

2010 HTC

ANNUAL REPORT

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01

LETTER TO HTC
SHAREHOLDERS

LETTER TO HTC SHAREHOLDERS

Dear shareholders,

It is my great pleasure to witness the sustained growth and market success of HTC Corporation with each and every one of our investors.

Sustained expansion in overall business operations and HTC's brand development crowned a year of exceptional growth at HTC. We shipped 24.67 million smartphones in 2010 – the first time in our history where shipment broke through 20 million. This more than doubles our 2009 shipment number and gives HTC a year-on-year growth rate much higher than the sector average. This stellar performance reflects not only strong market growth, but also dedication by all HTC employees and strong recognition from our customers and consumers.

Key Accomplishments

Innovative and agile, HTC continues to pioneer the mobile experience. 2010 was no exception. This year saw the launch of many new models destined to become HTC "classics". British technology magazine T3 named the new HTC Desire their "Phone of the Year". US-based technology news website CNET.com picked the HTC EVO 4G (the world's first 3G/4G Android phone) as its "Best Phone of CTIA 2010". Our flagship model for 2010, the HTC Desire HD, went further still, setting a new benchmark for other smartphones to follow. Desire HD packs a Qualcomm 1GHz processor, generous 4.3" LCD screen, Dolby Mobile and SRS virtual sound in a sleek aluminum unibody - delivering an exhilarating browsing experience and optimal enjoyment of outstanding multimedia content. Also in 2010, we welcomed the release of Windows Phone 7 by launching the world's first five Windows Phone 7



Chairman



CEO & President

smartphones. The lineup included the HTC 7 Surround, HTC 7 Mozart, HTC 7 Trophy, HTC 7 Pro and HTC HD7.

HTC Sense is HTC's self-developed user experience that integrates a suite of multimedia and location based services. The exciting new app "Locations" lets users preload maps into their HTC devices for "no wait" navigation assistance. HTC Sense.com, launched in 2010, is a new series of connected services that allows HTC users to manage device information and settings such as contacts, text messages and call history remotely through a mobile phone or personal computer.

The global "Quietly Brilliant" campaign has steadily expanded brand recognition of HTC and its products. The 2009 "YOU" campaign highlighted HTC's customer-centered approach to business. This year's "Here's an Idea" campaign further highlighted the unique user experience delivered by HTC innovation.

Increased marketing at HTC sales outlets worldwide (e.g., HTC phone and HTC Sense "test drive" promotions) have further solidified the HTC brand.

By the close of 2010, global recognition of the HTC brand had risen to 50% - an accomplishment that led T3 magazine to proclaim HTC its "Tech Brand of the Year". All these highlight our achievements in developing and promoting the HTC brand in 2010.

In addition, HTC introduced its brand in China in 2010 and expanded positions in emerging markets such as China and Southeast Asia. HTC continues to beef up its product portfolio to address diversified market demand. Recent examples include launches of HTC Flyer - HTC's first tablet PC, HTC Sensation - our premium multimedia super phone, HTC EVO 3D - our first "glasses-free" 3D phone, and HTC Salsa and HTC ChaCha - two smartphone models optimized for mobile social networking. The diverse functions and features of HTC products put users in charge and will continue to electrify and expand the mobile experience.

Financial Performance

HTC's growth model has kept the company highly profitable as it expands. Consolidated revenues rose 93% during 2010, reaching a historic high of NT\$278.8 billion. Consolidated gross margin was 30.1% and consolidated operating expense ratio was 14.3%. Consolidated operating margin reached 15.8%. These numbers attest to our efforts in enhancing operational efficiency. Net income after tax was NT\$39.5 billion, an NT\$16.9 billion increase over 2009. Net margin (after tax) was 14.2%, and earnings per share (EPS) was NT\$48.49.

The Future

HTC anticipates continued growth in the smartphone sector. The convenience and

excitement delivered by the plethora of mobile digital applications available such as location based services, multimedia entertainment, social networking services, and e-books continue to push smartphones to the fore of mobile phone purchase choices and increase penetration of smartphones in the mobile phone market.

Work continues on HTC's new Taipei Headquarters building in the Taipei suburb of Xindian. HTC further expanded its Taoyuan headquarters and Kangqiao production facility in Shanghai for future growth. In 2010, HTC acquired the successful software customization house, Abaxia, to broaden and deepen our capability in software development and integrated cloud computing capabilities to offer a comprehensive range of connected services. HTC is meeting intense competition head-on with superior innovation and a brand that fits snugly with modern consumer lifestyles and desires. We listen closely to our markets to refine products and services. 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

Cher Wang
Peter Chou

02

COMPANY PROFILE

BILE
2011

HTC - A GLOBAL LEADER IN SMARTPHONE INNOVATION

HTC Corporation, founded in May 1997, leads the mobile phone industry in innovation and design. "Quietly Brilliant" encapsulates HTC's commitment to developing exceptional products and technologies. At HTC, we believe that the best things in life should be experienced, not explained. This is the core value of HTC as a corporate, innovator and business partner.

The communication needs and expectations of mobile phone users are at the heart of HTC's business model. We create mobile phones attuned to the way our users live, work and play. HTC unites creativity and unmatched technical expertise to bring people closer together, infuse fun into life, and improve how we all communicate and share information. These are the ideas shaping HTC's mobile phone design today; and they will continue to infuse brand-driven ideals and innovative new design concepts into our products long into the future.

HTC holds the attention of global business and technology media. Bloomberg BusinessWeek, Fast Company and MIT's Technology Review put HTC on their respective lists of globe's 50 most innovative companies in 2010. Newsweek further named HTC one of the top 10 innovative companies in 2010. At the 2011 Mobile World Congress, HTC overcame stiff competition from the likes of Apple and Samsung to earn the event's coveted "Device Manufacturer of the Year" award.

HTC has been impassioned from the start about innovation and the potential of smartphones to radically improve the way people live, work and play. Acting on this passion, HTC today offers a continuously updated catalogue of innovative wireless communications products. Uniquely tailored to meet and exceed user expectations, HTC phones are marketed and sold through telecom companies and retail distributors across Europe, America and Asia.





Acquisition of leading mobile software developer Abaxia in 2010 further strengthens HTC's software development capabilities allowing it to innovate at an even faster pace. HTC also has investment stakes in China-based mobile security solutions provider NetQin and Shanghai Gsuo Information Technology. Early 2011 saw HTC invest in online video company Saffron Digital, online gaming company OnLive, and China-based mobile financial solutions provider Shanghai F-road Commerce Service. Technologies, services and applications from these and other investments ensure that HTC can deliver the latest in mobile convenience and multimedia entertainment.

Dedication, talented employees and strong grasp of technologies, products and market trends have underpinned HTC's success as a leading provider of world-class wireless telecommunication products. In the short term, HTC will launch exciting Android and Windows Mobile devices with enhanced product functionality and competitiveness. We will also continue to strengthen HTC's brand value and recognition as well as continue streamlining business operations to optimize cost structures. Looking further ahead, HTC will focus on expanding global market opportunities, cooperate with industry leaders and major telecom

service providers to give users even better products and services, and further enhance global operations management to segue HTC's rise as the world's number one smartphone brand.

HTC is listed on the Taiwan Stock Exchange (TWSE) under the ticker number 2498.

Company History

HTC has undergone three revolutionary changes 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 Director) HT Cho and then-Vice President (now Chief Executive Officer) Peter Chou brought together HTC's first R&D team and 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 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 Compaq Computer met with huge market success when launched in 2000 and 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) 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 tailor products based on telecommunications services provided by its customers. This marks the beginning of HTC's efforts in building a global sales and service network and entrance into the global telecommunications market.

> Global HTC Brand: Strategic Rollout and Development

Launch of the HTC brand globally in May 2007 committed the company formally to long-term global brand development. HTC subsequently launched HTC Touch, placing HTC in the front and center of growing worldwide excitement over touch screen smart



phones. In June 2009, HTC released the all-new user interface, HTC Sense, delivering simpler and much more intuitive user experience. HTC then proceeded to introduce its competitive new lineup to the world through its global "Quietly Brilliant" and "YOU" advertising campaigns. HTC also began sponsoring the Tour de France and Wallpaper Annual Design Awards. Each step along the way has been carefully considered to raise HTC brand awareness in all key markets.

More than a new frontrunner in smartphone technology and products, HTC is now an important player in global telecommunications with an increasing voice in the industry's future. In 2010, HTC earned T3 Magazine's "Tech Brand of the Year" award and recognition from the 2011 Mobile World Congress as the "Device Manufacturer of the Year". Recognitions like these reflect widespread market enthusiasm for HTC products and growing recognition of the HTC brand.

HTC maintains a bullish outlook on future growth prospects in the smartphone sector. Migration from traditional mobile phones to smartphones is expected to remain a defining market trend. HTC's user-centric design approach and technological proficiencies make it a primary beneficiary of this trend.

Products

HTC currently focuses on the design, development and production of handheld wireless telecommunications devices based on Windows Mobile, Android and Brew operating systems. Core competencies include product design, development of operating systems, middleware, user interface and software applications. 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's relentless pursuit of innovation is reflected in its regularly updated product lineup. New models

launched during 2010 include HTC Desire, HTC EVO 4G, HTC Droid Incredible and HTC Wildfire. Each was greeted with high anticipation and strong consumer demand. HTC Desire HD, the year's flagship product, features HTC Sense augmented by HTCSense.com, a new suite of connected services geared to making smartphones even more accessible and user friendly. Desire HD's generous 4.3" screen, Dolby Mobile and SRS Surround Sound deliver crystal clear viewing and fast data transfer speeds. HTC models built on Microsoft's new Windows Phone 7 platform, including the HTC 7 Surround, HTC 7 Mozart, HTC 7 Trophy, HTC 7 Pro and HTC HD7, were also launched in 2010 to meet consumers' diversified demand.

HTC launched three brand new 4G smartphones at the 2011 Consumer Electronics Show (CES). The HTC EVO Shift 4G, HTC ThunderBolt and HTC Inspire 4G further solidify HTC's leadership in the mobile 4G arena. HTC combined ultra-fast 4G transfer rates with exceptional HTC Sense functionality to truly bring the

power of broadband wireless to life. HTC announced the company's first tablet, the HTC Flyer, at the 2011 Mobile World Conference. With redesigned HTC Sense for tablet, HTC Flyer integrates touch and handwriting functions and supports video downloads with HTC Watch. Through working with OnLive, HTC Flyer will become the world's first tablet featured with cloud-based mobile gaming services. This breakthrough product set the stage for HTC to pursue new business opportunities in the future.

Through innovation, HTC seeks to make mobile products more intuitive and easier to use. Each potential innovation is tested using extensive customer research to ensure each change represents a step in the right direction and that every HTC encounter is enlivening and memorable. This is HTC's "Quietly Brilliant" promise.



HTC ChaCha



HTC Salsa



HTC Wildfire S



HTC Desire S



HTC Incredible S



HTC Flyer

Board Of Directors And Supervisors

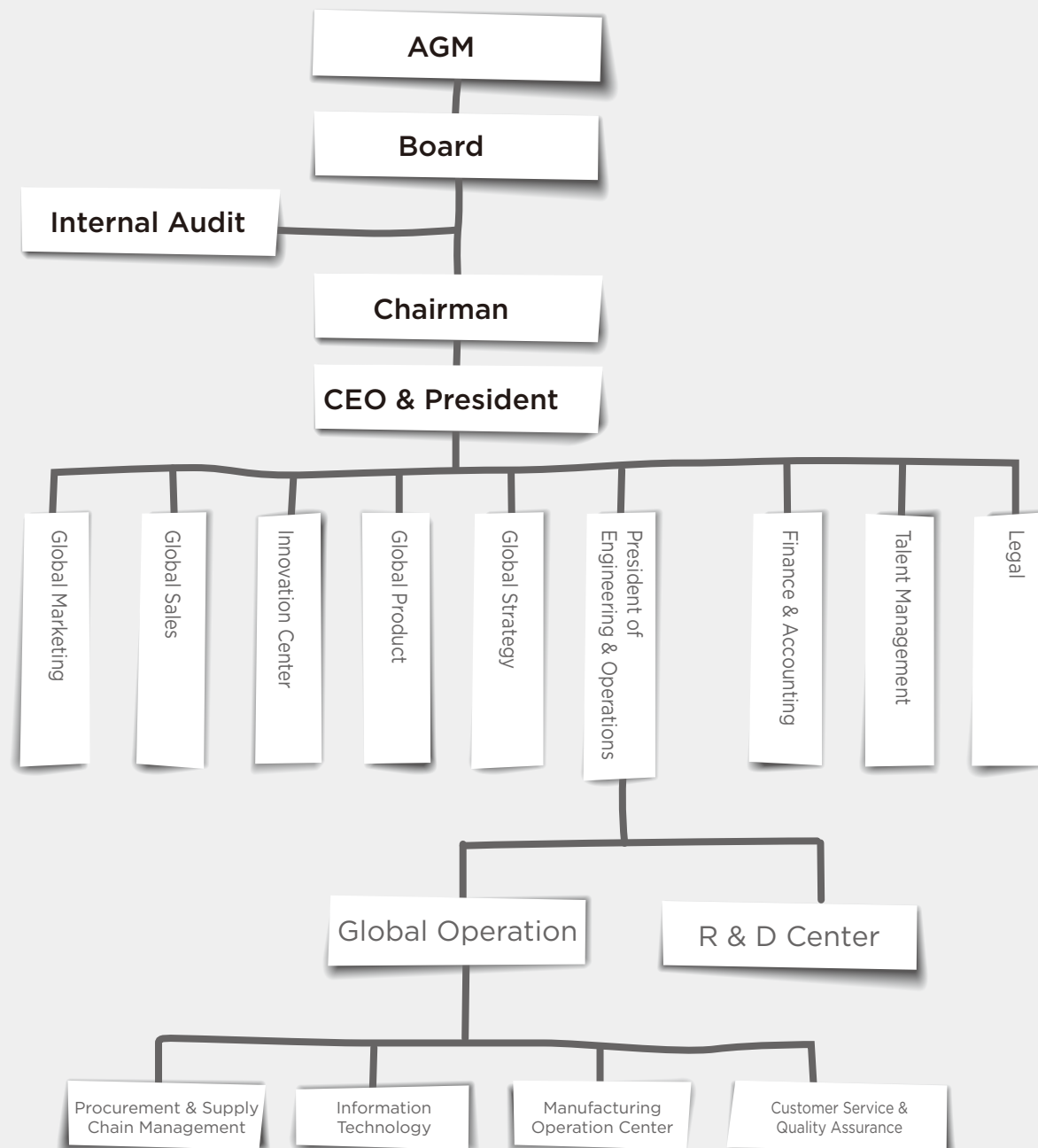
BOARD OF DIRECTORS	
Cher Wang	> Chairman > Chairman of the Compensation Committee
HT Cho	> Director > Member of the Compensation Committee
Wen-Chi Chen	> Director
Tan Ho-Chen	> Director
Chen-Kuo Lin	> Independent Director > Member of the Compensation Committee
Josef Felder	> Independent Director
SUPERVISORS	
Shao-Lun Lee	> Supervisor on behalf of Way-Chih Investment Co., Ltd.
Caleb Ou-Yang	> Supervisor

Management Team

Name	Position
Peter Chou	Chief Executive Officer & President
Fred Liu	Corporate Senior Executive Vice President and President of Engineering and Operations
Winston Yung	Chief Financial Officer
Matthew Vincent Costello	Chief Operating Officer
David Chen	Chief Engineering Officer
John Wang	Chief Marketing Officer
Kouji A. Kodera	Chief Product Officer
Ronald Allen Louks	Chief Strategy Officer
Eric Chou	Chief Information Officer
Grace Lei	General Counsel
CS Wang	Vice President
Georges Boulloy	Vice President
Gregory Fisher	Vice President
Lotus Chen	Vice President
Simon Hsieh	Vice President
Simon Lin	Vice President
WH Liu	Vice President
Jim Lin	Associate Vice President
Ralph Wang	Associate Vice President
Steve Wang	Associate Vice President
Thomas Chien	Associate Vice President
James Chen	Associate Vice President
Edward Wang	Associate Vice President
REGIONAL HEADS	
Jason Mackenzie	President-North America & Latin America
Florian Seiche	President -EMEA Region
Jack Tong	Vice President, APAC
Ray Yam	Vice President, Head of China



Organization



Organization Functions

- > **Global Marketing**
Responsible for global corporate image; conduct PR and marketing activities; conduct industry research and implement corporate marketing strategies
- > **Global Sales**
Responsible for product sales, new customer development, customer relations, and customer service
- > **Innovation Center**
Conduct R&D work related to new technologies, potential future products and applications; provide results/findings to other R&D departments for further development
- > **Global Product**
Conduct research on market trends; develop and manage product portfolio; define product development strategies
- > **Global Strategy**
Analyze market trends, competitive landscape and cutting edge technologies
- > **R & D Center**
Responsible for R&D and fostering a research culture within the company
- > **Global Operation**
Manage global production capacities, plant expansion, production and quality control; coordinate delivery schedules; manage global after-sales service to ensure HTC products meet customer demand / expectations
- > **Procurement & Supply Chain Management**
Responsible for purchasing (quantity / price / delivery) and control of materials, components and finished products to meet quality and delivery requirements
- > **Information Technology**
Responsible for IT planning, security and maintenance, disaster recovery and assessment/implementation of work process computerization
- > **Manufacturing Operation Center**
Responsible for manufacturing and production capacity management
- > **Customer Service & Quality Assurance**
Responsible for quality control and global after-sales service to ensure HTC products meet customer demand / expectations
- > **Internal Audit**
Audit effectiveness of internal systems and controls; assess accuracy of financial information and reports
- > **Finance & Accounting**
Responsible for corporate governance, investor relations, global tax planning, cash management, investment planning, risk management, shareholder services and business and cost analyses
- > **Talent Management**
Handle corporate human resources development and administration; promote HTC corporate culture and employee benefit programs; conduct organizational and human resource planning to support corporate development
- > **Legal**
Responsible for all HTC contracts, trademarks, patents, intellectual properties, lawsuits and other legal affairs

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, Korea, Italy, the Netherlands, Belgium, Greece, Spain, 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 R&D Center

1F, No. 6-3, Baoqiang Road, Xindian District, New
Taipei City 231, 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 professionals from Europe and the Americas, we have also invested significant resources into making the work environment at HTC diverse, challenging, and encouraging. As of the close of March 2011, HTC employed 12,943 staff worldwide. 22.9% of all HTC managerial positions are held by 218 non-Taiwanese managers. Non-Taiwanese managerial and technical staff filled 13.5% of HTC managerial and technical positions. Women held 16.2 % of HTC's 951 managerial positions.

Statistics related to the structure of human resources at HTC

(excluding outsourced labor)

> Employees by Position Type

	Mar. 31, 2011	Dec. 31, 2010	Dec. 31, 2009
Management	951	874	563
Specialists	3,265	2,978	2,732
Administrators	967	931	626
Technical Staff	7,760	7,792	4,328
Total	12,943	12,575	8,249

> Gender, Average Age and Average Years of Service

	Mar. 31, 2011	Dec. 31, 2010	Dec. 31, 2009
Male	7,231	7,214	4,445
Female	5,712	5,361	3,804
Average Age	29.81	29.92	29.84
Average Years of Service	2.43	2.22	2.97

> Employees' Highest Level of Academic Achievement

	Mar. 31, 2011	Dec. 31, 2010	Dec. 31, 2009
Ph.D.	64	67	57
Master's	2,393	2,195	1,815
Bachelor's	3,882	3,912	2,225
Technical / Vocational	1,129	1,259	781
Other	5,475	5,142	3,371

03

BUSINESS OPERATIONS

INDUSTRY OVERVIEW

The wireless telecommunications sector is in the midst of tremendous growth. In response, mobile phone makers, telecom service providers and software developers have introduced countless products and services that aim to enhance and further popularize the mobile internet.

Mobile phones are now digital music players, web browsers, e-mail portals, high-speed internet devices and GPS navigation tools. They are an indispensable personal entertainment and work platform. International research firm Gartner reported that smartphone penetration rose from 14.2% in 2009 to 18.6% in 2010. Growth is expected to continue for years to come.

So much functionality in the palm of your hand would not have been possible without the coordinated effort of multiple industries and countless companies. Upstream smartphone suppliers include hardware companies - experts in producing chips, panels and batteries, among others, as well as software developers that write operating systems, applications and other programs. The quality of each input impacts directly on final product quality and indelibly affects the user experience. Companies like HTC - the middle link in the chain of production - leverage technical expertise to integrate software and hardware into a variety of smartphone products tailored to the needs of different market segments. Products then reach consumers through downstream telecom service providers and retail channels.

Data-centric 3G/4G wireless communication technology has now superseded previous voice-centric 2G standards. The move to 4G is particularly evident in the United States, as US telecom providers seek to further expand mobile multimedia services. For their part, mobile phone makers continue to beef up products with new features such as 1GHz processors, large screens, enhanced resolution, intuitive touch interfaces, and an



expanding universe of mobile content and services. Consumer demand for smartphones is fueling rapid business growth. Globally, smartphone sales topped 300 million units in 2010 (IDC estimate) – an impressive 74% rise over 2009.

An early leader in Windows Mobile, HTC has expanded aggressively into the Android platform to take full advantage of rising demand for mobile digital services. HTC launched the world's first Android mobile phone in 2008. The company has also wholly transformed the mobile phone design paradigm - demanding harmony

between hardware, aesthetics and user experience in place of the prevalent industry focus on hardware specifications. As such, HTC delivers a holistic user experience to its users. HTC is also a 4G leader. Our launch of the world's first Wimax Android and LTE Android mobile phones once again confirms HTC's leadership in the smartphone industry.

Led by rising demand, capacity utilization of upstream components / parts suppliers started to increase from the start of the 3rd quarter of 2010. Shortages of certain items were evident. Apart from securing adequate

capacity from our suppliers, HTC also regularly negotiates to reduce supply costs. During 2010, HTC managed to obtain significant cost reductions on medium and small panels despite tight supply situation. The HTC supply chain is considered generally strong and stable.

Continued growth in worldwide mobile phone deliveries during 2011 is expected to lead to tight supplies of upstream components. HTC will continue to demand adequate capacity commitments from suppliers to ensure on-time delivery of components. HTC will also

support suppliers to raise production efficiencies and lower costs to enhance mutual competitiveness.

Market Analysis

Exceptionally positive prospects for the smartphone sector reflect rising consumer utilization of mobile internet. Beyond traditional phone functions, smartphones allow users to manage online social networking, handle e-mails, access the internet and tap into a variety of mobile applications. Smartphone functions touch on nearly every facet of modern life. Market growth continues to attract business attention as well as new competitors eager to profit from new opportunities.

Principal smartphone operating systems include Symbian, Android, iOS, Blackberry and Windows Mobile. Symbian remains the dominant player, although its market share has been slipping. Android and iOS, both commercially available for less than five years, have earned loyal followings and achieved exceptional market share growth on the strength of their extensive software app offerings. Android's 22.7% of worldwide smartphone sales in 2010 (Gartner estimate) gives the Android OS a market share second only to Symbian.

HTC is the world's leading manufacturer of both Android and Windows Mobile smartphones. Its leading R&D, innovation and operations are further enhanced by its many long-term strategic partnerships with industry leaders that give HTC an active role in shaping industry trends. Close cooperation with major telecom service providers around the globe keeps HTC plugged in to consumer preferences and emerging needs. HTC shipped 24.67 million units and supplied 8% of the global smartphone market in 2010. We rank amongst the world's top 5 manufacturers of smartphones and top 10 manufacturers of mobile phones. Going forward, HTC will continue to leverage innovation and expertise to satisfy diverse consumer needs and further bolster HTC's brand awareness and value.

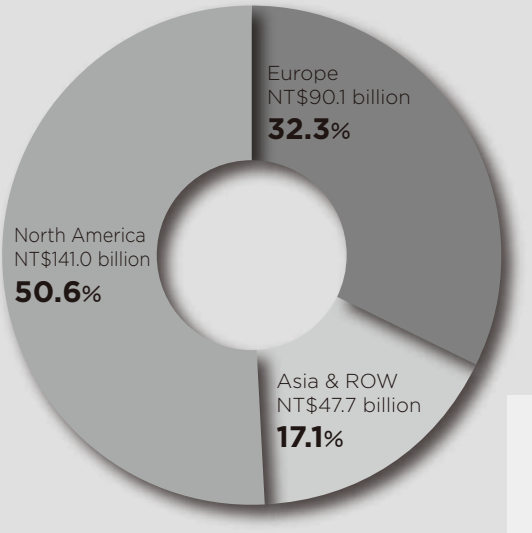


Business Scope

Smartphones based on Android, Windows Mobile and Brew operating systems represent HTC's core product offering. The HTC Touch, HTC Hero and HTC Desire series epitomize HTC product leadership. After its 2006 brand launch, HTC focused on sales through telecommunication service providers and retail channel partners in Europe, the Americas and Asia. This focus has since gradually expanded to include emerging smartphone markets in the Middle East, Central and South America and Russia.

Early emphasis on research and development has been bolstered through the years by strategic partnerships with Microsoft, Google and Qualcomm. HTC has consistently developed and launched groundbreaking new product models. We help telecom service providers raise their average revenues per user (ARPU) by creating product designs and features tailored to fit the way their customers live, work and play. Global sales and after-sales service networks support and extend the market success of each new HTC model in order to fulfill its brand promise to both consumers and shareholders.

The Americas and Europe represented the main focus of HTC's business development work during 2010. Half of HTC sales for the year went to North America (50.6%), followed by Europe (32.3%) and Asia & Other Regions (17.1%). A doubling of revenues in both North America and Europe in 2010 evinced already strong acceptance of the HTC brand in these key markets. Future efforts will continue to focus on developing products that fit ever more closely into users' daily lives and win over increasing numbers of consumers to smartphone fun and convenience.

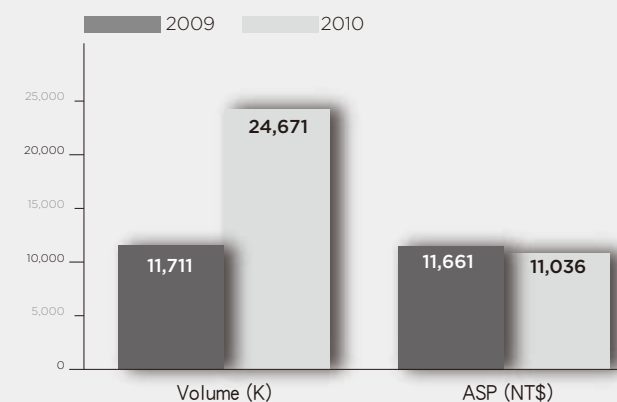


Analysis of Business Results

2010 marked a year of strong growth for HTC. Unit sales and profit figures hit new highs quarter after quarter. HTC sold 24.67 million units in 2010 – more than double the number sold in 2009. Net profits after tax for the year reached NTD39.5 billion to set a new all-time record.

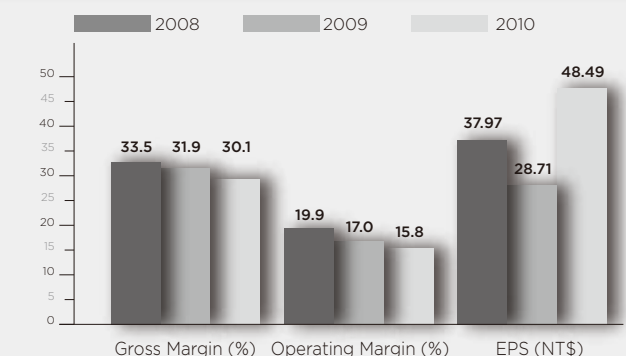
2010's remarkable growth in smartphone sales benefited from strong consumer demand worldwide. Dedicated to making products that fit the way users live, work and play, HTC continued to launch a new stream of flagship products, including HTC Desire, HTC Droid Incredible, HTC EVO 4G and HTC Wildfire, which sparked consumer enthusiasm. Unit sales of many of these models are in the multiple millions, giving rise to HTC's industry-leading operational performance. Having long been known to be strong in the middle to high-end market segments, HTC extended its product portfolio to the low to mid-end segment in 2010. The mid-tier HTC Wildfire achieved impressive results during the year through its powerful combination of social networking functions and attractive mid-range price point. HTC Wildfire in particular is selling very well in the youth and young adult market segments.

HTC has sustained its average sales price (ASP) while rapidly expanding business volumes through a successful product portfolio strategy. In US dollar terms, HTC's 2010 ASP of US\$350 was a slight 0.6% below ASP of US\$352 the year before. In NT dollar terms, the 5.4% drop in ASP for the year to NT\$11,036 reflected weakness in the US-to-NT dollar exchange rate.



HTC continues to streamline operations and optimize cost structures. The slight 1.8 percentage point decline in our gross profit margin to 30.1% was due primarily to exchange rate volatility, product mix changes and market competition. In terms of operating expenses, we continue to devote significant funds to building value and recognition for the HTC brand and to strengthening point-of-sale marketing in our major markets. HTC's consolidated selling and marketing expense in 2010 rose

to NT\$21.8 billion, twice the amount spent during the previous year. Consolidated operating costs for the year totaled NT\$39.7 billion. Benefiting from economies of scale, HTC's consolidated operating expense ratio declined by 0.6 percentage points for the year to 14.3%, which boosted consolidated operating profit margin (OPM) to 15.8%. Earnings per share (EPS) saw a robust leap to NT\$48.49, up significantly from 2009's NT\$28.71.





Here's an idea:
Share the fun

Progress in Research & Development

Since its inception, HTC has invested consistently to solidify in-house R&D capabilities. Today, R&D professionals account for almost 30% of HTC's headcount, and annual R&D investments regularly represent 4 to 6 percent of total revenues. HTC products are frequent trailblazers, earning a long line of "firsts" that includes the world's first Windows Mobile and Android smartphones, first dual-mode GSM/WiMAX phone, first 3G/4G Android phone, and first LTE Android phone. HTC Sense, launched in 2009, was a momentous breakthrough that revolutionized the mobile phone experience. HTC launched the HTC Sense.com suite of connected services in 2010. With an HTC phone or PC, HTC Sense.com allows users to remotely access and manage data on all their HTC devices.

HTC has earned its leading position in the smartphone sector through innovation and exceptional

understanding of industry and consumer trends. Nowhere is this more apparent than in the Android and Windows Mobile device markets. In 2010, leadership in advanced telecommunications technology bore fruit in the launch of HTC EVO 4G, the world's first 3G/4G Android phone. The HTC EVO 4G leverages the WiMAX protocol to deliver high speed, exciting life into mobile multimedia services from streaming movies and online games to large file downloads and was named CNET's Best phone of CTIA 2010. At the start of 2011, HTC announced the launch of HTC Thunderbolt, the world's first LTE Android phone that plugs the power of wireless broadband into daily life, further strengthening HTC's leadership in 4G devices.

HTC launched its first tablet, the HTC Flyer, at the Mobile World Congress in February 2011. HTC Flyer features a redesigned tablet version of the company's HTC Sense user experience. Stunning 3D graphics electrify the tablet's front page. HTC developers used digital ink technology to develop HTC Scribe, a software function bundled into HTC Flyer that seamlessly integrates

Brand Strategy

Active management of the HTC brand is a long-term commitment at the core of HTC's overall business strategy. "Quietly Brilliant" pervades every aspect of the HTC business. HTC applies ideas gleaned from following user needs and habits toward upgrading and innovating products and overall user experience. We believe that the best things in life are experienced and one "experience" outweighs a volume of words. HTC will continue to design and deliver mobile phones that fit the way users work, live and play to make HTC the world's premier brand name in the smartphone sector.

The 2009 YOU campaign effectively communicated HTC's brand focus on user needs and user experience to consumers worldwide. "Here's an Idea!" succeeded the YOU campaign in 2010 to highlight the incredible excitement delivered by HTC innovation. Throughout the year, HTC joined telecom partners to launch and promote new flagship products together through media and retail outlets. For their part, HTC's retail partners further upgraded the point-of-sale HTC product experience during 2010. The Innovation Inspired by You

campaign launched in February 2011 further highlights HTC's commitment to the user and promise to continue infusing innovation and excitement into users' mobile lifestyle.

2010 marked the first year HTC sold products in China under its own brand name. In addition to years of global marketing experience, we brought the same innovative spirit and service quality to this vast market and positioned ourselves for high future growth.

Effective marketing has propelled the HTC brand to the fore of the global smartphone sector. HTC's 50% brand recognition worldwide at the close of 2010 represents a 4-fold increase over just one year ago. HTC's strong effort and brilliant execution was honored with T3 magazine's 2010 "Tech Brand of the Year" award. We are committed to strengthening HTC's brand value through innovation, user experience, technical expertise, marketing and customer relations. Going forward, we will go beyond growing brand recognition to place increasing emphasis on deepening consumer connections with, loyalty to, and preference for the HTC brand.



Here's an idea:
Every update at a glance

touch control and handwriting functions to deliver both intuitive touch control and the power to instantly jot down notes, draw sketches and even make notations on web graphics and digital images. HTC Flyer is also the first device to feature the proprietary video application HTC Watch. HTC Watch gives users access to hundreds of high definition (HD) movies to download and watch on demand at reasonable cost. The HTC partnership with OnLive gives HTC users access to online game services and makes the HTC Flyer the first tablet in the world that supports cloud-based mobile gaming.

HTC continuously innovates . Apart from constant investments to work the full potential of Android, Windows Mobile and Brew operating systems, we've been making serious inroads into new but related fields such as tablets. Also, in this age of the ubiquitous mobile internet, content is rapidly becoming significant. HTC is responding to this trend through investments in mobile phone content providers such as leading online video provider Saffron Digital, online game pioneer OnLive, mobile financial solutions provider Shanghai F-road Communication Services, and mobile security solutions provider NetQin. These and other investment partnerships will help integrate technology, service and applications seamlessly to deliver HTC users unparalleled convenience and entertainment.

R&D Expenditures in Recent Years

Unit: NT\$ millions

	2011 Q1	2010	2009
Worldwide R&D Expenditures	3,954	12,940	8,373
As a Percentage of Worldwide Revenue	3.8%	4.6%	5.8%

Corporate Governance

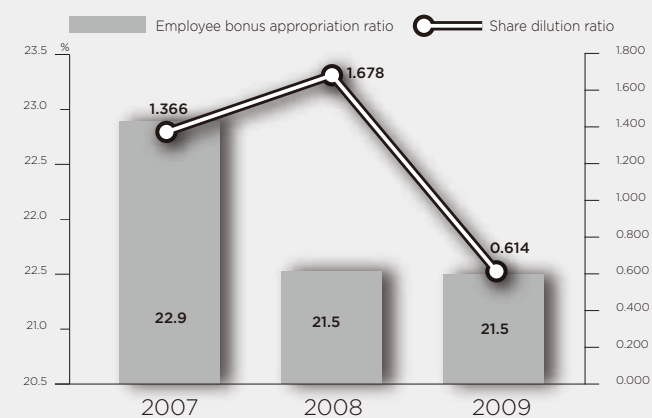
HTC is committed to strict and fair governance principles and constantly works to enhance the effectiveness of relevant systems and measures. Great strides continue to be made in openness related to risk management and financial disclosures. In 2010, FinanceAsia gave HTC several important recognitions, including those for Taiwan's 1st runner-up for "Best Managed Company", 3rd runner-up for "Best Corporate Governance", 2nd runner-up for "Best Investor Relations" and 3rd runner-up for "Most Committed to a Strong Dividend Policy". HTC policies related to corporate governance are explained further below:

1. Independent Director Positions Created

In accordance with the Securities and Exchange Law, HTC elected two independent directors at its board re-elections in 2010. This move further enhanced corporate governance and increased the independence and effectiveness of the Board.

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 chairman Cher Wang is serving as the committee's chairman. 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 2010 employee bonus appropriation rate for accrued expenses is set at 18% of net profit after taxes, prior to this employee bonus adjustment. The actual bonus distribution must be approved by the board of directors after final accounting figures for the year have been published and approved by the 2011 shareholders meeting. During the past three years, dilution ratio resulting from employee bonus distributions has ranged between 0.6% and 1.7%. HTC also conducts shares buybacks to minimize the dilution effect of bonus distributions.

3. Board of Supervisor Proceedings

Meetings of the board of supervisors take place

every quarter, at which financial, legal, internal audit and other issues are reported. Issues reviewed by supervisors and certified public accountants include risk management, intercompany transactions, changes in accounting policies, assessments of IPR infringement risk, and reasonableness of provision and accrual items to be presented on financial reports.

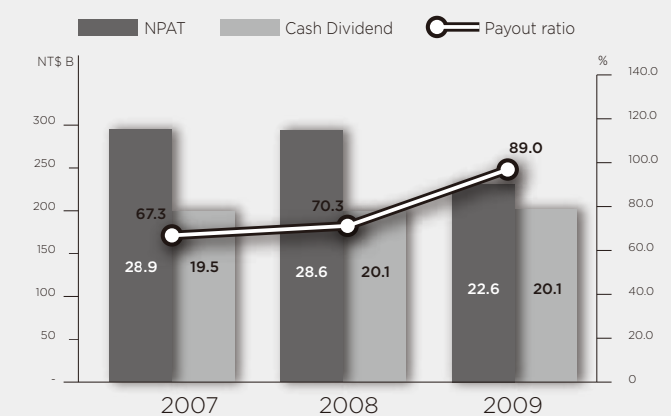
4. Disclosure of Information & Financial Forecasts

HTC has been working diligently to enhance the timeliness and transparency of financial disclosures. In addition to online disclosure of important data related to HTC's business in accordance with regulations, HTC publishes revenue reports for the preceding month earlier than required, while unaudited quarterly results are released at the beginning of the first month after the end of each quarter. Quarterly earnings calls are held for investors every quarter, at which revenue, margin and expense forecasts are provided. Investor teleconferences are also held to keep investors updated on the latest business operations.

Apart from regular disclosures, HTC also participates actively in investor forums and conferences in Taiwan and overseas as well as proactively visits major investment houses and investors to enhance communication with the investment community.

5. Stable Dividend Policies

HTC has maintained consistent dividend policies over the years. Factors considered in determining dividend distributions include current and future investment environments, capital needs, domestic / international competition, and budgetary considerations. Shareholder interests and the balance between dividend distributions vs. longer-term financial planning are also considered. The board of directors, in accordance with regulations, sets a distribution plan each year for submission to shareholders. HTC has been able to maintain relatively high dividend payments. In the most recent three fiscal years, HTC's dividend payout ratio was above 60%.



Major Suppliers/Customers Representing At Least 10% Of Gross Purchase/Revenue For The Most Recent Two-Year Period

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

Unit: NT\$ millions						
2010			2009			
Supplier Code	Amount	%	Relation to HTC	Amount	%	Relation to HTC
a	30,060	18	None	14,546	20	None
Others	134,624	82		57,661	80	
Total	164,684	100		72,207	100	

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

Unit: NT\$ millions						
2010			2009			
Customer Code	Amount	%	Relation to HTC	Amount	%	Relation to HTC
A	51,647	18	None	28,816	20	None
B	47,500	17	None	8,111	5	None
C	38,544	14	None	27,213	19	None
Others	141,070	51		80,353	56	
Total	278,761	100		144,493	100	

Production And Sales For The Most Recent Two-Year Period

Production

Unit: 1,000 units / NT\$ millions						
2010			2009			
	Production Capacity	Production Quantity	Production Value	Production Capacity	Production Quantity	Production Value
Smartphones	27,305	26,300	156,350	16,848	12,308	75,846
Total	27,305	26,300	156,350	16,848	12,308	75,846

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

Sales

Unit: 1,000 units / NT\$ millions								
2010					2009			
Domestic Sales		Export Sales		Domestic Sales		Export Sales		
Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	
Smartphones	735	7,074	23,936	265,199	473	4,524	11,238	132,042
Other Items (accessories)	3,992	379	55,383	5,072	889	94	34,285	6,232
Total	4,726	7,454	79,319	270,271	1,362	4,618	45,523	138,274

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

Principal Contractual Agreements

Principal current contractual agreements shown below were effective or expired during the most recent reporting period.

Contractor	Contract Term	Description
IV International Licensing Netherlands, B.V.	November 2010 - June 2020	Authorization to use wireless 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.
Microsoft	February 1, 2009 - March 31, 2015	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 HTC and its subsidiaries 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 HTC and its subsidiaries materially breaches any covenant and fails to take remedial action within 30 days after Qualcomm's issuance of a written notice, HTC and its subsidiaries will be prohibited from using Qualcomm's property or patents. b. Any time when HTC and its subsidiaries is not using any of Qualcomm's intellectual property, HTC and its subsidiaries 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.

04

CORPORATE
GOVERNANCE

I. Information on the Company’s Directors, Supervisors, General Manager, Assistant General Managers, Deputy Assistant General Managers, and Managers of all the Company’s divisions and branch units

(I) Directors and Supervisors:

1. Directors’ and Supervisors’ Information (I)

2010.4.30 ; Unit: Share ; %																	
Title	Name	Date Elected	Term Expires	Date First Elected	Shareholding When Elected		Current Shareholding (Note)		Spouse & Minor Shareholding (Note)		Other persons holding shares in their name (Note)		Principal work experience and academic qualifications	Positions held concurrently in the company and/or any other company	Other executives, Directors and Supervisors who are spouses or within second-degree of kinship		
					shares	%	shares	%	shares	%	shares	%			Title	Name	Relation
Chairman	Cher Wang	2010.06.18	2013.06.17	1999.04.30	24,736,896	3.20%	25,973,740	3.18%	21,325,133	2.61%	0	0.00%	> Master in Economics from the University of California, Berkeley. > General Manager of the PC Division, First International Computer, Inc. (FIC)	> Chairman, Via Technologies, Inc. > Director, Formosa Plastics Corporation > Chairman, 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. > Chairman, Chander Electronics Corp. > Non-executive Director, Television Broadcasts Limited	Director	Wen-Chi Chen	Spouse
Director	HT Cho	2010.06.18	2013.06.17	2001.04.23	205,143	0.03%	138,600	0.02%	0	0.00%	0	0.00%	> Electronic Engineering, National Taipei Institute of Technology. > President & CEO, HTC Corporation. > Consulting Engineer, Digital Equipment Corporation.	> Chairman, HTC Social Welfare Foundation. > Chairman, HTC Education Foundation. > Director, Associated Industries China, Inc. > Director, Chunghwa Telecom Foundation. > President, Atrust Corporation	None	None	None
Director	Wen-Chi Chen	2010.06.18	2013.06.17	1999.04.30	20,309,651	2.62%	21,325,133	2.61%	25,973,740	3.18%	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, Xander International Corp.	Chairman	Cher Wang	Spouse
Director	Tan Ho-Chen	2010.06.18	2013.06.17	2009.06.19	0	0.00%	0	0.00%	0	0.00%	0	0.00%	> Bachelor in Civil Engineering from National Chung-Hsing University > Master 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. > Director, Department of Transportation, Taipei City Government > Executive Vice Minister, Department of Communications > Chairman, Chung Hua Telecommunication Co.	None	None	None	None
Independent Director	Chen-Kuo Lin	2010.06.18	2013.06.17	2007.06.20	0	0.00%	0	0.00%	0	0.00%	0	0.00%	> Bachelor in Economics from National Taiwan University. > Advanced study at the Department of Economics in Oklahoma State University. > Advanced study at the Department of Economics in Harvard University. > Minister, Ministry of Finance, Executive Yuan. > Chairman, Taiwan External Trade Development Council. (TAITRA) > Chairman, Taiwan Asset Management Corporation. > Professor, Department of Economics in National Taiwan University.	> Chairman, Board of Tunghai University. > Independent director, Taiwan High Speed Rail Corporation.	None	None	None
Independent Director	Josef Felder	2010.06.18	2013.06.17	2007.06.20	0	0.00%	127,605	0.02%	0	0.00%	0	0.00%	> Graduate of Advanced Management Program (AMP), Harvard Business School > Deputy Director at Crossair > Director of FIG (Flughafen Immobilien Gesellschaft) > Chief Executive Officer of Unique (Flughafen Zurich AG)	> Independent director, Cereal Holding AG, Zurich > Independent director, AMAG, Zürich > Independent director, Zingg-Lamprecht AG, Zurich > Independent director, Edelweiss Air AG, Zurich > Director, Gutsbetrieb Oetlishausen AG, Hohentannen > Independent director, Pro Juventute, Zurich > Independent director, Luzerner Kantonalbank AG, Lucerne > Independent director, Victoria Jungfrau Collection, Interlaken > Independent director, Flaschenpost AG, Zürich > Independent director, The Nuance Group	None	None	None
Supervisor	Way-Chih Investment Co., Ltd. Representative: Shao-Lun Lee	2010.06.18	2013.06.17	1999.04.30 2006.04.13	39,745,389	5.14%	41,732,658	5.10%	0	0.00%	0	0.00%	> Ph.D in Material Science and D.Eng in Electrical Engineering from UCLA. > Executive Assistant to the Chairperson, 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	2010.06.18	2013.06.17	2007.06.20	0	0.00%	0	0.00%	0	0.00%	0	0.00%	> Department of Marine Engineering, National Taiwan Ocean University.	None	None	None	None

Note: Shareholding as of 2011.04.17

2. Major shareholders of Institutional Shareholders

2011.04.30	
Name of Institutional Shareholders	Major shareholders of Institutional Shareholders
Way-Chih Investment Co., Ltd.	Cher Wang

3. Major shareholder(s) to the company listed in the above table on the right hand column:

Not applicable

4. Directors' and Supervisors' Information (II)

2011.04.30

		Conditions													
		Meet one of the following professional qualification requirements, together with at least five years work experience			Conforms to criteria for independence (note 1)										
		An instructor (or higher) in a department of commerce, law, finance, accounting, or other academic departments related to the business 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 work experience in commerce, law, finance, accounting, or other areas relevant to the business of the company	1	2	3	4	5	6	7	8	9	10	Number of other public companies concurrently serving as an independent director
Name															
Chairman Cher Wang			V										V	V	N/A
Director HT Cho			V				V	V	V		V	V	V	V	N/A
Director Wen-Chi Chen			V										V	V	N/A
Director Hochen Tan					V	V	V	V	V	V	V	V	V	V	N/A
Independent Director Chen-Kuo Lin	V		V		V	V	V	V	V	V	V	V	V	V	1
Independent Director Josef Felder			V		V	V	V	V	V	V	V	V	V	V	N/A
Supervisor Way-Chih Investment Co., Ltd. Representative Shao-Lun Lee			V				V	V				V	V		N/A
Supervisor Caleb Ou-Yang					V		V	V	V	V	V	V	V	V	N/A

Note1 : Directors and Supervisors meet any of the following criteria:

(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.

