sale, deferred income tax assets, prepaid pension or other postretirement benefit) in proportion to the respective fair values of the noncurrent assets, with any excess recognized as an extraordinary gain. Effective January 1, 2006, the accounting treatment for the unamortized investment premium arising on acquisitions before January 1, 2006 is the same as that for goodwill and the premium is no longer being amortized. For any investment discount arising on acquisitions before January 1, 2006, the unamortized amount continues to be amortized over the remaining year.

When the Company subscribes for its investee's newly issued shares at a percentage different from its percentage of ownership in the investee, the Company records the change in its equity in the investee's net assets as an adjustment to investments, with a corresponding amount credited or charged to capital surplus. When the adjustment should be debited to capital surplus, but the capital surplus arising from long-term investments is insufficient, the shortage is debited to retained earnings.

Properties

Properties are stated at cost less accumulated depreciation. Borrowing costs directly attributable to the acquisition or construction of Properties are capitalized as part of the cost of those assets. Major additions and improvements to Properties are capitalized, while costs of repairs and maintenance are expensed currently.

Assets held under capital leases are initially recognized as assets of the Company at the lower of their fair value at the inception of the lease or the present value of the minimum lease payments; the corresponding liability is included in the balance sheet as obligations under capital leases. The interest included in lease payments is expensed when paid.

Depreciation is calculated on a straight-line basis over the estimated service lives of the assets plus one additional year for salvage value: buildings(including auxiliary equipment) - 3 to 50 years; machinery and equipment - 3 to 5 years; office equipment - 3 to 5 years; transportation equipment - 5 years; and leasehold improvements - 3 years.

Properties still in use beyond their original estimated useful lives are further depreciated over their newly estimated useful lives. Depreciation of revaluated assets is provided on a straight-line basis over their remaining estimated useful lives determined at the time of revaluation.

The related cost (including revaluation increment), accumulated depreciation, accumulated impairment losses and any unrealized revaluation increment of an item of properties are derecognized from the balance sheet upon its disposal. Any gain or loss on disposal of the asset is included in nonoperating gains or losses in the year of disposal.

If the properties are leased to others, the related costs and accumulated depreciation would be transferred from properties to other assets - assets leased to others.

Intangible Assets

Intangible assets acquired are initially recorded at cost and are amortized on a straight-line basis over their estimated useful lives. Effective January 1, 2006, based on a newly released SFAS No. 37, goodwill arising on acquisitions of other companies is no longer amortized and instead is tested for impairment annually. If circumstances show that the fair value of goodwill has become lower than its carrying amount, an impairment loss is recognized. A reversal of this impairment loss is not allowed.

Deferred Charges

Deferred charges are telephone installation charges, computer software costs and deferred license fees. Installation charges and computer software are amortized on a straight-line basis over 3 years, and deferred license fees, over 10 years.

Asset Impairment

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is charged to earnings unless the asset is carried at a revalued amount, in which case the impairment loss is treated as a deduction to the unrealized revaluation increment.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased accordingly, but the increased carrying amount may not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized in earnings, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as an increase in the unrealized revaluation increment. A reversal of an impairment loss on goodwill is disallowed.

For long-term equity investments for which the Company has significant influence but with no control, the carrying amount (including goodwill) of each investment is compared with its own recoverable amount for the purpose of impairment testing.

Accrued Marketing Expenses

The Company accrues marketing expenses on the basis of agreements, management's judgment, and any known factors that would significantly affect the

accruals. In addition, depending on the nature of relevant events, the accrued marketing expenses are accounted for as an increase in marketing expenses or as a decrease in revenues.

Reserve for Warranty Expenses

The Company provides warranty service for one to two years depending on the contract with customers. The warranty liability is estimated on the basis of management's evaluation of the products under warranty, past warranty experience, and pertinent factors.

Product-Related Costs

The cost of revenues consists of costs of goods sold, unallocated overheads, abnormal costs, write-downs of inventories and the reversal of write-downs. The provisions for product warranty are estimated and recorded under cost of revenues when sales are recognized.

Pension Plan

Pension cost under a defined benefit plan is determined by actuarial valuations. Contributions made under a defined contribution plan are recognized as pension cost during the year in which employees render services.

Curtailment or settlement gains or losses of the defined benefit plan are recognized as part of the net yearic pension cost for the year.

Income Tax

The Company applies intra-year and inter-year allocations for its income tax, whereby (1) a portion of income tax expense is allocated to the cumulative effect of changes in accounting principles; and (2) deferred income tax assets and liabilities are recognized for the tax effects of temporary differences, unused loss carryforward and unused tax credits. Valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. A deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or noncurrent based on the expected length of time before it is realized or settled.

Tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures are recognized using the flow-through method.

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

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the stockholders approve to retain the earnings.

All subsidiaries file income tax returns based on the regulations of their respective local governments.

In addition, there is no material difference in the accounting principles on income taxes between the parent company and those of its subsidiaries.

Stock-Based Employee Compensation Plans

Employee stock options granted between January 1, 2004 and December 31, 2007 were accounted for under the interpretations issued by the Accounting Research and Development Foundation ("ARDF"). The Company adopted the intrinsic value method, under which compensation cost was recognized on a straight-line basis over the vesting period.

Treasury Stock

The Company adopted the Statement of Financial Accounting Standards No. 30 - "Accounting for Treasury Stocks," which requires the treasury stock held by the Company to be accounted for by the cost method. The cost of treasury stock is shown as a deduction to arrive at stockholders' equity, while gain or loss from selling treasury stock is treated as an adjustment to capital surplus.

When treasury stocks are sold and the selling price is above the book value, the difference should be credited to the capital surplus - treasury stock transactions. If the selling price is below the book value, the difference should first be offset against capital surplus from the same class of treasury stock transactions, and any remainder should be debited to retained earnings. The carrying value of treasury stocks should be calculated using the weighted-average method.

When the Company's treasury stock is retired, the treasury stock account should be credited, and the capital surplus - premium on stock account and capital stock account should be debited proportionately according to the share ratio. The difference should be credited to capital surplus or debited to capital surplus and/or retained earnings.

Foreign Currencies

The financial statements of foreign operations are translated into New Taiwan dollars at the following exchange rates:

- a.Assets and liabilities - at exchange rates prevailing on the balance sheet date;
- b.Stockholders' equity - at historical exchange rates;
- c.Dividends - at the exchange rate prevailing on the dividend declaration date; and
- d.Income and expenses - at average exchange rates for the year.

Exchange differences arising from the translation of the financial statements of foreign operations are recognized as a separate component of stockholders' equity. Such exchange differences are recognized as gain or loss in the year in which the foreign operations are disposed of.

Nonderivative foreign-currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Exchange differences arising from the settlement of foreign-currency assets and liabilities are recognized as gain or loss.

At the balance sheet date, foreign-currency monetary assets and liabilities are revalued using prevailing exchange rates and the exchange differences are recognized in profit or loss.

At the balance sheet date, foreign-currency nonmonetary assets (such as equity instruments) and liabilities that are measured at fair value are revalued using prevailing exchange rates, with the exchange differences treated as follows:

- a. Recognized in stockholders' equity if the changes in fair value are recognized in stockholders' equity;
- b.Recognized in profit and loss if the changes in fair value is recognized in profit or loss.

Foreign-currency nonmonetary assets and liabilities that are carried at cost continue to be stated at exchange rates at the trade dates.

If the functional currency of an equity-method investee is a foreign currency, translation adjustments will result from the translation of the investee's financial statements into the reporting currency of the Company. These adjustments are accumulated and reported as a separate component of stockholders' equity.

Reclassifications

Certain 2006 and 2007 accounts have been reclassified to be consistent with the presentation of the consolidated financial statements as of and for the year ended December 31, 2008.

3.TRANSLATION INTO U.S. DOLLARS

The consolidated financial statements are stated in New Taiwan dollars. The translation of the 2008 New Taiwan dollar amounts into U.S. dollar amounts are included solely for the convenience of readers, using the noon buying rate of NT\$32.80 to US\$1.00 quoted by the Bank of Taiwan on December 31, 2008. The convenience translation should not be construed as representations that the New Taiwan dollar amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other exchange rate.

4.ACCOUNTING CHANGES

a.Interpretation 96-052 - “Accounting for Bonuses to Employees, Directors and Supervisors”

Years Ended December 31								
2006			2007			2008		
Amount	%		Amount	%		Amount	%	
NT\$			NT\$			NT\$	US\$	
Revenues	\$ 105,358,397	100	\$ 118,217,545	100	\$ 152,353,176	\$ 4,644,914		100
Cost of revenues	74,053,697	70	77,773,277	66	100,718,334	3,070,681		66
Gross profit	31,304,700	30	40,444,268	34	51,634,842	1,574,233		34
Operating expenses	5,558,706	5	9,784,013	8	15,159,233	462,171		10
Operating income	25,745,994	25	30,660,255	26	36,475,609	1,112,062		24
Nonoperating income and gains	1,284,052	1	1,771,846	1	2,319,489	70,716		2
Nonoperating expenses and losses	87,329	-	200,165	-	929,043	28,325		1
Income before income tax	26,942,717	26	32,231,936	27	37,866,055	1,154,453		25
Income tax	(1,708,375)	(2)	(3,314,224)	(3)	(3,699,493)	(112,789)		(2)
Net income	\$ 25,234,342	24	\$ 28,917,712	24	\$ 34,166,562	\$ 1,041,664		23

In March 2007, the Accounting Research and Development Foundation issued an interpretation that requires companies to recognize as compensation expenses bonuses paid to employees and remuneration to directors and supervisors beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. The adoption of this interpretation resulted in a decrease of NT\$5,614,036 thousand (US\$171,160 thousand) in net income, including employee bonus payable of NT\$6,164,889 thousand (US\$187,954 thousand), minus the allocation to inventory of NT\$34,550 thousand (US\$1,053 thousand) and minus the tax saving of NT\$516,303 thousand (US\$15,741 thousand), and a decrease in after income tax basic earnings per share of NT\$7.44 for the year ended December 31, 2008.

Had the bonuses to employees and remuneration to directors and supervisors not been recognized as compensation expenses, net income would have been calculated as follows:

b.SFAS No. 39, “Accounting for Share-based Payment”

On January 1, 2008, the Company adopted the newly released Statement of Financial Accounting Standards (SFAS) No. 39 - “Accounting for Share-based Payments.” Except as mentioned above, the adoption resulted in no material effect on the Company’s financial statements as of and for the year ended December 31, 2008.

c.SFAS No. 10 - “Accounting for Inventories”

On January 1, 2008, the Company adopted early the newly revised SFAS No. 10, “Accounting for Inventories”. The main revisions are (1) inventories are stated at the lower of cost or net realizable value, and inventories are written down to net realizable value item-by-item except when the grouping of similar or related items is

appropriate; (2) unallocated overheads are recognized as expenses in the period in which they are incurred; and (3) abnormal costs, write-downs of inventories and any reversal of write-downs are recorded as cost of goods sold for the period. The adoption had no material effect on the Company’s financial statements as of and for the year ended December 31, 2008.

