Hi, we're HTC.

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LETTER TO SHAREHOLDERS

Chairman

Cher Wang

Dear shareholders,

Firstly, please accept my heartfelt appreciation for your continued support and confidence in HTC.

The global financial crisis continued to influence general economic conditions through 2009. While persistently weak economic fundamentals worldwide dampened momentum for growth in the smart phone sector, smart phone sales momentum remained strong in comparison with sales in the overall mobile phone industry.

2009 was a year of major change in the smart phone sector. This was most apparent in the area of operating systems. Operating systems with exceptional third party software ecosystems such as Android OS began this past year to demonstrate their commercial feasibility and value. 2009 was also the year when telecommunication service provider investments in 3G telecom networks began delivering value through an increasingly diverse array of mobile digital services and competitive rate plans. These and other developments are spurring growing numbers of mobile telecommunications consumers to migrate from traditional mobile phones to smart phones.

HTC has invested consistently and strategically in the development of exceptional in-house capabilities in R&D and innovation. Today, HTC holds market leadership in both Windows Mobile and Android platforms. HTC Sense, our advanced user interface first introduced on Android platform, was developed from square one with the user in mind in order to deliver a mobile telecommunications experience that is simple-to-use and highly intuitive.

"Quietly Brilliant", the message driving our new brand position launched in 2009, commits HTC to design products that enhance life and integrate seamlessly with consumer preferences and needs. Principal HTC brand promotion activities include sponsorship of Team Columbia-HTC in the Tour de France competition; launch of the YOU campaign in all major markets; and sponsorship of the Wallpaper Annual Design Awards. Consumer awareness of HTC and its brand value have, as a result, risen considerably. We will continue to invest in building HTC brand value and in strengthening overall brand management.

Financial Performance

Consolidated revenue for 2009 totaled NT$144.5 billion, with a total of 11.71 million units shipped. 3G wireless devices now account for over 95% of total units shipped. HTC's consolidated gross margin for the year topped 31.9%.

HTC's launch of its global YOU campaign in key American and European markets raised the consolidated operating expense ratio for the year to 14.9% - a 1.3 percentage point rise over fiscal year 2008. The consolidated operating margin for 2009 was 17.0%; pre-tax profits totaled NT$ 25.2 billion; after-tax profits totaled NT$ 22.6 billion; our net profit margin achieved 15.6%; and after-tax earnings per share (EPS) totaled NT$ 28.71.

Note: Financial forecast numbers for 2009 were not disclosed and thus cannot be compared to actual achievements.

Key Accomplishments

HTC made good progress along other fronts as well during 2009, including:

> Exceptional Capabilities in R&D and Innovation

Innovation is encoded into HTC's corporate DNA. Following its release in 2008 of the world's first Android-based mobile phone, HTC in July 2009 launched the world's first Android-based mobile phone-HTC Hero, which features HTC self-developed HTC Sense user interface. HTC Hero went on to earn important awards and market recognition, including Stuff Magazine's "Gadget of the Year", Mobile Choice's "Phone of the Year", T3 Magazine's "Phone of the Year" and the award for "Best Mobile Handset or Device" announced at the 2010 Mobile World Congress. By the close of 2009, HTC had already launched 6 Android phones. In addition to the 3.2-inch touch screen model, HTC also provides a 2.8-inch screen compact model and a model featuring a sliding keyboard. This confirms HTC's market leadership in Android-based smart phones.

In its Windows phone product line, HTC launched in 2009 the HTC HD2, which features a 4.3-inch touch screen and 1GHz mobile processor. The HD2 is the world's first Windows phone to incorporate capacitive touch (touch screen) technology. With high-end product specifications and an exceptionally smooth user interface, the HTC HD2 has earned strong reviews and a growing worldwide consumer following. Leadership in applications for the Android platform and continuous enhancement of its Windows Mobile-based devices underscores HTC's R&D depth and the company's uncompromising commitment to and passion for innovation.

> A Totally New User Experience: HTC Experience

HTC made its global announcement in London of HTC Sense, an intuitive and seamless experience that will be introduced across a portfolio of phones beginning with the HTC Hero. Apart from a distinctive new look, HTC Hero packs a powerful suite of features accessible through the new interface. HTC Hero sets a new high bar for smart phones. HTC Sense is focused on putting people at the centre by making your phone work in a more simple and natural way. This experience revolves around three basic principles: "Make It Mine", "Stay Close" and "Discover the Unexpected". In addition to observing and recording consumer habits and preferences as well as listening to their expectations and needs, HTC conducted an extensive series of consumer interviews designed to define and distill user needs in order to incorporate such onboard applications and services.

> HTC's New Customer-Centered Brand Position– "Quietly Brilliant"

The "Quietly Brilliant" branding strategy is inspired and sustained by a corporate culture dedicated to satisfying consumer needs and to consistent breakthrough and innovation. HTC is working quietly to create products that are simply "brilliant". Grounded in an idea and delivering an exceptional user experience, we let our mobile telecommunications products speak for themselves. The "Quietly Brilliant" campaign has been promoted throughout the HTC organization and is today a solid cornerstone of our corporate culture.

HTC launched its first global advertising campaign-YOU campaign in October 2009 to define and promote its new brand position. The YOU campaign, rolled out in over 20 countries, is working to strengthen market awareness of and commitment to the HTC brand as well as to raise brand visibility. HTC brand commitment centers on each and every of its users (YOU), with the tag line - "You don't need to get a phone. You need a phone that gets you", which underscores HTC corporate commitment to the individual user and promise to continue delivering mobile phone products that satisfy consumer needs and fit seamlessly into the way people work and live.

The Future

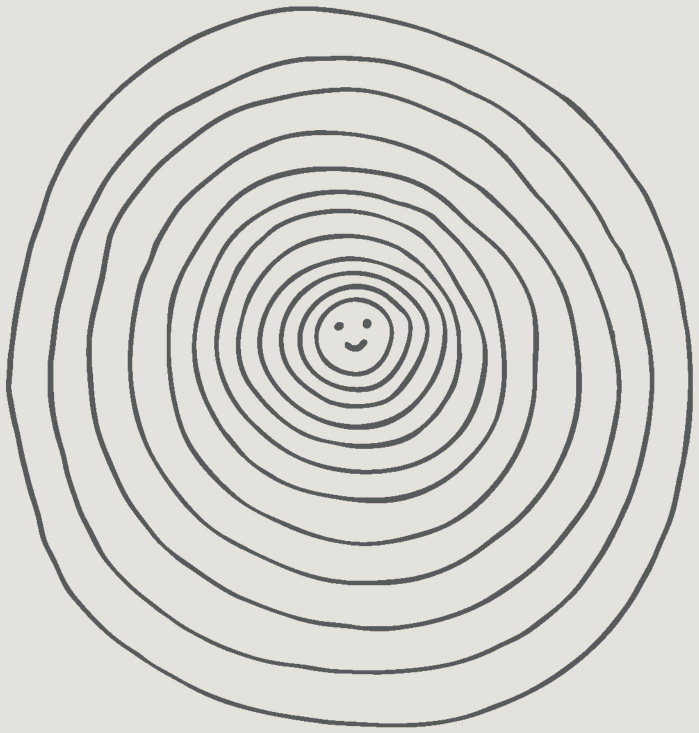
The founding vision of HTC was to revolutionize the lives of people worldwide with its converged mobile devices. The turbulence of 2009 has tilted the competitive landscape further in favor of the smart phone sector, growth prospects for which have not only rebounded, but strengthened steadily relative to competing products and solutions. Sectoral strength is attracting greater competitor attention and investment. In facing this increasingly competitive environment, HTC is confident that its well-leveraged strengths in innovation and consumer-centered brand commitment will lead the corporation to continued growth and business success.

HTC will, by listening and observing carefully, continue to make its mobile phones fit ever more closely into the way people work, play and live. The user lies at the heart of all HTC's product design and development work. Our ideal is to make every one of our phones a "perfect fit" for each of our users - a differentiated objective sure to instill consumer trust in and identification with the HTC brand. We will continue to enhance the management and promotion of HTC brand value and sharpen product differentiation and innovation in order to provide consumers with an increasingly convenient and intuitive mobile experience. In building an exceptional reputation for the HTC brand, we are expanding and deepening our abilities to share the fruits of our accomplishments with HTC shareholders, customers and employees.

HTC Corporation

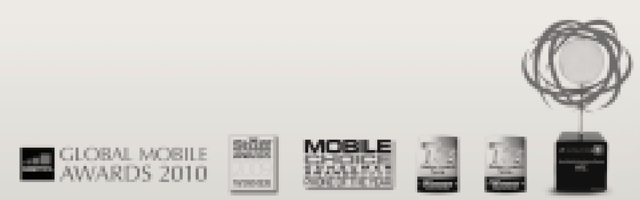
Chairman Cher Wang

CEO & President Peter Chou



customer
at the center

II. COMPANY PROFILE



HTC Hero wins Best Mobile Handset or Device for the Global Mobile Awards 2010 and four major awards in Europe.
> Gadget of the Year 2009
> Phone of the Year 2009
> Phone of the Year, Consumer Award 2009
> Gadget of the Year 2009

HTC – A Global Designer of Smartphones

HTC Corporation, founded in May 1997, leads the mobile phone industry in innovation and design. "Quietly Brilliant" encapsulates HTC's commitment to allow its exceptional products and technologies "speak for themselves". While continuing to develop and launch the best products for our markets through careful attention to detail and continuously refined technologies, HTC will remain "low key" and a true partner to our customers and end users. Having mobile phone users try our products for themselves is better advertising for HTC than anything we might be able to say in words. Such lies at the core of HTC's commitment to innovation, partnership and good corporate citizenship.

Framed by the global marketing message, "You don't need to get a phone. You need a phone that gets you," HTC manufactures and promotes mobile phone products that go beyond consumer needs to fit the way users work and live. True today, such will continue to be a central tenet of HTC's long-term business strategy.

In terms of design innovation, HTC has taken traditional concepts a step further by making "you", the mobile phone user, central to all design work. "Iconic simplicity" has always been an inseparable part of the product design process at HTC – indelibly marked in the more than 50 smart phones developed by the company since the launch of its first smart phone model in 1999. Each innovative mobile phone model launched by HTC is expected to further reduce the perceived distance between people, further enhance users' lives and communications, and further simplify the receipt and management of information. These goals are fundamental to HTC product design work, and we will continue to enhance our mobile phones and user interfaces in terms of both style and functionality.

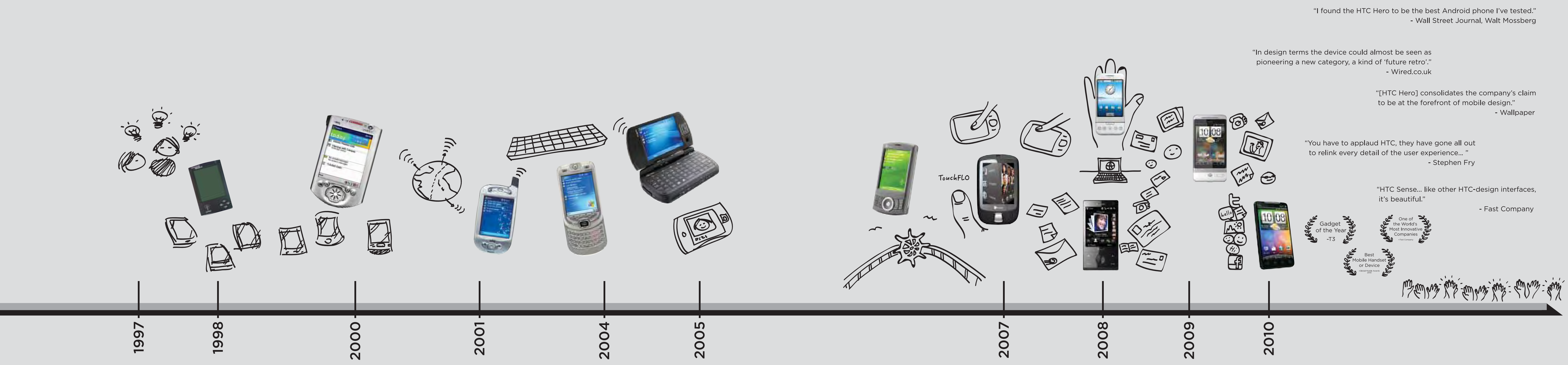
HTC has earned numerous industry honors and accolades in recent years. Bloomberg BusinessWeek, Fast Company and MIT's Technology Review magazines each ranked HTC as one of the globe's 50 most innovative companies in 2010. Since its founding, HTC passions for innovation and making life better, have led it inevitably to start by working to improve the mobile phone experience in ways that can be enjoyed and appreciated directly by the largest number of mobile phone users worldwide possible. HTC has since created a range of world-class products designed. to deliver a unique and customized wireless telecommunication solution to telecommunication service providers and distributors in Europe, the Americas and Asia.

In 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 merger has continued to infuse our product development processes with a broader, richer range of design influences.

Recent reorganization of HTC overseas investments, done to better reflect business function and geographic location, has already provided a simpler holding structure and greater business transparency. In 2009, some of our overseas investments were shifted from H.T.C. (B.V.I.) Corp. to, respectively, High Tech Computer Asia Pacific Pte. Ltd. and HTC HK, Limited.

Dedication, the right talent mix, 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 telecommunications products and technologies. In the short term, HTC will launch highly competitive new smart phones designed on both 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 maximize cost structures. In the future, HTC will focus on expanding opportunities for sales in markets worldwide 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.



Company History

HTC has undergone three comprehensive realignments since it was founded.

> Professional PDA Designer: Innovative R&D and Technologies

Soon after beginning operations in 1997, HTC was authorized to develop products using Windows® CE, the newly launched Microsoft® operating system designed specifically for consumer electronic products. Then-President (now Board Member) HT Cho and then-Vice President (now Chief Executive Officer) Peter Chou brought together HTC's first R&D team, which developed the world's first handheld personal data assistant (PDA) to run on Windows® CE. This positive first step established HTC as an important strategic partner of the Microsoft Corporation and created the solid foundation on which the HTC-Microsoft partnership continues to grow and flourish. The Compaq iPAQ, manufactured by HTC for the Compaq Computer Corporation met with huge market success when launched in 2000. iPAQ signaled the beginning of HTC growth and success in the PDA segment.

> Smart Phones: Leader of the Pack

HTC's second major realignment came in 1999, when a decision was made to take the company rapidly into the telecommunications arena. Current HTC president Peter Chou saw the increasingly important role that mobile telecommunication products would play in daily life, and predicted (accurately) that the GSM standard would spread from Europe to dominate U.S. and Japanese markets. Peter Chou subsequently arranged visits to Europe's largest telecommunications companies to discuss an innovative new approach for the industry - the development of "customized" devices for the wireless communication market. In 2002, HTC broke new ground for the industry by launching two new mobile wireless devices, the O2 XDA and Orange SPV in partnership, respectively, with O2 (UK) and Orange (France). The products, designed around Microsoft's latest operating system, helped telecommunication service providers boost average revenue per user (ARPU) rates and earned worldwide attention.

HTC - the first to integrate Internet, entertainment, video and personal assistant functions into a mobile phone with a large dimension, high resolution and full color display panel - ushered in a new era in the history of the mobile phone. It was at this point that HTC began to develop and test products in partnership with customers and to work to understand better its customers' telecommunications service needs. Results were used to develop "customized" mobile phones and helped shape HTC's strategic move into the global telecommunications market and build out critical support sales and service networks.

> Global HTC Brand: Strategic Rollout and Development

HTC announced the formal launch of its proprietary HTC brand in May 2007. Soon after, the launch of HTC Touch in London placed HTC in the front and center of growing worldwide excitement and anticipation over touch screen smart phones. New concept mobile phone products have followed, such as HTC Touch Diamond - the world's first 3D touch screen interface, launched in 2008.

You travel and the weather and clock update automatically.

HTC launched HTC Sense in June 2009, a wholly new mobile phone experience designed with the user habits, needs and expectations at heart. In addition to distinctive styling, HTC Hero, the first model to incorporate HTC Sense technology, amplified the simplicity and intuitive functionality inherent in HTC Sense using a powerful new interface to integrate a full suite of useful and exciting functions. HTC Hero broke the mold, creating vast new potentials for mobile telecommunications based on the Android operating platform.

2009 saw the launch of HTC's new branding campaign, underlined by the slogan "Quietly Brilliant" and supported by a full series of YOU campaign, sponsorship of Team Columbia-HTC in the Tour de-France competition and the Wallpaper Annual Design Awards and advertising activities worldwide. The promotion activities campaign wereas launched to raise awareness for the HTC brand and enhance overall brand value.

In the realm of mobile Internet products and applications, HTC is not just setting new benchmarks for others to follow. The company has emerged to take a leading role in this important facet of the global telecommunications industry and is effectively promoting future industry standards for the mobile Internet. In early 2010, the renowned publication Fast Company ranked HTC number 31 on its annual list of World's Most Innovative Companies, and number 2 in the consumer electronics subcategory. This achievement demonstrates increasing appreciation by consumers and critics alike of HTC brand value and innovation. Such recognition also helpssignificantly increase HTC brand awareness and reputation.

Looking ahead, HTC is optimistic about both growth and development prospects for the smart phone sector and trends in mobile Internet integration. Despite the general downturn in the global economy and increasingly brutal competitive conditions, we continue to see opportunities for HTC. As increasing numbers of consumers migrate to smart phones from traditional mobile phones, we believe HTC holds distinct competitive advantages in terms of the company's user-centric design approach and technological proficiencies to bring people ever closer together and integrate products ever more comfortably into consumers' lives.

Products

The current focus of the HTC business is on the design, development and production of handheld wireless telecommunications devices based on Windows Mobile, Android and Brew Mobile Platform operating systems. Core competencies include product design work and the development / refinement / extension of operating systems, middleware, user interfaces and application programs. In addition to product R&D, production and brand marketing, HTC also provides relevant technical and after-sales service support for all of its products.

HTC commitment to constant innovation and breakthrough is reflected in its innovative, constantly updated lineup of products. HTC Hero, launched in June 2009, has met with a steady stream of accolades and awards, including Stuff Magazine's "Gadget of the Year" award, Mobile Choice's "Phone of the Year" and T3 Magazine's "Phone of the Year". During the world's largest annual telecommunications industry event, the 2010 Mobile World Congress, HTC Hero was further recognized with the 2010 Best Mobile Handset or Device Award.

HTC and Google jointly launched the latest Android-based phone - Nexus One - prior to the 2010 Consumer Electronics Show (CES) in the United States. Nexus One, running the all-new Android OS 2.1 on an internal 1 Ghz processor and featuring a 3.7-inch AMOLED touch screen display, clearly demonstrates HTC's leadership position in the Android operating system. HTC also launched HTC Smart at 2010 CES, a simple, practical smart phone running the Brew Mobile Platform and integrating HTC Sense features and functionality. The HTC Smart is designed to encourage even more consumers to join the migration upward to smart phones.

HTC launched the ultra-slim and super practical HTC HD mini at the 2010 Mobile World Congress (MWC). HTC also took advantage of the opportunity presented by MWC to announce to an enthusiastic reception its HTC Legend and Desire models, both featuring the all-new enhanced version of HTC Sense. HTC Sense premier packs significantly improved web browsing and e-mail tools as well as HTC's latest Friend Stream application. Friend Stream lets users manage a diverse array of popular networking website services to bring friends closer together.

The promise of the HTC brand, encapsulated by the simple message - "Quietly Brilliant", is that we will leverage our experience as a manufacturer of exceptional products and consistently updated insights into user needs and expectations to develop and market new products that are increasingly simple to use and increasingly customized in order to meet and fulfill expanding market demand. Our hope is to share with as many as possible the promise and new horizons opened by touch screen mobile telecommunications as well as HTC's flair for making technology personal.

You only need to update your status once.

MANAGEMENT TEAM

>	Cher Wang	Chairman
No.	Name	Position
1	Peter Chou	Chief Executive Officer & President
2	Fred Liu	Corporate Senior Executive Vice President & President of Engineering and Operation
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	Jack Tong	Vice President
10	Jason Mackenzie	Vice President
11	Jim Lin	Vice President
12	Lotus Chen	Vice President
13	Florian Seiche	Vice President
14	Cliff Chou	Vice President
15	Ralph Wang	Vice President
16	Simon Hsieh	Vice President
17	Simon Lin	Vice President
18	Steve Wang	Vice President
19	WH Liu	Vice President
20	James Chen	Vice President
21	Eric Chou	Chief Information Officer
22	Horace Luke	Chief Innovation Officer
23	John Wang	Chief Marketing Officer
24	Grace Lei	General Counsel
25	Kenny Tseng	Special Assistant to President of Engineering and Operation & Acting Head of Procurement
26	Edward Wang	Director
27	Joey Cheng	Director
28	Vincent Tseng	Director

CHER WANG

DIRECTORS AND SUPERVISORS

BOARD OF DIRECTORS

Cher Wang	> Chairman > Chairman of the Compensation Committee
HT Cho	> Director > Member of the Compensation Committee
Wen-Chi Chen	> Director
Tan Ho-Chen	> Director
Chen-Kuo Lin	> Independent Director > Member of the Compensation Committee
Josef Felder	> Independent Director

BOARD OF SUPERVISORS

Po-Cheng Ko	> Supervisor
Shao-Lun Lee	> Supervisor on behalf of Way-Chih Investment Co., Ltd.
Caleb Ou-Yang	> Supervisor

CHEN-KUO LIN

JOSEF FELDER

HT CHO

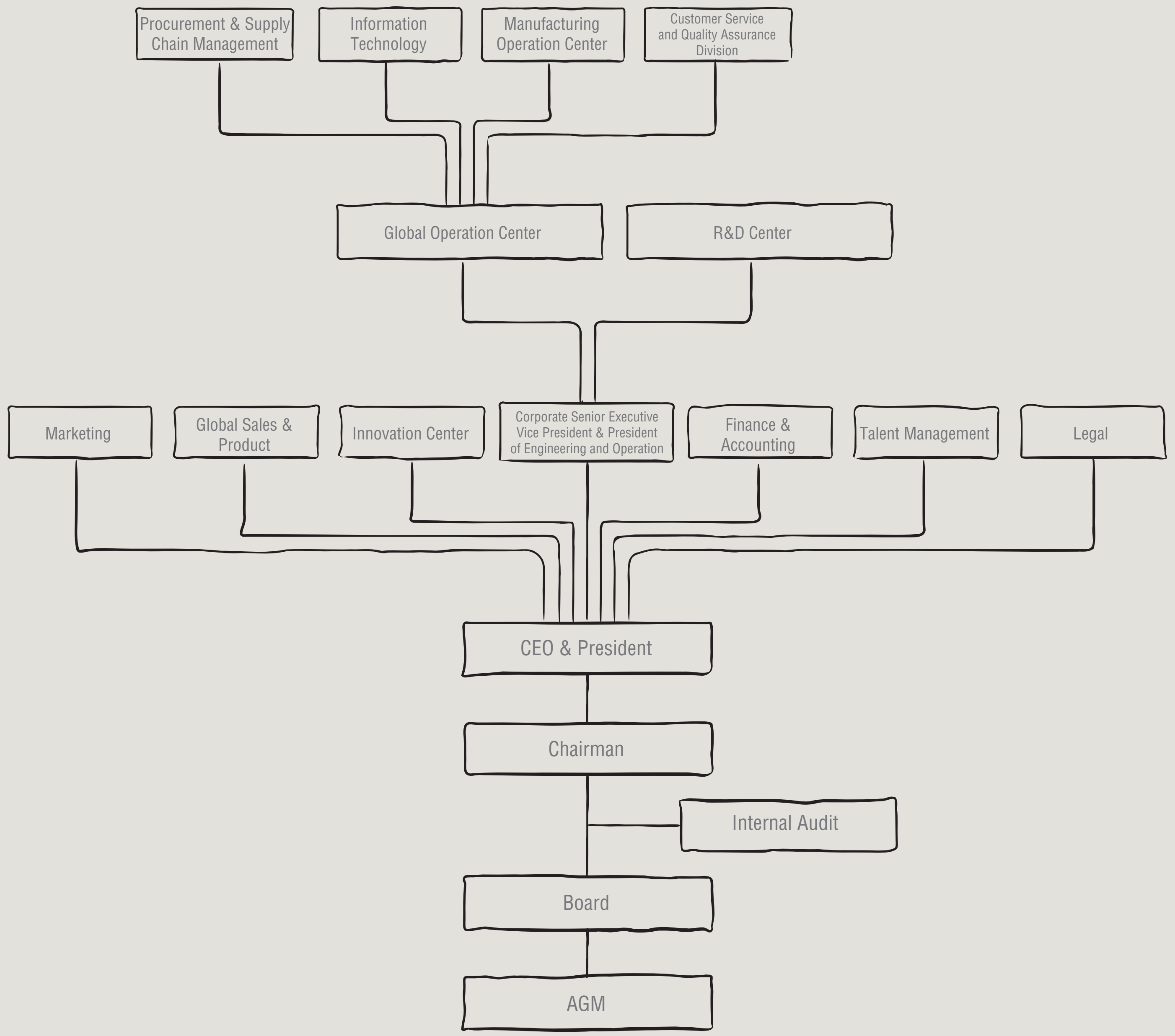
WEN-CHI CHEN

TAN HO-CHEN

SHAO-LUN LEE

PO-CHENG KO

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.

> Customer 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.

You don't want it to ring? Flip it over to make it silent.

WORLDWIDE OFFICE LOCATIONS

HTC is headquartered in Taiwan. Sales and service centers in Europe, the Americas and Asia ensure our ability to service clients and enhance relationships with consumers. HTC maintains a presence in all key markets, including the United States, the United Kingdom, Germany, France, China, Japan, Italy, the Netherlands, Belgium, Poland, Denmark, Russia, Singapore, Thailand, the Philippines, Indonesia, India, Malaysia, Australia, the United Arab Emirates (UAE) and Brazil. Key HTC operation centers include:

> Headquarters

No. 23, Xinghua Road, Taoyuan City, Taoyuan County, Taiwan, R.O.C.

Tel: +886-3-3753252

Fax: +886-3-3753251

> Taipei Office

1 F, No. 6-3, Baoqiang Road, Xindian City, Taipei County, Taiwan, R.O.C.

Tel: +886-2-89124138

Fax: +886-2-89124137

> HTC Europe Co., Ltd.

7th Floor, Thames Central Hatfield Road, Slough

SL1 1QE, United Kingdom

Tel:+44(0)1753-218960

Fax:+44(0)1753-218961/62

> HTC America, Inc.

13920 SE Eastgate Way, Suite 400 Bellevue, WA 98005, USA

Tel:+1-425-861-9174

Fax:+1-425-861-1715

> HTC Electronics (Shanghai) Co.,Ltd.

No.1000, Xinmiao Village, Kangqiao Town, Pudong New Area, Shanghai, China

Tel:+86-21-6818-7999

Fax:+86-21-6818-7900

Human Resources

Employees represent one of HTC's most valuable assets. The company has in recent years actively recruited outstanding talent into its ranks - particularly in the areas of product design, user interface, brand promotion, and sales and marketing. While bringing on board professionals from Europe and the Americas, we have also invested significant resources into making the work environment at HTC diverse, challenging, vital and encouraging. As of the close of March 2010, HTC employed 8,948 staff worldwide. The 169 non-Taiwanese staff employed by HTC filled 30% of all HTC managerial positions. Non-Taiwanese managerial and technical staff filled 8.3% of all HTC positions worldwide. Women hold 21.4 %of HTC's 557 current managerial positions.

Statistics related to the structure of human resources at HTC

(excluding outsourced labor):

> Employee by Position Type

	Mar. 31, 2010	Dec. 31, 2009	Dec. 31, 2008
Management	557	563	591
Specialists	2,711	2,732	2,718
Administrators	630	626	646
Technical Staff	5,050	4,328	5,398
Total	8,948	8,249	9,353

> Gender, Average Age and Average Years of Service

	Mar. 31, 2010	Dec. 31, 2009	Dec. 31, 2008
Male	4,888	4,445	5,131
Female	4,060	3,804	4,222
Average Age	29.78	29.84	28.38
Average Years of Service	2.78	2.97	2.11

> Employees' Highest Level of Academic Achievement

	Mar. 31, 2010	Dec. 31, 2009	Dec. 31, 2008
Ph.D.	55	57	48
Master's	1,813	1,815	1,750
Bachelor's	2,542	2,225	2,294
Technical / Vocational	749	781	866
Other	3,789	3,371	4,395

surprises

III. BUSINESS OPERATIONS

Industry Overview

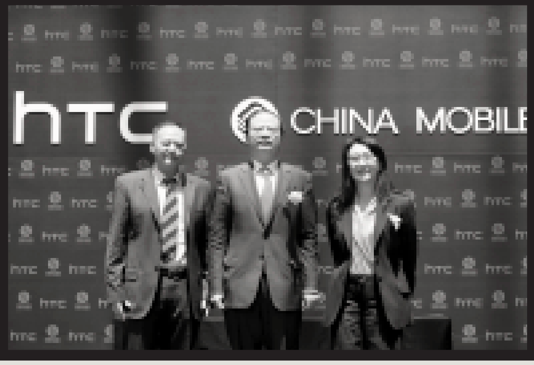
Responding to the continuing march of progress in wireless telecommunications, mobile telecommunication service providers have widely accepted and prioritized the necessity of enhancing consumer satisfaction with the mobile internet. This, in turn, has spurred major mobile phone brands and software developers to introduce a wide range of mobile internet solutions. The momentum behind mobile internet trends enjoys strong support from global consumers. Increasingly accustomed to using mobile phones to listen to music, browse web pages, receive and send e-mails, take advantage of high data transfer speeds and tap into GPS directional services, consumers now invariably view their mobile phone as an important tool for entertainment and work as well. Consumer communication habits and preferences are taking increasing prominence in mobile phone design work. Only by meeting consumer needs and delivering increasingly simple and intuitive interpersonal communication solutions can products meet with general and growing market success.

Today's 3G mobile telecommunication standard, which superseded the previous 2G standard, established the framework necessary to expand and diversify mobile digital content. The fruition of steady investments by telecommunication service providers in 3G network infrastructure, coupled with the increasingly advanced functionalities and user-friendly features being integrated into the latest mobile phone models, now drive rising demand for a diverse range of mobile digital services. These developments are fueling buoyant growth in smart phone sales as users continue to upgrade from traditional mobile phone models. This continues to be accomplished despite abidingly difficult economic conditions worldwide. According to IDC's Worldwide Quarterly Mobile Phone Tracker, estimate, global sales of smart phones topped 173.5 million units in 2009. This figure represents a healthy 14.6% increase over 2008 total unit sales and stands in stark contrast to the -4.8% contraction experienced in global mobile phone sales.

Mobile application markets have played a critical role in the development of mobile phone operating systems. Open source software development kits (SDK), in particular, have made it convenient for software developers to contribute to an increasingly wide range of mobile applications. Revenue sharing models have encouraged third-party developers' participation in developing a vibrant software ecosystem and spurred the rapid growth and success of mobile application markets such as Android Market. Community, shopping, travel and game applications are several of the most popular application categories. Therefore, mobile users can easily download, install and use such to create and enjoy their own personalized mobile portal onto the mobile internet.

The launches in 2007 of HTC Touch and Apple's iPhone uncorked general market demand for touch screen smart phones. Touch screen controls represented a significant step forward from the pushbutton controls of traditional mobile phones, with one touch now all that was needed to call up frequently used functions, favorite contacts or content. While its fresh look and feel fired widespread excitement, touch screen technology also opened consumer imaginations to the expansive future potential of the mobile phone. It was not long before many other mobile phones equipped with touch controls were launched and all major players began targeting resources to develop increasingly user-friendly interfaces that fit with user habits and lifestyles to earn a greater share of this expanding market segment.

Following the launch of HTC Touch, HTC announced the world's first Android-based smart phone in 2008. This pioneer offering broadened the company's product line beyond Windows Mobile while strengthening mobile internet applications. Continuing to focus heavily on enhancing user experience, HTC followed up on its popular TouchFLO interface with the launch in 2009 of HTC Sense - another evolutionary leap that fit HTC smart phones even closer with user habits and preferences. By the end of 2009, HTC's product lineup included 6 Android-based mobile phone models. With models available to meet the needs of various user segments, HTC holds a leading position in Android market.



In terms of key components supply, rising global shipments of mobile phones during 4Q 2009 saw production capacity utilization levels rise for upstream components suppliers starting from early 3Q. Demand during this period began to outstrip supply for certain components. Apart from persistent efforts to ensure stable deliveries, HTC negotiates proactively with its suppliers to secure better pricing contracts. Components that have recently seen the most significant price reductions include medium and small-dimension touch panels and display modules. HTC contracts guaranteeing supply at advantageous prices have helped keep supplies relatively steady in spite of the tight component supply situation in the general market.

With worldwide demand for mobile phones expected to continue rising through 2010, we can expect the tight supply situation to continue as well. In addition to ensuring that all components continue to be delivered on schedule, HTC will continue to press suppliers to raise production efficiencies in order to further lower production costs, which should transfer into even lower input costs for HTC and result in mutual advantage to both parties.

Particularly when supplies are tight, HTC works to negotiate supply guarantees against future production in order to lower overall purchase costs and achieve the most advantageous cost structure possible.

Market Analysis

Prospects continue to be strong for sustained vigorous growth in the smart phone sector. Rising consumer demand for high data transfer speeds for mobile internet communications coupled with the arrival of the mobile Internet era have led mobile phone designers and telecommunication service providers into closer alliances in order to roll out an increasingly diverse array of mobile digital services to satisfy consumer demand. Smart phones have entered the mass market.

Apart from encouraging current competitors to redouble efforts and investments, rapidly rising smart phone user and market penetration rates have encouraged potential competitors to join the fray. Many major mobile phone makers, responding to the newly open source operating system- Android OS, have already begun investing in related design and R&D efforts. With a potential for growth that simply cannot be underestimated, other established operating systems such as Symbian, Windows Mobile and Blackberry are also being upgraded and enhanced. Competition in the smart phone sector is set to become even more intense.

The primary use of smart phones is in the area of mobile digital services. Mobile phone advertising services provider AdMob, analyzing mobile phone advertising data requests worldwide, claimed that Android OS phones held 16% of total global smart phone advertising requests in 4Q 2009; up sharply from just 1% in 4Q 2008. The analysis pointed to the Android OS share in North America (27%) as particularly high.

Benefitting from the meteoric rise of Android, the requests of mobile phone advertising handled by HTC phones has similarly shot up from 1% in 4Q 2008 to 6% in 4Q 2009. Recent changes in market share amply demonstrate the significant

influence that mobile internet services have over the smart phone sector. Trends instigated and promoted by mobile application markets do impact upon smart phone sector direction and development.

HTC has laid a solid foundation of experience and accomplishment in the smart phone sector. In addition to exceptional in-house R&D / innovation capabilities and superior track records for business and sales, we have nourished and now maintain strong long-term partnerships with technology industry leaders, including Microsoft, Google and Qualcomm, that are focused on influencing the future development and vision of mobile telecommunications. We also enjoy close partner relationships with telecommunication service providers throughout our major markets - helping HTC better anticipate and address consumer needs both now and in the future. Shipping about 11.71 million units in 2009, HTC accounted for some 7% of total global smart phone units in 2009. In the years ahead, HTC will continue to draw on its exceptional innovation capabilities to ensure product line comprehensiveness, meet consumer demand for greater diversity and personalization in mobile telecommunications, and raise HTC brand recognition and market share.

Business Scope

The main focus of HTC's business is on the handheld smart phone sector. Reflecting quickly maturing wireless communication technologies, 3G models at now account for better than 95% of all HTC products shipped. Also, HTC launched new models featuring HTC Sense, which helped push overall sales to new highs. Verizon, Sprint and T-Mobile, the three largest telecommunications service providers in the United States, all designate HTC mobile phones as flagship offerings in their respective product lineups. In Europe, HTC mobile phones are featured prominently at sales outlets of leading telecommunications service providers such as Vodafone, T-Mobile and Orange. HTC products are currently sold through major telecommunication service providers and channel retailers in major markets in Europe, the Americas and Asia. The company is also gradually penetrating smart phone markets in emerging markets in the Middle East, Central and South America and Russia.

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 help HTC get first to market with new generation products and innovations, work with telecom service providers to raise average revenues per user (ARPU) and realize a worldwide sales and service network able to deliver on promises of innovation and quality made to customers.

Business Objectives

HTC will grow to become the world's leading smart phone brand. Following on high-visibility brand promotion activities during 2009 such as Tour de France team sponsorship, rollout of "Quietly Brilliant" brand positioning, and launch worldwide of the YOU campaign, HTC will do even more in terms of brand promotion during 2010, which, coupled with a competitive pricing strategy and diverse product range, will work to increase HTC market penetration and give even more users the opportunity to experience the HTC difference.

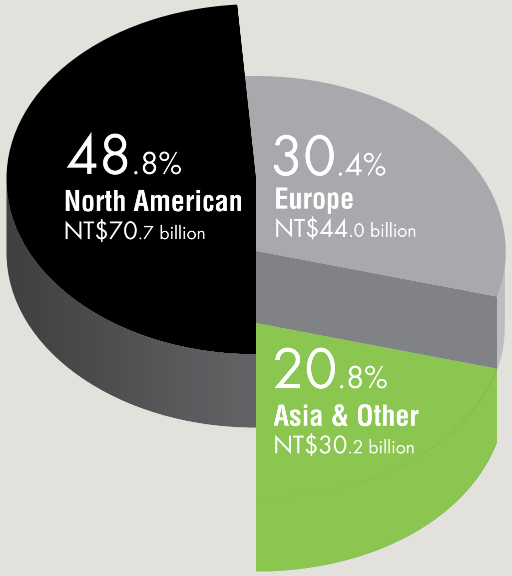
While working aggressively to increase market share in order to achieve sustained sales growth and competitiveness, HTC will work diligently to neither sacrifice fair profits nor instigate predatory price cutting strategies. Instead, we will continue to adjust our overall business model to expand HTC's market share and win a growing number of HTC product users while keeping corporate fundamentals intact. Such should strongly and positively enhance HTC brand awareness, enhance operational effectiveness, and raise profitability over the long term.

HTC's globe market penetration is growing significantly, and HTC believes the time is ripe for increasing operating scale. HTC is confident about its current strategy of promoting HTC's brand-recognition and products, and will definitely continue to implement and invest such strategy to maintain its competitiveness. Seizing the right opportunity to invest the rightstuff is HTC's commitment to all the long-term investors.

In terms of investments in China market, HTC is engaged in cooperative initiatives related to the all 3G standards in that market as well as in building partnerships with major Chinese telecommunication service providers. In August 2009, we signed a memorandum of understanding covering "substantive cooperation on TD-SCDMA" with China Mobile, Ltd. The MOU establishes a long-term, in-depth cooperative partnership between the two parties in the realms of technology and product R&D, market research and customer service. While 3G infrastructure in China market remains in its infancy, its manifest potential for rapid growth is expected to be an engine of forward momentum for HTC in the future. The HTC-China Mobile provides a solid platform for future HTC growth in the China mobile phone market.

European and North American markets remained the focus of HTC business expansion in 2009. North America and Europe accounted for 48.8% and 30.4%, respectively, of HTC sales worldwide. Asia and other regions accounted for the remainder (20.8%). HTC business in North America market strongly grew 28.6% in 2009 compared to other regions. HTC will continue to launch new, institutive mobile phone products to win even more consumers as HTC users.

2009 HTC Revenue by Region:

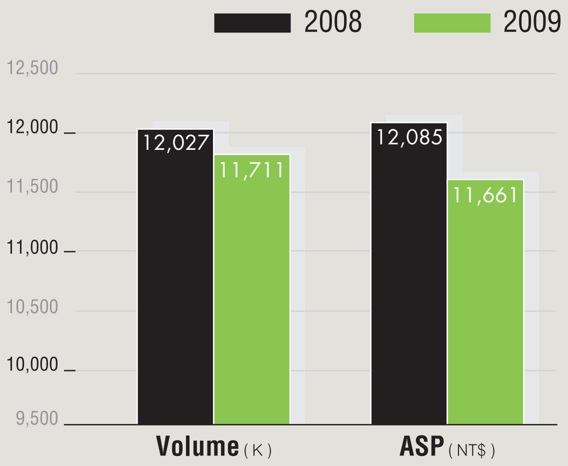


Analysis of Business Results

2009 was a year of rapid and remarkable change for HTC. In addition to growing challenges in the economics environment as well as from developments among various mobile phone operating systems, 2009 marked a redoubling of efforts to manage and extend the HTC brand.