(II) General Manager, Assistant General Managers, Deputy Assistant General Managers, and Managers of all divisions and branch units:

2011.04.30 ; Unit : Share ; %

Title	Name	Date Elected	Shareholding (note)		Spouse & Minor Shareholding (note)	Other persons holding shares in their name (note)		Principal work experience and academic qualifications	Positions held concurrently in any other company	Managers with spouses or relatives within second-degree of Kinship			
			shares	%	shares	%	shares			%	Title	Name	Relation
Chief Executive Officer & President	Peter Chou	2004.04.30	3,847,470	0.47%	1,133,370	0.14%	0	0.00%	> Department of Electronic Engineering, National Taiwan Ocean University. > Director, Server platform design division, Digital Equipment Corporation.	> Director (Representative), HTC America, Inc. > Director (Representative), HTC EUROPE CO. LTD > Director (Representative), High Tech Computer Asia Pacific Pte. Ltd. > Director (Representative), High Tech Computer (H.K.) Limited > Director (Representative), HTC Philippines Corporation > Director (Representative), High Tech Computer (SuZhou) Co., Ltd. > Director (Representative), Hua-chuang Automobile Information Technical Center Co., Ltd. > Chairman (Representative), HTC Investment Corporation > Chairman (Representative), HTC Investment I Corporation > Supervisor (Representative), PT. High Tech Computer Indonesia	None	None	None
Corporate Senior Executive Vice President & President of Engineering and Operation	Fred Liu	2006.04.24	1,395,849	0.17%	500,000	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), HTC Philippines Corporation. > 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 > Chairman (Representative), HTC Communication Co., Ltd. > Director (Representative), HTC Electronics (Shanghai) Co., Ltd. > Director (Representative), Luminous Optical Technology Co., Ltd.	None	None	None
Chief Financial Officer	Winston Yung	2011.01.01	0	0.00%	0	0.00%	0	0.00%	> Department of Economics, University of Hong Kong > MBA, The Wharton School of the University of Pennsylvania. > Chief Financial Officer, Shin Kong Financial Holding Co., Ltd	> Director (Representative), HTC America Holding, Inc. > Director (Representative), HTC Holding Cooperatief U.A. > Director (Representative), Saffron Media Group Limited > Director (Representative), Saffron Digital Limited > Director (Representative), HTC Investment Corporation > Director (Representative), HTC Investment I Corporation	None	None	None
Chief Operating Officer	Matthew Vincent Costello	2010.11.01	0	0.00%	0	0.00%	0	0.00%	> Department of Economics, Duquesne University. > Corporate Vice President, Operations, Sony Ericsson Mobile Communications. > Partner, Managing Director and Vice President of Supply Chain, Andersen LLP.	None	None	None	None
Chief Engineering Officer	David Chen	2007.05.08	306,641	0.04%	859	0.00%	0	0.00%	> National United University. > Principal Engineer, Digital Equipment Corporation.	None	None	None	None
Chief Marketing Officer	John Wang	2007.05.08	56,410	0.01%	0	0.00%	0	0.00%	> MBA, Harvard Business School > CEO, Quickdot Corporation	None	None	None	None
Chief Product Officer	Kouji A Kodera	2010.05.03	17,355	0.00%	0	0.00%	0	0.00%	> Department of Law, Keio University > VP & Head of Services & Marketplace, Sony Ericsson Communications AB > Marketing Director, Mitsubishi Electric Telecom Europe S.A.	None	None	None	None
Chief Strategy Officer	Ronald Allen Louks	2010.05.03	13,854	0.00%	0	0.00%	0	0.00%	> Department of Computer Science, McMaster University > Corporate Vice President & Chief Technology Officer, Sony Ericsson Mobile Communications, Inc.	> Director (Representative), HTC America Innovation, Inc.	None	None	None
Chief Information Officer	Eric Chou	2008.01.16	30,922	0.00%	0	0.00%	0	0.00%	> Royal Roads University > Senior Director, Semiconductor Manufacturing International Corporation (SMIC) > Senior Manager, TSMC > Deputy Director , Underwriters Lab Inc.	None	None	None	None
General Counsel	Grace Lei	2007.05.08	58,046	0.01%	5,589	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
Vice President	CS Wang	2001.03.12	95,665	0.01%	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. > Director (Representative), HTC Communication Co., Ltd.	None	None	None
Vice President	Georges Boulloy	2010.12.01	0	0.00%	0	0.00%	0	0.00%	> Master, Ecole des Mines > VP & Head DU Taipei, Sony Ericsson Mobile Communications > Senior VP, Wireless BU, Quanta Computers	None	None	None	None
Vice President	Gregory Fisher	2011.02.21	0	0.00%	0	0.00%	0	0.00%	> Bachelor in Department of Economics, Brigham Young University > Director of Intel Technology Asia Pte. Ltd. > Director of Intel Corporation	None	None	None	None
Vice President	Lotus Chen	2004.04.01	49,482	0.01%	254	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	Simon Hsieh	2008.06.01	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	2008.06.01	58,000	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	WH Liu	2008.06.01	42,548	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

Title	Name	Date Elected	Shareholding (note)		Spouse & Minor Shareholding (note)		Other persons holding shares in their name (note)		Principal work experience and academic qualifications	Positions held concurrently in any other company	Managers with spouses or relatives within second-degree of Kinship		
			shares	%	shares	%	shares	%			Title	Name	Relation
Associate Vice President	Jim Lin	2007.05.08	132,526	0.02%	831	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
Associate Vice President	Ralph Wang	2008.06.01	24,508	0.00%	0	0.00%	0	0.00%	> Electronic Engineering, Fu Jen Catholic University > Senior Director, GVC > Project Manager, Philip	None	None	None	None
Associate Vice President	Steve Wang	2008.06.01	31,000	0.00%	0	0.00%	0	0.00%	> Azusa Pacific University > VP, IA Style Inc.	None	None	None	None
Associate Vice President	Thomas Chien	2011.04.01	0	0.00%	0	0.00%	0	0.00%	> Master in Department of Industrial Design, Shih Chien University > Design Engineer, Premier Image Technology Corporation	None	None	None	None
Associate Vice President	James Chen	2009.02.10	11,000	0.00%	0	0.00%	0	0.00%	> Master of Accounting, NCCU > Manager, TSMC > BU Controller, LITE-ON	> Supervisor (Representative), HTC Corporation (Shanghai WGQ) > Supervisor (Representative), HTC Electronics (Shanghai) Co., Ltd. > Director (Representative), HTC America Innovation, Inc. > Supervisor (Representative), Communication Global Certification Inc.	None	None	None
Associate Vice President	Edward Wang	2009.03.10	8,800	0.00%	0	0.00%	0	0.00%	> MBA, Tunghai University > 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 Corporation > Supervisor (Representative), HTC Investment I Corporation > Director (Representative), HTC Poland sp. z o.o. > Director (Representative), HTC Nordic Aps > Director (Representative), HTC Iberia S.L.U. > Director (Representative), HTC India Private Limited > Director (Representative), HTC (Australia and New Zealand) PTY LTD > Director (Representative), HTC Malaysia Sdn. Bhd. > Director (Representative), HTC Nippon Corporation	None	None	None
Special Assistant of Procurement Division	Kenny Tseng	2009.12.28	9,565	0.00%	0	0.00%	0	0.00%	> Ming Chi University of Technology > Formosa Plastic Group, Purchase Ast. Manager	> Director (Representative), HTC Electronics (Shanghai) Co., Ltd.	None	None	None
Director	Joey Cheng	2009.02.09	2,000	0.00%	0	0.00%	0	0.00%	> Department of Electrical Engineering, National Tsing Hua University > MSEE, Cornell University > Executive Director, Goldman Sachs > Sr. Marketing Manager, Marvell Semiconductor > VP of Sales & Marketing , Inprocomm Inc.,	None	None	None	None
President- North America & Latin America	Jason Mackenzie	2007.09.26	50,000	0.01%	0	0.00%	0	0.00%	> Vice President of T-Mobile	None	None	None	None
President- EMEA Region	Florian Seiche	2007.05.08	111,523	0.01%	0	0.00%	0	0.00%	> Director of Devices, Orange Group	> Director (Representative), HTC Italia SRL > Director (Representative), HTC Germany GmbH > Director (Representative), HTC Poland sp. z o.o. > Director (Representative), HTC Iberia S.L.U. > Director (Representative), HTC Nordic Aps > General Manager (Representative), Abaxia SAS > President (Representative), HTC France Corporation > Administrator (Representative), HTC South Eastern Europe LLC	None	None	None
Vice President, APAC	Jack Tong	2007.07.01	48,865	0.01%	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. > Director (Representative), HTC Malaysia Sdn. Bhd. > Director (Representative), HTC India Private Limited > Director (Representative), HTC (Australia and New Zealand) PTY LTD	None	None	None
Vice President, Head of China	Ray Yam	2011.03.17	0	0.00%	0	0.00%	0	0.00%	> Bachelor of Science, Chinese University of Hong Kong > VP & General Manager of Mobile Communication Business, LG Electronics (China) Co., Ltd. > Executive Vice President, Eternal Asia Supply Chain Management Ltd. > Vice President and General Manager, Mobile Devices Business, Motorola (China) Electronics Ltd.	None	None	None	None

Note : Shareholding as of 2011.04.17 (Including Shares under Trust with Discretion Reserved.)

(III) Remuneration paid during the most recent fiscal year to Directors, Supervisors, General Manager, and Assistant General Managers

1. Remuneration paid to Directors (Including Independent Directors)

2010 ; Unit : thousand shares ; NT\$ thousands

Title	Name	Remuneration paid to Directors								Total Remuneration (A+B+C+D) as a percentage of net income (%) (note 7)	Compensation earned as employee of HTC subsidiary affiliates										Total Compensation (A+B+C+D+E+F+G) as a percentage of net income (%) (note 7)	Compensation paid to Directors from non-subsidiary affiliates (note 9)		
		Salary (A)(note 1)		Retirement pay (B)		Compensation from profit sharing (C) (note 2)		Allowance (D) (note 3)			Salary,Bonuses, and Allowance (E) (note4)		Retirement pay (F)		Employee profit sharing (G) (note 5)				Exercisable Employee Stock Options (H) (note 6)					
		HTC	All Consolidated Entities (note 8)	HTC	All Consolidated Entities (note 8)	HTC	All Consolidated Entities (note 8)	HTC	All Consolidated Entities (note 8)	HTC	All Consolidated Entities (note 8)	HTC	All Consolidated Entities (note 8)	HTC	All Consolidated Entities (note 8)	HTC		All Consolidated Entities (note 8)		HTC	All Consolidated Entities (note 8)		HTC	All Consolidated Entities (note 8)
Chairman	Cher Wang																							
Director	HT Cho																							
Director	Wen-Chi Chen																							
Director	Tan Ho-Chen	18,473	18,473	0	0	0	0	0	0	0.05%	0.05%	0	0	0	0	0	0	0	0	0	0	0.05%	0.05%	None
Independent Director	Chen-Kuo Lin																							
Independent Director	Josef Felder																							

Note 1: Directors' compensation in the most recent fiscal year (including salary, 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 transportation allowances, special allowances, various subsidies, accommodations, and personal cars).

Note 4: All salary, allowances, severance pay, various bonuses, cash rewards, transportation allowances, special allowances, various material benefits, accommodations, and personal cars received by Directors concurrently serving as employees (including those concurrently serving as General Manager, Assistant General Manager, or other managerial officers and employees) in the preceding fiscal year.

Note 5: 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 when Directors concurrently serving as employees (including those concurrently serving as General Manager, Assistant General Manager, or other managerial officers or employees) received employee bonuses (including stock and cash bonuses) in the most recent fiscal year. If the amount cannot be estimated, employee bonus for this year will be calculated based on last year's actual distribution ratio.

Note 6: Number of shares represented by employee stock warrants (not including the portion already exercised) received by Directors concurrently serving as employees (including those concurrently serving as General Manager, Assistant General Manager, or other managerial officers or employees) up to the date of printing of this annual report.

Note 7: The 2010 net income NT\$ 39,533,600 thousand (Financial Statements), NT\$ 39,514,844 thousand (Consolidated Financial Statements).

Note 8: Total amount of all remunerations paid to Directors by all consolidated entities (including HTC).

Note 9: Remunerations refer to salary, compensation, employee bonuses, and allowances relating to the conduct of business received by Directors in their capacity as Director, Supervisor, or managerial officer of a non-subsi-dary affiliate.

* 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 Directors

Scale of remunerations to Directors of the Company	Name			
	Total Remuneration (A+B+C+D)		Total Remuneration (A+B+C+D+E+F+G)	
	HTC	All Consolidated Entities I	HTC	All Consolidated Entities J
Under NT\$ 2,000,000	Cher Wang, HT Cho, Wen-Chi Chen	Cher Wang, HT Cho, Wen-Chi Chen	Cher Wang, HT Cho, Wen-Chi Chen	Cher Wang, HT Cho, Wen-Chi Chen
NT\$ 2,000,000 - NT\$ 5,000,000	Tan Ho-Chen, Chen-Kuo Lin	Tan Ho-Chen, Chen-Kuo Lin	Tan Ho-Chen, Chen-Kuo Lin	Tan Ho-Chen, Chen-Kuo Lin
NT\$ 5,000,000 - NT\$ 10,000,000	Josef Felder	Josef Felder	Josef Felder	Josef Felder
NT\$ 10,000,000 - NT\$ 15,000,000	-	-	-	-
NT\$ 15,000,000 - NT\$ 30,000,000	-	-	-	-
NT\$ 30,000,000 - NT\$ 50,000,000	-	-	-	-
NT\$ 50,000,000 - NT\$ 100,000,000	-	-	-	-
Over NT\$ 100,000,000	-	-	-	-
Total	6	6	6	6

2. Remuneration paid to Supervisors

2010 ; Unit : thousand shares ; NT\$ thousands

Remuneration paid to Supervisors												
Title	Name	Salary (A)(note 1)		Retirement pay (B)		Compensation from profit sharing (C)(note 2)		Allowance (D) (note 3)		Total Remuneration (A+B+C+D) as a percentage of net income (%) (note 4)		Compensation paid to Supervisors from non-subsi-dary affiliates (note 6)
		HTC	All Consolidated Entities(note 5)	HTC	All Consolidated Entities(note 5)	HTC	All Consolidated Entities(note 5)	HTC	All Consolidated Entities(note 5)	HTC	All Consolidated Entities(note 5)	
Superviso	Caleb Ou-Yang											
Superviso	Way-Chih Investment Co., Ltd. Representative: Shao-Lun Lee	3,597	3,597	0	0	0	0	3	3	0.01%	0.01%	None
Superviso	Po-Cheng Ko (Note 7)											

Note 1: Supervisors' compensation in the most recent fiscal year (including salary, allowances, severance pay, and various awards and bonuses)

Note 2: The amount proposed for distribution to Supervisors 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 Supervisors in the most recent fiscal year (includes transportation allowances, special allowances, various subsidies, accommodations, and personal cars).

Note 4: The 2010 net income NT\$ 39,533,600 thousand (Financial Statements), NT\$ 39,514,844 thousand (Consolidated Financial Statements).

Note 5: The total amount of all remunerations paid to Supervisors by all consolidated entities (including HTC).

Note 6: Remunerations refer to salary, compensation, employee bonuses, and allowances relating to the conduct of business received by Supervisors in their capacity as Director, Supervisor, or managerial officer of a non-subsi-dary affiliate.

Note 7: Po-Cheng Ko resigned on 20 April 2011.

* 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

Scale of remunerations to Supervisors of the Company	Name											
	HTC						All Consolidated Entities					
Under NT\$ 2,000,000	Way-Chih Investment Co., Ltd. , Shao-Lun Lee , Caleb Ou-Yang						Way-Chih Investment Co., Ltd. , Shao-Lun Lee , Caleb Ou-Yang					
NT\$ 2,000,000 - NT\$ 5,000,000	Po-Cheng Ko						Po-Cheng Ko					
NT\$ 5,000,000 - NT\$ 10,000,000	-						-					
NT\$ 10,000,000 - NT\$ 15,000,000	-						-					
NT\$ 15,000,000 - NT\$ 30,000,000	-						-					
NT\$ 30,000,000 - NT\$ 50,000,000	-						-					
NT\$ 50,000,000 - NT\$ 100,000,000	-						-					
Over NT\$ 100,000,000	-						-					
Total	3						3					

3. Remuneration paid to General Manager and Assistant General Managers

2010 ; Unit : thousand shares ; NT\$ thousands

		Salary (A) (note 1)		Retirement pay (B) (note 2)		Bonus & Perquisite (C) (note 3)		Employee profit sharing (D) (note 4)				Total Remuneration (A+B+C+D) as a percentage of net income (%) (note 6)		Exercisable Employee Stock Options (note 5)		Compensation paid to President & Vice Presidents from non- subsidiary affiliates (note 8)	
Title	Name	HTC	All Consolidated Entities (note 7)	HTC	All Consolidated Entities (note 7)	HTC	All Consolidated Entities (note 7)	HTC		All Consolidated Entities (note 7)		HTC	All Consolidated Entities (note 7)	HTC	All Consolidated Entities (note 7)		
Chief Executive Officer & President	Peter Chou							Cash	Stock	Cash	Stock						
Corporate Senior Executive Vice President & President of Engineering and Operation	Fred Liu																
Chief Operating Officer (Note 9)	Matthew Vincent Costello																
Chief Engineering Officer	David Chen																
Chief Marketing Officer	John Wang																
Chief Product Officer (Note 10)	Kouji A. Kodera																
Chief Strategy Officer (Note 11)	Ronald Allen Louks																
Chief Information Officer	Eric Chou																
General Counsel	Grace Lei																
Vice President	CS Wang							Estimated number	Estimated number	Estimated number	Estimated number						
Vice President (Note 12)	Georges Boulluy	60,741.89	92,314.42	2,233.48	25,831.27	216,618.14	300,733.61	475,148.55	558,499.97	475,148.55	634,610.97	3.32 %	3.87%	0	0	None	
Vice President	Lotus Chen																
Vice President	Simon Hsieh																
Vice President	Simon Lin																
Vice President	WH Liu																
Associate Vice President	Jim Lin																
Associate Vice President	Ralph Wang																
Associate Vice President	Steve Wang																
Associate Vice President (Note 13)	Thomas Chien																
Associate Vice President	James Chen																
Associate Vice President	Edward Wang																
President-North America & Latin America	Jason Mackenzie																
President -EMEA Region	Florian Seiche																
Vice President, APAC	Jack Tong																
Chief Financial Officer & Spokesman (Note 14)	Hui-Ming Cheng																
Executive Vice President (Note 15)	Jason Juang																
Chief Innovation Officer (Note 16)	Horace Luke																
Vice President (Note 17)	Cliff Chiang																
Vice President (Note 18)	David Wang																
Associate Vice President (Note 19)	Andy Chen																
Associate Vice President (Note 20)	Cliff Chou																

Note 1: General Manager and Assistant General Managers' compensations in the most recent fiscal year include salary, allowances, and severance pay.

Note 2: Pensions funded according to applicable law.

Note 3: Various awards, bonuses, transportation allowances, special allowances, various subsidies, accommodations, and personal cars by General Manager and Assistant General Managers in the most recent fiscal year.

Note 4: The amount proposed for distribution to General Manager and Assistant General Managers as employee bonus (including stock and cash bonuses). Estimated amounts of 2010 employee bonus are calculated based on 2009 actual distribution ratio; distribution list for 2010 has not been decided yet.

Note 5: Number of shares represented by employee stock warrants (not including the portion already exercised) received by General Manager and Assistant General Managers up to the date of printing of this annual report.

Note 6: The 2010 net income NT\$ 39,533,600 thousand (Financial Statements), NT\$ 39,514,844 thousand (Consolidated Financial Statements).

Note 7: Total amount of all remunerations paid to General Manager and Assistant General Managers by all consolidated entities (including HTC).

Note 8: Remunerations refer to salary, compensation, employee bonuses, and allowances relating to the conduct of business received by General Manager and Assistant General Managers in their capacity as Director, Supervisor, or managerial officer of a non-subsi-dary affiliate.

Note 9: Matthew Vincent Costello joined HTC on 1 November 2010.

Note 10: Kouji A. Kodera joined HTC on 3 May 2010.

Note 11: Ronald Allen Louks joined HTC on 3 May 2010.

Note 12: Georges Boulloy joined HTC on 1 December 2010.
Note 13: Thomas Chien joined HTC on 1 April 2011.
Note 14: Hui-Ming Cheng resigned on 1 January 2011.
Note 15: Jason Juang resigned on 31 July 2010.
Note 16: Horace Luke resigned on 30 April 2011.
Note 17: Cliff Chiang resigned on 29 October 2010.
Note 18: David Wang resigned on 12 June 2010.
Note 19: Andy Chen resigned on 6 February 2010.
Note 20: Cliff Chou resigned on 1 March 2011.
Note 21: Only those who served as HTC's General Manager and Assistant General Managers in 2010 or those who have worked for HTC until 31 December 2010 and were promoted to General Manager and Assistant General Managers before the date of printing of this annual report are disclosed in this statement.
* Compensation information disclosed in this statement differs from the concept of income under the Income Tax Act. This statement is intended to provide information disclosure and not tax-related information.

Remuneration paid to General Manager and Assistant General Managers

Scale of remunerations to managers of the Company	Name	
	HTC (Note)	All Consolidated Entities (Note)
Under NT\$ 2,000,000	David Wang, Andy Chen	David Wang, Andy Chen
NT\$ 2,000,000 ~ NT\$ 5,000,000	Jason Juang	Jason Juang
NT\$ 5,000,000 ~ NT\$ 10,000,000	Cliff Chiang, Hui-Ming Cheng	Cliff Chiang, Hui-Ming Cheng
NT\$ 10,000,000 ~ NT\$ 15,000,000	Cliff Chou, Georges Boulloy	Cliff Chou, Georges Boulloy
NT\$ 15,000,000 ~ NT\$ 30,000,000	Jim Lin, Grace Lei, James Chen, Edward Wang, Eric Chou, Ralph Wang, Matthew Vincent Costello, Thomas Chien	Jim Lin, Grace Lei, James Chen, Edward Wang, Eric Chou, Ralph Wang, Matthew Vincent Costello, Thomas Chien, Kouji A. Kodera, Ronald Allen Louks
NT\$ 30,000,000 ~ NT\$ 50,000,000	CS Wang, John Wang, Lotus Chen, WH Liu, Simon Lin, Simon Hsieh 、 Steve Wang	CS Wang, John Wang, Lotus Chen, WH Liu, Simon Lin, Simon Hsieh, Steve Wang
NT\$ 50,000,000 ~ NT\$ 100,000,000	David Chen, Jack Tong	David Chen, Jack Tong, Jason Mackenzie, Horace Luke, Florian Seiche
Over NT\$ 100,000,000	Peter Chou, Fred Liu	Peter Chou, Fred Liu
Total	26	31

Note: Estimated amounts of 2010 employee bonus are calculated based on 2009 actual distribution ratio; distribution list for 2010 has not been decided yet. Only those who served as HTC's General Manager and Assistant General Managers in 2010 or those who have worked for HTC until 31 December 2010 and were promoted to General Manager and Assistant General Managers before the date of printing of this annual report are disclosed in this statement.

4. Employee profit sharing granted to Management Team

2010 ; Unit : NT\$ thousands

Title	Name	Stock (Note 1)	Cash (Note 1)	Total Employee Profit Sharing (Note 1)	Total Employee Profit Sharing Paid to Management Team as a percentage of net income (%) (Note3)
Chief Executive Officer & President	Peter Chou				
Corporate Senior Executive Vice President & President of Engineering and Operation	Fred Liu				
Chief Operating Officer (Note 4)	Matthew Vincent Costello				
Chief Engineering Officer	David Chen				
Chief Marketing Officer	John Wang				
Chief Product Officer (Note 5)	Kouji A. Kodera				
Chief Strategy Officer (Note 6)	Ronald Allen Louks				
Chief Information Officer	Eric Chou				
General Counsel	Grace Lei				
Vice President	CS Wang				
Vice President (Note 7)	Georges Boulloy				
Vice President	Lotus Chen				
Vice President	Simon Hsieh				
Vice President	Simon Lin				
Vice President	WH Liu				
Associate Vice President	Jim Lin				
Associate Vice President	Ralph Wang				
Associate Vice President	Steve Wang	Estimated number 662,941.18	Estimated number 562,185.23	Estimated number 1,225,126.41	3.10%
Associate Vice President (Note 8)	Thomas Chien				
Associate Vice President	James Chen				
Associate Vice President	Edward Wang				
President-North America & Latin America	Jason Mackenzie				
President-EMEA Region	Florian Seiche				
Vice President, APAC	Jack Tong				
Special Assistant of Procurement Division	Kenny Tseng				
Director	Joey Cheng				
Chief Financial Officer & Spokesman (Note 9)	Hui-Ming Cheng				
Executive Vice President (Note 10)	Jason Juang				
Chief Innovation Officer (Note 11)	Horace Luke				
Vice President (Note 12)	Cliff Chiang				
Vice President (Note 13)	David Wang				
Associate Vice President (Note 14)	Andy Chen				
Associate Vice President (Note 15)	Cliff Chou				

Note 1 : 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. Estimated amounts of 2010 employee bonus are calculated based on 2009 actual distribution ratio; distribution list for 2010 has not been decided yet. Only those who served as HTC's manager in 2010 or those who have worked for HTC until 31 December 2010 and were promoted to manager before the date of printing of this annual report are disclosed in this statement.

Note 2 : Applicable scope of Officers is 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 3: The 2010 net income NTD39,533,600 thousand.
Note 4: Matthew Vincent Costello joined HTC on 1 November 2010.
Note 5: Kouji A. Kodera joined HTC on 3 May 2010.
Note 6: Ronald Allen Louks joined HTC on 3 May 2010.
Note 7: Georges Boulloy joined HTC on 1 December 2010.
Note 8: Thomas Chien joined HTC on 1 April 2011.
Note 9: Hui-Ming Cheng resigned on 1 January 2011.
Note 10: Jason Juang resigned on 31 July 2010.
Note 11: Horace Luke resigned on 30 April 2011.
Note 12: Cliff Chiang resigned on 29 October 2010.
Note 13: David Wang resigned on 12 June 2010.
Note 14: Andy Chen resigned on 6 February 2010.
Note 15: Cliff Chou resigned on 1 March 2011.

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

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

Title	Total remuneration as a percentage of net income					
	2010		2009		Increases or decreases %	
	HTC	All Consolidated Entities	HTC	All Consolidated Entities	HTC	All Consolidated Entities
Directors	0.05%	0.05%	0.06%	0.06%	-0.01%	-0.01%
Supervisors	0.01%	0.01%	0.02%	0.02%	-0.01%	-0.01%
President and Vice Presidents	3.32% (Note1)	3.87% (Note1)	306% (Note2)	3.31% (Note2)	0.26%	0.56 %
Note 1: During the current fiscal year up to the date of printing of this annual report, distribution list of employee bonus has not been decided yet. Estimated amounts of 2010 employee bonus are calculated based on 2009 actual distribution ratio.						
Note 2: Total remuneration for year 2009, related to amount of stock bonus, is calculated based on the closing price (NT\$432.5) one day prior to the 2010 Annual General Shareholders' Meeting on an ex-dividend basis (NT\$38714).						

B. HTC's compensation policy provides remuneration based on the salary level for a given position within the given market, the scope of responsibilities 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 (two month's salary in Taiwan, one month's salary in China and certain Southeast Asian countries, and one month's salary in Brazil), distribution of additional annual bonuses is proposed, a resolution approving the special 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 eleven meetings in 2010. The Directors and Supervisors' attendance status is as follows :

Title	Name	Addendance in Person (B)	By Proxy	Attendance Rate in Person(%) [B/A]	Notes
Chairman	Cher Wang	8	3	72.73%	Elected again in 18 June 2010 Shareholders' Meeting.
Director	Wen-Chi Chen	8	3	72.73%	Elected again in 18 June 2010 Shareholders' Meeting.
Director	HT Cho	9	2	81.82%	Elected again in 18 June 2010 Shareholders' Meeting.
Director	Tan Ho-Chen	10	0	90.91%	Elected again in 18 June 2010 Shareholders' Meeting.
Independent Director	Chen-Kuo Lin	11	0	100.00%	Elected again in 18 June 2010 Shareholders' Meeting.
Independent Director	Josef Felder	4	7	36.36%	Elected again in 18 June 2010 Shareholders' Meeting.
Supervisor	Wei-Chi Investment Co., Ltd. Representative: Shao-Lun Lee	8	0	72.73%	Elected again in 18 June 2010 Shareholders' Meeting.
Supervisor	Caleb Ou-Yang	0	0	0.00%	Elected again in 18 June 2010 Shareholders' Meeting.
Supervisor	Po-Cheng Ko	11	0	100.00%	Elected again in 18 June 2010 Shareholders' Meeting. Resigned on 20 April 2011.

Other matters to be included:

1.

There was no independent director 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.

Directors' abstention from discussion due to conflicts of interests in 2010:

(1)

Independent Director: Chen-Kuo Lin, Josef Felder

Content of proposal: Review and discussion of the Independent Director nominees list, proposed by the Board of Directors, for election at the 2010 Annual General Shareholders Meeting.

Reason for abstention from voting participation: Chen-Kuo Lin and Josef Felder are nominated candidates for Independent Directors.

(2)

Director: HT Cho

Content of proposal:Proposal on the donation of NTD 300 million to HTC Cultural Educational Foundation and HTC Foundation.

Reason for abstention from voting participation: Director HT Cho is Chairman of the HTC Cultural Educational Foundation and HTC
3.

Measures taken to strengthen the functionality of the Board of Directors and the status of implementation during current and preceding fiscal years:

1.

At the time of end-of-term elections for Directors and Supervisors in the 2010 fiscal year, HTC selected two Independent Directors in accordance with the provisions of the Securities and Exchange Act in order to strengthen the independence and functions of Directors and enhance the operational effectiveness of the Board. In 2008,

(3)

Director: Cher Wang, Wen-Chi Chen

Content of proposal: Proposal to acquire real property from a related party, VIA Technologies, Inc.

Reason for abstention from voting participation: Chairman Cher Wang and Director Wen-Chi Chen are Chairman and President & Director of VIA Technologies, Inc.-the trading counterpart under this proposal.

the "Guidelines for Corporate Governance" were completed and adopted, guaranteeing that the Board of Directors has the authority to independently supervise corporate operations and to make all decisions necessary to fulfill its responsibilities to shareholders and to society.

2. In accordance with the Compensation Committee Articles of Incorporation drafted by the Board of Directors, 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 it shall include at least one Independent Director. HTC, in its Board meeting of 21 June 2010, appointed Director HT Cho and Independent Director Chen-Kuo Lin to the second session of 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.

3. Currently, prior to the establishment of the audit committee, most of the committee's 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 the audit committee are first passed to the Supervisors meeting before submission to the Board of Directors for deliberation and voting. In

addition, regular Supervisors meetings are convened on a quarterly basis to hear reports on important financial, legal, and internal audit matters. There is also a joint assessment between the Supervisors and CPA on the principles and appropriateness of various allowances and reserves in the financial statements.

4. HTC has also been endeavoring in recent years to enhance the timeliness and transparency of its information disclosure. In addition to making timely posting of important financial and business information on the Market Observation Post System, HTC also provides early announcement of its monthly revenues, announces preliminary revenue figures at the beginning of the month following the end of each quarter, and convenes online investor conferences on a quarterly basis to allow investors timely access to information on the Company's operations and performance. In December 2008, the HTC Investor Relations Website was revised. A special corporate governance page was added along with disclosures of financial information. HTC achieved "A+" rating for the first time in the sixth Information Disclosure and Transparency Ranking organized by the Securities and Futures Institute (SFI). In the seventh evaluation, HTC was recognized as one of the top 10 public companies with "A+" ratings. In three consecutive evaluations, HTC was listed as one of the more transparent among exchange or OTC listed companies in making voluntary disclosure of information.

(2) Supervisor participation in Board of Directors meetings

The Board of Directors conducted eleven meetings in 2010. The Supervisors' attendance status is as follows :

Title	Name	Addendance in Person(B)	Attendance Rate (%) [B/A] (Note)	Notes
Supervisor	Wei-Chi Investment Co., Ltd. Representative: Shao-Lun Lee	8	72.73%	Elected again in 18 June 2010 Shareholders' Meeting.
Supervisor	Caleb Ou-Yang	0	0.00%	Elected again in 18 June 2010 Shareholders' Meeting.
Supervisor	Po-Cheng Ko	11	100.00%	Elected again in 18 June 2010 Shareholders' Meeting. Resigned on 20 April 2011.

Other matters to be included:

- I.

Composition and Responsibilities of Supervisors:

The structure of the Supervisors' Meetings at HTC is well established and it carries out most functions of the audit committee.

1.

Supervisor communication with employees and 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.

2.

Supervisor communication with Chief Internal Auditor and CPAs (e.g., financial and operational matters on which they communicate, their methods, and results)

HTC Supervisors communicate through their regular quarterly Supervisor Meetings with HTC's financial, legal, and internal audit officers, who report to the Supervisors on issues such as risk management, major litigations, and internal audit reports.

Based on the principle of sound, conservative accounting, HTC's Supervisors and CPAs regularly undertake joint reviews of major account items in the financial statements to assess the reasonableness of basic assumptions underlying various allowances and reserves. Assessments are also performed and reserves taken against potential liabilities associated with intellectual property risks in order to reduce the impact on HTC's finances.

Supervisors also hold regular private meetings with CPAs. Supervisors must first review and be satisfied with the CPA's independence and
- professional fees before such matters are submitted to the Board of Directors for resolution.

During 2010, management continued to lend its full support to corporate governance at HTC. Internal controls are risk-oriented and efficiency in ratifying issues continue to improve. In the supervision of subsidiaries, emphasis was placed on evaluation by corporate headquarters and the development of global policies. In the area of internal control self-assessment, HTC has continued to use a combination of questionnaires and small group discussions. Individual divisions also need to issue internal control statements to provide a concrete and transparent basis for the issuance of statements on corporate internal controls by the Board of Directors.

II.

If Supervisors in attendance at a Board 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 Supervisors meeting at which important matters relating to finance, legal, and internal audit are reported to the Supervisors. The Supervisors in turn produce a quarterly Supervisors' report for submission to the Board. Important related-party transactions are first submitted to the Supervisors meeting, which must first review the transactions and issue an unqualified opinion before they are submitted for deliberation and resolution by the Board. There has been no instance of a Supervisor expressing a dissenting opinion regarding a Board resolution during the most recent fiscal year.

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

Item	Implementation Status	Reason for Non-implementation
1. Shareholding structure & Shareholders' Rights		
(1) Method of handling shareholder suggestions or complaints	To protect shareholders' interests, HTC has appointed spokesperson and acting spokesperson to properly handle any questions, suggestions, or disputes involving shareholders.	None
(2) The Company's understanding of major shareholders and the ultimate owners of these major shareholders	The Company has a good understanding of its major shareholders through shareholder registers provided by stock agents at book closures. HTC also provides information regularly on pledges and the increase and decrease in shareholdings of shareholders with a more than 10% stake in the company.	None
(3) Risk management mechanism and "firewalls" between the Company and its affiliates	The division of responsibilities between HTC and its affiliates with respect to management of personnel, resources, and finances is clear. Risk assessments are rigorously performed and appropriate firewalls have been established. HTC conducts business with affiliates based on the principles of fairness and reasonableness and fully observe the "Operating Procedures for Transactions with Specific Companies, Enterprise Groups and Related Parties" and other related regulations. Terms and conditions, pricing, and payment methods are clearly prescribed in contracts to avoid non-arms-length transactions and financial tunneling. When it is necessary to eliminate non-competition restrictions on Directors and managerial officers, requests are duly submitted to the Shareholders' Meeting and Board for approval.	None
2. Composition and Responsibilities of the Board of Directors		
(1) Independent Directors	At the end-of-term elections for Directors and Supervisors at the 2010 ordinary Shareholders' Meeting, HTC elected 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.	None
(2) Regular evaluation of external auditors' independence	In 2008, HTC started to have its Supervisors review the independence of CPAs on an annual basis. Prior to submitting a proposal to change CPA to the Board, the CPA will be interviewed and his credentials reviewed by the Supervisors to assess his independence.	None
3. Communication with stakeholders	HTC provides detailed contact information, including telephone numbers and email addresses, in the "contact us" section of its corporate website. We also have personnel in place to exclusively deal with messages to the spokesperson and investor mailboxes so that various interested parties will have channels to communicate with HTC.	None
4. Information Disclosure		
(1) Establishment of a corporate website to disclose information regarding the Company's financials, business and corporate governance	HTC has both Chinese and English websites. Investor information pages provide information on financial and business issues and corporate governance, while product information pages provide information relating to our products and services.	None
(2) Other information disclosure channels (e.g., maintaining an English-language website, appointing responsible people to handle information collection and disclosure, appointing spokespersons, webcasting investors conference)	HTC has English and Chinese investor relations websites. Dedicated personnel have been assigned to collect and update information to websites. Chief Financial Officer Winston Yung has been appointed spokesperson and a spokesperson email address has been established. An investors conference is convened online each quarter. Recording and presentation are posted on the Company website after the conference.	None
5. Operation of the Company's Nomination Committee, Compensation Committee, or other functional committees of the Board of Directors	At the end-of-term elections of Directors and Supervisors at its ordinary Shareholders' Meeting of 2010, HTC's Board elected the second session of the Compensation Committee in accordance with provisions of the Compensation Committee Articles of Incorporation. That is, the Compensation Committee shall be composed of three Directors with the Chairman of the Board as ex officio Chairman, the remaining two members appointed by the Board, and at least one member shall be an Independent Director. At the Board meeting of 21 June 2010, 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 in supervising the Company's compensation system and making appropriate recommendations.	None

6. In 2008, HTC adopted the "Guidelines for Corporate Governance". Its provisions are based on the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies issued on 10 November 2010, and were drafted with reference to the corporate governance practices of companies in Taiwan and abroad with outstanding records in that area. Its purpose is to ensure that the Board has the authority to independently supervise corporate operations and to make all decisions necessary to fulfill its responsibilities to shareholders and society.

7. Other important information helpful to understanding HTC's corporate governance practices:

- (1) Employee rights and interests and employee care
- HTC's employee code of conduct provides rules and guidelines for employees to follow when involved in company operations. All employees of the Company and its branches and subsidiaries, regardless of their position, level, or location, need to abide by this code of conduct. Any unlawful conduct, either at the Company or otherwise is prohibited.
- In the General Principles, the Company commits to provide a safe and healthy work environment, fair opportunities, and provide principles for handling Company assets and information.
- In Relations with Customers and Suppliers, HTC commits to maintaining long-term relationships on a fair and reasonable basis in order to create win-win partner relationships.
- In the Conflicts of Interest section, HTC provides principles of conduct to guide employees in situations of conflict.
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 which could lead to accidental injury, or discrimination, will be immediately reported to the responsible department for investigation and punishment.
2. Due caution is 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. Disclosing employee personal information of any kind is inappropriate in any situation except where so required by government laws or regulations.

3. HTC's hiring policies comply with the relevant laws and regulations and provide fair opportunities to both applicants and employees. Hiring decisions are based on HTC's operational needs, nature of the work, and applicants' abilities. Fair opportunities are provided to both applicants and employees. There will be absolutely no discrimination on the basis of nonwork-related factors, such as race, skin color, social position, language, belief, religion, political affiliation, family origin, gender, sexual orientation, marital status, appearance, facial features, mental or physical disabilities, previous union affiliation, or any other factor protected by government order. 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 community activities.

(2) Investor relations

HTC carries out its responsibility in the area of investor relations by endeavoring to enhance the transparency and timeliness of information disclosure. In addition to immediate announcement of material information, monthly revenues are announced early, and preliminary earnings are announced at the beginning of the 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. Information is also uploaded to the Company website simultaneously.

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. Also, more than ten international securities houses routinely publish analyst reports on HTC, providing investors with independent, professional investment analyses.

HTC's investor relations activities in 2010, were as follows: Throughout the year, HTC frequently participated in investor conferences in Taiwan, Hong Kong, Singapore, New York, and Beijing, and periodically visited main investors in the European, American and Asia regions. At the same time, foreign and domestic institutional investors and analysts frequently visit our investor relations department or contact it by phone. Going forward, HTC will continue to advance its work in every aspect of investor relations in order to fulfill the responsibilities of a listed company toward its investors and shareholders.

(3) Supplier relations and rights of interested parties

HTC has adopted Procedures for Transactions with Specific Companies, Group Enterprises, and Related Parties to guarantee the rights and interests of HTC and interested parties. Purchasing contracts are also signed with suppliers to govern to transactions and cooperative efforts to protect the lawful rights and interests of all parties.