For an enhanced presentation of product-related costs, the cost of revenues consists of costs of goods sold, unallocated overheads, abnormal costs, write-downs of inventories and the reversal of write-downs. The provisions for product warranty are estimated and recorded under cost of revenues when sales are recognized.

Had the newly revised SFAS No. 10 not been applied retroactively, net income would have been calculated as follows:

Years Ended December 31									
		2006		2007		2008			
		Amount	%	Amount	%	Amount	%	Amount	%
		NT\$		NT\$		NT\$	US\$	(Note 3)	
Revenues	\$	105,358,397	100	\$ 118,217,545	100	\$ 152,353,176	\$ 4,644,914		100
Cost of revenues		72,066,150	68	73,393,757	62	95,907,253	2,924,002		63
Gross profit		33,292,247	32	44,823,788	38	56,445,923	1,720,912		37
Operating expenses		6,770,188	7	13,504,377	12	24,842,505	757,393		16
Operating income		26,522,059	25	31,319,411	26	31,603,418	963,519		21
Nonoperating income and gains		1,284,052	1	1,797,384	1	2,319,489	70,716		2
Nonoperating expenses and losses		863,394	-	884,859	-	2,187,191	66,683		2
Income before income tax		26,942,717	26	32,231,936	27	31,735,716	967,552		21
Income tax	(	1,708,375	(2)	(3,314,224)	(3)	(3,183,190)	(97,048)		(2)
Net income	\$	25,234,342	24	\$ 28,917,712	24	\$ 28,552,526	\$ 870,504		19

5.CASH

Cash as of December 31, 2006, 2007 and 2008 was as following:

	2006		2007		2008	
	NT\$		NT\$		NT\$ US\$	
					(Note 3)	
Cash on hand	\$	1,505	\$	2,405	\$ 3,022	\$ 92
Cash in banks		4,499,913		9,908,345	3,375,899	102,924
Time deposits		30,468,400		46,579,435	60,858,807	1,855,451
		\$34,969,818		\$56,490,185	\$64,237,728	\$1,958,467

On time deposits, interest rates ranged from 1.610% to 2.145%, 1.809% to 4.400% and 0.30% to 2.41%, as of December 31, 2006, 2007 and 2008, respectively.

On preferential deposits, interest rates ranged from 2.30% to 5.25%, 3.05% to 4.15% and 0.02% to 2.71% as of December 31, 2006, 2007 and 2008, respectively.

6.FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets and liabilities at fair value through profit or loss as of December 31, 2006, 2007 and 2008 were as follows:

	2006		2007		2008	
	NT\$		NT\$		NT\$ US\$	
					(Note 3)	
Derivatives - financial liabilities						
Forward exchange contracts	\$	76,470	\$	96,256	\$514,083	\$15,673

The Company had derivative transactions in 2006, 2007 and 2008 to manage exposures related to exchange rate fluctuations. However, these transactions did not meet the criteria for hedge accounting under Statement of Financial Accounting Standards No. 34 - "Accounting for Financial Instruments." Thus, the Company had no hedge accounting in 2006, 2007 and 2008. Outstanding forward exchange and currency option contracts as of December 31, 2006, 2007 and 2008 were as follows:

Forward Exchange Contracts

			2006	
	Buy/Sell	Currency	Settlement Period/ Date	Contract Amount
Forward exchange contracts	Sell	USD/NTD	2007.01.05-2007.03.28	US\$ 78,000
Forward exchange contracts	Sell	EUR/USD	2007.01.05-2007.03.09	EUR€ 108,000
Forward exchange contracts	Buy	USD/JPY	2007.01.12-2007.03.09	US\$ 11,000
Forward exchange contracts	Sell	GBP/USD	2007.01.05-2007.02.16	GBP£ 6,150
Forward exchange contracts	Sell	JPY/NTD	2007.01.12-2007.03.28	JP¥ 427,750
Forward exchange contracts	Sell	JPY/USD	2007.01.17-2007.03.28	JP¥ 810,626

			2007	
	Buy/Sell	Currency	Settlement Period/ Date	Contract Amount
Forward exchange contracts	Sell	USD/NTD	2008.01.04-2008.01.30	US\$ 63,000
Forward exchange contracts	Sell	EUR/USD	2008.01.09-2008.03.05	EUR€ 201,500
Forward exchange contracts	Buy	USD/CAD	2008.01.11-2008.02.22	US\$ 5,146
Forward exchange contracts	Sell	GBP/USD	2008.01.11-2008.01.30	GBP£ 3,725
Forward exchange contracts	Sell	JPY/NTD	2008.01.09	JP¥ 425,000

			2008	
	Buy/Sell	Currency	Settlement Period/ Date	Contract Amount
Forward exchange contracts	Sell	AUD/USD	2009.01.07-2009.01.16	AUD\$ 17,000
Forward exchange contracts	Sell	EUR/USD	2009.01.07-2009.02.27	EUR€ 141,000
Forward exchange contracts	Sell	GBP/USD	2009.01.07-2009.02.18	GBP£ 3,870
Forward exchange contracts	Sell	JPY/NTD	2009.01.16	JP¥ 95,000
Forward exchange contracts	Buy	USD/JPY	2009.01.07-2009.02.13	US\$ 16,726
Forward exchange contracts	Sell	USD/NTD	2009.01.07-2009.01.23	US\$ 37,000
Forward exchange contracts	Buy	USD/CAD	2009.01.16	US\$ 618

Net gain on derivative financial instruments in 2008 was NT\$311,946 thousand (US\$9,511 thousand), including realized settlement gain of NT\$826,029 thousand (US\$25,184 thousand) and valuation loss of NT\$514,083 thousand (US\$15,673 thousand).

7.AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets as of December 31, 2006, 2007 and 2008 were as follows:

	2006		2007		2008	
	NT\$		NT\$		NT\$ US\$	
					(Note 3)	
VIA Technologies, Inc.	\$	1,733	\$	784	\$ 339	\$ 10

In December 1999, the Company invested NT\$1,971 in VIA Technologies, Inc. and accounted for it as available-for-sale financial asset.

8.NOTES AND ACCOUNTS RECEIVABLE

Notes and accounts receivable as of December 31, 2006, 2007 and 2008 were as follows:

	2006		2007		2008	
	NT\$		NT\$		NT\$ US\$	
					(Note 3)	
Notes receivable	\$	58,930	\$	3,532	\$ 26,009	\$ 793
Accounts receivable		19,176,850		19,747,487	29,937,446	912,727
Accounts receivable from related parties		3,685		507	69,520	2,120
Less: Allowance for doubtful accounts	(	32,234	(	277,809	(578,197	(17,628)
	\$	19,207,231	\$	19,473,717	\$ 29,454,778	\$ 898,012

9.OTHER CURRENT FINANCIAL ASSETS

Other current financial assets as of December 31, 2006, 2007 and 2008 were as follows:

	2006	2007	2008	
	NT\$	NT\$	NT\$	US\$
			(Note 3)	
Other receivables	\$ 25,297	\$ 102,344	\$ 238,053	\$ 7,258
Interest receivables	24,854	50,444	40,474	1,234
Agency payments	210,077	23,540	37,997	1,158
	\$ 260,228	\$ 176,328	\$ 316,524	\$ 9,650

Other receivables were primarily overseas value-added tax receivables from customers, prepayment for withholding income tax of employees’ bonus and travel expenses and proceeds of the sales of properties.

10.INVENTORIES

Inventories as of December 31, 2006, 2007 and 2008 were as follows:

	2006	2007	2008	
	NT\$	NT\$	NT\$	US\$
			(Note 3)	
Finished goods	\$ 1,217,864	\$ 582,984	\$ 1,666,089	\$ 50,795
Work-in-process	1,274,719	2,034,715	2,472,925	75,394
Raw materials	4,445,963	5,741,329	6,019,910	183,534
	6,938,546	8,359,028	10,158,924	309,723
Less: Valuation allowance	(975,033)	(1,121,797)	(1,908,587)	(58,188)
	\$ 5,963,513	\$ 7,237,231	\$ 8,250,337	\$ 251,535

The write-down of inventories to their net realizable value amounted to NT\$1,258,148 thousand (US\$38,358 thousand) and was recognized as cost of sales for the year ended December 31, 2008. For consistency with the presentation of the financial statements for the

year ended December 31, 2008, the Company reclassified “provision for loss on inventories” amounting to NT\$774,944 thousand and NT\$684,694 thousand for the years ended December 31, 2006 and 2007, respectively, to “cost of sales.”

11.PREPAYMENTS

Prepayments as of December 31, 2006, 2007 and 2008 were as follows:

	2006	2007	2008	
	NT\$	NT\$	NT\$	US\$
			(Note 3)	
Royalty	\$ 1,631,513	\$ 1,232,901	\$ 976,824	\$ 29,781
Software and hardware maintenance	81,322	76,732	88,554	2,700
Molding equipment	40,088	158,280	80,420	2,452
Net input VAT	975	23,818	35,517	1,083
Service	10,039	28,513	27,322	833
Materials purchases	4,281	3,719	16,440	501
Others	99,602	43,798	60,406	1,842
	\$ 1,867,820	\$ 1,567,761	\$ 1,285,483	\$ 39,192

Prepayments for royalty were primarily prepayments for discount purposes (Note 30 has more information).

Prepayments for others were primarily for rent and insurance expenses.

12.FINANCIAL ASSETS CARRIED AT COST

Financial assets carried at cost as of December 31, 2006, 2007 and 2008 were as follows:

	2006	2007	2008	
	NT\$	NT\$	NT\$	US\$
			(Note 3)	
Hua-Chuang Automobile Information Technical Center Co., Ltd.	\$ -	\$ 500,000	\$ 500,000	\$ 15,244
Answer Online, Inc.	1,192	1,192	1,192	36
	\$ 1,192	\$ 501,192	\$ 501,192	\$ 15,280

In January 2007, the Company acquired 10% equity interest in Hua-Chuang Automobile Information Technical Center Co., Ltd. for NT\$500,000 thousand. The Company also signed a joint venture agreement with Yulon Group, the main stockholder of Hua-Chuang. Under the agreement, the Company and Yulon Group may, between January 1, 2010 and December 31, 2011, submit written requests to each other for Yulon Group to buy back NT\$300,000 thousand at original price, some of Hua-Chuang’s shares bought by the Company.

In March 2004, the Company merged with IA Style, Inc. (Note 1) and acquired 1.82% equity interest in Answer Online, Inc. as a result of the merger.

These unquoted equity instruments were not carried at fair value because their fair value could not be reliably measured; thus, the Company accounted for these investments by the cost method.