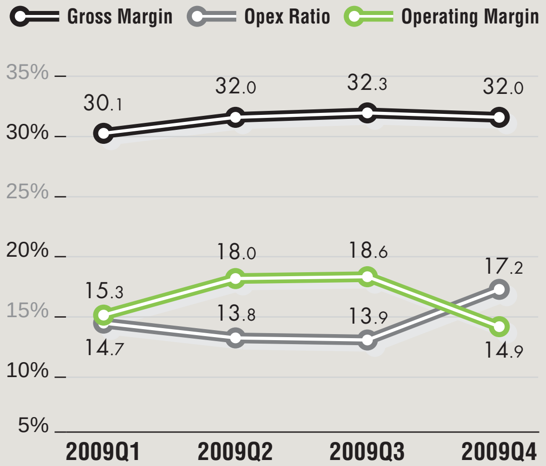
In 2009, we promoted aggressively our Android-based product line - the first model of which was launched in 2008 as the world's first Android OS mobile phone - to telecommunication service providers in Europe and the Americas. Our goal was to turn this line quickly into a strong engine of HTC business growth. However, consumer acceptance of Android, while relatively strong in our American markets, lagged in Europe and Asia. Thus, our management team chose to work on raising market awareness of the HTC brand. As the number of major mobile phone makers marketing Android-based products increased, consumers would have an inbuilt knowledge of and preference for HTC's Android offering. While sales volumes did end up eroding by 2.6% in 2009 (to 11.71 million units), HTC leadership in the Android OS is gradually being understood and recognized by consumers.

Looking at our products in terms of average selling price (ASP), HTC has beefed up its product offering considerably. HTC's flagship high-end model, HTC HD2, is joined by mid-price range offerings in HTC Tattoo and HTC Touch2 models. All are competitively priced for their market segment. HTC's ASP in 2009 was NT$11,661 - a 3.5% drop from 2008. The NT$144.9 billion earned in revenue for 2009 represented a drop of 5.0% from 2008 revenues.



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 profit, a key performance indicator in the smart phone industry, remained stable in each quarter in 2009.

In terms of operating expenses, we have made consistent investments to enhance the user experience and bolster the value and image of the HTC brand in order to raise brand awareness and prestige. 2009 saw the launch in our primary American and European markets of the company's first global marketing activity - the YOU campaign, coupled with stepped up management of retail and channel partners. These initiatives were primary factors behind a rise to 17.2% of the operating expenses (opex) ratio in 4Q, which factored into a 15.0% opex ratio for the full year; a 1.6 percentage points rise over 2008.



Brand Strategy

Active management of 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 successful businesses. HTC's putting customers at the center of all design and development work has been encapsulated in the slogan, "Quietly Brilliant", which reflects our commitment to do great things in a humble way. Framed within the spirit of "Quietly Brilliant", HTC believes the best things in life can only be experienced, not explained.

The central message of the HTC brand targets "YOU" - i.e., all consumers - rather than the mobile phone or brand name, and HTC is committed to meeting consumers multifaceted needs by delivering phones that fit ever more closely with the way they work, live and play. Our sights are set on eventually making HTC the first choice of smart phones.

Principal brand management activities include:

> Sponsorship of Team Columbia - HTC in The Tour De France Competition

HTC supports the Tour de France, and penned in mid-2009 a three-year agreement with High Road Sports, Inc. to be a primary sponsor of their team, Team Columbia-HTC. This agreement, HTC's first foray into sports marketing, made its debut at the 2009 Tour de France. In working with High Road Sports - a company that shares much in common with HTC in terms of its commitment to innovation, exceptional performance and competitiveness - HTC looks to enhance worldwide its brand value and brand recognition through association with a dedicated, highly successful sports team.

> New "Quietly Brilliant" Brand Positioning & Global Advertising YOU campaign

HTC launched "Quietly Brilliant" as the company's new brand position and rolled out worldwide the YOU campaign. The YOU campaign is HTC's first global advertising initiative, targeting all our major markets with the catchwords, "You don't need to get a phone. You need a phone that gets you." This message, intended to underscore HTC's commitment to consumers and raise general brand awareness, is being delivered through multiple media channels and outlets such as television, print advertising, outdoor placements and the internet

> Active Participation in Industry Events

HTC actively participates in mobile telecommunications industry gatherings and events around the world. Recent examples include the Consumer Electronics Show (CES) in the United States and the World Mobile Congress. Exposure at these and other events helps spotlight HTC innovation and elevate the value and uniqueness of the HTC brand. Prior to the 2010 CES, HTC launched in partnership with Google Nexus One, the world's first mobile phone built on the all-new Android OS 2.1. Also at CES, HTC announced the HTC Smart, a simple, practical smart phone built on Qualcomm's Brew Mobile Platform that leverages HTC Sense features and functionality. The HTC Smart is designed to encourage even more consumers to join the migration upward to smart phones. At the 2010 World Mobile Congress, HTC introduced its newest practical, slim-profile offering - the HTC HD mini, as well as new HTC Legend and HTC Desire, enhanced with the enhanced version of HTC Sense, which delivers better graphics and visual experience. Friend Stream, also announced at WMC, is an application that helps greatly streamline user management on social networking to bring friends closer together.

HTC is now starting to see solid results from HTC brand promotion and brand value enhancement initiatives. The HTC brand is increasingly recognized in major markets around the world. In the US, surveys now show that HTC brand recognition amongst consumers has roughly doubled. In March of this year, the leading UK technology website TechRadar chose three of HTC's mobile phone products as among 15 best mobile phones in the world. The website ranked HTC Desire at the top of their list at number 1 worldwide, with HTC Legend following at number 3 and HTC HD2 at number 5. Furthermore, the HTC brand and HTC products are increasingly the focus of media coverage and website forums and discussions. HTC is committed to continuing efforts to create a leading world brand as part of its overall strategy to enhance long-term competitiveness.

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 5% to 7% of total revenues. HTC products are frequent trailblazers, earning a long line of "firsts", including the first Windows phone, the first Android phone, the first dual mode GSM/WiMAX mobile phone and the first 3G/4G Android phone. HTC Sense, launched in 2009, bundled a diverse and powerful suite of functions into a highly personalized user interface. HTC Sense represents a true breakthrough in worldwide efforts to increasingly fit the mobile phone into the way consumers work, live and play.

Commitment to innovation and R&D is reflected in the innovative designs and market leadership enjoyed by HTC mobile phone products. HTC followed up on its launch of the world's first Android mobile phone by releasing the first 3G/4G Android phone- HTC EVO 4G. With 4G speeds, HTC EVO 4G takes mobile multimedia, including live video streaming, gaming and picture downloads, to a whole new level and is honored as CNET's Best Phone of CTIA 2010. HTC also launched HTC HD2, the world's first Windows phone to feature a capacitive touch screen interface, equipped with a 1 Ghz processor. The highly responsive touch interface was a breakthrough for the Windows OS platform. In order to further increase accessibility to smart phones for the general market, HTC introduced HTC Smart, a simple and practical smart phone featuring the HTC Sense interface built on the Qualcomm's Brew Mobile Platform. Straightforward operations and an affordable price are hoped to earn broad-based market sales for HTC Smart.

In the arena of mobile telecommunication technologies, TD-SCDMA is an international technology standard developed and promoted by China's telecommunications industry. Following the release of HTC's first TD-SCDMA compliant model in 2008, the company penned last year an MOU with China Mobile that commits the two companies to partner on cooperative efforts tied to TD-SCDMA. Under the MOU, HTC and China Mobile will work actively to design and develop new TD-SCDMA wireless broadband smart phone products suited to the China market.

Fueled by a long tradition of innovation, HTC continues to roll out new generations of smart phone products that work to tap the full potentials of Windows Mobile, Android and Brew MP operating systems. Apart from enhancing 3G and 4G broadband transfer speeds, HTC focuses efforts on improving the look and feel of all models and infusing products with new changes and features tweaked to excite the senses. Product development and marketing will continue to trend toward the mass market to bring the convenience and pleasures of mobile media and the internet "anywhere, anytime" to an increasingly broad spectrum of the population.

R&D Expenditures in Recent Years

NT$ millions

Item	2010 1Q	2009	2008
Worldwide R&D Expenditures	1,986	8,373	9,351
As a Percentage of Worldwide Revenue	5.2%	5.8%	6.1%

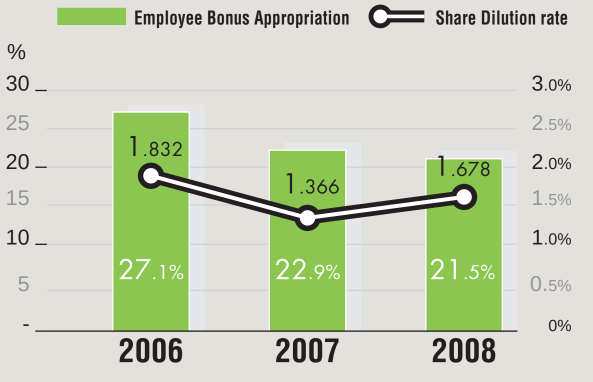
Corporate Governance

HTC has in recent years 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. In 2009, FinanceAsia ranked HTC number one in Taiwan in four categories, including "Best Managed Company", "Best Corporate Governance", "Best Investor Relations" and "Most Committed to a Strong Dividend Policy". Recent developments related to corporate governments 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. In 2008, we invited former Chunghwa Telecom chairman Tan Ho-Chen to join the board to help guide HTC into the future.

2. Remuneration Committee Created
   On June 22, 2007, HTC board member HT Cho and independent director Chen-Kuo Lin were approved by the board to serve on the remuneration committee. HTC chairwoman 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 2009 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 2010 shareholders meeting. During the past three year period, the dilution ratio resulting from employee bonus distributions has ranged between 1.3% and 1.9%. HTC also takes shares buyback policies to minimize the dilution effect of bonus distributions.



3. Board of Supervisor Proceedings

Planning for a supervisory committee is on the agenda as part of efforts to strengthen board of director professional functions and improve corporate governance. Prior to the committee's creation, committee functions are being addressed by the HTC board of supervisors. Meetings of the board of supervisors take place every quarter, at which financial, legal, internal audit and other issues are reported to members. Issues 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.

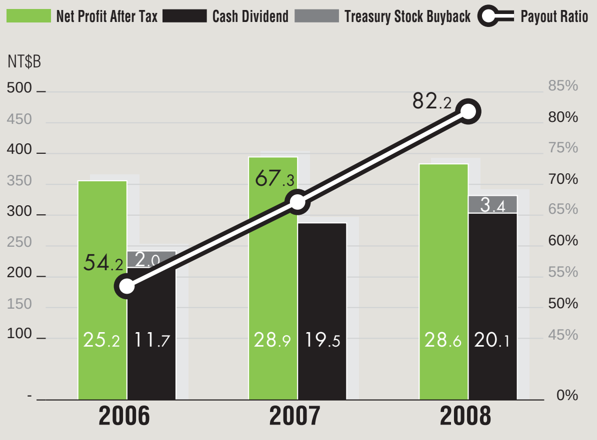
4. Immediate Disclosure of Information & Reliable Financial Forecasting

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 revenue reports for the preceding month by the 6th of each current month, while initial unaudited quarterly results are released at the beginning of the first month after the end of each quarter. Quarterly earnings call conferences are held for investors every quarter, at which regularly scheduled topics include anticipated revenues, margins and expenses for the following quarter. Investor teleconferences are also held to help investors maintain an immediate perspective on business operations.

Apart from regular disclosures, HTC also participates actively in investor forums and conferences in Taiwan and overseas as well as takes the initiative to visit major investment houses and investors to introduce already disclosed financial figures and operational results for the company to enhance awareness. In 2009, for example, HTC joined over ten major investor conferences sponsored by large investment houses in Taiwan, Hong Kong, Singapore, London, New York and Shanghai.

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, capital needs, domestic / international competition, and budgetary considerations. Shareholder interests and the need to strike a balance between dividend distributions and longer-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. In 2008, HTC's dividend payout ratio achieved 82.2%.

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.

Following its opening of the Hualien Academy of Character and English Training in Hualien, the HTC Foundation has begun working through plans with public officials and elementary school administrators in Yunlin County to establish a second academy there. A ten-year MOU was penned in January 2010. The Yunlin academy will be sited on the campus of an elementary school in Douliou Township and, as with the Hualien academy, provide character-building and English enhancement curricula. The Foundation will cover all expenses related to the education program, including site infrastructure, educational materials, instructor fees, and room, board and transportation stipends for students.Current plans call for the Yunlin academy to host some 2,000 students annually from around Yunlin County for 5-day, 4-night educational programs designed to enhance the interest and abilities of students - especially from rural areas - in English and teach good character fundamentals.

Severe flooding in the wake of Typhoon Morakot in September 2009 devastated southern Taiwan, leaving many homeless or otherwise in need of emergency assistance. Responding to the crisis, HTC targeted relief funds totaling about NT$48 million to construct both temporary and permanent housing in hard-hit areas in Taitung and Pingtung Counties. In the first weeks of the crisis, HTC joined with World Vision Taiwan to construct 60 temporary shelters in Jialan Village in Taitung County's Jinfeng Township. In addition to paying the bills to rebuild homes and communities, HTC colleagues volunteered weekends to work with Jialan residents to install the temporary housing. HTC also presented an additional NT$10 million in sponsorship funds to fund afterschool tutoring programs for children in Taitung / Pingtung flood-stricken areas and for student scholarships. HTC is committed to doing what it can to help residents in these areas restore their lives and emerge as quickly as possible from the shadow of this tragedy.

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.

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

1. Major suppliers representing at least 10% of gross purchase

(Amount in NT$ millions)

	2010 1Q			2009			2008		
Supplier code	Amount	As % of 2010 1Q Net Purchases	Relation to HTC	Amount	As % of 2009 Net Purchases	Relation to HTC	Amount	As % of 2008 Net Purchases	Relation to HTC
a	$ 4,625	20	None	$ 14,546	20	None	$ 13,992	18	None
Others	$ 18,446	80		$ 57,069	80		$ 63,133	82	
Total	$ 23,071	100		$ 71,615	100		$ 77,125	100	

2. Major customers representing at least 10% of gross revenue

(Amount in NT$ millions)

	2010 1Q			2009			2008		
Customer Code	Amount	As % of 2010 1Q Revenues	Relation to HTC	Amount	As % of 2009 Revenues	Relation to HTC	Amount	As % of 2008 Revenues	Relation to HTC
A	$ 7,647	20	None	$ 28,816	20	None	$ 21,632	14	None
B	$ 3,791	10	None	$ 27,214	19	None	$ 21,371	14	None
C	$ 3,109	8	None	$ 12,662	9	None	$ 26,867	18	None
D	$ 5,701	15	None						
Others	$ 17,449	47		$ 76,189	52		$ 82,689	54	
Total	$ 37,697	100		$ 144,881	100		$ 152,559	100	

PRODUCTION AND SALES FOR MOST RECENT TWO-YEAR PERIOD

Production

Unit: 1,000 units / NT$ millions

	2009			2008		
	Production Capacity	Production Quantity	Production Value	Production Capacity	Production Quantity	Production Value
Smart phones	16,848	12,308	75,846	16,848	12,567	79,158
TOTAL	16,848	12,308	75,846	16,848	12,567	79,158

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

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

Sales

Unit: 1,000 units / NT$ millions

	2009(note)				2008(note)			
	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Smart phones	473	4,524	11,238	132,042	272	3,075	11,755	142,275
Other Items (accessories)	889	94	34,285	6,828	122	48	25,160	5,105
TOTAL	1,362	4,618	45,523	138,870	394	3,123	36,915	147,380

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

PRINCIPAL CONTRACTUAL AGREEMENTS

Principle current contractual agreements shown below were effective or expired during the most recent reporting period and as of the date of printing.

Contractor	Contract Term	Description
ALCATEL LUCENT	November 2009 - November 2012	> Authorization to use 2G (GSM/GPRS/EDGE/CDMA), 3G (CDMA2000/WCDMA), HTML, MPEG, AMR patent license or technology; > royalty payment based on agreement.
Microsoft	February 1, 2009 - January 31, 2011	> Authorization to use embedded operating system; > 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.
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.
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.
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.
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.
Ericsson Mobile Platform AB	April 2003 - March 2011	> Authorization to use EDGE reference design license and support 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.
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.

Simplicity

IV. CORPORATE GOVERNANCE

I. 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: shares	Shareholding When Elected: %	Current Shareholding: shares	Current Shareholding: %	Spouse & Minor Shareholding: shares	Spouse & Minor Shareholding: %	Other persons holding shares in their name: shares	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: Title	Name	Relation
Chairman	Cher Wang	06/20/2007	06/19/2010	04/30/1999	13,940,207	3.22%	24,736,896	3.20%	20,309,651	2.62%	0	0.00%	> Master 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. > Director, Formosa Plastics Corporation > 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%	276,143	0.04%	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 Telecon 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%	20,309,651	2.62%	24,736,896	3.20%	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
Director	Tan Ho-Chen	06/19/2009	06/19/2010	06/19/2009	0	0.00%	0	0.00%	0	0.00%	0	0.00%	> Bachelor degree in Civil Engineering from National Chung-Hsing University > Master Degree in Regional & Urban Planning from Virginia Polytechnic Institute & State University, VA/ USA > Advanced study in Hunter College, CUNY, NY/USA & Humphrey Fellow > President, THI Engineering Consulting Co.	None	None	None	None
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%	50,100	0.01%	> Graduate of Advanced Management Program (AMP), Harvard Business School, Boston > Commercial clerk > Accountant with various companies > Accounting manager at Crossair > Marketing manager at Crossair > Product management at Crossair > Deputy Director at Crossair > Director of FIG (Flughafen Immobilien Gesellschaft) > Chief Executive Officer of Unique (Flughafen Zurich AG)	> Independent director of the Board, Careal Holding AG, Zurich > Independent director of the Board, AMAG, Zurich > Independent director of the Board, Zingg-Lamprecht AG, Zurich > Independent director of the Board, Edelweiss Air AG, Zurich > Independent director of the Board, Schulthess Group AG, Wolfhausen > Director of the Board, Gutsbetrieb Oetlishausen AG, Hohentannen > Independent director of the Board, Pro Juventute, Zurich > Independent director of the Board, Luzerner Kantonalbank AG, Lucerne > Independent director of the Board, Victoria Jungfrau Collection, Interlaken	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%	> Master in Accounting from Soochow University > Associate Professor, Department of Accounting in 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%	39,745,389	5.14%	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

Note1: During the 2009 annual general shareholders' meeting the election of the additional director will be held. The term of the new director shall be from June 19, 2009 to June 19, 2010.

Note2: Shareholding based on 20 April 2010 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)

		Conditions													
Title	Name	Meet one of the following professional qualification requirements, together with at least five years work experience			Conforms to the independent situation (note 1)										Selected current positions/number of other public companies concurrently serving as an independent director
		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
Director	Tan Ho-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	3,359,067	0.43%	1,079,400	0.14%	0	0.00%	> Department of Electronic Engineering, National MUSEUM of Marine Biology & Aquarium > Director, Server platform design division, Digital Equipment Corporation > Chairman (Representative), HTC Investment Corporation > Chairman (Representative), HTC Investment I Corporation > Supervisor (Representative), PT. High Tech Computer Indonesia > Director (Representative), HTC India Private Limited > Director (Representative), HTC Malaysia Sdn. Bhd.	> 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 Corp. > Director (Representative), High Tech Computer (SuZhou) Co., Ltd. > Director (Representative), Hua-chuang Automobile Information Technical Center Co., Ltd.	None	None	None
Corporate Senior Executive Vice President & President of Engineering and Operation	Fred Liu	04/24/2006	1,280,238	0.17%	500,00	0.06%	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 Corp. > Director (Representative), PT. High Tech Computer Indonesia > Chairman(Representative), High Tech Computer (SuZhou) Co., Ltd > Chairman(Representative), Communication Global Certification Inc. > Executive Director (Representative), HTC Corporation (Shanghai WGQ) > Director (Representative), VIA TECHNOLOGIES, INC. > Director (Representative), HTC Investment Corporation > Director (Representative), HTC Investment I 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
hief Financial Officer & Spokesman	Hui-Ming Cheng	09/08/2006	0	0.00%	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 (Representative), HTC Investment I Corporation > Director (Representative), HTC Holding Cooperatief U.A. > Director, Walsin Lihwa Corporation > Director (Representative), HTC Malaysia Sdn. Bhd.	None	None	None
Executive	Jason Juang	12/01/2007	86,150	0.01%	113,650	0.01%	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	38,901	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	146,205	0.02%	0	0.00%	0	0.00%	> Master, Michigan State University > Vice President, Production Enterprise, RCA.	> Director (Representative), President, High Tech Computer (SuZhou) Co., Ltd > Director (Representative), HTC Electronics (Shanghai) Co., Ltd.	None	None	None
Vice President	David Chen	05/08/2007	430,563	0.06%	819	0.00%	0	0.00%	> National United University > Principal Engineer, Digital Equipment Corporation	None	None	None	None
Vice President	David Wang	05/05/2008	13,500	0.00%	0	0.00%	0	0.00%	> Institute of Labor Study, Chinese Culture University > A.V. P. , HR Quanta Computer Inc. > Director, TSMC > Director, Philips Taiwan > Co-Director, NCR	None	None	None	None
Vice President	Jack Tong	07/01/2007	25,300	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	24,328	0.00%	0	0.00%	0	0.00%	> Vice President of T-Mobile	None	None	None	None
Vice President	Jim Lin	05/08/2007	158,835	0.02%	792	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

(continue)

Title	Name	Date Elected	Shareholding (note) shares	Shareholding (note) %	Spouse & Minor Shareholding shares	Spouse & Minor Shareholding %	Other persons holding shares in their name shares	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 Title	Name	Relation
Vice President	Lotus Chen	04/01/2004	6,936	0.00%	242	0.00%	0	0.00%	> Master in 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	106,480	0.01%	0	0.00%	0	0.00%	> Direct of Devices, Orange Group	> Director (Representative), HTC Italia SRL	None	None	None
Vice President	Cliff Chou	06/01/2008	38,940	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
Vice President	Ralph Wang	06/01/2008	57,246	0.01%	0	0.00%	0	0.00%	> Electronic Engineering, Fu Jen Catholic University > Senior Director, GVC > Project Manager, Philip	None	None	None	None
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
Vice President	Simon Lin	06/01/2008	42,050	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
Vice President	Steve Wang	06/01/2008	0	0.00%	0	0.00%	0	0.00%	> Azusa Pacific University > VP, IA Style Inc.	None	None	None	None
Vice President	WH Liu	06/01/2008	89,475	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
Vice President	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	20,450	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	61,760	0.01%	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	24,010	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	20,092	0.00%	5,323	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
Special Assistant to President of Engineering and Operation & Acting Head of Procurement	Kenny Tseng	12/28/2009	2,300	0.00%	0	0.00%	0	0.00%	> Ming Chi University of Technology > Formosa Plastic Group. Purchase Ast. Manager	None	None	None	None
Director	Edward Wang	03/10/2009	0	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 > Supervisor (Representative), HTC Investment I Corporation > Supervisor (Representative), BandRich Inc	None	None	None
Director	Joey Cheng	02/09/2009	0	0.00%	0	0.00%	0	0.00%	> Cornell University > Analyst, Goldman Sachs Group, Inc. > Sr.Marketing Manager, Marvell Technology Group, Ltd.	None	None	None	None
Director	Vincent Tseng	12/13/2004	31,306	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 as of 04/20/2010. (Excluding 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)

2009; Unit: thousand shares; NT$ thousands

		Remuneration paid to Directors								Total Remuneration		Compensation earned as employee of HTC subsidiary affiliates										Total Compensation		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)		(A+B+C+D) as a percentage of 2009 net income (%) (note 7)		Salary, Bonuses, and Allowance (E) (note 4)		Retirement pay (F)		Employee profit sharing (G) (note 5)				Exercisable Employee Stock Options (H) (note 6)		(A+B+C+D+E+F+G) as a percentage of 2009 net income (%) (note 7)		
																HTC		All Consolidated Entities						
Title	Name	HTC	All Consolidated Entities	HTC	All Consolidated Entities	HTC	All Consolidated Entities	HTC	All Consolidated Entities	HTC	All Consolidated Entities	HTC	All Consolidated Entities	HTC	All Consolidated Entities	Cash	Stock	Cash	Stock	HTC	All Consolidated Entities	HTC	All Consolidated Entities	
Chairman	Cher Wang																							
Director	HT Cho																							
Director	Wen-Chi Chen	13,858	13,858	0	0	0	0	0	0	0.06%	0.06%	0	0	0	0	0	0	0	0	0	0	0.06%	0.06%	None
Director	Tan Ho-Chen																							
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) HTC	All Consolidated Entities (I)	Total Compensation (A+B+C+D+E+F+G) HTC	All Consolidated Entities (J)
Under NT$ 2,000,000	Cher Wang, HT Cho, Wen-Chi Chen, Tan Ho-Chen	Cher Wang, HT Cho, Wen-Chi Chen, Tan Ho-Chen	Cher Wang, HT Cho, Wen-Chi Chen, Tan Ho-Chen	Cher Wang, HT Cho, Wen-Chi Chen, Tan Ho-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	6	6	6	6

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 2009 net income NTD22,608,902 thousand (Financial Statements), NTD22,614,413 thousand (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

2009; Unit: thousand shares; NT$ thousands

Title	Name	Salary (A) (note1) HTC	Salary (A) All Consolidated Entities	Retirement pay (B) HTC	Retirement pay (B) All Consolidated Entities	Compensation from profit sharing (C)(note2) HTC	Compensation from profit sharing (C) All Consolidated Entities	Allowance (D) (note3) HTC	Allowance (D) All Consolidated Entities	Total Remuneration(A+B+C+D) as a percentage of 2009 net income (%) (note4) HTC	Total Remuneration All Consolidated Entities	Compensation paid to Supervisors from non-subsidiary affiliates
Supervisor	Po-Cheng Ko											
Supervisor	Way-Chih Investment Co., Ltd. Representative: Shao-Lun Lee	3,500	3,500	0	0	0	0	15	15	0.01%	0.01%	None
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 2009 net income NTD22,608,902 thousand (Financial Statements), NTD22,614,413 thousand(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

2009; Unit:thousand shares; NT$ thousands

Title	Name	Salary(A) (note 1) HTC	Salary(A) All Consolidated Entities	Retirement pay (B) (note 2) HTC	Retirement pay (B) All Consolidated Entities	Bonus & Perquisite (C) (note 3) HTC	Bonus & Perquisite (C) All Consolidated Entities	Employee profit sharing (D) (note 4) HTC Cash	HTC Stock	All Consolidated Entities Cash	All Consolidated Entities Stock	Total Remuneration(A+B+C+D)as a percentage of 2009 net income (%) (note 6) HTC	All Consolidated Entities	Exercisable Employee Stock Options (note 5) HTC	All Consolidated Entities	Compensati on paid to President & Vice Presidents from non-subsidiary affiliates
Chief Executive Officer & President	Peter Chou															
Corporate Senior Executive Vice President & President of Engineering and Operation	Fred Liu															Executive
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	David Wang	61,197.78	76,781.92	2,205.78	2,905.52	46,798.74	51,299.87	77,195.50	307,717.69	88,041.17	330,036.86	2.19%	2.43%	0	0	None
Vice President (note9)	HC Hung							(Distribution list of employee bonus is not available due to the company's final decision has not been made. The employee bonus amount is calculated based on last year's actual distribution ratio.)				(note7)	(note7)			
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	Cliff Chou															
Associate Vice President	Ralph Wang															
Associate Vice President (note10)	Sam Teng															
Associate Vice President	Simon Hsieh															
Associate Vice President	Simon Lin															
Associate Vice President	Steve Wang															
Associate Vice President	WH Liu															
Controller (note8)	James Chen															
Chief Information Officer	Eric Chou															

> Remuneration Paid to President and Vice Presidents

Scale of remunerations to managers of the Company	Name: HTC (Remuneration paid does not include cash and stock dividends from 2009 profit sharing)	All Consolidated Entities (Remuneration paid does not include cash and stock dividends from 2009 profit sharing)
Under NT$2,000,000	Jason Mackenzie, Florian Seiche	
NT$ 2,000,000~5,000,000	David Wang, HC Hung, Jim Lin, Andy Chen, Cliff Chou, Ralph Wang, Sam Teng, Simon Hsieh, Simon Lin, Steve Wang, WH Liu, James Chen, Eric Chou	David Wang, HC Hung, Jim Lin, Andy Chen, Cliff Chou, Ralph Wang, Sam Teng, Simon Hsieh, Simon Lin, Steve Wang, WH Liu, James Chen, Eric Chou
NT$ 5,000,000~10,000,000	Fred Liu, Hui-Ming Cheng, Jason Juang, Cliff Chiang, CS Wang, David Chen, Jack Tong, KH Tung, Lotus Chen	Fred Liu, Hui-Ming Cheng, Jason Juang, Cliff Chiang, CS Wang, David Chen, Jack Tong, KH Tung, Lotus Chen
NT$ 10,000,000~15,000,000	Peter Chou	Peter Chou, Jason Mackenzie, 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: Pensions funded according to applicable law.

Note 3: 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 4: 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 5: 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 6: The 2009 net income NTD22,608,902 thousand (Financial Statements), NTD22,614,413 thousand (Consolidated Financial Statements) in the most recent fiscal year.

Note 7: The employee bonus amount is calculated based on last year's actual distribution ratio.

Note 8: Mr. James Chen joined HTC on February 10, 2009.

Note 9: HC Hung has already resigned on 31 July 2009.

Note 10: Sam Teng has already resigned on 07 November 2009.

* 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

2009;Unit:NT$ thousands

Manager Title	Name	Stock	Cash	Total Employee Profit Sharing	Total Employee Profit Sharing Paid to Management Team as a percentage of 2009 net income(%)
Chief Executive Officer & President	Peter Chou				
Corporate Senior Executive Vice President & President of Engineering and Operation	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	David Wang				
Vice President	Jack Tong				
Vice President	Jason Mackenzie				
Vice President	Jim Lin				
Vice President	Lotus Chen				
Vice President	Florian Seiche	363,568.89	112,585.99	476,154.88	2.11%
Associate Vice President	Cliff Chou				
Associate Vice President	Ralph Wang				
Associate Vice President	Simon Hsieh				
Associate Vice President	Simon Lin				
Associate Vice President	Steve Wang				
Associate Vice President	WH Liu				
Controller (Note 3)	James Chen				
Chief Information Officer	Eric Chou				
Chief Innovation Officer	Horace Luke				
Chief Marketing Officer	John Wang				
General Counsel	Grace Lei				
Special Assistant to President of Engineering andOperation & Acting Head of Procurement (Note 5)	Kenny Tseng				
Director (note4)	Edward Wang				
Director (note2)	Joey Cheng				
Director	Vincent Tseng				

(Distribution list of employee bonus is not available due to the company's final decision has not been made. The employee bonus amount is calculated based on last year's actual distribution ratio.)

* *TThe 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 2009 net income NTD22,608,902 thousand 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. Joey Cheng joined HTC on February 9, 2009

Note 3: Mr. James Chen joined HTC on February 10, 2009

Note 4: Mr. Edward Wang took position on March 10, 2009

Note 5: Mr. Kenny Tseng took position on December 28, 2009

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.

	Total remuneration as a percentage of net income					
	2009		2008		increases or decreases %	
Title	HTC	All Consolidated Entities	HTC	All Consolidated Entities	HTC	All Consolidated Entities
Directors	0.06%	0.06%	0.05%	0.05%	0.01%	0.01%
Supervisors	0.02%	0.02%	0.01%	0.01%	0.01%	0.01%
President and Vice Presidents	2.19%(not1)	2.43%(not1)	2.25%(note2)	2.50%(note2)	-0.06%	-0.07%

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. The employee bonus amount of year 2009 is calculated based on last year's actual distribution ratio.

Note 2: The total remuneration of year 2008, related to amount of stock bonus, is based on closing price on 31 December 2008.

> 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.

II. 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 Seven Meetings in 2009. The Directors and Supervisors' attendance status is as follows :

Title	Name (Note1)	Addendance in Person (B)	By Proxy	Attendance Rate in Person(%) [B/A] (Note2)	Notes
Chairman	Cher Wang	6	1	85.71%	
Director	Wen-Chi Chen	6	1	85.71%	
Director	HT Cho	7	0	100.00%	
Director	Tan Ho-Chen	5	0	100.00%	New elected in 2009/6/19 Shareholders' Meeting.
Independent Director	Chen-Kuo Lin	6	0	85.71%	
Independent Director	Josef Felder	4	2	57.14%	
Supervisor	Wei-Chih Investment Co., Ltd. Representative: Shao-Lun Lee	7	0	100.00%	
Supervisor	Po-Cheng Ko	7	0	100.00%	
Supervisor	Caleb Ou-Yang	0	0	0.00%	

Other matters to be included:

1. 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.

2. 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: HT Cho

   Content of proposal: A proposal is presented to donate two floors of Company's Taipei R&D headquarters with an estimated price taken as the construction cost of NTD 217.8 million and an additional NTD 82.2 million in cash for a total donation amount of NTD 300 million to a related party - The HTC Cultural and Educational Foundation.

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

   > Director: HT Cho

   Content of proposal: Discussion of Company's donation of NTD 25 million to a related party The HTC Social Welfare and Charity Foundation to be used for Taiwan's August 8th Flood Disaster Relief Fund.

   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.

3. 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 had maintained its "A" rating in the Securities and Futures Institute's information evaluations in three successive rating periods, and during the sixth evaluation, it obtained "A+" rating for the first time. During the fifth and sixth 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 Seven Meetings in 2009. The Supervisors' attendance status is as follows :

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

Other matters to be included:

1. 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 2009 fiscal year included setting the reserve rate of allowance for doubtful accounts at 3.53 percent of accounts receivable, a slight increase from the previous fiscal year. In allowances for reduction of inventory to market, because HTC applied 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 40 percent of total inventory, an increase of 22 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 2009 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 2009, management levels responsible for corporate governance at HTC continued to give it their full attention and support. Internal controls continued to be risk-oriented, and improvements in efficiency in each division showed a marked upward trend. In the supervision of subsidiaries, continued emphasis was placed on evaluation by corporate headquarters and the development of global policies. In the area of internal control self-assessments, HTC has continued to use a combination of survey questionnaires and evaluations, while also maintaining the use of statements on internal controls by individual divisions to emphasize that the outcomes of their internal control self-assessments must be viewed with seriousness, which has in turn also provided a more concrete and transparent basis for the issuance of statements on corporate internal controls by the board of directors.

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. 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	Reson 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 shareholdlings 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 presenation of the proceedings posted on the company website after the conference.	
5. Operations of the Company's Nomination Committee, Compensation Committee, or other funtional 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 2009, in summary, were as follows: Throughout the year, HTC frequently participated in institutional investor conferences held by important domestic or international securities firms in Taiwan, Hong Kong, Singapore, London, New York, and Shanghai, and periodically visited its main investors in the European, American and Asia regions. At the same time, foreign and domestic institutional investors and analysts frequently visited our investor relations department or contacted it by telephone. 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 2009 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 a finance unit's responsibility 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. A proposal of reorganization of Company's overseas subsidiaries' investment structure approved by the board of directors on April 30, 2009.

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 2009, HTC has not yet issued any corporate governance self-assessment report or enaged 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 From	Date of Training To	Organization	Training/Speech	Hours
Chairman	Cher Wang	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	2009.04.30	2009.04.30	Deloitte & Touche Taiwan	Understanding the impacts of IFRS	2.5
Independent Director	Chen-Kuo Lin	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	2009.04.30	2009.04.30	Deloitte & Touche Taiwan	Understanding the impacts of IFRS	2.5
Supervisor	Po-Cheng Ko	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	3
		2009.04.30	2009.04.30	Deloitte & Touche Taiwan	Understanding the impacts of IFRS	2.5
		2009.06.24	2009.06.24	Taiwan Stock Exchange Corporation (TWSE)	Seminar on "Responsible Persons of Listed Companies"-Investor Relation	3
		2009.07.24	2009.07.24	The Institute of Internal Auditors	Internal Audit Quality Assessment	3
		2009.07.24	2009.07.24	SECURITIES & FUTURES INSTITUTE (SFI)	Seminar on "Legal Compliance in Equity Transactions by Exchange-Listed Company Insiders"	2
		2009.12.18	2009.12.18	SECURITIES & FUTURES INSTITUTE (SFI)	Seminar on "Legal Compliance in Equity Transactions by Company Insiders after Initial Listing"	3
Juristic Person Supervisor: Representative	Shao-Lun Lee	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	Note
Chief Operation Officer & Senior Executive Vice President	Fred Liu	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	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	
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	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	Jim Lin	2009.02.26	Taiwan Corporate Governance Association (TCGA)	Legal liabilities and professional risk of directors, supervisors, and managerial officers	3	
Vice President	KH Tung	2009.02.26	Taiwan Corporate Governance Association (TCGA)	Legal liabilities and professional risk of directors, supervisors, and managerial officers	3	Resigned after 2010.01.05
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	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	
		2009.06.26	SECURITIES & FUTURES INSTITUTE (SFI)	Study Class on Statements of Financial Accounting Standards Nos. 34 and 36, "Accounting for Financial Instruments"	6	
		2009.08.11	SECURITIES & FUTURES INSTITUTE (SFI)	Standard Transaction Practices and Tax Planning for New Financial Instruments	6	
		2009.08.06–28	SECURITIES & FUTURES INSTITUTE (SFI)	Professional Development Class for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges (set)	12	
		2009.09.16	SECURITIES & FUTURES INSTITUTE (SFI)	Adoption of Extensible Business Reporting Language (XBRL) by Enterprises for Public Announcement of Information Practices and Best Execution Policies	3	
		2009.11.27	SECURITIES & FUTURES INSTITUTE (SFI)	The Functions and Authority of (the Board of) Directors and Supervisors under Corporate Governance Mechanisms	3	

(Continue)

Title	Name	Date of Training	Organization	Training/Speech	Hours	Note
Chief Marketing Officer	John Wang	2009.02.26	Taiwan Corporate Governance Association (TCGA)	Legal liabilities and professional risk of directors, supervisors, and managerial officers	3	
General Counsel	Grace Lei	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	2009.02.26	Taiwan Corporate Governance Association (TCGA)	Legal liabilities and professional risk of directors, supervisors, and managerial officers	3	Resigned after 2009.04.30
		2009.04.30	Deloitte & Touche Taiwan	Understanding the impacts of IFRS	2.5	
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	2009.02.26	Taiwan Corporate Governance Association (TCGA)	Legal liabilities and professional risk of directors, supervisors, and managerial officers	3	

(Concluded)

> Appendix 3: Directors, Supervisors and Key Personnel Liability Insurance

No	Insured Object	Insurance Company	Insured Amount (NTD)	Insurance period	Insurance Status	Note
1	All directors and supervisors	Fubon Insurance Co., Ltd. (Insureds include HTC-appointed juristic person directors' representatives at investee companies and key personnel)	959,700,000	From: 2008.03.15 To: 2009.03.15	Renewal	Insured Amount USD 30,000,000
2	All directors and supervisors	Fubon Insurance Co., Ltd. (Insureds include HTC-appointed juristic person directors' representatives at investee companies and key personnel)	1,119,650,000	From: 2009.03.15 To: 2010.03.15	New	Insured Amount USD 35,000,000

4. For the identity, responsibilities and operation of the HTC's Compensation Committee

HTC has duly formulated Compensation Committee Articles of Incorporation, under which the Compensation Committee consists of the president, one director, and one independent director, to assist the board of directors in performing duties related to compensation matters along with members of senior management. The Committee is required to provide oversight and submit recommendations to the board of directors on any material issue relating to compensation or the company's system of benefits, and in addition, convenes on a quarterly basis to implement the following matters, as so empowered by the board of directors:

> Administer equity-based and employee benefit plans.