(4) Professional development of Directors, Supervisors, and managerial officers:

HTC Directors and Supervisors voluntarily attend seminars held by professional training institutes as required by law and regulation. In addition, to further strengthen implementation of corporate governance, regular courses are also planned on finance, business, commerce, law, and accounting subjects that are related to corporate governance, as well as courses on internal control and responsibility in connection with preparation of financial reports. Details of professional development courses taken by Directors, Supervisors, and managerial officers for 2010 can be found in Appendixes 1 and 2.

(5) Status of implementation of risk management policies and standards for measurement of risk:

HTC has adopted relevant risk management policies and standards for measurement of risk, and has established a dedicated unit to carry out risk management and risk measurement. With respect to implementation, HTC has reassessed its business risks after transitioning into a brand company. Risk factors are also reflected in financial statement items such as bad debts and warranty reserves which are reviewed by Supervisors and CPAs to ensure they are reasonable and appropriate.

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

1. Exchange rate risk: Foreign exchange movements are monitored and managed / hedged by dedicated personnel. Reserves for on-book liabilities are valued at the exchange rate on the balance sheet date, reducing as much as possible the effects of currency fluctuations on HTC's business and finances.

2. Receivables risk: Receivables risk is managed effectively by the finance department to ensure receivables quality and lower the risk of bad debt.

3. Management of idle inventory: In addition to enhancing supplier management and demand forecast, idle inventory is attended to early and reserves for loss taken in an appropriate manner.

4. Global tax risk: Handling of tax issues and risks has been outsourced to an international tax affairs institution, which undertakes necessary tax assessments and planning. A proposal for reorganization of the Company's overseas subsidiaries was approved by the Board of Directors on April 30, 2009.

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

(6) Status of customer-protection policy implementation:

HTC strictly abides by the contracts it signs with customers to protect consumer rights and interests. Regular deliberation on and assessment of the Product Warranty Reserve for after-sales services ensures that allocations made to such reserves are reasonably sufficient and warranty responsibilities of the Company are adequately expressed.

(7) Liability insurance provided by HTC to 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 the law in connection with their business responsibilities. Currently, HTC has purchased Liability Insurance for Directors, Supervisors, and key personnel (please see Appendix 3 for details), thereby transferring the risk arising from negligence or erroneous or improper conduct by Directors, Supervisors, or key personnel and enhancing the soundness of company management.

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 2010, HTC has not yet issued any corporate governance self-assessment report or engaged any other professional institute to perform a corporate governance assessment. It has become a member of the ROC's Corporate Governance Association (CGA). Regular participation of its Directors, Supervisors, 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 strengthening HTC's enterprise management and corporate governance.

Appendix 1: Continuous Education/Training of Directors and Supervisors

Title	Name	Date of Training		Organization	Training	Hours	Notes
		From	To				
Chairman	Cher Wang	2010.06.21	2010.06.21	Securities & Futures Institute (SFI)	Advanced practice seminar of Directors and Supervisors (including Independent Directors)【Corporate social responsibility】	3	
Director	Wen-Chi Chen	2010.06.21	2010.06.21	Securities & Futures Institute (SFI)	Advanced practice seminar of Directors and Supervisors (including Independent Directors)【Corporate social responsibility】	3	
Director	HT Cho	2010.06.21	2010.06.21	Securities & Futures Institute (SFI)	Advanced practice seminar of Directors and Supervisors (including Independent Directors)【Corporate social responsibility】	3	
Director	Tan Ho-Chen	2010.06.21	2010.06.21	Securities & Futures Institute (SFI)	Advanced practice seminar of Directors and Supervisors (including Independent Directors)【Corporate social responsibility】	3	
Independent Director	Chen-Kuo Lin	2010.06.21	2010.06.21	Securities & Futures Institute (SFI)	Advanced practice seminar of Directors and Supervisors (including Independent Directors)【Corporate social responsibility】	3	
Juristic Person Supervisor: Representative	Shao-Lun Lee	2010.06.22	2010.06.22	Securities & Futures Institute (SFI)	Advanced practice seminar of Directors and Supervisors (including Independent Directors)【Corporate social responsibility】	3	
Supervisor	Po-Cheng Ko	2010.06.03	2010.06.03	Taiwan Stock Exchange Corporation (TWSE)	2010 Seminar on "Responsible Persons of Listed Companies"-Investor Relations	3	Resigned on 20 April 2011.
		2010.06.21	2010.06.21	Securities & Futures Institute (SFI)	Advanced practice seminar of Directors and Supervisors (including Independent Directors)【Corporate social responsibility】	3	
		2010.06.22	2010.06.22	Taiwan Corporate Governance Association (TCGA)	Corporate Governance and Securities Law	3	

Appendix 2: Continuous Education/Training of Management Team

Title	Name	Date of Training	Organization	Training	Hours	Note
Corporate Senior Executive Vice President & President of Engineering and Operation	Fred Liu	2010.06.21	Securities & Futures Institute (SFI)	Advanced practice seminar of Directors and Supervisors (including Independent Directors)【Corporate social responsibility】	3	
General Counsel	Grace Lei	2010.06.21	Securities & Futures Institute (SFI)	Advanced practice seminar of Directors and Supervisors (including Independent Directors)【Corporate social responsibility】	3	
Vice President	CS Wang	2010.06.21	Securities & Futures Institute (SFI)	Advanced practice seminar of Directors and Supervisors (including Independent Directors)【Corporate social responsibility】	3	
Associate Vice President	Jim Lin	2010.06.21	Securities & Futures Institute (SFI)	Advanced practice seminar of Directors and Supervisors (including Independent Directors)【Corporate social responsibility】	3	
Associate Vice President	James Chen	2010.06.21	Securities & Futures Institute (SFI)	Advanced practice seminar of Directors and Supervisors (including Independent Directors)【Corporate social responsibility】	3	
		2010.09.13-2010.09.14	Accounting Research and Development Foundation in Taiwan	International Financial Reporting Standards (IFRS) Workshop (I): Overview of IFRS and Statements Relating to Assets and Liabilities	12	
		2010.10.15	Accounting Research and Development Foundation in Taiwan	Analysis of Tax on Foreign Income, Repatriation of Funds to Taiwan, and Investment-Linked Insurance for Tax Savings	4	
		2010.11.29	Accounting Research and Development Foundation in Taiwan	Seminar on Legal Liability in Relation to Announcement of Material Information by Public Companies and Case Analysis of Violations	3	
		2010.12.22	Accounting Research and Development Foundation in Taiwan	Analysis of Letters of Interpretation on Financial Accounting Issues in the Latest Fiscal Year	3	
Special Assistant of Procurement Division	Kenny Tseng	2010.12.31	Accounting Research and Development Foundation in Taiwan	The Latest Practices in Accounting, Taxation, and Customs Affairs Relating to International Multilateral Trade	6	
		2010.06.21	Securities & Futures Institute (SFI)	Advanced practice seminar of Directors and Supervisors (including Independent Directors)【Corporate social responsibility】	3	
		2010.06.21	Securities & Futures Institute (SFI)	Advanced practice seminar of Directors and Supervisors (including Independent Directors)【Corporate social responsibility】	3	
		2010.06.21	Securities & Futures Institute (SFI)	Advanced practice seminar of Directors and Supervisors (including Independent Directors)【Corporate social responsibility】	3	
		2010.06.21	Securities & Futures Institute (SFI)	Advanced practice seminar of Directors and Supervisors (including Independent Directors)【Corporate social responsibility】	3	Resigned on 1 January 2011.

Appendix 3: Directors, Supervisors and Key Personnel Liability Insurance

NO	Insured Object	Insurance Company	Insured Amount (NT\$)	Insurance period	Notes
1	All Directors and Supervisors	Fubon Insurance Co., Ltd. (Insureds include HTC-appointed juristic person directors' representatives at investee companies and key personnel)	1,019,550,000	From: 2009.03.15 To: 2010.03.15	Insured Amount: US\$35,000,000
2	All Directors and Supervisors	Fubon Insurance Co., Ltd. (Insureds include HTC-appointed juristic person directors' representatives at investee companies and key personnel)	1,019,550,000	From: 2010.03.15 To: 2011.03.15	Insured Amount: US\$35,000,000

(4) Composition, responsibilities and operation of the Compensation Committee

HTC has duly formulated the Compensation Committee Articles of Incorporation, under which the Compensation Committee consists of the President, one Director, and one Independent Director, to assist the Board in performing duties related to compensation of senior management. The Committee is required to provide oversight and submit recommendations to the Board on material issues relating to compensation or the Company's system of benefits, and convenes on a quarterly basis to implement the following matters:

1. Administer equity-based and employee benefit plans.

2. Review the competitiveness of the Company's executive compensation programs to ensure the attraction and retention of executives and align interests of key leadership with that of the Company's shareholders.
3. Review trends in executive compensation and make recommendations concerning long-term incentive compensation plans, including the use of equity-based plans, to the Board of Directors.

(5) HTC's exercise of corporate social responsibility:

Item	Implementation Status	Reasons for discrepancy with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies
Exercising corporate governance		
1. The Company's adoption of corporate social responsibility policies and systems, and effectiveness of their implementation.	> HTC upholds the ideal of comprehensive environmental protection, proper management of health and safety, and effective improvements in energy efficiency. We provide and maintain a safe and healthy working environment for our employees in order to create better quality of life for our employees, customers, suppliers, and contractors, so that we may fulfill our corporate social responsibilities and achieve the goal of sustainable corporate development. HTC has now made basic commitments with respect to corporate social responsibility (CSR), and our general affairs department regularly reports to one of the Directors on the HTC board regarding the results of their implementation. For a description of our CSR policies and a discussion of the effectiveness of their implementation, please see p. 67-71 of this annual report.	HTC has not yet adopted CSR policies or system passed by the Board of Directors.
2. The operational status of the unit established by the Company with exclusive or concurrent responsibility for CSR.	> HTC has appointed the general affairs unit to be responsible for carrying out CSR-related activities, and has engaged an outside professional institution, the AFNOR Group, to provide professional consulting on the implementation of CSR matters.	Through its general affairs department, HTC provides regular reports to a member of the Board of Directors regarding CSR activities and the status of their implementation, but does not regularly report to the full Board of Directors.
3. The holding of business ethics training and provision of guidance on related matters on a regular basis for Directors, Supervisors and employees, and the incorporation of business ethics into its employee performance appraisal system.	> In June 2010, HTC engaged the Securities and Futures Institute to provide training in corporate social responsibility (the principal component of CSR) to its Directors and Supervisors. HTC has also adopted an employee code of conduct to provide rules and guidelines for employees during their execution of Company operations. All employees at HTC and its branches and subsidiaries, regardless of their position, rank, or location, are required to abide by this set of ethical standards.	HTC has not yet integrated business ethics into employee performance evaluations.
Developing a sustainable environment		
1. The status of the Company's efforts to improve its efficiency in the utilization of all resources and the use of recycled materials with low environmental impact.	> Please refer to p. 67-71 of this annual report.	None
2. The status of the Company's establishment of environmental management systems appropriate to the nature of its industry.	> Please refer to p. 67-71 of this annual report.	None
3. The status of the Company's establishment of dedicated environmental management units or personnel to protect the environment.	> HTC has established an environment and safety unit to be responsible for matters relating to environmental management and maintenance. It also obtains certification annually from a third-party certification institution with respect to environmental protection and energy use.	None
4. The status of the Company's attention to the effects of climate change on its operations and its establishment of a Company strategy for energy conservation and carbon and greenhouse gas reduction.	> Please refer to p. 67-71 of this annual report.	None
Protecting public interest		
1. The status of the Company's observance of relevant labor laws and regulations, protection its employees' legal rights and interests, and establishment of appropriate management methods and procedures.	> Please refer to p. 67-71 of this annual report.	None
2. The status of the Company's provision of a safe and healthy work environment for its employees and its provision of health and safety education to its employees on a regular basis.	> Please refer to p. 67-71 of this annual report.	None
3. The status of the Company's formulation and public release of its policies on consumer rights and interests, and its provision of transparent and effective procedures for handling consumer complaints regarding its products and services.	> HTC safeguards consumer rights and interests with various kinds of services and information. It provides channels of communication that allow consumers to contact HTC by many means, including the limited warranty sheet included in the HTC phone package, customer service contact numbers in all countries, a Taiwan customer service center contact information card, information on its official website, live customer chat service, customer service e-mail, home pickup and delivery service, a customer service center address, and customer satisfaction (CSAT) surveys.	None
4. The status of the Company's cooperation with suppliers to jointly enhance corporate social responsibility.	> Please refer to p. 67-71 of this annual report.	None
5. The status of the Company's participation in commercial activities, property donations, volunteer service or the provision of free professional services, and participation in charitable activities or community development.	> Please refer to p. 67-71 of this annual report.	None

Item	Implementation Status	Reasons for discrepancy with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies
Enhancing information disclosure		
1. The Company's method of disclosure of relevant and reliable information relating to CSR.	> HTC collects and compiles information on its CSR activities through the general affairs unit. An outside professional institution, the AFNOR Group, assists to ensure the accuracy and reliability of the information disclosed.	None
2. The status of the Company's production of corporate social responsibility reports disclosing the implementation of CSR matters.	> As of 2010, HTC has not yet prepared a separate CSR report. It currently discloses information on CSR-related activities and performance through its annual report.	HTC does not produce a corporate social responsibility report.
If the Company has formulated a set of its own corporate social responsibility best practice principles in accordance with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies, please describe any discrepancies between their operation and the principles as adopted		
HTC has not yet adopted its own corporate social responsibility best practice principles; please refer to p. 67-71 of this annual report for a description of HTC's CSR-related activities.		
Any other important information helpful to understanding the Company's CSR-related operations (such as the status of its systems, measures, or performance in CSR activities relating to the environment, community, contributions to society, social service, public interest, consumer rights and interests, human rights, health and safety, and other CSR-related activities: Please refer to p. 67-71 of this year's annual report for a description of HTC's CSR-related operations.		
If the Company's products or its corporate social responsibility report have met the standards of a relevant certification institution, please indicate:		
HTC has obtained ISO 14001 environmental management systems certification and OHSAS 18001 occupational health and safety management systems certification.		

(6) The status of the Company's exercise of good faith in management and adoption of related measures:

HTC has always upheld the five major ideals of honesty, humility, simplicity, vitality, and innovation as its highest criteria for operations. Everyone within the Company, from the highest levels to the lowest, is asked to strictly uphold the spirit of these five ideals, as well as abide by all laws, regulations, and rules. HTC has also formulated internal rules to ensure the exercise of good faith in management and the observance of laws and regulations.

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

(8) Other important information helpful to understanding HTC's corporate governance:

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 overseas subsidiaries, HTC has continued to examine and revise or adopt new rules and procedures which will enhance the efficiency of its operations and strengthen risk management and corporate governance. Over the recent years, in line with the formulation or amendment of relevant securities laws and regulations, and in consideration of operational needs, HTC has adopted or revised its "Procedures for Board of Directors Meetings", "Procedures for the Acquisition or Disposal of Assets", "Procedures for the Handling of Derivatives Trading", "Guidelines for Corporate Governance", "Procedures for Shareholders' Meetings", and "Bylaws for the Election of Directors and Supervisors". In addition, it has also adopted the "Detailed Guidelines for the Handling of Derivatives Transactions", "Credit Policy and Operation Procedures", and "Rules for Assignment of Directors and Supervisors at Investee Companies", and revise implementation rules that guide its internal operations, such as the "Transaction Operating Procedures for Specific Companies, Enterprise Groups and Related Parties", "Budget Management Procedures", "Corporate Bylaws for Subsidiaries" and "Operational Procedures for Handling Material Inside Information, and Prevention of Insider Trading". Latest drafts and amendments of the "Operating Procedures for the Handling of Material Inside Information and Prevention of Insider Trading" are sent to all HTC employees via e-mail and posted on the internal website. The most updated version is posted on both the corporate website and internal website. New employees are also trained on the prevention of insider trading.

(9) The state of implementation of HTC's internal control system:

1. Statement on Internal Control

HTC Corporation

Statement on Internal Control

Date: 1/21/2011

The Company states the following with regard to its internal control system for 2010, based on the findings of a self-evaluation:

1. The Company is fully aware that establishing, operating, and maintaining an internal control system is the responsibility of its Board of Directors and management. The Company has established such a system aimed at providing reasonable assurance to the achievement of objectives in the effectiveness and efficiency of operations (including profits, performance, and safeguard of assets), 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 only provide 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 which allow the Company to take corrective actions as soon as a deficiency is identified.
3. The Company judges the design and 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 (the "Regulations"). The 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 communication 5. monitoring. Each element further contains several items. Please refer to the Regulations for details.
4. The Company has evaluated the design and effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the evaluation, it is concluded by the Company's internal control system (including its supervision of subsidiaries), encompassing transparency of operational performance, reliability of financial reporting, and compliance with applicable laws, was effectively designed and implemented and can provide reasonable assurance to 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 its content 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 Meeting held on 1/21/2011, where all of the six attending Directors affirmed the content of this Statement.



HTC Corporation



Chairman: Cher Wang



President: Peter Chou

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

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

(11) Material Resolutions of the 2010 Shareholders Meeting and Board of Directors Meetings during the most recent fiscal year and the current fiscal year up to the date of printing of this annual report.

Item	Date	Material resolutions	Note
Year 2010			
Board of directors meeting	2010.01.26	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	2010.02.09	1. Adopted resolution for repurchase of the Corporation's shares and cancellation of such shares.	
Board of directors meeting	2010.03.22	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	2010.04.28	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.	
Shareholders meeting	2010.06.18	1. Adoption of the Fiscal 2009 Business Report and Financial Statements. 2. Adoption of the Fiscal 2009 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 partially amend the Articles of Incorporation. 5. Adopted resolution to partially amend the Company's Procedures for the Acquisition or Disposal of Assets. 6. Adopted resolution to partially amend the Company's Rules for Endorsements and Guarantees. 7. Adopted resolution to partially amend the Company's Operational Procedures for Lending Funds to Others. 8. Adopted resolution to hold the re-election of Directors and Supervisors according to Article 13 of the amended Articles of Incorporation. 9. Adopted resolution to remove the limitation on directors for non-competition.	Please refer to the notes for an execution summary of the material resolutions of the shareholders meeting
Board of directors meeting	2010.07.11	1. Adopted resolution on a date of record for the distribution of dividends as well as the dates of the capital increase, the closing period for the share transfer and the delivery date of cash dividends. 2. Adopted resolution for the repurchase of the Company's shares and transfer of such shares to employees.	
Board of directors meeting	2010.07.28	1. Adopted resolution for Company's subsidiary in the UK, HTC Europe Co., Ltd., to purchase an office building.	
Board of directors meeting	2010.10.29	1. Adopted resolution on the revised budget for Company's subsidiary in the UK, HTC Europe Co., Ltd., to purchase an office building. 2. Adopted resolution on the budget for the office building construction plan in Taoyuan. 3. Adopted resolution for the repurchase of the Company's shares and transfer of such shares to employees. 4. Adopted resolution for the repurchase of the Company's shares and cancellation of such shares.	
Board of directors meeting	2010.11.22	1. Adopted resolution to acquire real property from a related party, VIA Technologies, Inc.	
Board of directors meeting	2010.12.22	1. Adopted resolution for replacement of Company's Chief Financial Officer and Spokesperson.	
Year 2011			
Board of directors meeting	2011.01.21	1. Adopted resolution to convene the 2011 Annual General Shareholders Meeting, meeting date, time, and place, the submission period and place for shareholders' proposals. 2. Adopted resolution for the capital expenditure and the capital injection in the subsidiary HTC Electronics (Shanghai) Co., Ltd.	
Board of directors meeting	2011.03.17	1. Adopted resolution for the adjusted budget for the office building construction plan in Taoyuan.	
Board of directors meeting	2011.04.30	1. Adopted resolution for Fiscal 2010 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 2011 Annual General Shareholders' Meeting of the Company. 4. Adopted resolution for the acquisition of 8 lots of land (lot number 1896 et al, etc.) located in Taoyuan City, Dashulin Section adjacent to the Taoyuan headquarters. 5. Adopted resolution for the replacement of Company's Spokesperson. 6. Adopted resolution for the resignation of Company's Internal Audit Officer. 7. Adopted resolution for the subsidiary in the US to purchase land and construct an office building. Resolution resolved to authorize the Chairperson and a specific person appointed by the Chairperson to execute and process the relevant details of the land purchase and office building construction within a budget authorized by the board of directors.	

Note:1. Acting pursuant to resolutions adopted at the 2010 regular shareholders meeting regarding the earnings distribution proposal and the earnings capitalization proposal, HTC completed the following actions in 2010: 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 2010 regular shareholders meeting regarding the proposal to amend the HTC Articles of Incorporation, HTC has completed an amendment registration with the Ministry of Economic Affairs.

(12) Where, during the most recent fiscal year and current fiscal year up to the date of printing of this annual report, no Director or Supervisor has expressed a dissenting opinion with respect to a material resolution passed by the board of directors.

(13) Summary of Resignations and Dismissals:

Item	Resolution	
Type of personnel change	Principal Financial Officer	Internal Audit Officer
Effective date	2011/1/1	2011.04.30
Name and title of the replaced person	Hui-Ming Cheng , Chief Financial Officer & Spokesman	Vincent Tseng, Internal Audit Director
Name and title of the replacement	Winston Yung, Chief Financial Officer	Under process of appointment
Reason for the change	Position adjustment due to Hui-Ming Cheng's retirement and transfer to become an advisor to the Board of Directors.	Resigned due to personal career planning

III. Information On CPA Professional Fees:

1. Scale of CPA professional fees

Accounting Firm	Name of CPA	Audit Period	Note
Deloitte & Touche	Ming-Hsien, Yang Tze-Chun, Wang	Years Ended December 31, 2010	

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

2. Information on CPA professional fees

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

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-Audit Fee					CPA's Audit Period	Note
			System Design	Company Registration	Human Resource	Others (note)	Subtotal		
Deloitte & Touche	Ming-Hsien Yang, Tze-Chun Wang	9,840	-	150	-	10,422	10,572	Years Ended December 31,2010	Transfer pricing report, international tax consultation, review of shareholders' meeting annual report and CPA opinion on earnings capitalization.

(2) The company does not change its accounting firm.

(3) Audit fees paid by the company for the current year are not lower than those for the previous fiscal year by 15 percent or more.

IV. Information on replacement of certified public accountant:

1. Regarding the former certified public accountant

Date of replacement	12/28/2009		
Reason for replacement	Due to adjustments in the managerial organization at Deloitte & Touche, the certifying CPAs have been changed from Ming-Hsien Yang and Kwan-Chung Lai to Ming-Hsien Yang and Tze-Chun Wang.		
Whether the engagement was voluntarily ended or declined by CPA	Condition	Concerned Person	
		Accountant	Appointer
	voluntarily ended the engagement	-	-
	declined further engagement	-	-
Audit report expressing other than an unqualified opinion during the two most recent years	None		
Whether there was any disagreement between the company and the former CPA	Yes		Accounting principles or practices
			Financial report disclosure
			Audit scope or procedure
			Other
	No	V	
	Description		
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-ChunWang		
Date of engagement	12/28/2009		
Consultation with the newly engaged accountant regarding the accounting treatment of a specified transaction, or the type of audit opinion that might be rendered on the company's financial report prior to the formal engagement of the successor	None		
Written views from the successor certified public accountant regarding the matters on which the company did not agree with the former certified public accountant	None		

3. There is no 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.

V. The Company’s Chairperson, General Manager, or any Managerial Officer in charge of finance or accounting matters has not in the most recent year hold a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm.

VI. Transfer of equity interests and/or pledge of or change in equity interests by a Director, Supervisor, Managerial Officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year and the current fiscal year up to the date of printing of this annual report.

(I) Changes in shareholdings of Directors, Supervisors, Managers, and Major Shareholders

Unit : Shares

Title	Name	Change in quantity of shareholding	2010	Change in quantity of shareholding	2011.01.01-2011.04.17
			Change in quantity of pledged shares		Change in quantity of pledged shares
Chairman	Cher Wang	1,236,844	0	0	0
Director	HT Cho	9,457 (173,000)	0	(6,000)	0
Director	Wen-Chi Chen	1,015,482	0	0	0
Director	Tan Ho-Chen	0	0	0	0
Independent Director	Chen-Kuo Lin	0	0	0	0
Independent Director	Josef Felder	0	0	70,000	0
Supervisor	Way-Chih Investment Co., Ltd. Representative: Shao-Lun Lee	1,987,269	0	0	0
Supervisor	Caleb Ou-Yang	0	0	0	0
Chief Executive Officer & President	Peter Chou	329,403 (70,000)	0	0	0
Corporate Senior Executive Vice President and President of Engineering and Operation	Fred Liu	143,611 (624,000)	0	(81,000)	0
Chief Financial Officer (note1)	Winston Yung	-	-	0	0
Chief Operating Officer (note 2)	Matthew Vincent Costello	0	0	0	0
Chief Engineering Officer	David Chen	58,078 (154,000)	250,000	(113,000)	(250,000)
Chief Marketing Officer	John Wang	34,400	0	(66,000)	0
Chief Product Officer (note 3)	Kouji A Kodera	20,000	0	(2,645)	0
Chief Strategy Officer (note 4)	Ronald Allen Louks	16,667	0	(2,813)	0
Chief Information Officer	Eric Chou	11,472 (10,000)	0	5,000 (10,000)	0
General Counsel	Grace Lei	17,954 (20,000)	0	(19,000)	0
Vice President	CS Wang	33,460 (39,000)	0	(93,000)	0
Vice President (note 5)	Georges Bouloy	0	0	0	0
Vice President (note 6)	Gregory Fisher	-	-	0	0
Vice President	Lotus Chen	32,546	0	(34,000)	0
Vice President	Simon Hsieh	30,350 (33,350)	0	(22,000)	0
Vice President	Simon Lin	34,402 (9,000)	0	(55,452)	0
Vice President	WH Liu	36,073 (74,000)	0	(70,000)	0
Associate Vice President	Jim Lin	25,691 (110,000)	0	(17,000)	0
Associate Vice President	Ralph Wang	14,262 (55,000)	0	(20,000)	0
Associate Vice President	Steve Wang	29,750 (26,000)	0	(21,750)	0
Associate Vice President (note 7)	Thomas Chien	-	-	0	0
Associate Vice President	James Chen	12,000	0	(1,000)	0
Associate Vice President	Edward Wang	10,800	0	(8,000)	0
Special Assistant of Procurement Division	Kenny Tseng	10,265 (3,000)	0	(3,000)	0
Director	Joey Cheng	8,600	0	(18,600)	0
President- North America & Latin America	Jason Mackenzie	53,616 (88,000)	0	(5,944)	0
President- EMEA Region	Florian Seiche	47,374 (20,331)	-	(63,000)	0
Vice President, APAC	Jack Tong	31,565 (25,000)	0	(14,000)	0
Vice President, Head of China (note 8)	Ram Yam	-	0	0	0
Supervisor (note 9)	Po-Cheng Ko	0	0	0	0
Chief Financial Officer & Spokesperson (note 10)	Hui-Ming Cheng	1,850	0	-	-
Chief Innovation Officer (note 11)	Horace Luke	47,788 (85,000)	0	(74,063)	0
Executive Vice President (note 12)	Jason Juang	(63,000)	0	-	-
Vice President (note 13)	Cliff Chiang	3,445	0	-	-
Vice President (note 14)	David Wang	0	0	-	-
Vice President (note 15)	KH Tung	(3,000)	0	-	-
Associate Vice President (note 16)	Andy Chen	0	0	-	-
Associate Vice President (note 17)	Cliff Chou	30,297 (87,000)	0	(15,000)	0
Director (note 18)	Vincent Tseng	6,965	0	(24,000)	0

Note 1：Winston Yung took office on January 1, 2011.
Note 2：Matthew Vincent Costello took office on November 1, 2010.
Note 3：Kouji A Kodera took office on May 3, 2010.
Note 4：Ronald Allen Louks took office on May 3, 2010.
Note 5：Georges Bouloy took office on December 1, 2010.
Note 6：Gregory Fisher took office on February 21, 2011.
Note 7：Thomas Chien took office on April 1, 2011.
Note 8：Ram Yam took office on March 17, 2011.
Note 9：Po-Cheng Ko left office on April 20, 2011.
Note 10：Hui-Ming Cheng left office on January 1, 2011.
Note 11：Horace Luke left office on April 30, 2011.
Note 12：Jason Juang left office on July 31, 2010.
Note 13：Cliff Chiang left office on October 29, 2010.
Note 14：David Wang left office on June 12, 2010.
Note 15：KH Tung left office on January 5, 2010.
Note 16：Andy Chen left office on February 6, 2010.
Note 17：Cliff Chou left office on March 1, 2011.
Note 18：Vincent Tseng left office on April 30, 2011.

(II) Stock transfer with related party:

Name	Reason for Transfer	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	Gift	04/16/2010	Hui-Chin Yang	Spouse	500,000	-
Fred Liu	Gift	08/27/2010	Wan-Yun Liu	Children	25,000	-

(III) Stock Pledged with related party: None

VII. Related parties, as defined in the Statement of Financial Accounting Standards No. 6, among the Company's 10 largest shareholders.

2011.04.17									
Name (note 1)	Shareholding		Shareholding under spouse and children of minor age		Shareholding under the title of third party		Top 10 shareholders who are related parties to each other. (Note 2)		Note
	shares	%	shares	%	shares	%	Name	Relationship	
Way-Chih Investment Co., Ltd. (Representative: Su-Lan Chiang)	41,732,658	5.10%	0	0.00%	0	0.00%	>Way-Lien Technology Inc. >Hon-Mou Investment Co., Ltd.	>Same chairman >Same chairman	
Way-Lien Technology Inc. (Representative: Su-Lan Chiang)	35,864,982	4.39%	0	0.00%	0	0.00%	>Way-Chih Investment Co., Ltd. >Hon-Mou Investment Co., Ltd.	>Same chairman >Same chairman	
JPMorgan Chase Bank N.A. Taipei Branch in custody for EuroPacific Growth Fund	33,900,610	4.15%	0	0.00%	0	0.00%	None	None	
Cher Wang	25,973,740	3.18%	21,325,133	2.61%	0	0.00%	>Wen-Chi Chen	>Spouse	
Hon-Mou Investment Co., Ltd. (Representative: Su-Lan Chiang)	21,809,601	2.67%	0	0.00%	0	0.00%	>Way-Chih Investment Co., Ltd. >Way-Lien Technology Inc.	>Same chairman >Same chairman	
Wen-Chi Chen	21,325,133	2.61%	25,973,740	3.18%	0	0.00%	>Cher Wang	>Spouse	
HTC Depositary Receipts Special Account under custodial administration of Citibank N.A	20,055,170	2.45%	0	0.00%	0	0.00%	None	None	
Deutsche Bank in custody for Pine International Value Fund	18,493,671	2.26%	0	0.00%	0	0.00%	None	None	
JPMorgan Chase Bank N.A. Taipei Branch in custody for Oppenheimer Developing Market Fund	13,808,740	1.69%	0	0.00%	0	0.00%	None	None	
JPMorgan Chase Bank N.A. Taipei Branch in custody for Capital World Growth and Income Fund	13,350,000	1.63%	0	0.00%	0	0.00%	None	None	

Note 1 : The top 10 shareholders shall all be listed; for institutional shareholders, the name of the entity and the name of its representative shall be listed separately.
Note 2 : Mutual relationships of shareholders, including judicial and natural persons, shall be disclosed.

VIII. Total number of shares and total equity stake held in the same enterprise by the Company, its Directors and Supervisors, Managers directly or indirectly

2010.12.31 Unit: share; dollar; %							
Long-term investments (note)	Investments by HTC		Investments directly or indirectly controlled by Directors, Supervisors, and Managers of HTC		Total investments		
	Shares/Investment Amount	%	Shares/Investment Amount	%	Shares/Investment Amount	%	
H.T.C(B.V.I) Corp.	225,018,083 shares	100%	0	0%	225,018,083 shares	100%	
HTC America, Inc.	0	0%	18,000,000 shares	100%	18,000,000 shares	100%	
HTC EUROPE CO., LTD.	0	0%	20,633,883 shares	100%	20,633,883 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%	
HTC Corporation (Shanghai WGQ)	0	0%	USD1,500,000 (NTD49,845 thousand)	100%	USD1,500,000 (NTD49,845 thousand)	100%	
HTC HK, Limited	0	0%	781,440,695 shares	100%	781,440,695 shares	100%	
HTC Belgium BVBA/SPRL	0	0%	18,550 shares	100%	18,550 shares	100%	
HTC Italia SRL	0	0%	EUR10,000 (NTD422 thousand)	100%	EUR10,000 (NTD422 thousand)	100%	
Communication Global Certification Inc.	20,000,000 shares	100%	0	0%	20,000,000 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.	206,218,309 shares	100%	0	0%	206,218,309 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 Corporation	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%	USD101,000,000 (NTD3,162,105 thousand)	100%	USD101,000,000 (NTD3,162,105 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%	USD27,500,000 (NTD891,326 thousand)	100%	USD27,500,000 (NTD891,326 thousand)	100%
HTC I Investment Corporation	29,500,000 shares	100%	0	0%	29,500,000 shares	100%
HTC Holding Cooperatief U.A.	EUR280 (NTD13 thousand)	1%	EUR27,720 (NTD1,335 thousand)	99%	EUR28,000 (NTD1,348 thousand)	100%
HTC Netherlands B.V.	0	0%	18,000 shares	100%	18,000 shares	100%
Huada Digital Corporation	24,500,000 shares	100%	0	0%	24,500,000 shares	100%
HTC France Corporation	0	0%	6,500,000 shares	100%	6,500,000 shares	100%
HTC America Holding, Inc.	0	0%	23,617,151 shares	100%	23,617,151 shares	100%
HTC America Innovation, Inc.	0	0%	1,000 shares	100%	1,000 shares	100%
HTC South Eastern Europe LLC.	0	0%	150 shares	100%	150 shares	100%
HTC Nordic ApS	0	0%	80,000 shares	100%	80,000 shares	100%
Abaxia	0	0%	805,716 shares	100%	805,716 shares	100%
BLRSoft	0	0%	USD20,000 (NTD660 thousand)	100%	USD20,000 (NTD660 thousand)	100%
HTC Poland sp. z o.o.	0	0%	100 shares	100%	100 shares	100%
HTC Germany GmbH	0	0%	25,000 shares	100%	25,000 shares	100%
HTC Iberia, S.L.	0	0%	3,006 shares	100%	3,006 shares	100%

Note:HTC Long-term Investments.

IX. Corporate Social Responsibility Report

HTC upholds the ideals of comprehensive environmental protection, proper health and safety management, and progressive improvement in energy efficiency, and provide a safe and healthy working environment for our employees. For the benefits of its employees, customers, suppliers, and contractors, and to achieve sustainable corporate development, HTC has made the following basic commitments in the area of corporate social responsibility:

- > HTC will scrupulously abide by all local laws and regulations.
- > HTC will protect employees’ work-related rights and interests and ensure fair employment opportunities.
- > HTC will actively participate in energy saving, carbon reduction, and environmental protection.
- > HTC will be transparent in its management.
- > HTC will continue to innovate in products and services to raise the level of customer satisfaction.
- > HTC will enhance shareholder interests, while supporting underprivileged groups, charitable and public service activities.

As the Company grows and develops, HTC must respond to environmental, safety, and health issues driven by increasing level of production. Each year, HTC receives affirmation from third-party certification institutions for effective implementation of ISO14001 and OHSAS 18001 standards. From 2010, HTC has implemented the EICC (Electronic Industry Citizenship Coalition) Code of Conduct and the ISO 5001 energy management standards, as it continues to strengthen its corporate social responsibility (CSR) in environmental protection and efficient use of energy.

HTC is working to monitor and reduce carbon emission at its production facilities in Taoyuan and around Taiwan. The Company uses the ISO 5001 energy

management standards to effectively manage carbon emissions and reduce their resulting impact on global climate change.

In energy saving, HTC is reducing electricity use by implementing time-controlled lighting, installing infrared sensor switches, and replacing T8 lighting with energy saving T5 fixtures in plants and offices. From 2010, it has successively converted to the use of energy saving LED lighting in its newly built offices and plants in Taoyuan, Hsindian, and Tainan.

HTC continues to reduce the volume of industrial waste resulting from its manufacturing processes and increase resource recycling. Actual recycling rate for HTC mobile phones, including reuse, recovery and recycling, far exceeds the requirements of the EU WEEE (Waste Electrical and Electronic Equipment) standards.

In the area of health and safety, HTC begins by assessing risks and adopting necessary measures in order to reduce accidents related to manufacturing, equipment, working environment, or chemical exposure.

ISO Management Systems

Based on the concept of sustainable management, HTC strives to achieve the greatest possible operating performance, but is also committed to environmental protection and employee care. HTC implements the following management systems: the ISO 14001 environment management system, the OHSAS 18001 occupational health and safety management standards (2007 standards), the TS 16949 and TL 9000 quality management system, the IECQ QC 080000 hazardous substance process management standards (2005 standards), and EICC electronic industry guidelines.

Employee Care

HTC’s employees are its most valuable asset-the crucial factor that allows it to compete successfully in the global marketplace. HTC provides comprehensive safety and health management, a friendly, healthy working

environment, and professional employee assistance programs. Our employees understand our commitment to their welfare. Participation in HTC's family day by employees and their families also helps promote identification with Company values and understanding of the Company's commitment to public interest, health, and the environment.

Safety and Health Management

The OHSAS 18001 occupational health and safety management standards and HTC workplace accident prevention plans are the key elements of our efforts to prevent the possible occurrence of workplace accidents. 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, providing information on health and safety, and implementing management of contractors. All employees participate in the programs for reduction of health and safety risks. Emergency incidents caused by human error or natural disasters, including incidents such as fire, explosions, typhoons, accidental substance releases, mechanical equipment injuries, contagious diseases, or earthquakes, are managed through prevention in-advance, response measures during the incident, and critical appraisal and feedback after-the-fact. In addition, HTC regularly conducts emergency response drills and firefighting exercises to ensure that the impact of any accident on employee safety and Company assets is minimized.

HTC has established a response organization at the corporate level for major infectious diseases to ensure proper handling of any suspected cases. Implementation of the response plan is outlined below:

- > The Environment, Health and Safety Committee meets regularly, focusing on the environmental, safety, and health projects under implementation during the given quarter. During the meetings, committee members and HTC department representatives hear reports on issues such as achievement of improvement goals, analyses of accidents, employee health promotion, implementation of environment projects, and the results of testing carried out in employee work environments.
- > Ever since its founding, HTC has undertaken risk assessments that target its production processes, equipment, and use of chemical products. It adopts measures necessary on the basis of the assessment results in order to reduce accidents caused by processes, equipment, or working environments, and to reduce harmful exposure to chemical products. Measures include:
 - Chemical substances management
 - Regular inspections of dangerous machinery and equipment
 - Employee education, training, and guidance, including general labor safety and health related education and first-aid training.
 - Regular compilation and statistical analysis of accidents occurred.
 - Notice and explanations in relation to hazardous conditions and dynamic management of the work area at irregular intervals.

Creating a friendly workplace

HTC provides its employees with a variety of services,

including a convenience store, coffee shop, travel agency, health center and resident physician, fitness center, outdoor multi-sport playing field, game area, massage station, and library. To meet the diverse needs of employees, it has also actively expanded green spaces, designed facilities for easy access by workers and visitors with physical disabilities, and provided breast feeding rooms for mothers.

In addition to providing a comfortable and friendly work environment as described above, HTC is also very concerned about measures closely related to the lives and well-being of its employees, such as providing appropriate air quality control and lighting in work areas, to ensure that its employees can work in the best possible environment.

Healthy work environment

In order to provide a healthier work environment for its employees, HTC has set up a health center to provide employee health care, wellness promotion, health management, and related consulting. Regular check-ups are provided (new employee physical exams, yearly exams, and special exams). Health management includes setting up basic health data files, follow-up exams and tracking for reported problems, analysis of yearly check-up data, management of chronic conditions, and interviews and follow-up on special conditions. Other services provided to help safeguard employee health include first-aid training, health care provided through consultation with a resident physician, prevention of occupational illnesses, epidemic prevention, and sharing of health education information.

Lifestyle diseases are usually the result of a buildup of long-ignored danger signals. HTC's health center works together with other health care providers to help track and provide diagnosis and treatment to employees belonging to high-risk groups, and assists employees with prevention and management of any such conditions through accurate understanding and lifestyle changes. In addition, with facilities such as the health center, library, fitness center, massage rooms/stations, and multi-sport playing field, HTC also provides employees with outlets for relieving pressure so that they can develop the habit of exercising and taking care of their own well-being. HTC also creates a smoke-free working environment, providing information on giving up tobacco and activities for smokers wanting to quit.

Employee assistance programs

Many employees in the modern workplace experience psychological burdens arising from the fast pace of life or the pressures of their lives, families, or work obligations. Through a program offered in cooperation with the Hsinchu Lifeline, HTC provides its employees with opportunities for professional psychological counseling while ensuring that they receive all the necessary guarantees of privacy. Regular and irregular counseling services are arranged and informative classes available to all employees in the areas of work and career, family and relatives, relationships, and physical and psychological stress. Classes include awareness promotion, department head consultations, sensitivity training for entry-level managers, and physical and psychological stress-relief groups to help reduce the negative impact of work-related stress.

Family day

Every year, HTC invites employees and their families to participate in family day activities to promote family values and help employees and their families understand HTC corporate culture and values. On

family day, employees and their families are invited to participate in enjoyable activities and share in the Company's accomplishments. The theme of the 2010 family day was "green life", with activities centering on HTC's three principles of "public interest, health, and the environment." The "health" aspect was emphasized through an event emphasizing love for walking: "6000 steps a day brings health one step at a time." This event engaged the interest of employees, and during the course of 3 months, 243 employees from 10 different departments participated, logging a total of 69,228,000 steps.

Human rights guarantees

HTC has adopted non-discriminatory hiring and management rules that respect the ethnicity, gender, and beliefs of its employees. It has also instituted an equal pay for equal work policy, and provides wages, compensation, and welfare benefits competitive with the marketplace.

To ensure proper management and prevent exploitation or unequal treatment of foreign workers, HTC enters into contracts directly with intermediary companies supplying foreign labor as a guarantee of their rights and interests. Medical checkups are also provided with the same frequency and covering the same items as local workers to help guarantee the health of foreign workers.

3. Environmental protection

In addition to having obtained ISO 1400 certification for environment management, HTC also takes the initiative in observing local environment-related laws and regulations in carrying out related environmental work. It also actively promotes energy-saving and waste-reduction through measures such as replacing traditional lighting with energy-saving T5 and LED lighting fixtures, introducing water-saving devices and recycling and reusing rainwater.

HTC has placed effective controls on the use of air-conditioning systems, its dormitories use heat pumps in place of natural gas, and waste is also separated for recycling. Since 2008, in response to global concerns about greenhouse gases, it undertook an inventory of its carbon emissions and actively assessed related carbon reduction strategies. Its goal is to help fulfill its responsibility as a corporate citizen by reducing emissions of the greenhouse gas carbon dioxide.

In research and development of green products, HTC emphasizes each phase of a product's life, from its design, manufacture, use, up through the end-of-life to find new ideas for eco- friendly product design. The thinking behind HTC's eco-friendly product designs extends from the end-of-the-pipeline treatment directly back to the initial design stages, using design concepts centered around low toxicity, energy efficiency, and recyclability to develop a variety of new, greener products.