13.BOND INVESTMENTS NOT QUOTED IN AN ACTIVE MARKET

As of December 31, 2007 the Company had the following bond investment, which had no quoted price in an active market:

	2006		2007		2008	
	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage	Original Cost	Carrying Value
	NT\$		NT\$		NT\$ US\$	NT\$ US\$
					(Note 3)	(Note 3)
Equity method						
Vitamin D Inc.	\$ -	-	\$ -	-	\$ 40,986 \$ 1,250	\$ 39,906 \$ 1,217
						26

	2007	2007	2008	
	NT\$	NT\$	NT\$	US\$
			(Note 3)	
Bond investment	\$ -	\$ 33,030	\$ -	\$ -
Less: Current portion	-	(33,030)	-	-
	\$ -	\$-	\$ -	\$ -

The Company bought 12-month bond issued by Vitamin D Inc. with 6% annual interest for NT\$33,030 thousand (US\$1,000 thousand). The unquoted debt instrument was not carried at fair value because its fair value could not be reliably measured.

In April 2008, the Company made a new investment of US\$350 thousand and transferred its bond investment of US\$1,000 thousand to convertible preferred stocks issued by Vitamin D Inc. As a result, the Company acquired 27% equity interest in Vitamin D Inc. and can exercise significant influence over this investee. The Company accounts for this investment by the equity method.

14.INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

The investment accounted for by the equity method as of December 31, 2008 was as follows:

In April 2008, the Company made a new investment of US\$350 thousand and transferred its bond investment of US\$1,000 thousand to convertible preferred stocks issued by Vitamin D Inc. As a result, the Company acquired 27% equity interest in Vitamin D Inc. for NT\$40,986 thousand, (US\$1,250 thousand), enabling the Company to exercise significant influence over this investee. Thus, the Company accounts for this investment by the equity method. In September 2008, Vitamin D Inc. issued 2,375 thousand convertible preferred shares, but the Company did not buy any of these shares. Thus, the Company's ownership percentage declined from 27% to 26%, and there was a capital surplus -

long-term equity investments of NT\$1,689 thousand (US\$52 thousand).

On its equity-method investments, the Company had a loss of NT\$6,151 thousand (US\$188 thousand) for the year ended December 31, 2008.

The financial statements of equity-method investees had been examined by the Company's independent auditors.

15.PROPERTIES

Properties as of December 31, 2006, 2007 and 2008 were as follows:

	2006		2007		2008	
	Carrying Value	Carrying Value	Cost	Accumulated Depreciation	Carrying Value	
	NT\$	NT\$	NT\$	NT\$	NT\$	US\$
						(Note 3)
Land	\$ 610,293	\$ 610,293	\$ 3,568,124	\$ -	\$ 3,568,124	\$ 108,784
Buildings and structures	735,785	1,831,765	2,856,815	525,185	2,331,630	71,086
Machinery and equipment	1,170,572	1,339,950	4,579,241	3,086,203	1,493,038	45,519
Molding equipment	-	11,113	194,320	179,994	14,326	437
Computer equipment	73,830	97,374	350,118	229,329	120,789	3,683
Transportation equipment	1,167	703	4,605	3,012	1,593	49
Furniture and fixtures	51,056	98,092	462,157	154,811	307,346	9,370
Leased assets	3,927	3,141	5,336	2,356	2,980	91
Leasehold improvements	49,797	79,306	188,182	62,947	125,235	3,818
Prepayments for construction-in-progress and equipment-in-transit	473,971	149,225	951,289	-	951,289	29,003
	\$ 3,170,398	\$ 4,220,962	\$ 13,160,187	\$ 4,243,837	\$ 8,916,350	\$ 271,840

In August 2008, the Company acquired from Runtop Inc. land and building, with areas of approximately 10.6 thousand square meters and 40 thousand square meters, respectively,

for NT\$900,000 thousand (US\$27,439 thousand) to have more office space and to build parking lots, dormitory, etc.

In December 2008, the Company bought the land - about 8.3 thousand square meters - from Yulon Motors Ltd. for NT\$3,335,000 thousand (US\$101,677 thousand) to build the Taipei R&D headquarters in Xindian City. Of the purchase price, 80% had been paid and 80% of ownership of the land had been transferred to the Company as of December 31, 2008. Yulon Motors Ltd. should transfer the remaining 20% of ownership of the land before December 20, 2009, and the Company should pay the remaining 20% after completing the land transfer registration.

In December 2008, the Company's board of directors resolved to participate in the third auction held by Taiwan Financial Asset Service Corporation ("TFASC") and acquired the land - about 16.5 thousand square meters - from Hualon Corporation for NT\$355,620 thousand (US\$10,842 thousand). Of the purchase price, NT\$71,130 thousand (US\$2,169 thousand) had been paid by the end of 2008, and the remaining NT\$284,490 thousand (US\$8,673 thousand) was paid on January 7, 2009.

16.SHORT-TERM BORROWINGS

Short-term borrowings as of December 31, 2008 were as follows:

	2006	2007	2008	
	NT\$	NT\$	NT\$	US\$
			(Note 3)	
Working capital loans, annual interest at 2.80%~4.40%	\$ -	\$ -	\$ 75,000	\$ 2,286
	\$ -	\$ -	\$ 75,000	\$ 2,286

17.ACCRUED EXPENSES

Accrued expenses as of December 31, 2006, 2007 and 2008 were as follows:

	2006	2007	2008	
	NT\$	NT\$	NT\$	US\$
			(Note 3)	
Bonus to employees	\$ 451,000	\$ -	\$ 6,164,889	\$ 187,954
Marketing	983,088	3,190,918	5,790,466	176,539
Salaries & bonuses	828,071	989,143	1,220,533	37,211
Services	53,074	148,815	520,383	15,865
Export expenses	200,083	139,512	460,724	14,047
Research materials	128,505	193,859	539,071	16,435
Meals and welfare	57,598	58,287	101,563	3,096
Repairs and maintenance	23,759	33,686	82,096	2,503
Insurance	42,403	47,460	74,061	2,258
Research and development	-	-	65,600	2,000
Pension for contribution plan	26,781	33,870	49,630	1,513
Travel	58,027	40,777	32,507	991
Others	82,689	250,082	247,247	7,538
	\$ 2,935,078	\$ 5,126,409	\$ 15,348,770	\$ 467,950

As discussed in Note 4 to the financial statements, the Company adopted Interpretation 96-052 - "Accounting for Bonuses to Employees, Directors and Supervisors." As a result, the Company accrued an employee bonus payable of NT\$6,164,889 thousand (US\$187,954 thousand). Based on a resolution passed by the Company's board of directors in February 2008, the employee bonus payable should be appropriated at 18% of net income less employee bonus expenses.

Also, in the stockholders' meetings of 2006, 2007 and 2008, the stockholders approved the appropriation from the net earnings of 2005, 2006 and 2007, and the employee bonuses were NT\$451,000 thousand, NT\$2,000,000 thousand and NT\$1,210,000 thousand (US\$36,890 thousand), respectively. Only employee bonus payable of NT\$451,000 thousand had not been paid on December 31, 2006.

The Company accrued marketing expenses on the basis of related agreements and other factors that would significantly affect the accruals.

18.OTHER CURRENT LIABILITIES

Other current liabilities as of December 31, 2006, 2007 and 2008 were as follows:

	2006	2007	2008	
	NT\$	NT\$	NT\$	US\$
				(Note 3)
Reserve for warranty	\$1,393,995	\$3,469,957	\$5,228,603	\$159,408
expenses				
Other payable	38,699	66,755	389,103	11,863
Agency receipts	145,373	226,124	285,914	8,717
Advance receipts	57,426	177,150	180,504	5,503
Directors'	21,842	21,842	21,842	666
remuneration				
Others	4,668	8,204	2,730	83
	\$1,662,003	\$3,970,032	\$6,108,696	\$186,240

The Company provides warranty service for one to two years, depending on the contracts with our customers. The warranty liability is estimated on management's evaluation of the products under warranty and recognized as warranty liability.

In October 2008, H.T.C. (B.V.I.) Corp. acquired 100% equity interest of One & Company Design, Inc., and paid the investment to the original stockholders of One & Company Design, Inc. in several installments based on the agreement. Of the investment, NT\$122,700 thousand (US\$3,741 thousand) had not been paid as of December 31, 2008.

The Company also estimated a contingent liability of NT\$259,450 thousand (US\$7,910 thousand) due to an increased financial risk from the customer. If the customer cannot pay its payments, the upstream

firms might dun the Company for the customer's liabilities. The Company is still negotiating with the customer to resolve this issue.

Agency receipts were primarily overseas value-added tax, employees' income tax, insurance, and other items.

19.LONG-TERM BANK LOANS

	2006	2007	2008	
	NT\$	NT\$	NT\$	US\$
				(Note 3)
Secured loans (Note 28)				
NT\$50,000 thousand, repayable	\$ -	\$31,250	\$18,750	\$ 572
from July 2006 in 16 quarterly				
installments; 1% annual interest				
NT\$65,000 thousand, repayable	-	65,000	56,875	1,734
from July 2008 in 16 quarterly				
installments; 1% annual interest				
Less: Current portion	-	(20,625)	(28,750)	(877)
	\$ -	\$75,625	\$46,875	\$1,429

20.PENSION PLAN

The Labor Pension Act (the "Act"), which provides for a new defined contribution plan, took effect on July 1, 2005. Employees covered by the Labor Standards Law (the "Law") before the enforcement of the Act were allowed to choose to remain to be subject to the defined benefit pension mechanism under the Law or to be subject instead to the Act. Based on the Act, the rate of the Company's required monthly contributions to the employees' individual pension accounts is at least 6% of monthly wages and salaries, and these contributions are recognized as pension expense in the income statement. The pension fund contributions were NT\$90,488

thousand in 2006, NT\$113,985 thousand in 2007 and NT\$162,692 (US\$4,960 thousand) in 2008. Under the Law, which provides for a defined benefit pension plan, retirement payments should be made according to the years of service, with a payment of two units for each year of service but only one unit per year after the 15th year; however, total units should not exceed 45. The rate of the Company's contributions to a pension fund was 2% after the Act took effect. The pension fund is deposited in the Bank of Taiwan (the Central Trust of China merged with the Bank of Taiwan in 2007, with the Bank of Taiwan as the survivor entity) in the committee's name. The pension fund balances were NT\$311,532 thousand, NT\$348,853 thousand and NT\$389,216 thousand (US\$11,866 thousand) as of December 31, 2006, 2007 and 2008, respectively.

H.T.C. (B.V.I.) Corp., HTC HK, Limited, and High Tech Computer Asia Pacific Pte. Ltd. have no pension plans.

Under their respective local government regulations, other subsidiaries have defined contribution pension plans covering all eligible employees. The pension fund contributions were NT\$3,006 thousand in 2006 NT\$15,728 thousand in 2007 and NT\$41,827 (US\$1,275 thousand) in 2008.

Based on the Statement of Financial Accounting Standards No. 18 - "Accounting for Pensions" issued by the Accounting Research and Development Foundation of the ROC, pension cost under a defined benefit pension plan should be calculated by the actuarial method.