> Review the competitiveness of the Company's executive compensation programs to ensure the attraction and retention of executives and the alignment of the interests of key leadership with the long-term interests of the Company's shareholders.

> Review trends in executive compensation and review and make recommendations concerning long-term incentive compensation plans, including the use of equity-based plans.

5. 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.

6. 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", "Budget Management Procedures", "Corporate Bylaws for Subsidiaries", and "Operational Procedures for Handling Material Inside Information and Preventing Insider Trading".

7. 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: 1/26/2010

The Company states the following with regard to its internal control system for 2009, 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 and feedback 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 as of 12/31/2009, 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 1/26/2010, where all of the six 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

8. 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

9. 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 the annual report.

Item	Date	Material resolutions	Note
	Year 2009		
Board of directors meeting	2009/2/26	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 on capital increase 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	2009/4/30	1. Adopted resolution for Fiscal 2008 earnings distribution. 2. Adopted resolution to allocate earnings (shareholder bonuses and employee bonuses) to fund a capital increase and issuance of new shares. 3. Adopted resolution on 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 change of Corporate Principal Accounting Officer. 5. Adopted resolution to amend the reasons for convening the 2009 Annual General Shareholders' Meeting of the Company. 6. Adopted resolution on reorganization of Company's overseas subsidiaries' investment structure.	
Shareholders meeting	2009/6/19	1. Adoption of the Fiscal 2008 Business Report and Financial Statement 2. Adoption of the Fiscal 2008 Earnings Distribution Proposal. 3. Adopted resolution to allocate earnings and employee bonuses to a capital increase and issuance of new shares. 4. Adopted resolution to amend the Articles of Incorporation. 5. Adopted resolution to amend the Company's Procedures for the Acquisition or Disposal of Assets. 6. Adopted resolution to amend the Company's Procedures for the Handling of Derivatives Trading. 7. Adopted resolution to amend the Company's Operational Procedures for Lending Funds to Others. 8. Adopted resolution to amend the Company's Rules for Endorsements and Guarantees. 9. Adopted resolution on election of one additional member to the Board of Directors.	Execution summary for the material resolutions of the shareholders meeting please refer to note
Board of directors meeting	2009/7/16	1. Adopted resolution on the date of record for the distribution of dividends as well as the date of the capital increase, and the close period for share transfer.	
Board of directors meeting	2009/7/31	1. Adopted resolution for repurchasing of the Company's shares and cancellation of such shares.	
Board of directors meeting	2009/9/14	1. Adopted resolution on Taipei R&D headquarters building total construction budget. 2. Adopted resolution to donate two floors of Company's Taipei R&D headquarters with an estimated price taken as the construction cost of NTD 217.8 million and an additional NTD 82.2 million in cash for a total donation amount of NTD 300 million to a related party – The HTC Cultural and Educational Foundation.	
Board of directors meeting	2009/11/7	1. Adopted resolution for registering a change of share status to write-off 7,085,000 shares of Company's treasury stock and setting the record date for the reduction of paid-up capital. 2. Adopted resolution for Company's restructuring of overseas subsidiaries with regard to the investment framework in the U.S.	
	Year 2010		
Board of directors meeting	2010/1/26	1. Adopted resolution on setting aside Company's 2010 dividend for employees. 2. Adopted resolution to convene the 2010 Annual General Shareholders Meeting, meeting date, time, and place, the submission period and place for shareholders' proposals, the quota of independent directors, and the submission period and place for shareholders' nominations. 3. Adopted resolution to promote Fred Liu to Corporate Senior Executive Vice President and President of Engineering and Operations.	
Board of directors meeting	2010/2/9	1. Adopted resolution for repurchasing of the Corporation's shares and cancellation of such shares.	
Board of directors meeting	2010/3/22	1. Adopted resolution for registering a change of share status to write-off 15,000,000 shares of Company's treasury stock and setting the record date for the reduction of paid-up capital.	
Board of directors meeting	2010/4/28	1. Adopted resolution for Fiscal 2009 earnings distribution proposal 2. Adopted resolution for capital increase through retained earnings and employee bonuses and issuance of new shares. 3. Adopted resolution to amend the agenda for convening the 2010 Annual General Shareholders' Meeting of the Company. 4. Adopted resolution to entirely convert Company's shares to dematerialized form.	

Note:1. Acting pursuant to resolutions adopted at the 2009 regular shareholders meeting regarding the earnings distribution proposal and the earnings capitalization proposal, HTC completed the following actions in 2009: 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 2009 regular shareholders meeting regarding the proposal to amend the HTC Articles of Incorporation and elect one additional member to the Board of Directors, HTC has completed an amendment registration with the Ministry of Economic Affairs.

10. 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

11. 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	2009/04/30 (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

III. INFORMATION ON CPA PROFESSIONAL FEES :

1. Scale of Information on CPA professional fees

Accounting Firm	Name of CPA		Audit Period	Note
Deloitte & Touche	Ming-Hsien Yang	Kwan-Chung Lai	Nine Months Ended September 30, 2009	
	Ming-Hsien Yang	Tze-Chun Wang	Years Ended December 31, 2009	Due to adjustments in the managerial organization at Deloitte & Touche, the certifying PAs have been changed from Ming-Hsien Yang CPA and Kwan-Chung Lai CPA to Ming-Hsien Yang CPA and Tze-Chun Wang CPA.

Unit:NT$ thousands

			Item
Scale of Fee	Audit Fee	Non-Audit Fee	Total Fee
Under NT$ 2,000,000			
NT$ 2,000,000 – NT$ 4,000,000			
NT$ 4,000,000 – NT$ 6,000,000			
NT$ 6,000,000 ~ NT$ 8,000,000			
NT$ 8,000,000 ~ NT$ 10,000,000	√		
Over NT$ 10,000,000		√	√

2. Information on CPA professional fees

> 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

			Non-Audit Fee						
Accounting Firm	Name of CPA	Audit Fee	System Design	Company Registration	Human Resource	Others (note 1)	Subtotal	CPA's Audit Period	Note
Deloitte & Touche	Ming-Hsien Yang Kwan-Chung Lai	9,060	-	168	-	21,242	21,410	Nine Months Ended September 30, 2009	Transfer pricing report, international tax consultation, review of shareholders' meeting annual report, project consultation and CPA opinion on earnings capitalization.
	Ming-Hsien Yang Tze-Chun Wang							Years Ended December 31, 2009	

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.

> 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.

> 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.

The audit fees paid for the current year are not lower than those for the previous fiscal year by 15 percent, and, therefore, there is no further explanation.

IV. 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	12/28/2009		
Reason for replacement and specifying such reason	Due to adjustments in the managerial organization at Deloitte & Touche, the certifying CPAs have been changed from Ming-Hsien Yang CPA and Kwan-Chung Lai CPA to Ming-Hsien Yang CPA and Tze-Chun Wang 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, Tze-Chun Wang
Date of engagement	12/28/2009
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 the successor certified public accountant regarding 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

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

None

VI. 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 IN 2009

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

Unit: share

		2009		01/01/2010~04/20/2010	
Title (note 1)	Name	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	1,177,947	0	0	0
Director	HT Cho	17,673 (76,000)	0	(32,000)	0
Director	Wen-Chi Chen	967,126	0	0	0
Director (note 6)	Tan Ho-Chen	0	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	1,892,637	0	0	0
Supervisor	Caleb Ou-Yang	0	0	0	0
Chief Executive Officer & President	Peter Chou	844,193 (224,000)	0	0	0
Corporate Senior Executive Vice President & President of Engineering and Operation	Fred Liu	361,912 (100,000)	0	(500,00)	0
Chief Financial Officer & Spokesman	Hui-Ming Cheng	103,950 (191,950)	0	0	0
Executive Vice President	Jason Juang	121,150 (80,000)	0	0	0
Vice President	Cliff Chiang	31,471 (63,000)	0	0	0
Vice President	CS Wang	86,009 (131,000)	0	(5,000)	0
Vice President	David Chen	106,693 (48,000)	0	0	0
Vice President	David Wang	13,500 (5,000)	0	0	0
Vice President (note 7)	HC Hung	(18,000)	0	-	-
Vice President	Jack Tong	50,300 (55,000)	0	0	0
Vice President	Jason Mackenzie	88,878 (72,854)	0	0	0
Vice President	Jim Lin	72,230 (20,000)	0	(20,000)	0
Vice President (note 10)	KH Tung	65,169 (61,000)	0	0	0
Vice President	Lotus Chen	55,949 (138,000)	0	0	0
Vice President	Florian Seiche	84,252 (100,830)	0	0	0
Associate Vice President (note 11)	Andy Chen	39,054 (14,000)	0	0	0
Associate Vice President	Cliff Chou	60,092 (35,000)	0	(23,000)	0
Associate Vice President	Ralph Wang	38,726 (16,000)	0	0	0
Associate Vice President (note 8)	Sam Teng	40,380 (56,000)	0	-	-
Associate Vice President	Simon Hsieh	50,000 (66,000)	0	0	0
Associate Vice President	Simon Lin	64,050 (88,860)	0	0	0

(Continue)

		2009		01/01/2010~04/20/2010	
Title (note 1)	Name	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	Steve Wang	54,400 (65,000)	0	(14,000)	0
Associate Vice President	WH Liu	66,165 (25,000)	0	(17,000)	0
Controller (note 3)	James Chen	40,000 (40,000)	0	0	0
Chief Information Officer	Eric Chou	28,450 (13,000)	0	0	0
Chief Innovation Officer	Horace Luke	82,377 (96,000)	0	0	0
Chief Marketing Officer	John Wang	51,810 (66,000)	0	0	0
General Counsel	Grace Lei	49,242 (98,000)	0	(20,000)	0
Special Assistant to President of Engineering and Operation & Acting Head of Procuremen (note 9)	Kenny Tseng	0	0	0	0
Director (note 5)	Clement Lin	(41,000)	0	-	-
Director (note 4)	Edward Wang	29,450 (29,450)	0	0	0
Director (note 2)	Joey Cheng	25,000 (25,000)	0	0	0
Director	Vincent Tseng	16,300 (7,000)	0	0	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 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 3: 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 4: 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 5: Relieved of from accounting officer and accounting director on 30 April 2009 due to job rotation.

Note 6: On 19 June 2009 election of the additional director; the disclosures regarding increases or decreases in shares and pledged amounts is applicable from the date on which they assumed their posts.

Note 7: HC Hung has already resigned on 31 July 2009.

Note 8: Sam Teng has already resigned on 07 November 2009.

Note 9: On 28 December 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 10: KH Tung has already resigned on 05 January 2009.

Note 11: Andy Chen has already resigned on 06 February 2009.

2. Stock transfer information:

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
Fred Liu	Favor	04/16/2010	Hui-Chin Yang	Spouse	500,000	-

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

Note 2: Indicates the Acquisition or Disposal.

3. Shares Pledged Information:

None

VII. 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.

04/20/2010

	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 3)		
Name (note 1)	Shares	%	Shares	%	Shares	%	Name	Relationship	Note
Way-Chih Investment Co., LTD.	39,745,389	5.14%	0	0.00%	0	0.00%	> Way-Lien Technology Inc. > Hon-Mou Investment Co., Ltd.	> Same chairman > Same chairman	
Way-Lien Technology	37,027,602	4.78%	0	0.00%	0	0.00%	> Way-Chih Investment Co.,LTD. > Hon-Mou Investme nt Co.,Ltd.	> Same chairman > Same chairman	
Cher Wang	24,736,896	3.20%	20,309,651	2.65%	0	0.00%	> Wen-Chi Chen	> Spouse	
Euro Pacific Growth Fund Special Account under custodial administration of Chase Manhattan Bank	23,818,155	3.08%	0	0.00%	0	0.00%	None	None	
Hon-Mou Investment Co., Ltd.	22,168,049	2.86%	0	0.00%	0	0.00%	> Way-Chih Investment Co.,LTD. > Way-Lien Technology Inc.	> Same chairman > Same chairman	
HTC Depositary Receipts Special Account under custodial administration of Citibank N.A.	20,594,375	2.66%	0	0.00%	0	0.00%	None	None	
Wen-Chi Chen	20,309,651	2.62%	24,736,896	3.20%	0	0.00%	> Cher Wang	> Spouse	
Capital Revenue Founder Company Investment Special Account under custodial administration of Chase Manhattan Bank	18,346,975	2.37%	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	14,119,075	1.82%	0	0.00%	0	0.00%	None	None	
New Vision Fund Company Investment Special Account under custodial administration of Chase Manhattan Bank	13,377,193	1.73%	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.

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

12/31/2009 Unit: share; dollar; %

	Investments by HTC		Investments directly or indirectly controlled by directors, supervisors, and managers of HTC		Total investments	
Long-term investments (note)	Shares/Investment Amount	%	Shares/Investment Amount	%	Shares/Investment Amount	%
H.T.C(B.V.I) Corp.	350,668,840 shares	100%	0	0%	350,668,840 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)	100%	USD20,000,000 (NTD662,388 thousand)	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 WGQ)	0	0%	USD 1,500,000 (NTD49,845 thousand)	100%	USD 1,500,000 (NTD49,845 thousand)	100%
HTC HK, Limited	0	0%	300,000 shares	100%	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.	99,806,181 shares	100%	0	0%	99,806,181 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%	USD56,000,000 (NTD1,723,680 thousand)	100%	USD56,000,000 (NTD1,723,680 thousand)	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%	USD8,000,000 (NTD263,816 thousand)	100%	USD8,000,000 (NTD263,816 thousand)	100%

Note:HTC Long-term Investments.

IX. CORPORATE SOCIAL RESPONSIBILITY REPORT

Because corporate development must be balanced by environmental protection and social responsibility, honest management, employee care, a green environment, and giving back to the society are guiding concepts for HTC corporate management. Our employees work together to make sure we fulfill our responsibilities as a corporate citizen. HTC has made the following commitments:

- 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.

To promote sustainable management of the company, HTC will maintain its concern with actively improving the environmental, safety, and health conditions at its plants and making environmental protection and occupational health and safety part of its management system. The ISO14001 and OHSAS18001 certifications that HTC has already obtained add strong support to our push to become a global brand.

In addition to the efforts to adopt energy-saving measures at its Taoyuan production facilities and completion of the 2008 carbon emissions inventory and inspection, HTC has extended these measures to other facilities to achieve carbon emission inventory and inspection management. HTC hopes to reduce any impact on global climate change resulting from carbon emissions through effective, comprehensive management.

In the area of energy savings, HTC is reducing electricity use by implementing time-controlled lighting between floors, installing infrared sensor lighting switches in some areas, and replacing old T8 lighting fixtures each year with T5 energy saving lighting fixtures in plants and offices.

In the area of waste reduction, HTC continues to reduce the volume of general industrial waste resulting from its manufacturing processes and to increase resource recycling. The actual recycling rate for HTC mobile phones, such as reuse and recovery rate and recycling and recovery rate, exceeds the requirements of EU WEEE (Waste Electrical and Electronic Equipment) standards. In the area of the disabling injury rate and the severity rate, HTC performs risk assessments, on the basis of which it adopts necessary corresponding measures to reduce the number of accidents resulting from production processes, equipment, and environments, and the number of harmful exposures to chemical products.

In response to the concern with corporate social responsibility, HTC making its efforts in the area of environmental protection, health and safety management, and healthy workplace environments are shown below.

Environmental protection

HTC has passed the ISO 14001 Environmental Management System certification, and actively seeks to comply with local laws and regulations in relation to the environment and to carry out related environmental protection work. It also vigorously promotes various energy-saving and waste-reduction activities, which include replacing traditional light bulbs with energy-saving bulbs, introducing water-saving devices, reusing recycled rainwater, effectively controlling the use of air conditioning systems, using heat pumps in dormitories in place of natural gas, and promoting waste sorting and recycling. In 2009, in response to global concerns about greenhouse gases, it undertook an inventory of its carbon emissions and actively assessed related carbon reduction strategies with the goal of reducing emissions of the greenhouse gas carbon dioxide, thereby helping fulfill its responsibility as a corporate citizen.

1 Environmental, health, and safety organizations and systems

HTC's environmental, health, and safety policies and effective implementation of related management measures provide a safe and healthy working environment for its employees. HTC abides by the basic concepts below in order to provide a higher quality of life for its employees, customers, suppliers, and contractors.

- Considering environmental protection, safety, health, hygiene, manufacturing and quality are equally important.
- Thinking the safety and health of employees, customers suppliers,and contractors 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 puts its full efforts behind implementing Environmental Management Systems (ISO14001:2004) and Occupational Health and Safety Management Systems (OHSAS18001:2007), and by means of planned activities in recognition of laws and regulations, it provides employees with a working environment that integrates environmental, safety, and health protection into a pleasant environment.

The environmental safety and health committee convenes regularly to study, discuss, liaison, and make recommendations regarding labor safety and health matters. Meetings focus on the environmental, safety, and health projects under implementation during the quarter and the status regarding accomplishment of company goals and policies, the 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 Measures to improve energy savings and energy-saving guidance

During their construction, both production facilities and offices incorporate water- and electricity-saving design concepts, and energy-saving improvements continue to be made during later operation, while HTC also continues to provide guidance within the company to promote energy and water-saving concepts.

3 Pollution prevention

HTC's primary product lines are handheld computers and smart phones. In the manufacturing processes for those products, exhaust emissions are generated only during soldering operations, and solid waste is generated during other operations. No wastewater is produced during manufacturing processes, with the exception of employees' domestic wastewater. HTC makes pollution control of all types a high priority, and to reduce our environmental impact, HTC continuously devotes extensive funding to pollution control facilities and assigns dedicated personnel to them. The company provides those personnel with external training to obtain the relevant certification and assume full responsibility for all pollution control facilities. Through training and auditing, appropriate management assures that normal operation of all pollution controls is maintained in such a way as to result in a steady reduction of our environmental impact, to achieve the ultimate goal of clean production.

- Domestic wastewater is piped directly to the wastewater treatment facility for the industrial area, where it is treated to meet effluent standards and released through the industrial area wastewater drain.
- Resource recycling rates are increased by encouraging sorting of waste and reduced waste production; reducing initial waste production is the primary working goal and reuse a foremost consideration. After collection, the parts of plastic assembly panels that can be recycled are reused, and the remaining recyclable materials are outsourced to a recovery enterprise approved by the Ministry of Economic Affairs' Industrial Development Bureau for waste purification and processing into industrial-grade materials for further use.

  Other waste is dealt with by physical sorting to increase reusability, and parts that cannot be reused are incinerated. Only when landfill disposal is unavoidable does it become the final method of handling.

  HTC carries out regular online reporting in accordance with laws and regulations with regard to the status of production and temporary storage of waste.
- HTC continues to promote resource recovery and recycling of general domestic waste such as aluminum foil, PET bottles, steel and aluminum cans, and plastic containers, making waste minimization one of its environmental activities. Used batteries, fluorescent light tubes, and computer and electronics equipment are also fully recycled.
- Employees are provided with environmentally friendly tableware for use in the employee cafeteria. Environmentally friendly cups are also provided for internal personnel, guests, and persons arriving on business in order to reduce the use of paper cups.

4 Greenhouse gases inventory management

HTC is actively carrying out its responsibility as a corporate citizen to protect the Earth's environment. In line with implementation of the guidance plan for greenhouse gas reduction by the Industrial Development Bureau of the Ministry of Economic Affairs, HTC inventories the sources and volumes of its greenhouse gas emissions according to the IISO14064-1 standards.

- Inventorying greenhouse gas emissions allows better understanding of energy use and is helpful in establishing energy-saving strategies.
- At the beginning of each year, HTC obtains an inventory certificate from a certification agency that conducts inspection of HTC's greenhouse gas inventory.
- HTC discloses information on its greenhouse gas emissions each year through the Taiwan Environmental Protection Agency's National Greenhouse Gas Registration Platform and by means of information disclosure through international nonprofit organizations.

HTC's 2008 greenhouse gas emissions results, focusing primarily on the organizational boundary of its Taoyuan headquarters, showed that electricity use was the main source of emissions, which overall amounted to twenty one thousand metric tons of CO2e (carbon dioxide equivalent). For 2009, extending the organizational boundary to include each of HTC's Taiwan offices and its Taoyuan production facility, initial estimates place its volume of greenhouse gas emissions at thirty thousand metric tons of CO2e. HTC's inventory of carbon emissions is a further response to global concerns about greenhouse gases. HTC actively assesses related carbon reduction strategies with the goal of reducing emissions of the greenhouse gas carbon dioxide, thereby helping fulfill its responsibility as a corporate citizen.

5 Green products

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.

> 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.

> 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
- EU EuP Directive

In addition, 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.

> Recyclability

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. At present, HTC product designs conform with standard product recycling rates and will continue to do so in the future.

> 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

- The corrugated board used in mobile phone packaging is manufactured with more than 90% recycled paper pulp.
- When visual design considerations make the use of virgin materials unavoidable, all packaging materials meet FSC (Forest Stewardship Council), PEFC (Programme for the Endorsement of Forest Certification schemes), or SFI (Sustainable Forestry Initiative) certification.

6 Green building promotion

HTC has already moved to introduce the green building techniques used in its new headquarters, which are expected to meet the US LEED green building standards, as criteria to be observed in the building of new plants in the future, in a move that will help HTC provide environmental, energy-saving, pleasant, and healthy working environments in the future.

7 Promotion of green activities

HTC has chosen the area surrounding its Taoyuan headquarters for green activities to create clean mountains and clean beaches. Employees have a chance to get closer to nature and to spontaneously carry out green activities, showing a concern for the environment that will help protect our living spaces.

Health and safety management

HTC's basic duty to its employees is summed up in the phrase, "total environmental protection and health and safety management, and the provision and maintenance of a safe and healthy working environment for employees." This statement also expresses HTC's commitment toward caring for its employees. In management terms, environmental protection and workplace health and safety are often two sides of the same coin, which is to say, harmful substances that create safety hazards are often also environmental pollutants, and matters that have a negative impact on the environment will also often be a threat to the safety of employees or production facilities.

HTC draws up an occupational accident prevention plan each year, based on the status of its health and safety management operations, to prevent, and to serve as the chief means of prevention, of occupational accidents. The key points of implementation include observing health and safety laws and regulations, identifying hazards as a means of lowering risk, creating standards for management of harmful and dangerous substances, provision of information on health and safety, and implementing management of contractors. Health and safety risks are reduced through the full participation of all employees.

Emergency incidents that occur due to human error or natural disaster, including incidents such as fire, explosions, typhoons, accidental substance releases, mechanical equipment injuries, contagious disease, or earthquakes, are handled by HTC in accordance with emergency response plans, identification of emergency conditions, response measures during the incident, and after-the-fact critical appraisal and feedback. In addition, HTC regularly conducts emergency response drills and firefighting exercises in order to minimize the influence of any incidents on employee safety and health and the assets of the corporation.

HTC has also planned response organizations at different corporate levels for major contagious diseases such as H1N1 to ensure that all aspects of the potential problem are covered and dealt with effectively, from handling of suspected cases, ensuring the health and safety of employees, and support through sharing of resources.

A healthy working environment

In order to provide a healthier work environment for its employees, HTC has directed its efforts toward employee health care, wellness promotion, health management, and employee assistance programs. HTC also provides excellent services in the form of regular medical check-ups, healthy activities, lectures on health and wellness, testing for those with special conditions, and psychological counseling, helping employees feel more relaxed and assured both on and off working hours.

1. Health care, wellness promotion, and health management
   In addition to having received OHSAS 18001 certification in the area of occupational health and safety management systems, HTC also provides regular medical check-ups, advanced medical check-ups for high-level officers, special medical testing, general physical exams for new employees, a resident physician, and lectures on health-related topics. HTC also provides a variety of facilities to give employees adequate opportunity to relieve stress and improve their mood, such as a health center, library, gym, massage room, and a multi-sport playing field, so that employees can enjoy their leisure while also caring for their own health and developing good exercise habits. Along with these benefits, HTC has also created a smoke-free workplace and holds events such as a sports festival and a family day, helping promote the health of employees and adding variety to their lives, making the ideal of a happy workplace a dream that can be fulfilled.

2. Employee Assistance Programs
Through the Hsinchu Lifeline, HTC provides employees with psychological guidance and consultation, and on both a regular and irregular basis, its Employee Assistance Program (EAP) makes counseling services available to all employees in the areas of career/work, family and relatives, relationships, and psychological stress, helping to lower incidence of psychological or family problems due to work-related stress.

3. Work environment
   > HTC provides its employees with a variety of services, including a convenience store, coffee shop, travel agency, fitness center, and library.
   > HTC provides a healthy, varied dietary selection and snacks for afternoon tea breaks, and also provides comfortable dormitories and convenient transportation services for employees.
   > With the cooperation of the Eden Social Welfare Foundation, blind masseuses help HTC employees relieve stress through massage.
   > In order to provide reliably clean and safe drinking water, HTC each quarter requests agencies recognized by the Environmental Protection Agency to carry out a total bacterial count and fecal coliform bacteria count in the volumes required by law. Maintenance and disinfection of drinking water installations are also performed regularly.
   > Employees receive training to form emergency rescue teams that can assist in responding to incidents or accidents at the production facilities.

4. The Employee Welfare Committee
The budget of the Employee Welfare Committee is used for provision of various benefits, including health and leisure facilities, scholarships for employees' children, day care, holiday bonuses, library gift certificates, departmental vacation trips, and corporate and group insurance. The Committee has also established the Tai Ji Sports Center, which provides a fitness center and other facilities.

The HTC Foundation

HTC makes regular donations each year to the HTC Educational Foundation or the HTC Social Welfare and Charity Foundation. In 2009, the Foundation's participation in the community involved the following public service activities:

1. Continuing support for 200 children from low-income households in Haiti and the Republic of Ghana for the fifth consecutive year in cooperation with World Vision Taiwan.(2004~2009)
2. Continuing support for 89 children from low-income households in the Yuli Township of Hualien, Taiwan, for the sixth consecutive year in cooperation with World Vision Taiwan.(2003~2009)
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. (2004~2009)
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. HTC provides free Dale Carnegie course teacher training through the Pan Shi ("Bedrock") Education Project for a cumulative total of 25,000 persons; character training for teachers for a cumulative total of 18,000 persons throughout Taiwan; and deep communication and expressiveness training for 2000 persons. A total of 45,000 persons throughout Taiwan have received training through the Foundation. The Foundation began promoting Character Building Schools in 2008, providing a total of NT$7.73 million in sponsorship for 50 different schools.
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. Beginning in 2008, HTC has provided sponsorship of more than NT$1 million to allow children from low-income households in Taoyuan County to participate in English Village activities there.
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.

V. CAPITAL AND SHARES

I. CAPITAL AND SHARES

(I) Capitalization:

04/30/2010 Unit: Share; NT$

		Authorized		Paid-in		Remark		
Month/Year	Price	Shares	Amount	Shares	Amount	Sources of capital	Capital increase by assets other than cash	Other
1998.03	10	19,500,000	195,000,000	19,500,000	195,000,000	Cash offering	None	-
1998.10	10	200,000,000	2,000,000,000	100,000,000	1,000,000,000	Cash offering	None	Note 1
2000.08	40	200,000,000	2,000,000,000	125,000,000	1,250,000,000	Cash offering	None	Note 2
2001.04	163.5	200,000,000	2,000,000,000	127,600,000	1,276,000,000	Cash offering	None	Note 3
2002.06	10	200,000,000	2,000,000,000	162,720,000	1,627,200,000	Capitalization of profits	None	Note 4
2003.09	10	270,000,000	2,700,000,000	202,764,000	2,027,640,000	Capitalization of profits	None	Note 5
2003.11	131.1	270,000,000	2,700,000,000	217,164,000	2,171,640,000	Cash offering	None	Note 6
2004.03	10	270,000,000	2,700,000,000	218,731,347	2,187,313,470	Merger offering	None	Note 7
2004.08	10	450,000,000	4,500,000,000	271,427,616	2,714,276,160	Capitalization of profits	None	Note 8
2005.01	127.95	450,000,000	4,500,000,000	276,311,395	2,763,113,950	Conversion of ECB	None	Note 9
2005.04	127.95	450,000,000	4,500,000,000	288,763,321	2,887,633,210	Conversion of ECB	None	Note 9
2005.09	10	450,000,000	4,500,000,000	357,015,985	3,570,159,850	Capitalization of profits	None	Note 10
2006.08	10	550,000,000	5,500,000,000	436,419,182	4,364,191,820	Capitalization of profits	None	Note 11
2007.04	10	550,000,000	5,500,000,000	432,795,182	4,327,951,820	Capital reduction : Cancel lation of Treasury Shares	None	Note 12
2007.09	10	650,000,000	6,500,000,000	573,133,736	5,731,337,360	Capitalization of profits	None	Note 13
2008.08	10	1,000,000,000	10,000,000,000	755,393,856	7,553,938,560	Capitalization of profits	None	Note 14
2009.02	10	1,000,000,000	10,000,000,000	745,393,856	7,453,938,560	Capital reduction : Cancel lation of Treasury Shares	None	Note 15
2009.08	10	1,000,000,000	10,000,000,000	796,020,844	7,960,208,440	Capitalization of profits	None	Note 16
2009.11	10	1,000,000,000	10,000,000,000	788,935,844	7,889,358,440	Capital reduction : Cancel lation of Treasury Shares	None	Note 17
2010.04	10	1,000,000,000	10,000,000,000	773,935,844	7,739,358,440	Capital reduction : Cancel lation of Treasury Shares	None	Note 18

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 Commission 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
Note 16: Approval Document No. : The 9 July 2009 Letter No. Financial-Supervisory-Securities-III0980034309 of the Securities and Futures Bureau of the Financial Supervisory Commission Executive Yuan
Note 17: Approval Document No. : The 8 October 2009 Letter No. Financial-Supervisory-Securities-III0980053814 of the Securities and Futures Bureau of the Financial Supervisory Commission Executive Yuan
Note 18: Approval Document No. : The 9 March 2010 Letter No. Financial-Supervisory-Securities-III0990010834 of the Securities and Futures Bureau of the Financial Supervisory Commission Executive Yuan

04/30/2010 Unit: Share

	Authorized Capital			
Type of stock	Outstanding shares	Unissued Shares	Total	Remark
Common Stock	773,935,844	226,064,156	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.

(II) Shareholder Structure:

04/20/2010

	Shareholder structure					
Number	Government Agencies	Financial Institutions	Other Juridical Persons	Foreign Institutions & Natural Persons	Domestic Natural Persons	Total
Number of shareholders	2	24	312	1,105	56,379	57,822
Shareholding	396,651	16,374,109	147,290,870	403,500,101	206,374,113	773,935,844
Shareholding	0.05%	2.12%	19.03%	52.13%	26.67%	100.00%

(III) Diffusion of ownership:

Each share having a par value of NT$10 04/20/2010

Shareholder Ownership (Unit: share)	Number of Shareholders	Ownership	Ownership(%)
1~999	13,943	2,803,568	0.36%
1,000~5,000	37.149	65,971,043	8,53%
5,001~10,000	3,459	24,823,436	3.21%
10,001~15,000	1,118	13,659,876	1.76%
15,001~20,000	514	9,133,767	1.18%
20,001~30,000	462	11,326,412	1.46%
30,001~40,000	245	8,598,775	1.11%
40,001~50,000	139	6,310,419	0.82%
50,001~100,000	285	20,431,500	2.64%
100,001~200,000	199	28,496,218	3.68%
200,001~400,000	111	31,685,581	4.09%
400,001~600,000	58	28,502,001	3.68%
600,001~800,000	22	15,124,772	1.95%
800,001~1,000,000	25	22,463,327	2.90%
Over 1,000,001	93	484,605,149	62.63%
Total	57,822	773,935,844	100.00%

(IV) List of principal shareholders:

04/20/2010

	Shares	
Name of principal shareholders	Current Shareholding	Percentage
Way-Chih Investment Co., LTD.	39,745,389	5.14%
Way-Lien Technology Inc.	37,027,602	4.78%
Cher Wang	24,736,896	3.20%
Euro Pacific Growth Fund Special Account under custodial administration of Chase Manhattan Bank	23,818,155	3.08%
Hon-Mou Investment Co., Ltd.	22,168,049	2.86%
HTC Depositary Receipts Special Account under custodial administration of Citibank N.A.	20,594,375	2.66%
Wen-Chi Chen	20,309,651	2.62%
Capital Revenue Founder Company Investment Special Account under custodial administration of Chase Manhattan Bank	18,346,975	2.37%
World Capital Growth and Revenue Fund Company Investment Special Account under custodial administration of Chase Manhattan Bank	14,119,075	1.82%
New Vision Fund Company Investment Special Account under custodial administration of Chase Manhattan Bank	13,377,193	1.73%

(V) 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:

Item			2008	2009	01/01/2010 ~ 03/31/2010
Market price per share	Highest market price		888	543	383
	Lowest market price		256	308.50	277.50
	Average market price		576.90	390.74	342.80
Net worth per share (note)	Before distribution		80.30	83.20	83.36
	After distribution		53.66	(note)	(note)
Earnings per share	Weighted average shares (thousand shares)		754,148	788,940	783,430
	Earnings per share		37.97	28.71	6.38
	Retroactively adjusted earnings per share		36.16	(note)	(note)
Dividends per share	Cash dividends		27	26 (note)	-
	Stock dividends	Dividends from retained earnings	0.05	0.05 (note)	-
		Dividends from capital surplus	-	-	-
	Accumulated undistributed dividend		-	-	-
Return on investment	Price/Earnings ration		15.19	13.61	-
	Price/Dividend ratio		21.37	15.03(note)	-
	Cash dividend yield		4.68%	6.65%(note)	-

Note : Pending 2010 shareholders' approval

(VI) Company's dividend policy and implementation thereof :

1. 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:

> To pay taxes.
> To cover accumulated losses, if any.
> To appropriate 10% legal reserve unless the total legal reserve accumulated has already reached the amount of the Company's authorized capital.
> To pay remuneration to directors and supervisors at 0.3% maximum of the balance after withholding the amounts under subparagraphs 1 to 3.
> 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.
> 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.

2. The dividend distributions proposed at the most recent shareholders' meeting : (Board of Directors has adopted, 2010 pending on the approval of the Shareholders General Meeting.)

On April 28, 2010 Company adopted a resolution passed by Board of Directors for the distribution of 2009 earnings for the proposed allocation of NTD 386,967,920 in stock dividend and NTD 20,122,331,946 in cash dividend, propose to distribute NT$0.5 stock dividends and NT$26 cash dividends per share.(based on book closure date of outstanding shares for 2010 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.

3. If a material change in dividend policy is expected, provide an explanation: There is no material change in dividend policy.

(VII) 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 2010 financial forecast information ; therefore it is inapplicable.

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

1. 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 1to3.
(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.

2. Board of Directors has adopted the proposed distribution of bonus for employees in the following manner:
Unit: NT$ 1,000

Distributions of Earnings in 2009	Accrued Expenses for Employee Bonus	Resolution Approved by the Board of Directors	
			April 28, 2010
Employee Bonus	4,859,236	Employee Stock Bonus (Note)	1,943,694
		Employee Cash Bonus	2,915,542
		Total Amount	4,859,236
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$1,943,694, the number of shares shall be calculated based on the closing price one day prior to the 2010 annual general shareholders' meeting on an ex-dividend basis. For employees receiving less than one share, bonuses will be distributed in the form of cash.

3. Distributions of earnings in 2008 as employees' bonus and remunerations for directors and supervisors:

		Distributions of earnings in 2008
Date of the Board of Directors' Meeting resolution		04/30/2009
Date of Regular Shareholders' Meeting		06/19/2009
Total stock bonus as employee bonus	Total Number of Shares (1,000 shares)	13,357
	Total Amount (NT$1,000)	4,954,889
Total cash bonus as employee bonus (NT$1,000)		1,210,000
Total amount bonus as employee bonus (NT$1,000)		6,164,889
Director' and Supervisors' Remunerations (NT$1,000)		0

Note: For employee stock bonuses NT$4,954,889,133, the total issuance of new shares 13,357,296 shares is calculated based on the closing price (NT$416.50) one day prior to the 2009 Annual General Shareholders' Meeting on an ex-dividend basis NT$370.95. The amount of NT$ 181 which is calculated less than one share will be distributed in the form of cash.

(IX) Share Repurchases:

Topic	Explanation
Initial Estimation of Share Buy-back Status	
Board of Director resolution	07/31/2009
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 6,500,000,000
Buy-back period	08/03/2009~10/02/2009
Estimated number of buy-back shares (as percentage of total outstanding shares)	13,000,000 shares (1.744%)
Estimated buy-back price interval	Buy-back stock price is between NTD 300 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 300.
Method of Buy-back	Buy-back shares from stock exchange
Actual Stock Buy-back Status	
Buy-back period	08/05/2009~10/02/2009
Number of buy-back shares (as a percentage of total shares outstanding)	7,085,000 shares (0.89%)
Total amount for buy-back shares	NTD 2,405,587,000 (Note: Excluding handling fee)
Average price per buy-back share	NTD 339.53
Number of Shares Cancelled or Transferred	Cancelled 7,085,000 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%
Initial Estimation of Share Buy-back Status	
Board of Director resolution	02/09/2010
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 7,500,000,000
Buy-back period	02/10/2010~04/09/2010
Estimated number of buy-back shares (as percentage of total outstanding shares)	15,000,000 shares (1.90%)
Estimated buy-back price interval	Buy-back stock price is between NTD 280 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 280.
Method of Buy-back	Buy-back shares from stock exchange
Actual Stock Buy-back Status	
Buy-back period	02/10/2010~03/05/2010
Number of buy-back shares (as a percentage of total shares outstanding)	15,000,000 shares (1.90%)
Total amount for buy-back share	NTD 4,832,242,000 (Note: Excluding handling fee)
Average price per buy-back share	NTD 322.15
Number of Shares Cancelled or Transferred	Cancelled 15,000,000 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%

II. ISSUANCE OF CORPORATE BONDS

None

III. STATUS OF PREFERRED SHARES

None

IV. GLOBAL DEPOSITORY RECEIPTS

03/31/2010

Issuing Date			11/19/2003
Issuance & Listing			Luxembourg
Total amount			USD 105,182,100.60
Offering price per GDR			USD 15.4235
Units issued			8,492,962 (note)
Underlying securities			Cash offering and HTC common shares from selling shareholders
Common shares represented			33,971,855 (note)
Rights & obligations of GDR holders			Same as those of common share holders
Trustee			Not applicable
Depositary bank			Citibank, N.A. - New York
Custodian bank			Citibank Taiwan Limited
GDRs outstanding			5,104,355
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	2009	High	USD 66.63
		Low	USD 37.32
		Average	USD 47.25
Closing price per GDR	01/01/2010 ~ 03/31/2010	High	USD 47.69
		Low	USD 34.59
		Average	USD 42.57

Note: The total number of units issued includes additional issuance on 18 August 2004, 12 August 2005, 1 August 2006, 20 August 2007, 21 July 2008 and 9 August 2009 of dividends on the common shares represented by overseas depositary 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), 488,656 units (representing 1,954,626 common shares) and 170,996 units (representing 683,985 common shares).

V. STATUS OF EMPLOYEE SHARE SUBSCRIPTION WARRANTS

1. 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.

2. 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.