Measures to improve energy savings and energy-saving promotion

During their construction, both production facilities and offices incorporated water- and electricity-saving design concepts. Measures to improve energy conservation continue to be implemented during operation. HTC also continues to promote measures for conservation of water and electricity and environmental protection, which are described briefly below:

- Greening the area around its facilities through landscaping and tree planting to help reduce carbon dioxide emissions and global warming.
- Installation of water treatment facilities to reduce release of polluted water.
- Using recycled water for irrigation in green landscape projects and for washroom flushing.
- Creating a rainfall storage reservoir to collect, filter, and use rainwater.
- Installation of reduced-flow faucets in break rooms, shower rooms and restrooms and use two-stage flushing systems to reduce unnecessary water use.
- Promoting and enhancing reduction of ordinary waste and sorting of recyclable waste.
- Frequency converters are added to motors and pumps to help save energy.

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 implements inventories of the sources and volumes of its greenhouse gas emissions in accordance with 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 implements inspection of its greenhouse gas inventory by a certification agency and receives an inventory certificate.
- HTC discloses information on its greenhouse gas emissions each year through the Taiwan Environmental Protection Agency's National Greenhouse Gas Registration Platform and information disclosure through international nonprofit organizations.

Greenhouse gases are not currently listed as statutory air pollutants in Taiwan, and HTC currently has no investment to directly measure the emissions of those gases. It primarily makes use of the emissions coefficient method applied by the majority of organizations in Taiwan, and applies the chemical mass balance method as a secondary method. 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 amounted to about 21,000 metric tons. Extending the organizational boundary to include all HTC Taiwan offices as well as its Taoyuan production facility in 2009, initial estimates placed its volume of greenhouse gas emissions at 30,000 metric tons. The expansion of the Taoyuan facilities in 2010 correspondingly altered the organizational boundary, causing total greenhouse gas emissions to increase to 34,800 metric tons. Going forward, HTC will undertake further measures to reduce greenhouse gases in anticipation of the introduction of the ISO 50001 energy management standards.

Eco-friendly products

In research and development of eco-friendly products, early 2000 marked the introduction of design process in which each stage of design, manufacture, use, and even the end of product life cycle were scrutinized to find new room for eco-friendly design. The thinking

behind our eco-designs extends from their end-of-the-pipeline treatment directly back to the initial design stages; one consideration is the reduction in the use of environmentally harmful substances such as lead, cadmium, hexavalent chromium, and mercury. Another requirement is increasing recycling and the ratio of reusable components in products in order to reduce negative environmental impacts. A variety of green products have therefore been developed using design concepts based on low toxicity, energy efficiency, and recyclability. These environmentally friendly products not only meet customer needs but also conform with international environmental regulations and help enhance HTC's green competitiveness and its vision of sustainable corporate development.

> Low toxicity design

In response to trends in international environmental regulation and related concerns of our international customers, HTC was already placing controls on harmful substances in year 2000. By 2005, it had produced the world's first PDA phone that met standards of the EU's RoHS Directive (Restriction on the Use of Certain Hazardous Substances in Electrical and Electronic Equipment Directive). Since then, 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 listed in the RoHS Directive, and includes other substances such as formaldehyde, ozone-depleting substances, and chlorinated paraffin, which, pursuant to international environmental laws and regulations or requirements of our international customers, are also deemed controlled substances.

In hazardous substance management, HTC obtained QC-080000 certification from the IECQ (International Electrotechnical Commission Quality Assessment System) in 2007. In 2010, it completed the second-stage recertification audit to ensure that its hazardous substance management system continues to operate effectively on an ongoing basis.

> Energy-efficient designs

From the point of view of the overall life cycle of an electronic communications product, the period of use by the consumer is the most energy-intensive. Most production of greenhouse gases in connection with those products occurs during this stage. For that reason, HTC puts a lot of emphasis on energy efficiency during the research and development process. As part of our concern for energy efficiency, all HTC product power supplies must conform to the international energy use standards below:

- The US EPA Energy Star program
- California Energy Commission standards
- The EU Code of Conduct
- The EU EuP Directive

In addition, our R&D team has developed outstanding power management systems. Based on consumer habits, handsets automatically switch to energy-saving mode that reduces energy use and extends battery life. Some models also include light sensors that trigger an automatic LCD backlighting function, which not only creates more readable displays but also saves energy.

> Design for recyclability

HTC makes design-for-recyclability assessments and other simulations part of its initial research and development. It disassembles products and performs material simulations to estimate materials compositions and recycling rates. Labeling of materials, simplified component design, and design for ease of disassembly are strategies used to provide feedback on designs to the R&D team. Current HTC products are designed to meet both current and future recycling standards.

> Green packaging

In addition to visual appeal and packaging strength, HTC's green packaging concepts extend to developing 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 legal limits.
- 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

- Expanded polystyrene foam (EPS) beads are not used for packing.
- Volume per unit of stacking space is maximized to reduce the amounts of packing materials required during shipping.
- Improved shock-absorbing packaging reduces the need for shock-absorbing packing materials during shipping.

• Design for recyclability

- Our corrugated board for mobile phone packaging is manufactured with more than 90% recycled paper.
- If the use of virgin materials is difficult to avoid because of visual design considerations, packaging materials with FSC (Forest Stewardship Council), PEFC (Programme for the Endorsement of Forest Certification schemes), or SFI (Sustainable Forestry Initiative) certification are used.

Recycling and reuse of waste materials

HTC's primary product lines are handheld computers and smart phones. During their manufacture, only soldering generates exhaust emission. No wastewater is produced, with the exception of domestic wastewater from employees. HTC makes pollution control a high priority, devoting extensive funding to pollution control facilities and the deployment of dedicated personnel to reduce environmental impact. The Company provides personnel with external training to obtain relevant certification, allowing them to assume full responsibility for the management of pollution control facilities. Through training and auditing, normal operation of all pollution controls is maintained through appropriate management designed to steadily diminish our environmental impact. HTC anticipates continued reduction in environment impact and achievement of the goal of completely "clean production."

> HTC's strategy for waste reduction begins with HTC's strategy for waste reduction begins with rigorous sorting and waste reduction. Production of waste is reduced from the beginning, while priority is also given to reuse of materials in order to improve recycling rates. 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 purification and processing into industrial-grade materials for further use. The resulting average annual recycling rate is higher than 62 percent.

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.

> One of HTC's environmental initiatives is to minimize waste by recycling general domestic waste such as aluminum foil, PET bottles, steel and aluminum cans, and plastic containers. 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. Eco-friendly reusable cups are also provided for internal personnel, guests, and people visiting on business in order to reduce the use of paper cups.

> In observance of Earth Day, HTC promoted the use of eco-friendly reusable cups in cooperation with its on-site 7-11 and Starbucks by offering discounts to employees who bring their own reusable cups when they make purchases.

Promoting green buildings

HTC has already moved to introduce green building techniques in its new headquarters, which are expected to meet the US LEED (Leadership in Energy and Environmental Design) green building standards. These standards will be observed for all new buildings and plants in the future and will allow HTC to provide even more environmental, energy-saving, pleasant, and healthy working environments.

Charitable activities

In addition to environmental protection, health and safety, energy management, and providing a safe and healthy working environment for its workers, HTC continues to engage in other public service activities such as caring for the victims of the February 28 floods in Taiwan, making donations of blood, employing people with disabilities, and taking part in community environmental cleanups. The HTC Foundation also promoted character-building educational activities for children and young people.

HTC and World Vision Taiwan teamed up to provide temporary housing units in Jinfeng Township, Taitung County. They were the first completed temporary housing units to be occupied by victims of the February 28 floods, and won the praise of President Ma Yingjiou

on an inspection tour. President Ma offered personal encouragement when HTC organized the first echelon of volunteer workers to serve in the disaster area, which resulted in a very special kind of Mid-Autumn Festival experience for all of the participating employees. In addition, to help children living in the affected area leave the experience behind, HTC employees organized on their own a caring mission to the Jialan tribe of Taitung. Through their "surprise shoebox" campaign, they donated gift boxes that conveyed their well wishes in a way that the children in the disaster will remember all their lives.

In recent years, HTC has been involved with promoting character-building education for children and young people, working together with city and community efforts to create a culture of character and showing concern for disadvantaged groups by providing extra educational opportunities for their children. In addition to providing programs to encourage continuing study, HTC also works tirelessly with others to help promote a culture of values which will foster individuals who are upright, honest, caring, positive and concerned about natural resources. HTC is continuing a three-year project it began in March 2008 when it signed a "character white paper" with the Taoyuan County Government to create "100 character-building schools," promoting character education in all areas among educational administrators, schools, communities, and families. HTC's character village project is underway in Hualien County's Yu Li Township and Taoyuan County's Long Tan Township, where it has signed related memorandums of understanding to promote a culture of character education through character training and class work. HTC, in cooperation with the Hualien County Government, has established a Character and English Institute in Hualien's Meilun district, which is already operating. The Institute's first location was set up in idle facilities at the Ci Zhih School in Hualien. Thorough renovation by HTC made the facilities look new again; and it began providing free classes so students could study character and English there in an enjoyable and pressure-free environment. A new Character and English Institute has been set up in Yunlin and began operating in September 2010 in the same mode as the Hualien Institute, providing educational opportunities to children of disadvantaged groups or those living in remote areas. A third Character and English Institute is planned for Chiayi, and is scheduled to begin operating in September 2011.

05

CAPITAL AND
SHARES

I. Capital and Shares

(1) Capitalization:

2011.04.30 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	
03/1998	10	19,500,000	195,000,000	19,500,000	195,000,000	Cash offering	None	-	
10/1998	10	200,000,000	2,000,000,000	100,000,000	1,000,000,000	Cash offering	None	Note 1	
08/2000	40	200,000,000	2,000,000,000	125,000,000	1,250,000,000	Cash offering	None	Note 2	
04/2001	163.5	200,000,000	2,000,000,000	127,600,000	1,276,000,000	Cash offering	None	Note 3	
06/2002	10	200,000,000	2,000,000,000	162,720,000	1,627,200,000	Capitalization of profits	None	Note 4	
09/2003	10	270,000,000	2,700,000,000	202,764,000	2,027,640,000	Capitalization of profits	None	Note 5	
11/2003	131.1	270,000,000	2,700,000,000	217,164,000	2,171,640,000	Cash offering	None	Note 6	
03/2004	10	270,000,000	2,700,000,000	218,731,347	2,187,313,470	Merger	None	Note 7	
08/2004	10	450,000,000	4,500,000,000	271,427,616	2,714,276,160	Capitalization of profits	None	Note 8	
01/2005	127.95	450,000,000	4,500,000,000	276,311,395	2,763,113,950	Conversion of ECB	None	Note 9	
04/2005	127.95	450,000,000	4,500,000,000	288,763,321	2,887,633,210	Conversion of ECB	None	Note 9	
09/2005	10	450,000,000	4,500,000,000	357,015,985	3,570,159,850	Capitalization of profits	None	Note 10	
08/2006	10	550,000,000	5,500,000,000	436,419,182	4,364,191,820	Capitalization of profits	None	Note 11	
04/2007	10	550,000,000	5,500,000,000	432,795,182	4,327,951,820	Capital reduction : Cancellation of Treasury Shares	None	Note 12	
09/2007	10	650,000,000	6,500,000,000	573,133,736	5,731,337,360	Capitalization of profits	None	Note 13	
08/2008	10	1,000,000,000	10,000,000,000	755,393,856	7,553,938,560	Capitalization of profits	None	Note 14	
02/2009	10	1,000,000,000	10,000,000,000	745,393,856	7,453,938,560	Capital reduction : Cancellation of Treasury Shares	None	Note 15	
08/2009	10	1,000,000,000	10,000,000,000	796,020,844	7,960,208,440	Capitalization of profits	None	Note 16	
11/2009	10	1,000,000,000	10,000,000,000	788,935,844	7,889,358,440	Capital reduction : Cancellation of Treasury Shares	None	Note 17	
04/2010	10	1,000,000,000	10,000,000,000	773,935,844	7,739,358,440	Capital reduction : Cancellation of Treasury Shares	None	Note 18	
08/2010	10	1,000,000,000	10,000,000,000	817,653,285	8,176,532,850	Capitalization of profits	None	Note 19	

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-IIIO960004848 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-IIIO970068202 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-IIIO980034309 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-IIIO980053814 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-IIIO990010834 of the Securities and Futures Bureau of the Financial Supervisory Commission, Executive Yuan
Note 19 : Approval Document No. : The 2 July 2010 Letter No. Financial-Supervisory-Securities-IIIO990034358 of the Securities and Futures Bureau of the Financial Supervisory Commission, Executive Yuan

2011.04.30 Unit: Share

		Authorized Capital		Remark
Type of stock	Outstanding shares	Unissued Shares	Total	
Common Stock	817,653,285	182,346,715	1,000,000,000	
(1) 16,000,000 shares are reserved for the exercise of options such as stock warrants, preferred shares with warrants, or corporate bonds with warrants.				
(2) Outstanding shares include share repurchases of 9,786,000 shares for the transfer to employees.				

(2) Shareholder structure:

2011.04.17

							Shareholder
Structure	Government Agencies	Financial Institutions	Other Juridical Persons	Foreign Institutions & Natural Persons	Domestic Natural Persons	Treasury stock	Total
Number of shareholders	2	32	377	1,877	24,616	1	26,905
Number of shareholders	1,091,014	13,880,049	148,729,446	527,883,982	116,282,794	9,786,000	817,653,285
Holding percentage	0.13%	1.70%	18.19%	64.56%	14.22%	1.20%	100.00%

(3) Distribution of ownership:

2011.04.17 Each share having a par value of NT\$10

Shareholder Ownership (Unit: share)	Number of Shareholders	Ownership	Ownership (%)
1-999	13,255	2,281,029	0.28%
1,000-5,000	10,016	18,338,119	2.24%
5,001-10,000	1,202	8,839,296	1.08%
10,001-15,000	457	5,646,398	0.69%
15,001-20,000	264	4,711,945	0.58%
20,001-30,000	327	8,165,654	1.00%
30,001-40,000	221	7,733,675	0.95%
40,001-50,000	135	6,122,765	0.75%
50,001-100,000	338	24,346,523	2.98%
100,001-200,000	279	39,501,963	4.83%
200,001-400,000	170	47,503,007	5.81%
400,001-600,000	74	35,968,101	4.37%
600,001-800,000	33	22,640,178	2.77%
800,001-1,000,000	18	15,970,882	1.95%
1,000,001以上	116	570,153,750	69.72%
Total	26,905	817,653,285	100.00%

(4) List of principal shareholders:

2011.04.17

		Shares	
Name of principal shareholders	Current Shareholding	Percentage	
Way-Chih Investment Co., Ltd.	41,732,658	5.10%	
Way-Lien Technology Inc.	35,864,982	4.39%	
JPMorgan Chase Bank N.A. Taipei Branch in custody for EuroPacific Growth Fund	33,900,610	4.15%	
Cher Wang	25,973,740	3.18%	
Hon-Mou Investment Co., Ltd.	21,809,601	2.67%	
Wen-Chi Chen	21,325,133	2.61%	
HTC Depositary Receipts Special Account under custodial administration of Citibank N.A	20,055,170	2.45%	
Deutsche Bank in custody for Pine International Value Fund	18,493,671	2.26%	
JPMorgan Chase Bank N.A. Taipei Branch in custody for Oppenheimer Developing Market Fund	13,808,740	1.69%	
JPMorgan Chase Bank N.A. Taipei Branch in custody for Capital World Growth and Income Fund	13,350,000	1.63%	

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

		2009	2010	2011.01-01-2011.03.31
Market price per share	Highest market price	543	921	1,150
	Lowest market price	308.50	277.50	846
	Average market price	390.74	549.61	989.63
Net worth per share (note)	Before distribution	83.20	91.38	111.19
	After distribution	57.70	(Note)	(Note)
Earnings per share	Weighted average shares (thousand shares)	787,367	815,239	807,867
	Earnings per share	28.71	48.49	18.36
	Retroactively adjusted earnings per share	27.35	(note)	(Note)
Dividends per share	Cash dividends	26	(note)	
	Stock dividends	0.05	(note)	
	Dividends from retained earnings			
	Dividends from capital surplus	-	-	
Return on investment	Accumulated undistributed dividend	-	-	
	Price/Earnings ration	13.61	11.33	
	Price/Dividend ratio	15.03	(note)	
	Cash dividend yield	6.65%	(note)	

Note : 2011 pending on the approval of the Shareholders Meeting.

(6) Dividend policy:

1. Dividend policy :

Since the Company is in the capital-intensive technology sector and growing, dividend policy is set with consideration to factors such as current and future investment climate, demand for working capital, competitive environment, capital budget, and interests of the shareholders, balancing dividends with long-term financial planning of the Company. Dividends are proposed by the Board of Directors to the Shareholders' Meeting on

a yearly basis. Earnings may be allocated in cash or stock dividends, provided that the ratio of cash dividends may not be less than 50% of total dividends.

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

- (1) To pay taxes.
- (2) To cover accumulated losses, if any.
- (3) To appropriate 10% legal reserve unless total legal reserve accumulated has already reached the amount of the Company's authorized capital.
- (4) To pay remuneration to Directors and Supervisors up to 0.3% of the balance after deducting the amounts under subparagraphs 1 to 3.
- (5) To pay bonus to employees up to 5% of the balance after deducting the amounts under subparagraphs 1 to 3, or such balance plus unappropriated retained earnings of previous years. However, the bonus may not exceed the limits on employee bonus distributions set out in the Regulations Governing the Offering and Issuance of Securities by Issuers. Where bonus to employees is allocated by means of new share issuance, the employees to receive bonus may include employees serving with affiliates who meet specific requirements. Such specific requirements shall be prescribed by the Board of Directors.
- (6) For any remainder, the Board of Directors shall propose dividend distribution to the Shareholders' Meeting based on the dividend policy set forth in paragraph 2 of this Article.

2. Dividend distribution proposed at the most recent shareholders' Meeting: (Proposal adopted by the Board pending approval by the Shareholders' Meeting.)

On April 30, the Board of Directors adopted a resolution to distribute NT\$ 403,933,650 in stock dividend and NT\$ 29,891,089,545 in cash dividend. It translates to approximately NT\$ 0.5 stock dividends and NT\$ 37 cash dividends per share (based on the number of outstanding shares as of book closure date, excluding share repurchases, for the 2011 Annual Shareholders' Meeting). The Board of Directors may make necessary adjustments to the actual distribution ratio on the basis of the number of issued and outstanding shares registered in the Common Stockholders' Roster as at the record date.

3. There is no material change in dividend policy.

(7) Impact of the Stock Dividend Proposal on Operational Performance and Earnings per Share:

HTC is not required to announce 2011 financial forecasts; therefore it is not applicable.

(8) Employee Profit Sharing and Compensation for Directors and Supervisors:

1. Percentage and scope of employee profit sharing and Director and Supervisor remuneration as stipulated in the Company's Article of Incorporation.

The Company's Articles of Incorporation stipulate that earnings shall be allocated in the following order:

- (1) To pay taxes.
- (2) To cover accumulated losses, if any.
- (3) To appropriate 10% legal reserve unless total legal reserve accumulated has already reached the amount of the Company's authorized capital.

- (4) To pay remuneration to Directors and Supervisors up 0.3% of the balance after deducting the amounts under subparagraphs 1 to 3.
- (5) To pay bonus to employees up 5% of the balance after deducting the amounts under subparagraphs 1 to 3, or such balance plus unappropriated retained earnings of previous years. However, the bonus may not exceed the limits on employee bonus distributions 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.

2. Employee Bonus proposal adopted by the Board :

Unit: NT\$ thousands

Distribution of 2010 Earnings	Accrued Expenses for Employee Bonus	Resolution Approved by the Board of Directors	
Employee Bonus	8,491,704	2011.04.30	
		Employee Stock Bonus (Note 2)	4,245,852
		Employee Cash Bonus	4,245,852
		Total Amount	8,491,704
Directors' and Supervisors' Remuneration	0	0	

Note1: There is no difference between the value of employee cash/stock bonuses and Director/ Supervisor remunerations proposed by the Board and expenses accrued in the financial reporting period.

Note 2: For employee stock bonus, the number of shares shall be calculated based on the closing price one day prior to the 2011 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 2009 employees' bonus and remunerations for Directors and Supervisors:

Distributions of earnings in 2009			
Date of the Board resolution	2010.04.28		
Date of Annual Shareholders' Meeting	2010.06.18		
Total stock bonus as employee bonus	Total Number of Shares (Note)	5,020,649	
	Total Amount (NT\$1,000)	1,943,694	
Total cash bonus as employee bonus (NT\$1,000)	2,915,542		
Total employee bonus (NT\$1,000)	4,859,236		
Director' and Supervisors' Remuneration (NT\$1,000)	0		

Note: For employee stock bonus, the total number of new shares issued (5,020,649) is calculated based on the closing price (NT\$ 432.5) one day prior to the 2010 Annual General Shareholders' Meeting on an ex-dividend basis. The amount less than one share (NT\$ 382) was distributed in the form of cash.

(9) Share Repurchases:

Topic	Explanation
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 shares	NTD 4,834,173,984
Average price per buy-back share	NTD 322.28

Topic	Explanation
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%

Topic	Explanation
Initial Estimation of Share Buy-back Status	
Board of Director resolution	07/11/2010
Purpose of the share buy-back	To transfer stocks to employees. According to the Regulations Governing Share Repurchase by Listed and OTC Companies, Article 2 requires to buy back Treasury stocks.
Type of share buy-back	Common stock
Total amount allocated for share buy-back	NTD 6,310,000,000
Buy-back period	07/13/2010-09/11/2010
Estimated number of buy-back shares (as percentage of total outstanding shares)	10,000,000 shares (1.29%)
Estimated buy-back price interval	Buy-back stock price is between NTD 526 to NTD 631. It is further resolved by the Board of Directors to continue buy-back of shares if the stock price falls under NTD 526.
Method of Buy-back	Buy-back shares from stock exchange
Actual Stock Buy-back Status	
Buy-back period	07/28/2010-09/03/2010
Number of buy-back shares (as a percentage of total shares outstanding)	4,786,000 shares (0.59%)
Total amount for buy-back shares	NTD 2,865,989,634
Average price per buy-back share	NTD 598.83
Number of Shares Cancelled or Transferred	0 shares
Cumulative number of own shares held	4,786,000 shares
Ratio of cumulative number of own shares held during the repurchase period to the total number of the Company's issued shares	0.59%

Topic	Explanation
Initial Estimation of Share Buy-back Status	
Board of Director resolution	10/29/2010
Purpose of the share buy-back	To transfer stocks to employees. According to the Regulations Governing Share Repurchase by Listed and OTC Companies, Article 2 requires to buy back Treasury stocks.
Type of share buy-back	Common stock
Total amount allocated for share buy-back	NTD 4,250,000,000
Buy-back period	11/01/2010-11/30/2010
Estimated number of buy-back shares (as percentage of total outstanding shares)	5,000,000 shares (0.61%)
Estimated buy-back price interval	Buy-back stock price is between NTD 565 to NTD 850. It is further resolved by the Board of Directors to continue buy-back of shares if the stock price falls under NTD 565.
Method of Buy-back	Buy-back shares from stock exchange
Actual Stock Buy-back Status	
Buy-back period	11/02/2010-11/30/2010
Number of buy-back shares (as a percentage of total shares outstanding)	5,000,000 shares (0.61%)
Total amount for buy-back shares	NTD 3,986,503,299
Average price per buy-back share	NTD 797.30
Number of Shares Cancelled or Transferred	0 shares
Cumulative number of own shares held	9,786,000 shares
Ratio of cumulative number of own shares held during the repurchase period to the total number of the Company's issued shares	1.20%

Topic	Explanation
Initial Estimation of Share Buy-back Status	
Board of Director resolution	10/29/2010
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 4,250,000,000
Buy-back period	12/01/2010-12/31/2010
Estimated number of buy-back shares (as percentage of total outstanding shares)	5,000,000 shares (0.61%)

Topic	Explanation
Estimated buy-back price interval	Buy-back stock price is between NTD 565 to NTD 850. It is further resolved by the Board of Directors to continue buy-back of shares if the stock price falls under NTD 565.
Method of Buy-back	Buy-back shares from stock exchange
Actual Stock Buy-back Status	
Buy-back period	Note
Number of buy-back shares (as a percentage of total shares outstanding)	0 share (0%)
Total amount for buy-back shares	NTD 0
Average price per buy-back share	N/A
Number of Shares Cancelled or Transferred	0 share
Cumulative number of own shares held	9,786,000 shares
Ratio of cumulative number of own shares held during the repurchase period to the total number of the Company's issued shares	1.20%
Note: Since stock price of HTC Corp. during the repurchase period was higher than the price ceiling approved by the Board of Director, there is no execution of buyback.	

II. Issuance of corporate bonds
None

III. Status of Preferred shares
None

IV. Global depository receipts

2011.03.31			
Issue Date	2003.11.19		
Issuance and Listing	Luxembourg		
Total amount	USD 105,182,100.60		
Offering price per GDR	USD 15.4235		
Units issued	8,804,767 (note)		
Underlying securities	Cash offering and common shares from selling shareholders		
Common shares represented	35,219,078 (note)		
Rights and obligations of GDR holders	Same as that of common share holders		
Trustee	Not applicable		
Depository bank	Citibank, N.A.-New York		
Custodian bank	Citibank Taiwan Limited		
GDRS outstanding	5,093,710		
Apportionment of expenses for issuance and maintenance	All fees and expenses such as underwriting fees, legal fees, listing fees and other expenses related to issuance of GDRS were borne by HTC and the selling shareholders, while maintenance expenses such as annual listing fees and accounting fees were borne by HTC.		
Terms and conditions in the deposit agreement and custody agreement	See deposit agreement and custody agreement for details		
Closing price 2010 per GDR	High	USD 123.33	
	Low	USD 34.59	
	Average	USD 69.45	
2011.01.01-2011.03.31	High	USD 156.44	
	Low	USD 116.88	
	Average	USD 135.03	

Note: The total number of units issued includes original issuance of 6,819,600 units (representing 27,278,400 common shares) and additional issuance representing stock dividends paid on common shares underlying the GDRs:
18 August 2004: dividends on the common shares represented by overseas depository receipts, in the amount of 216,088 units (representing 864,352 common shares)
12 August 2005: dividends on the common shares represented by overseas depository receipts, in the amount of 70,290 units (representing 281,161 common shares)
1 August 2006: dividends on the common shares represented by overseas depository receipts, in the amount of 218,776 units (representing 875,107 common shares)
20 August 2007: dividends on the common shares represented by overseas depository receipts, in the amount of 508,556 units (representing 2,034,224 common shares)
21 July 2008: dividends on the common shares represented by overseas depository receipts, in the amount of 488,656 units (representing 1,954,626 common shares)
9 August 2009: dividends on the common shares represented by overseas depository receipts, in the amount of 170,996 units (representing 683,985 common shares)
3 August 2010: dividends on the common shares represented by overseas depository receipts, in the amount of 311,805 units (representing 1,247,223 common shares)

V. Employee share warrants

- (1) During the current fiscal year up to the date of printing of this annual report, HTC has not issued any employee share warrants.
- (2) During the current fiscal year up to the date of printing of this annual report, HTC does not have unexpired employee share warrants outstanding.

VI. Issuance of new shares for mergers and acquisitions

- (1) During the current fiscal year up to the date of printing of this annual report, the Company has not issued new shares for mergers and acquisitions.
- (2) During the current fiscal year up to the date of printing of this annual report, the Board of Directors has not adopted any resolution to issue new shares for mergers and acquisitions.

VII. Implementation of the Company's funds utilization plan

The Company does not have unfinished funds utilization plans or plans that have not produced the desired benefits during the fiscal year up to the date of printing of this annual report.

06

FINANCIAL STATUS,
OPERATING
RESULTS AND RISK
MANAGEMENT

I. Financial Status

Unit : NT\$ thousands				
Item	2010	2009	Amount	Difference %
Current Assets	168,639,526	104,900,881	63,738,645	61
Long-term Investments	1,232,145	810,485	421,660	52
Fixed Assets	14,024,329	9,899,808	4,124,521	42
Intangible Assets	935,650	240,482	695,168	289
Other Assets	5,550,094	3,577,361	1,972,733	55
Total Assets	190,381,744	119,429,017	70,952,727	59
Current Liabilities	115,641,103	53,728,775	61,912,328	115
Long-term Liabilities	12,188	24,375	(12,187)	(50)
Other Liabilities	13,959	1,210	12,749	1,054
Total Liabilities	115,667,250	53,754,360	61,912,890	115
Capital Stock	8,176,532	7,889,358	287,174	4
Capital Surplus	10,820,744	9,099,923	1,720,821	19
Retained Earnings	63,150,566	48,637,773	14,512,793	30
Equity Adjustments	(580,855)	13,396	(594,251)	(4,436)
Treasury Stock	(6,852,493)	0	(6,852,493)	-
Equity Attributable to Stockholders of the Parent	74,714,494	65,640,450	9,074,044	14
Minority Interest	0	34,207	(34,207)	(100)
Total Stockholders' Equity	74,714,494	65,674,657	9,039,837	14

* All numbers above are based on consolidated financial statements.

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

Capital: 2010 marked a new high water mark for HTC’s business with 111% growth in shipment. This raised HTC’s current assets by 61% or NT\$63.7 billion at the close of 2010. Major increases include NT\$9.8 billion more in cash and cash equivalents, NT\$34.5 billion more in accounts receivable, and NT\$20.3 billion more in inventory than at year-end 2009. Work continued in 2010 on the new Taoyuan Headquarters campus and Taipei headquarters building. Additional land and office space was also purchased nearby the Taipei headquarters property to help ensure adequate office space over the long term. HTC also added capacity to plants in Taoyuan and Shanghai to meet market demand. At the close of 2010, HTC’s fixed assets were NT\$4.1 billion (42%) higher than at year-end 2009. Other assets were primarily noncurrent deferred income tax assets, which rose by NT\$1.3 billion (55%) over year-end 2009. Total assets at the close of 2010 stood at NT\$190.3 billion, an increase of NT\$71.0 billion or 59% over year-end 2009.

Debt: Aggressive increases of inventory to meet strong 4Q demand and anticipated continued demand growth led to an NT\$38.3 billion (149%) increase in notes and accounts payable at the close of 2010 compared with year-end 2009. Strong business growth spurred rises in associated liabilities. These included an NT\$8.5 billion rise in accrued marketing expense, NT\$3.6 billion rise in accrued bonus to employees, and NT\$3.8 billion rise in reserve for warranty expenses. The additional NT\$61.9 billion in current liabilities at the end of 2010 as compared to 2009 fueled this year’s 115% growth in total liabilities to NT\$115.7 billion.

Shareholders' Equity: We attribute the rise in retained earnings this year primarily to 2010’s rapid business growth that increased net income by NT\$16.9 billion. Lower equity adjustments for the year were due to exchange rate volatility that reduced cumulative translation adjustments by NT\$590 million from year-end 2009. HTC initiated a share repurchase in early 2010 to protect shareholder equity and spent NT\$4.8 billion to purchase and cancel 15 million HTC shares. During the second half of 2010, HTC spent a further NT\$6.9 billion to buy back 9,786,000 treasury shares for distribution to employees as performance incentive bonuses. At the close of 2010, HTC’s total shareholders’ equity stood at NT\$74.7 billion, a rise of NT\$9.0 billion or 14% over year-end 2009.

II. Operating Results

Unit : NT\$ thousands				
Item	2010	2009	Difference	%
Revenues	278,761,244	144,492,518	134,268,726	93
Cost of Revenues	194,892,505	98,329,537	96,562,968	98
Gross Profit	83,868,739	46,162,981	37,705,758	82
Operating Expenses	39,736,158	21,540,074	18,196,084	84
Operating Income	44,132,581	24,622,907	19,509,674	79
Nonoperating Income and Gains	1,142,944	1,420,086	(277,142)	(20)
Nonoperating Expenses and Losses	311,137	646,581	(335,444)	(52)
Income From Continuing Operations Before Income Tax	44,964,388	25,396,412	19,567,976	77
Income Tax	5,449,544	2,781,999	2,667,545	96
Income From Continuing Operations	39,514,844	22,614,413	16,900,431	75
Net Income	39,514,844	22,614,413	16,900,431	75
Net Income Attributable to Stockholders of the Parent	39,533,600	22,608,902	16,924,698	75

* All numbers above are based on consolidated financial statements.

Explanations for any material changes in HTC’s revenues, operating income, and pre-tax income in the most recent two fiscal years

We attribute HTC’s 111% growth in shipment in 2010 to several popular phone models launched by the Company in 2010 and to generally strong global demand for smartphones. HTC’s operating revenues in 2010 topped NT\$278.8 billion, an NT\$134.3 billion (93%) increase over 2009.

We have continuously enhanced operating efficiencies and streamlined cost structures as business expands rapidly. HTC’s gross profit grew 82% in 2010 to NT\$83.9 billion. Programs to enhance brand recognition for HTC and improve user experience grew operating expenses by NT\$18.2 billion or 84%. Operating income grew this year by NT\$19.5 billion (79%) to NT\$44.1 billion.

HTC’s revenue comes mainly from its primary business. Income from interest, forex gain/loss, and valuation gain/loss on financial instruments accounted for nearly all non-operating gain/loss. Net non-operating income and gains in 2010 grew 8% to NT\$0.8 billion. Net income before tax rose by NT\$19.6 billion (77%) to NT\$45.0 billion.

III. Cash Flows

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

Item	2010	2009	%
Cash Flow Ratio (%)	40	52	(23)
Cash Flow Adequacy Ratio (%)	150	192	(22)
Cash Flow Reinvestment Ratio (%)	32	11	191

Explanation and analysis of change

Business growth in 2010 expanded annual shipment by 111% resulting in a 66% growth in net cash flow from operating activities to NT\$46.0 billion. Current liabilities saw a corresponding rise by 115% over the previous year, causing the cash flow ratio to decrease to 40%. Continued capacity and office expansion by HTC and its affiliates to meet anticipated future demand coupled with increased inventories to meet current market demand reduced cash flow adequacy ratio to 150%. Cash flow reinvestment ratio rose to 32% due to a 241% rise in the numerator (net cash flows from operating activity – cash dividends) since net cash flow from operating activities increased 66% and cash dividend payments remained at a similar level compared to 2009.

(2) Cash flow analysis for the coming year

Unit : NT\$ thousands

Beginning cash balance	Projected whole-year cash flow from operating activities	Projected whole-year cash outflow	Projected cash surplus (deficit) amount	Remedial measures for projected cash deficit	
				Investment plan	Financial management plan
74,462,861	69,940,040	41,848,662	102,554,239	-	-

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 and funding sources

Unit : NT\$ thousands

Planned items	Actual or projected sources of capital	Actual or projected date of completion	Total capital needed (as of FY2011)	Actual or projected capital utilization		
				2009	2010	2011
Purchase and Installation of Equipment / Facilities	working capital	2009-2011	8,165,429	490,166	3,289,848	4,385,416
Plant/Building Construction	working capital	2009-2011	11,084,544	1,260,347	1,941,918	7,882,279

2. Anticipated Benefits

- (1) New Plant/Building Construction

The new Taoyuan Headquarters campus, Taipei headquarters building and Kangqiao production facility in Shanghai are essential to expanding production and providing HTC employees with an appropriate working environment.
- (2) New Equipment / Facilities

Replacement / upgrade of equipment and facilities is critical to enhancing productivity and meeting rising market demand.

in product design and software application development. HTC also invested in China-based mobile security solutions provider NetQin and Shanghai Gsuo Information Technology during 2010 and in online video company Saffron Digital, online game company OnLive, and China-based mobile financial solutions provider Shanghai F-road Commerce Service in early 2011.

HTC founded HTC America Holding, Inc. to streamline its overall investment structure. HTC, as the parent company, recognized NT\$1.5 billion gain on equity-method investments in 2010. The increase is primarily due to growth in subsidiary profits including investment gain of NT\$700 million for HTC Electronics (Shanghai) Co., Ltd. and NT\$400 million for HTC America, Inc. Going forward, HTC will continue to focus investments on enhancing user experience, growing sales and improving mobile digital service applications as well as integrating technologies gained through investments into HTC products.

V. Investment Diversification In Recent Years

Focused on its core business, HTC uses investment or merger strategies to further its competitive advantages in product development / design, sales and marketing, and long-term growth. Such investments are intended to enhance product quality, product value, user experience, customer service, cost structure, and business effectiveness. The focus of future HTC investment activities will be mobile content, communications, mobile and information security, location-based services, entertainment and user interface / experience innovation.

HTC and its affiliates opened a number of subsidiaries in 2010 to bring the group closer to key markets and customers. These subsidiaries, including HTC South Eastern Europe Limited Liability Company, HTC FRANCE CORPORATION, HTC Nordic ApS, HTC Germany GmbH, HTC Iberia, S.L., and HTC Poland sp. z o.o., will be responsible for market development, product repair and after-sales services. Strategic acquisition of Abaxia SAS and BLRSoft and the establishment of HTC America Innovation, Inc. are expected to strengthen HTC capabilities

Factors Favorable to HTC Growth

1. Partnerships with Industry Leaders Help HTC Drive Industry Trends

HTC has always developed smartphone products in close cooperation with industry leaders such as Microsoft, Qualcomm and Google as well as the world’s leading telecommunications service providers. Examples include HTC’s launch of the world’s first Windows Mobile smartphone and first Android smartphone. Our strong partnerships deliver greater choice to consumers while continuing to drive industry innovation.

2. Long-term Cooperative Relationships with Telecom Providers Keep HTC Abreast of Consumer Demand

HTC promotes products directly to mass-market consumers via long-term, unique relationships with the world’s largest telecommunications service providers that include the four big mobile operators in the United States, five major operators in Europe and several fast growing carriers in Asia. These relationships not only keep HTC abreast of user demand but also allow HTC to better tailor its products and services to the needs of each carrier partner.

3. Diverse and growing universe of mobile digital services drives smartphone market penetration

New mobile phone operating systems such as iOS and Android, which permit easy app store downloading of social networking, shopping, travel, game and other software, are attracting even more consumers to the ranks of smartphone users. Market analysts expect the coming several years to be a period of particularly strong smartphone sector growth, and we anticipate telecom service providers’ rollout of 3G/4G mobile Internet networks to stimulate growth even further. These developments should all impact positively on HTC business growth prospects.

4. Instilling a positive corporate culture enhances organizational flexibility and responsiveness

HTC promotes a unique corporate culture that is designed to instill passion for innovation and commitment to the highest standards. Our lack of barriers between departments promotes synergy and dynamism even further. HTC’s highly efficient operations have been affirmed by numerous international quality standards including ISO-9001, ISO-14001, ISO-14064-1, TL-9000, and OHSAS 18001. Outstanding in-house research and development capabilities give HTC the competitive edge to reach the market first with many industry leading innovations and features.

5. Comprehensive domestic industry base supports current and future growth needs

Active government and private sector efforts to grow the domestic high tech sector in recent decades have given Taiwan a strong foundation of skilled researchers and technicians. Taiwan is further benefiting from increasingly coherent industry supply and support systems and industry clustering effects. In addition to making it easier for us to recruit and retain personnel, these developments increasingly allow us to cooperate with domestic and international suppliers in order to lower purchase costs and respond even faster to industry trends and changes in market demand.

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

Many current and potential competitors are now active in the smartphone market looking to benefit from current rapid growth in worldwide demand. Competition should continue to intensify as the smartphone user base grows, smartphone functions and features increase, and smartphone model lifecycles shorten. The following outlines HTC measures designed to respond to such challenges.

1. We work actively to establish HTC brand value, enhance global brand recognition and preference, and leverage effective brand management activities and product promotions to establish the HTC brand as consumers’ “first choice” in smartphones.

2. We emphasize innovative to maintain a leading competitive edge. Product differentiation and innovations in user experience allow us to develop a wide range of products tailored to meet diverse consumer needs. Launched in 2009, the proprietary HTC Sense interface is the result of extensive research and study in interpersonal communications. HTC Sense is designed with customer at the center to make mobile phones more intuitive and easy to use.
3. We enhance product design, mass production, technical support, distribution, and after-sales services for our customers in order to strengthen strategic alliances with global industry leaders and remain aligned with industry trends and developments.

4. We regularly upgrade our materials requirement planning (MRP) system to improve our ability to manage material inventories and anticipate future demand in order to lower inventory costs and reduce inventory devaluation risks. We continue to build and diversify supplier relationships to enhance supply stability. Our objectives are consistent and uninterrupted supply of all materials and a highly competitive cost structure.

5. We work hard to maximize the productivity of each link in our business chain, enhance time management, standardize workflows and fully implement ISO quality control practices in order to improve competitiveness through reduced process and communications costs and comprehensive quality management.
6. HTC's leadership in the industry helps ensure that suppliers accommodate and meet HTC priorities in expanding market sales. This helps mitigate risks related to reliance on overseas suppliers for many critical components. We further benefit from close strategic relationships that help ensure supplier support and favorable purchase terms.
7. As the fastest growing sector of Taiwan's economy, the electronics industry requires a steady stream of human resources. Downsizing in the manufacturing sector has increased the difficulty in hiring entry-level workers. HTC plans to continue to hire foreign workers and work with schools to help increase domestic hiring in the future.

(2)Risk Factors

The following describes identified risks and related mitigating measures.

1. Interest, forex, and inflation rate risks and mitigating measures

Impact on HTC profitability:

Item	2010 (NT\$1,000 or %)
Net Interest Income	310,326
Net Forex Income	235,597
Net Interest Income as percentage of net revenue	0.11%
Net Interest Income as percentage of Earnings Before Tax	0.69%
Net Forex Income as percentage of net revenue	0.08%
Net Forex Income as percentage of Earnings Before Tax	0.52%

Note: Calculated on HTC consolidated 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 the Company's liabilities. HTC is prudent in its financial policies. Asset allocation decisions prioritize security and fluidity, with most funds kept in time deposit accounts. During 2010, HTC interest income totaled NT\$310 million.

HTC revenues are denominated primarily in US dollars (USD) and euros (EUR). Manufacturing costs are denominated primarily in US dollars. Forex fluctuations have the potential to impact HTC revenues, operating costs and operating profits. Apart from careful management of

the quality and payment cycles of its foreign currency-denominated accounts receivable, HTC uses forward exchange contracts to minimize its forex risk. At the close of 2010, financial derivatives held by HTC related to exchange risk were valued at USD447 million, EUR531 million, GBP57.4 million, JPY1,515 billion and CAD250 thousand. Fair value of the derivatives changes as a result of forex fluctuations. A fall of 1% in the quoted exchange rate of any one of the abovementioned currencies against the NT dollar would result in a derivatives holding benefit to HTC of approximately NT\$368.315 million.

During 2010, the euro fell against the NT dollar from 1:46 to 1:39. The US dollar fell from 1:32 against the NT dollar to approximately 1:29. Net exchange income earned during 2010 totaled NT\$235.597 million. Under effective management by the Company, negative effects of exchange rate fluctuations on profits in recent years have been minimal.

Inflation in Taiwan was approximately 0.96% in 2010. Inflation rates in North American and European markets were also relatively negligible. Overall, inflation had no significant impact on HTC profits.

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

HTC does not engage in high-risk ventures or highly leveraged investments. Loaning of funds takes place only between HTC and its subsidiaries. HTC acts as guarantor only to wholly owned subsidiaries. All such arrangements must be reviewed and approved by the board of directors in accordance with the Operational Procedures for Fund Lending and Rules for Endorsements and Guarantees. HTC engages in derivative products trading only to mitigate forex risks arising from foreign currency assets and liabilities. All derivative trading is conducted according to stipulations written in the Procedures for Acquisition or Disposal of Assets.

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

Recent R&D work at HTC has focused on user interface, mobile-Internet related technologies, as well as related technical support and after-sales service. The 2009 launch of HTC's proprietary user interface HTC Sense marked a breakthrough for the Company in terms of enhancing user experience. HTC launched HTCSense.com in 2010. This powerful suite of connected services lets users manage their mobile experience quickly and easily via HTC phones or personal computers.