The Company's net pension costs under the defined benefit plan in 2006, 2007 and 2008 were as follows:

	2006	2007	2008	
	NT\$	NT\$	NT\$	US\$
				(Note 3)
Service cost	\$ 5,259	\$ 4,930	\$ 5,194	\$ 158
Interest cost	9,400	8,629	8,743	267
Projected return on plan	(10,320)	(8,988)	9,980)	(304)
assets				
Amortization	1,708	2,256	1,561	47
Curtailment gain	-	-	(211)	(6)
Net pension cost	\$ 6,047	\$ 6,827	\$ 5,307	\$ 162

The reconciliations between pension fund status and prepaid pension cost as of December 31, 2006, 2007 and 2008 were as follows:

	2006	2007	2008	
	NT\$	NT\$	NT\$	US\$
				(Note 3)
Present actuarial value				
of benefit obligation				
Vested benefits	\$ -	\$ -	\$ -	\$ -
Non-vested benefits	153,371	172,092	164,214	5,006
Accumulated benefit				
obligation	153,371	172,092	164,214	5,006
Additional benefits on				
future salaries	159,023	145,809	176,784	5,390
Projected benefit				
obligation	312,394	317,901	340,998	10,396
Plan assets at fair value	(311,532)	(348,853)	(389,216)	(11,866)
Funded status	862	(30,952)	(48,218)	(1,470)
Unrecognized net				
transitional obligation	-	(1,032)	(564)	(17)
Unrecognized pension				
loss	(74,882)	(63,229)	(68,630)	(2,092)
Additional minimum				
pension liability	-	953	475	14
Prepaid pension cost	\$(74,020)	\$(94,260)	\$(116,937)	\$(3,565)

Assumptions used in actuarially determining the present value of the projected benefit obligation were as follows:

	2006	2007	2008
Weighted-average discount rate	2.75%	2.75%	2.75%
Assumed rate of increase in future compensation	4.25%	2%-4%	2%-4%
Expected long-term rate of return on plan assets	2.75%	2.75%	2.75%

The vested benefits as of December 31, 2006, 2007 and 2008 all amounted to NT\$0 thousand.

21.STOCKHOLDERS' EQUITY

Capital Stock

The Company's outstanding common stock as of January 1, 2006 amounted to NT\$3,570,160 thousand, divided into 357,016 thousand common shares at NT\$10.00 par value. In May 2006, the stockholders approved the transfer of retained earnings amounting to NT\$714,032 thousand and employee bonuses amounting to NT\$80,000 thousand to capital stock. As a result, the amount of the Company's outstanding common stock as of December 31, 2006 increased to NT\$4,364,192 thousand, divided into 436,419 thousand common shares at NT\$10.00 par value.

In April 2007, the Company retired 3,624 thousand treasury shares (NT\$36,240 thousand). In June 2007, the stockholders approved the transfer of retained earnings amounting to NT\$1,298,385 thousand and employee bonuses amounting to NT\$105,000 thousand to capital stock. As a result, the amount of the Company's outstanding common stock as of December 31, 2007 was NT\$5,731,337 thousand, divided into 573,134 thousand common

shares at NT\$10.00 par value.

Also, in June 2008, the stockholders approved the transfer of retained earnings amounting to NT\$1,719,401 thousand (US\$52,421 thousand) and employee bonuses amounting to NT\$103,200 thousand (US\$3,146 thousand) to capital stock. As a result, the amount of the Company's outstanding common stock as of December 31, 2008 increased to NT\$7,553,938 thousand (US\$230,303 thousand), divided into 755,394 thousand common shares at NT\$10.00 (US\$0.30) par value.

In their meeting on December 11, 2002, the Company's Board of Directors resolved to issue 7,000 thousand units of employee stock options in accordance with Article 28.3 of the Securities and Exchange Law. Each option represents the right to buy one newly issued common share of the Company. The exercise price is the closing price of the Company's common shares on the option issuance date. The option holders can exercise the right up to 35% of the granted option units no earlier than two years from the grant date. After three years from the grant date, the holders can exercise their right at up to 70% of the granted option units. After four years from the grant date, the option holders are eligible to exercise their rights on all the options owned. The exercise period is five years. The Company had issued 3,000 thousand units of the stock options to employees which were increased to 7,011 thousand units by taking into account the effect of stock dividends and the issuance of additional common stocks. After the employees' choosing to give up the stock options in the first and second quarter of 2007, there were no employee stock options outstanding as of

June 20, 2007, the date of stockholders' meeting. The remaining employee stock options which were not issued, amounting to 4,000 thousand units, expired on December 25, 2003.

Global Depositary Receipts

The Company issued 14,400 thousand common shares corresponding to 3,600 thousand units of Global Depositary Receipts (GDRs). For this GDR issuance, the Company's stockholders, including Via Technologies, Inc., also issued 12,878.4 thousand common shares, corresponding to 3,219.6 thousand GDR units. Thus, the entire offering consisted of 6,819.6 thousand GDR units. Each GDR represents four common shares, with par value of NT\$131.1. For this common share issuance, net of related expenses, NT\$1,696,855 thousand was accounted for as capital surplus. This share issuance for cash was completed and registered on November 19, 2003.

The holders of these GDRs have the same rights and obligations as the stockholders of the Company. However, the distribution of the offering and sales of GDRs and the shares represented thereby in certain jurisdictions may be restricted by law. In addition, the GDRs offered and the shares represented are not transferable, except in accordance with the restrictions described in the GDR offering circular and related laws applied in Taiwan. Through the depositary custodian in Taiwan, GDR holders are entitled to exercise these rights:

- a.To vote; and
- b.To receive dividends and participate in new share issuance for cash subscription.

Taking into account the effect of stock dividends, the GDRs increased to 8,322 thousand units (33,287.9 thousand shares). The holders of these GDRs requested the Company to redeem the GDRs to get the Company's common shares. As of December 31, 2008, there were 6,623.1 thousand units of GDRs redeemed, representing 26,492 thousand common shares, and the outstanding GDRs represented 6,796 thousand common shares or 0.90% of the Company's common shares.

Capital Surplus

Under the Company Law, capital surplus can only be used to offset a deficit. However, the capital surplus from share issued in excess of par (additional paid-in capital from issuance of common shares, conversion of bonds and treasury stock transactions) and donations may be capitalized, which however is limited to a certain percentage of the Company's paid-in capital. Also, the capital surplus from long-term investments may not be used for any purpose.

The additional paid-in capital was NT\$4,410,871 thousand as of January 1, 2006. In April 2007, the retirement of treasury stock caused a decrease of additional paid-in capital amounted to 36,627 thousand. As a result, the additional paid-in capital as of December 31, 2008 was NT\$4,374,244 thousand (US\$133,361 thousand). Under the Company Law, the Company may transfer the capital surplus to common stock if there is no accumulated deficit.

When the Company did not subscribe for the new shares issued by BandRich Inc. in May 2006 and Vitamin D Inc. in September 2008, adjustments of NT\$15,845 thousand and NT\$1,689 thousand (US\$52 thousand) were made to the investment's carrying value and capital surplus, respectively. As a result, the capital surplus from long-term equity investments as of December 31, 2008 was NT\$17,534 thousand (US\$535 thousand).

The additional paid-in capital from a merger (Note 1), which took effect on March 1, 2004, was NT\$25,972 thousand. Then, because of treasury stock retirement in April 2007, the additional paid-in capital from a merger decreased to NT\$25,756 thousand (US\$785 thousand).

Appropriation of Retained Earnings and Dividend Policy

Based on the Company Law of the ROC and the Company's Articles of Incorporation, 10% of the Company's annual net income less any deficit should first be appropriated as legal reserve until this reserve equals its capital. From the remainder, there should be appropriations of not more than 3‰ as remuneration to directors and supervisors and at least 5% as bonuses to employees.

The appropriation of retained earnings should be proposed by the board of directors and approved by the stockholders in their annual meeting.

As part of a high-technology industry and a growing enterprise, the Company considers its operating environment, industry developments, and long-term interests of stockholders as well as

its programs to maintain operating efficiency and meet its capital expenditure budget and financial goals in determining the stock or cash dividends to be paid. The Company's dividend policy stipulates that at least 50% of total dividends may be distributed as cash dividends.

Had the Company recognized the employees' bonuses of NT\$531,000 thousand as expenses in 2005, the pro forma earnings per share in 2005 would have decreased from NT\$33.26 to NT\$31.76, which were not adjusted retroactively for the effect of stock dividend distribution in later years.

Had the Company recognized the employees' bonuses of NT\$2,105,000 thousand as expenses in 2006, the pro forma earnings per share in 2006 would have decreased from NT\$57.85 to NT\$53.03, which were not adjusted retroactively for the effect of stock dividend distribution in the following year.

Had the Company recognized the employees' bonuses of NT\$1,313,200 thousand as expenses in 2007, the pro forma earnings per share in 2007 would have decreased from NT\$50.48 to NT\$48.19, which were not adjusted retroactively for the effect of stock dividend distribution in the following year.

Based on a resolution passed by the Company's board of directors in February 2008, the employee bonus payable should be appropriated at 18% of net income less employee bonus expenses. If the actual amounts subsequently resolved by the

stockholders differ from the proposed amounts, the differences are recorded in the year of stockholders' resolution as a change in accounting estimate. If bonus shares are resolved to be distributed to employees, the number of shares is determined by dividing the amount of bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day preceding the stockholders' meeting.

As of January 17, 2009, the date of the accompanying independent auditors' report, the appropriation of the 2008 earnings had not been proposed by the Board of Directors. Information on earnings appropriation can be accessed online through the Market Observation Post System on the Web site.

22.TREASURY STOCK

On October 7, 2008, the Company's board of directors passed a resolution to buy back 10,000 thousand Company shares from the open market. The repurchase period was between October 8, 2008 and December 7, 2008, and the repurchase price ranged from NT\$400(US\$12) to NT\$500 (US\$15) per share. If the Company's share price was lower than this price range, the Company might continue to buy back its shares.

The Company bought back 10,000 thousand shares for NT\$3,410,277 thousand (US\$103,972 thousand) during the repurchase period.

Purpose	(In thousands of shares)			
	As of January 1, 2008	Increase	Decrease	As of December 31, 2008
For maintaining the Company's credit and stockholders' equity	-	10,000	-	10,000

On December 12, 2006, the Company's board of directors passed a resolution to buy back 5,000 thousand Company shares from the open market. The repurchase period was between December 13, 2006 and January 19, 2007, and the repurchase price ranged from NT\$601 to NT\$800 per share. If the Company's share price was lower than this price range, the Company might continue to buy back its shares.

During the repurchase period, the Company bought back 3,624 thousand shares, which were approved to be retired by the Company's board of directors in April 2007, for NT\$1,991,755 thousand.

Based on the Securities and Exchange Act of the ROC, the number of reacquired shares should not exceed 10% of the Company's issued and outstanding stocks, and the total purchase amount should not exceed the sum of the retained earnings, additional paid-in capital in excess of par, and realized capital reserve. In addition, the Company should not pledge its treasury shares nor exercise voting rights on the shares before their reissuance.