VI. 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

VII. 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.

Hidden power

VI. FINANCIAL STATUS, OPERATING RESULTS AND RISK MANAGEMENT

I. FINANCIAL STATUS

Unit : NT$1,000

Item		2009	2008	Difference Amount	Difference %
	Current Assets	101,025,179	101,271,990	(246,811)	-
	Long-term Investments	6,506,194	5,160,891	1,345,303	26
	Properties	8,314,177	7,375,651	938,526	13
	Other Assets	3,297,898	1,417,830	1,880,068	133
Total Assets	119,143,448	115,226,362	3,917,086	3	
	Current Liabilities	53,501,788	54,558,470	(1,056,682)	(2)
	Long-term Liabilities	-	-	-	-
	Other Liabilities	1,210	6,406	(5,196)	(81)
Total Liabilities		53,502,998	54,564,876	(1,061,878)	(2)
	Capital Stock	7,889,358	7,553,938	335,420	4
	Capital Surplus	9,099,923	4,417,534	4,682,389	106
	Retained Earnings	48,637,773	52,036,321	(3,398,548)	(7)
	Equity Adjustments	13,396	63,970	(50,574)	(79)
	Treasury Stock	-	(3,410,277)	3,410,277	(100)
Total Stockholders' Equity		65,640,450	60,661,486	4,978,964	8

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

1. Long-term investments rose for the period, primarily in response to production planning needs. HTC increased investment in High Tech Computer Asia Pacific Pte., Ltd. in order to support HTC Electronics (Shanghai) Co., Ltd. factory construction. Investment funds were also allocated in 2009 to establish HTC I Investment Corporation and Huada Digital Corporation, both of which will take on strategic investment responsibilities.
2. The increase in properties for the period is principally due to land purchase for use in the development of the HTC Taoyuan Campus. The increase in other assets during the period was tied primarily to royalty prepayments necessary to secure advantageous pricing arrangements.
3. HTC current liabilities include accrued marketing and advertising expenses, estimated employee bonus and normal reserve for warranty expenses. As a result, the total current liabilities to total assets ratio is relatively high.
4. Capital surplus increased during the period primarily due to distribution of earnings plan for fiscal 2008 approved in 2009 shareholders' meeting. A portion of employee bonuses was distributed in the form of HTC stock shares, while fair value of equity securities was used to calculate the number of shares to transfer to capital. The difference between fair value and par value of NT$4.8 billion was recorded as capital surplus.
5. The increase in equity adjustments for the period is largely the result of exchange rate fluctuations. Long-term equity investments recognized under the equity method were adjusted to reflect exchange rate differences;
6. This period recorded a reduction in treasury stock mainly due to corporate retirement of shares.

II. OPERATING RESULTS

Unit : NT$1,000

Item	2009	2008	Difference	%
Revenues	144,880,715	152,558,766	(7,678,051)	(5)
Cost of Revenues	99,018,232	101,916,912	(2,898,680)	(3)
Gross Profit	45,862,483	50,641,854	(4,779,371)	(9)
(Unrealized) Realized Profit From Intercompany Transactions	25,941	40,984	(15,043)	(37)
Realized Gross Profit	45,888,424	50,682,838	(4,794,414)	(9)
Operating Expenses	21,713,430	20,426,453	1,286,977	6
Operating Income	24,174,994	30,256,385	(6,081,391)	(20)
Nonoperating Income and Gains	1,623,362	2,300,018	(676,656)	(29)
Nonoperating Expenses and Losses	585,892	965,924	(380,032)	(39)
Income From Continuing Operations Before Income Tax	25,212,464	31,590,479	(6,378,015)	(20)
Income Tax	(2,603,562)	(2,955,130)	351,568	(12)
Income From Continuing Operations	22,608,902	28,635,349	(6,026,447)	(21)

Analysis and explanation of the percentage of increase/decrease for the most recent two fiscal years:

1. Revenues, cost of revenues and gross profit all declined from the previous period. Challenges arising in the general business environment and changes in growth rates for the various mobile phone operating systems combined to reduced overall HTC shipment units by 2.6% as compared to the previous period. Average selling price also fell 3.5%. However, HTC's gross profit of 31.7% was 1.5 percentage points less than the previous period - a number that reflects positively on the efforts made by HTC to optimize cost structures.
2. Realized profit from intercompany transactions decreased over the previous period due primarily to higher inventories of HTC products held by the subsidiaries at the end of the accounting period.
3. The rise in operating expenses recorded over the previous reporting period is principally due to HTC investments in building HTC brand value and brand awareness. HTC rolled out its worldwide YOU campaign throughout key American and European markets, while concurrently enhancing channel management.
4. Nonoperating income and gains declined during the period primarily due to lower interest income resulting from falling interest rates. HTC engages in forward foreign exchange (forex) trading to minimize exchange fluctuation risk. 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. Thus, increased instability on forex markets during the period resulted in lower nonoperating expenses and losses.

III. CASH FLOWS

(1) Analysis of change in cash flow for the most recent fiscal year

Unit : NT$1,000

Item	2009	2008	%
Cash Flow Ratio (%)	51	69	(26)
Cash Flow Adequacy Ratio (%)	201	221	(9)
Cash Flow Reinvestment Ratio (%)	11	28	(61)

Explanation and analysis of change in increase/decrease ratios (a change from the previous period of 20 percent or more):

1. The drop in the cash flow ratio for the period was attributable primarily to HTC's smaller net profit and rises in royalty prepayments. The net cash provided by operating activities fell 27%, which shrunk the cash flow ratio.
2. The NT$6 billion reduction in net profit sustained during 2009 coupled with an increase in royalty prepayments to reduce net cash provided by operating activities by some NT$10 billion. Also, cash dividends amounting to NT$60 million more than distributed during the previous period resulted in a divisor (net cash provided by operating activities - cash dividends) 59% smaller than that of the previous period. The above combined to result in the smaller cash reinvestment ratio recorded this 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	Remedial measures for projected cash deficit: Financial manageme nt plan
61,676,464	28,652,947	31,370,729	58,958,682	-	-

Remedial measures for projected cash deficit: Not Applicable

IV. 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

1. 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 capital needed (as of FY2010)	Actual or projected capital utilization 2006	2007	2008	2009	2010
Purchase and Installation of Equipment / Facilities	working capital	2006~2010	2,527,171	635,621	141,896	621,256	172,187	956,211
Plant Construction	working capital	2006~2010	7,917,435	386,809	1,193,133	3,903,243	1,164,600	1,269,650

2. Anticipated Benefits

(1) Plant Construction: Construction of HTC Campus and a new Taipei R&D building will provide employees with suitably designed and furnished work environments to support and enhance long-term, sustained business operations.

(2) Purchase / 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 market share and operating profit margin.

V. 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
High Tech Computer Aisa Pacific Pte. Ltd.	1,339,311	Investment holding	Gains by the invested enterprise	-	Please refer to (2)
HTC I Investment Corporation	295,000	Investment holding	In a start-up phase	-	Please refer to (2)

Note 1: Reflecting HTC's internal reorganization of overseas investments, we have reduced fiscal year 2009 investments in H.T.C. (B.V.I.) Corp. and HTC HK, Limited by NT$682,221 thousands and NT$1,277 thousands respectively. Both aforementioned companies engage in global investing activities. Earnings from investments in these subsidiaries during 2009 resulted in recognized equity gains of NT$229,301 thousands and NT$11,522 thousands, respectively.

Note 2: HTC Investment Corporation and Vitamin D, Inc. were two companies newly invested by HTC in 2008 with, respectively, NT$300,000 thousands and NT$7,956 thousands in capitalization. The HTC Investment Corporation, which engages in general investing activities, was in 2009 still in a start-up phase and, therefore, reported minimal investment gains of NT$462 thousands. Vitamin D, Inc. is engaged in application software development and, due to business losses during 2009, recognized an investment loss for the year of NT$3,891 thousands.

(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 increasing the capital of High Tech Computer Asia Pacific PTE, Ltd. This is because of a transfer-in due to the reorganization of HTC's overseas subsidiaries' investment structure.

HTC will focus on investments in the China market along with related mobile digital services and applications in the coming year.

VI. 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) product R&D and innovation capabilities; 2) strategic partnership relationships with industry leaders, and 3) an incisive understanding and grasp of market trends. In addition to strong competencies in these 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

Since the very beginning, HTC has leveraged partner relationships with industry leaders like Microsoft, Qualcomm and Google as well as global telecommunications service providers to fuel development and expansion of the smart phone market. Examples include HTC's launch of the world's first Windows Mobile and Android smart phone models. Committed to more than just innovating and improving its own products, HTC actively looks to influence and shape industry trends in partnership with industry leaders.

2. Long-Term Cooperation with Telecom Service Providers Give HTC a Direct Window onto Consumer Needs and Preferences

Over the years, HTC has fostered unique partner relationships with major international telecommunication service providers. These include Europe's five leading telecommunications companies, the four most important telecommunication service providers in the United States and many of the fastest growing telecommunication service providers in Asia. These partnerships are a cornerstone of HTC's strategy to channel HTC products to a global and growing mass-market audience. Such close relationships both help HTC understand consumer demands in depth and provide opportunities to customize products and services to meet particular service provider needs - thus better satisfying end user needs and desires.

3. Market Growth Continues Unabated; Diversified Mobile Digital Services Move Smart Phones into Mass Market

New mobile phone operating systems such as OS X (iPhone) and Android have electrified the market for mobile applications. Easy to download and begin using, many applications are available for social networking, shopping, traveling, games and so on. The literal new universe opened up by this ever-expanding catalogue of mobile applications is enticing more and more consumers over to smart phones, causing research forecasts to predict that the smart phone sector will continue on a strong growth track for the coming several years. Ongoing telecommunication service provider investments in 3G network infrastructures are also expected to further spur broad based "trading up" by consumers from traditional mobile phones to smart phones - promising to further boost HTC sales and growth into the future.

4. Reorientation of HTC Corporate Culture Enhances Organizational Strengths and Raise HTC Global Brand Value and Recognition

We redefined the image and focus of the proprietary HTC brand in 2009 with the launch of the "Quietly Brilliant" campaign. This slogan clearly places the consumer at the core of HTC's business. Concurrent with the campaign, HTC launched a reorientation of its corporate culture to see its new brand focus actively and fully implemented. HTC further recruited top new talent to fill senior management positions in global sales, marketing and design; bolstering HTC management team capabilities and raising the effectiveness of global brand strategy implementation.

5. Tightly Knit Working Groups and Exceptional Implementation Capabilities Underpin HTC Global Logistics and Cost Control Mechanisms

In addition to strong financials and world-class R&D capabilities, HTC maintains state-of-the-art production lines and global logistics systems certified under strict international standards, including ISO-9001, ISO-14001, TL-9000 and OHSAS 18001. Such underlie HTC's unique position in the smart phone sector. Success, and its continuance, relies on the dedication and effort of all HTC employees and to commitment throughout the HTC organization to innovation and excellence. At HTC, we foster close cooperation amongst departments, ensure the effective implementation of plans and directives, effectively manage global logistics and rigorously control costs.

6. Comprehensiveness and Supportive of Domestic Industry Infrastructures

The industrial infrastructure in Taiwan, benefitting from public and private sector investments, is increasingly comprehensive in terms of HTC's business needs. Critical components such as printed circuit boards, resistors, capacitors, chipsets, power supplies and modules are produced domestically. Taiwan also offers a plentiful supply of qualified technical staff. Such have been critical to Taiwan's development of increasingly sophisticated production automation controls and systems, streamlined cost structures, flexibility and strong management capabilities to win business and remain a viable link in the international supply chain.

Factors Adverse to the Achievement of HTC Growth Goals, and Relevant Countermeasures

General optimism regarding the long-term growth and development of the smart phone sector has encouraged many current and potential competitors to invest in the market. 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 product life cycles and enter an increasingly competitive market. To address relevant challenges, HTC has adopted countermeasures as follows:

1. Work actively to establish HTC brand awareness and value in order enhance global brand loyalty and recognition. Effective branding activities and product sales promotions will be leveraged to ensure that HTC becomes the "first name" in smart phones in the minds of consumers.

2. Redouble emphasis on R&D and innovation to maintain HTC's leading competitive edge. HTC will stress innovation in terms of product differentiation and user experience to provide consumers an array of products geared to satisfy diverse consumer needs. In 2009, HTC launched its proprietary user interface - HTC Sense, which was developed by observing how people live and communicate. HTC Sense, rooted in consumer habits, preferences and needs, is an exceptionally easy to use, intuitive portal to the vast world of mobile applications.

3. Expand relationships with current customers in the realms of product design, volume production, technical support and assistance, distribution, and after-sale service in order to further nourish strategic partnerships with leading multinational corporations. Keep a step ahead of relevant global and market trends to extend opportunities for growth and development.

4. HTC plans and puts 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. 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.

5. The productivity of each link in HTC's business chain is being 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.

6. 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.

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's profitability, and anticipated response measures to be taken:

Impact on HTC profitability:

Item	2009(NT$1,000 or %)
Net Interest Income	348,562
Net Forex Income	531,782
Net Interest Income as percentage of net revenue	0.24%
Net Interest Income as percentage of Earnings Before Tax	1.38%
Net Forex Income as percentage of net revenue	0.37%
Net Forex Income as percentage of Earnings Before Tax	2.11%

Note: Calculated on HTC single-alone financial numbers

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 and healthy growth. Asset allocation decisions place priority on security and fluidity, with most funds kept in NT dollar denominated time deposit accounts. In 2009, HTC time deposit rates earned an average return of 0.57%, with interest earned totaling NT$350 million.

HTC earnings are denominated primarily in US dollars and euros. Manufacturing costs are denominated primarily in US dollars. Thus, forex fluctuations have the potential to impact HTC sales made in foreign currencies, operating costs and operating income. In addition to strict management of the quality and payment cycles of foreign currency-denominated accounts receivable, HTC relies on forward exchange contracts to minimize exchange risk. At the close of 2009, financial derivatives held by HTC related to exchange risk were valued at EUR76 million, with the fair value of such derivatives to take effect in response to exchange rate changes. If the quoted exchange rate of one of the above-mentioned currencies were to fall 1% against the NT dollar, the benefit to HTC of its derivative holdings would be close to NT$34,575 thousands.

During 2009, the euro rose against the NT dollar from 1:46 at the beginning of the year to a high of 1:48. It had settled back to 1:46 by year's end. The US dollar began 2009 at 1:33 against the NT dollar. It rose during 1Q to 1:35 before falling back steadily to 1:32. Exchange income earned during 2009 totaled NT$531,782 thousands. As currently managed, the negative effects of exchange rate fluctuations on profits in recent years have been minimal.

Inflation in Taiwan during 2009 stood at -0.8%, and inflation-related impacts on HTC's bottom line were negligible.

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

HTC does not engage in high-risk ventures, highly leveraged investments or financial loans to other parties. HTC acts as a guarantor only to subsidiary companies in which it holds 100% ownership. All such guarantor arrangements must be reviewed and approved by the board of directors, in accordance with the document "Rules for Endorsements and Guarantees". All HTC derivative product trading is done to mitigate risks arising from fluctuations in the exchange value of foreign currency assets and liabilities. All derivative products trading by the company must adhere to relevant corporate policies and action measures described in the document "Procedures for the Acquisition or Disposal of Assets".

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

The focus of recent R&D activities at HTC has been on user interface and mobile internet related technologies and products as well as the provision of technical support and after sales service for HTC products. The 2009 launch of HTC Sense, HTC's proprietary user interface, marked a major breakthrough for the company in enhancing the user experience. A diverse suite of powerful functions bundled into a highly customized user interface put extensive user personalization of their smart phones within easy reach. Continued improvement of this interface has resulted in the launch of an enhanced version of HTC Sense, an advanced smart phone interface tailored to help users integrate and manage an array of social networking services.

Extending beyond its Windows Mobile and Android OS product lines, HTC recently launched a new product line built on Qualcomm's Brew Mobile Platform. Brew MP emphasizes streamlined simplicity at an affordable price in a strategic move to greatly increase the number of consumers choosing to upgrade from traditional mobile phones to smart phones.

HTC will continue to enhancing the user experience and developing smart phones operating on Windows Mobile, Android and Brew MP systems. HTC anticipates investing 5%~7% of revenues 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 3 to the 2009 financial reports provides a detailed description of the reasons underlying recent accounting practice changes and their impact upon financial reporting.

Based on government plans, the Statute for Upgrading expired at the end of 2009. Detailed support measures have yet to pass the Legislative Yuan. 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.

In accordance with May 2009 revisions to Article 5 of the Income Tax Act, beginning in 2010, the income tax rate assessed on profit-seeking enterprises will be reset to 20% from the previous 25%. However, as HTC already enjoys alternative minimum tax benefits, this revision downward in the general tax is not expected to have a significant effect on HTC income tax burdens over the short term. HTC will continue to stay apprised of the latest relevant information and take measures appropriate to the needs of HTC business operations.

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 mobile internet taking off and platforms gradually ratcheting up to 3G, 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 significantly reduced 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 Windows-based mobile phone paired with capacitive (touch screen) technologies. HTC will continue to develop products incorporating the latest application technologies to 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 smart phone devices, in addition to continuously reviewing and improving production processes to enhance capacity, quality and cost savings, HTC in 2009 invested in expanding its production facilities at Kangqiao, near Shanghai, China in order to both expand capacity and enhance manufacturing flexibility. 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, HTC engages in volume purchasing to reduce unit purchase costs and achieve the most advantageous cost structure possible for the company.

b. Sales: Markets for HTC products are distributed across Europe, the Americas and Asia. Local telecom service providers and retailer partners are the two principal sales channels used by HTC. The imminent arrival of 3G 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. Also, HTC is developing and promoting the proprietary HTC brand as well as strengthening supervision of and working relationships with channel retailers 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 2009 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
Customer Service and Quality Assurance Division	Risks associated with product quality	Provide after-sales service and improve its quality

VII. 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	James Chen	Securities Firms, and Securities Exchanges (set), Adoption of Extensible Business Reporting Language (XBRL) by Enterprises for Public Announcement of Information - Practices and Best Execution Policies, The Functions and Authority of (the Board of) Directors and Supervisors under Corporate Governance Mechanisms
	Mingyi Wu	Certified Financial Analyst (CFA), Financial Risk Manager (FRM)
	Hsiu Lai	Chartered Financial Analyst (CFA)
	Jerry Chen	Internal auditor, Certified Public Accountant (CPA)
	Sally Wang	Certified Public Accountant (CPA)
Internal Audit	Vincent Tseng	Latest Regulations on The Conduct of Internal Audits and The Management of Financial Reporting
	Mico Yu	Effective Communication and Negotiation

VII. AFFILIATE INFORMATION AND OTHER SPECIAL NOTES

1. AFFILIATES

(1) HTC Affiliated Companies Chart

(As of 2009.12.31)

Mutually Invested Companies: None

Parent Company: HTC Corporation

- Subsidiary: High Tech Computer Asia Pacific Pte. Ltd. 100.00%
  - Subsidiary: HTC (Thailand.) Limited 100.00%
  - Subsidiary: High Tech Computer (H.K.) Limited 99.99%
  - Subsidiary: HTC (Australia and New Zealand) PTY LTD 100.00%
  - Subsidiary: HTC Philippines Corp. 99.99%
  - Subsidiary: PT. High Tech Computer Indonesia 99.00%
  - Subsidiary: HTC India Private Limited 99.00%
  - Subsidiary: High Tech Computer Singapore Pte. Ltd. 100.00%
    - Subsidiary: HTC India Private Limited 1.00%
  - Subsidiary: HTC Electronics (Shanghai) Co., Ltd. 100.00%
  - Subsidiary: HTC Malaysia Sdn. Bhd. 100.00%
  - Subsidiary: HTC Innovation Limited 100.00%
  - Subsidiary: HTC Communication Co., Ltd. 100.00%
  - Subsidiary: HTC Holding Cooperatief U.A. 99.00%
  - Subsidiary: HTC America Inc. 100.00%
  - Subsidiary: One & Company Design, Inc. 100.00%
  - Subsidiary: HTC HK, Limited 100.00%
    - Subsidiary: HTC Corporation (Shanghai WGQ) 100.00%
    - Subsidiary: HTC Belgium BVBA/SPRL 100.00%
      - Subsidiary: HTC Italia SRL 100.00%
- Subsidiary: BandRich Inc. 50.66%
- Subsidiary: Communication Global Certification Inc. 100.00%
- Subsidiary: HTC Investment Corporation 100.00%
- Subsidiary: HTC I Investment Corporation 100.00%
- Subsidiary: PT. High Tech Computer Indonesia 1.00%
- Subsidiary: HTC Holding Cooperatief U.A. 1.00%
- Subsidiary: H.T.C. (B.V.I.) Corp. 100.00%
  - Subsidiary: HTC EUROPE CO., LTD. 100.00%
  - Subsidiary: High Tech Computer Corp. (Suzhou) 100.00%
  - Subsidiary: Exedea Inc. 100.00%
  - Subsidiary: HTC NIPPON Corporation 100.00%
  - Subsidiary: HTC BRASIL 99.99%

(2) HTC Affiliated Companies

Amount in thousands

Company	Date of Incorporation	Place of Registration	Capital Stock		Business Activities
Investor:					
HTC Corporation	86.05.15	No.23, Xinghua Rd., Taoyuan City, Taoyuan	NT$	7,889,358	Principally engaged in design, manufacture and marketing of PDA phones, smart phones and handheld devices, as well as the provision of related technologies and after services
Investee:					
H.T.C. (B.V.I.) Corp.	89.08.01	3F, Omar Hodge Building, Wickhams Cay I, P.O. Box 362, Road Town, Tortola, British Virgin Islands	NT$ (US$	1,178,341 35,067)	Global investing activities
BandRich Inc.	95.04.11	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
Communication Global Certification Inc.	87.09.01	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.	96.07.12	260 Orchard Road #07-04 Heeren,Singapore	NT$ (US$	3,363,085 106,251)	Global investing activities
HTC Investment Corporation	97.07.24	5F., No.364, Sec. 2, Xiyuan Rd., Wanhua District, Taipei City 108, Taiwan, R.O.C.	NT$	300,000	General investing activities
HTC I Investment Corporation	98.09.14	5F., No.364, Sec. 2, Xiyuan Rd., Wanhua District, Taipei City 108, Taiwan, R.O.C.	NT$	295,000	General investing activities
HTC EUROPE CO., LTD.	92.07.09	Capella house, Snowdon Drive, Winterhill, Milton Keynes, MK6 1AJ, UK	NT$ (GBP	324,800 5,000)	Marketing , repair and after-sales services
High Tech Computer Corp. (Suzhou)	92.01.01	Suzhou Industrial Park, China	NT$ (US$	662,388 20,000)	Manufacture and sale of smart handheld devices and electronic components
Exedea Inc.	93.12.28	5950 Corporate Dr. Houston,Texas 77036 2306	NT$ (US$	35 1)	Distribution and sales
HTC NIPPON Corporation	95.03.22	16F Akasaka Twin Tower Main Tower, 2-17-22 Akasaka, Minato-ku, Tokyo 1070052 Japan	NT$ (JPY	2,768 10,000)	Marketing , repair and after-sales services
HTC BRASIL	95.10.25	Alameda Joaquim Eugenlo 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
High Tech Computer Singapore Pte. Ltd.	96.07.12	260 Orchard Road #07-04 Heeren, Singarpore	NT$ (SGD	315,771 14,000)	Marketing , repair and after-sales services
High Tech Computer (H.K.) Limited	96.08.03	Unit 808-09A, 8th Floor, AIA Tower, 183 Electric Road, North Point, Hong Kong	NT$ (HKD	85,132 20,000)	Marketing , repair and after-sales services
HTC (Australia and New Zealand) PTY LTD	96.08.28	Suite 3002, Level 30, 100 Miller Street, North Sydney, Australia	NT$ (HKD	117,871 4,000)	Marketing , repair and after-sales services
HTC Philippines Corp.	96.12.06	UNIT 32 3/F WORLDNET BUSINESS CENTER ZETA BLDG 191, SALCEDO ST LEGASPI VILLAGE, MAKATI CITY 1229	NT$ (PHP	6,596 8,588)	Marketing , repair and after-sales services
PT. High Tech Computer Indonesia	96.12.03	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	97.01.30	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.) Limited	96.11.06	No. 1 Fortune Town Building, 30th Floor, Unit No. A-3/1, Ratchadapisek Road, Kwang Dingdang Khet Dingdang, Bangkok, Thailand	NT$ (THB	23,427 25,000)	Marketing , repair and after-sales services
HTC Electronics (Shanghai) Co., Ltd.	96.01.22	Room 123,No. 2502,Hunan Road, Kangqiao Industrial Zone, Nanhui District, Shanghai, China	NT$ (US$	1,723,680 55,909)	Design, manufacture and sale of smart handheld devices and electronic components
HTC Malaysia Sdn. Bhd.	96.11.07	Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia	NT$ (MYR	2,313 250)	Marketing , repair and after-sales services
HTC Innovation Limited	98.01.30	20/F Korea First Bank Bldg., 100 Gongpyung-dong, Chongno-gu, Seoul, Korea	NT$ (KRW	1,166 50,000)	Marketing , repair and after-sales services
HTC Communication Co., Ltd.	97.12.29	Room 201A,No.2555,Jinke Road,Zhangjiang Hi-Tech Park,Shanghai, China	NT$ (US$	263,816 8,000)	Sale of smart handheld devices and electronic components
HTC America Inc.	92.01.06	15224 Interlachen Drive, Austin, TX USA 78717	NT$ (US$	594,286 18,000)	Marketing , repair and after-sales services
One & Company Design, Inc.	92.10.04	2700 18th Street San Francisco, CA,USA, 94110	NT$ (US$	1,174 36)	Design, research and development of application software
HTC HK, Limited	95.08.26	31/F THE CENTER 99 QUEEN'S ROAD CENTRAL HK	NT$ (HKD	1,277 300)	Global investing activities
HTC Corporation (Shanghai WGQ)	96.07.09	Shanghai Waigaoqiao Free Trade Zone, China	NT$ (US$	49,845 1,500)	Repair and after-sales service
HTC Belgium BVBA/SPRL	95.10.12	2000 Antwerpen, Henri Van Heurckstraat 15	NT$ (EUR	783 19)	Marketing , repair and after-sales services
HTC Italia SRL	96.02.19	Piazza Marconi, 15- 00144, Rome, Italy	NT$ (EUR	422 10)	Marketing , repair and after-sales services
HTC Holding Cooperatief U.A.	98.08.18	Kaap Hoorndreef 30, 3563AT Utrecht	NT$ (EUR	1,339 28)	Global investing activities

Note 1: Paid- in capital is t ranslated at the exchange rate cur rent at the t ime the capital contr ibut ion was effected.

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

None.

(4) 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 handheld devices, 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, High Tech Computer Asia Pacific Pte. Ltd. and HTC Holding Cooperatief U.A. 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 and HTC I Investment Corporation is general investing activities.
e. High Tech Computer Corp. (Suzhou) and HTC Electronics (Shanghai) Co. , Ltd. engage 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 Communicat ion Co. , Ltd.engages in sales of handheld devices and electronic components.
j. The remaining companies engage in marketing, repair and after-sales services.

(5) Rosters of Directors, Supervisors, and Presidents of HTC Affiliated Companies

Unit: NT$ thousands, except shareholding

Company	Title	Name	Shareholding: Shares (Investment Amount)	Shareholding: % (Investment Holding %)
Investor:				
HTC Corporation	Chairman	Cher Wang	24,736,896 shares	3.14%
	Director	Wen-Chi Chen	20,309,651 shares	2.57%
	Director	HT Cho	308,143 shares	0.04%
	Director	Tan Ho-Chen	-	-
	Independent Director	Chen-Kuo Lin	-	-
	Independent Director	Josef Felder	-	-
	Supervisor	Way-Chih Investment Co., Ltd. Representative: Shao-Lun Lee	39,745,389 shares	5.04%
	Supervisor	Po-Cheng Ko	-	-
	Supervisor	Caleb Ou-Yang	-	-
Investee:				
H.T.C. (B.V.I.) Corp.	Chairman	HTC Corporation Representative: Cher Wang	350,668,840 shares	100.00%
BandRich Inc.	Chairman	HTC Corporation Representative: HC Hung 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: Edward Wang	13,500,000 shares	50.66%
	Supervisor	Top Taiwan Venture Capital Co., Ltd. Representative: Shuan-Ta Liu	3,000,000 shares	11.26%
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	99,806,181 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%
HTC I Investment Corporation	Chairman	HTC Corporation Representative: Peter Chou	29,500,000 shares	100.00%
	Director	HTC Corporation Representative: Fred Liu, Hui-Ming Cheng	29,500,000 shares	100.00%
	Supervisor	HTC Corporation Representative: Edward Wang	29,500,000 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%
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%
HTC Philippines Corp.	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: Fred Liu	858,767 shares	99.99%
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.) Limited	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: Fred Liu	10,000,000 shares	100.00%
HTC Electronics (Shanghai) Co., Ltd.	Chairman	High Tech Computer Asia Pacific Pte. Ltd. Representative: CS Wang	NT$ 1,723,680	100.00%
HTC Malaysia Sdn. Bhd.	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: Peter Chou, Fred Liu, Hui-Ming Cheng	25,000 shares	100.00%
HTC Innovation Limited	Chairman	High Tech Computer Asia Pacific Pte. Ltd. Representative: Jack Tong	5,000 shares	100.00%
HTC Communication Co., Ltd.	Chairman	High Tech Computer Asia Pacific Pte. Ltd. Representative: Jason Juang	NT$ 263,816	100.00%
HTC America, Inc.	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: Peter Chou, Fred Liu	18,000,000 shares	100.00%
One & Company Design, Inc.	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: Edward Wang, Horace Luke	60,000 shares	100.00%
HTC HK, Limited	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: Fred Liu	300,000 shares	100.00%
HTC Corporation (Shanghai WGQ)	Executive Director	HTC HK, Limited Representative: Fred Liu	NT$ 49,845	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%
HTC Holding Cooperatief U.A.	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: Hui-Ming Cheng	NT$ 1,325	99.00%
	Director	HTC Corporation Representative: Hui-Ming Cheng	NT$ 14	1.00%

(6) Operational Highlights of HTC Affiliated Companies

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

Company	Capital Stock	Assets	Liabilities	Net Worth	Net Sales	Income from Operation	Net Income (Net of Tax)	Basic EPS (Net of Tax)
Investor:								
HTC Corporation	7,889,358	119,143,448	5,3502,998	65,640,450	144,880,715	24,174,994	22,608,902	28.71
Investee:								
H.T.C. (B.V.I.) Corp.	1,178,341	1,408,776	306	1,408,470	-	(989)	229,301	0.42
BandRich Inc.	266,500	310,964	241,641	69,323	820,346	9,508	11,167	0.42
Communication Global Certification Inc.	100,000	165,502	52,798	112,704	157,354	(4,039)	(4,323)	(0.43)
High Tech Computer Asia Pacific Pte. Ltd.	3,363,085	3,578,816	145,380	3,433,436	-	(433)	35,012	0.50
HTC Investment Corporation	300,000	300,746	183	300,563	-	(221)	462	0.02
HTC I Investment Corporation	295,000	295,144	73	295,071	-	(181)	71	-
HTC EUROPE CO., LTD.	324,800	1,076,626	621,302	455,324	3,125,849	207,120	171,817	34.36
High Tech Computer Corp. (Suzhou)	662,388	730,988	7,283	723,705	36,135	53,435	70,647	-
Exedea Inc.	35	1,852,929	1,840,683	12,246	1,902,742	3,005	2,982	29,820.00
HTC NIPPON Corporation	2,768	62,009	33,832	28,177	220,605	15,541	7,946	7,946.00
HTC BRASIL	33,058	41,545	21,343	20,202	182,868	8,420	4,648	2.34
High Tech Computer Singapore Pte. Ltd.	315,771	335,282	6,477	328,805	180,521	7,246	5,470	0.39
High Tech Computer (H.K.) Limited	85,132	110,302	29,675	80,627	126,655	6,867	7,084	3.54
HTC (Australia and New Zealand) PTY LTD	117,871	147,778	16,762	131,016	92,438	4,359	5,235	13.09
HTC Philippines Corp.	6,596	6,398	-	6,398	-	-	-	-
PT. High Tech Computer Indonesia	6,184	6,000	-	6,000	-	-	-	-
HTC India Private Limited	4,133	28,631	18,787	9,844	61,141	2,752	2,696	5.39
HTC (Thailand.) Limited	23,427	30,168	4,143	26,025	37,088	1,722	942	0.09
HTC Electronics (Shanghai) Co., Ltd.	1,723,680	2,057,166	345,670	1,711,496	385,245	(66,122)	(54,639)	-
HTC Malaysia Sdn. Bhd.	2,313	6,648	2,551	4,097	32,031	1,490	650	26.00
HTC Innovation Limited	1,166	1,889	224	1,665	7,669	365	268	53.60
HTC Communication Co., Ltd.	263,816	255,920	-	255,920	-	-	-	-
HTC America Inc.	594,286	1,430,335	712,039	718,296	3,992,869	152,778	81,012	4.50
One & Company Design, Inc.	1,174	59,322	30,106	29,216	157,832	5,819	3,243	54.05
HTC HK, Limited	1,277	113,117	55,772	57,345	-	(310)	9,611	32.04
HTC Corporation (Shanghai WGQ)	49,845	67,298	11,025	56,273	79,239	4,509	4,987	-
HTC Belgium BVBA/SPRL	783	137,914	81,122	56,792	629,454	34,071	10,340	557.41
HTC Italia SRL	422	8,295	5,205	3,090	64,165	(1,218)	(6,329)	-

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.

II. PRIVATE PLACEMENT SECURITIES IN 2009 AND AS OF THE DATE OF THIS ANNUAL REPORT:

None.

III. STATUS OF HTC COMMON SHARES AND GDRS ACQUIRED, DISPOSED OF, AND HELD BY SUBSIDIARIES IN 2009 AND AS OF THE DATE OF THIS ANNUAL REPORT:

None.

IV. ANY EVENTS IN 2009 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.

V. OTHER NECESSARY SUPPLEMENT:

(1) Key Functionalities and Manufacturing Processes for Primary Product Lines:

HTC's main products are handheld devices and Windows Mobile, Android and Brew operating systems based wireless devices, including their design, production, and manufacturing. The main applications for those products are personal calendar and business 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:

(2) Environmental Protection Expenditures:

Primary products manufactured by the HTC Corporation include smart phone and mobile telecommunication 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:
   HTC has never been fined or otherwise penalized for pollution by environmental authorities.

2. Future strategies (inclusive of environmental protection facility improvements) and possible expenditures:
   > Continue to strengthen operations management in order to comply with government rules / regulations and reduce accidents, errors and other 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:

Unit: 1,000 NT dollars

Item / Fiscal Year	2010	2011	2012
Anticipated Equipment Purchases / Expenditures	1. Greenify HTC headquarters campus (plant trees, landscape, etc.). 2. Install sewage remediation works (in stream adjacent to campus east gate) and eco pond. 3. Purchase water pollution control equipment. 4. Install wastewater recycling systems to supply campus irrigation water and washroom flush water. 5. Renovate original rainwater retention pond. 6. Install deodorization facilities in oil-water separation system (old administrative building). 7. Implement / promote water reduction campaign. 8. Issue / implement guidance on waste reduction; and 9. Install inverters on motors and pumps.	1. Roll-out low energy consumption lighting system in new admin building using energy saving light fixtures, independent power controls and energy saving sensor light switches. 2. Install water saving taps in kitchenettes & washrooms and water saving dual-flush toilets in new admin building. 3. Install temperature & time controllers on air conditioning systems and inverters on main aircon unit and fans in new admin building. 4. Install inverters on elevators and air compressors in new admin building. 5. Install rainwater recycling tank in new admin building. 6. Install environmentally friendly materials (e.g., floorboards, paints, thermal blocks, double glazed "low e" glass,and solar paneling) in new admin building. 7. Continue installing inverters on motors & pumps. 8. Continue to greenify HTC headquarters campus. 9. Continue to install sewage remediation works at headquarters campus.	1. Continue to install energy saving light fixtures, independent power controls and energy saving sensor light switches. 2. Continue installing water conservation facilities. 3. Begin rollout of energy saving aircon equipment. 4. Continue installing inverters on motors & pumps. 5. Continue rollout of temperature & time controllers on air conditioning systems and inverters on main aircon unit and fans in new admin building. 6. Continue installing inverters on elevators and air compressors in new admin building. 7. Continue to install environmentally friendly materials in new admin building.
Anticipated Benefits	1. Achieve natural cooling effect, fix ambient CO2, and reduce energy consumption. 2. Prevent stream silting & odors; help rejuvenate natural balance with eco pond. 3. Minimize wastewater damage to the environment; 4. Reduce facility loading on public water supplies. 5. Reduce demand on public water supplies and utilize recovered resources (filtered rainwater). 6. Minimize noxious air emissions and odors resulting from the sewage acidification. 7. Reduce waste of water resources. 8. Reduce impact of HTC-generated wastes on the environment. 9. Reduce power consumption.	1. Use of electronic ballasts in T5 low EMF, low temperature light tubes reduces energy waste. 2. Reduce waste of water resources. 3. Reduce power consumption. 4. Reduce demand on public water supplies and utilize recovered resources (filtered rainwater). 5. Reduce pollution and minimize environmental risk to humans. Cut thermal transfer ratio to save energy. 6. Achieve natural cooling effect, fix ambient CO2, and reduce energy consumption. 7. Prevent stream silting & odors.	1. Use of electronic ballasts in T5 low EMF, low temperature light tubes reduces energy waste. 2. Reduce waste of water resources and demand on public water supplies. 3. Reduce power consumption. 4. Reduce pollution and minimize environmental risk to humans. Cut thermal transfer ratio to save energy.
TOTAL EXPENDITURES (estimated)	118,800	123,300	105,000

3. 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.

   HTC conducts inventories of its greenhouse gas emission sources and quantities in accordance with ISO14064-1 standards to meet corporate ethics-driven environmental protection responsibilities and requirements of the Greenhouse Gas Reduction Assistance Program. Associated procedures include:

   > Conduct inventory to determine type and amount of energy resources currently being used. Use data to draft action plan for energy conservation;
   > Annual recertification of inventory conducted by recognized certification agency at the start of each year (certificate issued);
   > Release to the public on a voluntary annual basis relevant data on HTC greenhouse gas emissions through the Taiwan Environmental Protection Administration's National GHG Emissions Registry and relevant international nonprofit organizations.

   Employee Health and Safety (H&S):
   HTC updates its workplace safety & accident prevention plan on an annual basis to reflect current H&S management conditions. This plan represents HTC's primary line of preparation and defense against accidents in the workplace. Foci of HTC H&S measures include ensuring adherence to all mandated H&S regulations, reducing risk through hazard recognition, and effective management of dangerous / hazardous materials. HTC is certified under OHSAS18001:2007. New employees receive health and safety education training to ensure familiarity with safety rules related to HTC's work environment and production processes. HTC also holds regular fire safety drills to familiarize all employees with the use of fire prevention and suppression facilities.

   In the realm of health, HTC focuses efforts on the four facets of employee healthcare, health enhancement, health management and employee assistance programs. HTC plans to offer all employees a high quality menu of health service items including regular health checkups, health-enhancement programs / activities, health-related seminars, group management for specific health problems, and psychological counseling. HTC also recognizes the importance to employee wellbeing of rest and relaxation outside of office hours.

   The HTC health and safety management handbook and manual of H&S regulations are posted to the company's website for ready reference, review and absorption into daily work habits / practices.

4. "Green" Product Research and Development
   Environmental "green" design procedures have been enforced at HTC since 2000. These procedures address the complete product lifecycle - from design and production through consumer use and end-of-life disposal. HTC seeks to identify and exploit opportunities to both minimize the negative environmental impacts and maximize the positive environmental effects of each of its products. R&D into "green" products considers final product disposal in basic product design work. Use of lead, cadmium, hexavalent chromium, mercury and other hazardous materials is minimized or eliminated. Designers also work to increase the recoverability of materials at end-of-life and the utilization of recycled materials in products in order to reduce overall environmental impact. HTC develops its green products within the framework of minimal use of toxic materials, frugal use of input resources and maximum materials recyclability. As such, our products meet strict environmental regulations enforced in our markets and satisfy customer expectations and needs; facilitating HTC's "green competitiveness" and helping realize long-term sustainability for our operations and business.