HTC is currently reconfiguring its HTC Sense user experience to operate with tablets. HTC announced its first tablet, the HTC Flyer, in February 2011. HTC applied digital

ink technology to develop HTC Scribe, which integrates touch interface and handwriting functionality. HTC Flyer is also the first device to support HTC's online multimedia service - HTC Watch. HTC Watch allows users to download on-demand instant-play high definition (HD) content at competitive prices. OnLive's online gaming services are also bundled into HTC Flyer, making it the world's first tablet featured with cloud-based mobile gaming services.

HTC has always stressed the importance of R&D and technological innovation. R&D personnel account for around 30% of HTC's worldwide headcount and we invest some 4-6% of annual revenues in R&D related activities. HTC will continue to focus on handheld devices and will further enhance user experience to strengthen competitiveness in the long term.

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

Government incentives of primary benefit to HTC include permitted deduction of R&D related investments and a previously permitted five-year tax break. After expiration of the Statute for Industrial Upgrading in 2009, the Legislative Yuan on 12 May 2010 announced passage of the Statute on Promoting Innovative Industries that extended government permission to deduct R&D related investments and permitted continuance of the five-year tax break until full term. Revisions to Article 5 of the Income Tax Act by the Legislative Yuan in May of 2009 and again in May of 2010 reset the profit tax rate assessed on businesses from 25% to 17%. These changes should have no significant impact on HTC's income tax burden over the short term as HTC enjoys alternative minimum tax treatment.

Apart from the above, changes in domestic and overseas government policies and laws should have no significant impact on HTC finances. We will remain vigilant with regard to future changes and take measures that best satisfy HTC's business operation needs.

5. Effects on HTC finances of changes in technology and industry trends and response measures

Wireless telecommunications is an important growth sector within the IT industry and the smartphone is its flagship product. Responding to rapid mobile internet growth and communication technology migration to 3G/4G, HTC has leveraged outstanding R&D capabilities in partnerships with global telecom leaders to launch numerous "world firsts" that include the world's first Windows Mobile, Android, dual mode GSM/WiMAX, and LTE Android mobile phones. The launch of a diverse range of products through many carriers worldwide has built up HTC's significant position in the global telecommunications industry and created exceptional business opportunities. HTC will

continue to use its resources to develop new technologies and enhance the holistic user experience in order to deliver products and services that fit market demand.

6. Effect of changes in the company's corporate image on the company's crisis management protocol and mitigating measures

HTC maintains high professional ethics and effective control over its operations. Corporate honesty and ethics rules effectively bar all in the HTC organization from engaging in dishonest or unethical practices.

7. Anticipated benefits / potential risks related to mergers and acquisitions and mitigating measures

Mergers and acquisitions in recent years have focused on raising overall product value and enriching the HTC user experience. All such activities have been funded internally. Future mergers and acquisitions will be conducted after careful consideration of expected benefits and in accordance with all relevant government laws and corporate regulations.

8. Anticipated benefits / potential risks of HTC plant expansion plans and mitigating measures

Apart from regularly enhancing production capacity, quality and optimizing costs, HTC is working to meet rising smartphone demand by expanding capacity. HTC expanded production at its Kangqiao plant in Shanghai in 2009. HTC's board of directors also approved to build a new office and production building at the HTC Taoyuan headquarters within a NT\$2.8 billion budget to meet future growth. Furthermore, designation of authorized outsourcing partners has added another level of flexibility to HTC's production.

9. Concentration risks associated with goods received and sold and mitigating measures

(1) Purchases:
The skills and capabilities of materials / components suppliers are maturing in step with mobile phone technologies. Growing opportunities to source materials from multiple suppliers reduce the risk of overreliance on one or several suppliers. HTC also purchases in volume to reduce unit costs and optimize cost structures.

(2) Sales:
HTC products are distributed across the Americas, Europe and Asia primarily through major carriers and local retail channels. The influence of carriers can be expected to rise in the new age of 3G/4G wireless standards, which is expected to benefit HTC product penetration. Apart from working with current

customers to expand markets and strengthen strategic partnerships, HTC continues to discuss potential cooperative projects with leading IT and telecom companies in order to remain at the fore of market trends. HTC is also developing the HTC brand and strengthening relationships with channel retailers in order to reduce business and sales concentration risks.

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

As of the end of 2010, no transfer of significant portions of HTC share rights has occurred with respect to any director, supervisor, or major shareholder holding more than a 10 percent stake in the company.

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

There was no change in HTC managerial control in 2010.

12. 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.

(1) Major lawsuits, non-litigation legal proceedings or administrative litigations currently involving HTC:

a. 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 HTC infringed IPCOM's patents. In February 2009, the court ruled on one of the patents and granted IPCOM's request for an injunction to prevent HTC from importing devices into Germany. HTC appealed this decision to the court of Appeal and won a stay of the injunction pending the outcome of this appeal. Thus, HTC has continued to ship products to Germany.

b. In March 2010, Apple Inc. filed a lawsuit against HTC concurrently with the U.S. International Trade Commission ("ITC") and U.S. District Court in Delaware ("Delaware court") alleging that HTC infringed its patents. Subsequently, HTC filed on ITC investigation and a counterclaim with the Delaware court against Apple for patent infringements and requested the ITC and Delaware court to prevent Apple from selling devices in the United States and order damage compensation.

(2) HTC had examined circumstances and related information of the cases, 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 for.

13. Other important risks and mitigating measures being or to be taken

None

14. Risk Management Organization Structure

Responsible/Implementation Unit	Control Item	Implementation Tasks
Legal Department	Contractual and Legal Risk	Manage overall corporate contractual risk
Finance and Accounting Division	Business Strategy and Financial Risks	Responsible for capital allocation and management, investment planning, customer credit control, operational analysis, and cost analysis
Internal Audit	Internal Control Risk	Assess comprehensiveness and effectiveness of internal control systems
Global Product Division	Product Trend Risk	Identify future product development trends and customer demands
Design Quality & Engineering Service Division	Product Design and Quality Risks	Ensure design quality of HTC products with regard to hardware, software and product safety
Manufacturing Operation Center	Production Quality Risk	Enhance production quality
Customer Service and Quality Assurance Division	Product Quality Risk	Provide after-sales service and enhance the quality of such

VII. OTHER IMPORTANT MATTERS

Relevant certification of financial personnel as required by the competent authority

Division	Name	Relevant Training and Certification
Finance and Accounting Division	James Chen	
	Sally Wang	Certified Public Accountant (CPA)
	Eason Chou	
	Mingyi Wu	Chartered Financial Analyst (CFA), Financial Risk Manager (FRM)
	Hsiu Lai	US Certified Public Accountant, Chartered Financial Analyst
	George Liu	
Internal Audit	Jill Chen	Internal auditor, Certified Public Accountant
	Jerry Chen	
	Ally Liu	Certified Public Accountant, US Certified Public Accountant
	Irene Cheng	Internal auditor
	Anita Cheng	Certified Public Accountant

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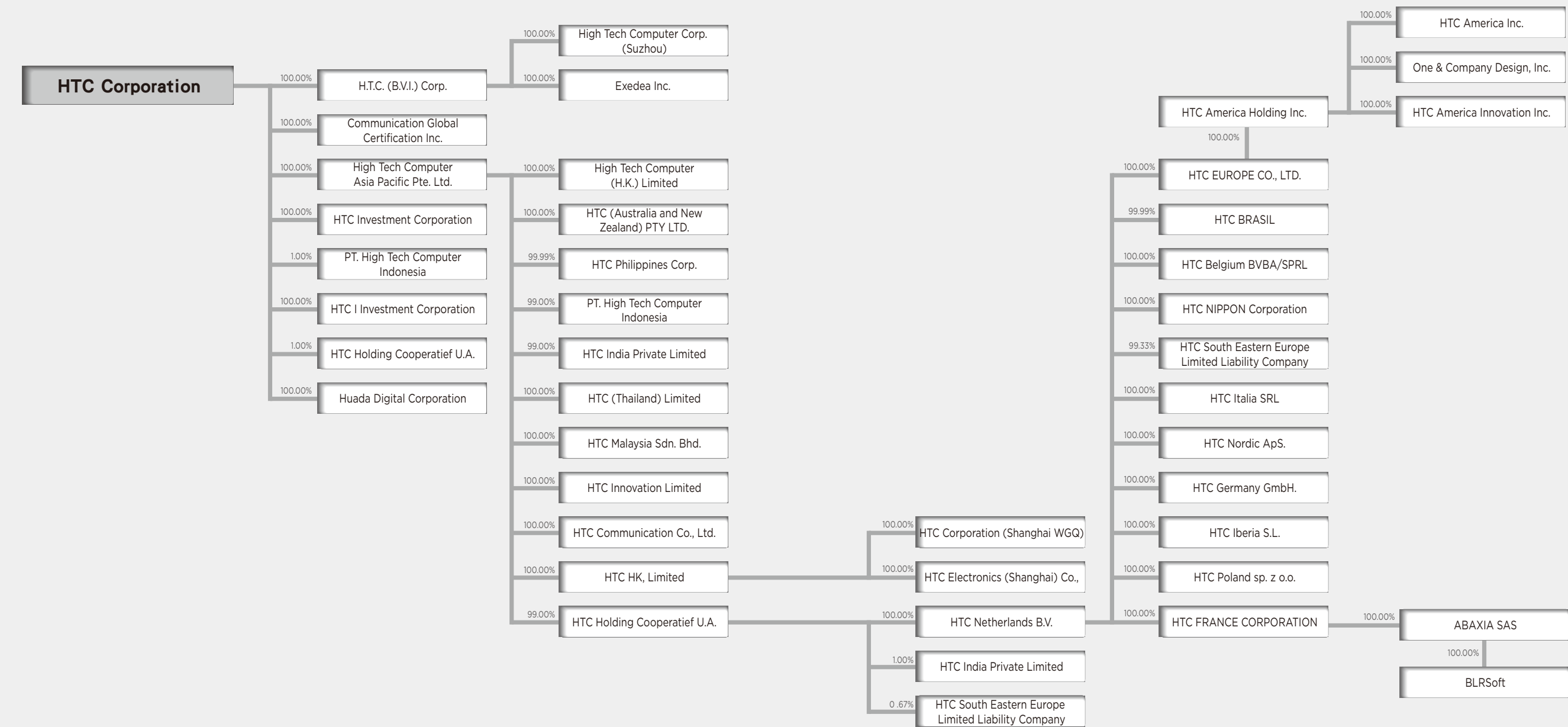
AFFILIATE
INFORMATION AND
OTHER SPECIAL
NOTES

AFFILIATES

I. HTC Affiliated Companies Chart

1. Controlled and Affiliated Companies

(As of 2010.12.31)



2. Mutually Invested Companies:

None

II. HTC Affiliated Companies

Amount in thousands

Company	Date of Incorporation	Place of Registration	Capital Stock	Business Activities
Investor:				
HTC Corporation	1997.05.15	No.23, Xinghua Rd., Taoyuan City, Taoyuan County 330, Taiwan, R.O.C.	NTD 8,176,532	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.	2000.08.01	3F, Omar Hodge Building, Wickhams Cay I, P.O. Box 362, Road Town, Tortola, British Virgin Islands	NTD 855,826 (USD 25,252)	International holding
Communication Global Certification Inc.	1998.09.01	5F., No.364, Sec. 2, Xiyuan Rd., Wanhua District, Taipei City 108, Taiwan, R.O.C.	NTD 200,000	Import of controlled telecommunications radio frequency devices and information software services
High Tech Computer Asia Pacific Pte. Ltd.	2007.07.12	260 Orchard Road #07-04 Heeren, Singapore	NTD 6,561,949 (SGD 286,941)	Global investing activities, marketing, distribution and after-sales service
HTC Investment Corporation	2008.07.24	5F., No.364, Sec. 2, Xiyuan Rd., Wanhua District, Taipei City 108, Taiwan, R.O.C.	NTD 300,000	General investing activities
HTC I Investment Corporation	2009.09.14	5F., No.364, Sec. 2, Xiyuan Rd., Wanhua District, Taipei City 108, Taiwan, R.O.C.	NTD 295,000	General investing activities
Huada Digital Corporation	2010.01.04	No.2-2, Aly. 8, Ln. 85, Sec. 3, Muzha Rd., Wenshan Dist., Taipei City 116, Taiwan, R.O.C.	NTD 245,000	Software service
High Tech Computer Corp. (Suzhou)	2003.01.01	Suzhou Industrial Park, China	NTD 662,388 (USD 20,000)	Manufacture and sale of smart handheld devices and electronic components
Exedea Inc.	2004.12.28	5950 Corporate Dr. Houston,Texas 77036 2306	NTD 35 (USD 1)	Distribution and sales
High Tech Computer (H.K.) Limited	2007.08.03	Unit 808-09A, 8th Floor, AIA Tower, 183 Electric Road, North Point, Hong Kong	NTD 85,132 (HKD 20,000)	Marketing, repair and after-sales services
HTC (Australia and New Zealand) PTY LTD.	2007.08.28	Suite 3002, Level 30, 100 Miller Street, North Sydney, Australia	NTD 117,871 (AUD 4,000)	Marketing, repair and after-sales services
HTC Philippines Corp.	2007.12.06	UNIT 32 3/F WORLDNET BUSINESS CENTER ZETA BLDG 191, SALCEDO ST LEGASPI VILLAGE, MAKATI CITY 1229	NTD 6,596 (PHP 8,588)	Marketing, repair and after-sales services
PT. High Tech Computer Indonesia	2007.12.03	PLAZA LIPPO, 3rd Floor, Jl. Jend. Sudirman Kav 25, Jakarta 12920	NTD 6,184 (USD 188)	Marketing, repair and after-sales services
HTC India Private Limited	2008.01.30	315-315A, 3rd Floor, Rectangle No.1, District Commercial Complex-D4 Saket, New Delhi-110017 India	NTD 4,133 (INR 5,000)	Marketing, repair and after-sales services
HTC (Thailand) Limited	2007.11.06	No. 1 Fortune Town Building, 30th Floor, Unit No. A-3/1, Ratchadapisek Road, Kwang Dingdang Khet Dingdang, Bangkok, Thailand	NTD 23,427 (THB 25,000)	Marketing, repair and after-sales services
HTC Malaysia Sdn. Bhd.	2007.11.07	Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia	NTD 2,313 (MYR 250)	Marketing, repair and after-sales services
HTC Innovation Limited	2009.01.30	20/F Korea First Bank Bldg., 100 Gongpyung-dong, Chongno-gu, Seoul, Korea	NTD 1,166 (KOW 50,000)	Marketing, repair and after-sales services
HTC Communication Co., Ltd.	2008.12.29	Room 201A, No.2555, Jinke Road, Zhangjiang Hi-Tech Park, Shanghai, China	NTD 891,326 (USD 27,500)	Sale of smart handheld devices and electronic components
HTC HK, Limited	2006.08.26	31/F THE CENTER 99 QUEEN'S ROAD CENTRAL HK	NTD 2,924,964 (HKD 780,407)	International holding
HTC Holding Cooperatief U.A.	2009.08.18	Orteliuslaan 850, 3528BB Utrecht	NTD 1,348 (EUR 28)	International holding
HTC Corporation (Shanghai WGQ)	2007.07.09	6F A building, No.288 Hedan Rd.,Waigaoqiao Free Trade Zone, Shanghai, China	NTD 49,845 (USD 1,500)	Repair and after-sales service
HTC Electronics (Shanghai) Co., Ltd.	2007.01.22	Room 123, No. 2502, Hunan Road, Kangqiao Industrial Zone, Nanhui District, Shanghai, China	NTD 3,162,105 (USD 100,909)	Manufacture and sale of smart handheld devices and electronic components
HTC Netherlands B.V.	2009.11.11	Orteliuslaan 850, 3528BB Utrecht	NTD 867 (EUR 18)	International holding
HTC EUROPE CO., LTD.	2003.07.09	Communications House, Presley Way, Crownhill, Milton Keynes, Bucks, MK8 OES, UK	NTD 932,445 (GBP 20,634)	Marketing, repair and after-sales services
HTC BRASIL	2006.10.25	Rua James Joule, No.92, Suite 82, 7th Floor, Edificio Plaza.1, in the City of Sao Paulo, State of Sao Paulo.	NTD 33,058 (BRL 1,987)	Marketing, repair and after-sales services
HTC Belgium BVBA/SPRL	2006.10.12	Henri van Heurckstraat 15, 2000 Antwerpen	NTD 783 (EUR 19)	Marketing, repair and after-sales services
HTC NIPPON Corporation	2006.03.22	16F Akasaka Twin Tower Main Tower, 2-17-22 Akasaka, Minato-ku, Tokyo 1070052 Japan	NTD 2,768 (JPY 10,000)	Marketing, repair and after-sales services
HTC FRANCE CORPORATION	2010.04.02	123 RUE DU CHATEAU 92100 BOULOHNE BILLANCOURT	NTD 284,115 (EUR 6,500)	Marketing, repair and after-sales services
HTC South Eastern Europe Limited Liability Company	2010.04.27	Kifissias 90, Marousi 15125, Athens, Greece	NTD 177 (EUR 4.5)	Marketing, repair and after-sales services
HTC Italia SRL	2007.02.19	Piazza Marconi, 15- 00144, Rome, Italy	NTD 422 (EUR 10)	Marketing, repair and after-sales services
HTC Nordic ApS.	2010.07.01	A.P. Møllers Allé 9B, 2791 Dragør, Denmark	NTD 418 (EUR 11)	Marketing, repair and after-sales services
HTC Germany GmbH.	2010.09.06	Solmsstrasse 18, Gebäude E 60486 Frankfurt am Main Germany	NTD 973 (EUR 25)	Marketing, repair and after-sales services

Company	Date of Incorporation	Place of Registration	Capital Stock	Business Activities
HTC Iberia S.L.	2010.10.08	Avda. de la Industria 4, Natea Business Park, Edif 3. planta 3 D 28108 Alcobendas, Madrid Spain	NTD 117 (EUR 3)	Marketing, repair and after-sales services
HTC Poland sp. z o.o.	2010.09.01	ul. Post pu 21B 02-676 Warszawa Poland	NTD 2,297 (EUR 59)	Marketing, repair and after-sales services
HTC America Holding Inc.	2010.04.23	13920 SE Eastgate Way, Suite 400 Bellevue, Washington 98005	NTD 687,963 (USD 23,617)	International holding
ABAXIA SAS	2003.02.19	40 rue Madeleine Michelis 92200 Neuilly sur Seine, France	NTD 3,522 (EUR 81)	Design, research and development of application software
HTC America Inc.	2003.01.06	13920 SE Eastgate Way, Suite 400 Bellevue, Washington 98005	NTD 594,286 (USD 18,000)	Marketing, repair and after-sales services
One & Company Design, Inc.	2003.10.04	2700 18th Street San Francisco, CA,USA, 94110	NTD 1,174 (USD 36)	Design, research and development of application software
HTC America Innovation Inc.	2010.04.23	13920 SE Eastgate Way, Suite 400 Bellevue, Washington 98005	NTD 93,780 (USD 3,000)	Design, research and development of application software
BLRSoft	2006.11.09	203-25 Ulitsa Yanki Kupaly Minsk, 220030, BELARUS	NTD 509 (BYR 42,820)	Design, research and development of application software

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

III. Common Shareholders of HTC and its Subsidiaries or its Affiliates with Actual of Deemed Control:

None.

IV. Industries covered by the Businesses Operated by all Affiliates and 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-sales 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:

- > The primary business of H.T.C. (B.V.I.) Corp., HTC America Holding Inc., HTC HK, Limited, HTC Holding Cooperatief U.A. and HTC Netherlands B.V. is international holding.
- > Huada Digital Corporation engages in software service.
- > Communication Global Certification Inc. engages in the import of controlled telecommunications radio frequency devices and information software services.
- > The primary business of HTC Investmt Corporation and HTC I Investment Corporation is general investing activities.
- > High Tech Computer Corp. (Suzhou) and HTC Electronics (Shanghai) Co., Ltd. engage in the manufacture and sale of smart handheld devices and electronic components.
- > Exedea Inc. engages in distribution and sales.
- > HTC Corporation (Shanghai WGQ) engages in repair and after-sales service.
- > ABAXIA SAS, BLRSoft, HTC America Innovation Inc. and One & Company Design, Inc. engage in design, research and development of application software.
- > HTC Communication Co., Ltd. engages in sale of smart handheld devices and electronic components.
- > High Tech Computer Asia Pacific Pte. Ltd. engages in global investing activities, marketing, distribution and after-sales service.
- > The remaining companies engage in marketing, repair and after-sales services.

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

Unit: NT\$ thousands, except shareholding

Company	Title	Name or Representative	Shareholding
Investor:			Shares (Investment Amount) Investment Holding Percentage
HTC Corporation	Chairman	Cher Wang	25,973,740 shares 3.18%
	Director	Wen-Chi Chen	21,325,133 shares 2.61%
	Director	HT Cho	144,600 shares 0.02%
	Director	Tan Ho-Chen	- -
	Independent Director	Chen-Kuo Lin	- -
	Independent Director	Josef Felder	- -
	Supervisor	Way-Chih Investment Co., Ltd. Representative: Shao-Lun Lee	41,732,658 shares 5.10%
	Supervisor	Caleb Ou-Yang	- -
Investee:			
H.T.C. (B.V.I.) Corp.	Chairman	HTC Corporation Representative: Cher Wang	225,018,083.20 shares 100.00%
Communication Global Certification Inc.	Chairman	HTC Corporation Representative: Fred Liu	20,000,000 shares 100.00%
	Director	HTC Corporation Representative: Jim Lin, Simon Hsieh	20,000,000 shares 100.00%
	Supervisor	HTC Corporation Representative: Hui-Ming Cheng	20,000,000 shares 100.00%
High Tech Computer Asia Pacific Pte. Ltd.	Director	HTC Corporation Representative: Peter Chou, Fred Liu, Lim Tiong Beng	206,218,309 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: Edward Wang	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%
Huada Digital Corporation	Chairman	HTC Corporation Representative: Peter Chou	24,500,000 shares 100.00%
	Director	HTC Corporation Representative: Fred Liu, Bill Lee	24,500,000 shares 100.00%
	Supervisor	HTC Corporation Representative: Yvonne Chen	24,500,000 shares 100.00%
High Tech Computer Corp. (Suzhou)	Chairman	H.T.C. (B.V.I.) Corp. Representative: Fred Liu	NTD 662,388 100.00%
Exedea Inc.	Chairman	H.T.C. (B.V.I.) Corp. Representative: Marian Chao	100 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: Jack Tong, Edward Wang, Michael Derin	400,000 shares 100.00%
HTC Philippines Corp.	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: Peter Chou, Fred Liu, Majorie L. Elic, Juancho S. Ong, Edgardo C. Abenis	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: Jack Tong, Edward Wang	495,000 shares 99.00%
	Director	HTC Holding Cooperatief U.A. Representative: Jack Tong, Edward Wang	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 Malaysia Sdn. Bhd.	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: Jack Tong, Edward Wang, Yeoh Cheng Lee, Abd Malik Bin A. Rahman	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: Fred Liu	NTD 891,326 100.00%
HTC HK, Limited	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: Fred Liu, Abraxas Limited	781,440,695 shares 100.00%
HTC Corporation (Shanghai WGQ)	Executive Director	HTC HK, Limited Representative: Fred Liu	NTD 49,845 100.00%
HTC Electronics (Shanghai) Co., Ltd.	Chairman	HTC HK, Limited Representative: CS Wang	NTD 3,162,105 100.00%
HTC Holding Cooperatief U.A.	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: Hui-Ming Cheng, J. J. van Ginkel	NTD 1,335 99.00%
	Director	HTC Corporation Representative: Hui-Ming Cheng, J. J. van Ginkel	NTD 13 1.00%
HTC Netherlands B.V.	Representative	HTC Holding Cooperatief U.A.	18,000 shares 100.00%
HTC EUROPE CO. LTD.	Director	HTC Netherlands B.V. Representative: Peter Chou, Fred Liu	20,633,883 shares 100.00%
HTC BRASIL	Representative	HTC Netherlands B.V.	1,987,399 shares 99.99%
HTC Belgium BVBA/SPRL	Director	HTC Netherlands B.V. Representative: Fred Liu, Edward Wang, Equity Trust Belgium NV	18,550 shares 100.00%
HTC NIPPON Corporation	Chairman	HTC Netherlands B.V. Representative: David Kou	1,000 shares 100.00%

Company	Title	Name or Representative	Shareholding
Investee:			
HTC France Corporation	President	HTC Netherlands B.V. Representative: Florian Seiche	6,500,000 shares 100.00%
HTC South Eastern Europe LLC	Administrator	HTC Netherlands B.V. Representative: Florian Seiche	150 shares 100.00%
HTC Italia SRL	Director	HTC Netherlands B.V. Representative: Florian Seiche	NTD 422 100.00%
HTC Nordic ApS	Director	HTC Netherlands B.V. Representative: Florian Seiche, Edward Wang	80,000 shares 100.00%
HTC Germany GmbH	Director	HTC Netherlands B.V. Representative: Florian Seiche	25,000 shares 100.00%
HTC Iberia S.L.U.	Director	HTC Netherlands B.V. Representative: Florian Seiche, Edward Wang	3,006 shares 100.00%
HTC Poland sp. z o.o.	Director	HTC Netherlands B.V. Representative: Florian Seiche, Edward Wang	100 shares 100.00%
HTC America Holding, Inc.	Director	HTC EUROPE CO. LTD Representative: Hui-Ming Cheng	23,617,151 shares 100.00%
ABAXIA SAS	President	Cedric Manguaud	805,716 shares 100.00%
HTC America, Inc.	Director	HTC America Holding, Inc. Representative: Peter Chou, Fred Liu	18,000,000 shares 100.00%
One & Company Design, Inc.	Director	HTC America Holding, Inc. Representative: Edward Wang, Horace Luke, Scott Croyle	60,000 shares 100.00%
HTC America Innovation, Inc.	Director	HTC America Holding, Inc. Representative: James Chen, Ronald Allen Louks	1,000 shares 100.00%
BLRSoft	Director	ABAXIA SAS Representative: Ongan Mordeniz	NTD 660 100.00%

VI. 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	8,176,532	184,050,453	109,335,959	74,714,494	275,046,954	42,295,343	39,533,600	48.49
Investee:								
H.T.C. (B.V.I.) Corp.	855,826	1,061,474	4,578	1,056,896	3,014	(6,773)	(11,758)	(0.03)
Communication Global Certification Inc.	200,000	432,180	32,684	399,496	169,882	3,181	5,251	0.29
High Tech Computer Asia Pacific Pte. Ltd.	6,561,949	7,727,438	41,969	7,685,469	1,814,610	1,476,827	1,481,173	10.43
HTC Investment Corporation	300,000	300,965	176	300,789	-	(193)	642	0.02
HTC I Investment Corporation	295,000	295,971	189	295,782	-	(180)	775	0.03
Huada Digital Corporation	245,000	245,696	128	245,568	-	(255)	568	0.02
High Tech Computer Corp. (Suzhou)	662,388	644,014	1,616	642,398	39,579	(49,269)	(42,488)	-
Exedea Inc.	35	39,593	1,806	37,787	1,332,896	47,359	28,819	288,190.00
High Tech Computer (H.K.) Limited	85,132	141,885	59,535	82,350	235,723	11,286	9,874	4.94
HTC (Australia and New Zealand) PTY LTD.	117,871	277,818	127,982	149,836	334,278	15,796	14,415	36.04
HTC Philippines Corp.	6,596	6,400	-	6,400	-	-	-	-
PT. High Tech Computer Indonesia	6,184	6,002	-	6,002	-	-	-	-
HTC India Private Limited	4,133	65,862	52,687	13,175	140,386	6,691	4,122	8.24
HTC (Thailand) Limited	23,427	45,020	17,025	27,995	70,374	3,330	1,764	0.18
HTC Malaysia Sdn. Bhd.	2,313	26,682	21,824	4,858	75,360	3,571	741	29.64
HTC Innovation Limited	1,166	92,048	84,051	7,997	198,567	9,407	6,731	1,346.20
HTC Communication Co., Ltd.	891,326	3,300,572	2,524,892	775,680	2,217,409	(79,794)	(52,316)	-
HTC HK, Limited	2,924,964	3,690,631	213	3,690,418	689,042	688,527	688,492	2,294.97
HTC Holding Cooperatief U.A.	1,348	2,342,433	-	2,342,433	739,712	739,687	739,687	-
HTC Corporation (Shanghai WGQ)	49,845	80,535	24,173	56,362	97,423	5,924	3,449	-
HTC Electronics (Shanghai) Co., Ltd.	3,162,105	9,501,488	5,867,579	3,633,909	11,308,875	670,801	699,946	-
HTC Netherlands B.V.	867	2,372,539	31,186	2,341,353	785,007	740,742	739,713	-
HTC South Eastern Europe Limited Liability Company	177	3,613	2,166	1,447	24,636	1,824	1,368	9,120.00
HTC EUROPE CO., LTD.	932,445	3,343,378	1,437,097	1,906,281	4,155,967	485,734	707,235	37.71
HTC BRASIL	33,058	45,668	23,000	22,668	186,144	8,365	3,510	1.77
HTC Belgium BVBA/SPRL	783	161,066	76,096	84,970	478,536	42,722	39,801	2,145.61
HTC NIPPON Corporation	2,768	66,732	60,242	6,490	121,238	5,690	2,021	2,021.00
HTC FRANCE CORPORATION	284,115	615,534	369,923	245,611	78,956	9,900	(7,478)	(1.15)
HTC Italia SRL	422	26,111	22,426	3,685	75,240	4,596	837	-
HTC Nordic ApS.	418	46,106	38,478	7,628	94,276	4,214	1,998	24.98
HTC Germany GmbH.	973	52,130	22,399	29,731	50,877	8,072	5,570	222.80
HTC Iberia S.L.	117	31,093	20,048	11,045	17,293	2,523	1,766	588.67
HTC Poland sp. z o.o.	2,297	13,519	11,144	2,375	16,150	769	80	800.00
HTC America Holding Inc.	687,963	1,255,472	234	1,255,238	404,126	403,874	372,294	13.83
ABAXIA SAS	3,522	510,753	41,454	469,299	161,066	(25,855)	(18,212)	(22.60)
HTC America Inc.	594,286	28,345,054	27,288,912	1,056,142	93,104,066	635,376	413,827	22.99
One & Company Design, Inc.	1,174	95,230	26,702	68,528	169,776	2,716	6,750	112.50
HTC America Innovation Inc.	93,780	294,237	196,455	97,782	294,708	19,279	11,244	11,244.00
BLRSoft	509	8,038	3,398	4,640	35,153	(7,411)	(8,249)	-

Note: 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 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.

PRIVATE PLACEMENT SECURITIES IN 2010 AND AS OF THE DATE OF THIS ANNUAL REPORT:

None.

STATUS OF HTC COMMON SHARES AND GDRS ACQUIRED, DISPOSED OF, AND HELD BY SUBSIDIARIES IN 2010 AND AS OF THE DATE OF THIS ANNUAL REPORT:

None.

ANY EVENTS IN 2010 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.

OTHER NECESSARY SUPPLEMENT:

I. Key Functionalities and Manufacturing Processes for Primary Product Lines:

HTC's primary products are converged devices designed on Android, Windows Mobile and Brew operating systems (OS). HTC products support voice communication, mobile Internet, multimedia, global positioning service (GPS), personal data assistant (PDA), e-mail, instant data search, financial transaction services and other mobile digital services.

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

Setting Product Specifications > Software/Hardware R&D > Testing > Certification > PCB Manufacturing > PCB Testing > System Assembly > Finished Product Testing & Inspection > Finished Product enters warehouse

II. Environmental Protection Expenditures:

Primary products manufactured by HTC Corporation include smartphone and handheld devices. With regard to production processes, airborne pollutants are generated only during soldering 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.

HTC is certified under ISO 14001:2004 environmental management and ISO 14064-1:2006 greenhouse gas emission standards. Certification-mandated procedures and requirements further reduce HTC pollution emissions and energy consumption and move us forward toward clean production objectives.

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

HTC has 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 the effort to achieve waste reduction targets;
- > Continue promoting ISO 14001 and ISO 14064-1 technical and administrative measures to maximize clean production benefits.

> Major planned environmental expenditures over the next 2 years include:

Unit: NT\$ thousands			
Item	Fiscal Year		
	2011	2012	2013
Anticipated Equipment Purchases / Expenditures	1. Energy efficient lighting system for new building (e.g., low-energy lighting, independent power controls, energy saving sensor & light switches)	1. Energy efficient lighting system	1. Energy efficient lighting system
	2. Water conservation facilities for new building (e.g., water saving taps in kitchenettes & washrooms and water saving dual-flush toilets)	2. Water conservation facilities	2. Water conservation facilities
	3. Temperature & time switches for aircon systems and inverters on main aircon units & fans (new building)	3. Energy efficient aircon equipment	3. Energy efficient aircon equipment
	4. Inverters for elevators & air compressors (new building)	4. Inverters for motors and pumps	4. Inverters for elevators & air compressors
	5. Rainwater recycling tanks (new building)	5. Temperature & time switches for new building aircon systems and inverters on main aircon units and fans	5. System to supply recycled wastewater as landscaping & toilet flush water
	6. Environmentally friendly materials for new building (e.g., floorboards, paints, thermal blocks, double low e glass, and solar paneling)	6. Inverters for elevators and air compressors in new building	6. Rainwater collection pond construction
	7. Inverters for motors & pumps	7. Environmentally friendly materials for new building	7. Water / power conservation promotion activities
	8. HTC headquarters campus greenification		8. Garbage reduction promotion activities
	9. Sewage remediation work (in stream adjacent to campus east gate)		9. Inverters for motors and pumps
	10. Headquarters campus sewage system enhancement		
Anticipated Benefits	1. Reduce energy consumption	1. Reduce energy consumption	1. Reduce energy consumption
	2. Conserve water resources	2. Conserve water resources	2. Conserve water resources
	3. Reduce energy consumption	3. Reduce energy consumption	3. Reduce energy consumption
	4. Reduce energy consumption	4. Reduce energy consumption	4. Reduce energy consumption
	5. Conserve water resources	5. Reduce energy consumption	5. Conserve water resources
	6. Reduce pollution and minimize health risks. Enhance material thermal resistance to cut energy loss	6. Reduce energy consumption	6. Reduce demand on public water supplies and conserve water resources
	7. Reduce energy consumption	7. Reduce pollution and minimize health risks. Enhance material thermal resistance to cut energy loss	7. Promote use of new water conservation facilities to minimize waste
	8. Achieve natural cooling effect, reduce CO2 emission, and reduce energy consumption		8. Promote general waste reduction & recycling to reduce waste volumes and environmental loading
	9. Prevent stream silting and odors		9. Reduce energy consumption
	10. Reduce impact of HTC-generated wastes on the environment		
Expenditures (estimated)	126,300	105,000	70,000

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.

Committed to environmental responsibility, HTC monitors its greenhouse gas sources and emissions in compliance with ISO 14064-1 standards. HTC also follows ISO 50001 energy management standards to promote effective energy management in order to achieve long-run sustainability and competitiveness.

- > Track greenhouse gas emission to monitor type and amount of energy resources currently being used. Use data to draft action plan for energy conservation
- > Recertification of greenhouse gas records 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
- > Expect to earn ISO 50001 Energy Management Systems Certification by end of 2011

Employee Health and Safety (H&S):

HTC updates its workplace safety and accident prevention plan on an annual basis to reflect current H&S management conditions. This plan represents HTC's primary line of defense against accidents in the workplace. Main thrusts of HTC's 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 available on the company intranet for ready reference and review by all employees.

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. 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. All these enhance HTC's "green competitiveness" and help realize long-term sustainability for our operations and business.

III.Labor Relations Management

HTC offers employees 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. We provide our employees with engaging challenges as well as skills / knowledge of value to their career growth. We firmly believe that a positive, energetic work environment fosters professional enthusiasm and innovation.

1. Employee Recruitment

Hiring and retaining exceptional employees is a key objective of HTC's 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 our ongoing, organized effort 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 2010 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 e-Learning and Mobile 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 2010

Category		Total Training Hours	Expenditure (NT\$)
Technical		66,590	958,227
Management		18,171	5,355,261
Personal Development	Orientation Training (for New Staff)	9,854	680
	Effectiveness Enhancement	55,412	5,323,335
	TOTAL	150,027	11,637,503

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.

· Comprehensive Employee Benefits

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

· Open and Responsive Lines of Communication

HTC operates an internal system to receive employee complaints. This system includes a hotline, physical mailbox, and e-mail address dedicated to receiving employee complaints and suggestions as well as a regularly convened joint labor-management committee. HTC regularly canvasses employee opinions. Results are made available to executives and managers and used to measure changes in employee satisfaction and commitment.

· 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: Incentives are offered to employees with special / critical skills to keep them with the company and ensure they benefit from the results of their efforts.

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

Internal Transfer Assistance: In order to help enhance employees' professional experience / career planning, HTC provides 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. 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.

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 the 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 to Protect Employee Rights

HTC is committed to fostering an atmosphere of trust in its labor relations and places great importance on internal communications. Labor relations meetings are convened once every 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 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 relations management have been harmonious with no losses resulting from labor-management conflicts; and no loss of this type is expected in the future.

08

FINANCIAL
INFORMATION

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

(1) Abbreviated Balance Sheets

Unit: NT\$ thousands

		Year					As of 2011.3.31
Item		2010	2009	2008	2007	2006	
Current Assets		156,908,107	101,503,673	101,271,990	83,172,719	61,810,772	183,880,137
Long-term Investments		10,708,420	6,506,194	5,160,891	2,899,109	824,481	14,701,217
Properties		10,941,230	8,314,177	7,375,651	3,715,901	2,909,624	11,239,179
Intangible Assets		208,581	-	-	-	-	198,675
Other Assets		5,284,115	3,297,898	1,417,830	656,817	449,300	7,252,697
Total Assets		184,050,453	119,621,942	115,226,362	90,444,546	65,994,177	217,271,905
Current Liabilities	Before Appropriation	109,335,331	53,980,282	54,558,470	34,368,139	23,421,319	127,441,341
	After Appropriation	*	74,102,614	74,684,104	55,064,686	37,106,789	*
Long-term Liabilities		-	-	-	-	-	-
Other Liabilities		628	1,210	6,406	628	640	628
Total Liabilities	Before Appropriation	109,335,959	53,981,492	54,564,876	34,368,767	23,421,959	127,441,969
	After Appropriation	*	74,103,824	74,690,510	55,065,314	37,107,429	*
Capital stock		8,176,532	7,889,358	7,553,938	5,731,337	4,364,192	8,176,532
Capital surplus		10,820,744	9,099,923	4,417,534	4,415,845	4,452,688	10,820,744
Retained Earnings	Before Appropriation	63,150,566	48,637,773	52,036,321	45,920,120	33,988,785	77,983,430
	After Appropriation	*	28,128,473	31,537,990	23,400,972	18,899,930	*
Unrealized Loss On Financial Instruments		(885)	(1,658)	(1,632)	(1,187)	(238)	(284)
Cumulative Translation Adjustments		(579,849)	15,088	65,602	9,664	10,786	(297,872)
Net Loss Not Recognized As Pension Cost		(121)	(34)	-	-	-	(121)
Treasury Stock		(6,852,493)	-	(3,410,277)	-	(243,995)	(6,852,493)
Total Stockholders' Equity	Before Appropriation	74,714,494	65,640,450	60,661,486	56,075,779	42,572,218	89,829,936
	After Appropriation	*	45,518,118	40,535,852	35,379,232	28,886,748	*

*Subject to change after shareholders' meeting resolution

(2) Abbreviated Consolidated Balance Sheets

Unit: NT\$ thousands

		Year					As of 2011.3.31
Item		2010	2009	2008	2007	2006	
Current Assets		168,639,526	104,900,881	104,256,700	85,763,011	62,812,623	194,463,432
Long-term Investments		1,232,145	810,485	541,437	501,976	2,925	2,719,422
Properties		14,024,329	9,899,808	8,916,350	4,220,962	3,170,398	14,596,809
Intangible Assets		935,650	240,482	289,783	175,206	-	2,332,737
Other Assets		5,550,094	3,577,361	1,738,140	755,326	477,478	7,566,238
Total Assets		190,381,744	119,429,017	115,742,410	91,416,481	66,463,424	221,678,638
Current Liabilities	Before Appropriation	115,641,103	53,728,775	54,998,933	35,152,925	23,757,897	131,828,222
	After Appropriation	*	73,851,107	75,124,567	55,849,472	37,443,367	*
Long-term Liabilities		12,188	24,375	46,875	75,625	-	4,063
Other Liabilities		13,959	1,210	6,420	633	640	16,417
Total Liabilities	Before Appropriation	115,667,250	53,754,360	55,052,228	35,229,183	23,758,537	131,848,702
	After Appropriation	*	73,876,692	75,177,862	55,925,730	37,444,007	*
Capital stock		8,176,532	7,889,358	7,553,938	5,731,337	4,364,192	8,176,532
Capital surplus		10,820,744	9,099,923	4,417,534	4,415,845	4,452,688	10,820,744
Retained Earnings	Before Appropriation	63,150,566	48,637,773	52,036,321	45,920,120	33,988,785	77,983,430
	After Appropriation	*	28,128,473	31,537,990	23,400,972	18,899,930	*
Unrealized Loss On Financial Instruments		(885)	(1,658)	(1,632)	(1,187)	(238)	(284)
Cumulative Translation Adjustments		(579,849)	15,088	65,602	9,664	10,786	(297,872)
Net Loss Not Recognized As Pension Cost		(121)	(34)	-	-	-	(121)
Treasury Stock		(6,852,493)	-	(3,410,277)	-	(243,995)	(6,852,493)
Equity Attributable To The Stockholders Of The Parent		74,714,494	65,640,450	60,661,486	56,075,779	42,572,218	89,829,936
Minority Interest		-	34,207	28,696	111,519	132,669	-
Total Stockholders' Equity	Before Appropriation	74,714,494	65,674,657	60,690,182	56,187,298	42,704,887	89,829,936
	After Appropriation	*	45,552,325	40,564,548	35,490,751	29,019,417	*

*Subject to change after shareholders' meeting resolution

(3) Abbreviated Income Statements

Unit: NT\$ thousands (Except EPS NT\$)

		Year					2011 1Q
Item		2010	2009	2008	2007(Note 2)	2006(Note 2)	
Revenues		275,046,954	144,880,715	152,558,766	118,579,958	104,816,548	101,018,948
Gross Profit (Note 1)		79,556,972	45,862,483	50,641,854	40,177,500	31,322,998	27,420,007
Operating Income (Note 1)		42,295,343	24,174,994	30,256,385	30,535,537	25,820,624	15,284,442
Non-operating Income and Gains (Note 1)		2,536,080	1,623,362	2,300,018	1,810,908	1,234,336	1,528,358
Non-operating Expenses and Losses (Note 1)		340,114	585,892	965,924	195,148	97,082	145,415
Income from Continuing Operations before Income Tax		44,491,309	25,212,464	31,590,479	32,151,297	26,957,878	16,667,385
Income from Continuing Operations		39,533,600	22,608,902	28,635,349	28,938,862	25,247,327	14,832,864
Income (Loss) from Discontinued Operations		-	-	-	-	-	-
Income (Loss) from Extraordinary Items		-	-	-	-	-	-
Cumulative Effect of Changes in Accounting Principle		-	-	-	-	-	-
Net Income		39,533,600	22,608,902	28,635,349	28,938,862	25,247,327	14,832,864
Basic Earnings Per Share		48.49	27.35	34.44	34.74	30.07	18.36

Note 1: In accordance with 2008 and 2010 financial reporting requirements, write-downs of inventories or reversal of write-downs and product warranty costs registered during the period 2006 to 2007 have been reclassified as cost of revenues items.