23.PERSONNEL EXPENSES, DEPRECIATION AND AMORTIZATION

Expense Item	Function					
	2006			2007		
	NT\$			NT\$		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Personnel expenses	1,747,869	2,195,829	3,943,698	2,026,408	3,482,283	5,508,691
Salary	1,503,540	1,942,094	3,445,634	1,740,812	3,075,796	4,816,608
Insurance	70,395	87,463	157,858	80,707	163,098	243,805
Pension	35,036	64,505	99,541	45,258	91,282	136,540
Others	138,898	101,767	240,665	159,631	152,107	311,738
Depreciation expense	384,241	254,112	638,353	393,581	287,676	681,257
Amortization	7,319	33,197	40,516	14,006	37,856	51,862

Expense Item	Function					
	2008			2008		
	NT\$			US\$ (Note 3)		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Personnel expenses	3,504,723	10,041,645	13,546,368	106,851	306,148	412,999
Salary	3,099,263	9,377,620	12,476,883	94,490	285,903	380,393
Insurance	126,199	198,891	325,090	3,847	6,064	9,911
Pension	59,935	149,891	209,826	1,827	4,570	6,397
Others	219,326	315,243	534,569	6,687	9,611	16,298
Depreciation expense	378,836	365,029	743,865	11,550	11,129	22,679
Amortization	20,617	41,160	61,777	628	1,255	1,883

24.INCOME TAX

HTC's income tax returns through 2003 had been examined by the tax authorities. However, HTC disagreed with the tax authorities' assessment on its returns for 2001 to 2003 and applied for the administrative appeal and litigation of its returns. Nevertheless, under the conservatism guideline, HTC adjusted its income tax for the tax shortfall stated in the tax assessment notices.

The income tax returns of BandRich Inc. and Communication Global Certification Inc. through2006 had been examined by the tax authorities.Under the Statute for Upgrading Industries, HTC was granted exemption from corporate income tax as follows:

Item Exempt from Corporate Income Tax	Exemption Period
Sales of pocket PCs, pocket PCs (wireless) and Smartphones	2004.09.15~2009.09.14
Sales of pocket PCs (wireless) and Smartphones	2004.11.30~2009.11.29
Sales of pocket PCs (wireless) and Smartphones	2005.12.20~2010.12.19
Sales of wireless or smartphone which has 3G or GPS function	2006.12.20~2011.12.19
Sales of wireless or smartphone which has 3G or GPS function	2007.12.20~2012.12.19

Provision for income tax in 2006, 2007 and 2008; and income tax payable, income tax refund receivables and deferred tax assets (liabilities) as of December 31, 2006, 2007 and 2008 were as follows:

	2006				2007			
	Income Tax Expense	Income Tax Payable	Income Tax Receivable	Deferred Tax Assets	Income Tax Expense (Benefit)	Income Tax Payable	Income Tax Receivable	Deferred Tax Assets
	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$
HTC Corporation	\$ 1,710,551	\$ 1,758,717	\$ -	\$ 647,307	\$ 3,212,435	\$ 2,514,394	\$ -	\$ 942,110
BandRich Inc.	(3,934)	-	201	3,934	(5,892)	-	-	9,826
Communication Global Certification Inc.	-	-	-	-	292	-	-	2,286
HTC America Inc.	294	-	-	-	61,401	-	-	-
Exedea Inc.	1,464	-	-	-	7,948	-	-	-
HTC EUROPE CO., LTD.	-	-	-	-	31,082	29,705	-	-
HTC NIPPON Corporation	-	-	-	-	489	90	-	-
HTC Belgium BVBA/SPRL	-	-	-	-	4,231	3,361	-	-
High Tech Computer Singapore Pte. Ltd.	-	-	-	-	526	519	-	-
High Tech Computer (H.K.) Limited	-	-	-	-	661	3,682	-	3,029
HTC (Australia and New Zealand) Pty. Ltd.	-	-	-	-	1,051	6,952	-	5,915
	\$ 1,708,375	\$ 1,758,717	\$ 201	\$ 651,241	\$ 3,314,224	\$ 2,558,703	\$ -	\$ 963,166

	2008							
	Income Tax Expense (Benefit)		Income Tax Payable		Income Tax Receivable		Deferred Tax Assets (Liabilities)	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
	(Note 3)	(Note 3)	(Note 3)	(Note 3)	(Note 3)	(Note 3)	(Note 3)	(Note 3)
HTC Corporation	\$ 2,955,130	\$ 90,096	\$ 3,937,745	\$ 120,053	\$ -	\$ -	\$ 1,373,638	\$ 41,879
BandRich Inc.	10,071	307	-	-	-	-	(245)	(8)
Communication Global Certification Inc.	539	16	178	5	-	-	2,228	68
HTC America Inc.	100,493	3,064	-	-	16,400	500	-	-
HTC EUROPE CO., LTD.	77,956	2,377	63,547	1,938	-	-	-	-
HTC NIPPON Corporation	11,642	355	12,364	377	-	-	-	-
HTC BRASIL	4,505	137	-	-	1,882	57	-	-
One & Company Design, Inc.	(2,933)	(89)	2,489	76	-	-	(4,922)	(150)
HTC Corporation (Shanghai WGQ)	4,583	140	3,808	116	-	-	-	-
HTC Belgium BAVA/SPRL	9,976	304	9,146	279	-	-	-	-
High Tech Computer Singapore Pte. Ltd.	142	4	494	15	-	-	-	-
High Tech Computer (H.K.) Limited	(245)	(7)	409	12	-	-	-	-
HTC (Australia and New Zealand) Pty. Ltd.	3,823	116	6,129	187	-	-	2,661	81
HTC India Private Limited	6,177	188	2,470	75	-	-	-	-
HTC (Thailand.) Ltd.	1,002	30	591	18	-	-	-	-
HTC Investment Corporation	329	10	243	8	-	-	63	2
	\$ 3,183,190	\$ 97,048	\$ 4,039,613	\$ 123,159	\$ 18,282	\$ 557	\$ 1,373,423	\$ 41,872

The tax effects of deductible temporary differences and loss and tax credit carryforwards that gave rise to deferred tax assets as of December 31, 2006, 2007 and 2008 were as follows:

	2006	2007	2008	
	NT\$	NT\$	NT\$	US\$
				(Note 3)
Temporary differences				
Provision for loss on decline in value of inventory	\$ 222,916	\$ 229,072	\$ 418,861	\$ 12,770
Unrealized marketing expenses	245,772	757,691	1,456,074	44,393
Unrealized reserve for warranty expense	348,499	867,489	1,307,151	39,852
Capitalized expense	31,936	39,628	59,474	1,813
Unrealized royalties	942,097	1,009,848	1,535,925	46,827
Unrealized bad-debt expenses	-	16,072	26,503	808
Unrealized valuation loss on financial instruments	19,117	24,064	128,521	3,918
Other	27,770	45,345	11,711	357
Loss carryforwards	7,868	25,293	50,545	1,541
Tax credit carryforwards	9,574	47,484	2,281,856	69,569
Total deferred tax assets	1,855,549	3,061,986	7,276,621	221,848
Less: Valuation allowance	(1,147,549)	(2,026,939)	(5,826,064)	(177,624)
Total deferred tax assets, net	708,000	1,035,047	1,450,557	44,224
Deferred tax liabilities				
Unrealized pension cost	(18,505)	(23,797)	(29,353)	(895)
Unrealized foreign exchange gain, net	(38,254)	(43,035)	(41,249)	(1,258)
Unrealized depreciation	-	(5,049)	(6,532)	(199)
	651,241	963,166	1,373,423	41,872
Less: Current portion	(428,077)	(570,992)	(550,530)	(16,784)
Deferred tax assets - noncurrent	\$ 223,164	\$ 392,174	\$ 822,893	\$25,088

Details of the tax credit carryforwards were as follows:

Credit	2006	2007	2008	
Grant Year	NT\$	NT\$	NT\$	US\$
				(Note 3)
2004	\$ -	\$ 6,965	\$ -	\$ -
2005	-	6,479	6,479	198
2006	9,574	15,475	15,475	472
2007	-	18,565	220,270	6,715
2008	-	-	2,039,632	62,184
	\$ 9,574	\$ 47,484	\$ 2,281,856	\$ 69,569

Details of the loss carryforwards were as follows:

Loss	2006	2007	2008	
Year	NT\$	NT\$	NT\$	US\$
				(Note 3)
2005	\$ -	\$ 95	\$ 95	\$ 3
2006	31,474	50,703	50,703	1,546
2007	-	50,372	48,885	1,490
2008	-	-	102,497	3,125
	\$ 31,474	\$ 101,170	\$ 202,180	\$ 6,164

Based on the Income Tax Act of the ROC, the investment research and development tax credits can be carried forward for four years. The total credits used in each year cannot exceed half of the estimated income tax provision, except in the last year.

Valuation allowance is based on management's evaluation of the amount of tax credits that can be carried forward for four years, based on the Company's financial forecasts.

The income taxes in 2006, 2007 and 2008 were as follows:

	2006	2007	2008	
	NT\$	NT\$	NT\$	US\$
				(Note 3)
Current income tax	\$ 1,849,052	\$ 3,497,798	\$ 3,602,387	\$ 109,799
Increase in deferred income tax assets	(172,381)	(309,485)	(410,257)	(12,508)
Underestimation (overestimation) of prior year's income tax	31,704	125,911	(8,940)	(243)
Income tax	\$ 1,708,375	\$ 3,314,224	\$ 3,183,190	\$ 97,048

The integrated income tax information of HTC is as follows:

	2006	2007	2008	
	NT\$	NT\$	NT\$	US\$
				(Note 3)
Balance of imputation credit account (ICA)	\$ 1,772,897	\$ 3,005,386	\$ 5,568,676	\$ 169,777
Unappropriated earnings generated from 1998	31,991,090	41,403,867	44,626,182	1,360,555
Actual/ estimated creditable ratio (including income tax payable)	5.54 %	7.26%	12.48%	12.48%
	(actual ratio)	(actual ratio)	(estimated ratio)	(estimated ratio)

For distribution of earnings generated on or after January 1, 1998, the ratio for the imputation credits allocated to stockholders of the Company is based on the balance of the ICA as of the date of dividend distribution. The expected creditable ratio for the 2008 earnings may be adjusted, depending on the ICA balance on the date of dividend distribution.

25.EARNINGS PER SHARE

Earnings per share (EPS) before tax and after tax are calculated by dividing net income by the weighted average number of common shares outstanding which includes the deduction of the effect of treasury stock during each year. The weighted average number of shares used in EPS calculation was 761,697 thousand shares, 755,608 thousand shares and 754,148 thousand shares for the years ended December 31, 2006, 2007 and 2008, respectively. EPS for the years ended December 31, 2006 and 2007 were calculated after the average number of shares outstanding was adjusted retroactively for the effect of stock dividend distribution in 2008.