(3) Labor-Management Relations

HTC encourages and offers opportunities to extend and deepen professional skills and knowledge; sharpen proactive and positive attitudes toward professional responsibilities; internalize serious and responsible work values; adopt honest and forthright work habits and pursue excellence in all tasks and responsibilities in order to create an exceptional work environment, provide our employees with engaging challenges as well as skills / knowledge of value to their career growth. We have an abiding faith that a positive, energetic work environment fosters professional enthusiasm and innovation.

1. Employee Recruitment
   Hiring and retaining exceptional employees is a key objective of HTC human resources strategy. We are an equal opportunity employer, and recognize the practical benefits that employee diversity brings to HTC corporate culture and to the reinforcement and extension of innovation. HTC hires all new employees through open selection procedures, with candidates offered positions based on merit. We permit no discrimination based on ethnicity, skin color, social status, language, religion, political affiliation, country / region of origin, gender, sexual orientation, marital status, appearance, disability, professional association membership or other similar considerations not relevant to job performance. HTC works through cooperative programs with universities, internship programs and summer work programs to provide work opportunities to a large number of students each year. We participate actively in job fairs and recruitment events in Taiwan and abroad as part of ongoing, organized efforts to tap the best talent available.

2. Employee Development
   HTC operates a workplace environment highly conducive to learning and professional growth. By encouraging employees to improve themselves and to maintain and enhance their professional skills, HTC helps sustain its competitive advantage while keeping a promise to help employees grow as individuals. Supplementing our extensive in-

house technical training curriculum, we offered during 2009 specially designed management and personal development curricula (including language training and new staff orientation) to help employees diversify their skill sets, explore new potentials and deepen expertise. HTC has also launched a dedicated new e-Learning platform able to deliver a diverse range of learning tools within a highly accommodating learning environment. 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 2009

Category		Total Training Hours	Expenditure (NT$)
Technical		34,821	832,531
Management		26,419	6,728,296
Personal Development	Orientation Training (for New Staff)	13,318	91,435
	Effectiveness Enhancement	33,949	5,105,251
TOTAL		108,507	12,757,513

3. Employee Benefits and Employee Satisfaction

HTC's work environment is geared to challenge, stimulate and fulfill our employees. We maintain various outreach initiatives designed to motivate employees, enhance employee benefits and facilitate greater dialogue between the company and its workforce.

> Employee Benefits – Extensive & Diverse

HTC supports coverage of its employees under both National Labor and National Health Insurance programs and provides employees with an annual vacation travel allowance, regular physical examinations, regular departmental lunches, extra cash bonuses for Taiwan's three main annual festivals, cash premiums for weddings / funerals, subsidies for club activities, book store coupons, and access to employee exercise facilities and various exercise classes.

> Lines of Communication – Open and Responsive

HTC maintains a system for handling and responding to employee complaints, with a complaint hotline and official physical and virtual (e-mail) addresses available. Labor affairs meetings are held as needed. HTC conducts regular surveys of employee opinions, with results reviewed by management and referenced when developing / adjusting measures to enhance employee job satisfaction and motivation.

> Regular Activities and Events

HTC holds regular sports rallies, family days, athletic competitions and artistic / literary contests to increase opportunities for employees to enjoy informal interactions outside of their regular work.

> Employee Awards

Dedicated to rewarding employee effort and innovation, HTC maintains employee profit sharing mechanisms and rewards individual employees who submit proposals for practical improvements or earn patent awards. HTC also provides cash awards for the best entries in an annual competition designed to solicit quality improvement ideas.

4. Employee Retention

Specialist Retention Plan: incentive program offered to employees with special / critical skills to keep them with the company and ensure they benefit from the results of their efforts;

In-Time Service Awards: Awards presented at a company-wide ceremony recognize employees with 5 and 10-year long service records.

Internal Transfer Assistance: To help enhance employees' professional experience / career planning, HTC provides every assistance to facilitate employee transfers within the company.

5. Compensation and Retirement Benefits

HTC employees earn market-competitive salaries that take into consideration academic background, work experience, seniority and current professional responsibilities / position level. The amount of annual employee performance bonuses is proposed by the president and approved by the board of directors based on current year business performance. The employee profit sharing 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. Both bonuses are allocated based on work performance and relative level of contribution in order to motivate employees effectively and target appreciation for employee dedication, effort and success properly.

HTC's retirement policy has been in place, as required by law, since the company was founded. Starting in November 1999, HTC began to contribute an amount equal to 2 percent of each employee's salary into his / her individual corporate retirement fund. This system was replaced in 2004 when HTC began contributing an amount equal to 8 percent of each employee's salary into a general labor retirement fund managed by a labor retirement fund supervisory board. With enactment of the new retirement system on 1 July 2005, employees hired under the previous retirement scheme who opted not to switch to the new retirement system were permitted, with supervisory approval, to adjust the current 8 percent contribution downward to 2 percent.

6. Labor Negotiations and Measures in Place to Protect Employee Rights

HTC is committed to fostering an atmosphere of trust in its labor relations, and places great importance on internal communications related to such. Labor relations meeting are convened once every two months (at least 6 regular meetings per year), with labor represented by six elected employee representatives. Meeting minutes are kept to ensure follow-on action and track results. HTC further offers employees various channels through which to submit opinions, suggestions and complaints, which may be delivered via a telephone hotline, e-mail address or physical mail address as well as made known through HTC's regular employee opinion surveys.

During the most recent fiscal year and as of the date of this annual report, 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.

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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	As of
Item		2009	2008	2007	2006	2005	2010.3.31
Current Assets		101,025,179	101,271,990	83,172,719	61,810,772	36,616,174	106,651,678
Long-term Investments		6,506,194	5,160,891	2,899,109	824,481	325,533	6,966,017
Properties		8,314,177	7,375,651	3,715,901	2,909,624	2,495,256	8,928,270
Intangible Assets		-	-	-	-	-	-
Other Assets		3,297,898	1,417,830	656,817	449,300	484,309	3,204,573
Total Assets		119,143,448	115,226,362	90,444,546	65,994,177	39,921,272	125,750,538
Current Liabilities	Before Appropriation	53,501,788	54,558,470	34,368,139	23,421,319	16,935,170	59,983,169
	After Appropriation	*	74,684,104	55,064,686	37,106,789	22,384,394	*
Long-term Liabilities		-	-	-	-	-	-
Other Liabilities		1,210	6,406	628	640	561	1,210
Total Liabilities	Before Appropriation	53,502,998	54,564,876	34,368,767	23,421,959	16,935,731	59,984,379
	After Appropriation	*	74,690,510	55,065,314	37,107,429	22,384,955	*
Capital stock		7,889,358	7,553,938	5,731,337	4,364,192	3,570,160	7,889,358
Capital surplus		9,099,923	4,417,534	4,415,845	4,452,688	4,436,843	9,099,923
Retained Earnings	Before Appropriation	48,637,773	52,036,321	45,920,120	33,988,785	14,984,714	53,636,200
	After Appropriation	*	31,537,990	23,400,972	18,899,930	8,741,458	*
Unrealized Loss On Financial Instruments		(1,658)	(1,632)	(1,187)	(238)	(1,135)	(1,658)
Cumulative Translation Adjustments		15,088	65,602	9,664	10,786	(5,041)	(23,456)
Net Loss Not Recognized As Pension Cost		(34)	-	-	-	-	(34)
Treasury Stock		-	(3,410,277)	-	(243,995)	-	(4,834,174)
Total Stockholders' Equity	Before Appropriation	65,640,450	60,661,486	56,075,779	42,572,218	22,985,541	65,766,159
	After Appropriation	*	40,535,852	35,379,232	28,886,748	17,536,317	*

**Subject to change after shareholders' meeting resolution*

(2) Abbreviated Consolidated Balance Sheets

Unit：NT$ thousands

						Year	As of
Item		2009	2008	2007	2006	2005	2010.3.31
Current Assets		104,422,387	104,256,700	85,763,011	62,812,623	37,037,068	111,379,936
Long-term Investments		810,485	541,437	501,976	2,925	2,028	565,105
Properties (note 1)		9,899,808	8,916,350	4,220,962	3,170,398	2,610,209	10,516,007
Intangible Assets		240482	289783	175206	-	-	240,473
Other Assets		3,577,361	1,738,140	755,326	477,478	491,201	3,483,924
Total Assets		118,950,523	115,742,410	91,416,481	66,463,424	40,140,506	126,185,445
Current Liabilities	Before Appropriation	53,250,281	54,998,933	35,152,925	23,757,897	17,154,404	60,369,937
	After Appropriation	(Note 2)	75,124,567	55,849,472	37,443,367	22,603,628	(Note 2)
Long-term Liabilities		24,375	46,875	75,625	-	-	20,313
Other Liabilities		1,210	6,420	633	640	561	1,572
Total Liabilities	Before Appropriation	53,275,866	55,052,228	35,229,183	23,758,537	17,154,965	60,391,822
	After Appropriation	(Note 2)	75,177,862	55,925,730	37,444,007	22,604,189	(Note 2)
Capital stock		7,889,358	7,553,938	5,731,337	4,364,192	3,570,160	7,889,358
Capital surplus		9,099,923	4,417,534	4,415,845	4,452,688	4,436,843	9,099,923
Retained Earnings	Before Appropriation	48,637,773	52,036,321	45,920,120	33,988,785	14,984,714	53,636,200
	After Appropriation	(Note 2)	31,537,990	23,400,972	18,899,930	8,741,458	(Note 2)
Unrealized Loss On Financial Instruments		(1,658)	(1,632)	(1,187)	(238)	(1,135)	(1,658)
Cumulative Translation Adjustments		15,088	65,602	9,664	10,786	(5,041)	(23,456)
Net Loss Not Recognized As Pension Cost		(34)	-	-	-	-	(34)
Treasury Stock		-	(3,410,277)	-	(243,995)	-	(4,834,174)
Minority Interest		34,207	28,696	111,519	132,669	-	27,464
Total Stockholders' Equity	Before Appropriation	65,674,657	60,690,182	56,187,298	42,704,887	22,985,541	65,793,623
	After Appropriation	(Note 2)	40,564,548	35,490,751	29,019,417	17,536,317	(Note 2)

Note 1: The relatively higher value of consolidated properties is due to the inclusion of the plants and facilities of HTC Electronics (Shanghai) Co., Ltd. and High Tech Computer Corp. (Suzhou), two HTC subsidiaries engaged in the production of smart phones and related components.

Note 2: Subject to change after shareholders' meeting resolution

(3) Abbreviated Income Statements

NT$ thousands (Except EPS:NT$)

Item	2009(Note 2)	2008(Note 2)	2007	2006	2005	2010 1Q
	Year					
Revenues	144,880,715	152,558,766	118,579,958	104,816,548	72,768,522	37,697,395
Gross Profit (Note 1)	45,862,483	50,641,854	40,177,500	31,322,998	16,007,644	11,440,474
Operating Income (Note 1)	24,174,994	30,256,385	30,535,537	25,820,624	12,259,009	5,511,441
Non-operating Income and Gains (Note 1)	1,623,362	2,300,018	1,810,908	1,234,336	215,271	258,008
Non-operating Expenses and Losses (Note 1)	585,892	965,924	195,148	97,082	318,341	48,905
Income from Continuing Operations before Income Tax	25,212,464	31,590,479	32,151,297	26,957,878	12,155,939	5,720,544
Income from Continuing Operations	22,608,902	28,635,349	28,938,862	25,247,327	11,781,944	4,998,427
Income (Loss) from Discontinued Operations	-	-	-	-	-	-
Income (Loss) from Extraordinary Items	-	-	-	-	-	-
Cumulative Effect of Changes in Accounting Principle	-	-	-	-	-	-
Net Income	22,608,902	28,635,349	28,938,862	25,247,327	11,781,944	4,998,427
Basic Earnings Per Share	28.71	36.16	36.48	31.57	14.85	6.38

Note 1: In accordance with 2008 and 2009 financial reporting requirements, write-downs of inventories or reversal of write-downs and product warranty costs registered during the period 2005 to 2007 have been reclassified as cost of revenues items.

Note 2: Included employee bonus expenses

(4) Abbreviated Consolidated Income Statements

NT$ thousands (Except EPS:NT$)

Item	2009(Note 2)	2008(Note 2)	2007	2006	2005	2010 1Q
	Year					
Revenues	144,492,518	152,353,176	118,217,545	105,358,397	73,144,654	37,947,114
Gross Profit (Note 1)	46,162,981	50,990,638	44,164,632	32,516,182	17,310,638	11,601,346
Operating Income (Note 1)	24,622,907	30,345,270	30,660,255	25,745,994	12,209,926	5,664,140
Non-operating Income and Gains (Note 1)	1,420,086	2,319,489	1,771,846	1,284,052	233,980	152,286
Non-operating Expenses and Losses (Note 1)	646,581	929,043	200,165	87,329	285,761	56,932
Income from Continuing Operations before Income Tax	25,396,412	31,735,716	32,231,936	26,942,717	12,158,145	5,759,494
Income from Continuing Operations	22,614,413	28,552,526	28,917,712	25,234,342	11,781,944	4,991,684
Income (Loss) from Discontinued Operations	-	-	-	-	-	-
Income (Loss) from Extraordinary Items	-	-	-	-	-	-
Cumulative Effect of Changes in Accounting Principle	-	-	-	-	-	-
Net Income	22,614,413	28,552,526	28,917,712	25,234,342	11,781,944	4,991,684
Net Income Attribute to Shareholders of the Parent	22,608,902	28,635,349	28,938,862	25,247,327	11,781,944	4,998,427
Basic Earnings Per Share	28.71	36.16	36.48	31.57	14.85	6.38

Note 1: In accordance with 2008 and 2009 financial reporting requirements, write-downs of inventories or reversal of write-downs and product warranty costs registered during the period 2005 to 2007 have been reclassified as cost of revenues items.

Note 2: Included employee bonus expenses

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

Year	CPA Firm	Certified Public Accountant	Auditor's 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
2009	Deloitte Touche Tohmatsu	Ming-Hsien Yang and Tze-Chun Wang	Unqualified Opinion

2. FINANCIAL ANALYSIS

(1) Financial Analysis (Unconsolidated)

Unit：NT$ thousands

Item (Note 2~3）		2009 (Note 1)	2008 (Note 1)	2007	2006	2005	2010 1Q (Note 1)
Capital Structure Analysis	Debt Ratio (%)	45	47	38	35	42	48
	Long-term Fund to Fixed Assets Ratio (%)	790	822	1,509	1,463	921	737
Liquidity Analysis	Current Ratio (%)	189	186	242	264	216	178
	Quick Ratio (%)	172	169	218	233	183	159
	Times Interest Earned (Times)	192,463	136,167	133,409	90,464	614	336,504
Operating Performance Analysis	Average Collection Turnover (Times)	4.92	6.09	6.01	6.09	6.25	5.33
	Days Sales Outstanding	74	60	61	60	58	68
	Average Inventory Turnover (Times)	11.71	12.68	12.14	13.01	11.38	11.65
	Average Payment Turnover (Times)	3.75	4.08	4.03	4.80	5.22	4.09
	Average Inventory Turnover Days	31	29	30	28	32	31
	Fixed Assets Turnover (Times)	17.43	20.68	31.91	36.02	29.16	16.89
	Total Assets Turnover (Times)	1.22	1.32	1.31	1.59	1.82	1.20
Profitability Analysis	Return on Total Assets (%)	19	28	37	48	38	16
	Return on Equity (%)	36	49	59	77	69	30
	Operating Income to Paid-in Capital Ratio (%)	306	401	533	592	343	70
	Pre-tax Income to Paid-in Capital Ratio (%)	320	418	561	618	340	73
	Net Margin (%)	16	19	24	24	16	13
	Basic Earnings Per Share (NT$)	28.71	36.16	36.48	31.57	14.85	6.38
Cash Flow	Cash Flow Ratio (%)	51	69	116	106	75	17
	Cash Flow Adequacy Ratio (%)	201	221	291	296	196	273
	Cash Flow Reinvestment Ratio (%)	11	28	47	44	44	14
Leverage	Operating Leverage	1.66	1.44	1.20	1.16	1.26	1.73
	Financial Leverage	1.00	1.00	1.00	1.00	1.00	1.00

Explanations of primary reasons underlying changes in key financial ratios during the most recent two-year period:

1. Liquidity Analysis

HTC at present enjoys significant cash reserves with no external debt. The interest payment line item on the HTC income statement primarily relates to interest expenses attributable to imputed interest from operating leases and security deposits. Interest expenses have thus been relatively small historically. Reductions in imputed interest from operating lease and security deposit activity during 2009 caused interest expenses decrease to NT$130,000. Thus, the times interest earned is 41% higher than in 2008.

2. Operating Performance Analysis

The days sales outstanding of 74 days in 2009 was 14 days longer than in 2008. This relatively longer collection period is largely attributable to the increase in HTC brand business, necessitating the collection of payments from telecommunication service providers and channel customers in various locations around the world. Furthermore, the financial crisis that made its effects fully felt by 4Q 2008 raised the value of accounts receivables by year's end, which also increased the average trade receivables. Together with the reduced revenues seen in 2009, this had the effect of reducing the collection turnover times and extending further the days sales outstanding. In terms of inventory management, the average inventory turnover days held steady at 30 days; underscoring the effectiveness of HTC inventory management.

3. Profitability Analysis

In the face of difficult general economic conditions and different growth tracks for various smart phone operating systems, HTC revenue during 2009 represented a decrease from 2008. Coupled with the aggressive brand promotion campaign run through the year, the net profit for 2009 stood at 27% less than that achieved during the previous year. Return on total assets (ROA) and return on equity (ROE), similarly, fell by 31% and 27%, respectively, below 2008 levels. Operating income and income before taxes were 24% and 23% less in 2009, while the 2009 earnings per share (EPS) of NT$28.71 was also less than 2008. Even so, HTC made in 2009 earnings valued at over twice its registered capital and retained good profitability while concurrently pressing ahead with research and development work, brand visibility and awareness promotion and other efforts aimed at enhancing HTC's future competitiveness and profitability.

4. Cash Flow Analysis

The NT$6 billion reduction in net profit sustained during 2009 coupled with an increase in royalty prepayments to reduce net cash provided by operating activities by some NT$10 billion. The NT$60 million more in cash dividends distributed in 2009 than in 2008 further contributed to a reduction of 51% and 11%, respectively, in cash flow and cash flow reinvestment ratios.

(2) Financial Analysis (Consolidated)

Unit：NT$ thousands

Item (Note 2~3)		2009 (Note 1)	2008 (Note 1)	2007	2006	2005	2010 1Q (Note 1)
Capital Structure Analysis	Debt Ratio (%)	45	48	39	36	43	48
	Long-term Fund to Fixed Assets Ratio (%)	664	681	1,333	1,347	881	626
Liquidity Analysis	Current Ratio (%)	196	190	244	264	216	184
	Quick Ratio (%)	178	171	217	230	181	164
	Times Interest Earned (Times)	11,683	3,041	26,595	90,413	614	11,077
Operating Performance Analysis	Average Collection Turnover (Times)	4.97	6.12	6.06	6.25	6.35	5.43
	Days Sales Outstanding	73	60	60	58	57	67
	Average Inventory Turnover (Times)	10.37	10.95	9.68	11.34	10.61	10.45
	Average Payment Turnover (Times)	3.66	3.92	3.66	4.65	5.07	4.03
	Average Inventory Turnover Days	35	33	38	32	34	35
	Fixed Assets Turnover (Times)	14.60	17.09	28.01	33.23	28.02	14.43
	Total Assets Turnover (Times)	1.21	1.32	1.29	1.59	1.82	1.20
Profitability Analysis	Return on Total Assets (%)	19	28	37	47	38	16
	Return on Equity (%)	36	49	58	77	69	30
	Operating Income to Paid-in Capital Ratio (%)	312	402	535	590	342	72
	Pre-tax Income to Paid-in Capital Ratio (%)	322	420	562	617	341	73
	Net Margin (%)	16	19	24	24	16	13
	Basic Earnings Per Share (NT$)	28.71	36.16	36.48	31.57	14.85	6.38
Cash Flow	Cash Flow Ratio (%)	52	68	113	104	74	17
	Cash Flow Adequacy Ratio (%)	197	218	283	287	194	266
	Cash Flow Reinvestment Ratio (%)	11	28	47	43	45	14
Leverage	Operating Leverage	1.66	1.44	1.20	1.16	1.26	1.73
	Financial Leverage	1.00	1.00	1.00	1.00	1.00	1.00

Explanations of primary reasons underlying changes in key financial ratios during the most recent two-year period:

1. Liquidity Analysis

Consolidated interest expenses during 2009 arose primarily from a credit-based loan taken out by HTC subsidiary, BandRich, Inc., to streamline its working capital turnover and a medium-term loan secured by HTC subsidiary, Communication Global Certification Inc., from the Taiwan Business Bank with an industry R&D scheme from the Industrial Development Bureau, Ministry of Economic Affairs. Lower interest rates resulted in the comparatively smaller interest expenses during 2009 and the corresponding 284% rise over 2008 in the times interest earned.

2. Operating Performance Analysis

The days sales outstanding of 73 days in 2009 was 13 days longer than in 2008. This relatively longer collection period is largely attributable to the increase in HTC brand business, necessitating the collection of payments from telecommunication service providers and channel customers in various locations around the world. Furthermore, the financial crisis that made its effects fully felt by 4Q 2008 raised the value of accounts receivables by year's end, which also increased the average trade receivables. Together with the reduced revenues seen in 2009, this had the effect of reducing the collection turnover times and extending further the days sales outstanding. In terms of inventory management, the average inventory turnover days held steady at 35 days; underscoring the effectiveness of HTC inventory management.

3. Profitability Analysis

In the face of difficult general economic conditions and different growth tracks for various smart phone operating systems, HTC and its subsidies revenue during 2009 represented a decrease from 2008. Coupled with the aggressive brand promotion campaign run through the year, the net income attribute to parent company for 2009 stood at 27% less than that achieved during the previous year. ROA and ROE, similarly, fell by 32% and 27%, respectively, below 2008 levels. Operating income and income before taxes were 22% and 23% less in 2009, while the 2009 earnings per share (EPS) of NT$28.71 was also less than 2008. Even so, HTC made in 2009 earnings valued at over twice its registered capital and retained good profitability while concurrently pressing ahead with research and development work, brand visibility and awareness promotion and other efforts aimed at enhancing HTC's future competitiveness and profitability.

4. Cash Flow Analysis

The NT$5.9 billion reduction in net profit sustained during 2009 coupled with an increase in royalty prepayments to reduce net cash provided by operating activities by some NT$9.9 billion. The NT$60 million more in cash dividends distributed in 2009 than in 2008 further contributed to a reduction of 52% and 11%, respectively, in cash flow and cash flow reinvestment ratios.

Note 1: Included employee bonus expenses

Note 2: In accordance with 2008 and 2009 financial reporting requirements, write-downs of inventories or reversal of write-downs and product warranty costs registered during the period 2005 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. 2009 SUPERVISOR'S REPORT

HTC CORPORATION
SUPERVISORS AUDIT REPORT

The Board of Directors has prepared the Company's 2009 Business Report, Financial Statements and Earnings Distribution Proposal. HTC Corporation's Financial Statements have been audited and certified by Yang, Ming-Hsien, CPA, and Wang Tze-Chun, 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 柯柏成

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

April 28, 2010

4. INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
HTC Corporation

We have audited the accompanying balance sheets of HTC Corporation (the "Company") as of December 31, 2008 and 2009 and the related statements of income, changes in stockholders' equity, and cash flows for the year 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, 2008 and 2009, 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 2007-052 - "Accounting for Bonuses to Employees, Directors and Supervisors" of the Accounting Research and Development Foundation and adopted early on January 1, 2008 the newly revised Statement of Financial Accounting Standards No. 10 - "Inventories."

We have also audited the consolidated financial statements of HTC Corporation and subsidiaries as of and for the years ended December 31, 2008 and 2009, and expressed in our report dated January 18, 2010 an unqualified opinion with an explanatory paragraph and an unqualified opinion, respectively, on those statements.

Our audits also comprehended the translation of the 2009 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 18, 2010

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.

.> 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

BALANCE SHEETS

DECEMBER 31, 2008 and 2009

(In Thousands, Except Par Value)

ASSETS	2008 NT$	2009 NT$	2009 US$ (Note 3)
CURRENT ASSETS			
Cash and cash equivalents (Notes 2 and 5)	$ 61,826,873	$ 61,676,464	$ 1,927,992
Financial assets at fair value through profit or loss (Notes 2, 6 and 24)	-	18,132	567
Available-for-sale financial assets - current (Notes 2 and 7)	-	2,497,394	78,068
Notes and accounts receivable, net (Notes 2 and 8)	28,860,242	25,326,228	791,692
Accounts receivable from related parties, net (Notes 2 and 25)	938,770	2,244,550	70,164
Other current financial assets (Notes 9 and 25)	275,506	234,201	7,321
Inventories (Notes 2, 4 and 10)	7,418,467	4,738,699	148,131
Prepayments (Notes 11 and 25)	1,237,631	3,351,491	104,767
Deferred income tax assets (Notes 2 and 22)	552,494	811,240	25,359
Other current assets	162,007	126,780	3,963
Total current assets	101,271,990	101,025,179	3,158,024
LONG-TERM INVESTMENTS			
Available-for-sale financial assets - noncurrent (Notes 2 and 7)	339	313	10
Financial assets carried at cost (Notes 2 and 12)	501,192	501,192	15,667
Investments accounted for by the equity method (Notes 2 and 14)	4,342,704	5,549,766	173,484
Prepayments for long-term investments (Notes 2 and 14)	316,656	454,923	14,221
Total long-term investments	5,160,891	6,506,194	203,382
PROPERTIES (Notes 2, 15 and 25)			
Cost			
Land	3,568,124	4,719,538	147,532
Buildings and structures	2,853,645	3,174,986	99,249
Machinery and equipment	3,927,100	4,003,941	125,162
Molding equipment	172,632	172,632	5,397
Computer equipment	264,248	302,213	9,447
Transportation equipment	2,732	2,732	86
Furniture and fixtures	127,202	129,533	4,049
Leased assets	4,712	4,712	147
Leasehold improvements	95,208	96,014	3,001
Total cost	11,015,603	12,606,301	394,070
Less: Accumulated depreciation	(3,728,827)	(4,321,855)	(135,100)
Prepayments for construction-in-progress and equipment-in-transit	88,875	29,731	929
Properties, net	7,375,651	8,314,177	259,899
OTHER ASSETS			
Assets leased to others	309,959	48,135	1,505
Refundable deposits	117,464	69,166	2,163
Deferred charges (Note 2)	52,125	69,773	2,181
Deferred income tax assets (Notes 2 and 22)	821,144	1,066,101	33,326
Restricted assets (Notes 2 and 26)	-	63,900	1,997
Other (Notes 2, 11 and 18)	117,138	1,980,823	61,920
Total other assets	1,417,830	3,297,898	103,092
TOTAL	$ 115,226,362	$ 119,143,448	$ $3,724,397

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

(With Deloitte & Touche audit report dated January 18, 2010)

LIABILITIES AND STOCKHOLDERS' EQUITY	2008 NT$	2009 NT$	2009 US$ (Note 3)
CURRENT LIABILITIES			
Financial liabilities at fair value through profit or loss (Notes 2, 6 and 24)	$ 514,083	$ -	$ -
Notes and accounts payable (Note 25)	27,907,144	24,882,322	777,816
Income tax payable (Notes 2 and 22)	3,937,745	4,152,624	129,810
Accrued expenses (Notes 4, 16 and 25)	15,632,936	17,127,974	535,417
Payable for purchase of equipment	157,786	68,906	2,154
Other current liabilities (Notes 2, 17 and 25)	6,408,776	7,269,962	227,257
Total current liabilities	54,558,470	53,501,788	1,672,454
OTHER LIABILITIES			
Guarantee deposits received	6,406	1,210	38
Total liabilities	54,564,876	53,502,998	1,672,492
STOCKHOLDERS' EQUITY (Note 19)			
Capital stock			
Common stock at par value of NT$10.00; authorized: 1,000,000 thousand shares; issued and outstanding: 755,394 thousand shares in 2008 and 788,936 thousand shares in 2009	7,553,938	7,889,358	246,620
Capital surplus			
Additional paid-in capital from share issuance in excess of par	4,374,244	9,056,323	283,099
Long-term equity investments	17,534	18,411	576
Merger	25,756	25,189	787
Retained earnings			
Legal reserve	7,410,139	10,273,674	321,152
Accumulated earnings	44,626,182	38,364,099	1,199,253
Cumulative translation adjustments (Note 2)	65,602	15,088	471
Net loss not recognized as pension cost	-	(34)	(1)
Unrealized valuation losses on financial instruments (Notes 2 and 7)	(1,632)	(1,658)	(52)
Treasury stock (Notes 2 and 20)	(3,410,277)	-	-
Total stockholders' equity	60,661,486	65,640,450	2,051,905
TOTAL	$ 115,226,362	$ 119,143,448	$ 3,724,397

HTC CORPORATION

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2008 AND 2009

(In Thousands, Except Earnings Per Share)

	2008	2009	
	NT$	NT$	US$ (Note 3)
REVENUES (Notes 2 and 25)	$ 152,558,766	$ 144,880,715	$ 4,528,938
COST OF REVENUES (Notes 4, 21 and 25)	101,916,912	99,018,232	3,095,287
GROSS PROFIT	50,641,854	45,862,483	1,433,651
UNREALIZED PROFIT FROM INTERCOMPANY TRANSACTIONS	(134,091)	(108,150)	(3,381)
REALIZED PROFIT FROM INTERCOMPANY TRANSACTIONS	175,075	134,091	4,192
REALIZED GROSS PROFIT	50,682,838	45,888,424	1,434,462
OPERATING EXPENSES (Notes 21 and 25)			
Selling and marketing	9,009,785	11,103,061	347,079
General and administrative	1,798,900	2,010,000	62,832
Research and development	9,617,768	8,600,369	268,846
Total operating expenses	20,426,453	21,713,430	678,757
OPERATING INCOME	30,256,385	24,174,994	755,705
NONOPERATING INCOME AND GAINS			
Interest income	1,368,322	348,693	10,900
Gains on equity-method investments (Notes 2 and 14)	-	273,811	8,559
Gains on disposal of properties (Note 25)	5,631	2,984	93
Gain on sale of investments	-	3,035	95
Exchange gains (Note 2)	660,765	513,650	16,057
Valuation gain on financial instruments, net (Notes 2 and 6)	-	18,132	567
Other	265,300	463,057	14,475
Total nonoperating income and gains	2,300,018	1,623,362	50,746
NONOPERATING EXPENSES AND LOSSES			
Interest expense	232	131	4
Losses on equity-method investments (Notes 2 and 14)	57,289	-	-
Losses on disposal of properties	5,931	-	-
Impairment loss (Notes 2 and 14)	-	30,944	967
Valuation loss on financial instruments, net (Notes 2 and 6)	514,083	-	
Other (Notes 17 and 25)	388,389	554,817	17,344
Total nonoperating expenses and losses	965,924	585,892	18,315
INCOME BEFORE INCOME TAX	31,590,479	25,212,464	788,136
INCOME TAX (Notes 2 and 22)	(2,955,130)	(2,603,562)	(81,387)
NET INCOME	$ 28,635,349	$ 22,608,902	$ 706,749

(Continued)

	2008		2009			
	Before Income Tax	After Income Tax	Before Income Tax		After Income Tax	
	NT$	NT$	NT$	US$ (Note 3)	NT$	US$ (Note 3)
BASIC EARNINGS PER SHARE (Note 23)	$ 39.89	$ 36.16	$ 32.02	$ 1.00	$ 28.71	$ 0.90
DILUTED EARNINGS PER SHARE (Note 23)	$ 38.56	$ 34.95	$ 31.42	$ 0.98	$ 28.18	$ 0.88

(Concluded)

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

(With Deloitte & Touche audit report dated January 18, 2010)

HTC CORPORATION

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2007, 2008 AND 2009

(In Thousands)

	Capital Stock	Capital Surplus		
New Taiwan Dollars	Issued and Outstanding Common Stock	Additional Paid-in Capital	Long-Term Equity Investments	Merger
BALANCE, JANUARY 1, 2008	$ 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
Appropriation of the 2008 net earnings				
Legal reserve	-	-	-	-
Stock dividends	372,697	-	-	-
Cash dividends	-	-	-	-
Transfer of employee bonuses to common stock	133,573	4,821,316	-	-
Net income in 2009	-	-	-	-
Translation adjustments on long-term equity investments	-	-	-	-
Unrealized loss on financial instruments	-	-	-	-
Adjustment due to changes in ownership percentage in investees and the movement of investees' other equity under equity method	-	-	877	-
Purchase of treasury stock	-	-	-	-
Retirement of treasury stock	(170,850)	(139,237)	-	(567)
BALANCE, DECEMBER 31, 2009	$ 7,889,358	$ 9,056,323	$ 18,411	$ $25,189
US Dollars				
BALANCE, JANUARY 1, 2009	$ 236,135	$ 136,738	$ 549	$ 805
Appropriation of the 2008 net earnings				
Legal reserve	-	-	-	-
Stock dividends	11,650	-	-	-
Cash dividends	-	-	-	-
Transfer of employee bonuses to common stock	4,175	150,713	-	-
Net income in 2009	-	-	-	-
Translation adjustments on long-term equity investments	-	-	-	-
Unrealized loss on financial instruments	-	-	-	-
Adjustment due to changes in ownership percentage in investees and the movements of investees' other equity under equity method	-	-	27	-
Purchase of treasury stock	-	-	-	-
Retirement of treasury stock	(5,340)	(4,352)	-	(18)
BALANCE, DECEMBER 31, 2009	$ 246,620	$ 283,099	$ 576	$ 787

	Retained Earnings						
New Taiwan Dollars	Legal Reserve	Accumulated Earnings	Cumulative Translation Adjustments	Net Loss Not Recognized as Pension Cost	Unrealized Valuation Losses on Financial Instruments	Treasury Stock	Total
BALANCE, JANUARY 1, 2008	$ 4,516,253	41,403,867	$ 9,664	$ -	$ (1,187)	$	$ 56,075,779
Appropriation of the 2007 net earnings							
Legal reserve	2,893,886	(2,893,886)	-	-	-	-	-
Stock dividends	-	(1,719,401)	-	-	-	-	-
Transfer of employee bonuses to common stock	-	(103,200)	-	-	-	-	-
Employee bonuses	-	(1,210,000)	-	-	-	-	(1,210,000)
Cash dividends	-	(19,486,547)	-	-	-	-	(19,486,547)
Net income in 2008	-	28,635,349	-	-	-	-	28,635,349
Translation adjustments on long-term equity investments	-	-	55,938	-	-	-	55,938
Unrealized loss on financial instruments	-	-	-	-	(445)	-	(445)
Adjustment due to changes in ownership percentage in investees	-	-	-	-	-	-	1,689
Purchase of treasury stock	-	-	-	-	-	(3,410,277)	(3,410,277)
BALANCE, DECEMBER 31, 2008	7,410,139	44,626,182	65,602	-	(1,632)	(3,410,277)	60,661,486
Appropriation of the 2008 net earnings							
Legal reserve	2,863,535	(2,863,535)	-	-	-	-	-
Stock dividends	-	(372,697)	-	-	-	-	-
Cash dividends	-	(20,125,634)	-	-	-	-	(20,125,634)
Transfer of employee bonuses to common stock	-	-	-	-	-	-	4,954,889
Net income in 2009	-	22,608,902	-	-	-	-	22,608,902
Translation adjustments on long-term equity investments	-	-	(47,783)	-	-	-	(47,783)
Unrealized loss on financial instruments	-	-	-	-	(26)	-	(26)
Adjustment due to changes in ownership percentage in investees and the movement of investees' other equity under equity method	-	(2,566)	(2,731)	(34)	-	-	(4,454)
Purchase of treasury stock	-	-	-	-	-	(2,406,930)	(2,406,930)
Retirement of treasury stock	-	(5,506,553)	-	-	-	5,817,207	-
BALANCE, DECEMBER 31, 2009	$ 10,273,674	$ 38,364,099	$ 15,088	$ (34)	$ (1,658)	$ -	$ 65,640,450
US Dollars							
BALANCE, JANUARY 1, 2009	$ 231,639	$ 1,395,004	$ 2,051	$ -	$ (51)	$ (106,604)	$ 1,896,266
Appropriation of the 2008 net earnings							
Legal reserve	89,513	(89,513)	-	-	-	-	-
Stock dividends	-	(11,650)	-	-	-	-	-
Cash dividends	-	(629,123)	-	-	-	-	(629,123)
Transfer of employee bonuses to common stock	-	-	-	-	-	-	154,888
Net income in 2009	-	706,749	-	-	-	-	706,749
Translation adjustments on long-term equity investments	-	-	(1,495)	-	-	-	(1,495)
Unrealized loss on financial instruments	-	-	-	-	(1)	-	(1)
Adjustment due to changes in ownership percentage in investees and the movements of investees' other equity under equity method	-	(80)	(85)	(1)	-	-	(139)
Purchase of treasury stock	-	-	-	-	-	(75,240)	(75,240)
Retirement of treasury stock	-	(172,134)	-	-	-	181,844	-
BALANCE, DECEMBER 31, 2009	$ 321,152	$ 1,199,253	$ 471	$ (1)	$ (52)	$ -	$ 2,051,905

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

(With Deloitte & Touche audit report dated January 18, 2010)

HTC CORPORATION

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2008 AND 2009

(In Thousands)

	2008 NT$	2009 NT$	2009 US$ (Note 3)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 28,635,349	$ 22,608,902	$ $706,749
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation (including depreciation of assets leased to others)	568,208	633,950	19,817
Transfer of properties to expenses	18,059	7,021	219
Exchange loss on bond investments not quoted in an active market	2,670	-	-
Amortization	35,983	39,847	1,246
Gain on sale of investments, net	-	(3,035)	(95)
Loss (gain) on disposal of properties, net	300	(2,984)	(93)
Cash dividends received from equity-method investees	-	905	28
Losses (gains) on equity-method investments	57,289	(273,811)	(8,559)
Distribution of bonuses to employees of subsidiaries	-	(17,731)	(554)
Impairment loss	-	30,944	967
Deferred income tax assets	(431,528)	(503,703)	(15,746)
Prepaid pension costs	(21,951)	(20,515)	(641)
Net changes in operating assets and liabilities			
Financial instruments at fair value through profit or loss	417,827	(532,215)	(16,637)
Notes and accounts receivable	(9,913,317)	3,534,014	110,472
Accounts receivable from related parties	(401,895)	(1,305,780)	(40,818)
Other current financial assets	8,545	41,305	1,291
Inventories	(1,299,054)	2,679,768	83,769
Prepayments	299,696	(2,095,767)	(65,513)
Other current assets	(45,166)	35,227	1,101
Other assets - other		(1,843,170)	(57,617)
Notes and accounts payable	5,887,026	(3,024,822)	(94,555)
Income tax payable	1,423,351	214,879	6,717
Accrued expenses	10,363,107	6,449,927	201,623
Other current liabilities	1,989,656	888,452	27,773
Net cash provided by operating activities	37,594,155	27,541,608	860,944
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of available-for-sale financial assets	-	(8,105,512)	(253,376)
Proceeds of the sale of available-for-sale financial assets	-	5,611,153	175,403
Purchase of properties	(4,577,491)	(1,426,671)	(44,597)
Proceeds of the sales of properties	7,879	4,005	125
Increase in investments accounted for by the equity method	(2,108,829)	(1,164,135)	(36,391)
Increase in restricted assets	-	(63,900)	(1,997)
Increase in deferred charges	-	(57,495)	(1,797)
Increase (decrease) in refundable deposits	(24,027)	48,298	1,509
Net cash used in investing activities	(6,702,468)	(5,154,257)	(161,121)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (decrease) in guarantee deposits received	5,778	(5,196)	(162)
Cash dividends	(19,486,547)	(20,125,634)	(629,123)
Bonus to employees	(1,210,000)	-	-
Purchase of treasury stock	(3,410,277)	(2,406,930)	(75,240)
Net cash used in financing activities	(24,101,046)	(22,537,760)	(704,525)

(Continued)

	2008 NT$	2009 NT$	2009 US$ (Note 3)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ 6,790,641	$ (150,409)	$ (4,702)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	55,036,232	61,826,873	1,932,694
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 61,826,873	$ 61,676,464	$ 1,927,992
SUPPLEMENTAL CASH FLOW INFORMATION			
Cash paid during the year			
Interest (net of amounts capitalized)	$ 232	$ 131	$ 4
Income tax	$ 1,963,307	$ 2,892,386	$ 90,415
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	$ -	$ -
Transfer of properties to assets leased to others	$ 309,959	$ -	$ -
Transfer of assets leased to others to properties	$ -	$ 261,824	$ 8,185
Transfer of retained earnings and accrued stock bonuses to employees to common stock and additional paid-in capital	$ 1,822,601	$ 5,327,586	$ 166,538
Retirement of treasury stock	$ -	$ 5,817,207	$ 181,844
INCREASE IN LONG-TERM INVESTMENTS - EQUITY METHOD			
Increase in investments accounted for by the equity method	$ 2,231,529	$ 1,137,873	$ 35,570
(Increase) decrease in payable for purchase of investments	(122,700)	26,262	821
Cash paid for increase in long-term investments	$ 2,108,829	$ 1,164,135	$ 36,391
PURCHASE OF PROPERTIES			
Cost of properties purchased	$ 4,564,155	$ 1,336,787	$ 41,788
Decrease in payable for purchase of equipment	12,398	88,880	2,778
Decrease in lease payable	938	1,004	31
Cash paid for purchase of properties	$ 4,577,491	$ 1,426,671	$ 44,597

(Concluded)

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

(With Deloitte & Touche audit report dated January 18, 2010)

HTC CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2009
(In Thousands, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

HTC Corporation (the "Company") 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, the Company had an initial public offering and, 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.