Note 2: Excluded employee bonus expenses

(4) Abbreviated Consolidated Income Statements

Unit: NT\$ thousands (Except EPS NT\$)

Item	Year					2011 1Q
	2010	2009	2008	2007(Note 2)	2006(Note 2)	
Revenues	278,761,244	144,492,518	152,353,176	118,217,545	105,358,397	104,156,600
Gross Profit (Note 1)	83,868,739	46,162,981	50,990,638	44,164,632	32,516,182	30,470,410
Operating Income (Note 1)	44,132,581	24,622,907	30,345,270	30,660,255	25,745,994	16,470,484
Non-operating Income and Gains (Note 1)	1,142,944	1,420,086	2,319,489	1,771,846	1,284,052	734,476
Non-operating Expenses and Losses (Note 1)	311,137	646,581	929,043	200,165	87,329	155,806
Income from Continuing Operations before Income Tax	44,964,388	25,396,412	31,735,716	32,231,936	26,942,717	17,049,154
Income from Continuing Operations	39,514,844	22,614,413	28,552,526	28,917,712	25,234,342	14,832,864
Income (Loss) from Discontinued Operations	-	-	-	-	-	-
Income (Loss) from Extraordinary Items	-	-	-	-	-	-
Cumulative Effect of Changes in Accounting Principle	-	-	-	-	-	-
Net Income	39,514,844	22,614,413	28,552,526	28,917,712	25,234,342	14,832,864
Net Income Attributable to Shareholders of the Parent	39,533,600	22,608,902	28,635,349	28,938,862	25,247,327	14,832,864
Basic Earnings Per Share	48.49	27.35	34.44	34.74	30.07	18.36

Note 1: In accordance with 2008 and 2010 financial reporting requirements, write-downs of inventories or reversal of write-downs and product warranty costs registered during the period 2006 to 2007 have been reclassified as cost of revenues items.

Note 2: Excluded 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
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
2010	Deloitte Touche Tohmatsu	Ming-Hsien Yang and Tze-Chun Wang	Unqualified Opinion

2. FINANCIAL ANALYSIS

(1) Financial Analysis (Unconsolidated)

Item (Note 2-3)		Year					As of 2011.3.31
		2010	2009	2008	2007(Note 1)	2006(Note 1)	
Capital Structure	Debt Ratio (%)	59	45	47	38	35	59
Analysis	Long-term Fund to Fixed Assets Ratio (%)	683	790	822	1,509	1,463	799
Liquidity	Current Ratio (%)	144	188	186	242	264	144
Analysis	Quick Ratio (%)	120	171	169	218	233	119
	Times Interest Earned (Times)	967,203	192,463	136,167	133,409	90,464	-
Operating Performance	Average Collection Turnover (Times)	5.92	4.92	6.09	6.01	6.09	6.35
Analysis	Days Sales Outstanding	62	74	60	61	60	57
	Average Inventory Turnover (Times)	11.77	11.71	12.68	12.14	13.01	10.33
	Average Payment Turnover (Times)	4.59	3.72	4.08	4.03	4.80	4.7
	Average Inventory Turnover Days	31	31	29	30	28	35
	Fixed Assets Turnover (Times)	25.14	17.43	20.68	31.91	36.02	35.95
	Total Assets Turnover (Times)	1.49	1.21	1.32	1.31	1.59	1.86
Profitability	Return on Total Assets (%)	26	22	28	37	48	30
Analysis	Return on Equity (%)	56	37	49	59	77	72
	Operating Income to Paid-in Capital Ratio (%)	517	306	401	533	592	187
	Pre-tax Income to Paid-in Capital Ratio (%)	544	320	418	561	618	204
	Net Margin (%)	14	16	19	24	24	15
	Basic Earnings Per Share (NT\$)	48.49	27.35	34.44	34.74	30.07	18.36
Cash Flow	Cash Flow Ratio (%)	37	51	69	116	106	19
	Cash Flow Adequacy Ratio (%)	157	201	221	291	296	155
	Cash Flow Reinvestment Ratio (%)	26	11	28	47	44	25
Leverage	Operating Leverage	1.43	1.54	1.44	1.20	1.16	1.35
	Financial Leverage	1.00	1.00	1.00	1.00	1.00	1.00

Significant changes in various performance indicators reflected the doubling of HTC's business in 2010.

1. Capital Structure & Liquidity Analyses

As of year-end 2010, our debt ratio stood higher at 59% while current and quick ratios were both lower at 144% and 120%, respectively. This situation reflected increases in current liabilities due to rapid business growth that saw notes and accounts payable rise 131% to NT\$58.4 billion, accrued marketing expense rise 84% to NT\$15.7 billion, accrued bonus to employees rise 75% to NT\$8.5 billion, and product warranty liabilities grow 71% to NT\$9.1 billion.

HTC carries no external loans and equity funds currently cover all expenditure needs. The relatively small interest expense entered into the income statement primarily reflects operating leases and imputed interest on security deposits. Reductions in these two items during 2010 saw interest expense fall for the year to NT\$46,000 and times interest earned rise 403% over year-end 2009.

2. Operating Performance Analysis

Fixed asset turnover, total asset turnover, and average collection turnover were all higher due to strong revenue growth. Days sales outstanding fell from 74 days in 2009 to 62 days in 2010. Average payment turnover increased to 4.59 due to the 97% rise in cost of revenue for the year.

3. Profitability Analysis

Consumers are increasingly recognizing the value of HTC's innovation and the HTC brand. The market success of many flagship products launched in 2010 helped grow revenues by 90% and net income by 75% to new historic highs. Earnings per share (EPS) rose to NT\$48.49. Operating income and pre-tax income to paid-in capital ratios rose by 517% and 544%, respectively. Return on equity (ROE) rose to 56% from 37% in 2009.

4. Cash Flow Analysis

Reflecting strong business growth, net cash flows from operating activities grew 48% over 2009 levels to NT\$40.8 billion. Current liabilities also rose 103%, resulting in a 37% reduction in our 2010 cash flow ratio. During 2010 HTC continued expanding production capacity and office space to meet anticipated future growth. This, coupled with increased inventory levels necessary to meet market demand, reduced the cash flow adequacy ratio to 157%. Cash flow reinvestment ratio rose to 26% due to a 179% rise in the numerator (net cash flows from operating activity - cash dividends) due to a 48% growth in net cash flows from operating activities and a similar cash dividend payments compared to 2009.

(2) Financial Analysis (Consolidated)

		Year					As of 2011.3.31
Item (Note 2-3)		2010	2009	2008	2007(Note 1)	2006(Note 1)	
Capital Structure Analysis	Debt Ratio (%)	61	45	48	39	36	59
	Long-term Fund to Fixed Assets Ratio (%)	533	664	681	1,333	1,347	615
Liquidity Analysis	Current Ratio (%)	146	195	190	244	264	148
	Quick Ratio (%)	120	176	171	217	230	121
	Times Interest Earned (Times)	12,624	11,683	3,041	26,595	90,413	6,983
Operating Performance Analysis	Average Collection Turnover (Times)	6.14	6.03	6.12	6.06	6.25	6.65
	Days Sales Outstanding	59	61	60	60	58	55
	Average Inventory Turnover (Times)	10.06	11.46	10.95	9.68	11.34	9.27
	Average Payment Turnover (Times)	4.35	4.03	3.92	3.66	4.65	4.49
	Average Inventory Turnover Days	36	32	33	38	32	39
	Fixed Assets Turnover (Times)	19.88	14.60	17.09	28.01	33.23	28.54
	Total Assets Turnover (Times)	1.46	1.21	1.32	1.29	1.59	1.88
Profitability Analysis	Return on Total Assets (%)	26	21	28	37	47	29
	Return on Equity (%)	56	37	49	58	77	72
	Operating Income to Paid-in Capital Ratio (%)	540	312	402	535	590	201
	Pre-tax Income to Paid-in Capital Ratio (%)	550	322	420	562	617	209
	Net Margin (%)	14	16	19	24	24	14
	Basic Earnings Per Share (NT\$)	48.49	27.35	34.44	34.74	30.07	18.36
Cash Flow	Cash Flow Ratio (%)	40	52	68	113	104	18
	Cash Flow Adequacy Ratio (%)	150	192	211	273	271	153
	Cash Flow Reinvestment Ratio (%)	32	11	28	47	43	25
Leverage	Operating Leverage	1.43	1.54	1.44	1.20	1.16	1.35
	Financial Leverage	1.00	1.00	1.00	1.00	1.00	1.00

Significant changes in various performance indicators reflected the doubling of HTC's business in 2010.

1. Capital Structure & Liquidity Analyses

As of year-end 2010, our debt ratio stood higher at 61% while current and quick ratios were both lower at 146% and 120%, respectively. This situation reflected increases in current liabilities due to rapid business growth that saw notes and accounts payable rise 149% to NT\$63.9 billion, accrued marketing expense rise 97% to NT\$17.3 billion, accrued bonus to employees rise 75% to NT\$8.5 billion, and product warranty liabilities grow 73% to NT\$9.1 billion.

2. Operating Performance Analysis

Fixed asset turnover and total asset turnover were all higher due to strong revenue growth. Days sales outstanding fell to 59 days in 2010. Average inventory turnover days increased to 36 days due to aggressive increases of inventory to meet strong market demand and higher inventory amount in transit at 2010 year-end.

3. Profitability Analysis

Consumers are increasingly recognizing the value of HTC's innovation and the HTC brand. The market success of many flagship products launched in 2010 helped grow revenues by 93% and net income by 75% to new historic highs. Earnings per share (EPS) rose to NT\$48.49. Operating income and pre-tax income to paid-in capital ratios rose by 540% and 550%, respectively. Return on total asset (ROA) and Return on equity (ROE) rose to 26% and 56% from 21% and 37% in 2009, respectively.

4. Cash Flow Analysis

Reflecting strong business growth, net cash flows from operating activities grew 66% over 2009 levels to NT\$46.0 billion. Current liabilities also rose 115%, resulting in a 40% reduction in our 2010 cash flow ratio. During 2010 HTC and its subsidiaries continued expanding production capacity and office space to meet anticipated future growth. This, coupled with increased inventory levels necessary to meet market demand, reduced the cash flow adequacy ratio to 150%. Cash flow reinvestment ratio rose to 32% due to a 241% rise in the numerator (net cash flows from operating activity - cash dividends) due to a 66% growth in net cash flows from operating activities and a similar cash dividend payments compared to 2009.

Note 1: Excluded employee bonus expenses

Note 2: In accordance with 2008, 2009 and 2010 financial reporting requirements, write-downs of inventories or reversal of write-downs and product warranty costs registered during the period 2006 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. 2010 SUPERVISOR’S REPORT

HTC CORPORATION SUPERVISORS AUDIT REPORT

The Board of Directors has prepared the Company's 2010 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

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



April 30, 2011

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, 2009 and 2010 and the related statements of income, changes in stockholders’ equity, and cash flows for the years then ended, all expressed in New Taiwan dollars. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HTC Corporation as of December 31, 2009 and 2010, 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.

We have also audited the consolidated financial statements of HTC Corporation and subsidiaries as of and for the years ended December 31, 2009 and 2010, and expressed an unqualified opinion on those statements in our report dated January 18, 2011.

Our audits also comprehended the translation of the 2010 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, 2011

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 tra

HTC CORPORATION

BALANCE SHEETS

DECEMBER 31, 2009 AND 2010

(In Thousands, Except Par Value)

ASSETS	2009		2010
	NT\$	NT\$	US\$(Note3)
CURRENT ASSETS			
Cash and cash equivalents (Notes 2 and 4)	\$ 61,676,464	\$ 66,282,076	\$ 2,275,389
Financial assets at fair value through profit or loss (Notes 2, 5 and 23)	18,132	450,276	15,457
Available-for-sale financial assets - current (Notes 2 and 6)	2,497,394	441,948	15,172
Accounts receivable, net (Notes 2 and 7)	25,326,228	35,179,038	1,207,657
Accounts receivable from related parties, net (Notes 2 and 24)	2,244,550	28,186,391	967,607
Other current financial assets (Notes 8 and 24)	234,201	717,636	24,635
Inventories (Notes 2 and 9)	5,217,193	21,920,492	752,506
Prepayments (Notes 10 and 24)	3,351,491	2,347,617	80,591
Deferred income tax assets (Notes 2 and 21)	811,240	925,579	31,774
Other current assets	126,780	457,054	15,690
Total current assets	101,503,673	156,908,107	5,386,478
LONG-TERM INVESTMENTS			
Available-for-sale financial assets - noncurrent (Notes 2 and 6)	313	538	18
Held-to-maturity financial assets - noncurrent (Notes 2 and 11)	-	207,946	7,139
Financial assets carried at cost - noncurrent (Notes 2 and 12)	501,192	515,861	17,709
Investments accounted for by the equity method (Notes 2 and 13)	5,549,766	9,900,410	339,870
Prepayments for long-term investments (Notes 2 and 13)	454,923	83,665	2,872
Total long-term investments	6,506,194	10,708,420	367,608
PROPERTIES (Notes 2, 14 and 24)			
Cost			
Land	4,719,538	5,690,718	195,356
Buildings and structures	3,174,986	3,504,669	120,312
Machinery and equipment	4,008,111	5,564,902	191,037
Molding equipment	172,632	172,632	5,926
Computer equipment	302,213	343,939	11,807
Transportation equipment	2,732	6,242	214
Furniture and fixtures	129,533	147,349	5,058
Leased assets	4,712	4,712	162
Leasehold improvements	96,014	151,716	5,208
Total cost	12,610,471	15,586,879	535,080
Less: Accumulated depreciation	(4,321,855)	(4,934,160)	(169,384)
Prepayments for construction-in-progress and equipment-in-transit	25,561	288,511	9,904
Properties, net	8,314,177	10,941,230	375,600
INTANGIBLE ASSETS (Note 2)			
Patents	-	208,581	7,160
OTHER ASSETS			
Assets leased to others	48,135	50,828	1,745
Refundable deposits	69,166	79,197	2,719
Deferred charges (Note 2)	69,773	27,658	949
Deferred income tax assets (Notes 2 and 21)	1,066,101	2,419,431	83,056
Restricted assets (Note 25)	63,900	63,900	2,194
Other (Notes 2, 10 and 17)	1,980,823	2,643,101	90,735
Total other assets	3,297,898	5,284,115	181,398
TOTAL	\$ 119,621,942	\$ 184,050,453	\$ 6,318,244

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

LIABILITIES AND STOCKHOLDERS' EQUITY	2009		2010
	NT\$	NT\$	US\$(Note3)
CURRENT LIABILITIES			
Notes and accounts payable	\$ 25,275,140	\$ 58,420,924	\$ 2,005,524
Accounts payable to related parties (Note 24)	85,676	1,346,981	46,240
Income tax payable (Notes 2 and 21)	4,152,624	6,416,667	220,277
Accrued expenses (Notes 15 and 24)	17,127,974	31,663,629	1,086,977
Payable for purchase of equipment (Note 24)	68,906	318,587	10,937
Other current liabilities (Notes 16 and 24)	7,269,962	11,168,543	383,403
Total current liabilities	53,980,282	109,335,331	3,753,358
OTHER LIABILITIES			
Guarantee deposits received	1,210	628	22
Total liabilities	53,981,492	109,335,959	3,753,380
STOCKHOLDERS' EQUITY (Note 18)			
Capital stock - NT\$10.00 par value			
Authorized: 1,000,000 thousand shares			
Issued and outstanding: 788,936 thousand shares in 2009 and 817,653 thousand shares in 2010			
Common stock	7,889,358	8,176,532	280,691
Capital surplus			
Additional paid-in capital from share issuance in excess of par	9,056,323	10,777,623	369,984
Long-term equity investments	18,411	18,411	632
Merger	25,189	24,710	848
Retained earnings			
Legal reserve	10,273,674	10,273,674	352,684
Accumulated earnings	38,364,099	52,876,892	1,815,204
Cumulative translation adjustments (Note 2)	15,088	(579,849)	(19,906)
Net loss not recognized as pension cost	(34)	(121)	(4)
Unrealized valuation losses on financial instruments	(1,658)	(885)	(30)
Treasury stock (Notes 2 and 19)	-	(6,852,493)	(235,239)
Total stockholders' equity	65,640,450	74,714,494	2,564,864
TOTAL	\$ 119,621,942	\$ 184,050,453	\$ 6,318,244

HTC CORPORATION

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2009 AND 2010

(In Thousands, Except Earnings Per Share)

	2009		2010	
	NT\$	NT\$	US\$(Note3)	
REVENUES (Notes 2 and 24)	\$ 144,880,715	\$ 275,046,954	\$ 9,442,051	
COST OF REVENUES (Notes 9, 20 and 24)	99,018,232	195,489,982	6,710,950	
GROSS PROFIT	45,862,483	79,556,972	2,731,101	
UNREALIZED PROFIT FROM INTERCOMPANY TRANSACTIONS	(108,150)	(345,455)	(11,859)	
REALIZED PROFIT FROM INTERCOMPANY TRANSACTIONS	134,091	108,150	3,713	
REALIZED GROSS PROFIT	45,888,424	79,319,667	2,722,955	
OPERATING EXPENSES (Notes 20 and 24)				
Selling and marketing	11,103,061	19,516,895	669,993	
General and administrative	2,010,000	4,812,579	165,211	
Research and development	8,600,369	12,694,850	435,800	
Total operating expenses	21,713,430	37,024,324	1,271,004	
OPERATING INCOME	24,174,994	42,295,343	1,451,951	
NONOPERATING INCOME AND GAINS				
Interest income	348,693	286,610	9,839	
Gains on equity-method investments (Notes 2 and 13)	273,811	1,457,395	50,031	
Gain on disposal of properties	2,984	-	-	
Gains on sale of investments, net	3,035	3,001	103	
Exchange gain (Note 2)	513,650	-	-	
Valuation gains on financial instruments, net(Notes 2 and 5)	18,132	450,276	15,457	
Other (Note 24)	463,057	338,798	11,631	
Total nonoperating income and gains	1,623,362	2,536,080	87,061	
NONOPERATING EXPENSES AND LOSSES				
Interest expense	131	46	2	
Loss on disposal of properties	-	139	5	
Exchange loss (Note 2)	-	303,549	10,420	
Impairment losses (Notes 2, 12 and 13)	30,944	1,192	41	
Other	554,817	35,188	1,208	
Total nonoperating expenses and losses	585,892	340,114	11,676	
INCOME BEFORE INCOME TAX	25,212,464	44,491,309	1,527,336	
INCOME TAX (Notes 2 and 21)	(2,603,562)	(4,957,709)	(170,193)	
NET INCOME	\$ 22,608,902	\$ 39,533,600	\$ 1,357,143	

	2009		2010	
Related Party	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
	NT\$	NT\$	NT\$	NT\$
	US\$ (Note 3)	US\$ (Note 3)	US\$ (Note 3)	US\$ (Note 3)
BASIC EARNINGS PER SHARE(Note 22)	\$ 30.50	\$ 27.35	\$ 54.57	\$ 1.87
DILUTED EARNINGS PER SHARE (Note 22)	\$ 29.95	\$ 26.86	\$ 53.90	\$ 1.85

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

(Concluded)

HTC CORPORATION

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2009 AND 2010

(In Thousands)

	Capital Stock	Capital Surplus				Capital Stock			Unrealized Valuation			
	Issued and Outstanding Common Stock	From Share Issuance in Excess of Pars	Long-term Equity Investments	Merger		Legal Reserve	Accumulated Earnings	Cumulative Translation Adjustments	Net Loss Not Recognized as Pension Cost	Losses on Financial Instruments	Treasury Stock	Total
New Taiwan Dollars												
BALANCE, JANUARY 1, 2009	\$ 7,553,938	\$ 4,374,244	\$ 17,534	\$ 25,756		\$ 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	-	-	-		-	(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	-	-	-	-	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	-	-	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)	-	65,640,450
Appropriation of the 2009 net earnings												
Stock dividends	386,968	-	-	-		-	(386,968)	-	-	-	-	-
Cash dividends	-	-	-	-		-	(20,122,332)	-	-	-	-	(20,122,332)
Transfer of employee bonuses to common stock	50,206	1,893,488	-	-		-	-	-	-	-	-	1,943,694
Net income in 2010	-	-	-	-		-	39,533,600	-	-	-	-	39,533,600
Translation adjustments on long-term equity investments	-	-	-	-		-	-	(594,937)	-	-	-	(594,937)
Unrealized gain on financial instruments	-	-	-	-		-	-	-	-	773	-	773
Adjustment due to the movement of investees' other equity under equity method	-	-	-	-		-	-	-	(87)	-	-	(87)
Purchase of treasury stock	-	-	-	-		-	-	-	-	-	(11,686,667)	(11,686,667)
Retirement of treasury stock	(150,000)	(172,188)	-	(479)		-	(4,511,507)	-	-	-	4,834,174	-
BALANCE, DECEMBER 31, 2010	\$ 8,176,532	\$ 10,777,623	\$ 18,411	\$ 24,710		\$ 10,273,674	\$ 52,876,892	\$ (579,849)	\$ (121)	\$ (885)	\$ (6,852,493)	\$ 74,714,494
U.S. Dollars (Note 3)												
Appropriation of the 2009 net earnings												
Stock dividends	13,284	-	-	-		-	(13,284)	-	-	-	-	-
Cash dividends	-	-	-	-		-	(690,777)	-	-	-	-	(690,777)
Transfer of employee bonuses to common stock	1,724	65,001	-	-		-	-	-	-	-	-	66,725
Net income in 2010	-	-	-	-		-	1,357,143	-	-	-	-	1,357,143
Translation adjustments on long-term equity investments	-	-	-	-		-	-	(20,424)	-	-	-	(20,424)
Unrealized gain on financial instruments	-	-	-	-		-	-	-	-	27	-	27
Adjustment due to the movement of investees' other equity under equity method	-	-	-	-		-	-	-	(3)	-	-	(3)
Purchase of treasury stock	-	-	-	-		-	-	-	-	-	(401,190)	(401,190)
Retirement of treasury stock	(5,150)	(5,910)	-	(17)		-	(154,874)	-	-	-	165,951	-
BALANCE, DECEMBER 31, 2010	\$ 280,691	\$ 369,984	\$ 632	\$ 848		\$ 352,684	\$ 1,815,204	\$ (19,906)	\$ (4)	\$ (30)	\$ (235,239)	\$ 2,564,864

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

HTC CORPORATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2009 AND 2010

(In Thousands)

	2009		2010	
	NT\$	NT\$	US\$(Note3)	
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	\$ 22,608,902	\$ 39,533,600	\$ 1,357,143	
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation (including depreciation of assets leased to others)	633,950	622,438	21,368	
Amortization	39,847	58,621	2,012	
Amortization of premium on financial assets	-	385	13	
Prepaid pension costs	(20,515)	(21,293)	(731)	
Gains on equity-method investments	(273,811)	(1,457,395)	(50,031)	
Cash dividends received from equity-method investees	905	480	17	
(Gain) loss on disposal of properties, net	(2,984)	139	5	
Transfer of properties to expenses	7,021	532	18	
Gains on sale of investments, net	(3,035)	(3,001)	(103)	
Impairment losses	30,944	1,192	41	
Deferred income tax assets	(503,703)	(1,467,669)	(50,383)	
Net changes in operating assets and liabilities				
Financial instruments at fair value through profit or loss	(532,215)	(432,144)	(14,835)	
Accounts receivable	3,534,014	(9,852,810)	(338,236)	
Accounts receivable from related parties	(1,305,780)	(25,941,841)	(890,554)	
Other current financial assets	41,305	(483,435)	(16,596)	
Inventories	2,201,274	(16,703,299)	(573,405)	
Prepayments	(2,095,767)	1,003,874	34,462	
Other current assets	35,227	(330,274)	(11,338)	
Other assets - other	(1,843,170)	(640,985)	(22,004)	
Notes and accounts payable	(2,603,301)	33,145,784	1,137,858	
Accounts payable - related parties	56,973	1,261,305	43,299	
Income tax payable	214,879	2,264,043	77,722	
Accrued expenses	6,432,196	16,322,342	560,327	
Other current liabilities	888,452	3,955,215	135,778	
Net cash provided by operating activities	27,541,608	40,835,804	1,401,847	
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of available-for-sale financial assets	(8,105,512)	(3,551,180)	(121,908)	
Proceeds of the sale of available-for-sale financial assets	5,611,153	5,610,175	192,591	
Purchase of held-to-maturity financial assets	-	(208,331)	(7,152)	
Increase in investments accounted for by the equity method	(1,164,135)	(3,031,907)	(104,082)	
Purchase of properties and assets leased to others	(1,426,671)	(3,004,250)	(103,133)	
Proceeds of the sale of properties	4,005	-	-	
Decrease (increase) in refundable deposits	48,298	(10,031)	(344)	
Increase in deferred charges	(57,495)	(4,144)	(142)	
Increase in restricted assets	(63,900)	-	-	
Increase in intangible assets	-	(220,943)	(7,585)	
Net cash used in investing activities	(5,154,257)	(4,420,611)	(151,755)	
CASH FLOWS FROM FINANCING ACTIVITIES				
Decrease in guarantee deposits received	(5,196)	(582)	(20)	
Cash dividends	(20,125,634)	(20,122,332)	(690,777)	
Purchase of treasury stock	(2,406,930)	(11,686,667)	(401,190)	
Net cash used in financing activities	(22,537,760)	(31,809,581)	(1,091,987)	
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(150,409)	4,605,612	158,105	

(Continued)

	2009		2010	
	NT\$	NT\$	US\$(Note3)	
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	61,826,873	61,676,464	2,117,284	
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 61,676,464	\$ 66,282,076	\$ 2,275,389	
SUPPLEMENTAL CASH FLOW INFORMATION				
Cash paid during the year				
Interest (net of amounts capitalized)	\$ 131	\$ 46	\$ 2	
Income tax	\$ 2,892,386	\$ 4,161,335	\$ 142,854	
NONCASH INVESTING AND FINANCING ACTIVITIES				
Transfer of retained earnings to stock dividends for distribution	\$ 372,697	\$ 386,968	\$ 13,284	
Transfer of assets leased to others to properties	\$ 261,824	\$ 47,813	\$ 1,641	
Retirement of treasury stock	\$ 5,817,207	\$ 4,834,174	\$ 165,952	
Transfer of stock bonuses to employees to common stock and additional paid-in capital	\$ 4,954,889	\$ 1,943,694	\$ 66,725	
INCREASE IN LONG-TERM INVESTMENTS - EQUITY METHOD				
Increase in investments accounted for by the equity method	\$ 1,137,873	\$ 2,976,349	\$ 102,175	
Decrease in payable for purchase of investments	26,262	55,558	1,907	
Cash paid for increase in long-term investments	\$ 1,164,135	\$ 3,031,907	\$ 104,082	
PURCHASE OF PROPERTIES AND ASSETS LEASED TO OTHERS				
Cost of properties and assets leased to others purchased	\$ 1,336,787	\$ 3,252,855	\$ 111,667	
Decrease (increase) in payable for purchase of equipment	88,880	(249,681)	(8,571)	
Decrease in lease payable	1,004	1,076	37	
Cash paid for purchase of properties and assets leased to others	\$ 1,426,671	\$ 3,004,250	\$ 103,133	

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

(Concluded)

HTC CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009 AND 2010
(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 7,284 and 10,843 employees as of December 31, 2009 and 2010, 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, laws and principles, certain estimates and assumptions have been used for the allowance for doubtful accounts, allowance for loss on inventories, depreciation of properties, income tax, 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.

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 plus transaction costs that are directly attributable to the acquisition. At each balance sheet date subsequent to initial recognition, financial assets or financial liabilities at FVTPL are remeasured at fair value, with changes in fair value recognized directly in profit or loss in the year in which they arise. Cash dividends received subsequently (including those received in the year of investment) are recognized as income for the year. On derecognition of a financial asset or a financial liability, the difference between its carrying amount and the sum of the consideration received and receivable or consideration paid and payable is recognized in profit or loss.

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

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

Available-for-sale Financial Assets

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

The recognition, derecognition and the fair value bases of available-for-sale financial assets are similar 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 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. Effective from 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.

Held-to-maturity Financial Assets

Held-to-maturity financial assets are carried at amortized cost using the effective interest method. Held-to-maturity financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition. Profit or loss is recognized when the financial assets are derecognized, impaired, or amortized. All regular way purchases or sales of financial assets are accounted for using a trade date basis.

An impairment loss is recognized when there is objective evidence that the investment is impaired. The impairment loss is reversed if an increase in the investment’s recoverable amount is due to an event which occurred after the impairment loss was recognized; however, the adjusted carrying amount of the investment may not exceed the carrying amount that

would have been determined had no impairment loss been recognized for the investment in prior years.

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.

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. Patents are amortized on a straight-line basis over 5 to 10 years.

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 2009 accounts have been reclassified to be consistent with the presentation of the financial statements as of and for the year ended December 31, 2010.

3. TRANSLATION INTO U.S. DOLLARS

The financial statements are stated in New Taiwan dollars. The translation of the 2010 New Taiwan dollar amounts into U.S. dollar amounts are included solely for the convenience of readers, using the noon buying rate of NT\$29.13 to US\$1.00 quoted by the Bank of Taiwan on December 31, 2010. 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. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31, 2009 and 2010 were as follows:

	2009		2010	
	NT\$		NT\$ US\$(Note 3)	
Cash on hand	\$	1,000	\$	1,000 \$ 34
Cash in banks		561,516		15,491,311 531,800
Time deposits		61,113,948		50,789,765 1,743,555
		\$ 61,676,464		\$ 66,282,076 \$ 2,275,389

On time deposits, interest rates ranged from 0.10% to 1.03% and from 0.14% to 1.50%, as of December 31, 2009 and 2010, respectively.

On preferential deposits, interest rates ranged from 0.10% to 0.70% and from 0.15% to 0.70% as of December 31, 2009 and 2010, respectively.

5. 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, 2009 and 2010 were as follows:

	2009		2010	
	NT\$		NT\$ US\$(Note 3)	
Derivatives - financial assets Exchange contracts	\$	18,132	\$	450,276 \$ 15,457

The Company had derivative transactions in 2009 and 2010 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 2009 and 2010. Outstanding forward exchange contracts as of December 31, 2009 and 2010 were as follows:

Forward Exchange Contracts

	Buy/Sell	Currency	Settlement Period/Date	Contract Amount	2009
Forward exchange contracts	Sell	EUR/USD	2010.01.15-2010.02.26	EUR	76,000
	Buy/Sell	Currency	Settlement Period/Date	Contract Amount	2010
Forward exchange contracts	Buy	USD/CAD	2011.01.26	USD	250
Forward exchange contracts	Buy	USD/JPY	2011.01.12-2011.02.23	USD	18,187
Forward exchange contracts	Sell	EUR/USD	2011.01.05-2011.03.18	EUR	531,000
Forward exchange contracts	Sell	GBP/USD	2011.01.12-2011.03.25	GBP	57,400
Forward exchange contracts	Sell	USD/TWD	2011.01.03-2010.01.31	USD	447,000

Net loss on derivative financial instruments in 2009 was NT\$749,476 thousand, including realized settlement loss of NT\$767,608 thousand and valuation gain of NT\$18,132 thousand.

Net gain on derivative financial instruments in 2010 was NT\$759,889 thousand (US\$26,086 thousand), including realized settlement gain of NT\$309,613 thousand (US\$10,629 thousand) and valuation gain of NT\$450,276 thousand (US\$15,457 thousand). Note 23 has more information.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets as of December 31, 2009 and 2010 were as follows:

	2009		2010	
	NT\$	NT\$	US\$(Note 3)	
Mutual funds	\$ 2,497,394	\$ 441,948	\$ 15,172	
Domestic quoted stocks	313	538	18	
Less: Current portion	(2,497,394)	(441,948)	(15,172)	
	\$ 313	\$ 538	\$ 18	

7. ACCOUNTS RECEIVABLE

Accounts receivable as of December 31, 2009 and 2010 were as follows:

	2009		2010	
	NT\$	NT\$	US\$(Note 3)	
Accounts receivable	\$ 26,334,719	\$ 36,187,529	\$ 1,242,277	
Less: Allowance for doubtful accounts	(1,008,491)	(1,008,491)	(34,620)	
	\$ 25,326,228	\$ 35,179,038	\$ 1,207,657	

8. OTHER CURRENT FINANCIAL ASSETS

Other current financial assets as of December 31, 2009 and 2010 were as follows:

	2009		2010	
	NT\$	NT\$	US\$(Note 3)	
Othe receivables	\$ 118,321	\$ 641,609	\$ 22,026	
Other receivables from related parties (Note 24)	81,137	36,185	1,242	
Agency payments	23,517	28,610	982	
Interest receivables	11,226	11,232	385	
	\$ 234,201	\$ 717,636	\$ 24,635	

Other receivables were primarily prepayments on behalf of vendors or customers, withholding income tax of employees' bonuses, and other compensation.

9. INVENTORIES

Inventories as of December 31, 2009 and 2010 were as follows:

	2009		2010	
	NT\$	NT\$	US\$(Note 3)	
Finished goods	\$ 779,104	\$ 809,469	\$ 27,788	
Work-in-process	1,132,685	5,408,003	185,651	
Raw materials	2,687,391	11,272,675	386,978	
Goods in transit	618,013	4,430,345	152,089	
	\$ 5,217,193	\$ 21,920,492	\$ 752,506	

As of December 31, 2009 and 2010, the allowance for inventory devaluation was NT\$2,646,767 thousand and NT\$3,436,697 thousand (US\$117,978 thousand), respectively.

The write-down of inventories to their net realizable value amounted to NT\$1,934,360 thousand and NT\$1,297,811 thousand (US\$44,552 thousand) and was recognized as cost of sales for the years ended December 31, 2009 and 2010, respectively.

10. PREPAYMENTS

Prepayments as of December 31, 2009 and 2010 were as follows:

	2009		2010	
	NT\$	NT\$	US\$(Note 3)	
Royalty	\$ 3,044,563	\$ 1,870,381	\$ 64,208	
Services	121,600	166,781	5,725	
Marketing	10,410	66,295	2,276	
Software and hardware maintenance	68,937	94,871	3,257	
Molding equipment	37,052	91,058	3,126	
Others	68,929	58,231	1,999	
	\$ 3,351,491	\$ 2,347,617	\$ 80,591	

Prepayments for royalty were primarily prepayments for discount purpose and classified as current or noncurrent based on their maturities. As of December 31, 2009 and 2010, the noncurrent prepayments were NT\$1,843,170 thousand and NT\$2,484,156 thousand (US\$85,279 thousand) were classified as other assets, respectively (Note 27 has more information).

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

11. HELD-TO-MATURITY FINANCIAL ASSETS

Held-to-maturity financial assets as of December 31, 2009 and 2010 were as follows:

	2009		2010	
	NT\$	NT\$	US\$(Note 3)	
Corporate bonds	\$ -	\$ 207,946	\$ 7,139	

In 2010, the Company bought the corporate bonds issued by Nan Ya Plastics Corporation and maturing in 2013 with an effective interest rate of 0.90%.

12. FINANCIAL ASSETS CARRIED AT COST

Financial assets carried at cost as of December 31, 2009 and 2010 were as followss:

	2009		2010
	NT\$	NT\$	US\$(Note 3)
Hua-Chuang Automobile Information Technical Center Co., Ltd.	\$ 500,000	\$ 500,000	\$ 17,164
BandRich Inc.	-	15,861	545
Answer Online, Inc.	1,192	-	-
	\$ 501,192	\$ 515,861	\$ 17,709

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.

13. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

Investments accounted for by the equity method as of December 31, 2009 and 2010 were as follows:

	2009		2010	
	Carrying Value	Ownership Percentage	Original Cost	Carrying Value
	NT\$		NT\$ US\$(Note 3)	NT\$ US\$(Note 3)
Equity method				
H.T.C. (B.V.I.) Corp.	\$ 1,408,470	100	\$ 772,161 \$ 26,507	\$ 973,231 \$ 33,410
BandRich Inc.	35,117	50.66	- -	- -
HTC HK, Limited	-	-	- -	- -
Communication Global Certification Inc.	286,957	100	380,000 13,045	399,496 13,714
High Tech Computer Asia Pacific Pte. Ltd.	3,223,526	100	6,561,949 225,264	7,685,469 263,833
Vitamin D Inc.	-	25.59	- -	- -
HTC Investment Corporation	300,563	100	300,000 10,299	300,789 10,326
PT. High Tech Computer Indonesia	62	1	62 2	62 2
HTC I Investment Corporation	295,071	100	295,000 10,127	295,782 10,154
HTC Holding Cooperatief U.A.	-	-	13 1	13 1
Huada Digital Corporation	-	-	245,000 8,410	245,568 8,430
Prepayments for long-term investments	454,923		83,665 2,872	83,665 2,872
	\$ 6,004,689		\$ 8,637,850 \$ 296,527	\$ 9,984,075 \$ 342,742

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. In addition, the Company determined that the recoverable amount of this investment in 2010 was less than its carrying amount and thus recognized an impairment loss of NT\$1,192 thousand (US\$41 thousand).

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 and July 2010, BandRich Inc. issued common shares and the Company did not buy any shares. The Company's ownership percentage declined from 92% to 18.08% and lost its significant influence. As a result, the Company transferred this investment to "financial assets carried at cost" using book value at the time of its ownership percentage changed in July 2010.

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 investrnents by the cost method.

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\$385,749 thousand in 2009, consisting of NT\$316,656 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. Then, the Company reorganized its overseas subsidiaries' investment structure in the fourth quarter of 2009. 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\$751,314 thousand.

In 2010, the Company made a new investment of NT\$570,991 thousand (US\$19,601 thousand), and reorganized its overseas subsidiaries' investment structure again. Thus, H.T.C. (B.V.I.) Corp. transferred some of its subsidiaries to High Tech Computer Asia Pacific Pte. Ltd. and reduced its capital by NT\$893,506 thousand (US\$30,673 thousand). As of December 31, 2010, the Company's investment in H.T.C. (B.V.I.) Corp. amounted to NT\$855,826 thousand (US\$29,379 thousand). However, because the registration of this investment had not been completed as of December 31, 2010, an amount of NT\$83,665 thousand (US\$2,872 thousand) was temporarily accounted for under "prepayments for long-term investments."

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 July 2010 the Company lost its significant influence and accounted for this investment by the cost method (Note 12 has more information).

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. The Company increased this investment by NT\$100,000 thousand (US\$3,433 thousand) in 2010. As of December 31, 2010, the Company's investment

in Communication Global Certification Inc. amounted to NT\$380,000 thousand (US\$13,045 thousand).

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. In 2009 and 2010, High Tech Asia increased its capital by NT\$1,339,311 thousand and NT\$3,198,864 thousand (US\$109,813 thousand), respectively, 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, 2010, the Company's investment in High Tech Computer Asia Pacific Pte. Ltd. had amounted to NT\$6,561,949 thousand (US\$225,264 thousand).

In April 2008, the Company made a new investment of US\$350 thousand and transferred its bond investment of US\$1,000 thousand to convertible preferred stocks issued by Vitamin D Inc. As a result, the Company acquired 27.27% 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\$671 thousand in 2008 and 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. Vitamin D was dissolved in August 2010.

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 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 and NT\$1,325 thousand, respectively. As a result, the Company accounted for this investment by the equity method.

In December 2009, the Company acquired 100% equity interest in Huada Digital Corporation for NT\$245,000 thousand and accounted for this investment by the equity method.

14. PROPERTIES

Properties as of December 31, 2009 and 2010 were as follows:

	2009			2010	
	Carrying Value	Cost	Accumulated Depreciation	Carrying Value	
	NT\$	NT\$	NT\$	NT\$	US\$(Note 3)
Land	\$ 4,719,538	\$ 5,690,718	\$ -	\$ 5,690,718	\$ 195,356
Buildings and structures	2,522,640	3,504,669	779,721	2,724,948	93,544
Machinery and equipment	900,468	5,564,902	3,528,924	2,035,978	69,893
Molding equipment	-	172,632	172,632	-	-
Computer equipment	77,914	343,939	258,527	85,412	2,932
Transportation equipment	1,338	6,242	1,835	4,407	151
Furniture and fixtures	19,203	147,349	116,629	30,720	1,055
Leased assets	1,571	4,712	3,927	785	27
Leasehold improvements	41,774	151,716	71,965	79,751	2,738
Prepayments for land, construction-in- progress and equipment-in-transit	29,731	288,511	-	288,511	9,904
	\$ 8,314,177	\$ 15,875,390	\$ 4,934,160	\$ 10,941,230	\$ 375,600

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 headquarters in Xindian City. The Company had paid 80% and 20% of the purchase price and completed the transfer registration of the relative portion of land in December 2008 and January 2010, respectively.

In November 2010, the Company bought land and building for NT\$404,000 thousand (US\$13,869 thousand) from a related party, VIA Technologies, Inc. to have more office space in Xindian. The transaction price had been paid except for NT\$20,200 thousand (US\$693 thousand), which was accounted for as payable for purchase of equipment.

Prepayments for construction-in-progress and equipment-in-transit were prepayments for the construction of Taipei R&D headquarters and miscellaneous equipments.

There were no interests capitalized for the years ended December 31, 2009 and 2010, respectively.

On its equity-method investments, the Company had gains of NT\$273,811 thousand and NT\$1,457,395 thousand (US\$50,031) in 2009 and 2010, 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, 2009 and 2010. All significant intercompany balances and transactions have been eliminated.

15. ACCRUED EXPENSES

Accrued expenses as of December 31, 2009 and 2010 were as follows:

	2009		2010	
	NT\$	NT\$	US\$(Note 3)	
Marketing	\$ 8,572,963	\$ 15,742,853	\$ 540,434	
Bonus to employees	4,859,236	8,491,704	291,511	
Services	1,115,099	2,770,306	95,101	
Salaries and bonuses	820,342	2,089,517	71,731	
Import, export and freight	487,713	1,060,399	36,402	
Research materials	405,916	367,487	12,615	
Donation	217,800	217,800	7,477	
Meals and welfare	111,745	162,337	5,573	
Repairs and maintenance	63,957	138,747	4,763	
Insurance	74,607	122,947	4,221	
Pension cost	47,860	69,296	2,379	
Travel	22,325	43,396	1,490	
Others	328,411	386,840	13,280	
	\$ 17,127,974	\$ 31,663,629	\$ 1,086,977	

Based on the resolution passed by the Company's board of directors, the employee bonuses for 2009 and 2010 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 Cultural and Educational Foundation NT\$300,000 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, and (b) cash of NT\$82,200 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 Cultural and Educational Foundation.

Services fees accrued were mainly marketing activities, research and design and business consulting services provided by related parties.

16. OTHER CURRENT LIABILITIES

Other current liabilities as of December 31, 2009 and 2010 were as follows:

	2009		2010	
	NT\$	NT\$	US\$(Note 3)	
Reserve for warranty expenses	\$ 5,287,562	\$ 9,057,050	\$ 310,918	
Other payables (Note 24)	905,908	601,717	20,656	
Agency receipts	576,891	459,156	15,762	
Deferred credits - profit from intercompany transactions	108,150	345,455	11,859	
Advance receipts	195,678	333,282	11,441	
Others	195,773	371,883	12,767	
	\$ 7,269,962	\$ 11,168,543	\$ 383,403	

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

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

In December 2008, the Company also estimated a contingent liability of NT\$125,663 thousand due to an increased financial risk from a customer. If the customer cannot pay its payments, the upstream firms might dun the Company for the customer's liabilities.