The Accounting Research and Development Foundation issued Interpretation 2007-052 that requires companies to recognize bonuses paid to employees, directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. If the Company may settle the bonus to employees by cash or shares, the Company should presume that the entire amount of the bonus will be settled in shares and the resulting potential shares should be included in the weighted average number of shares outstanding used in the calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the entire amount of the bonus by the closing price of the shares at the balance sheet date. Such dilutive effects of the potential shares needs to be included in the calculation of diluted EPS until the stockholders resolve the number of shares to be distributed to employees at their meeting in the following year. The related EPS information for the years ended December 31, 2006, 2007 and 2008 are as follows:

2006					
		Numerators		Denominator	EPS (In Dollars)
		Income before Income Tax	Income after Income Tax	Shares (Thousands)	
		NT\$	NT\$		NT\$
Basic EPS	\$	26,957,878	\$ 25,247,327	761,697	\$ 33.15
Employee stock options		-	-	6,763	
Diluted EPS	\$	26,957,878	\$ 25,247,327	768,460	\$ 32.85
2007					
		Numerators		Denominator	EPS (In Dollars)
		Income before Income Tax	Income after Income Tax	Shares (Thousands)	
		NT\$	NT\$		NT\$
Basic EPS	\$	32,151,297	\$ 28,938,862	755,608	\$ 38.30
Employee stock options		-	-	-	
Diluted EPS	\$	32,151,297	\$ 28,938,862	755,608	\$ 38.30

2008					
		Numerators		Denominator	EPS (In Dollars)
		Income before Income Tax	Income after Income Tax	Shares (Thousands)	
		NT\$	NT\$		NT\$
Basic EPS	\$	31,590,479	\$ 28,635,349	754,148	\$ 37.97
Bonus to employees		-	-	27,400	
Diluted EPS	\$	31,590,479	\$ 28,635,349	781,548	\$ 36.64

2008					
		Numerators		Denominator	EPS (In Dollars)
		Income before Income Tax	Income after Income Tax	Shares (Thousands)	
		US\$	US\$		US\$
		(Note 3)	(Note 3)		(Note 3)
Basic EPS	\$	963,125	\$ 873,029	754,148	\$ 1.16
Employees' bonus		-	-	27,400	
Diluted EPS	\$	963,125	\$ 873,029	781,548	\$ 1.12

26.FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

>Nonderivative Financial Instruments

December 31							
		2006		2007		2008	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
		NT\$	NT\$	NT\$	NT\$	NT\$	US\$
						(Note 3)	(Note 3)
Assets							
Available-for-sale financial assets -							
noncurrent							
Financial assets carried at cost	\$	1,733	\$ 1,733	\$ 784	\$ 784	\$ 339	\$ 10
Bond investments not quoted in an active market		1,192	1,192	501,192	501,192	501,192	15,280
Investments accounted for using equity method		-	-	33,030	33,030	-	-
		-	-	-	-	-	-
		-	-	-	-	39,906	1,217
		-	-	-	-	39,906	1,217

>Derivative Financial Instruments

							December 31	
		2006		2007		2008		
Carrying Amount	Fair Value	Carrying Amount	Fair Value		Carrying Amount	Fair Value		
NT\$	NT\$	NT\$	NT\$	NT\$	US\$ (Note 3)	NT\$	US\$ (Note 3)	
Liabilities								
Financial liabilities at fair value								
through profit or loss	76,470	76,470	96,256	96,256	514,083	15,673	514,083	15,673

Methods and Assumptions Used in Determining Fair Values of Financial Instruments

Not subject to Statement of Financial Accounting Standards No. 34 - "Financial Instruments: Recognition and Measurement" are cash, receivables, other current financial assets, payables, accrued expenses and other current financial liabilities, which have carrying amounts that approximate their fair values.

The financial instruments neither include refundable deposits, guarantee deposits nor long-term bank loans. The fair values of aforementioned financial instruments were based on the present value of future cash flows discounted at the average interest rates for time deposits with maturities similar to those of the financial instruments.

The fair values of financial instruments at fair value through profit or loss and available-for-sale financial assets are based on quoted market prices in an active market, and their fair values can be reliably measured. If the securities do not have market prices, fair value is measured on the basis of financial or other information. The Company uses estimates and assumptions that are consistent with information that market participants would use in setting a price for these securities.

Methodology Used to Determine the Fair Values of Financial Instruments

	Quoted Market Prices				Measurement Method			
	December 31				December 31			
	2006	2007	2008		2006	2007	2008	
	NT\$	NT\$	NT\$	US\$	NT\$	NT\$	NT\$	US\$
				(Note 3)				(Note 3)
Assets								
Available-for-sale financial assets - noncurrent	\$ 1,733	\$ 784	\$ 339	\$ 10	\$ -	\$ -	\$ -	\$ -
Financial assets carried at cost	-	-	-	-	1,192	501,192	501,192	15,280
Bond investments not quoted in an active market	-	-	-	-	-	33,030	-	-
Investments accounted for using equity method	-	-	-	-	-	-	39,906	1,217
Liabilities								
Financial liabilities at fair value through profit or loss	76,470	96,256	514,083	15,673	-	-	-	-

There was no loss or gain recognized for the years ended December 31, 2006, 2007 and 2008 on the fair value changes of derivatives with fair values estimated using valuation techniques. However, on the changes in fair value of available-for-sale financial assets, the Company recognized an unrealized gain of NT\$849 thousand, an unrealized loss of NT\$949 thousand and another unrealized loss of NT\$445 thousand (US\$14 thousand) under stockholders' equity in the years ended December 31, 2006, 2007 and 2008, respectively.

As of December 31, 2006, 2007 and 2008, financial assets exposed to cash flow interest rate risk amounted to NT\$30,468,400 thousand, NT\$46,613,935 thousand and NT\$60,900,272 thousand (US\$1,856,715 thousand), respectively.

As of December 31, 2007, financial assets exposed to fair value interest rate risk was NT\$33,030 thousand.

Financial Risks

>Market Risk

Related Party	Relationship with the Company
First International Computer, Inc. (FIC)	Chairperson is an immediate relative of the chairperson of HTC
FIC (Suzhou) Inc.	Chairperson is an immediate relative of the chairperson of HTC
Xander International Corp.	Chairperson is an immediate relative of the chairperson of HTC
VIA Technologies, Inc.	Same chairperson with HTC
Chander Electronics Corp.	Same chairperson with HTC
Way-Lien Technology Inc.	Same chairperson with HTC
Captec Partners Management Corp.	Main director is the chairperson of HTC
Comserve Network Netherlands B.V.	Main director is an immediate relative of the chairperson of HTC
Employees' Welfare Committee	Employees' Welfare Committee of HTC
Landtek Corporation (BVI)	Main director is the chairperson of HTC
HTC Education Foundation for Social Welfare Charity	a non-profit organization of which the funds donated from the Company exceeds one third of the non-profit organization's total funds
High Tech Computer Foundation	a non-profit organization of which the funds donated from the Company exceeds one third of the non-profit organization's total funds

The Company uses derivative contracts for hedging purposes, i.e., to reduce any adverse effect of exchange rate fluctuations of accounts receivable/payable. The gains or losses on these contracts almost offset the gains or losses on the hedged items. Thus, market risk is not material.

>Credit Risk

The Company deals only with banks with good credit standing based on the banks' reputation and takes into account past experience with them. Moreover, the Company has a series of control procedures for derivative transactions. Management believes its exposure to counter-parties' default on contracts is low.

>Cash Flow Risk

The Company has sufficient working capital to settle derivative contracts. However, there are no future cash requirements for contract settlement.

27.RELATED-PARTY TRANSACTIONS

The related parties were as follows:

Major transactions with related parties are summarized below:

>Purchases of Inventories and Services

Related Party	2006		2007		2008	
	% to Total Net		% to Total Net		% to Total Net	
	Amount	Purchases	Amount	Purchases	Amount	Purchases
	NT\$		NT\$		NT\$	US\$
						(Note 3)
Chander Electronics Corp.	\$72,290	-	\$ -	-	\$19,041	\$ 581

Terms of payment and purchasing prices for both related and third parties were similar.

>Sales and Services Provided

Related Party	2006		2007		2008	
	% to Total		% to Total		% to Total	
	Amount	Revenues	Amount	Revenues	Amount	Revenues
	NT\$		NT\$		NT\$	US\$
						(Note 3)
Employees' Welfare Committee	\$ 228	-	\$ 212	-	\$ 101,195	\$3,085
Xander International Corp.	-	-	39,893	-	93,923	2,864
First International Computer, Inc. (FIC)	-	-	55,408	-	24,222	738
VIA Technologies, Inc.	1,160		537		1,578	48
Comserve Network Netherlands B.V.	-	-	37,587	-	-	-
Others	-	-	501	-	-	-
	\$1,388	-	\$134,138	-	\$ 220,918	\$6,735

The selling prices and collection terms for products sold to related parties were similar to those sold to third parties, except those for Employees' Welfare Committee.

Accounts Receivable

Related Party	2006		2007		December 31 2008	
	% to Total		% to Total		% to Total	
	Amount	Notes and Accounts Receivable	Amount	Notes and Accounts Receivable	Amount	Notes and Accounts Receivable
	NT\$		NT\$		NT\$	US\$
						(Note 3)
Employees' Welfare Committee	\$ -	-	\$ -	-	\$ 69,238	\$ 2,111
FIC (Suzhou) Inc.	3,180	-	-	-	-	-
Others	505	-	507	-	282	9
	\$ 3,685	-	\$ 507	-	\$ 69,520	\$ 2,120

>Accounts Payable

Related Party	2006		2007		December 31 2008	
	% to Total		% to Total		% to Total	
	Amount	Notes and Accounts Payable	Amount	Notes and Accounts Payable	Amount	Notes and Accounts Payable
	NT\$		NT\$		NT\$	US\$
						(Note 3)
Chander Electronics Corp.	\$ -	-	\$ -	-	\$ 19,041	\$ 581
First International Computer, Inc.	-	-	521	-	-	-
	\$ -	-	\$ 521	-	\$ 19,041	\$ 581

>Other Receivables

Related Party	2006		2007		December 31 2008	
	% to Total		% to Total		% to Total	
	Amount	Other Receivable	Amount	Other Receivable	Amount	Other Receivable
	NT\$		NT\$		NT\$	US\$
						(Note 3)
VIA Technologies Inc.	\$ 19	-	\$ 13	-	\$ -	\$ -
Chander Electronics Corp	17	-	82	-	72	2
	\$ \$36	-	\$ 95	-	\$ 72	\$ 2

>Accrued Expenses

Related Party	2006		2007		December 31 2008	
	% to Total		% to Total		% to Total	
	Amount	Accrued Expenses	Amount	Accrued Expenses	Amount	Accrued Expenses
	NT\$		NT\$		NT\$	US\$
						(Note 3)
VIA Technologies Inc.	\$ 210	-	\$ -	-	\$ -	\$ -
Way-Lien Technology Inc.	-	-	-	-	200	6
	\$ 210	-	\$ -	-	\$ 200	\$ 6

>Other Payables to Related Parties

Related Party	December 31						
	2006		2007		2008		
	% to Total		% to Total		% to Total		
	Amount	Other Payables	Amount	Other Payables	Amount	Other Payables	
	NT\$		NT\$		NT\$	US\$	
						(Note 3)	
Xander International Corp.	\$ 24	-	\$ 94	-	\$ -	\$ -	-

>Service Warranty Expense

Related Party	2006		2007		2008		
	% to Total		% to Total		% to Total		
	Warranty		Warranty		Warranty		
	Amount	Expenses	Amount	Expenses	Amount	Expenses	
	NT\$		NT\$		NT\$	US\$	
						(Note 3)	
Comserve Network Netherlands B.V.	\$ 11,470	1	\$ 221,884	6	\$ 14,491	\$ 442	-

Service warranty expense resulted from authorizing the above related party to provide after-sales services.