The Company had 8,285 and 7,284 employees as of December 31, 2008 and 2009, 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.

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.

Cash Equivalents

Cash equivalents, consisting of repurchase agreements collateralized by bonds, are highly liquid financial instruments with maturities of three months or less when acquired and with carrying amounts that approximate their fair values.

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 the same with 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 thenumber 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. Cost is determined using the moving-average method.

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 on the basis of 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.
The related cost (including revaluation increment) and accumulated depreciation 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, 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 on the defined benefit plan are recognized as part of the net 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.

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; and

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 2008 accounts have been reclassified to be consistent with the presentation of the financial statements as of and for the year ended December 31, 2009.

3. TRANSLATION INTO U.S. DOLLARS

The financial statements are stated in New Taiwan dollars. The translation of the 2009 New Taiwan dollar amounts into U.S. dollar amounts are included solely for the convenience of readers, using the noon buying rate of NT$31.99 to US$1.00 quoted by the Bank of Taiwan on December 31, 2009. 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 2007-052 - "Accounting for Bonuses to Employees, Directors and Supervisors"

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. This accounting change resulted in a decrease of NT$5,614,036 thousand in net income, including an employee bonus payable of NT$6,164,889 thousand, minus the allocation to inventory of NT$34,550 thousand and minus the tax savings of NT$516,303 thousand; and a decrease of NT$7.44 in after income tax basic earnings per share for the year ended December 31, 2008.

b. SFAS No. 39 - "Share-based Payment"

On January 1, 2008, the Company adopted the newly released Statement of Financial Accounting Standards (SFAS) No. 39 - "Share-based Payment." Except as mentioned above, this accounting change had no material effect on the Company's financial statements as of and for the year ended December 31, 2008.

c. SFAS No. 10 - "Inventories"

On January 1, 2008, the Company adopted early the newly revised SFAS No. 10- "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. This accounting change 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.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31, 2008 and 2009 were as follows:

	2008	2009	
	NT$	NT$	US$(Note 3)
Cash on hand	$ 930	$ 1,000	$ 31
Cash in banks	1,774,195	561,516	17,553
Time deposits	60,051,748	61,113,948	1,910,408
	$ 61,826,873	$ 61,676,464	$ 1,927,992

On time deposits, interest rates ranged from 0.30% to 2.41% and from 0.10% to 1.03%, as of December 31, 2008 and 2009, respectively.

On preferential deposits, interest rates ranged from 0.02% to 2.71% and from 0.10% to 0.70% as of December 31, 2008 and 2009, 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, 2008 and 2009 were as follows:

	2008	2009	
	NT$	NT$	US$(Note 3)
Derivatives - financial assets			
Exchange contracts	$ -	$ 18,132	$ 567
Derivatives - financial liabilities			
Exchange contracts	$ 514,083	$ -	$ -

The Company had derivative transactions in 2008 and 2009 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 - "Financial Instruments: Recognition and Measurement." Thus, the Company had no hedge accounting in 2008 and 2009. Outstanding forward exchange contracts as of December 31, 2008 and 2009 were as follows:

Forward Exchange Contracts

				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	JPY	95,000
Forward exchange contracts	Buy	USD/JPY	2009.01.07-2009.02.13	USD	16,726
Forward exchange contracts	Sell	USD/NTD	2009.01.07-2009.01.23	USD	37,000
Forward exchange contracts	Buy	USD/CAD	2009.01.16	USD	618

				2009	
	Buy/Sell	Currency	Settlement Period/Date	Contract Amount	
Forward exchange contracts	Sell	EUR/USD	2010.01.15-2010.02.26	EUR	76,000

Net loss on derivative financial instruments in 2009 was NT$749,476 thousand (US$23,428 thousand), including realized settlement loss of NT$767,608 thousand (US$23,995 thousand) and valuation gain of NT$18,132 thousand (US$567 thousand).

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets as of December 31, 2008 and 2009 were as follows:

	2008	2009	
	NT$	NT$	US$(Note 3)
Mutual funds	$ -	$ 2,497,394	$ 78,068
Domestic quoted stocks	339	313	10
Less: Current portion	-	(2,497,394)	(78,068)
	$ 339	$ 313	$ 10

8. NOTES AND ACCOUNTS RECEIVABLE

Notes and accounts receivable as of December 31, 2008 and 2009 were as follows:

	2008	2009	
	NT$	NT$	US$(Note 3)
Notes receivable	$ 3,456	$ -	$ -
Accounts receivable	29,407,383	26,334,719	823,217
Less:			
Allowance for doubtful accounts	(550,597)	(1,008,491)	(31,525)
	$ 28,860,242	$ 25,326,228	$ 791,692

9. OTHER CURRENT FINANCIAL ASSETS

Other current financial assets as of December 31, 2008 and 2009 were as follows:

	2008	2009	
	NT$	NT$	US$(Note 3)
Other receivables	$ 193,092	$ 118,321	$ 3,699
Interest receivables	40,026	11,226	351
Agency payments	28,519	23,517	735
Other receivables from related parties (Note 25)	13,869	81,137	2,536
	$ 275,506	$ 234,201	$ 7,321

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

10. INVENTORIES

Inventories as of December 31, 2008 and 2009 were as follows:

	2008	2009	
	NT$	NT$	US$(Note 3)
Finished goods	$ 1,302,917	$ 1,227,468	$ 38,371
Work-in-process	2,435,581	1,784,531	55,784
Raw materials	5,303,195	4,233,948	132,352
Goods in transit	-	618,013	19,319
	9,041,693	7,863,960	245,826
Less: Valuation allowance	(1,623,226)	(3,125,261)	(97,695)
	$ 7,418,467	$ 4,738,699	$ 148,131

The write-down of inventories to their net realizable value amounted to NT$1,111,843 and NT$1,934,360 thousand (US$60,468 thousand) and was recognized as cost of sales for the years ended December 31, 2008 and 2009, respectively.

11. PREPAYMENTS

Prepayments as of December 31, 2008 and 2009 were as follows:

	2008	2009	
	NT$	NT$	US$(Note 3)
Royalty	$ 976,824	$ 3,044,563	$ 95,173
Services	89,181	121,600	3,801
Molding equipment	80,420	37,052	1,158
Software and hardware maintenance	73,218	68,937	2,155
Export	6,420	21,219	663
Others	11,568	58,120	1,817
	$ 1,237,631	$ 3,351,491	$ 104,767

Prepayments for royalty were primarily for discount purposes and were classified as current or noncurrent on the basis of their maturities. As of December 31, 2009, noncurrent prepayments of NT$1,843,170 thousand (US$57,617 thousand) had been classified as other assets (Note 28 has more information).

Prepayments for others were primarily rent, travel and insurance expenses.

12. FINANCIAL ASSETS CARRIED AT COST

Financial assets carried at cost as of December 31, 2008 and 2009 were as follows:

	2008	2009	
	NT$	NT$	US$(Note 3)
Hua-Chuang Automobile Information Technical Center Co., Ltd.	$ 500,000	$ 500,000	$ 15,630
Answer Online, Inc.	1,192	1,192	37
	$ 501,192	$ 501,192	$ 15,667

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. The buy-back proposed by Yulon Group becomes effective with a consensus from the Company.

In March 2004, the Company merged with IA Style, Inc. 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

A bond investment not quoted in an active market as of December 31, 2008 and 2009 was as follows:

	2008	2009	
	NT$	NT$	US$(Note 3)
Bond investment	$ -	$ -	$ -
Less: Current portion	-	-	-
	$ -	$ -	$ -

The Company bought a 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 27.27% 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, 2008 and 2009 were as follows:

	2008		2009				
	Carrying Value	Ownership Percentage	Original Cost		Carrying Value		Ownership Percentage
	NT$		NT$	US$(Note 3)	NT$	US$(Note 3)	
Equity method							
H.T.C. (B.V.I.) Corp.	$ 1,557,022	100.00	$ 1,178,341	$ 36,834	$ 1,408,470	$ 44,028	100.00
BandRich Inc.	29,460	50.66	135,000	4,220	35,117	1,098	50.66
HTC HK, Limited	46,743	100.00	-	-	-	-	-
Communication Global	273,583	100.00	280,000	8,753	286,957	8,970	100.00
High Tech Computer Asia Pacific	2,094,922	100.00	3,153,175	98,567	3,223,526	100,767	100.00
Vitamin D Inc.	39,906	26.02	40,986	1,281	-	-	25.59
HTC Investment Corporation	301,006	100.00	300,000	9,378	300,563	9,395	100.00
PT. High Tech Computer	62	1.00	62	2	62	2	1.00
HTC I Investment Corporation	-	100.00	295,000	9,222	295,071	9,224	100.00
Prepayments for long-term investments	316,656		454,923	14,221	454,923	14,221	
	$ 4,659,360		$ 5,837,487	$ 182,478	$ 6,004,689	$ 187,705	

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. The Company increased this investment by NT$457,727 thousand in 2008 and NT$385,749 thousand (US$12,059 thousand) in 2009. The 2009 additional investment consisted of NT$316,656 thousand (US$9,899 thousand) transferred from prepayments for long-term investments because the registration of the related investment had been completed by the beginning of 2009 and of a new investment amount of NT$69,093 thousand (US$2,160 thousand).

In addition, the Company reorganized its overseas subsidiaries' investment structure in the fourth quarter of 2009. Thus, H.T.C. (B.V.I) Corp. transferred some of its subsidiaries to High Tech Computer Asia Pacific Pte. Ltd and HTC HK, Limited and reduced its capital by NT$751,134 thousand (US$23,480 thousand). As of December 31, 2009, the Company's investment in H.T.C. (B.V.I.) Corp. amounted to NT$1,178,341 thousand (US$36,834 thousand). 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 common shares at NT$12.50 per share, of which the Company did not buy any shares. Thus, the Company's ownership percentage declined from 92% to 50.66%, resulting 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 December 2009, HTC HK, Limited was sold to High Tech Computer Asia Pacific Pte. Ltd. in line with the reorganization of the Company's overseas subsidiaries' investment structure.

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. ("High Tech Asia") for NT$560,660 thousand and accounted for this investment by the equity method. The Company made a new investment of NT$1,463,114 thousand in 2008. In 2009, High Tech Asia increased its capital by NT$1,339,311 thousand (US$41,867 thousand) because of the Company's new cash investment and a transfer-in due to the reorganization of the Company's overseas subsidiaries' investment structure. As of December 31, 2009, the Company's investment in High Tech Asia had amounted to NT$3,363,085 thousand (US$105,129 thousand). However, because the registration of this investment had not been completed as of December 31, 2009, an amount of NT$209,910 thousand (US$6,562 thousand) was temporarily accounted for under "prepayments for long-term investments."

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 27.27% equity interest in Vitamin D Inc. for NT$40,986 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, January 2009 and June 2009, Vitamin D Inc. issued new convertible preferred shares, but the Company did not buy any of these shares. The Company's ownership percentage thus declined from 27.27% to 25.59%, and there was a capital surplus - long-term equity investments of NT$1,689 thousand, NT$187 thousand (US$6 thousand) and NT$484 thousand (US$15 thousand) in September 2008, January 2009 and June 2009, respectively. In addition, the Company determined that the recoverable amount of this investment in 2009 was less than its carrying amount and thus recognized an impairment loss of NT$30,944 thousand (US$967 thousand).

In July 2008, the Company acquired 100% equity interest in HTC Investment Corporation for NT$300,000 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.

In September 2009, the Company acquired 100% equity interest in HTC I Investment Corporation for NT$295,000 thousand (US$9,222 thousand) and accounted for this investment by the equity method.

In October 2009, the Company and its subsidiary, High Tech Computer Asia Pacific Pte. Ltd., acquired 1% and 99%, respectively, equity interest in HTC Holding Cooperatief U.A. for NT$13 thousand (US$0 thousand) and NT$1,325 thousand (US$41 thousand), respectively. As a result, the Company accounted for this investment by the equity method.

In December 2009, the Company invested in Huada Digital Corporation for NT$245,000 thousand (US$7,659 thousand). Because the registration of the investment was not completed on December 31, 2009, the investment was temporarily accounted for as "prepayments for long-term investments."

On its equity-method investments, the Company had a loss of NT$57,289 thousand and a gain of NT$273,811 thousand (US$8,559 thousand) in 2008 and 2009, 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, 2008 and 2009. All significant intercompany balances and transactions have been eliminated.

15. PROPERTIES

Properties as of December 31, 2008 and 2009 were as follows:

	2008	2009			
	Carrying Value	Cost	Accumulated Depreciation	Carrying Value	
	NT$	NT$	NT$	NT$	US$(Notes3)
Land	$ 3,568,124	$ 4,719,538	$ -	$ 4,719,538	$ 147,532
Buildings and structures	2,329,081	3,174,986	652,346	2,522,640	78,857
Machinery and equipment	1,226,172	4,003,941	3,103,473	900,468	28,148
Molding equipment	-	172,632	172,632	-	-
Computer equipment	72,187	302,213	224,299	77,914	2,436
Transportation equipment	1,675	2,732	1,394	1,338	42
Furniture and fixtures	28,409	129,533	110,330	19,203	600
Leased assets	2,356	4,712	3,141	1,571	49
Leasehold improvements	58,772	96,014	54,240	41,774	1,306
Prepayments for land, construction-in- progress and equipment-in-transit	88,875	29,731	-	29,731	929
	$ 7,375,651	$ 12,636,032	$ 4,321,855	$ 8,314,177	$ 259,899

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 to have more office space.

In December 2008, the Company bought land - about 8.3 thousand square meters - from Yulon Motors Ltd. for NT$3,335,000 thousand to build the Taipei R&D headquarter 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, 2009. Under a revised agreement signed in December 2009, Yulon Motors Ltd. should transfer to the Company the remaining 20% of ownership of the land by March 31, 2010 instead of by December 20, 2009. The Company should pay the remaining 20% purchase price 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. Besides, in January 2009, the Company acquired another land - about 39 thousand square meters - near the Company in Taoyuan for NT$791,910 thousand (US$24,755 thousand) from a related party, Syuda Construction Company, to expand factory area.

There were no interests capitalized for the years ended December 31, 2008 and 2009, respectively.

16. ACCRUED EXPENSES

Accrued expenses as of December 31, 2008 and 2009 were as follows:

	2008	2009	
	NT$	NT$	US$(Note 3)
Marketing	$ 5,810,533	$ 8,572,963	$ 267,989
Bonus to employees	6,164,889	4,859,236	151,899
Services	1,180,716	1,115,099	34,858
Salaries and bonuses	1,012,048	820,342	25,644
Export	447,814	460,401	14,392
Research materials	397,075	405,916	12,689
Donation	-	217,800	6,808
Meals and welfare	99,952	111,745	3,493
Insurance	69,978	74,607	2,332
Repairs and maintenance	76,171	63,957	1,999
Research and development	65,600	49,200	1,538
Pension cost	48,405	47,860	1,496
Freight	13,808	27,312	854
Travel	30,714	22,325	698
Others	215,233	279,211	8,728
	$ 15,632,936	$ 17,127,974	$ 535,417

Based on the resolution passed by the Company's board of directors in February 2009, the employee bonuses for 2009 should be appropriated at 18% of net income before deducting employee bonus expenses.

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

In September 2009, the Company's board of directors resolved to donate to the HTC Education Foundation NT$300,000 thousand (US$9,378 thousand), consisting of (a) the second and third floors of Taipei's R&D headquarters, with these two floors to be built at an estimated cost of NT$217,800 thousand (US$6,808 thousand), and (b) cash of NT$82,200 thousand (US$2,570 thousand). This donation excludes the land, of which the ownership remains with the Company. The difference between the estimated building donation and the actual construction cost will be treated as an adjustment in the year when the completed floors are actually turned over to the HTC Education Foundation.

Services fees accrued were mainly from authorizing related parties to do marketing activities and research and design and provide consulting services.

17. OTHER CURRENT LIABILITIES

Other current liabilities as of December 31, 2008 and 2009 were as follows:

	2008	2009	
	NT$	NT$	US$(Note 3)
Reserve for warranty expenses	$ 5,225,862	$ 5,287,562	$ 165,288
Other payables (Note 25)	634,417	905,908	28,318
Agency receipts	255,853	576,891	18,033
Deferred credits - profit from intercompany transactions	134,091	108,150	3,381
Advance receipts	120,504	195,678	6,117
Directors' remuneration	21,842	-	-
Others	16,207	195,773	6,120
	$ 6,408,776	$ 7,269,962	$ 227,257

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

Other payables were payables for investments accounted for by the equity method, miscellaneous expenses of overseas sales offices, repair materials and contingent loss of purchase orders which was recognized as other loss.

In December 2008, the Company also estimated a contingent liability of NT$125,663 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 employees' income tax, insurance, royalties, overseas value-added tax, and other items.

Deferred credits - gains on 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 for the years ended December 31, 2008 and 2009 were NT$158,050 thousand and NT$182,271 thousand (US$5,698 thousand), respectively.

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 in the committee's name. The pension fund balances were NT$388,641 thousand and NT$416,688 thousand (US$13,025 thousand) as of December 31, 2008 and 2009, 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 2008 and 2009 were as follows:

	2008	2009	
	NT$	NT$	US$(Note 3)
Service cost	$ 5,194	$ 5,255	$ 164
Interest cost	8,699	9,351	293
Projected return on plan assets	(9,967)	(11,076)	(346)
Amortization of unrecognized net transition obligation, net	-	-	-
Amortization of net pension benefit	1,487	1,349	42
Net pension cost	$ 5,413	$ 4,879	$ 153

The reconciliations between pension fund status and prepaid pension cost as of December 31, 2008 and 2009 were as follows:

	2008	2009	
	NT$	NT$	US$(Note 3)
Present actuarial value of benefit obligation			
Vested benefit obligation	$ -	$ 1,334	$ 42
Non-vested benefit obligation	163,438	177,557	5,550
Accumulated benefit obligation	163,438	178,891	5,592
Additional benefits on future salaries	176,609	148,040	4,628
Projected benefit obligation	340,047	326,931	10,220
Fair value of plan assets	(388,641)	(416,688)	(13,025)
Funded status	(48,594)	(89,757)	(2,805)
Unrecognized pension loss	(68,544)	(47,896)	(1,498)
Prepaid pension cost	$ (117,138)	$ (137,653)	$ (4,303)

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

	2008	2009
Weighted-average discount rate	2.75%	2.00%
Assumed rate of increase in future compensation	4.00%	3.50%
Expected long-term rate of return on plan assets	2.75%	2.00%

The vested benefits as of December 31, 2008 and 2009 amounted to NT$0 thousand and NT$1,511 thousand (US$47 thousand), respectively.

19. STOCKHOLDERS' EQUITY

Capital Stock

The Company's outstanding common stock as of January 1, 2008 amounted to NT$5,731,337 thousand, divided into 573,134 thousand common shares at NT$10.00 par value. In June 2008, the stockholders approved the transfer of retained earnings amounting to NT$1,719,401 thousand and employee bonuses amounting to NT$103,200 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, divided into 755,394 thousand common shares at NT$10.00 par value.

In January and November 2009, the Company retired 10,000 thousand treasury shares at NT$100,000 thousand (US$3,126 thousand) and 7,085 thousand treasury shares at NT$70,850 thousand (US$2,214 thousand), respectively. Also, in June 2009, the stockholders approved the transfer of retained earnings amounting to NT$372,697 thousand (US$11,650 thousand) and employee bonuses amounting to NT$133,573 thousand (US$4,175 thousand) to capital stock. As a result, the amount of the Company's outstanding common stock as of December 31, 2009 increased to NT$7,889,358 thousand (US$246,620 thousand), divided into 788,936 thousand common shares at NT$10.00 (US$0.31) par value.

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 8,493 thousand units (33,971.9 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, 2009, there were 3,067.4 thousand units of GDRs redeemed, representing 12,270 thousand common shares, and the outstanding GDRs represented 21,702 thousand common shares or 2.75% 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$4,374,244 thousand as of January 1, 2008. In January and November 2009, the retirement of treasury stock caused a decrease of additional paid-in capital amounted to NT$57,907 thousand (US$1,810 thousand) and NT$81,330 thousand (US$2,542 thousand), respectively. In addition, the bonus to employees of NT$6,164,889 thousand for 2008 were approved in the stockholders' meeting in June 2009. Of the approved amount, NT$4,954,889 thousand, representing 13,357 thousand common shares which was determined by fair value, would be distributed by common stock. The difference between par value and fair value of NT$4,821,316 thousand (US$150,713 thousand) was accounted for as additional paid-in capital. As a result, the additional paid-in capital as of December 31, 2009 was NT$9,056,323 thousand (US$283,099 thousand). Under the Company Law, the Company may transfer the capital surplus to common stock if there is no accumulated deficit.

The capital surplus from long-term equity investments was NT$15,845 thousand as of January 1, 2008. When the Company did not subscribe for the new shares issued by Vitamin D Inc. in September 2008, January 2009 and June 2009, adjustments of NT$1,689 thousand, NT$187 thousand (US$6 thousand) and NT$484 thousand (US$15 thousand) were made to the investment carrying value and capital surplus, respectively. The Company also determined that the recoverable amount of this investment was less than its carrying amount and recognized an impairment loss on its carrying value.

As a result, the carrying value of this investment became zero and the Company reversed a capital surplus of NT$2,360 thousand (US$74 thousand) that was recognized in prior years for the movement of Vitamin D's capital surplus in proportion to the Company's equivalent stock. Also recognized was the movement of other investees' capital surplus amounting to NT$2,566 thousand (US$80 thousand). As of December 31, 2009, the total capital surplus from long-term equity-method investments was NT$18,411 thousand (US$576 thousand).

The additional paid-in capital from a merger was NT$25,756 thousand as of January 1, 2008. Then because of treasury stock retirement in January and November 2009, the additional paid-in capital from a merger decreased to NT$25,189 thousand (US$787 thousand) as of December 31, 2009.

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. 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$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.

The bonus to employees of NT$6,164,889 thousand for 2008 were approved in the stockholders' meeting in June 2009. The bonus to employees included a cash bonus of NT$1,210,000 thousand and a share bonus of NT$4,954,889 thousand. The number of shares of 13,357 thousand was determined by dividing the amount of share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the stockholders' meeting. The approved amounts of the bonus to employees were the same as the accrued amounts.

Based on a resolution passed by the Company's board of directors in February 2009, the employee bonus for 2009 should be appropriated at 18% of net income before deducting 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 immediately preceding the stockholders' meeting.

As of January 18, 2010, the date of the accompanying independent auditors' report, the appropriation of the 2009 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 to NT$500 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 during the repurchase period and retired them in January 2009.

On July 31, 2009, the Company's board of directors passed a resolution to buy back 13,000 thousand Company shares from the open market. The repurchase period was between August 3, 2009 and October 2, 2009, and the repurchase price ranged from NT$300 to NT$500 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 7,085 thousand shares for NT$2,406,930 thousand (US$75,240 thousand) during the repurchase period and retired them in November 2009.

(In Thousands of Shares)

Purpose	As of January 1, 2009	Increase	Decrease	As of December 31, 2009
For maintaining the Company's credit and stockholders' equity	10,000	7,085	17,085	-

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								
	2008			2009					
	NT$			NT$			US$(Note 3)		
Expense Item	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Personnel expenses	$2,960,403	$8,421,017	$11,381,420	$2,498,640	$6,743,119	$9,241,759	$78,108	$210,788	$288,896
Salary	2,602,602	7,961,251	10,563,853	2,110,277	6,209,064	8,319,341	65,967	194,094	260,061
Insurance	123,335	147,065	270,400	150,925	178,655	329,580	4,718	5,584	10,302
Pension cost	48,583	114,880	163,463	57,183	129,967	187,150	1,788	4,063	5,851
Other	185,883	197,821	383,704	180,255	225,433	405,688	5,635	7,047	12,682
Depreciation	271,168	294,434	565,602	294,601	335,536	630,137	9,209	10,489	19,698
Amortization	-	35,983	35,983	11,357	28,490	39,847	355	891	1,246

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 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, 2008 and 2009 were computed as follows:

	2008	2009	
	NT$	NT$	US$(Note 3)
Income before income tax	$ 31,590,479	$ 25,212,464	$ 788,136
Permanent differences			
Loss (gain) on equity-method investments	57,289	(273,811)	(8,559)
Impairment loss	-	30,944	967
Other	372,219	82,485	2,579
Temporary differences			
Realized pension cost	(21,951)	(20,515)	(641)
Unrealized loss on decline in value of inventory	706,938	1,502,036	46,953
Unrealized royalties	2,104,308	2,312,014	72,273
Unrealized exchange losses, net	6,928	942,915	29,475
Unrealized bad debt expenses	180,011	503,089	15,727
Capitalized expense	74,251	(29,095)	(910)
Unrealized warranty expense	1,755,905	61,700	1,929
Unrealized marketing expenses	2,867,307	3,037,905	94,964
Unrealized valuation loss (gain) on financial instruments	417,827	(532,215)	(16,637)
Realized profit from intercompany transactions	(40,984)	(25,941)	(811)
Other	(74,922)	196,431	6,140
Total income	39,995,605	33,000,406	1,031,585
Less: Tax-exempt income	(31,976,991)	(26,204,796))	(819,156)
Taxable income	8,018,614	6,795,610	212,429
Tax rate	25%	25%	25%
	2,004,654	1,698,903	53,107
Income tax credit	(10)	(10)	-
Estimated income tax provision	2,004,644	1,698,893	53,107
Unappropriated earnings (additional 10% income tax)	352,583	202,145	6,319
Less: Investment research and development tax credits	(352,583)	(202,145)	(6,319)
Income tax payable determined pursuant to the Income Tax Law	$ 2,004,644	$ 1,698,893	$ 53,107
Alternative minimum tax	$ 3,396,417	$ 3,211,563	$ 100,393
Less: Prepaid and withheld income tax	(438,747)	(39,014)	(1,220)
Prior years' income tax payable	980,075	980,075	30,637
Income tax payable	$ 3,937,745	$ 4,152,624	$ 129,810

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 and 2009 should be NT$3,396,417 thousand and NT$3,211,563 thousand (US$100,393 thousand), respectively.

In May 2009, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduces a profit-seeking enterprise's income tax rate from 25% to 20%, effective 2010. Deductible temporary differences and tax credit carryforwards that gave rise to deferred tax assets as of December 31, 2008 and 2009 were as follows:

	2,008		2,009
	NT$	NT$	US$(Note 3)
Temporary differences			
Provision for loss on decline in value of inventory	$ 405,806	$ 625,052	$ 19,539
Unrealized marketing expenses	1,452,633	1,714,593	53,598
Unrealized reserve for warranty expense	1,306,466	1,057,512	33,057
Capitalized expense	58,190	40,734	1,273
Unrealized royalties	1,535,925	1,691,142	52,865
Unrealized bad-debt expenses	26,503	147,309	4,605
Unrealized exchange loss, net	-	155,801	4,870
Unrealized valuation loss on financial instruments	128,521	-	-
Other	12,465	43,237	1,352
Tax credit carryforwards	2,196,808	3,056,328	95,540
Total deferred tax assets	7,123,317	8,531,708	266,699
Less: Valuation allowance	(5,679,417)	(6,623,210)	(207,040)
Total deferred tax assets, net	1,443,900	1,908,498	59,659
Deferred tax liabilities			
Unrealized pension cost	(29,284)	(27,531)	(861)
Unrealized valuation gain on financial instruments	-	(3,626)	(113)
Unrealized exchange gain, net	(40,978)	-	-
	1,373,638	1,877,341	58,685
Less: Current portion	(552,494)	(811,240)	(25,359)
Deferred tax assets - noncurrent	$ 821,144	$ 1,066,101	$ 33,326

Details of the tax credit carryforwards were as follows:

Year of	Validity Period	2008		2009
Occurrence		NT$	NT$	US$(Note 3)
2007	2007-2011	$ 201,506	$ 201,506	$ 6,299
2008	2008-2012	1,995,302	831,154	25,982
2009	2009-2013	-	2,023,668	63,259
		$ 2,196,808	$ 3,056,328	$ 95,540

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 2008 and 2009 were as follows:

	2,008		2,009
	NT$	NT$	US$(Note 3)
Current income tax	$ 3,396,417	$ 3,211,563	$ 100,393
Increase in deferred income tax assets	(431,528)	(503,703)	(15,746)
Overestimation of prior year's income tax	(9,759)	(104,298)	(3,260)
Income tax	$ 2,955,130	$ 2,603,562	$ 81,387

The integrated income tax information is as follows:

	2,008		2,009
	NT$	NT$	US$(Note 3)
Balance of imputation credit account (ICA)	$ 4,365,460	$ 1,702,246	$ 53,212
Unappropriated earnings generated from 1998	44,626,182	38,364,099	1,199,253
Actual/estimated creditable ratio (including income tax payable)	10.55% (Actual ratio)	12.71% (Estimated ratio)	12.71% (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 2009 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 791,855 thousand shares and 787,367 thousand shares for the years ended December 31, 2008 and 2009, respectively. EPS for the year ended December 31, 2008 were calculated after the average number of shares outstanding was adjusted retroactively for the effect of stock dividend distribution in 2009.

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, 2008 and 2009 was as follows:

					2008
	Amount (Numerator)		Denominator	EPS (In Dollars)	
	Before Income Tax	After Income Tax	Shares (Thousands)	Before Income Tax	After Income Tax
	NT$	NT$		NT$	NT$
Basic EPS	$31,590,479	$28,635,349	791,855	$39.89	$36.16
Bonus to employees	-	-	27,400		
Diluted EPS	$31,590,479	$28,635,349	819,255	$38.56	$34.95

					2009
	Amount (Numerator)		Denominator	EPS (In Dollars)	
	Before Income Tax	After Income Tax	Shares (Thousands)	Before Income Tax	After Income Tax
	NT$	NT$		NT$	NT$
Basic EPS	$25,212,464	$22,608,902	787,367	$32.02	$28.71
Bonus to employees	-	-	15,044		
Diluted EPS	$25,212,464	$22,608,902	802,411	$31.42	$28.18

					2009
	Amount (Numerator)		Denominator	EPS (In Dollars)	
	Before Income Tax	After Income Tax	Shares (Thousands)	Before Income Tax	After Income Tax
	US$(Note 3)	US$(Note 3)		US$(Note 3)	US$(Note 3)
Basic EPS	$788,136	$706,749	787,367	$1.00	$0.90
Bonus to employees	-	-	15,044		
Diluted EPS	$788,136	$706,749	802,411	$0.98	$0.88

24. FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

a. Nonderivative financial instruments

						December 31
	2008					2009
	Carrying Amount	Fair Value	Carrying Amount		Fair Value	
	NT$	NT$	NT$	US$(Note 3)	NT$	US$(Note 3)
Assets						
Available-for-sale financial assets - current	$ -	$ -	$2,497,394	$78,068	$2,497,394	$78,068
Available-for-sale financial assets – noncurrent	339	339	313	10	313	10
Financial assets carried at cost	501,192	501,192	501,192	15,667	501,192	15,667
Liabilities						
Financial liabilities at fair value through profit or loss – current	6	6	-	-	-	-

b. Derivative financial instruments

						December 31
	2008					2009
	Carrying Amount	Fair Value	Carrying Amount		Fair Value	
	NT$	NT$	NT$	US$(Note 3)	NT$	US$(Note 3)
Assets						
Financial assets at fair value through profit or loss - current	$ -	$ -	$18,132	$567	$18,132	$567
Liabilities						
Financial liabilities at fair value through profit or loss - current	514,077	514,077	-	-	-	-

Outstanding spot and forward exchange contracts amounted to NT$6 thousand and NT$514,077 thousand, respectively, as of December 31, 2008. Outstanding forward exchange contracts amounted to NT$18,132 thousand (US$567 thousand) as of December 31, 2009. The net amounts on derivative financial instruments were recognized as financial assets at fair value through profit or loss - current or financial liabilities at fair value through profit or loss - current.

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.

Financial assets carried at cost are investments in unquoted shares, which have no quoted prices in an active market and entail an unreasonably high cost to obtain verifiable fair values. Therefore, no fair value is presented.

Methodology Used to Determine the Fair Values of Financial Instruments

	Fair Values Based on Quoted Market Prices			Fair Values Based on Valuation Methods		
			December 31			December 31
	2008		2009	2008		2009
	NT$	NT$	US$(Note 3)	NT$	US$(Note 3)	US$(Note 3)
Assets						
Financial assets at fair value through profit or loss - current	$ -	$ 18,132	$ 567	$ -	$ -	$ -
Available-for-sale financial assets - current	-	2,497,394	78,068	-	-	-
Available-for-sale financial assets - noncurrent	339	313	10	-	-	-
Financial assets carried at cost	-	-	-	501,192	501,192	15,667
Liabilities						
Financial liabilities at fair value through profit or loss - current	514,083	-	-	-	-	-

There was no loss or gain recognized for the years ended December 31, 2008 and 2009 on the fair value changes of derivatives with fair values estimated using valuation techniques. However, the Company recognized unrealized losses of NT$445 thousand and NT$26 thousand (US$1 thousand) under stockholders’ equity for the changes in fair value of available-for-sale financial assets for the years ended December 31, 2008 and 2009, respectively

As of December 31, 2008 and 2009, financial assets exposed to cash flow interest rate risk amounted to NT$60,051,748 thousand and 61,177,848 thousand (US$1,912,405 thousand), respectively.

Financial Risks

a. 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.

b. 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.

c. Cash flow risk

The Company has sufficient working capital to settle derivative contracts. There are no immediate 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
Syuda Construction Company	The only juridical stockholder whose chairperson is the same person with the Company
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 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 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 HK, Limited.	Subsidiary of High Tech Computer Asia Pacific Pte. Ltd.
HTC Belgium BVBA/SPRL	Subsidiary of HTC HK, Limited.
HTC Corporation (Shanghai WGQ) (formerly High Tech Computer Corp. (WGQ) until December 2008)	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) Limited	Subsidiary of High Tech Computer Asia Pacific Pte. Ltd.
HTC Electronics (Shanghai)	Subsidiary of High Tech Computer Asia Pacific Pte. Ltd.
HTC America Inc.	Subsidiary of High Tech Computer Asia Pacific Pte. Ltd.
One & Company Design, Inc.	Subsidiary of High Tech Computer Asia Pacific Pte. Ltd.
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	2008 Amount	2008 % to Total Net Purchases	2009 Amount	2009 Amount	2009 % to Total Net Purchases
	NT$		NT$	US$(Note 3)	
High Tech Computer Corp. (Suzhou)	$ 167,775	-	$ 32,361	$ 1,012	-
HTC Electronics (Shanghai)	13,975	-	78,835	2,464	-
Chander Electronics Corp.	19,041	-	28,606	894	-
BandRich Inc.	-	-	41,318	1,292	-
	$ 200,791	-	$ 181,120	$ 5,662	-

Terms of payment and purchasing prices for both related and third parties were similar.

Sales and Services Provided

Related Party	2008 Amount	2008 % to Total Revenues	2009 Amount	2009 Amount	2009 % to Total Revenues
	NT$		NT$	US$(Note 3)	
Exedea Inc.	$ -	-	$ 1,844,513	$ 57,659	1
HTC America Inc.	1,524,385	2	1,118,794	34,973	1
HTC Europe Co., Ltd.	198,346	-	298,267	9,324	-
High Tech Computer (H.K.) Limited	78,703	-	55,123	1,723	-
High Tech Computer Singapore Pte. Ltd.	59,422	-	34,840	1,089	-
BandRich Inc.	266,166	-	20,028	626	-
Employees' Welfare Committee	101,195	-	9,666	302	
Xander International Corp.	93,923	-	198	6	-
First International Computer, Inc. (FIC)	24,222	-	-	-	-
Others	17,375	-	20,307	635	-
	$ 2,363,737	2	$ 3,401,736	$ 106,337	2

The selling prices and collection terms for products sold to related parties were similar to those for sales to third parties, except those for HTC America Inc., HTC Europe Co., and Employees' Welfare Committee.