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

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

17. 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, 2009 and 2010 were NT\$182,271 thousand and NT\$219,565 thousand (US\$7,537 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\$416,688 thousand and NT\$447,728 thousand (US\$15,370 thousand) as of December 31, 2009 and 2010, 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.

The Company's net pension costs under the defined benefit plan in 2009 and 2010 were as follows:

	2009		2010	
	NT\$	NT\$	US\$(Note 3)	
Service cost	\$ 5,255	\$ 4,915	\$ 169	
Interest cost	9,351	6,539	224	
Projected return on plan assets	(11,076)	(8,582)	(294)	
Amortization of unrecognized net transition obligation, net	-	-	-	
Amortization of net pension benefit	1,349	297	10	
Net pension cost	\$ 4,879	\$ 3,169	\$ 109	

The reconciliations between pension fund status and prepaid pension cost as of December 31, 2009 and 2010 were as follows:

	2009		2010	
	NT\$	NT\$	US\$(Note 3)	
Present actuarial value of benefit obligation				
Vested benefit obligation	\$ 1,334	\$ 1,525	\$ 52	
Non-vested benefit obligation	177,557	190,908	6,554	
Accumulated benefit obligation	178,891	192,433	6,606	
Additional benefits on future salaries	148,040	150,480	5,166	
Projected benefit obligation	326,931	342,913	11,772	
Fair value of plan assets	(416,688)	(447,728)	(15,370)	
Funded status	(89,757)	(104,815)	(3,598)	
Unrecognized pension loss	(47,896)	(54,130)	(1,858)	
Prepaid pension cost	\$ (137,653)	\$ (158,945)	\$ (5,456)	

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

	2009	2010
Weighted-average discount rate	2.00%	2.00%
Assumed rate of increase in future compensation	3.50%	3.75%
Expected long-term rate of return on plan assets	2.00%	2.00%

The vested benefits as of December 31, 2009 and 2010 amounted to NT\$1,511 thousand and NT\$1,702 thousand (US\$58 thousand), respectively.

18. STOCKHOLDERS' EQUITY

Capital Stock

The Company's outstanding common stock as of January 1, 2009 amounted 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 and 7,085 thousand treasury shares at NT\$100,000 thousand and NT\$70,850 thousand, respectively. In June 2009, the stockholders approved the transfer of retained earnings amounting to NT\$372,697 thousand and employee bonuses amounting to NT\$133,573 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, divided into 788,936 thousand common shares at NT\$10.00 par value.

In April 2010, the Company retired 15,000 thousand treasury shares at NT\$150,000 thousand (US\$5,150 thousand). Also, in June 2010, the stockholders approved the transfer of retained earnings amounting to NT\$386,968 thousand (US\$13,284 thousand) and employee bonuses amounting to NT\$50,206 thousand (US\$1,724 thousand) to capital stock. As a result, the amount of the Company's outstanding common stock as of December 31, 2010 increased to NT\$8,176,532 thousand (US\$280,691 thousand), divided into 817,653 thousand common shares at NT\$10.00 (US\$0.34) 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, and was issued, at a premium, at 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:

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

Taking into account the effect of stock dividends, the GDRs increased to 8,804.8 thousand units (35,219.1 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, 2010, there were 3,131.9 thousand units of GDRs redeemed, representing 12,527.5 thousand common shares, and the outstanding GDRs represented 22,691.6 thousand common shares or 2.81% 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, 2009. In January and November 2009, the retirement of treasury stock caused a decrease of additional paid-in capital amounted to NT\$57,907 thousand and NT\$81,330 thousand, respectively. The bonus to employees of NT\$6,164,889 thousand for 2008 was approved in the stockholders' meeting in June 2009. Of the approved amount, NT\$4,954,889 thousand, representing 13,357 thousand, which was determined by fair value, would be distributed by common stock in 2009. The difference between par value and fair value of NT\$4,821,316 thousand was accounted for as additional paid-in capital in 2009. As a result, the additional paid-in capital as of December 31, 2009 was NT\$9,056,323 thousand.

Also in April 2010, the retirement of treasury stock caused a decrease of additional paid-in capital amounted to NT\$172,188 thousand (US\$5,910 thousand). The bonus to employees of NT\$4,859,236 thousand (US\$166,812 thousand) for 2009 were approved in the stockholders' meeting in June 2010. Of the approved amount, NT\$1,943,694 thousand (US\$66,725 thousand), representing 5,021 thousand common shares which was determined by fair value, would be distributed by common stock in 2010. The difference between par value and fair value of NT\$1,893,488 thousand (US\$65,001 thousand) was accounted for as additional paid-in capital in 2010. As a result, the additional paid-in capital as of December 31, 2010 was NT\$10,777,623 thousand (US\$369,984 thousand).

The capital surplus from long-term equity investments was NT\$17,534 thousand as of January 1, 2009. When the Company did not subscribe for the new shares issued by Vitamin D Inc. in January 2009 and June 2009, adjustments of NT\$187 thousand and NT\$484 thousand were made to the investment carrying value and capital surplus, respectively. In December 2009, 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 that was recognized in prior years for the movement of Vitamin D's capital surplus in proportion to the Company's equivalent stock. The Company also recognized the movement of other investees' capital surplus amounting to NT\$2,566 thousand. As of December 31, 2010, the total capital surplus from long-term equity-method investments was NT\$18,411 thousand (US\$632 thousand).

The additional paid-in capital from a merger was NT\$25,756 thousand as of January 1, 2009. In January 2009, November 2009 and April 2010, the retirement of treasury stock caused a decrease of additional paid-in capital from a merger amounted to NT\$341 thousand, NT\$226 thousand and NT\$479 thousand (US\$17 thousand), respectively. As a result, the additional paid-in capital from a merger as of December 31, 2010 was NT\$24,710 thousand (US\$848 thousand).

Appropriation of Retained Earnings and Dividend Policy

Based on the Company Law of the ROC and the Company's Articles of Incorporation, 10% of the Company's annual net income less any deficit should first be appropriated as legal reserve. 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.

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.

The bonus to employees of NT\$4,859,236 thousand for 2009 were approved in the stockholders' meeting in June 2010. The bonus to employees included a cash bonus of NT\$2,915,542 thousand and a share bonus of NT\$1,943,694 thousand. The number of shares of 5,021 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, the employee bonus for 2009 and 2010 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 2010 earnings had not been proposed by the Board of Directors. Information on earnings appropriation can be accessed online through the Market Observation Post System website.

19. 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 during the repurchase period and retired them in November 2009.

On February 9, 2010, the Company's board of directors passed a resolution to buy back 15,000 thousand Company shares from the open market. The repurchase period was between February 10, 2010 and April 9, 2010, and the repurchase price ranged from NT\$280 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 15,000 thousand shares for NT\$4,834,174 thousand (US\$165,951 thousand) during the repurchase period and retired them in April 2010.

On July 11, 2010, 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 July 13, 2010 and September 12, 2010, and the repurchase price ranged from NT\$526 to NT\$631 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 4,786 thousand shares for NT\$2,865,990 thousand (US\$98,387 thousand) during the repurchase period.

On October 29, 2010, the Company's board of directors passed a resolution to buy back 10,000 thousand and 10,000 thousand Company shares from the open market between November 1, 2010 and November 30, 2010, and between December 1, 2010 and December 31, 2010, respectively, with the repurchase price ranging from NT\$565 to NT\$850 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 5,000 thousand shares for NT\$3,986,503 thousand (US\$136,852 thousand) during the repurchase period. The related treasury stock information for the years ended December 31, 2009 and 2010 was as follows:

				(In Thousands of Shares)
Purpose of Treasury Stock	Number of Shares, Beginning of Year	Addition During the Year	Reduction During the Year	Number of Shares, End of Year
Year ended December 31, 2009				
To maintain the Company's credibility and shareholders' interest	10,000	7,085	17,085	-
Year ended December 31, 2010				
To maintain the Company's credibility and shareholders' interest	-	15,000	15,000	-
For transferring shares to the Company's employees	-	9,786	-	9,786
	-	24,786	15,000	9,786

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. 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.

20. PERSONNEL EXPENSES, DEPRECIATION AND AMORTIZATION

Expense Item	Function								
	2009			2010					
	NT\$			NT\$			US\$ (Note 3)		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Personnel expenses	\$ 2,498,640	\$ 6,743,119	\$ 9,241,759	\$ 4,599,227	\$ 12,688,670	\$ 17,287,897	\$ 157,886	\$ 435,588	\$ 593,474
Salary	2,110,277	6,209,064	8,319,341	3,995,447	12,103,004	16,098,451	137,159	415,483	552,642
Insurance	154,384	183,942	338,326	204,932	212,854	417,786	7,035	7,307	14,342
Pension cost	57,183	129,967	187,150	80,857	141,877	222,734	2,776	4,870	7,646
Other	176,796	220,146	396,942	317,991	230,935	548,926	10,916	7,928	18,844
Depreciation	294,601	335,536	630,137	299,285	322,728	622,013	10,274	11,079	21,353
Amortization	11,357	28,490	39,847	34,987	23,634	58,621	1,201	811	2,012

21. INCOME TAX

The Company's income tax returns through 2007 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
Sales of wireless or smartphone which has 3.5G function	2010.01.01-2014.12.31

In May 2009, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduced a profit-seeking enterprise's income tax rate from 25% to 20%, effective January 1, 2010. In May 2010, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduced a profit-seeking enterprise's income tax rate from 20% to 17%, also effective January 1, 2010. Income taxes payable as of December 31, 2009 and 2010 were computed as follows:

	2009		2010	
	NT\$	NT\$	US\$(Note 3)	
Income before income tax	\$ 25,212,464	\$ 44,491,309	\$ 1,527,337	
Gains on equity-method investments	(273,811)	(1,457,395)	(50,031)	
Impairment losses	30,944	1,192	41	
Realized investment loss	\$ -	\$ (101,268)	\$ (3,476)	
Realized pension cost	\$ (20,515)	\$ (21,293)	\$ (731)	
Unrealized losses on decline in value of inventory	1,502,036	789,930	27,117	
Unrealized royalties	2,312,014	8,482,060	291,180	
Unrealized (realized) exchange losses, net	942,915	(156,772)	(5,382)	

	2009		2010	
	NT\$	NT\$	US\$(Note 3)	
Unrealized (realized) bad debt expenses	503,089	(357,947)	(12,288)	
Capitalized expense	(29,095)	(49,924)	(1,714)	
Unrealized warranty expense	61,700	3,769,488	129,402	
Unrealized marketing expenses	3,037,905	7,169,890	246,134	
Unrealized valuation gains on financial instruments	(532,215)	(432,144)	(14,835)	
Unrealized contingent losses of purchase orders	725,704	1,216,443	41,759	
(Realized) unrealized profit from intercompany transactions	(25,941)	237,305	8,146	
Other	(446,788)	(281,695)	(9,670)	
Total income	33,000,406	63,299,179	2,172,989	
Less: Tax-exempt income	(26,204,796)	(56,137,044)	(1,927,121)	
Taxable income	6,795,610	7,162,135	245,868	
Tax rate	25%	17%	17%	
	1,698,903	1,217,563	41,798	
Income tax credit	(10)	-	-	
Estimated income tax provision	1,698,893	1,217,563	41,798	
Unappropriated earnings (additional 10% income tax)	202,145	-	-	
Less: Investment research and development tax credits	(202,145)	-	-	
Income tax payable determined pursuant to the Income Tax Law	1,698,893	1,217,563	41,798	
Alternative minimum tax	3,211,563	6,330,018	217,303	
Less: Prepaid and withheld income tax	(39,014)	(28,685)	(985)	
Prior years' income tax payable	980,075	115,334	3,959	
Income tax payable	\$ 4,152,624	\$ 6,416,667	\$ 220,277	

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, 2009 and 2010 should be NT\$3,211,563 thousand and NT\$6,330,018 thousand (US\$217,303 thousand), respectively.

Deductible temporary differences and tax credit carryforwards that gave rise to deferred tax assets as of December 31, 2009 and 2010 were as follows:

	2009		2010	
	NT\$	NT\$	US\$(Note 3)	
Temporary differences				
Provision for loss on decline in value of inventory	\$ 529,353	\$ 584,238	\$ 20,056	
Unrealized marketing expenses	1,714,593	2,676,285	91,874	
Unrealized reserve for warranty expense	1,057,512	1,539,698	52,856	
Capitalized expense	40,734	74,045	2,542	
Unrealized royalties	1,691,142	2,879,421	98,847	
Unrealized contingent losses of purchase orders	95,699	206,795	7,099	
Unrealized bad-debt expenses	147,309	64,353	2,209	
Unrealized exchange losses, net	155,801	30,472	1,046	
Other	43,237	12,570	432	
Tax credit carryforwards	3,056,328	3,141,129	107,832	
Total deferred tax assets	8,531,708	11,209,006	384,793	
Less: Valuation allowance	(6,623,210)	(7,760,428)	(266,407)	
Total deferred tax assets, net	1,908,498	3,448,578	118,386	
Deferred tax liabilities				
Unrealized pension cost	(27,531)	(27,021)	(928)	
Unrealized valuation gains on financial instruments	(3,626)	(76,547)	(2,628)	
	1,877,341	3,345,010	114,830	
Less: Current portion	(811,240)	(925,579)	(31,774)	
Deferred tax assets - noncurrent	\$ 1,066,101	\$ 2,419,431	\$ 83,056	

Details of the tax credit carryforwards were as follows:

Year of Occurrence	Validity Period	2009		2010	
		NT\$	NT\$	US\$(Note 3)	
Temporary differences					
2007	2007-2011	\$ 201,506	\$ -	\$ -	
2008	2008-2012	831,154	831,154	28,533	
2009	2009-2013	2,023,668	2,309,975	79,299	
		\$ 3,056,328	\$ 3,141,129	\$ 107,832	

Before January 1, 2010, the investment and research and development tax credits can be carried forward for four years based on the related regulations of Income Tax Act in the ROC. The total credits used in each year cannot exceed half of the estimated income tax provision.

Under Article 10 of the Statute for Industrial Innovation (SII) passed by the Legislative Yuan in April 2010, a profit-seeking enterprise may deduct up to 15% of its research and development expenditures from its income tax payable for the fiscal year in which these expenditures are incurred, but this deduction should not exceed 30% of the income tax payable for that fiscal year. This incentive took effect from January 1, 2010 and is effective till December 31, 2019.

Valuation allowance is based on management's evaluation of the amount of tax credits that can be carried forward for four years.

The income taxes in 2009 and 2010 were as follows:

	2009		2010	
	NT\$	NT\$	US\$(Note 3)	
Current income tax	\$ 3,211,563	\$ 6,330,018	\$ 217,303	
Increase in deferred income tax assets	(503,703)	(1,467,669)	(50,384)	
(Overestimation) underestimation of prior year's income tax	(104,298)	95,360	3,274	
Income tax	\$ 2,603,562	\$ 4,957,709	\$ 170,193	

The integrated income tax information is as follows:

	2009		2010	
	NT\$	NT\$	US\$(Note 3)	
Balance of imputation credit account (ICA)	\$ 1,702,246	\$ 3,098,652	\$ 106,373	
Unappropriated earnings generated from 1998	38,364,099	52,876,892	1,815,204	
Actual/estimated creditable ratio (including income tax payable)	13.85%	18.00%	18.00%	
	(Actual ratio)	(Estimated ratio)	(Estimated ratio)	

For distribution of earnings generated on or after January 1, 1998, the ratio for the imputation credits allocated to stockholders of the Company is based on the balance of the ICA as of the date of dividend distribution. The expected creditable ratio for the 2010 earnings may be adjusted, depending on the ICA balance on the date of dividend distribution.

22. 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 826,735 thousand shares and 815,239 thousand shares for the years ended December 31, 2009 and 2010, respectively. EPS for the year ended December 31, 2009 was calculated after the average number of shares outstanding was adjusted retroactively for the effect of stock dividend distribution in 2010.

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, 2009 and 2010 were as follows:

	2009					
	Amount (Numerator)			EPS (In Dollars)		
	Before Income Tax		After Income Tax	Shares (Denominator) (In Thousands)		After Income Tax
	NT\$		NT\$			NT\$
Basic EPS	\$	25,212,464	\$	22,608,902	826,735	\$ 30.50
Bonus to employees		-		-	15,044	
Diluted EPS	\$	25,212,464	\$	22,608,902	841,779	\$ 29.95

	2010					
	Amount (Numerator)			EPS (In Dollars)		
	Before Income Tax		After Income Tax	Shares (Denominator) (In Thousands)		After Income Tax
	NT\$		NT\$			NT\$
Basic EPS	\$	44,491,309	\$	39,533,600	815,239	\$ 54.57
Bonus to employees		-		-	10,201	
Diluted EPS	\$	44,491,309	\$	39,533,600	825,440	\$ 53.90

	2010					
	Amount (Numerator)			EPS (In Dollars)		
	Before Income Tax		After Income Tax	Shares (Denominator) (In Thousands)		After Income Tax
	US\$ (Note 3)		US\$ (Note 3)			US\$ (Note 3)
Basic EPS	\$	1,527,366	\$	1,357,143	815,239	\$ 1.87
Bonus to employees		-		-	10,201	
Diluted EPS	\$	1,527,366	\$	1,357,143	825,440	\$ 1.85

23. FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

a. Nonderivative financial instruments

	December 31					
	2009			2010		
	Carrying Amount	Fair Value	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	\$ 2,497,394	\$ 441,948	\$ 15,172	\$ 441,948	\$ 15,172
Available-for-sale financial assets - noncurrent	313	313	538	18	538	18
Held-to-maturity financial assets - noncurrent	-	-	207,946	7,139	207,467	7,122
Financial assets carried at cost	501,192	501,192	515,861	17,709	515,861	17,709

b. Derivative financial instruments

	December 31					
	2009			2010		
	Carrying Amount	Fair Value	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	\$ 18,132	\$ 450,276	\$ 15,457	\$ 450,276	\$ 15,457

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 include neither 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, available-for-sale and held-to-maturity 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		
	2009	2010	2009	2010	2009	2010
	NT\$	NT\$	US\$ (Note 3)	NT\$	NT\$	US\$ (Note 3)
Assets						
Financial assets at fair value through profit or loss - current	\$ 18,132	\$ 450,276	\$ 15,457	\$ -	\$ -	\$ -
Available-for-sale financial assets - current	2,497,394	441,948	15,172	-	-	-
Available-for-sale financial assets - noncurrent	313	538	18	-	-	-
Held-to-maturity financial assets - noncurrent	-	207,467	7,122	-	-	-
Financial assets carried at cost	-	-	-	501,192	515,861	17,709

There was no loss or gain recognized for the years ended December 31, 2009 and 2010 on the fair value changes of derivatives with fair values estimated using valuation techniques. However, the Company recognized an unrealized loss of NT\$26 thousand and an unrealized gain of NT\$773 thousand (US\$27 thousand) under stockholders' equity for the changes in fair value of available-for-sale financial assets for the years ended December 31, 2009 and 2010, respectively.

As of December 31, 2009 and 2010, financial assets exposed to fair value interest rate risk amounted to NT\$0 thousand and NT\$207,946 thousand (US\$7,139 thousand), respectively; financial assets exposed to cash flow interest rate risk amounted to NT\$61,177,848 thousand and NT\$50,853,665 thousand (US\$1,745,749 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's operating funds are deemed sufficient to meet the cash flow demand, therefore, liquidity risk is not considered to be significant.

24. RELATED-PARTY TRANSACTIONS

The names and relationships of related parties are as follows:

Related Party	Relationship with the Company
Xander International Corp.	Chairperson is an immediate relative of the Company's chairperson
VIA Technologies, Inc.	Same chairperson
Chander Electronics Corp.	Same chairperson
Comserve Network Netherlands B.V.	Main director is an immediate relative of the Company's chairperson
Syuda Construction Company	The only juridical stockholder whose chairperson is the same person with the Company at the transaction date
H.T.C. (B.V.I.) Corp.	Subsidiary
BandRich Inc.	Originally a subsidiary of the Company until July 2010 because of losing significant influence
Communication Global Certification Inc.	Subsidiary
High Tech Computer Asia Pacific Pte. Ltd.	Subsidiary
HTC Holding Cooperatief U.A.	Subsidiary
HTC. Netherlands B.V.	Subsidiary of HTC Holding Cooperatief U.A.
HTC Europe Co., Ltd.	Subsidiary of HTC. Netherlands B.V.
HTC America Holding Inc.	Subsidiary of HTC Europe Co., Ltd.
HTC America Inc.	Subsidiary of HTC America Holding, Inc.
High Tech Computer Corp. (Suzhou)	Subsidiary of H.T.C. (B.V.I.) Corp.
HTC Nippon Corporation	Subsidiary of HTC. Netherlands B.V.
HTC Brasil	Subsidiary of HTC. Netherlands B.V.
Exedea Inc.	Subsidiary of H.T.C. (B.V.I.) Corp.
HTC Corporation (Shanghai WGQ)	Subsidiary of HTC HK, Limited.
HTC Belgium BVBA/SPRL	Subsidiary of HTC. Netherlands B.V.

Related Party	Relationship with the Company
High Tech Computer Singapore Pte. Ltd. (Merged into High Tech Computer Asia Pacific Pte. Ltd. in February 2010)	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 HTC HK, Limited.
HTC Malaysia Sdn. Bhd.	Subsidiary of High Tech Computer Asia Pacific Pte. Ltd.
HTC Innovation Limited	Subsidiary of High Tech Computer Asia Pacific Pte. Ltd.
One & Company Design Inc.	Subsidiary of HTC America Holding, Inc.
HTC France Corporation	Subsidiary of HTC. Netherlands B.V.
HTC South Eastern Europe Limited liability Company	Subsidiary of HTC. Netherlands B.V.
Abaxia SAS	Subsidiary of HTC France Corporation
HTC Nordic ApS.	Subsidiary of HTC. Netherlands B.V.
HTC America Innovation Inc.	Subsidiary of HTC America Holding, Inc.
HTC Communication Co., Ltd.	Subsidiary of High Tech Computer Asia Pacific Pte. Ltd.
Employees' Welfare Committee	Employees' Welfare Committee of HTC Corporation
HTC Cultural and Educational 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	2009		2010	
	Amount	% to Total Net Purchases	Amount	% to Total Net Purchases
	NT\$		NT\$ US\$ (Note 3)	
HTC Electronics (Shanghai)	\$ 78,835	-	\$ 298,526	-
Chander Electronics Corp.	28,606	-	270,931	-
High Tech Computer Corp. (Suzhou)	32,361	-	39,876	-
BandRich Inc.	41,318	-	-	-
	\$ 181,120	-	\$ 609,333	-

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

Sales and Services Provided

Related Party	2009				2010			
	Amount		% to Total Revenues		Amount		% to Total Revenues	
	NT\$		NT\$		US\$ (Note 3)			
HTC America Inc.	\$	1,118,794	1	\$	86,510,154	\$	2,969,796	32
HTC Communication Co., Ltd.		-	-		2,565,782		88,080	1
Exedea Inc.		1,844,513	1		1,126,078		38,657	-
HTC Europe Co., Ltd.		298,267	-		172,235		5,913	-
Employees' Welfare Committee		9,666			34,138		1,172	
High Tech Computer (H.K.) Limited		55,123	-		16,399		563	-
High Tech Computer Singapore Pte. Ltd.		34,840	-		6,155		211	-
BandRich Inc.		20,028	-		6,735		231	-
Others		20,505	-		31,023		1,065	-
	\$	3,401,736	2	\$	90,468,699	\$	3,105,688	33

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

Accounts Receivable

Related Party	2009				2010			
	Amount		% to Total Accounts Receivable		Amount		% to Total Accounts Receivable	
	NT\$		NT\$		US\$ (Note 3)			
Accounts receivable								
HTC America Inc.	\$	378,584	1	\$	26,738,921	\$	917,917	42
HTC Communication Co., Ltd.		-	-		1,388,612		47,669	2
HTC Europe Co., Ltd.		25,333	-		54,993		1,888	-
Exedea Inc.		1,820,281	7		-		-	-
Others		20,352	-		3,865		133	-
	\$	2,244,550	8	\$	28,186,391	\$	967,607	44

Accounts Payable

Related Party	2009				2010			
	Amount		% to Total Accounts Payable		Amount		% to Total Accounts Payable	
	NT\$		NT\$		US\$ (Note 3)			
HTC Electronics (Shanghai)	\$	67,245	-	\$	1,184,262	\$	40,654	2
Chander Electronics Corp.		13,479	-		126,093		4,328	-
High Tech Computer Corp. (Suzhou)		-	-		36,550		1,255	-
Others		4,952	-		76		3	-
	\$	85,676	-	\$	1,346,981	\$	46,240	2

Other Receivables

Related Party	2009				2010			
	Amount		% to Total Other Receivable		Amount		% to Total Other Receivable	
	NT\$		NT\$		US\$ (Note 3)			
HTC America Inc.	\$	77,930	40	\$	34,034	\$	1,168	5
HTC Europe Co., Ltd.		1,988	1		1,697		58	-
Others		1,219	-		454		16	-
	\$	81,137	41	\$	36,185	\$	1,242	5

Prepaid Expenses

Related Party	2009				2010			
	Amount		% to Total Prepayment		Amount		% to Total Prepayment	
	NT\$		NT\$		US\$ (Note 3)			
HTC America Innovation Inc.	\$	-	-	\$	66,989	\$	2,300	3
HTC NIPPON Corporation		23,976	1		42,984		1,475	2
HTC Brasil		-	-		35,035		1,203	2
HTC India Private Limited		-	-		10,927		375	-
HTC South Eastern Europe Limited liability Company		-	-		3,892		134	-
One & Company Design, Inc.		3,850	-		44		1	-
HTC America Inc.		94,223	3		-		-	-
Others		-	-		87		3	-
	\$	122,049	4	\$	159,958	\$	5,491	7

Accrued Expenses

Related Party	2009				2010			
	Amount		% to Total Accrued Expenses		Amount		% to Total Accrued Expenses	
	NT\$		NT\$		US\$ (Note 3)			
HTC Europe Co., Ltd.	\$	458,233	3	\$	610,022	\$	20,941	2
HTC Cultural and Educational Foundation		217,800	1		217,800		7,477	1
HTC (Australia and New Zealand) Pty. Ltd.		13,513	-		150,526		5,167	1
High Tech Computer Asia Pacific Pte. Ltd.		47,985	-		100,001		3,433	-
High Tech Computer (H.K.) Limited		26,798	-		85,871		2,948	-
HTC Innovation Limited		-	-		73,009		2,506	-
HTC India Private Limited		16,546	-		68,655		2,357	-
HTC Belgium BVBA/SPRL		39,436	-		40,374		1,386	-

HTC Brasil	\$	-	-	\$	37,462	\$	1,286	-
Communication Global Certification Inc.		-	-		31,886		1,095	-
HTC Nordic ApS.		-	-		30,803		1,057	-
HTC America Innovation Inc.		-	-		27,484		944	-
HTC (Thailand) Limited		9,064	-		18,903		649	-
HTC America Inc.		401,564	3		-		-	-
High Tech Computer Singapore Pte. Ltd.		22,550	-		-		-	-
Others		23,716	-		129,218		4,436	1
	\$	1,277,205	7	\$	1,622,014	\$	55,682	5

Other Payables to Related Parties

	December 31				
	2009			2010	
Related Party	Amount	% to Total Other Payables	Amount	% to Total Other Payables	
	NT\$		NT\$	US\$ (Note 3)	
HTC America Inc.	\$ 317,708	35	\$ 173,961	\$ 5,972	
HTC America Innovation Inc.	-	-	113,407	3,893	
HTC EUROPE CO, LTD.	83,509	9	87,266	2,996	
High Tech Computer Asia Pacific Pte. Ltd.	96,438	11	47,335	1,625	
HTC Corporation (Shanghai WGQ)	15,470	2	25,802	886	
HTC Nippon Corporation	7,069	1	7,084	243	
High Tech Computer (H.K.) Limited	6,776	1	183	6	
Others	4,797	-	21,198	728	
	\$ 531,767	59	\$ 476,236	\$ 16,349	

Advance Receipts

	December 31					
	2009			2010		
Related Party	Amount	% to Total Advance Receipts		Amount	% to Total Advance Receipts	
	NT\$			NT\$	US\$ (Note 3)	
BandRich Inc.	\$ 61,358	11	\$ -	\$ -		-

Outsourcing Expenses

	2009				2010
Related Party	Amount	% to Total Outsourcing Expenses	Amount	% to Total Outsourcing Expenses	
	NT\$		NT\$	US\$ (Note 3)	
HTC Electronics (Shanghai)	\$ 306,410	95	\$ 11,010,333	\$ 377,972	95
High Tech Computer Corp. (Suzhou)	3,775	1	-	-	-
	\$ 310,185	96	\$ 11,010,333	\$ 377,972	95

Warranty Expenses

	2009				2010
Related Party	Amount	% to Total Warranty Expenses	Amount	% to Total Warranty Expenses	
	NT\$		NT\$	US\$ (Note 3)	
HTC America Inc.	\$ 1,211,149	22	\$ 793,998	\$ 27,257	8
HTC Europe Co., Ltd.	319,210	6	275,025	9,441	3
HTC Corporation (Shanghai WGQ)	89,358	2	104,176	3,576	1
High Tech Computer Asia Pacific Pte. Ltd.	-	-	62,068	2,131	1
High Tech Computer (H.K.) Limited	48,179	1	40,707	1,398	-
Others	31,188	-	37,698	1,294	-
	\$ 1,699,084	31	\$ 1,313,672	\$ 45,097	13

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

Commission Expenses

	2009				2010
Related Party	Amount	% to Total Commission Expenses	Amount	% to Total Commission Expenses	
	NT\$		NT\$	US\$ (Note 3)	
HTC Europe Co., Ltd.	\$ 2,547,351	86	\$ 3,674,661	\$ 126,147	81
HTC Belgium BVBA/SPRL	424,299	14	528,017	18,126	12
HTC Nordic ApS.	-	-	91,146	3,129	2
HTC FRANCE CORPORATION	-	-	76,889	2,640	2
Others	-	-	151,249	5,192	3
	\$ 2,971,650	100	\$ 4,521,962	\$ 155,234	100

Commission expenses resulted from the basis of the nature of services rendered by the related parties.

Service and Marketing Fees

Related Party	2009				2010			
	Amount		% to Total Service Expenses		Amount		% to Total Service Expenses	
	NT\$		NT\$		US\$ (Note 3)			
HTC America Inc.	\$	2,541,746	33	\$	2,276,534	\$	78,151	16
HTC (Australia and New Zealand) Pty. Ltd.		92,283	1		332,085		11,400	2
High Tech Computer Asia Pacific Pte. Ltd.		-	-		312,685		10,734	2
HTC America Innovation Inc.		-	-		278,890		9,574	2
High Tech Computer (H.K.) Limited		94,256	1		192,255		6,600	2
HTC Innovation Limited		-	-		188,065		6,456	1
HTC Brasil		173,325	2		175,816		6,036	1
Communication Global Certification Inc.		175,930	2		163,565		5,615	1
One & Company Design, Inc.		157,246	2		160,473		5,509	1
HTC India Private Limited		63,051	1		149,498		5,132	1
HTC NIPPON Corporation		211,502	3		106,811		3,667	1
HTC (Thailand) Limited		40,669	1		70,248		2,411	1
ABAXIA SAS		-	-		56,751		1,948	-
High Tech Computer Singapore Pte. Ltd.		166,508	2		13,996		480	-
HTC Europe Co., Ltd.		142,260	2		-		-	-
HTC Belgium BVBA/SPRL		142,164	2		-		-	-
Others		46,273	1		79,604		2,733	-
	\$	4,047,213	53	\$	4,557,276	\$	156,446	31

Other Revenues

Related Party	2009				2010			
	Amount		% to Total Other Revenues		Amount		% to Total Other Revenues	
	NT\$		NT\$		US\$ (Note 3)			
BandRich Inc.	\$	1,200	-	\$	200	\$	7	-

Leasing - Lessee

Operating expenses - rental expenses

Related Party	2009				2010			
	Amount		% to Total Rental Expenses		Amount		% to Total Rental Expenses	
	NT\$		NT\$		US\$ (Note 3)			
VIA Technologies Inc.	\$	9,035	17	\$	12,212	\$	419	16-

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	2009				2010			
	Amount		% to Total Donation Expenses		Amount		% to Total Donation Expenses	
	NT\$		NT\$		US\$ (Note 3)			
HTC Cultural and Educational Foundation	\$	300,000	92	\$	150,000	\$	5,150	49
HTC Social Welfare and Charity Foundation		25,000	7		150,000		5,150	49
	\$	325,000	99	\$	300,000	\$	10,300	98

The Company donated NT\$325,500 thousand in 2009 and NT\$305,500 thousand (US\$10,487 thousand) in 2010 to help disadvantaged minorities, teenagers and other people in need. Of these donations, NT\$500 thousand in 2009 and NT\$5,500 thousand (US\$189 thousand) in 2010 went to unrelated parties (Note 15 has more information).

Property Transactions

In November 2010, the Company bought land and building for NT\$404,000 thousand (US\$13,869 thousand) from a related party, VIA Technologies, Inc. to have more office space in Xindian. The transaction price had been paid except for NT\$20,200 thousand (US\$693 thousand), which was accounted for as payable for purchase of equipment.

In January 2009, the Company acquired land from a related party, Syuda Construction Company, for NT\$791,910 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 2009, the Company sold equipment to HTC Corporation (Shanghai WGQ) for NT\$496 thousand, and resulting in NT\$0 gain or loss on this sale.

Endorsement/Guarantee Provided

Note 26 has more information.

Compensation of Directors, Supervisors and Management Personnel

	2009		2010	
	NT\$	NT\$	US\$ (Note)	
Salaries	\$ 78,556	\$ 79,745	\$ 2,738	
Incentives	46,799	244,333	8,387	
Special compensation	12	3	-	
Bonus	669,412	(Note)	(Note)	
	\$ 794,779	\$ 324,081	\$ 11,125	

Note: The appropriation of the 2010 earnings is not shown because the Board of Directors has 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, 2009 and 2010 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, 2009 included the bonuses appropriated from the earnings of 2009, which had been approved by stockholders in their annual meeting in 2010.

25. PLEDGED ASSETS

As of December 31, 2009 and 2010, the Company had provided time deposits of NT\$63,900 thousand and NT\$63,900 thousand (US\$2,194 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.

26. COMMITMENTS AND CONTINGENCIES

As of December 31, 2010, unused letters of credit amounted to EUR 86 thousand.

The Company provided NT\$436,950 thousand (US\$15,000 thousand) guarantee for HTC Electronics (Shanghai)'s bank loans. HTC Electronics (Shanghai) has drawn down NT\$78,195 thousand (US\$2,684 thousand) from banks within the guarantee amount as of December 31, 2010.

27. SIGNIFICANT CONTRACTS

Patent Agreements

To enhance the quality of its products and manufacturing technologies, the Company has patent agreements as follows:

Contractor	Contract Term	Description
Microsoft	February 1, 2009 - January 31, 2011	Authorization to use embedded operating system; 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:	TDMA, NARROWBAND CDMA, WIDEBAND CDMA or TD/CDMA Standards patent license or technology; royalty payment based on agreement.

Contractor	Contract Term	Description
	a. Expiry dates of patents b. Any time when the Company is not using any of Motorola's intellectual property,	
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.
IV International Licensing Netherlands, B.V.	November 2010 - June 2020	Authorization to use wireless technology; royalty payment based on agreement.

28. OTHER EVENTS

Lawsuit

a. 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. In February 2009, the court granted a ruling on patent #100 (EP 186189B1) which granted IPCoM's request for an injunction to prevent the Company from importing devices into Germany, 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 court of Appeal in Karlsruhe and requested a stay of the injunction pending the outcome of this appeal. In May 2009, the court of Appeal in Karlsruhe 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.

In December 2009, the District Court of Mannheim ruled that it will stay the proceedings on patent #107 (EP 122782) because of the Court's doubts about its validity. The case was therefore stayed pending the decision of the EPO opposition division on validity. The EPO subsequently revoked the patent #107 (EP 122782) for all designated states in June 2010. Also, in February 2010, the District Court of Mannheim further ruled that the Company had not infringed IPCoM's patent #173 (EP 1018849).

In October 2010, IPCoM filed a new complaint against the Company alleging patent infringement of patent #114 (EP 1226692B1) in District Court of Dusseldorf. The Company has previously filed patent invalidity action against patent #114 (EP 1226692B1) in EPO and patent #114 (EP 1226692B1) has already been revoked by EPO and IPCoM is appealing EPO's decision. In December 2010, the #100 (EP 186189B1) was upheld in the Federal Patents Court; however, the chances of IPCoM proving infringement are very low because the revised claim is very restricted. The risk of this newly asserted patent is very low. As of January 18, 2011, the date of the accompanying independent auditors' report, there had been no further hearing nor had a court decision been made.

b. In March 2010, Apple Inc. (“Apple”) filed a lawsuit against the Company, H.T.C. (B.V.I.) Corp., HTC America, Inc. and Exedea, Inc. (“the Company”) concurrently with the U.S. International Trade Commission (“ITC”) and U.S. District Court in Delaware (“Delaware court”), alleging that the Company infringed its patents. Apple requested ITC and Delaware court to prevent the Company from importing to and selling devices in the United States and damage compensation, respectively. The Company, subsequently filed ITC investigation and filed counterclaim with Delaware court against Apple for patent infringements. The Company requested ITC and Delaware court to prevent Apple from importing and selling devices in the United States and damage compensation, respectively. The Company evaluated that there was indirect association between the patents used by the Company's devices and those claimed by Apple. The Company believes the lawsuits have limited impact on its financial results or sales activities. As of January 18, 2011, the date of the accompanying independent auditors' report, there had been no further hearing nor had a court decision been made.

- c. 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.

Construction for Taipei R&D Headquarters

In September 2009, the Company’s board of directors resolved to build the Taipei R&D headquarters in Xindian City and the land was bought from Yulon Motors Ltd. The estimated budget for the construction is NT\$3,380,000 thousand for a total floor space of 92 thousand square meters. Construction is scheduled to be completed by August 31, 2011 (Note 14 has more information).

29. SEGMENT INFORMATION

Industry Type

The Company mainly manufactures and sells smart handheld devices.

Foreign Operations

The Company does not have any foreign operations.

Export Sales

Export sales in 2009 and 2010 were as follows:

	2009		2010	
	NT\$	NT\$	US\$ (Note3)	
Asia	\$ 19,291,108	\$ 28,505,519	\$ 978,562	
North America	70,729,422	137,284,600	4,712,825	
Europe	44,000,227	90,094,743	3,092,851	
Others	6,218,621	11,867,647	407,403	
	\$ 140,239,378	\$ 267,752,509	\$ 9,191,641	

Major Customers

Sales to major customers were as follows

Customer	2009		2010	
	NT\$	NT\$	US\$ (Note3)	
A	\$ 1,118,794	\$ 86,510,154	\$ 2,969,796	
B	28,815,938	26,341,261	904,266	
C	27,213,647	11,156,997	383,007	
	\$ 57,148,379	\$ 124,008,412	\$ 4,257,069	

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, 2009 and 2010, 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, 2009 and 2010, 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.