Service Fees

Related Party	2006		2007		2008		
	% to Total		% to Total		% to Total		
	Service		Service		Service		
	Amount	Expenses	Amount	Expenses	Amount	Expenses	
	NT\$		NT\$		NT\$	US\$	
						(Note 3)	
Way-Lien Technology Inc.	\$ -	-	\$ -	-	\$ 2,400	\$ 73	-
Captec Partners Management Corp.	-	-	-	-	2,250	69	-
VIA Technologies Inc.	2,400	1	2,400	-	-	-	-
	\$ 2,400	1	\$ 2,400	-	\$ 4,650	\$ 142	-

>Leasing - Lessee

-Operating Expense - Rental Expense

Related Party	2006		2007		2008		
	% to Total		% to Total		% to Total		
	Rental		Rental		Rental		
	Amount	Expense	Amount	Expense	Amount	Expense	
	NT\$		NT\$		NT\$	US\$	
						(Note 3)	
VIA Technologies Inc.	\$ -	-	\$ -	-	\$ 3,661	\$ 112	2

The Company leased offices and parking space owned by VIA Technologies, Inc. at one-year renewable operating lease agreements, and the rental payment was determined at the prevailing rates in the surrounding area.

Related Party	2006		2007		2008		
	% to Total		% to Total		% to Total		
	Donation		Donation		Donation		
	Amount	Expenses	Amount	Expenses	Amount	Expenses	
	NT\$		NT\$		NT\$	US\$	
						(Note 3)	
HTC Education Foundation for Social Welfare Charity	\$ -	-	\$ 300,000	100	\$ 300,000	\$ 9,146	92
High Tech Computer Foundation.	300,000	100	-	-	20,000	610	6
	\$ 300,000	100	\$ 300,000	100	\$ 320,000	\$ 9,756	98

The Company donated NT\$300,000 thousand in 2006, NT\$300,000 thousand in 2007 and NT\$325,000 thousand (US\$9,909 thousand) in 2008 to help disadvantaged minorities, teenagers and other people in need. Of these donations, NT\$5,000 thousand (US\$152 thousand) went to an unrelated party.

>Other Losses

Related Party	2006		2007		2008		
	% to Total		% to Total		% to Total		
	Other Losses		Other Losses		Other Losses		
	Amount		Amount		Amount		
	NT\$		NT\$		NT\$	US\$	
						(Note 3)	
Xander International Corp.	\$ -	-	\$ -	-	\$ 37,500	\$ 1,143	10

The Company shared part of the moving expenses with Xander International Corp. because the Company rented the office which was originally rented by Xander International Corp.

> Investment Transaction

In July 2008, HTC acquired 100% equity interest

	2006	2007	2008	
	NT\$	NT\$	NT\$	US\$
				(Note 3)
Salaries	\$ 28,594	\$ 76,697	\$ 93,215	\$ 2,842
Incentives	14,186	33,063	23,026	702
Special compensation	-	12	15	1
Bonus	511,747	714,077	(Note)	(Note)
	\$ 554,527	\$ 823,849	\$ 116,256	\$ 3,545

Note:The appropriation of the 2008 earnings is not shown because the Board of Directors had not yet made the related proposal.

The Company's disclosure of the compensation of directors, supervisors and management personnel for the years ended December 31, 2006, 2007 and 2008 was in compliance with Order VI-0970053275 issued by the Financial Supervisory Commission under the Executive Yuan.

The compensation of directors, supervisors and management personnel for the years ended December 31, 2006 and 2007 included the bonuses appropriated from the earnings of 2006 and 2007, which had been approved by stockholders in their annual meetings in 2007 and 2008, respectively.

of Wei-Hon Electronics (Shanghai) Ltd. from Landtek Corporation (BVI) by increasing the capital amounting to US\$5,041 thousand of High Tech Computer Asia Pacific Pte. Ltd.

> Compensation of Directors, Supervisors and Management Personnel

28.MORTGAGED OR PLEDGED ASSETS

As of December 31, 2007 and 2008, the Company had provided time deposits of NT\$34,500 thousand and NT\$41,465 (US\$1,264 thousand) as collateral for the secured loans.

29.COMMITMENTS AND CONTINGENCIES

An indirect subsidiary of the Company, HTC Electronics (Shanghai), applied to Citibank for banking facilities of US\$15,000 thousand. For these banking facilities, the Company signed a comfort letter in September 2008, assuring Citibank that the Company would supervise the management of HTC Electronics (Shanghai) and oversee the meeting by HTC Electronics

(Shanghai) of its financial obligations. As of December 31, 2008 the Company wholly owned HTC Electronics (Shanghai) indirectly.

30.SIGNIFICANT CONTRACTS

> Patent Agreements

To enhance the quality of its products and manufacturing technologies, the Company has patent agreements as follows:

Contractor	Contract Term	Description
Microsoft	January 1, 2007-January 31, 2009	Authorization to use embedded operating system; royalty payment based on agreement.
Texas Instruments France	January 14, 2000-January 13, 2010	Authorization to use GSM system software; royalty payment based on agreement.
Qualcomm Incorporated	December 20, 2000 to the following dates: (a)If the Company materially breaches any covenant and fails to take remedial action within 30 days after Qualcomm's issuance of a written notice, the Company will be prohibited from using Qualcomm's property or patents. (b)Any time when the Company is not using any of Qualcomm's intellectual property, the Company may terminate this agreement upon 60 days' prior written notice to Qualcomm.	Authorization to use CDMA technology to manufacture and sell units; royalty payment based on agreement.
Ericsson Mobile Platform AB	April 2003-March 2011	Authorization to use EDGE reference design license and support agreement; royalty payment based on agreement.
Telefonaktiebolaget LM Ericsson	December 15, 2008 -December 14, 2013	Authorization to use platform patent license agreement; royalty payment based on agreement.
Nokia Corporation	January 1, 2003 to the expiry dates of these patents.	Authorization to use wireless technology, like GSM; royalty payment based on agreement.
InterDigital Technology Corporation.	December 31, 2003 to the expiry dates of these patents.	Authorization to use TDMA and CDMA technology; royalty payment based on agreement.
KONINKLIJKE PHILIPS ELECTRONICS N.V.	January 5, 2004 to the expiry dates of these patents	GSM/DCS 1800/1900 Patent License; royalty payment based on agreement.
Motorola, Inc.	December 23, 2003 to the latest of the following dates: (a)Expiry dates of patents (b)Any time when the Company is not using any of Motorola's intellectual property,	TDMA, NARROWBAND CDMA, WIDEBAND CDMA or TD/CDMA Standards patent license or technology; royalty payment based on agreement.
ALCATEL/TCL & Alcatel	July 1, 2004-June 30, 2009	Authorization to use GSM, GPRS or EDGE patent license or technology; royalty payment based on agreement.
Siemens Aktiengesellschaft	July 1, 2004 to the expiry dates of these patents.	Authorization to use GSM, GPRS or EDGE patent license or technology; royalty payment based on agreement.
Lucent Technologies GRL LLC	July 1, 2004-June 30, 2009	Authorization to use GSM, GPRS, EDGE, CDMA or WCDMA patent license or technology; royalty payment based on agreement.

31.OTHER EVENTS

In December 2008, the Company's board of directors resolved to buy a land near the Company in Taoyuan for NT\$791,910 thousand (US\$24,144 thousand) from a related party, Syuda Construction Company, to have more office space, parking lots, dormitory, etc. Both parties agreed to pay and transfer the ownership of the land at the same time before January 31, 2009.

32.SEGMENT INFORMATION

Industry Type

The Company mainly manufactures and sells smart handheld devices.

Foreign Operations

Because sales to unaffiliated customers and identifiable assets of foreign segments were less than 10 percent of that of the Company, the Company was exempt from disclosing information on foreign operations.

Export Revenues

Export revenues in 2006, 2007 and 2008 were as follows:

	2006	2007	2008
	NT\$	NT\$	US\$
			(Note 3)
Asia	\$ 7,683,450	\$ 11,697,068	\$ 694,294
America	48,865,122	49,395,639	1,643,798
Europe	38,873,000	47,018,610	1,834,642
Others	6,771,781	7,770,119	351,590
	\$ 102,193,353	\$ 115,881,436	\$ 4,524,324

Major Customers

Sales to major customers were as follows:

Customer	2006	2007	2008
	NT\$	NT\$	US\$
			(Note 3)
A	\$13,372,184	\$ 19,710,823	\$ 818,873
B	12,326,693	15,942,551	659,744
C	10,335,852	12,592,997	651,694
D	17,839,399	16,931,462	134,585
	\$53,874,128	\$ 65,177,833	\$ 2,264,896

6. The Company should disclose the financial impact to the Company if the Company and its affiliated companies have incurred any financial or cash flow difficulties in 2008 and as of the Date of This Annual Report

None.

7. Other matters requiring supplementary explanation

Explanation of significant accounting policies:

1.Financial assets/liabilities at fair value through profit or loss

The financial products whose change in fair value is recognized in earnings are forward foreign exchange contracts. Because of the small differences in buying prices, selling prices, and mid-market prices, estimated fair value for outstanding contracts at period end is generally based on the public market quotes of financial institutions (usually the mid-market price).

2.Available-for-sale financial assets

The available-for-sale financial assets are listed stocks. Estimates of fair value are based on the closing price for exchange- or OTC-listed securities on the balance sheet date.

3.Revenue recognition and allowance for doubtful accounts

Revenue is measured at fair value as the transaction price agreed between HTC and buyers (considering trade discounts and volume discounts). As HTC operations have shifted toward primarily non-ODM work, added trade discounts have included price protection, marketing development fund, and mail-in rebate.

Allowances for doubtful accounts are estimated using aging analysis, which is reviewed and updated regularly by assessing the probability of recovering outstanding receivables, credit ratings and general economic factors. HTC assigns a rating to each customer based on their financial health. The allowance accounts of customers with good credit ratings are accrued by 1% ~ 5% when such are 31~90 days overdue and by 5% ~ 100% when such exceed 91 days overdue. Individual determinations are made for customers with poor credit, as well as reasonable estimates of allowances for receivables not yet due.