Notes and Accounts Receivable

	December 31				
	2008		2009		
Related Party	Amount	% to Total Accounts Receivable	Amount		% to Total Accounts Receivable
	NT$		NT$	US$(Note 3)	
Accounts receivable					
Exedea Inc.	$ -	-	$ 1,820,281	$ 56,902	7
HTC America Inc.	761,193	3	378,584	11,834	1
HTC Europe Co., Ltd.	81,917	-	25,333	792	-
High Tech Computer (H.K.) Limited	9,893	-	7,887	246	-
Employees' Welfare Committee.	69,238	-	-	-	-
Others	16,529	-	12,465	390	-
	$ 938,770	3	$ 2,244,550	$ 70,164	8

Notes and Accounts Payable

	December 31				
	2008		2009		
Related Party	Amount	% to Total Accounts Payable	Amount		% to Total Accounts Payable
	NT$		NT$	US$(Note 3)	
HTC Electronics (Shanghai)	$ 7,626	-	$ 67,245	$ 2,102	-
Chander Electronics Corp.	19,041	-	13,479	421	-
High Tech Computer Corp. (Suzhou)	1,427	-	-	-	-
Others	609	-	4,952	155	-
	$ 28,703	-	$ 85,676	$ 2,678	-

Other Receivables

	December 31				
	2008		2009		
Related Party	Amount	% to Total Other Receivables	Amount		% to Total Other Receivables
	NT$		NT$	US$(Note 3)	
HTC America Inc.	$ 1,666	1	$ 77,930	$ 2,436	40
HTC Europe Co., Ltd.	373	-	1,988	62	1
HTC Corporation (Shanghai WGQ)	6,064	3	-	-	-
Others	5,766	3	1,219	38	-
	$ 13,869	7	$ 81,137	$ 2,536	41

Prepaid Expenses

	December 31				
	2008		2009		
Related Party	Amount	% to Total Prepayment	Amount		% to Total Prepayment
	NT$		NT$	US$(Note 3)	
HTC America Inc.	$ -	-	$ 94,223	$ 2,945	3
HTC NIPPON Corporation	24,249	2	23,976	750	1
One & Company Design, Inc.	13,412	1	3,850	120	-
Communication Global Certification Inc	24,947	2	-	-	-
HTC India Private Limited	12,138	1	-	-	-
Others	12,157	1	-	-	-
	$ 86,903	7	$ 122,049	$ 3,815	4

Accrued Expenses

	December 31				
	2008		2009		
Related Party	Amount	% to Total Accrued Expenses	Amount		% to Total Accrued Expenses
	NT$		NT$	US$(Note 3)	
HTC Europe Co., Ltd.	$ 692,159	4	$ 458,233	$ 14,324	3
HTC America Inc.	448,740	3	401,564	12,553	3
HTC Education Foundation for Social Welfare Charity	-	-	217,800	6,808	1
High Tech Computer Asia Pacific Pte. Ltd.	65,600	1	47,985	1,500	-
HTC Belgium BVBA/SPRL	-	-	39,436	1,233	
High Tech Computer (H.K.) Limited	26,772	-	26,798	838	-
High Tech Computer Singapore Pte. Ltd.	67,564	1	22,550	705	-
HTC India Private Limited	39,400	-	16,546	517	-
HTC (Australia and New Zealand) Pty. Ltd.	17,969	-	13,513	423	-
HTC (Thailand) Limited	-	-	9,064	283	-
HTC Nippon Corporation	46,092	-	1,127	35	-
Others	19,658	-	22,589	706	-
	$ 1,423,954	9	$ 1,277,205	$ 39,925	7

Other Payables to Related Parties

	December 31				
	2008		2009		
		% to Total			% to Total
Related Party	Amount	Other Payables	Amount		Other Payables
	NT$		NT$	US$(Note 3)	
HTC America Inc.	$ 210,389	33	$ 317,708	$ 9,931	35
High Tech Computer Asia Pacific Pte. Ltd.	-	-	96,438	3,015	11
HTC EUROPE CO, LTD.	-	-	83,509	2,610	9
HTC Corporation (Shanghai WGQ)	5,564	1	15,470	484	2
HTC Nippon Corporation	20,011	3	7,069	221	1
High Tech Computer (H.K.) Limited	-	-	6,776	212	1
H.T.C. (B.V.I.) Corp.	122,700	20	-	-	-
Communication Global Certification Inc.	14,972	2	-	-	-
Others	1,331	-	4,797	150	-
	$ 374,967	59	$ 531,767	$ 16,623	59

Advance Receipts

	2008		2009		
		% to Total			% to Total
Related Party	Amount	Advance Receipts	Amount		Advance Receipts
	NT$		NT$	US$(Note 3)	
BandRich Inc	$ -	-	$ 61,358	$ 1,918	11

Outsourcing Expenses

	2008		2009		
		% to Total			% to Total
Related Party	Amount	Outsourcing Expense	Amount		Outsourcing Expense
	NT$		NT$	US$(Note 3)	
HTC Electronics (Shanghai)	$ 9,084	2	$ 306,410	$ 9,578	95
High Tech Computer Corp. (Suzhou)	281,470	58	3,775	118	1
	$ 290,554	60	$ 310,185	$ 9,696	96

Service Warranty Expenses

	2008		2009		
		% to Total			% to Total
Related Party	Amount	Warranty Expenses		Amount	Warranty Expenses
	NT$		NT$	US$	
HTC America Inc.	$ 1,105,226	19	$ 1,211,149	$ 37,860	22
HTC Europe Co., Ltd.	564,780	10	319,210	9,979	6
HTC Corporation (Shanghai WGQ)	87,317	1	89,358	2,793	2
High Tech Computer (H.K.) Limited	29,738	-	48,179	1,506	1
High Tech Computer Singapore Pte. Ltd.	18,292	-	29,985	937	-
Comserve Network Netherlands B.V.	14,491	-	1,203	38	-
	$ 1,819,844	30	$ 1,699,084	$ 53,113	31

Service warranty expense resulted from authorizing the above related parties to provide after-sales service.

Commission Expenses

	2008		2009		
		% to Total			% to Total
Related Party	Amount	Commission Expenses		Amount	Commission Expenses
	NT$		NT$	US$(Note 3)	
HTC Europe Co., Ltd.	$ -	-	$ 2,547,351	$ 79,630	86
HTC Belgium BVBA/SPRL	-	-	424,299	13,263	14
	$ -	-	$ 2,971,650	$ 92,893	100

In 2009, the Company changed the calculation method on the basis of the nature of services rendered by the related parties.

Service and Marketing Fees

	2008		2009		
		% to Total			% to Total
Related Party	Amount	Service Expenses		Amount	Service Expenses
	NT$		NT$	US$(Note 3)	
HTC America Inc.	$ 1,846,017	27	$ 2,541,746	$ 79,454	33
HTC NIPPON Corporation	336,913	5	211,502	6,612	3
Communication Global Certification Inc.	139,200	2	175,930	5,500	2
HTC Brasil	219,394	3	173,325	5,418	2
High Tech Computer Singapore Pte. Ltd.	171,054	2	166,508	5,205	2
One & Company Design, Inc.	9,792	-	157,246	4,915	2
HTC Europe Co., Ltd.	2,030,696	29	142,260	4,447	2
HTC Belgium BVBA/SPRL	600,114	9	142,164	4,444	2
High Tech Computer (H.K.) Limited	94,322	1	94,256	2,946	1
HTC (Australia and New Zealand) Pty. Ltd.	111,902	2	92,283	2,885	1
HTC India Private Limited	118,461	2	63,051	1,971	1
HTC (Thailand) Limited	34,755	1	40,669	1,271	1
High Tech Computer Asia Pacific Pte. Ltd.	65,600	1	-	-	-
Others	4,650	-	46,273	1,447	1
	$ 5,782,870	84	$ 4,047,213	$ 126,515	53

Other Revenues

Related Party		2008 Amount	2008 % to Total Other Revenues	2009 Amount		2009 % to Total Other Revenues
		NT$		NT$	US$(Note 3)	
BandRich Inc	$	1200	-	$ 1,200	$ 38	-

Leasing – Lessee

Operating expenses - rental expenses

Related Party		2008 Amount	2008 % to Total Rental Expenses	2009 Amount		2009 % to Total Rental Expenses
		NT$		NT$	US$(Note 3)	
VIA Technologies Inc.	$	3,661	8	$ 9,035	$ 282	17

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		2008 Amount	2008 % to Total Donation Expenses	2009 Amount		2009 % to Total Donation Expenses
		NT$		NT$	US$(Note 3)	
HTC Education Foundation for Social Welfare Charity	$	300,000	92	$ 300,000	$ 9,378	92
High Tech Computer Foundation.		20,000	6	25,000	781	7
	$	320,000	98	$ 325,000	$ 10,159	99

The Company donated NT$325,000 thousand in 2008 and NT$325,500 thousand (US$10,175 thousand) in 2009 to help disadvantaged minorities, teenagers and other people in need. Of these donations, NT$5,000 thousand in 2008 and NT$500 thousand (US$16 thousand) in 2009 went to unrelated parties (Note 16 has more information).

Other Losses

Related Party	2008 Amount	2008 % to Total Rental Expenses	2009 Amount		2009 % to Total Rental Expenses
	NT$		NT$	US$ (Note 3)	
Xander International Corp.	$ 37,500	10	$ -	$ -	-

In 2008, 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.

Property Transactions

In January 2009, the Company acquired land from a related party, Syuda Construction Company, for NT$791,910 thousand (US$24,755 thousand). It was about 39 thousand square meters, located near the Company in Taoyuan, and the land price was based on appraisal reports. It will be used to expand factory area.

In 2008 and 2009, the Company sold equipment to HTC Corporation (Shanghai WGQ) for NT$7,106 thousand and NT$496 thousand (US$16 thousand), resulting in a gain of NT$1,175 thousand and NT$0 thousand gain on these sales, respectively.

Endorsement/guarantee provided

Note 27 has more information.

Compensation of Directors, Supervisors and Management Personnel

	2008	2009	
	NT$	NT$	US$(Note 3)
Salaries	$ 77,345	$ 78,556	$ 2,456
Incentives	$ 19,163	$ 46,799	$ 1,463
Special compensation	$ 15	$ 12	$ -
Bonus	562,724	(Note)	(Note)
	$ 659,247	$ 125,367	$ 3,919

Note: The appropriation of the 2009 earnings is not shown because the Board of Directors had not yet made the related proposal.

26. PLEDGED ASSETS

As of December 31, 2009, the Company had provided time deposits of NT$63,900 thousand (US$1,997 thousand) to the National Tax Administration of Northern Taiwan Province as part of the requirements for the Company to get a certificate stating that it had no pending income tax.

27. COMMITMENTS AND CONTINGENCIES

As of December 31, 2009, unused letters of credit amounted to JPY7,835 thousand.

The Company provided NT$479,850 thousand (US$15,000 thousand).guarantee for HTC Electronics (Shanghai)'s bank loans. HTC Electronics (Shanghai) has drawn down $0 thousand from banks within the guarantee amount as of December 31, 2009.

28. 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	February 1, 2009 - January 31, 2011	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 LUCENT	November 2009 - November 2012	Authorization to use 2G (GSM/GPRS/EDGE/CDMA), 3G (CDMA2000/WCDMA), HTML, MPEG, AMR 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.

29. OTHER EVENTS

a.Lawsuit

In April 2008, IPCom GMBH & CO., KG ("IPCom") filed a multi-claim lawsuit against the Company with the District Court of Mannheim in Germany, alleging that the Company infringed IPCom's patents. IPCom requested the court to issue an injunction to prevent the Company from exporting to and selling in Germany devices made using IPCom's patents. In March 2009, the Company was served with the court decision that was in favor of some of IPCom's claims. The court also granted IPCom's request for an injunction, with the serving of this injunction pending IPCom's placement with the court of a security bond of €1 million. The Company appealed this decision to the German Federal Patents Court in Munich and requested a stay of the injunction pending the outcome of this appeal. In May 2009, the court of appeals issued a stay of the injunction and enforced this stay after the Company submitted to the court a bank guarantee amounting to €7.5 million, the amount of the required security bond. Thus, the Company has continued to ship products regularly to Germany.

On December 18, 2009, the District Court of Mannheim further ruled that it will stay the proceedings on one of IPCom's claims of breach of patents because of the Court's doubts about its validity. The case will remain suspended pending the end of the claim invalidity proceedings at the European Patent Office and the German Federal Patents Court. As of January 18, 2010, the date of the accompanying independent auditors' report, there had been no further hearing nor had a court decision been made.

On other lawsuits, the Company had examined their circumstances and related information, including past experiences, expert opinions, results of the evaluation of contingencies and estimation of the degree of actual occurrence, and concluded that the amounts of contingent assets or liabilities were appropriately accounted.

b.Construction for Taipei R&D headquarter

In September 2009, the Company's board of directors resolved was bought from Yulon Motors Ltd. The estimated budget for the construction is NT$3,380,000 thousand (US$105,658 thousand) for a total floor space of 92 thousand square meters. Construction is scheduled to be completed by August 31, 2011 (Note 15 has more information).

30. 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 2008 and 2009 were as follows:

	2008	2009	
	NT$	NT$	US$(Note 3)
Asia	$ 22,520,501	$ 19,291,108	$ 603,036
North America	54,981,628	70,729,422	2,210,985
Europe	60,022,831	44,000,227	1,375,437
Others	11,401,069	6,218,621	194,393
	$ 148,926,029	$ 140,239,378	$ 4,383,851

Major Customers

Sales to major customers were as follows:

	2008	2009	
	NT$	NT$	US$(Note 3)
A	$ 21,631,630	$ 28,815,938	$ 900,779
B	$ 21,371,515	$ 27,213,647	850,692
C	$ 26,866,585	$ 12,662,556	395,829
	$ 69,869,730	$ 68,692,141	$ 2,147,300

5. CONSOLIDATED REPORT

The Board of Directors and Stockholders
HTC Corporation

We have audited the accompanying consolidated balance sheets of HTC Corporation and subsidiaries (collectively, the "Company") as of December 31, 2008 and 2009, 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 December 31, 2008 and 2009, 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 2007-052 - "Accounting for Bonuses to Employees, Directors and Supervisors" of the Accounting Research and Development Foundation and adopted early on January 1, 2008 the newly revised Statement of Financial Accounting Standards No. 10 - "Inventories."

Our audits also comprehended the translation of the 2009 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 18, 2010

Notice to Readers

>The accompanying consolidated financial statements are intended only to present the consolidated 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.

>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 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 AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2008 and 2009

(In Thousands, Except Par Value)

ASSETS	2008 NT$	2009 NT$	2009 US$ (Note 3)
CURRENT ASSETS			
Cash and cash equivalents (Notes 2 and 5)	$ 64,237,728	$ 64,638,290	$ 2,020,578
Financial assets at fair value through profit or loss (Notes 2, 6 and 26)	-	18,132	567
Available-for-sale financial assets - current (Notes 2 and 7)	-	2,497,394	78,068
Notes and accounts receivable, net (Notes 2, 8 and 27)	29,454,778	27,125,609	847,940
Other current financial assets (Notes 9 and 27)	316,524	258,474	8,080
Inventories (Notes 2, 4 and 10)	8,250,337	5,557,713	173,733
Prepayments (Note 11)	1,285,483	3,341,649	104,459
Deferred income tax assets (Notes 2 and 24)	550,530	812,254	25,391
Other current assets	161,320	172,872	5,404
Total current assets	104,256,700	104,422,387	3,264,220
LONG-TERM INVESTMENTS			
Available-for-sale financial assets - noncurrent (Notes 2 and 7)	339	313	10
Financial assets carried at cost (Notes 2 and 12)	501,192	565,172	17,667
Investments accounted for by the equity method (Notes 2 and 14)	39,906	-	-
Prepayments for long-term investments (Notes 2 and 14)	-	245,000	7,659
Total long-term investments	541,437	810,485	25,336
PROPERTIES (Notes 2, 15 and 27)			
Cost			
Land	3,568,124	4,719,538	147,532
Buildings and structures	2,856,815	4,218,443	131,867
Machinery and equipment	4,579,241	4,702,420	146,997
Molding equipment	194,320	199,392	6,233
Computer equipment	350,118	411,504	12,863
Transportation equipment	4,605	4,575	143
Furniture and fixtures	462,157	462,664	14,463
Leased assets	5,336	6,327	198
Leasehold improvements	188,182	199,416	6,234
Total cost	12,208,898	14,924,279	466,530
Less: Accumulated depreciation	(4,243,837)	(5,055,135)	(158,022)
Prepayments for construction-in-progress and equipment-in-transit	951,289	30,664	958
Properties, net	8,916,350	9,899,808	309,466
INTANGIBLE ASSETS			
Goodwill (Note 2)	289,308	239,992	7,502
Deferred pension cost	475	490	15
Total intangible assets	289,783	240,482	7,517
OTHER ASSETS			
Assets leased to others	309,959	48,135	1,505
Refundable deposits	193,765	128,655	4,021
Deferred charges (Note 2)	253,121	245,996	7,690
Deferred income tax assets (Notes 2 and 22)	822,893	1,067,691	33,376
Restricted assets (Notes 2 and 26)	41,465	106,252	3,321
Other (Notes 2, 11 and 18)	116,937	1,980,632	61,914
Total other assets	1,738,140	3,577,361	111,827
TOTAL	$ 115,742,410	$ 118,950,523	$ 3,718,366

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

(With Deloitte & Touche audit report dated January 18, 2010)

LIABILITIES AND STOCKHOLDERS' EQUITY	2008 NT$	2009 NT$	2009 US$ (Note 3)
CURRENT LIABILITIES			
Short-term borrowings (Note 16)	$ 75,000	$ 72,326	$ 2,261
Financial liabilities at fair value through profit or loss (Notes 2, 6 and 26)	514,083	-	-
Notes and accounts payable (Note 27)	28,569,935	25,152,521	786,262
Income tax payable (Notes 2 and 24)	4,039,613	4,270,962	133,509
Accrued expenses (Notes 4, 17 and 27)	15,348,770	16,963,888	530,287
Payable for purchase of equipment	314,086	153,551	4,800
Long-term liabilities - current portion (Note 19)	28,750	22,500	703
Other current liabilities (Notes 18 and 27)	6,108,696	6,614,533	206,769
Total current liabilities	54,998,933	53,250,281	1,664,591
LONG-TERM LIABILITIES			
Long-term bank loans, net of current portion (Note 19)	46,875	24,375	762
OTHER LIABILITIES			
Guarantee deposits received	6,420	1,210	38
Total liabilities	55,052,228	53,275,866	1,665,391
STOCKHOLDERS' EQUITY (Note 21)			
Capital stock - NT$10.00 par value			
Authorized: 1,000,000 thousand shares			
Issued and outstanding: 755,394 thousand shares in 2008 and 788,936 thousand shares in 2009			
Common stock	7,553,938	7,889,358	246,620
Capital surplus			
Additional paid-in capital from share issuance in excess of par	4,374,244	9,056,323	283,099
Long-term equity investments	17,534	18,411	576
Merger	25,756	25,189	787
Retained earnings			
Legal reserve	7,410,139	10,273,674	321,152
Accumulated earnings	44,626,182	38,364,099	1,199,253
Cumulative translation adjustments (Note 2)	65,602	15,088	471
Net loss not recognized as pension cost	-	(34)	(1)
Unrealized valuation losses on financial instruments (Notes 2 and 7)	(1,632)	(1,658)	(52)
Treasury stock (Notes 2 and 22)	(3,410,277)	-	-
Equity attributable to stockholders of the parent	60,661,486	65,640,450	2,051,905
MINORITY INTEREST	28,696	34,207	1,070
Total stockholders' equity	60,690,182	65,674,657	2,052,975
TOTAL	$ 115,742,410	$ 118,950,523	$ 3,718,366

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2008 AND 2009

(In Thousands, Except Earnings Per Share)

	2008	2009	
	NT$	NT$	US$ (Note 3)
REVENUES (Notes 2 and 27)	$ 152,353,176	$ 144,492,518	$ 4,516,803
COST OF REVENUES (Notes 4, 10, 23 and 27)	101,362,538	98,329,537	3,073,759
GROSS PROFIT	50,990,638	46,162,981	1,443,044
OPERATING EXPENSES (Notes 23 and 27)			
Selling and marketing	9,043,869	10,863,175	339,580
General and administrative	2,250,060	2,304,364	72,034
Research and development	9,351,439	8,372,535	261,724
Total operating expenses	20,645,368	21,540,074	673,338
OPERATING INCOME	30,345,270	24,622,907	769,706
NONOPERATING INCOME AND GAINS			
Interest income	1,401,127	362,136	11,320
Gains on disposal of properties	4,521	2,984	93
Gain on sale of investments	-	3,035	95
Exchange gains (Note 2)	632,969	558,985	17,474
Rental income	-	5,824	182
Valuation gain on financial instruments, net (Notes 2 and 6)	-	18,132	567
Other	280,872	468,990	14,661
Total nonoperating income and gains	2,319,489	1,420,086	44,392
NONOPERATING EXPENSES AND LOSSES			
Interest expense	10,441	2,174	67
Losses on equity-method investments (Notes 2 and 14)	6,151	3,891	122
Losses on disposal of properties	7,378	2,576	81
Impairment loss (Notes 2 and 14)	-	78,946	2,467
Valuation loss on financial instruments, net (Notes 2 and 6)	514,083	-	-
Other (Notes 18 and 27)	390,990	558,994	17,474
Total nonoperating expenses and losses	929,043	646,581	20,211
INCOME BEFORE INCOME TAX	31,735,716	25,396,412	793,887
INCOME TAX (Notes 2 and 24)	(3,183,190)	(2,781,999)	(86,965)
NET INCOME	$ 28,552,526	$ 22,614,413	$ 706,922
ATTRIBUTABLE TO			
Stockholders of the parent	$ 28,635,349	$ 22,608,902	$ 706,749
Minority interest	(82,823)	5,511	173
	$ 28,552,526	$ 22,614,413	$ 706,922

(Continued)

	2008		2009			
	Before Income Tax	After Income Tax	Before Income Tax		After Income Tax	
	NT$	NT$	NT$	US$ (Note 3)	NT$	US$ (Note 3)
BASIC EARNINGS PER SHARE (Note 25)	$ 39.89	$ 36.16	$ 32.02	$ 1.00	$ 28.71	$ 0.9
DILUTED EARNINGS PER SHARE (Note 25)	$ 38.56	$ 34.95	$ 31.42	$ 0.98	$ 28.18	$ 0.88

(Concluded)

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

(With Deloitte & Touche audit report dated January 18, 2010)

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2008 AND 2009

(In Thousands)

	Capital Stock			Capital Surplus	Retained Earnings							
New Taiwan Dollars	Issued and Outstanding Common Stock	Additional Paid-in Capital	Long-Term Equity Investments	Merger	Legal Reserve	Accumulated Earnings	Cumulative Translation Adjustments	Net Loss Not Recognized as Pension Cost	Unrealized Valuation Losses on Financial Instruments	Treasury Stock	Minority Interests	Total
BALANCE, JANUARY 1, 2008	$ 5,731,337	$ 4,374,244	$ 15,845	$ 25,756	$ 4,516,253	$ 41,403,867	$ 9,664	$ -	$ (1,187)	$	$ 111,519	$ 56,187,298
Appropriation of the 2007 net earnings												
Legal reserve	-	-	-	-	2,893,886	(2,893,886)	-	-	-	-	-	-
Stock dividends	1,719,401	-	-	-	-	(1,719,401)	-	-	-	-	-	-
Transfer of employee bonuses to common stock	103,200	-	-	-	-	(103,200)	-	-	-	-	-	-
Employee bonuses	-	-	-	-	-	(1,210,000)	-	-	-	-	-	(1,210,000)
Cash dividends	-	-	-	-	-	(19,486,547)	-	-	-	-	-	(19,486,547)
Net income in 2008	-	-	-	-	-	28,635,349	-	-	-	-	(82,823)	28,552,526
Translation adjustments on long-term equity investments	-	-	-	-	-	-	55,938	-	-	-	-	55,938
Unrealized loss on financial instruments	-	-	-	-	-	-	-	-	(445)	-	-	(445)
Adjustment due to changes in ownership percentage in investees	-	-	1,689	-	-	-	-	-	-	-	-	1,689
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	(3,410,277)	-	(3,410,277)
BALANCE, DECEMBER 31, 2008	7,553,938	4,374,244	17,534	25,756	7,410,139	44,626,182	65,602	-	(1,632)	(3,410,277)	28,696	60,690,182
Appropriation of the 2008 net earnings												
Legal reserve	-	-	-	-	2,863,535	(2,863,535)	-	-	-	-	-	-
Stock dividends	372,697	-	-	-	-	(372,697)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(20,125,634)	-	-	-	-	-	(20,125,634)
Transfer of employee bonuses to common stock	133,573	4,821,316	-	-	-	-	-	-	-	-	-	4,954,889
Net income in 2009	-	-	-	-	-	22,608,902	-	-	-	-	5,511	22,614,413
Translation adjustments on long-term equity investments	-	-	-	-	-	-	(47,783)	-	-	-	-	(47,783)
Unrealized loss on financial instruments	-	-	-	-	-	-	-	-	(26)	-	-	(26)
Adjustment due to changes in ownership percentage in investees and the movements of investees' other equity under equity method	-	-	877	-	-	(2,566)	(2,731)	(34)	-	-	-	(4,454)
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	(2,406,930)	-	(2,406,930)
Retirement of treasury stock	(170,850)	(139,237)	-	(567)	-	(5,506,553)	-	-	-	5,817,207	-	-
BALANCE, DECEMBER 31, 2009	$ 7,889,358	$ 9,056,323	$ 18,411	$ 25,189	$ 10,273,674	$ 38,364,099	$ 15,088	$ (34)	$ (1,658)	$ -	$ 34,207	$ 65,674,657
US Dollars												
BALANCE, JANUARY 1, 2009	$ 236,135	$ 136,738	$ 549	$ 805	$ 231,639	$ 1,395,004	$ 2,051	$ -	$ (51)	$ (106,604)	$ 897	$ 1,897,163)
Appropriation of the 2008 net earnings												
Legal reserve	-	-	-	-	89,513	(89,513)	-	-	-	-	-	
Stock dividends	11,650	-	-	-	-	(11,650)	-	-	-	-	-	
Cash dividends	-	-	-	-	-	(629,123)	-	-	-	-	-	(629,123)
Transfer of employee bonuses to common stock	4,175	150,713	-	-	-	-	-	-	-	-	-	154,888
Net income in 2009	-	-	-	-	-	706,749	-	-	-	-	173	706,922
Translation adjustments on long-term equity investments	-	-	-	-	-	-	(1,495)	-	-	-	-	(1,495)
Unrealized loss on financial instruments	-	-	-	-	-	-	-	-	(1)	-	-	(1)
Adjustment due to changes in ownership percentage in investees and the movements of investees' other equity under equity method	-	-	27	-	-	(80)	(85)	(1)	-	-	-	(139)
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	(75,240)	-	(75,240)
Retirement of treasury stock	(5,340)	(4,352)	-	(18)	-	(172,134)	-	-	-	181,844	-	-
BALANCE, DECEMBER 31, 2009	$ 246,620	$ 283,099	$ 576	$ 787	$ 321,152	$ 1,199,253	$ 471	$ (1)	$ (52)	$ -	$ 1,070	2,052,975

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

(With Deloitte & Touche audit report dated January 18, 2010)

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2008 AND 2009

(In Thousands)

	2008 NT$	2009 NT$	2009 US$ (Note 3)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 28,552,526	$ 22,614,413	$ 706,922
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation (including depreciation of assets leased to others)	746,472	901,848	28,192
Transfer of properties to expenses	18,103	7,474	234
Exchange loss on bond investments not quoted in an active market	2,670	-	-
Amortization	61,777	72,614	2,270
Gain on sale of investments, net	-	(3,035)	(95)
Loss (gain) on disposal of properties and deferred charges, net	2,857	(408)	(12)
Impairment loss	-	78,946	2,467
Loss on equity-method investments	6,151	3,891	122
Deferred income tax assets	(409,268)	(506,522)	(15,834)
Prepaid pension cost	(22,677)	(20,525)	(642)
Net changes in operating assets and liabilities			
Financial instruments at fair value through profit or loss	418,356	(532,215)	(16,637)
Notes and accounts receivable	(9,970,016)	2,329,169	72,808
Other current financial assets	(140,196)	58,050	1,815
Inventories	(1,013,635)	2,692,624	84,171
Prepayments	282,622	(2,038,073)	(63,710)
Other current assets	17,947	(11,552)	(361)
Other assets – other	-	(1,843,170)	(57,617)
Notes and accounts payable	5,366,753	(3,417,414)	(106,828)
Income tax payable	1,469,214	231,349	7,232
Accrued expenses	10,221,198	6,570,007	205,377
Other current liabilities	2,016,103	533,103	16,665
Net cash provided by operating activities	37,626,957	27,720,574	866,539
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of properties	(5,639,163)	(1,910,679)	(59,727)
Proceeds of the sale of properties and deferred charges	76,857	70,682	2,209
Purchase of available-for-sale financial assets	-	(8,105,512)	(253,376)
Proceeds of the sale of available-for-sale financial assets	-	5,611,153	175,403
Increase in long-term investments - equity method	(10,626)	(245,000)	(7,659)
Increase in restricted assets	(6,965)	(64,787)	(2,025)
Increase in financial assets carried at cost	-	(64,330)	(2,011)
Acquisition of a subsidiary	(6,297)	(26,262)	(821)
(Increase) decrease in refundable deposits	(59,949)	62,828	1,964
Increase in deferred charges	(167,866)	(70,099)	(2,191)
Net cash used in investing activities	(5,814,009)	(4,742,006)	(148,234)

(Continued)

	2008 NT$	2009 NT$	2009 US$ (Note 3)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (decrease) in short-term borrowings	75,000	(2,674)	(84)
Decrease in long-term bank loans	(20,625)	(28,750)	(899)
Increase (decrease) in guarantee deposits received	5,787	(5,210)	(162)
Cash dividends	(19,486,547)	(20,125,634)	(629,123)
Bonus to employees	(1,210,000)	-	-
Purchase of treasury stock	(3,410,277)	(2,406,930)	(75,240)
Net cash used in financing activities	(24,046,662)	(22,569,198)	(705,508)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(18,743)	(8,808)	(276)
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,747,543	400,562	12,521
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	56,490,185	64,237,728	2,008,057
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 64,237,728	$ 64,638,290	$ 2,020,578
SUPPLEMENTAL CASH FLOW INFORMATION			
Cash paid during the year			
Interest	$ 10,354	$ 2,219	$ 69
Income tax	$ 2,111,548	$ 3,057,172	$ 95,566
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	$ -	$ -
Transfer of properties to assets leased to others	$ 309,959	$ -	$ -
Transfer of assets leased to others to properties	$ -	$ 261,824	$ 8,185
Transfer of retained earnings and employee bonuses to common stock	$ 1,822,601	$ 5,327,586	$ 166,538
Retirement of treasury stock	$ -	$ 5,817,207	$ 181,844
PURCHASE OF PROPERTIES			
Cost of properties purchased	$ 5,773,031	$ 1,749,140	$ 54,678
Decrease (increase) in payable for purchase of equipment	(134,806)	160,535	5,018
Decrease in lease payable	938	1,004	31
Cash paid for purchase of properties	$ 5,639,163	$ 1,910,679	$ 59,727
ACQUISITION OF A SUBSIDIARY			
Expected net cash outflow on the acquisition of a subsidiary	$ 128,997	$ -	$ -
Increase (decrease) in other payable	(122,700)	26,262	821
Cash paid for acquisition of a subsidiary	$ 6,297	$ 26,262	$ 821

(Concluded)

The accompanying notes are an integral part of the financial statements. (With Deloitte & Touche audit report dated January 18, 2010)

HTC CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2009
(In Thousands, Unless Stated Otherwise)

1.ORGANIZATION AND OPERATIONS

HTC Corporation ("HTC") was incorporated on May 15, 1997 under the Company Law of the Republic of China 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.

HTC and its consolidated subsidiaries, hereinafter referred to as the "Company," had 9,353 and 8,249 employees as of December 31, 2008 and 2009, respectively.

2.SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying 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.

For readers' convenience, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the ROC. 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 consolidated financial statements shall prevail. However, the accompanying consolidated 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, 2008 and 2009 were as follows:

			% of Ownership		
Investor	Investee	Main Businesses	2008	2009	Remark
HTC Corporation	H.T.C. (B.V.I.) Corp.	Global investing activities	100.00	100.00	Incorporated in August 2000
	BandRich Inc.	Design, manufacture and sale of electronic devices	50.66	50.66	Incorporated in April 2006
	HTC HK, Limited	Global investing activities	100.00	-	Incorporated in August 2006, and transferred out for the reorganization in December 2009
	Communication Global Certification Inc.	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
	HTC Investment Corporation	General investing activities	100.00	100.00	Incorporated in July 2008
	PT. High Tech Computer Indonesia	Marketing, distribution and after-sales service	1.00	1.00	Incorporated in December 2007
	HTC I Investment Corporation	General investing activities	-	100.00	Incorporated in September 2009
	HTC Holding Cooperatief U.A.	Marketing	-	1.00	Incorporated in October 2009
H.T.C. (B.V.I.) Corp.	HTC America Inc.	Marketing, repair and after-sales services	100.00	-	Incorporated in January 2003, and transferred out for the reorganization in November 2009
	HTC EUROPE CO., LTD.	〃	100.00	100.00	Incorporated in July 2003
	High Tech Computer Corp. (Suzhou)	Manufacture and sale of smart handheld devices	100.00	100.00	Incorporated in January 2003
	Exedea Inc.	Distribution and sales	100.00	100.00	Incorporated in December 2004 and invested in July 2005
	HTC NIPPON Corporation	Marketing, distribution and after-sales service	100.00	100.00	Incorporated in March 2006
	HTC BRASIL	〃	99.99	99.99	Incorporated in October 2006
	HTC Corporation (Shanghai WGQ) (formerly High Tech Computer Corp. (WGQ) until December 2008)	Repair and after-sales service	100.00	-	Incorporated in July 2007, and transferred out for the reorganization in December 2009
	One & Company Design, Inc.	Design, research and development of application software	100.00	-	Invested in October 2008, and transferred out for the reorganization in November 2009
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
	High Tech Computer (H.K.) Limited	〃	100.00	100.00	Incorporated in August 2007
	HTC (Australia and New Zealand) Pty. Ltd.	〃	100.00	100.00	Incorporated in August 2007
	HTC Philippines Corporation	Marketing, distribution and after-sales service	99.99	99.99	Incorporated in December 2007
	PT. High Tech Computer Indonesia	〃	99.00	99.00	Incorporated in December 2007
	HTC (Thailand) Limited	〃	100.00	100.00	Incorporated in November 2007 and invested in September 2008
	HTC India Private Ltd.	〃	99.00	99.00	Incorporated in January 2008
	HTC Electronics (Shanghai) Co., Ltd.	Manufacture and sale of smart handheld devices	100.00	100.00	Incorporated in January 2007 and invested in July 2008
	HTC Malaysia Sdn. Bhd.	Marketing, distribution and after-sales service	-	100.00	Incorporated in July 2008 and invested in January 2009
	HTC Innovation Limited	〃	-	100.00	Incorporated in January 2009
	HTC Communication Co., Ltd.	The sale of smart handheld devices	-	100.00	Incorporated in December 2008 and invested in March 2009
	HTC Holding Cooperatief U.A.	Marketing	-	99.00	Incorporated in October 2009
	HTC America Inc.	Marketing, repair and after-sales services	-	100.00	Incorporated in January 2003, and transferred in for the reorganization in November 2009
	One & Company Design, Inc.	Design, research and development of application software	-	100.00	Incorporated in October 2008, and transferred in for the reorganization in November 2009
High Tech Computer Asia Pacific Pte. Ltd.	HTC HK, Limited	Global investing activities	-	100.00	Incorporated in August 2006, and transferred in for the reorganization in December 2009
High Tech Computer Singapore Pte. Ltd.	HTC India Private Ltd.	Marketing, distribution and after-sales service	1.00	1.00	Incorporated in January 2008
HTC HK, Limited	HTC Belgium BVBA/SPRL	〃	100.00	100.00	Incorporated in October 2006
	HTC Corporation (Shanghai WGQ) (formerly High Tech Computer Corp. (WGQ) until	Repair and after-sales service	-	100.00	Incorporated in July 2007, and transferred in for the reorganization in December 2009
HTC Belgium BVBA/SPRL	HTC Italia SRL	Marketing, distribution and after-sales service	100.00	100.00	Incorporated in February 2007

In January 2007 and October 2008, the Company wholly acquired the shares issued by Communication Global Certification Inc. and One & Company Design, Inc. The fair values of net assets were as follows:

	Communication Global Certification Inc.	One & Company Design, Inc.
Cash on hand and in banks	$ 39,961	$ 7,336
Other current assets	40,201	12,378
Property	175,940	16,620
Intangible assets	174,253	115,055
Other assets	3,913	164
Current liabilities	(63,315)	(15,220)
Long-term bank loans	(90,050)	-
Other liabilities	(903)	-
Total consideration	$ 280,000	$ 136,333
Total consideration	280,000	$ 136,333
Cash on hand and in banks	(39,961)	(7,336)
Net cash outflow on the acquisition of a subsidiary	$ 240,039	$ 128,997

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.

Cash Equivalents

Cash equivalents, consisting of repurchase agreements collateralized by bonds, are highly liquid financial instruments with maturities of three months or less when acquired and with carrying amounts that approximates their fair values.

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 the same with 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. Cost is determined using the moving-average method.

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 on the basis of 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.

The related cost (including revaluation increment) and accumulated depreciation 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, 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 on the defined benefit plan are recognized as part of the net 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.

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; and

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 2008 accounts have been reclassified to be consistent with the presentation of the financial statements as of and for the year ended December 31, 2009.

3. TRANSLATION INTO U.S. DOLLARS

The financial statements are stated in New Taiwan dollars. The translation of the 2009 New Taiwan dollar amounts into U.S. dollar amounts are included solely for the convenience of readers, using the noon buying rate of NT$31.99 to US$1.00 quoted by the Bank of Taiwan on December 31, 2009. 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 2007-052 - "Accounting for Bonuses to Employees, Directors and Supervisors"

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. This accounting change resulted in a decrease of NT$5,614,036 thousand in net income, including an employee bonus payable of NT$6,164,889 thousand, minus the allocation to inventory of NT$34,550 thousand and minus the tax savings of NT$516,303 thousand; and a decrease of NT$7.44 in after income tax basic earnings per share for the year ended December 31, 2008.

b.SFAS No. 39 - "Share-based Payment"

On January 1, 2008, the Company adopted the newly released Statement of Financial Accounting Standards (SFAS) No. 39 - "Share-based Payment." Except as mentioned above, this accounting change had no material effect on the Company's financial statements as of and for the year ended December 31, 2008.

c.SFAS No. 10 - "Inventories"

On January 1, 2008, the Company adopted early the newly revised SFAS No. 10 - "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. This accounting change 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.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31, 2008 and 2009 were as follows:

	2008	2009	
	NT$	NT$	US $(Note 3)
Cash on hand	$ 3,022	$ 5,412	$ 169
Cash in banks	3,375,899	2,129,500	66,568
Time deposits	60,858,807	62,503,378	1,953,841
	$ 64,237,728	$ 64,638,290	$ 2,020,578

On time deposits, interest rates ranged from 0.30% to 2.41% and from 0.10% to 1.03%, as of December 31, 2008 and 2009, respectively.

On preferential deposits, interest rates ranged from 0.02% to 2.71% and from 0.10% to 0.70% as of December 31, 2008 and 2009, 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, 2008 and 2009 were as follows:

	2008	2009	
	NT$	NT$	US$ (Note 3)
Derivatives – financial assets			
Exchange contracts	$ -	$ 18,132	$ 567
Derivatives - financial liabilities			
Exchange contracts	$ 514,083	$ -	$ -

The Company had derivative transactions in 2008 and 2009 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 2008 and 2009. Outstanding forward exchange and currency option contracts as of December 31, 2008 and 2009 were as follows:

Forward Exchange Contracts

	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	JPY	95,000
Forward exchange contracts	Buy	USD/JPY	2009.01.07-2009.02.13	USD	16,726
Forward exchange contracts	Sell	USD/NTD	2009.01.07-2009.01.23	USD	37,000
Forward exchange contracts	Buy	USD/CAD	2009.01.16	USD	618

	2009				
	Buy/Sell	Currency	Settlement Period/Date		Contract Amount
Forward exchange contracts	Sell	EUR/USD	2010.01.15-2010.02.26	EUR	76,000

Net loss on derivative financial instruments in 2009 was NT$749,476 thousand (US$23,428 thousand), including realized settlement loss of NT$767,608 thousand (US$23,995 thousand) and valuation gain of NT$18,132 thousand (US$567 thousand).

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets as of December 31, 2008 and 2009 were as follows:

	2008	2009	
	NT$	NT$	US$(Note 3)
Mutual funds	$ -	$ 2,497,394	$ 78,068
Domestic quoted stocks	339	313	10
Less: Current portion	-	(2,497,394)	(78,068)
	$ 339	$ 313	$ 10

8. NOTES AND ACCOUNTS RECEIVABLE

Notes and accounts receivable as of December 31, 2008 and 2009 were as follows:

	2008	2009	
	NT$	NT$	US$ (Note 3)
Notes receivable	$ 26,009	$ 2,337	$ 73
Accounts receivable	29,937,446	28,146,109	879,841
Accounts receivable from related parties	69,520	792	25
Less: Allowance for doubtful accounts	(578,197)	(1,023,629)	(31,999)
	$ 29,454,778	$ 27,125,609	$ 847,940

9. OTHER CURRENT FINANCIAL ASSETS

Other current financial assets as of December 31, 2008 and 2009 were as follows:

	2008	2009	
	NT$	NT$	US$(Note 3)
Other receivables	$ 238,053	$ 207,054	$ 6,473
Interest receivables	40,474	11,463	358
Agency payments	37,997	37,531	1,173
Others	-	2,426	76
	$ 316,524	$ 258,474	$ 8,080

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, 2008 and 2009 were as follows:

	2008	2009	
	NT$	NT$	US$(Note 3)
Finished goods	$ 1,666,089	$ 1,518,702	$ 47,474
Work-in-process	2,472,925	1,832,625	57,287
Raw materials	6,019,910	4,805,209	150,210
Inventory in transit	-	650,222	20,326
	10,158,924	8,806,758	275,297
Less: Valuation allowance	(1,908,587)	(3,249,045)	(101,564)
	$ 8,250,337	$ 5,557,713	$ 173,733

The write-down of inventories to their net realizable value amounted to NT$1,258,148 and NT$1,853,579 thousand (US$57,942 thousand) and was recognized as cost of sales for the years ended December 31, 2008 and 2009, respectively.

11. PREPAYMENTS

Prepayments as of December 31, 2008 and 2009 were as follows:

	2008	2009	
	NT$	NT$	US$(Note 3)
Royalty	$ 976,824	$ 3,044,563	$ 95,173
Software and hardware maintenance	88,554	85,797	2,682
Marketing	1,234	41,707	1,304
Molding equipment	80,420	37,052	1,158
Export	6,420	21,219	663
Rent	8,885	15,318	479
Net input VAT	35,517	15,301	478
Materials purchases	16,440	13,084	409
Service	27,322	3,294	103
Others	43,867	64,314	2,010
	$ 1,285,483	$ 3,341,649	$ 104,459

Prepayments for royalty were primarily for discount purposes and were classified as current or noncurrent on the basis of their maturities. As of December 31, 2009, noncurrent prepayments of NT$1,843,170 thousand (US$57,617 thousand) had been classified as other assets (Note 30 has more information).

Prepayments for others were primarily travel and insurance expenses.

12. FINANCIAL ASSETS CARRIED AT COST

Financial assets carried at cost as of December 31, 2008 and 2009 were as follows:

	2008	2009	
	NT$	NT$	US$ (Note3)
Hua-Chuang Automobile Information Technical Center Co., Ltd.	$ 500,000	$ 500,000	$ 15,630
Melodis Corporation.	-	63,980	2,000
Answer Online, Inc.	1,192	1,192	37
	$ 501,192	$ 565,172	$ 17,667

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. The buy-back proposed by Yulon Group becomes effective with a consensus from the Company.

In March 2004, the Company merged with IA Style, Inc. and acquired 1.82% equity interest in Answer Online, Inc for NT$1,192 thousand as a result of the merger.

In July 2009, the Company acquired 4.37% equity interest in Melodis Corporation for NT$63,980 thousand (US$2,000 thousand).

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

A bond investment not quoted in an active market as of December 31, 2008 and 2009 was as follows:

	2008	2009	
	NT$	NT$	US$(Note 3)
Bond investment	$ -	$ -	$ -
Less: Current portion	-	-	-
	$ -	$ -	$ -

The Company bought a 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 and 2009 was as follows:

	2008		2009				
	Carrying Value	Ownership Percentage	Original Cost		Carrying Value		Ownership Percentage
	NT$		NT$	US$ (Note 3)	NT$	US$ (Note 3)	
Equity method							
Vitamin D Inc.	$ 39,906	26.02	$ 40,986	$ 1,281	$ -	$ -	25.59
Prepayment of long-term investment	-		245,000	7,659	245,000	7,659	
	$ 39,906		$ 285,986	$ 8,940	$ 245,000	$ 7,659	

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 27.27% equity interest in Vitamin D Inc. for NT$40,986 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, January 2009 and June 2009, Vitamin D Inc. issued new convertible preferred shares, but the Company did not buy any of these shares. The Company's ownership percentage thus declined from 27.27% to 25.59%, and there was a capital surplus - long-term equity investments of NT$1,689 thousand, NT$187 thousand (US$6 thousand) and NT$484 thousand (US$15 thousand) in September 2008, January 2009 and June 2009, respectively. In addition, the Company determined that the recoverable amount of this investment in 2009 was less than its carrying amount and thus recognized an impairment loss of NT$30,944 thousand (US$967 thousand).

In December 2009, the Company invested in Huada Digital Corporation for NT$245,000 thousand (US$7,659 thousand). Because the registration of the investment was not completed on December 31, 2009, the investment was temporarily accounted for as "prepayments for long-term investments."

On its equity-method investments, the Company had losses of NT$6,151 thousand and NT$3,891 thousand (US$122 thousand) in 2008 and 2009, respectively.

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

15. PROPERTIES

Properties as of December 31, 2008 and 2009 were as follows:

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. Besides, in January 2009, the Company acquired another land - about 39 thousand square meters - near the Company in Taoyuan for NT$791,910 thousand (US$24,755 thousand) from a related party, Syuda Construction Company, to expand factory area.

	2008	2009			
	Carrying Value	Cost	Accumulated Depreciation	Carrying Value	
	NT$	NT$	NT$	NT$	US$ (Notes3)
Land	$ 3,568,124	$ 4,719,538	$ -	$ 4,719,538	$ 147,532
Buildings and structures	2,331,630	4,218,443	667,553	3,550,890	111,000
Machinery and equipment	1,493,038	4,702,420	3,580,896	1,121,524	35,058
Molding equipment	14,326	199,392	187,772	11,620	363
Computer equipment	120,789	411,504	275,343	136,161	4,257
Transportation equipment	1,593	4,575	3,237	1,338	42
Furniture and fixtures	307,346	462,664	236,379	226,285	7,074
Leased assets	2,980	6,327	3,341	2,986	93
Leasehold improvements	125,235	199,416	100,614	98,802	3,089
Prepayments for land, construction-in- progress and equipment-in-transit	951,289	30,664	-	30,664	958
	$ 8,916,350	$ 14,954,943	$ 5,055,135	$ 9,899,808	$ 309,466

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 to have more office space.

In December 2008, the Company bought land - about 8.3 thousand square meters - from Yulon Motors Ltd. for NT$3,335,000 thousand to build the Taipei R&D headquarter 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, 2009. Under a revised agreement signed in December 2009, Yulon Motors Ltd. should transfer to the Company the remaining 20% of ownership of the land by March 31, 2010 instead of by December 20, 2009. The Company should pay the remaining 20% purchase price after completing the land transfer registration.

The construction of a new office building and employees' dormitory on HTC Electronics (Shanghai)'s land was completed in December 2009. As a result, a construction amount of NT$894,252 thousand (US$27,954 thousand) was transferred to "buildings and structures" from "prepayments for construction-in-progress and equipment-in-transit".

There were no interests capitalized for the years ended December 31, 2008 and 2009, respectively.

16. SHORT-TERM BORROWINGS

Short-term borrowings as of December 31, 2008 and 2009 were as follows:

	2008	2009	
	NT$	NT$	US$ (Note 3)
Working capital loans, annual interest at 1.27%-3.00%	$ 75,000	$ 75,326	$ 2,261

17. ACCRUED EXPENSES

Accrued expenses as of December 31, 2008 and 2009 were as follows:

	2008	2009	
	NT$	NT$	US$ (Note 3)
Marketing	$ 5,790,466	$ 8,784,378	$ 274,598
Bonus to employees	6,164,889	4,859,236	151,899
Salaries and bonuses	1,220,533	1,001,358	31,302
Research materials	539,071	529,935	16,566
Export	460,724	473,910	14,814
Services	520,383	458,735	14,340
Donation	-	217,800	6,808
Meals and welfare	101,563	114,030	3,565
Insurance	74,061	78,411	2,451
Repairs and maintenance	82,096	64,893	2,029
Research and development	65,600	49,200	1,538
Pension cost	49,630	48,939	1,530
Freight	13,808	27,678	865
Travel	32,507	24,385	762
Others	233,439	231,000	7,220
	$ 15,348,770	$ 16,963,888	$ 530,287

Based on the resolution passed by the Company's board of directors in February 2009, the employee bonuses for 2009 should be appropriated at 18% of net income before deducting employee bonus expenses.

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

In September 2009, the Company's board of directors resolved to donate to the HTC Education Foundation NT$300,000 thousand (US$9,378 thousand), consisting of (a) the second and third floors of Taipei's R&D headquarters, with these two floors to be built at an estimated cost of NT$217,800 thousand (US$6,808 thousand), and (b) cash of NT$82,200 thousand (US$2,570 thousand). This donation excludes the land, of which the ownership remains with the Company. The difference between the estimated building donation and the actual construction cost will be treated as an adjustment in the year when the completed floors are actually turned over to the HTC Education Foundation.

18. OTHER CURRENT LIABILITIES

Other current liabilities as of December 31, 2008 and 2009 were as follows:

	2008	2009	
	NT$	NT$	US$(Note 3)
Reserve for warranty expenses	$ 5,228,603	$ 5,265,463	$ 164,597
Agency receipts	260,802	524,156	16,385
Other payable	389,103	474,908	14,846
Advance receipts	180,504	152,907	4,780
Directors' remuneration	21,842	-	-
Others	27,842	197,099	6,161
	$ 6,108,696	$ 6,614,533	$ 206,769

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

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

Other payables were payables for contingent loss of purchase orders which was recognized as other loss. In December 2008, the Company also estimated a contingent liability of NT$125,663 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.

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. In November 2009, One & Company Design, Inc. was sold to High Tech Computer Asia Pacific Pte. Ltd. in line with the reorganization of the Company's overseas subsidiaries' investment structure. Related liabilities between One & Company Design, Inc. and H.T.C. (B.V.I.) Corp. were transferred as well. Of the investment, NT$96,438 thousand (US$3,015 thousand) had not been paid as of December 31, 2009.

19. LONG-TERM BANK LOANS

Long-term bank loans as of December 31, 2008 and 2009 were as follows:

	2008	2009	
	NT$	NT$	US$(Note 3)
Secured loans (Note 28)			
NT$50,000 thousand, repayable from July 2006 in 16 quarterly installments; 1% annual interest	$ 18,750	$ 6,250	$ 195
NT$65,000 thousand, repayable from July 2008 in 16 quarterly installments; 1% annual interest	56,875	40,625	1,270
Less: Current portion	(28,750)	(22,500)	(703)
	$ 46,875	$ 24,375	$ 762

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$162,692 thousand in 2008, and NT$186,811 thousand (US$5,840 thousand) in 2009.

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 in the committee's name. The pension fund balances were NT$389,216 thousand and NT$417,407 thousand (US$13,048 thousand) as of December 31, 2008 and 2009, 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$41,827 thousand in 2008 and NT$38,234 thousand (US$1,195 thousand) in 2009.

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 2008 and 2009 were as follows:

	2008	2009	
	NT$	NT$	US$ (Note 3)
Service cost	$ 5,194	$ 5,255	$ 164
Interest cost	8,743	9,377	293
Projected return on plan assets	(9,980)	(11,094)	(347)
Amortization of unrecognized net transition obligation, net	74	74	3
Amortization	1,487	1,349	42
Curtailment gain	(211)	-	-
Net pension cost	$ 5,307	$ 4,961	$ 155

The reconciliations between pension fund status and prepaid pension cost as of December 31, 2008 and 2009 were as follows:

	2008	2009	
	NT$	NT$	US$ (Note 3)
Present actuarial value of benefit obligation			
Vested benefits	$ -	$ 1,334	$ 42
Non-vested benefits	164,214	178,468	5,579
Accumulated benefit obligation	164,214	179,802	5,621
Additional benefits on future salaries	176,784	148,200	4,632
Projected benefit obligation	340,998	328,002	10,253
Plan assets at fair value	(389,216)	(417,407)	(13,048)
Funded status	(48,218)	(89,405)	(2,795)
Unrecognized net transitional obligation	(564)	(490)	(15)
Unrecognized pension loss	(68,630)	(48,090)	(1,503)
Additional minimum pension liability	475	523	16
Prepaid pension cost	$ (116,937)	$ (137,462)	$ (4,297)

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

	2009	2008
Weighted-average discount rate	2.00%	2.75%
Assumed rate of increase in future compensation	2.0%-3.5%	2%-4%
Expected long-term rate of return on plan assets	2.00%	2.75%

The vested benefits as of December 31, 2008 and 2009 amounted to NT$0 thousand and NT$1,511 thousand (US$47 thousand), respectively.

21. STOCKHOLDERS' EQUITY

Capital Stock

The Company's outstanding common stock as of January 1, 2008 amounted to NT$5,731,337 thousand, divided into 573,134 thousand common shares at NT$10.00 par value. In June 2008, the stockholders approved the transfer of retained earnings amounting to NT$1,719,401 thousand and employee bonuses amounting to NT$103,200 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, divided into 755,394 thousand common shares at NT$10.00 par value.

In January and November 2009, the Company retired 10,000 thousand treasury shares at NT$100,000 thousand (US$3,126 thousand) and 7,085 thousand treasury shares at NT$70,850 thousand (US$2,214 thousand), respectively. Also, in June 2009, the stockholders approved the transfer of retained earnings amounting to NT$372,697 thousand (US$11,650 thousand) and employee bonuses amounting to NT$133,573 thousand (US$4,175 thousand) to capital stock. As a result, the amount of the Company's outstanding common stock as of December 31, 2009 increased to NT$7,889,358 thousand (US$246,620 thousand), divided into 788,936 thousand common shares at NT$10.00 (US$0.31) par value.

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 8,493 thousand units (33,971.9 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, 2009, there were 3,067.4 thousand units of GDRs redeemed, representing 12,270 thousand common shares, and the outstanding GDRs represented 21,702 thousand common shares or 2.75% 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$4,374,244 thousand as of January 1, 2008. In January and November 2009, the retirement of treasury stock caused a decrease of additional paid-in capital amounted to NT$57,907 thousand (US$1,810 thousand) and NT$81,330 thousand (US$2,542 thousand), respectively. In addition, the bonus to employees of NT$6,164,889 thousand for 2008 were approved in the stockholders' meeting in June 2009. Of the approved amount, NT$4,954,889 thousand, representing 13,357 thousand common shares which was determined by fair value, would be distributed by common stock. The difference between par value and fair value of NT$4,821,316 thousand (US$150,713 thousand) was accounted for as additional paid-in capital. As a result, the additional paid-in capital as of December 31, 2009 was NT$9,056,323 thousand (US$283,099 thousand). Under the Company Law, the Company may transfer the capital surplus to common stock if there is no accumulated deficit.

The capital surplus from long-term equity investments was NT$15,845 thousand as of January 1, 2008. When the Company did not subscribe for the new shares issued by Vitamin D Inc. in September 2008, January 2009 and June 2009, adjustments of NT$1,689 thousand, NT$187 thousand (US$6 thousand) and NT$484 thousand (US$15 thousand) were made to the investment carrying value and capital surplus, respectively. The Company also determined that the recoverable amount of this investment was less than its carrying amount and recognized an impairment loss on its carrying value. As a result, the carrying value of this investment became zero and the Company reversed a capital surplus of NT$2,360 thousand (US$74 thousand) that was recognized in prior years for the movement of Vitamin D's capital surplus in proportion to the Company's equivalent stock. Also recognized was the movement of other investees' capital surplus amounting to NT$2,566 thousand (US$80 thousand). As of December 31, 2009, the total capital surplus from long-term equity-method investments was NT$18,411 thousand (US$576 thousand).

The additional paid-in capital from a merger was NT$25,756 thousand as of January 1, 2008. Then because of treasury stock retirement in January and November 2009, the additional paid-in capital from a merger decreased to NT$25,189 thousand (US$787 thousand) as of December 31, 2009.

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. 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$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.

The bonus to employees of NT$6,164,889 thousand for 2008 were approved in the stockholders' meeting in June 2009. The bonus to employees included a cash bonus of NT$1,210,000 thousand and a share bonus of NT$4,954,889 thousand. The number of shares of 13,357 thousand was determined by dividing the amount of share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the stockholders' meeting. The approved amounts of the bonus to employees were the same as the accrued amounts.

Based on a resolution passed by the Company's board of directors in February 2009, the employee bonus for 2009 should be appropriated at 18% of net income before deducting 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 immediately preceding the stockholders' meeting.

As of January 18, 2010, the date of the accompanying independent auditors' report, the appropriation of the 2009 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 to NT$500 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 during the repurchase period and retired them in January 2009.

On July 31, 2009, the Company's board of directors passed a resolution to buy back 13,000 thousand Company shares from the open market. The repurchase period was between August 3, 2009 and October 2, 2009, and the repurchase price ranged from NT$300 to NT$500 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 7,085 thousand shares for NT$2,406,930 thousand (US$75,240 thousand) during the repurchase period and retired them in November 2009.

(In Thousands of Shares)

Purpose	As of January 1, 2009	Increase	Decrease	As of December 31, 2009
For maintaining the Company's credit and stockholders' equity	10,000	7,085	17,085	-

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

	Function								
	2008			2009					
	NT$			NT$			US$ (Note 3)		
Expense Item	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Personnel expenses	$3,504,723	$10,041,645	$13,546,368	$2,980,449	$8,964,593	$11,945,042	$93,168	$280,231	$373,399
Salary	3,099,263	9,377,620	12,476,883	2,551,772	8,180,903	10,732,675	79,768	255,733	335,501
Insurance	$126,199	$198,891	$325,090	$155,481	$253,081	$408,562	$4,860	$7,911	$12,771
Pension cost	59,935	149,891	209,826	66,029	163,977	230,006	2,064	5,126	7,190
Other	219,326	315,243	534,569	207,167	366,632	573,799	6,476	11,461	17,937
Depreciation	378,836	365,029	743,865	476,585	421,450	898,035	14,898	13,174	28,072
Amortization	20,617	41,160	61,777	34,561	38,053	72,614	1,080	1,190	2,270

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 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. through 2007 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 expense (benefit) in 2008 and 2009; income tax payable, income tax receivables and deferred tax assets (liabilities) as of December 31, 2008 and 2009 were as follows:

	2008			
	Income Tax Expense (Benefit)	Income Tax Payable	Income Tax Receivable	Deferred Tax Assets (Liabilities)
	NT$	NT$	NT$	NT$
HTC Corporation	$ 2,955,130	$ 3,937,745	$ -	$ 1,373,638
BandRich Inc.	10,071	-	-	(245)
Communication Global Certification Inc.	539	178	-	2,228
HTC America Inc.	100,493	-	16,400	-
HTC EUROPE CO., LTD.	77,956	63,547	-	-
HTC NIPPON Corporation	11,642	12,364	-	-
HTC BRASIL	4,505	-	1,882	-
One & Company Design, Inc.	(2,933)	2,489	-	(4,922)
HTC Corporation (Shanghai WGQ)	4,583	3,808	-	-
HTC Belgium BAVA/SPRL	9,976	9,146	-	-
High Tech Computer Singapore Pte. Ltd.	142	494	-	-
High Tech Computer (H.K.) Limited	(245)	409	-	-
HTC (Australia and New Zealand) Pty. Ltd.	3,823	6,129	-	2,661
HTC India Private Limited	6,177	2,470	-	-
HTC (Thailand) Limited	1,002	591	-	-
HTC Investment Corporation	329	243	-	63
	$ 3,183,190	$ 4,039,613	$ 18,282	$ 1,373,423

	2009							
	Income Tax Expense (Benefit)		Income Tax Payable		Income Tax Receivable		Deferred Tax Assets (Liabilities)	
	NT$	US$ (Note 3)	NT$	US$ (Note 3)	NT$	US$ (Note 3)	NT$	US$ (Note 3)
HTC Corporation	$ 2,603,562	$ 81,387	$ 4,152,624	$ 129,810	$ -	$ -	$ 1,877,341	$ 58,685
BandRich Inc.	(245)	(8)	-	-	72	2	-	-
Communication Global Certification Inc.	664	21	-	-	23	1	1,576	49
HTC Investment Corporation	141	4	-	-	225	7	-	-
HTC I Investment Corporation	19	1	-	-	2	-	-	-
High Tech Computer Asia Pacific Pte. Ltd.	77	2	-	-	-	-	-	-
HTC America Inc.	72,449	2,264	-	-	15,074	471	26	1
HTC EUROPE CO., LTD.	77,102	2,410	96,613	3,020	-	-	-	-
Exedea Inc.	46	1	1,215	38	-	-	-	-
HTC NIPPON Corporation	7,354	230	-	-	5,981	187	-	-
HTC BRASIL	4,240	133	-	-	7,846	245	-	-
One & Company Design, Inc.	2,538	79	2,018	63	-	-	(8,478)	(265)
HTC Corporation (Shanghai WGQ)	(583)	(18)	-	-	256	8	-	-
HTC Belgium BAVA/SPRL	19,314	604	14,312	447	-	-	-	-
High Tech Computer Singapore Pte. Ltd.	389	12	511	16	-	-	(328)	(10)
HTC (Australia and New Zealand) Pty. Ltd.	2,295	72	2,746	86	-	-	123	4
HTC India Private Limited	1,216	38	-	-	25	1	-	-
HTC (Thailand) Limited	725	23	449	14	-	-	-	-
HTC Malaysia Sdn. Bhd.	669	21	417	13	-	-	(29)	(1)
HTC Innovation Limited	54	2	57	2	-	-	-	-
HTC Electronics (Shanghai) Co., Ltd.	(10,027)	(313)	-	-	-	-	9,714	304
	$ 2,781,999	$ 86,965	$ 4,270,962	$ 133,509	$ 29,504	$ 922	$ 1,879,945	$ 58,767

In May 2009, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduces a profit-seeking enterprise's income tax rate from 25% to 20%, effective 2010. Deductible temporary differences and tax credit carryforwards that gave rise to deferred tax assets as of December 31, 2008 and 2009 were as follows:

	2008	2009	
	NT$	NT$	US$ (Note 3)
Temporary differences			
Provision for loss on decline in value of inventory	$ 418,861	$ 632,416	$ 19,769
Unrealized marketing expenses	1,456,074	1,716,445	53,656
Unrealized reserve for warranty expense	1,307,151	1,058,820	33,098
Capitalized expense	59,474	40,747	1,274
Unrealized royalties	1,535,925	1,691,142	52,865
Unrealized bad-debt expenses	26,503	147,309	4,605
Unrealized valuation loss on financial instruments	128,521	-	-
Unrealized exchange loss	-	155,790	4,870
Other	11,711	43,497	1,360
Loss carryforwards	50,545	48,556	1,518
Tax credit carryforwards	2,281,856	3,157,393	98,699
Total deferred tax assets	7,276,621	8,692,115	271,714
Less: Valuation allowance	(5,826,064)	(6,772,111)	(211,695)
Total deferred tax assets, net	1,450,557	1,920,004	60,019
Deferred tax liabilities			
Unrealized pension cost	(29,353)	(27,597)	(863)
Unrealized exchange gain, net	(41,249)	-	-
Unrealized valuation gain on financial instruments	-	(3,626)	(113)
Unrealized depreciation	(6,532)	(8,836)	(276)
	1,373,423	1,879,945	58,767
Less: Current portion	(550,530)	(812,254)	(25,391)
Deferred tax assets - noncurrent	$ 822,893	$ 1,067,691	$ 33,376

Details of the tax credit carryforwards were as follows:

Credit Grant Year	Validity Period	2008 NT$	2009 NT$	2009 US$ (Note 3)
2005	2005-2009	$ 6,479	$ -	$ -
2006	2006-2010	15,475	15,475	484
2007	2007-2011	220,270	220,249	6,885
2008	2008-2012	2,039,632	874,619	27,340
2009	2009-2013	-	2,047,050	63,990
		$ 2,281,856	$ 3,157,393	$ 98,699

Details of the loss carryforwards were as follows:

Credit Grant Year	Validity Period	2008 NT$	2009 NT$	2009 US$ (Note 3)
2005	2006-2015	$ 95	$ -	$ -
2006	2007-2016	50,703	49,635	1,552
2007	2008-2017	48,885	48,885	1,528
2008	2009-2018	102,497	102,497	3,204
2009	2010-2019	-	16,519	516
		$ 202,180	$ 217,536	$ 6,800

The loss carryforwards of HTC Electronics (Shanghai) Co., Ltd. that gave rise to deferred tax assets in People's Republic of China were NT$5,049 thousand (US$158 thousand) and could be carried forward for four years.

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 2008 and 2009 were as follows:

	2008	2009	
	NT$	NT$	US$ (Note 3)
Current income tax	$ 3,601,398	$ 3,383,532	$ 105,769
Increase in deferred income tax assets	(409,268)	(506,522)	(15,834)
Overestimation of prior year's income tax	(8,940)	(95,011)	(2,970)
Income tax	$ 3,183,190	$ 2,781,999	$ 86,965

The integrated income tax information of HTC is as follows:

	2008	2009	
	NT$	NT$	US$ (Note 3)
Balance of imputation credit account (ICA)	$ 4,365,460	$ 1,702,246	$ 53,212
Unappropriated earnings generated from 1998	44,626,182	38,364,099	1,199,253
Actual/estimated creditable ratio (including income tax payable)	10.55% (actual ratio)	12.71% (estimated ratio)	12.71% (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 791,855 thousand shares and 787,367 thousand shares for the years ended December 31, 2008 and 2009, respectively. EPS for the year ended December 31, 2008 were calculated after the average number of shares outstanding was adjusted retroactively for the effect of stock dividend distribution in 2009.

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, 2008 and 2009 was as follows:

	2008				
	Amount (Numerator)		Denominator	EPS (In Dollars)	
	Before Income Tax	After Income Tax	Shares(Thousands)	Before Income Tax	After Income Tax
	NT$	NT$		NT$	NT$
Basic EPS	$31,590,479	$28,635,349	791,855	$39.89	$36.16
Bonus to employees	-	-	27,400		
Diluted EPS	$31,590,479	$28,635,349	819,255	$38.56	$34.95

	2009				
	Amount (Numerator)		Denominator	EPS (In Dollars)	
	Before Income Tax	After Income Tax	Shares(Thousands)	Before Income Tax	After Income Tax
	NT$	NT$		NT$	NT$
Basic EPS	$25,212,464	$22,608,902	787,367	$32.02	$28.71
Bonus to employees	-	-	15,044		
Diluted EPS	$25,212,464	$22,608,902	802,411	$31.42	$28.18

	2009				
	Amount (Numerator)		Denominator	EPS (In Dollars)	
	Before Income Tax	After Income Tax	Shares(Thousands)	Before Income Tax	After Income Tax
	US$ (Note 3)	US$ (Note 3)		US$ (Note 3)	US$ (Note 3)
Basic EPS	$788,136	$706,749	787,367	$1.00	$0.90
Bonus to employees	-	-	15,044		
Diluted EPS	$788,136	$706,749	802,411	$0.98	$0.88

26. FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

a. Nonderivative financial instruments

	December 31					
	2008		2009			
	Carrying Amount	Fair Value	Carrying Amount		Fair Value	
	NT$	NT$	NT$	US$ (Note 3)	NT$	US$ (Note 3)
Assets						
Available-for-sale financial assets - current	$ -	$ -	$ 2,497,394	$ 78,068	$ 2,497,394	$ 78,068
Available-for-sale financial assets – noncurrent	339	339	313	10	313	10
Financial assets carried at cost	501,192	501,192	565,172	17,667	565,172	17,667
Liabilities						
Financial liabilities at fair value through profit or loss - current	6	6	-	-	-	-

b. Derivative financial instruments

	December 31					
	2008		2009			
	Carrying Amount	Fair Value	Carrying Amount		Fair Value	
	NT$	NT$	NT$	US$(Note 3)	NT$	US$(Note 3)
Assets						
Financial assets at fair value through profit or loss - current	$ -	$ -	$ 18,132	$ 567	$ 18,132	$ 567
Liabilities						
Financial liabilities at fair value through profit or loss - current	514,077	514,077	-	-	-	-

Outstanding spot and forward exchange contracts amounted to NT$6 thousand and NT$514,077 thousand, respectively, as of December 31, 2008. Outstanding forward exchange contracts amounted to NT$18,132 thousand (US$567 thousand) as of December 31, 2009. The net amounts on derivative financial instruments were recognized as financial assets at fair value through profit or loss - current or financial liabilities at fair value through profit or loss - current.

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.

Financial assets carried at cost are investments in unquoted shares, which have no quoted prices in an active market and entail an unreasonably high cost to obtain verifiable fair values. Therefore, no fair value is presented.

Methodology Used to Determine the Fair Values of Financial Instruments

	Fair Values Based on Quoted Market Prices			Fair Values Based on Valuation Methods		
	December 31			December 31		
	2008	2009		2008	2009	
	NT$	NT$	US$ (Note 3)	NT$	US$(Note 3)	US$(Note 3)
Assets						
Financial assets at fair value through profit or loss - current	$ -	$ 18,132	$ 567	$ -	$ -	$ -
Available-for-sale financial assets - current	-	2,497,394	78,068	-	-	-
Available-for-sale financial assets - noncurrent	339	313	10	-	-	-
Financial assets carried at cost	-	-	-	501,192	565,172	17,667
Liabilities						
Financial liabilities at fair value through profit or loss - current	514,083	-	-	-	-	-

There was no loss or gain recognized for the years ended December 31, 2008 and 2009 on the fair value changes of derivatives with fair values estimated using valuation techniques. However, the Company recognized unrealized losses of NT$445 thousand and NT$26 thousand (US$1 thousand) under stockholders' equity for the changes in fair value of available-for-sale financial assets for the years ended December 31, 2008 and 2009, respectively.

As of December 31, 2008 and 2009, financial assets exposed to cash flow interest rate risk amounted to NT$60,900,272 thousand and NT$62,609,630 thousand (US$1,957,162 thousand), respectively.

As of December 31, 2008 and 2009, financial liabilities exposed to fair value interest rate risk was NT$75,625 thousand and NT$46,875 thousand (US$1,465 thousand), respectively.

Financial Risks

a. 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.

b.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.

c.Cash flow risk

The Company has sufficient working capital to settle derivative contracts. There are no immediate future cash requirements for contract settlement.

27. 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 HTC's chairperson
Xander International Corp.	Chairperson is an immediate relative of HTC's chairperson
Syuda Construction Company	The only juridical person shareholder, and the same 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 HTC's chairperson
Employees' Welfare Committee	Employees' Welfare Committee 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
Landtek Corporation (BVI)	Affiliate

Major transactions with related parties are summarized below:

Purchases of Inventories and Services

	2008		2009		
Related Party	Amount	% to Total Net Purchases	Amount		% to Total Net Purchases
	NT$		NT$	US$(Note 3)	
Chander Electronics Corp.	19,041	-	28,606	894	-

Terms of payment and purchasing prices for both related and third parties were similar.

Sales and Services Provided

	2008		2009		
Related Party	Amount	% to Total Revenues	Amount		% to Total Revenues
	NT$		NT$	US$(Note 3)	
Employees' Welfare Committee	$ 101,195	-	$ 9,666	$ 302	-
VIA Technologies, Inc.	1,578	-	794	25	-
Xander International Corp.	93,923	-	198	6	-
First International Computer, Inc. (FIC)	24,222	-	-	-	-
Others	-	-	516	16	-
	$ 220,918	-	$ 11,174	$ 349	-

The selling prices and collection terms for products sold to related parties were similar to those for sales to third parties, except those for Employees' Welfare Committee.

Accounts Receivable

	2008		2009		
Related Party	Amount	% to Total Notes and Accounts Receivable	Amount		% to Total Notes and Accounts Receivable
	NT$		NT$	US$(Note 3)	
VIA Technologies, Inc.	$ 282	-	$ 506	$ 16	-
Employees' Welfare Committee	69,238	-	-	-	-
Others	-	-	286	9	-
	$ 69,520	-	$ 792	$ 25	-

Accounts Payable

	2008		2009		
Related Party	Amount	% to Total Notes and Accounts Payable	Amount		% to Total Notes and Accounts Payable
	NT$		NT$	US$(Note 3)	
Chander Electronics Corp.	$ 19,041	-	$ 13,479	$ 421	-

Other Receivables

	2008		2009		
Related Party	Amount	% to Total Other Receivable	Amount		% to Total Other Receivable
	NT$		NT$	US$(Note 3)	
Chander Electronics Corp	$ 72	-	$ 30	$ 1	-
Others	-	-	63	2	-
	$ 72	-	$ 93	$ 3	-

Accrued Expenses

	2008		2009		
Related Party	Amount	% to Total Accrued Expenses	Amount		% to Total Accrued Expenses
	NT$		NT$	US$(Note 3)	
HTC Education Foundation for Social Welfare Charity	$ -	-	$ 217,800	$ 6,808	1
Way-Lien Technology Inc.	200	-	-	-	-
	$ 200	-	$ 217,800	$ 6,808	1

Other Payables to Related Parties

	2008		2009		
Related Party	Amount	% to Total Other Payables	Amount		% to Total Other Payables
	NT$		NT$	US$(Note 3)	
Way-Lien Technology Inc.	$ -	-	$ 420	$ 13	-
Chander Electronics Corp	-	-	81	3	-
Xander International Corp.	-	-	38	1	-
	$ -	-	$ 539	$ 17	-

Service Warranty Expense

	2008		2009		
Related Party	Amount	% to Total Warranty Expenses	Amount		% to Total Warranty Expenses
	NT$		NT$	US$(Note 3)	
Comserve Network Netherlands B.V.	$ 14,491	-	$ 1,203	$ 38	-

Service warranty expense resulted from authorizing the above related party to provide after-sales services.

Service Fees

	2008		2009		
Related Party	Amount	% to Total Service Expenses	Amount		% to Total Service Expenses
	NT$		NT$	US$(Note 3)	
Way-Lien Technology Inc.	$ 2,400	-	$ 2,400	$ 75	-
Captec Partners Management Corp.	2,250	-	3,222	101	-
	$ 4,650	-	$ 5,622	$ 176	-

Leasing - Lessee

	2008		2009		
Related Party	Amount	% to Total Rental Expenses	Amount		% to Total Rental Expenses
	NT$		NT$	US$(Note 3)	
VIA Technologies Inc.	$ 3,661	2	$ 9,035	$ 282	4

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

	2008		2009		
Related Party	Amount	% to Total Donation Expenses	Amount		% to Total Donation Expenses
	NT$		NT$	US$(Note 3)	
HTC Education Foundation for Social Welfare Charity	$ 300,000	92	$ 300,000	$ 9,378	92
High Tech Computer Foundation.	20,000	6	25,000	781	7
	$ 320,000	98	$ 325,000	$ 10,159	99

The Company donated NT$325,000 thousand in 2008 and NT$325,500 thousand (US$10,175 thousand) in 2009 to help disadvantaged minorities, teenagers and other people in need. Of these donations, NT$5,000 thousand in 2008 and NT$500 thousand (US$16 thousand) in 2009 went to unrelated parties (Note 17 has more information).

Other Losses

	2008		2009		
Related Party	Amount	% to Total Other Losses	Amount		% to Total Other Losses
	NT$		NT$	US$(Note 3)	
Xander International Corp.	$ 37,500	10	$ -	$ -	-

In 2008, 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.

Property and Investment Transaction

In January 2009, the Company acquired land from a related party, Syuda Construction Company, for NT$791,910 thousand (US$24,620 thousand). It was about 39 thousand square meters, located near the Company in Taoyuan, and the land price was based on appraisal reports. It will be used to expand factory area.

In July 2008, HTC acquired 100% equity interest 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

	2008	2009	
	NT$	NT$	US$(Note 3)
Salaries	$ 93,215	$ 94,140	$ 2,943
Incentives	23,575	51,300	1,604
Special compensation	15	12	-
Bonus	610,717	(Note)	(Note)
	$ 727,522	$ 145,452	$ 4,547

Note: The appropriation of the 2009 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, 2008 and 2009 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 year ended December 31, 2008 included the bonuses appropriated from the earnings of 2008, which had been approved by stockholders in their annual meeting in 2009.

28. PLEDGED ASSETS

As of December 31, 2008 and 2009, the Company had provided time deposits of NT$41,465 thousand and NT$106,252 thousand (US$3,321 thousand), respectively, as collateral for the secured loans, rental deposits and to the National Tax Administration of Northern Taiwan Province as part of the requirements for the Company to get a certificate stating that it had no pending income tax.

29. COMMITMENTS AND CONTINGENCIES

As of December 31, 2009, unused letters of credit amounted to JPY7,835 thousand.

HTC provided NT$479,850 thousand (US$15,000 thousand).guarantee for HTC Electronics (Shanghai)'s bank loans. HTC Electronics (Shanghai) has drawn down $0 thousand from banks within the guarantee amount as of December 31, 2009.

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	February 1, 2009 - January 31, 2011	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 LUCENT	November 2009 - November 2012	Authorization to use 2G(GSM/GPRS/EDGE/CDMA)、3G(CDMA2000/WCDMA)、HTML、MPEG、AMR 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.

31. OTHER EVENTS

a. Lawsuit

In April 2008, IPCom GMBH & CO., KG ("IPCom") filed a multi-claim lawsuit against the Company with the District Court of Mannheim in Germany, alleging that the Company infringed IPCom's patents. IPCom requested the court to issue an injunction to prevent the Company from exporting to and selling in Germany devices made using IPCom's patents. In March 2009, the Company was served with the court decision that was in favor of some of IPCom's claims. The court also granted IPCom's request for an injunction, with the serving of this injunction pending IPCom's placement with the court of a security bond of €1 million. The Company appealed this decision to the German Federal Patents Court in Munich and requested a stay of the injunction pending the outcome of this appeal. In May 2009, the court of appeals issued a stay of the injunction and enforced this stay after the Company submitted to the court a bank guarantee amounting to €7.5 million, the amount of the required security bond. Thus, the Company has continued to ship products regularly to Germany.

On December 18, 2009, the District Court of Mannheim further ruled that it will stay the proceedings on one of IPCom's claims of breach of patents because of the Court's doubts about its validity. The case will remain suspended pending the end of the claim invalidity proceedings at the European Patent Office and the German Federal Patents Court. As of January 18, 2010, the date of the accompanying independent auditors' report, there had been no further hearing nor had a court decision been made.

On other lawsuits, the Company had examined their circumstances and related information, including past experiences, expert opinions, results of the evaluation of contingencies and estimation of the degree of actual occurrence, and concluded that the amounts of contingent assets or liabilities were appropriately accounted.

b. Construction for Taipei R&D headquarter

In September 2009, the Company's board of directors resolved to build the Taipei R&D headquarter in Xindian City and the land was bought from Yulon Motors Ltd.

The estimated budget for the construction is NT$3,380,000 thousand (US$105,658 thousand) for a total floor space of 92 thousand square meters. Construction is scheduled to be completed by August 31, 2011 (Note 15 has more information).

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 2008 and 2009 were as follows:

	2008	2009	
	NT$	NT$	US$(Note 3)
Asia	$ 22,772,833	$ 19,310,968	$ 603,656
North	53,916,578	69,711,852	2,179,176
Europe	60,176,261	44,021,684	1,376,108
Others	11,532,155	6,620,411	206,953
	$ 148,397,827	$ 139,664,915	$ 4,365,893

Major Customers

Sales to major customers were as follows:

	2008	2009	
	NT$	NT$	US$(Note 3)
A	$ 21,639,592	$ 28,816,033	$ 900,783
B	$ 21,375,563	$ 27,213,647	850,692
C	$ 26,859,037	$ 12,665,806	395,930
	$ 69,874,192	$ 68,695,486	$ 2,147,405

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

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 and quasi money market fund. 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 brand business, 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.

Appendix: 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. The employees are responsible for understanding and complying with the HTC Code of Conduct as well as other applicable HTC policies/rules. The manager must ensure that each employee endorses the contents of the Code of Conduct and should review this document with each employee periodically (at least once per year). Both parties should then sign in the appropriate space on the last page.

Mandatory Contents

1.0 General Moral Imperatives
While maintaining a work culture that ensures the company's success, HTC strives to treat each employee fairly and with dignity. HTC is also committed to complying with the labor laws of each country it operates in. As well, each employee is responsible for complying with all applicable external and internal laws.

1.1Work 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 venders/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, venders/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, venders/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 venders/suppliers) that the Company has a duty of confidentiality pursuant to contracts or required by any applicable 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 Venders/Suppliers and Customers Relationship
It is a basic principle in Company business operations to maintain a good relationship with our venders/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 venders/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 venders/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 venders/suppliers and achieve world-class competitiveness. To maintain HTC's valuable reputation and the benefits to our customers and venders/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 venders'/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 venders/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/venders, 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, venders/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, venders/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.