4.Inventory write-downs

Assessments of allowances for loss on decline in inventory value or loss on items retired are based on analysis of inventory age and of slow moving or obsolete inventory items. HTC began on 1 January 2008 to adopt newly released Statement of Financial Accounting Standards No. 10 to assess inventory value on a category by category basis and allows companies to write off as losses currently-held inventory with no practical market value. Also, HTC applies inventory aging analysis to products stored in HTC's main warehouse facility, with items stored from 60~180 days depreciated by 25~75% and those stored more than 180 days depreciated by 100%. Items stored in other warehouse facilities are held to depreciation ratios appropriate to their situations. Changes in the business

environment (e.g., newly enforced regulations on lead-free products) also allow a full write off (100% depreciation) of affected products in stock.

5.Accrued marketing expenses

Reasonable estimates for amounts of fees for marketing and trade discounts such as price protection, marketing development fund, and mail-in rebate are made according to contract stipulations and other related factors and recognized as marketing fees, and are entered as fees or deductions from revenue depending on their category.

6.Reserve for warranty expenses

HTC provides a one- to two-year period of free warranty maintenance in after sales service. It makes reasonable estimates of possible amounts for that service and recognizes warranty liabilities based on historical experience and other relevant factors. The allocations to the product warranty reserve stands at about 4% of revenue currently.

HTC’s Code of Conduct

HTC’s Code of Conduct

HTC’s Code of Conduct is a guideline to provide high ethical standards for all employees in conducting HTC business activities. All employees of HTC Corp., including branches and subsidiary companies, must follow these ethical standards regardless of the employees’ position, grade level, and location. This Code includes three major sections: the General Moral Imperative, Venders/Suppliers and Customers Relationship, and Conflict of Interests.

The General Moral Imperative section requires that HTC commits to providing a safe and healthy work environment and equal opportunities, and that it establishes a behavioral code for the treatment of knowledge about the company’s assets/properties/information.

The Venders/Suppliers and Customers Relationship section requires that HTC commits to maintaining a fair, legal, and long-term relationship with its venders/suppliers and customers to the benefit of all parties.

The Conflict of Interest section describes the behavioral rules for employees in situations of divided interest.

This Code is superior to any other local regulations except certain mandatory laws/acts issued by the local government. In such cases, the Talent Management Division should submit the specific local laws/acts to Corporate Talent Management Division in order to waive this specific regulation of the Code in that location. Otherwise, any violation of HTC Code of Conduct and applicable policies may cause disciplinary action up to and including the termination of employment.

1.0 General Moral Imperatives

While maintaining a work culture that ensures the company’s success, HTC strives to treat each employee fairly and with dignity. HTC is also committed to complying with the labor laws of each country it operates in. As well, each employee is responsible for complying with all applicable external and internal laws.

1.1 Work Environments

HTC is committed to comply with local laws and regulations to establish a safe and healthy workplace, free from recognized hazards. Furthermore, HTC is thoroughly dedicated to providing employees with a workplace that is free of harassment (including sexual harassment) and discrimination. Any language or behavior of intention to cause hostilities or violations of this policy is strictly prohibited and shall be reported to a responsible authority immediately.

1.2 Corporate Confidentiality

During the term of employment with HTC and thereafter, each employee must hold in strict confidence and not disclose, directly or indirectly, any “Confidential Information” (as defined below) gained from HTC or its customers or vendors/suppliers to any third party without the prior written consent of HTC. “Confidential Information” must be used only for the purpose of executing work for HTC. “Confidential Information” shall mean all business, technical, operational or other information that is not generally known to the public and that an employee develops, has access to, and becomes acquainted with during the term of employment, whether or not such information (A) is owned by HTC, HTC’s customers, vendors/suppliers, or any third party with which HTC desires to establish a business relationship with; (B) is in oral, written, drawn or electronic media form; (C) is subject matter for the application of patents, trademarks, copyrights, or other intellectual property rights; or (D) is labeled with “Confidential” or an equivalent word. Confidential information may include, but is not limited to the following:

1. Business plans, manufacturing and marketing plans, procurement plans, product roadmaps, product design records, product test plans and reports, product software and source codes, product pricing, product appearance, product specifications, tooling specifications, personnel information, financial information, customer lists, vendors/supplier lists, distributor lists, raw materials and product inventory information, all quality records, trade secrets, and other information related to the Company’s business activities;

2. Documents, databases, or other related materials to any computer programs or any development stages thereof;

3. Discoveries, concepts, ideas, designs, sketches, engineering drawings, specifications, circuit layouts, circuit diagrams, mechanical drawings, flow charts, production processes, procedures, models, molds, samples, components, trouble shooting guides, chips and other know-how; and

4. Proprietary information of any third party (such as customers or vendors/suppliers) that the Company has a duty of confidentiality pursuant to contracts or required by any applicable laws.

1.3 Protection of Property, HTC’s Assets, and Personal Information

Copyrights, patents, trademarks/secrets, the terms of license agreements and any kind of intellectual property are under protection by related laws or regulations; violations are strictly prohibited. The Company’s assets are not limited to physical equipment and facilities only, but also include technologies, trademarks, and other invisible concepts & confidential information. The utilization of company assets is for business matters and should be maintained, updated, and recorded properly and regularly. This is also applicable to the use of employee personal data. Those who are dealing with employee data shall consider the business matters and employees’ privacy as well. The only exception that permits the revelation of employees’ personal data is where such disclosure is required by government laws.

1.4 Equal Opportunity

HTC’s Employment Policy is to comply with all applicable laws. Hiring decisions are based on HTC’s business needs and the qualifications of applicants, and HTC strives to provide equal employment opportunities for all applicants and employees without regard to non-job-related factors, such as race, color, social class, language, religion, political affiliation, national origin, gender, sexual orientation, marital status, appearance, disability, previous union membership etc. Everyone must be treated with dignity and respect. This principle applies to all areas of employment, including, but not limited to, recruitment, hiring,

training, promotion, compensation, benefits, transfer, and social and recreational programs. All employees should be responsible for the data accuracy and quality in any type of report in all aspects of their daily work. Any intention of misleading or incorrect data is not acceptable and may cause disciplinary action.

1.5 Political Activities

The Company encourages employees to participate in public activities as responsible citizens. However, HTC employees are prohibited from engaging in political activities on behalf of HTC. The Company is not allowed to donate or engage the political activities in most global operations. Therefore, employees must be aware of that their involvements are on an individual basis, and no contribution or donation to political candidates or parties can be made under the company name. Furthermore, employees must not organize or hold any speeches or activities connected to political activities on Company premises.

2.0 Vendors/Suppliers and Customers Relationship

It is a basic principle in Company business operations to maintain a good relationship with our vendors/suppliers and customers.

2.1 Firm and Rational Attitude

In securing and negotiating business, all employees should attempt to establish long-term relationships with our customers and vendors/suppliers by providing essential and accurate information about our products and services. Employees shall demonstrate their professionalism with a sincere, firm, and rational attitude while dealing with customers or vendors/suppliers. Conflicts caused by emotional languages or behaviors are strictly prohibited.

2.2 Product Quality and Safety

The Company is committed to pursue excellence and maintain quality at all times. The Company strives to continuously improve the quality of products and service in compliance with the related safety regulations/laws in order to benefit our customers and vendors/suppliers and achieve

world-class competitiveness. To maintain HTC’s valuable reputation and the benefits to our customers and vendors/suppliers, all employees must comply with our quality processes and safety requirements.

2.3 Performance of Contracts

Company contracts must be executed not only in accordance with the requirements of each contract, but also in compliance with all the laws and regulations applicable to our business. Any unfair or unreasonable regulation or condition should be avoided. Purchasing decisions must be made in the best interests of HTC by considering the vendors’/suppliers’ suitability, quality, price, and delivery of products or services; any personal preferences are not allowed for special offers. Purchasing agreements/sales contracts and related evaluation information should be documented clearly and confidentially. The contract information of customers and vendors/suppliers, including but not limited to their names, price, delivery condition, payment terms, are as confidential as Company documents. Every employee must protect this confidential information from misuse and disclosure.

2.4 Gifts, Entertainment and Business Courtesies

All employees or their immediately family members are not allowed to accept kickbacks, commissions, lavish gifts, or luxurious entertainment from customers, suppliers/vendors, or anyone in a business relationship in any kind of situation. However, gifts of a nominal value of less than NT\$1,500 or US\$50 (maximum one time per outside company per year.), such as small promotional items bearing the company’s name/logo or a tin of tea, are not prohibited. The acceptance or giving of a gift should be reported to and approved by local management.

Employees may provide or accept meals or entertainment if these activities are legitimate, consistent with accepted business practices and demonstrably help to build a business relationship. However, regardless of the amount, employees are not allowed to accept or give kickbacks and bribes, such as (but not limited to) any type of gift, cash, stock, bond or its equivalent, or to participate in any business courtesy that may compromise the

employees' judgment or motivate the employees to perform acts prohibited by laws/regulations or HTC policies. The meal expense between/among colleagues can not be treated as entertainment.

However, expenditures incurred for entertainment immediately before, during, or after a business meeting are acceptable, if those who will enjoy the entertainment are from another country or continent.

2.5 Business Travel

All employees are responsible for ensuring that their business travels are intended to further Company business interests, and the business travel and entertainment expenditures shall be reasonable, prudent, and in accordance with applicable Company policies. On behalf of the Company, employees should be aware that certain venues, whose entertainment nature or atmosphere may impact negatively on the Company's reputation, such as a sexually-oriented site or similar environment, are not appropriate for business-related meetings or activities. These venues are not acceptable even if the expenses incurred are not paid by the Company. If the common local custom is to engage in recreational activities (e.g. golf tournaments) for business purposes, then these activities should be minimized when possible in case of the expenses are not paid in personal.

3.0 Conflict of Interest

All employees must avoid any activity that is or has the appearance of being hostile, adverse, or competitive with the Company, or that interfaces with the proper performance of their duties, responsibilities or loyalties to the Company.

3.1 Outside Employment

All employees are prohibited to work either part-time or full-time for or receive payments of services from any competitors, customers, vendors/suppliers or subcontractors of HTC. If any employee is invited to serve as a lecturer, board member of an outside company, advisory board, committee or agency, he/she must get appropriate approval from the local top manager of Company in advance. Even if an invitation is not listed as above, permission from a top manager is required.

In general, employees are not restricted from being members of the boards of charitable or community organizations. HTC also permits employees obtaining appropriate approval to serve as directors of an outside company that is invested in by HTC or is not a competitor or service provider of a competitor.

3.2 Inside Trading

All employees are not permitted, using their own names or the names of people with whom they have personal relationships, to engage in business ventures the same as or similar to HTC or to invest exceeding five percent of total market value in such a company. Employees are also prohibited from use so-called "Inside Information" to gain personal profit or to influence the independent judgment of business entities, such as investment in competitors, customers, vendors/suppliers or subcontractors. "Inside Information" comprises facts that an employee knows, but people outside of HTC may not know, which might be in written form or discussed orally in a meeting. Inside information may also be information received from another company, such as from customers, suppliers or companies with which HTC has a joint research or development program. Therefore, employees may never use inside information to trade or influence the trading of stocks of HTC or other companies and should also not provide "tips" or share inside information with any other person who might trade stock. Insider trading violates company policies and may subject the employee to criminal penalties in accordance with the government's regulations/laws.