Our audits also comprehended the translation of the 2010 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, 2011

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 consolidated financial statements shall prevail. Also, as stated in Note 2 to the consolidated financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2009 AND 2010

(In Thousands, Except Par Value)

ASSETS	2009		2010	
	NT\$	NT\$	US\$(Note3)	
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	\$ 64,638,290	\$ 74,462,861	\$ 2,556,226	
Financial assets at fair value through profit or loss (Notes 2, 5 and 25)	18,132	450,276	15,457	
Available-for-sale financial assets - current (Notes 2 and 6)	2,497,394	441,948	15,172	
Notes and accounts receivable, net (Notes 2, 7 and 26)	27,125,609	61,614,355	2,115,151	
Other current financial assets (Notes 8 and 26)	258,474	783,540	26,898	
Inventories (Notes 2 and 9)	6,036,207	26,413,747	906,754	
Prepayments (Note 10)	3,341,649	2,653,778	91,101	
Deferred income tax assets (Notes 2 and 23)	812,254	1,051,196	36,086	
Other current assets	172,872	767,825	26,359	
Total current assets	104,900,881	168,639,526	5,789,204	
LONG-TERM INVESTMENTS				
Available-for-sale financial assets - noncurrent (Notes 2 and 6)	313	538	18	
Held-to-maturity financial assets - noncurrent (Notes 2 and 11)	-	207,946	7,139	
Financial assets carried at cost (Notes 2 and 12)	565,172	975,596	33,491	
Prepayments for long-term investments (Notes 2, 12 and 13)	245,000	48,065	1,650	
Total long-term investments	810,485	1,232,145	42,298	
PROPERTIES (Notes 2, 14 and 26)				
Cost				
Land	4,719,538	5,862,076	201,238	
Buildings and structures	4,218,443	5,005,642	171,838	
Machinery and equipment	4,702,420	7,236,349	248,416	
Molding equipment	199,392	172,632	5,926	
Computer equipment	411,504	474,299	16,282	
Transportation equipment	4,575	7,378	253	
Furniture and fixtures	462,664	245,041	8,412	
Leased assets	6,327	5,934	204	
Leasehold improvements	199,416	305,073	10,473	
Total cost	14,924,279	19,314,424	663,042	
Less: Accumulated depreciation	(5,055,135)	(5,801,233)	(199,150)	
Prepayments for construction-in-progress and equipment-in-transit	30,664	511,138	17,547	
Properties, net	9,899,808	14,024,329	481,439	
INTANGIBLE ASSETS (Note 2)				
Patents	-	208,581	7,160	
Goodwill	239,992	497,803	17,089	
Deferred pension cost	490	416	14	
Other	-	228,850	7,857	
Total intangible assets	240,482	935,650	32,120	
OTHER ASSETS				
Assets leased to others	48,135	50,828	1,745	
Refundable deposits	128,655	150,860	5,179	
Deferred charges (Note 2)	245,996	243,249	8,350	
Deferred income tax assets (Notes 2 and 23)	1,067,691	2,366,488	81,239	
Restricted assets (Note 27)	106,252	95,688	3,285	
Other (Notes 2, 10 and 19)	1,980,632	2,642,981	90,731	
Total other assets	3,577,361	5,550,094	190,529	
TOTAL	\$ 119,429,017	\$ 190,381,744	\$ 6,535,590	

LIABILITIES AND STOCKHOLDERS' EQUITY	2009		2010	
	NT\$	NT\$	US\$(Note3)	
CURRENT LIABILITIES				
Short-term borrowings (Note 15)	\$ 72,326	\$ -	\$ -	
Notes and accounts payable (Note 26)	25,631,015	63,916,803	2,194,192	
Income tax payable (Notes 2 and 23)	4,270,962	6,809,417	233,760	
Accrued expenses (Notes 16 and 26)	16,963,888	33,426,028	1,147,478	
Payable for purchase of equipment (Note 26)	153,551	441,976	15,173	
Long-term liabilities - current portion (Note 18)	22,500	12,188	418	
Other current liabilities (Notes 17 and 26)	6,614,533	11,034,691	378,808	
Total current liabilities	53,728,775	115,641,103	3,969,829	
LONG-TERM LIABILITIES				
Long-term bank loans, net of current portion (Note 18)	24,375	12,188	418	
OTHER LIABILITIES				
Guarantee deposits received	1,210	13,959	479	
Total liabilities	53,754,360	115,667,250	3,970,726	
STOCKHOLDERS' EQUITY (Note 20)				
Capital stock - NT\$10.00 par value				
Authorized: 1,000,000 thousand shares				
Issued and outstanding: 788,936 thousand shares in 2009 and 817,653 thousand shares in 2010				
Common stock	7,889,358	8,176,532	280,691	
Capital surplus				
Additional paid-in capital from share issuance in excess of par	9,056,323	10,777,623	369,984	
Long-term equity investments	18,411	18,411	632	
Merger	25,189	24,710	848	
Retained earnings				
Legal reserve	10,273,674	10,273,674	352,684	
Accumulated earnings	38,364,099	52,876,892	1,815,204	
Cumulative translation adjustments (Note 2)	15,088	(579,849)	(19,906)	
Net loss not recognized as pension cost	(34)	(121)	(4)	
Unrealized valuation losses on financial instruments	(1,658)	(885)	(30)	
Treasury stock (Notes 2 and 21)	-	(6,852,493)	(235,239)	
Equity attributable to stockholders of the parent	65,640,450	74,714,494	2,564,864	
MINORITY INTEREST	34,207	-	-	
Total stockholders' equity	65,674,657	74,714,494	2,564,864	
TOTAL	\$ 119,429,017	\$ 190,381,744	\$ 6,535,590	

HTC CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2009 AND 2010
(In Thousands, Except Earnings Per Share)

	2009		2010	
	NT\$	NT\$	US\$(Note3)	
REVENUES (Notes 2 and 26)	\$ 144,492,518	\$ 278,761,244	\$ 9,569,559	
COST OF REVENUES (Notes 9, 22 and 26)	98,329,537	194,892,505	6,690,440	
GROSS PROFIT	46,162,981	83,868,739	2,879,119	
OPERATING EXPENSES (Notes 22 and 26)				
Selling and marketing	10,863,175	21,757,601	746,914	
General and administrative	2,304,364	5,038,543	172,967	
Research and development	8,372,535	12,940,014	444,216	
Total operating expenses	21,540,074	39,736,158	1,364,097	
OPERATING INCOME	24,622,907	44,132,581	1,515,022	
NONOPERATING INCOME AND GAINS				
Interest income	362,136	313,888	10,775	
Gains on disposal of properties	2,984	879	30	
Gains on sale of investments	3,035	3,001	103	
Exchange gain (Note 2)	558,985	-	-	
Valuation gains on financial instruments, net (Notes 2 and 5)	18,132	450,276	15,457	
Other	474,814	374,900	12,871	
Total nonoperating income and gains	1,420,086	1,142,944	39,236	
NONOPERATING EXPENSES AND LOSSES				
Interest expense	2,174	3,562	122	
Loss on equity-method investments (Notes 2 and 13)	3,891	-	-	
Losses on disposal of properties	2,576	13,066	449	
Exchange loss (Note 2)	-	214,679	7,370	
Impairment losses (Notes 2, 12 and 13)	78,946	32,771	1,125	
Other	558,994	47,059	1,615	
Total nonoperating expenses and losses	646,581	311,137	10,681	
INCOME BEFORE INCOME TAX	25,396,412	44,964,388	1,543,577	
INCOME TAX (Notes 2 and 23)	(2,781,999)	(5,449,544)	(187,077)	
NET INCOME	\$ 22,614,413	\$ 39,514,844	\$ 1,356,500	
ATTRIBUTABLE TO				
Stockholders of the parent	\$ 22,608,902	\$ 39,533,600	\$ 1,357,143	
Minority interest	5,511	(18,756)	(643)	
	\$ 22,614,413	\$ 39,514,844	\$ 1,356,500	

(Continued)

	2009		2010	
	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 24)	\$ 30.50	\$ 27.35	\$ 54.57 \$ 1.87	\$ 48.49 \$ 1.66
DILUTED EARNINGS PER SHARE (Note 24)	\$ 29.95	\$ 26.86	\$ 53.90 \$ 1.85	\$ 47.89 \$ 1.64

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

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2009 AND 2010

(In Thousands)

	Capital Stock		Capital Surplus								Unrealized Valuation					
	Issued and Outstanding Common Stock		From Share Issuance in Excess of Pars		Long-term Equity Investments		Merger	Legal Reserve	Retained Earnings Accumulated Earnings	Cumulative Translation Adjustments	Net Loss Not Recognized as Pension Cost	Losses on Financial Instruments	Treasury Stock	Minority Interests		Total
New Taiwan Dollars																
BALANCE, JANUARY 1, 2009	\$ 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 movement 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	
Appropriation of the 2009 net earnings																
Stock dividends	386,968		-		-		-	-	(386,968)	-	-	-	-	-	-	
Cash dividends	-		-		-		-	-	(20,122,332)	-	-	-	-	-	(20,122,332)	
Transfer of employee bonuses to common stock	50,206		1,893,488		-		-	-	-	-	-	-	-	-	1,943,694	
Net income in 2010	-		-		-		-	-	39,533,600	-	-	-	-	(18,756)	39,514,844	
Translation adjustments on long-term equity investments	-		-		-		-	-	-	(594,937)	-	-	-	-	(594,937)	
Unrealized gain on financial instruments	-		-		-		-	-	-	-	-	773	-	-	773	
Adjustment due to the movement of investees' other equity under equity method	-		-		-		-	-	-	-	(87)	-	-	-	(87)	
Purchase of treasury stock	-		-		-		-	-	-	-	-	-	(11,686,667)	-	(11,686,667)	
Retirement of treasury stock	(150,000 )	(	172,188 )		-	(	479)	-	(4,511,507)	-	-	-	4,834,174	-	-	
Change in minority interest	-		-		-		-	-	-	-	-	-	-	(15,451)	(15,451)	
BALANCE, DECEMBER 31, 2010	\$ 8,176,532	\$	10,777,623	\$	18,411	\$	24,710	\$ 10,273,674	\$ 52,876,892	\$ (579,849)	\$ (121)	\$ (885)	\$ (6,852,493)	\$ -	\$ 74,714,494	

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

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2009 AND 2010

(In Thousands)

U.S. Dollars	Capital Stock		From Share Issuance in Excess of Pars		Long-term Equity Investments		Capital Surplus		Retained Earnings		Cumulative Translation Adjustments	Net Loss Not Recognized as Pension Cost	Unrealized Valuation Losses on Financial Instruments	Treasury Stock	Minority Interests	Total
	Issued and Outstanding Common Stock						Merger	Legal Reserve	Accumulated Earnings							
BALANCE, JANUARY 1, 2010	\$ 270,833	\$	310,893	\$	632	\$	865	\$ 352,684	\$ 1,316,996	\$	518	\$ (1)	\$ (57)	\$ -	\$ 1,173	\$ 2,254,536
Appropriation of the 2009 net earnings																
Stock dividends	13,284		-		-		-	- (13,284)		-		-	-	-	-	-
Cash dividends	-		-		-		-	- (690,777)		-		-	-	-	-	(690,777)
Transfer of employee bonuses to common stock	1,724		65,001		-		-	-	-	-		-	-	-	-	66,725
Net income in 2010	-		-		-		-	-	1,357,143	-		-	-	-	(643)	1,356,500
Translation adjustments on long-term equity investments	-		-		-		-	-	-	(20,424)		-	-	-	-	(20,424)
Unrealized gain on financial instruments	-		-		-		-	-	-	-		-	27	-	-	27
Adjustment due to the movement of investees' other equity under equity method	-		-		-		-	-	-	-	(3)	-	-	-	-	(3)
Purchase of treasury stock	-		-		-		-	-	-	-		-	-	(401,190)	-	(401,190)
Retirement of treasury stock	(5,150 )	(	5,910 )		-	(	17)	-	(154,874)	-		-	-	165,951	-	-
Change in minority interest	-		-		-		-	-	-	-		-	-	-	(530)	(530)
BALANCE, DECEMBER 31, 2010	\$ 280,691	\$	369,984	\$	632	\$	848	\$ 352,684	\$ 1,815,204	\$ (19,906)	\$ (4)	\$ (30)	\$ (235,239)	\$ -	\$ -	\$ 2,564,864

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

HTC CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2009 AND 2010
(In Thousands)

	2009		2010	
	NT\$	NT\$	US\$(Note3)	
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	\$ 22,614,413	\$ 39,514,844	\$ 1,356,500	
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation (including depreciation of assets leased to others)	901,848	905,138	31,072	
Amortization	72,614	97,196	3,337	
Amortization of premium on financial assets	-	385	13	
Prepaid pension cost	(20,525)	(21,364)	(733)	
Loss on equity-method investments	3,891	-	-	
(Gain) loss on disposal of properties and deferred charges, net	(408)	12,187	419	
Transfer of properties to expenses	7,474	1,151	39	
Gains on sale of investments, net	(3,035)	(3,001)	(103)	
Impairment losses	78,946	32,771	1,125	
Deferred income tax assets	(506,522)	(1,537,739)	(52,789)	
Net changes in operating assets and liabilities				
Financial instruments at fair value through profit or loss	(532,215)	(432,144)	(14,835)	
Notes and accounts receivable	2,329,169	(34,472,524)	(1,183,403)	
Other current financial assets	58,050	(547,932)	(18,810)	
Inventories	2,214,130	(20,435,168)	(701,516)	
Prepayments	(2,038,073)	683,128	23,451	
Other current assets	(11,552)	(582,339)	(19,991)	
Other assets - other	(1,843,170)	(640,985)	(22,004)	
Notes and accounts payable	(2,938,920)	38,346,267	1,316,384	
Income tax payable	231,349	2,538,408	87,141	
Accrued expenses	6,570,007	18,413,894	632,128	
Other current liabilities	533,103	4,175,616	143,344	
Net cash provided by operating activities	27,720,574	46,047,789	1,580,769	
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of available-for-sale financial assets	(8,105,512)	(3,551,180)	(121,908)	
Proceeds of the sale of available-for-sale financial assets	5,611,153	5,610,175	192,591	
Purchase of held-to-maturity financial assets	-	(208,331)	(7,152)	
Increase in financial assets carried at cost	(64,330)	(234,575)	(8,053)	
Increase in prepayments for long-term investments	(245,000)	(52,301)	(1,796)	
Acquisition of a subsidiary	(26,262)	(78,272)	(2,687)	
Purchase of properties and assets leased to others	(1,910,679)	(4,990,996)	(171,335)	
Proceeds of the sale of properties and deferred charges	70,682	20,064	689	
Decrease (increase) in refundable deposits	62,828	(21,817)	(749)	
Increase in deferred charges	(70,099)	(90,721)	(3,114)	
(Increase) decrease in restricted assets	(64,787)	10,564	363	
Increase in intangible assets	-	(220,943)	(7,585)	
Net cash used in investing activities	(4,742,006)	(3,808,333)	(130,736)	

(Continued)

	2009		2010	
	NT\$	NT\$	US\$(Note3)	
CASH FLOWS FROM FINANCING ACTIVITIES				
Decrease in short-term borrowings	(2,674)	(42,326)	(1,453)	
Decrease in long-term bank loans	(28,750)	(22,499)	(772)	
(Decrease) increase in guarantee deposits received	(5,210)	12,749	437	
Cash dividends	(20,125,634)	(20,122,332)	(690,777)	
Purchase of treasury stock	(2,406,930)	(11,686,667)	(401,190)	
Decrease in minority interest	-	(15,451)	(530)	
Net cash used in investing activities	(22,569,198)	(31,876,526)	(1,094,285)	
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(8,808)	(538,359)	18,482)	
NET INCREASE IN CASH AND CASH EQUIVALENTS	400,562	9,824,571	337,266	
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	64,237,728	64,638,290	2,218,960	
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 64,638,290	\$ 74,462,861	\$ 2,556,226	
SUPPLEMENTAL CASH FLOW INFORMATION				
Cash paid during the year				
Interest	\$ 2,219	\$ 2,386	\$ 82	
Income tax	\$ 3,057,172	\$ 4,448,828	\$ 152,723	
NONCASH INVESTING AND FINANCING ACTIVITIES				
Transfer of retained earnings to stock dividends for distribution	\$ 372,697	\$ 386,968	\$ 13,284	
Transfer of assets leased to others to properties	\$ 261,824	\$ 47,813	\$ 1,641	
Retirement of treasury stock	\$ 5,817,207	\$ 4,834,174	\$ 165,952	
Transfer of stock bonuses to employees to common stock and additional paid-in capital	\$ 4,954,889	\$ 1,943,694	\$ 66,725	
Cost of properties and assets leased to others purchased	\$ 1,749,140	\$ 5,278,345	\$ 181,200	
Decrease (increase) in payable for purchase of equipment	160,535	(288,425)	(9,902)	
Decrease in lease payable	1,004	1,076	37	
Cash paid for purchase of properties and assets leased to others	\$ 1,910,679	\$ 4,990,996	\$ 171,335	
ACQUISITION OF A SUBSIDIARY				
Increase in investments accounted for by the equity method	\$ -	\$ 245,927	\$ 8,442	
Decrease (increase) in other payable	26,262	(167,655)	(5,755)	
Cash paid for acquisition of a subsidiary	\$ 26,262	\$ 78,272	\$ 2,687	

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

(Concluded)

HTC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009 AND 2010

(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 8,249 and 12,575 employees as of December 31, 2009 and 2010, 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, income tax, 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, 2009 and 2010 were as follows:

			% of Ownership		Remark
Investor	Investee	Main Businesses	2009	2010	
HTC Corporation	H.T.C. (B.V.I.) Corp. BandRich Inc.	International holding	100	100	Incorporated in August 2000
		Design, manufacture and sale of electronic devices	50.66	18.08	Incorporated in April 2006, lost significant influence in July 2010
		International holding	-	-	Incorporated in August 2006, and transferred out for the reorganization in December 2009
	HTC HK, Limited	Testing and certification services	100	100	Invested in January 2007
		Global investing activities, marketing, distribution and after-sales service	100	100	Incorporated in July 2007
	HTC Investment Corporation PT. High Tech Computer Indonesia	General investing activities	100	100	Incorporated in July 2008
		Marketing, repair and after-sales services	1	1	Incorporated in December 2007
	HTC I Investment Corporation HTC Holding Cooperatief U.A. Huada Digital Corporation	General investing activities	100	100	Incorporated in September 2009
		International holding	1	1	Incorporated in October 2009
		Software service	-	100	Incorporated in January 2010
H.T.C. (B.V.I.) Corp.	HTC America Inc.	Marketing, repair and after-sales services	-	-	Incorporated in January 2003, and transferred out for the reorganization in November 2009
		"	100	-	Incorporated in July 2003, and transferred out for the reorganization in February 2010
	High Tech Computer Corp. (Suzhou) Exedea Inc.	Manufacture and sale of smart handheld devices	100	100	Incorporated in January 2003
		Distribution and sales	100	100	Incorporated in December 2004 and invested in July 2005
	HTC NIPPON Corporation	Marketing, repair and after-sales services	100	-	Incorporated in March 2006, and transferred out for the reorganization in April 2010
		"	99.99	-	Incorporated in October 2006, and transferred out for the reorganization in February 2010
	HTC Corporation (Shanghai WQQ)	Repair and after-sales service	-	-	Incorporated in July 2007, and transferred out for the reorganization in December 2009
		Design, research and development of application software	-	-	Invested in October 2008, and transferred out for the reorganization in November 2009
	High Tech Computer Asia Pacific Pte. Ltd.	Marketing, repair and after-sales services	100	-	Incorporated in July 2007, and merged into High Tech Computer Asia Pacific Pte. Ltd. in February 2010
		High Tech Computer (H.K.) Limited	100	100	Incorporated in August 2007
		HTC (Australia and New Zealand) Pty. Ltd.	100	100	Incorporated in August 2007
		HTC Philippines Corporation	99.99	99.99	Incorporated in December 2007
		PT. High Tech Computer Indonesia	99	99	Incorporated in December 2007
		HTC India Private Ltd.	99	99	Incorporated in January 2008
		HTC (Thailand) Ltd.	100	100	Incorporated in November 2007 and invested in September 2008

(Continued)

			% of Ownership		
Investor	Investee	Main Businesses	2009	2010	Remark
High Tech Computer Asia Pacific Pte. Ltd.	HTC Electronics (Shanghai) Co., Ltd.	Manufacture and sale of smart handheld devices	100	-	Incorporated in January 2007, invested in July 2008, and transferred out for the reorganization in February 2010
	HTC Malaysia Sdn. Bhd.	Marketing, repair and after-sales services	100	100	Incorporated in July 2008 and invested in January 2009
	HTC Innovation Limited	"	100	100	Incorporated in January 2009
	HTC Communication Co., Ltd.	The sale of smart handheld devices	100	100	Incorporated in December 2008 and invested in March 2009
	HTC America Inc.	Marketing, repair and after-sales services	100	-	Incorporated in January 2003, transferred in for the reorganization in November 2009, and transferred out for the reorganization in April 2010
	One & Company Design, Inc.	Design, research and development of application software	100	-	Invested in October 2008, transferred in for the reorganization in November 2009, and transferred out for the reorganization in April 2010
	HTC HK, Limited	International holding	100	100	Incorporated in August 2006, and transferred in for the reorganization in December 2009
	HTC Holding Cooperatief U.A.	International holding	99	99	Incorporated in October 2009
High Tech Computer Singapore Pte. Ltd.	HTC India Private Ltd.	Marketing, repair and after-sales services	1	-	Incorporated in January 2008, and transferred out for the reorganization in February 2010
HTC HK, Limited	HTC Belgium BVBA/SPRL	Marketing, repair and after-sales services	100	-	Incorporated in October 2006, and transferred out for the reorganization in March 2010
	HTC Corporation (Shanghai WGQ)	Repair and after-sales service	100	100	Incorporated in July 2007, and transferred in for the reorganization in December 2009
	HTC Electronics (Shanghai) Co., Ltd.	Manufacture and sale of smart handheld devices	-	100	Incorporated in January 2007, invested in July 2008, and transferred in for the reorganization in February 2010
HTC Holding Cooperatief U.A.	HTC Netherlands B.V.	International holding	-	100	Incorporated in October 2009
	HTC India Private Ltd.	Marketing, repair and after-sales services	-	1	Incorporated in January 2008, and transferred in for the reorganization in February 2010
	HTC South Eastern Europe Limited"	liability Company	-	0.67	Incorporated in June 2010
HTC Netherlands B.V.	HTC Europe Co., Ltd.	Marketing, repair and after-sales services	-	100	Incorporated in July 2003, and transferred in for the reorganization in February 2010
	HTC BRASIL	Marketing, repair and after-sales services	-	99.99	Incorporated in October 2006, and transferred in for the reorganization in February 2010
	HTC Belgium BVBA/SPRL	"	-	100	Incorporated in October 2006, and transferred in for the reorganization in March 2010

(Continued)

			% of Ownership		
Investor	Investee	Main Businesses	2009	2010	Remark
HTC Netherlands B.V.	HTC NIPPON Corporation	Marketing, repair and after-sales services	-	100	Incorporated in March 2006, and transferred in for the reorganization in April 2010
	HTC France Corporation	"	-	100	Incorporated in April 2010
	HTC South Eastern Europe Limited liability Company	"	-	99.33	Incorporated in June 2010
	HTC Nordic ApS.	"	-	100	Incorporated in July 2006, and transferred in for the reorganization in October 2010
	HTC Italia SRL	"	-	100	Incorporated in February 2007, and transferred in for the reorganization in October 2010
	HTC Germany GmbH	"	-	100	Incorporated in October 2010
	HTC Iberia, S.L.	"	-	100	Incorporated in October 2010
	HTC Poland sp. z.o.o.	"	-	100	Incorporated in October 2010
	HTC Belgium BVBA/ SPRL	HTC Italia SRL	"	100	-	Incorporated in February 2007, and transferred out for the reorganization in October 2010
	HTC Nordic ApS.	"	-	-	Incorporated in July 2010, and transferred out for the reorganization in October 2010
HTC Europe Co., Ltd.	HTC America Holding Inc.	International holding	-	100	Incorporated in April 2010
HTC France Corporation	ABAXIA SAS	Design, research and development of application software	-	100	Invested in July 2010
HTC America Holding Inc.	HTC America Inc.	Marketing, repair and after-sales services	-	100	Incorporated in January 2003, and transferred in for the reorganization in April 2010
	One & Company Design, Inc.	Design, research and development of application software	-	100	Invested in October 2008, and transferred in for the reorganization in April 2010
	HTC America Innovation Inc.	"	-	100	Incorporated in April 2010, and invested in October 2010
ABAXIA SAS	BLR Soft	Design, research and development of application software	-	100	Invested in July 2010

(Concluded)

In January and July 2010, the Company wholly acquired the shares issued by Huada Digital Corporation and ABAXIA SAS. However, the Company lost its significant influence of BandRich Inc. in July 2010. The net assets of these companies were as follows:

	ABAXIA SAS		BandRich Inc.		Huada Digital Corporation (Note)		Total
	NT\$		NT\$		NT\$		NT\$
Cash in hand and in banks	\$	93,848	\$	34,181	\$	245,000	\$ 373,029
Other current assets		62,626		117,589		-	180,215
Properties		4,813		38,960		-	43,773
Other assets		14,041		1,155		-	15,196
Current liabilities	(	140,043)	(	160,572)	-	(	300,615)
Total consideration	\$	35,285	\$	31,313	\$	245,000	\$ 311,598
Cash consideration/cash at the beginning of period	\$	530,446	\$	88,510	\$	-	\$ 618,956
Cash at the acquisition date/losing significant influence date	(	93,848)	(	34,181)	(	245,000)	(373,029)
Expected net cash outflow (inflow) on the acquisition of a subsidiary	\$	436,598	\$	54,329	\$ (	245,000)	\$ 245,927

Note:

Huada Digital Corporation was included in the consolidated financial statement beginning January 2010. And before that, it was booked on prepayments for long-term investments on December 31, 2009.

Current/Noncurrent Assets and Liabilities

Current assets include cash, cash equivalents, and those assets held primarily for trading purposes or to be realized, sold or consumed within one year from the balance sheet date. All other assets such as properties and intangible assets are classified as noncurrent. Current liabilities are obligations incurred for trading purposes or to be settled within one year from the balance sheet date. All other liabilities are classified as noncurrent. Financial instruments at FVTPL 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, 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.

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 plus transaction costs that are directly attributable to the acquisition. At each balance sheet date subsequent to initial recognition, financial assets or financial liabilities at FVTPL are remeasured at fair value, with changes in fair value recognized directly in profit or loss in the year in which they arise. Cash dividends received subsequently (including those received in the year of investment) are recognized as income for the year. On derecognition of a financial asset or a financial liability, the difference between its carrying amount and the sum of the consideration received and receivable or consideration paid and payable is recognized in profit or loss.

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

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

Available-for-sale Financial Assets

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

The recognition, derecognition and the fair value bases of available-for-sale financial assets are similar 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 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. Effective from 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.

Held-to-maturity Financial Assets

Held-to-maturity financial assets are carried at amortized cost using the effective interest method. Held-to-maturity financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition. Profit or loss is recognized when the financial assets are derecognized, impaired, or amortized. All regular way purchases or sales of financial assets are accounted for using a trade date basis.

An impairment loss is recognized when there is objective evidence that the investment is impaired. The impairment loss is reversed if an increase in the investment's recoverable amount is due to an event which occurred after the impairment loss was recognized; however, the adjusted carrying amount of the investment may not exceed the carrying amount that

would have been determined had no impairment loss been recognized for the investment in prior years.

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.

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 or the regulations of subsidiaries' respective local governments.

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 2009 accounts have been reclassified to be consistent with the presentation of the financial statements as of and for the year ended December 31, 2010.

3. TRANSLATION INTO U.S. DOLLARS

The financial statements are stated in New Taiwan dollars. The translation of the 2010 New Taiwan dollar amounts into U.S. dollar amounts are included solely for the convenience of readers, using the noon buying rate of NT\$29.13 to US\$1.00 quoted by the Bank of Taiwan on December 31, 2010. 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. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31, 2009 and 2010 were as follows:

	2009		2010	
	NT\$	NT\$	US\$(Note 3)	
Cash on hand	\$ 5,412	\$ 4,304	\$ 148	
Cash in banks	2,129,500	22,343,340	767,022	
Time deposits	62,503,378	52,115,217	1,789,056	
	\$ 64,638,290	\$ 74,462,861	\$ 2,556,226	

On time deposits, interest rates ranged from 0.10% to 1.03% and from 0.14% to 1.50%, as of December 31, 2009 and 2010, respectively.

On preferential deposits, interest rates ranged from 0.10% to 0.70% and from 0.15% to 0.70% as of December 31, 2009 and 2010, respectively.

5. 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, 2009 and 2010 were as follows:

	2009		2010	
	NT\$	NT\$	US\$(Note 3)	
Derivatives - financial assets Exchange contracts	\$ 18,132	\$ 450,276	\$ 15,457	

The Company had derivative transactions in 2009 and 2010 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 2009 and 2010. Outstanding forward exchange contracts as of December 31, 2009 and 2010 were as follows:

	2009				
	Buy/Sell	Currency	Settlement Period/Date	Contract Amount	
Forward exchange contracts	Sell	EUR/USD	2010.01.15-2010.02.26	EUR	76,000
	2010				
	Buy/Sell	Currency	Settlement Period/Date	Contract Amount	
Forward exchange contracts	Buy	USD/CAD	2011.01.26	USD	250
Forward exchange contracts	Buy	USD/JPY	2011.01.12-2011.02.23	USD	18,187
Forward exchange contracts	Sell	EUR/USD	2011.01.05-2011.03.18	EUR	531,000
Forward exchange contracts	Sell	GBP/USD	2011.01.12-2011.03.25	GBP	57,400
Forward exchange contracts	Sell	USD/TWD	2011.01.03-2010.01.31	USD	447,000

Net loss on derivative financial instruments in 2009 was NT\$749,476 thousand, including realized settlement loss of NT\$767,608 thousand and valuation gain of NT\$18,132 thousand.

Net gain on derivative financial instruments in 2010 was NT\$759,889 thousand (US\$26,086 thousand), including realized settlement gain of NT\$309,613 thousand (US\$10,629 thousand) and valuation gain of NT\$450,276 thousand (US\$15,457 thousand). Note 23 has more information.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets as of December 31, 2009 and 2010 were as follows:

	2009		2010	
	NT\$	NT\$	US\$(Note 3)	
Mutual funds	\$ 2,497,394	\$ 441,948	\$ 15,172	
Domestic quoted stocks	313	538	18	
Less: Current portion	(2,497,394)	(441,948)	(15,172)	
	\$ 313	\$ 538	\$ 18	

7. ACCOUNTS RECEIVABLE

Accounts receivable as of December 31, 2009 and 2010 were as follows:

	2009		2010	
	NT\$	NT\$	US\$(Note 3)	
Notes receivable	\$ 2,337	\$ -	\$ -	
Accounts receivable	28,146,109	62,620,703	2,149,697	
Accounts receivable from related parties	792	2,143	74	
Less: Allowance for doubtful accounts	(1,023,629)	(1,008,491)	(34,620)	
	\$ 27,125,609	\$ 61,614,355	\$ 2,115,151	

8. OTHER CURRENT FINANCIAL ASSETS

Other current financial assets as of December 31, 2009 and 2010 were as follows:

	2009		2010	
	NT\$	NT\$	US\$(Note 3)	
Other receivables	\$ 207,054	\$ 747,983	\$ 25,677	
Interest receivables	11,463	11,376	391	
Agency payments	37,531	22,139	760	
Other	2,426	2,042	70	
	\$ 258,474	\$ 783,540	\$ 26,898	

Other receivables were primarily prepayments on behalf of vendors or customers, withholding income tax of employees' bonuses, and other compensation.

9. INVENTORIES

Inventories as of December 31, 2009 and 2010 were as follows:

	2009		2010	
	NT\$	NT\$	US\$(Note 3)	
Finished goods	\$ 1,002,841	\$ 1,859,010	\$ 63,818	
Work-in-process	1,210,132	6,707,423	230,258	
Raw materials	3,173,012	13,075,800	448,877	
Goods in transit	650,222	4,771,514	163,801	
	\$ 6,036,207	\$ 26,413,747	\$ 906,754	

As of December 31, 2009 and 2010, the allowance for inventory devaluation was NT\$2,770,551 thousand and NT\$3,535,521 thousand (US\$121,370 thousand), respectively.

The write-down of inventories to their net realizable value amounted to NT\$1,853,579 thousand and NT\$2,686,168 thousand (US\$92,213 thousand) and was recognized as cost of sales for the years ended December 31, 2009 and 2010, respectively.

10. PREPAYMENTS

Prepayments as of December 31, 2009 and 2010 were as follows:

	2009		2010	
	NT\$	NT\$	US\$(Note 3)	
Royalty	\$ 3,044,563	\$ 1,870,381	\$ 64,208	
Net input VAT	15,301	361,152	12,398	
Software and hardware maintenance	85,797	115,425	3,962	
Molding equipment	37,052	91,058	3,126	
Marketing	41,707	66,295	2,276	
Rent	15,318	40,812	1,401	
Materials purchases	13,084	38,990	1,338	
Others	88,827	69,665	2,392	
	\$ 3,341,649	\$ 2,653,778	\$ 91,101	

Prepayments for royalty were primarily prepayments for discount purpose and classified as current or noncurrent based on their maturities. As of December 31, 2009 and 2010, the noncurrent prepayments were NT\$1,843,170 thousand and NT\$2,484,156 thousand (US\$85,279 thousand) were classified as other assets, respectively (Note 29 has more information).

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

11. HELD-TO-MATURITY FINANCIAL ASSETS

Held-to-maturity financial assets as of December 31, 2009 and 2010 were as follows:

	2009		2010	
	NT\$	NT\$	US\$(Note 3)	
Corporate bonds	\$ -	\$ 207,946	\$ 7,139	

In 2010, the Company bought the corporate bonds issued by Nan Ya Plastics Corporation and maturing in 2013 with an effective interest rate of 0.90%.

12. FINANCIAL ASSETS CARRIED AT COST

Financial assets carried at cost as of December 31, 2009 and 2010 were as followss:

	2009		2010	
	NT\$	NT\$	US\$(Note 3)	
Hua-Chuang Automobile Information Technical Center Co., Ltd.	\$ 500,000	\$ 500,000	\$ 17,164	
GSUO Inc.	-	145,650	2,000	
NETQIN MOBILE Inc.	-	72,825	2,500	
SoundHound Inc.	63,980	58,260	5,000	
BandRich Inc.	-	15,861	545	
Answer Online, Inc.	1,192	-	-	
Luminous Optical Technology Co., Ltd.		183,000	6,282	
Prepayments for long-term investments	-	48,065	1,650	
	\$ 565,172	\$ 1,023,661	\$ 35,141	

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 July 2009, the Company acquired 4.37% equity interest in SoundHound Inc. (formerly Melodis Corporation until May 2010) for US\$2,000 thousand (NT\$58,260 thousand).

In December 2010, the Company acquired 1.60% equity interest in NETQIN MOBILE Inc. for US\$2,500 thousand (NT\$72,825 thousand).

In May 2010, the Company acquired 11.11% equity interest in GSUO Inc. for US\$5,000 thousand (NT\$145,650 thousand).

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 and July 2010, BandRich Inc. issued common shares and the Company did not buy any shares. The Company's ownership percentage declined from 92% to 18.08% and lost its significant influence. As a result, the Company transferred this investment to "financial assets carried at cost" using book value at the time of its ownership percentage changed in July 2010.

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. In addition, the Company determined that the recoverable amount of this investment in 2010 was less than its carrying amount and thus recognized an impairment loss of NT\$1,192 thousand (US\$41 thousand).

	2009			2010		
	Carrying Value	Ownership Percentage	Original Cost	Carrying Value	Ownership Percentage	
	NT\$		NT\$ US\$(Note 3)	NT\$ US\$(Note 3)		
Vitamin D Inc.	\$ -	25.59	\$ - \$ -	\$ - \$ -		-
Prepayments for long-term investments	245,000		- -	- -		
	\$ 245,000		\$ - \$ -	\$ - \$ -		

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\$671 thousand in 2008 and 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. Vitamin D was dissolved in August 2010.

In December 2010, the Company acquired 10.00% equity interest in Luminous Optical Technology Co., Ltd. for NT\$183,000 thousand (US\$6,282 thousand).

In July 2010, the Company invested Felicis Ventures II LP for US\$750 thousand (NT\$23,220 thousand). However, because the registration of this investment had not been completed as of December 31, 2010, the investment was temporarily accounted for under "prepayments for long-term investments."

In August 2010, the Company invested WI Harper Fund VII for US\$900 thousand (NT\$28,134 thousand). However, because the registration of this investment had not been completed as of December 31, 2010, the investment was temporarily accounted for under "prepayments for long-term investments."

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. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

The investment accounted for by the equity method as of December 31, 2009 and 2010 was as follows:

In December 2009, the Company invested in Huada Digital Corporation for NT\$245,000 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\$3,891 thousand in 2009.

The financial statements of equity-method investees for the year ended December 31, 2009 had been examined by the Company's independent auditors.

14. PROPERTIES

Properties as of December 31, 2009 and 2010 were as follows:

	2009			2010	
	Carrying Value	Cost	Accumulated Depreciation	Carrying Value	
	NT\$	NT\$	NT\$	NT\$	US\$(Note 3)
Land	\$ 4,719,538	\$ 5,862,076	\$ -	\$ 5,862,076	\$ 201,238
Buildings and structures	3,550,890	5,005,642	812,785	4,192,857	143,936
Machinery and equipment	1,121,526	7,236,349	4,201,382	3,034,967	104,187
Molding equipment	11,620	172,632	172,632	-	-
Computer equipment	136,161	474,299	310,657	163,642	5,618
Transportation equipment	1,338	7,378	2,669	4,709	162
Furniture and fixtures	226,285	245,041	175,352	69,689	2,392
Leased assets	2,986	5,934	4,536	1,398	48
Leasehold improvements	98,802	305,073	121,220	183,853	6,311
Prepayments for construction-in- progress and equipment-in-transit	30,664	511,138	-	511,138	17,547
	\$ 9,899,808	\$ 19,825,562	\$ 5,801,233	\$ 14,024,329	\$ 481,439

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 headquarters in Xindian City. The Company had paid 80% and 20% of the purchase price and completed the transfer registration of the relative portion of land in December 2008 and January 2010, respectively.

In November 2010, the Company bought land and building for NT\$404,000 thousand (US\$13,869 thousand) from a related party, VIA Technologies, Inc. to have more office space in Xindian. The transaction price had been paid except for NT\$20,200 thousand (US\$693 thousand), which was accounted for as payable for purchase of equipment.

Prepayments for construction-in-progress and equipment-in-transit were prepayments for the construction of Taipei R&D headquarters and miscellaneous equipments.

There were no interests capitalized for the years ended December 31, 2009 and 2010, respectively.

15. SHORT-TERM BORROWING

Short-term borrowings as of December 31, 2009 and 2010 were as follows:

	2009		2010	
	NT\$	NT\$	US\$(Note 3)	
Working capital loans	\$ 72,326	\$ -	\$ -	

As of December 31, 2009, short-term borrowing was for BandRich Inc.’s raising working capital and material purchase. The Company lost its significant influence in BandRich Inc. in July 2010, BandRich Inc. was not included in the consolidated financial statements as of and for the year ended December 31, 2010.

16. ACCRUED EXPENSES

Accrued expenses as of December 31, 2009 and 2010 were as follows:

	2009		2010	
	NT\$	NT\$	US\$(Note 3)	
Marketing	\$ 8,784,378	\$ 17,323,446	\$ 594,694	
Bonus to employees	4,859,236	8,491,704	291,511	
Salaries and bonuses	1,001,358	2,642,916	95,101	
Services	458,735	1,843,017	63,269	
Freight	501,588	1,321,198	45,355	
Research materials	529,935	780,501	26,794	
Repairs and maintenance	64,893	250,638	8,604	
Donation	217,800	217,800	5,573	
Meals and welfare	114,030	197,590	6,783	
Insurance	78,411	127,905	4,391	
Pension cost	48,939	69,610	2,390	
Travel	24,385	49,691	1,706	
Others	280,200	110,012	3,776	
	\$ 16,963,888	\$ 33,426,028	\$ 1,147,478	

Based on the resolution passed by the Company's board of directors, the employee bonuses for 2009 and 2010 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 Cultural and Educational Foundation NT\$300,000 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, and (b) cash of NT\$82,200 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 Cultural and Educational Foundation.

17. OTHER CURRENT LIABILITIES

Other current liabilities as of December 31, 2009 and 2010 were as follows:

	2009		2010	
	NT\$	NT\$	US\$(Note 3)	
Reserve for warranty expenses	\$ 5,265,463	\$ 9,104,973	\$ 312,563	
Other payables	474,908	269,045	9,236	
Agency receipts	524,156	476,948	16,373	
Advance receipts	152,907	805,838	27,664	
Others	197,099	377,887	12,972	
	\$ 6,614,533	\$ 11,034,691	\$ 378,808	

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

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

Other payables were payables for miscellaneous expenses of overseas sales offices and repair materials. In December 2008, the Company also estimated a contingent liability of NT\$125,663 thousand due to an increased financial risk from a customer. If the customer cannot pay its payments, the upstream firms might dun the Company for the customer’s liabilities.

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\$40,880 thousand (US\$1,403 thousand) had not been paid as of December 31, 2010.

In July 2010, HTC France Corporation acquired 100% equity interest of ABAXIA SAS, and paid the investment to the original stockholders of ABAXIA SAS in several installments based on the agreement. Of the investment, NT\$102,502 thousand (US\$3,519 thousand) had not been paid as of December 31, 2010.

18. LONG-TERM BANK LOANS

Long-term bank loans as of December 31, 2009 and 2010 were as follows:

	2009		2010	
	NT\$	NT\$	US\$(Note 3)	
Secured loans (Note 27)				
NT\$50,000 thousand, repayable from July 2006 in 16 quarterly installments; 1% annual interest	\$ 6,250	\$ -	\$ -	
NT\$65,000 thousand, repayable from July 2009 in 16 quarterly installments; 1% annual interest	40,625	24,376	836	
Less: Current portion	(22,500)	(12,188)	(418)	
	\$ 24,375	\$ 12,188	\$ 418	

19. 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\$186,811 thousand in 2009 and NT\$220,769 thousand (US\$7,579

thousand) in 2010.

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\$417,407 thousand and NT\$448,631 thousand (US\$15,401 thousand) as of December 31, 2009 and 2010, 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\$38,234 thousand in 2009 and NT\$72,115 thousand (US\$2,475 thousand) in 2010.

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 2009 and 2010 were as follows:

	2009		2010	
	NT\$	NT\$	US\$(Note 3)	
Service cost	\$ 5,255	\$ 4,915	\$ 169	
Interest cost	9,377	6,560	225	
Projected return on plan assets	(11,094)	(8,598)	(295)	
Amortization of unrecognized net transition obligation, net	74	74	3	
Amortization of net pension benefit	1,349	305	10	
Net pension cost	\$ 4,961	\$ 3,256	\$ 112	

The reconciliations between pension fund status and prepaid pension cost as of December 31, 2009 and 2010 were as follows:

	2009		2010	
	NT\$	NT\$	US\$(Note 3)	
Present actuarial value of benefit obligation				
Vested benefit	\$ 1,334	\$ 1,525	\$ 52	
Non-vested benefits	178,468	191,930	6,589	
Accumulated benefit obligation	179,802	193,455	6,641	
Additional benefits on future salaries	148,200	150,645	5,172	
Projected benefit obligation	328,002	344,100	11,813	
Plan assets at fair value	(417,407)	(448,631)	(15,401)	
Funded status	(89,405)	(104,531)	(3,588)	
Unrecognized net transitional obligation	(490)	(416)	(14)	
Unrecognized pension loss	(48,090)	(54,414)	(1,868)	
Additional minimum pension liability	523	536	18	
Prepaid pension cost	\$ (137,462)	\$ (158,825)	\$ (5,452)	

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

	2009	2010
Weighted-average discount rate	2.00%	2.00%
Assumed rate of increase in future compensation	2.00%-3.50%	2.00%-3.75%
Expected long-term rate of return on plan assets	2.00%	2.00%

The vested benefits as of December 31, 2009 and 2010 amounted to NT\$1,511 thousand and NT\$1,702 thousand (US\$58 thousand), respectively.

20. STOCKHOLDERS' EQUITY

Capital Stock

The Company's outstanding common stock as of January 1, 2009 amounted 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 and 7,085 thousand treasury shares at NT\$100,000 thousand and NT\$70,850 thousand, respectively. In June 2009, the stockholders approved the transfer of retained

earnings amounting to NT\$372,697 thousand and employee bonuses amounting to NT\$133,573 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, divided into 788,936 thousand common shares at NT\$10.00 par value.

In April 2010, the Company retired 15,000 thousand treasury shares at NT\$150,000 thousand (US\$5,150 thousand). Also, in June 2010, the stockholders approved the transfer of retained earnings amounting to NT\$386,968 thousand (US\$13,284 thousand) and employee bonuses amounting to NT\$50,206 thousand (US\$1,724 thousand) to capital stock. As a result, the amount of the Company's outstanding common stock as of December 31, 2010 increased to NT\$8,176,532 thousand (US\$280,691 thousand), divided into 817,653 thousand common shares at NT\$10.00 (US\$0.34) 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, and was issued, at a premium, at 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 8,804.8 thousand units (35,219.1 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, 2010, there were 3,131.9 thousand units of GDRs redeemed, representing 12,527.5 thousand common shares, and the outstanding GDRs represented 22,691.6 thousand common shares or 2.81% 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, 2009. In January and November 2009, the retirement of treasury stock caused a decrease of additional paid-in capital amounted to NT\$57,907 thousand and NT\$81,330 thousand, respectively. The bonus to employees of NT\$6,164,889 thousand for 2008 was approved in the stockholders' meeting in June 2009. Of the approved amount, NT\$4,954,889 thousand, representing 13,357 thousand, which was determined by fair value, would be distributed by common stock in 2009. The difference between par value and fair value of NT\$4,821,316 thousand was accounted for as additional paid-in capital in 2009. As a result, the additional paid-in capital as of December 31, 2009 was NT\$9,056,323 thousand.

Also in April 2010, the retirement of treasury stock caused a decrease of additional paid-in capital amounted to NT\$172,188 thousand (US\$5,910 thousand). The bonus to employees of NT\$4,859,236 thousand (US\$166,812 thousand) for 2009 were approved in the stockholders' meeting in June 2010. Of the approved amount, NT\$1,943,694 thousand (US\$66,725 thousand), representing 5,021 thousand common shares which was determined by fair value, would be distributed by common stock in 2010. The difference between par value and fair value of NT\$1,893,488 thousand (US\$65,001 thousand) was accounted for as additional paid-in capital in 2010. As a result, the additional paid-in capital as of December 31, 2010 was

NT\$10,777,623 thousand (US\$369,984 thousand).

The capital surplus from long-term equity investments was NT\$17,534 thousand as of January 1, 2009. When the Company did not subscribe for the new shares issued by Vitamin D Inc. in January 2009 and June 2009, adjustments of NT\$187 thousand and NT\$484 thousand were made to the investment carrying value and capital surplus, respectively. In December 2009, 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 that was recognized in prior years for the movement of Vitamin D's capital surplus in proportion to the Company's equivalent stock. The Company also recognized the movement of other investees' capital surplus amounting to NT\$2,566 thousand. As of December 31, 2010, the total capital surplus from long-term equity-method investments was NT\$18,411 thousand (US\$632 thousand).

The additional paid-in capital from a merger was NT\$25,756 thousand as of January 1, 2009. In January 2009, November 2009 and April 2010, the retirement of treasury stock caused a decrease of additional paid-in capital from a merger amounted to NT\$341 thousand, NT\$226 thousand and NT\$479 thousand (US\$17 thousand), respectively. As a result, the additional paid-in capital from a merger as of December 31, 2010 was NT\$24,710 thousand (US\$848 thousand).

Appropriation of Retained Earnings and Dividend Policy

Based on the Company Law of the ROC and the Company's Articles of Incorporation, 10% of the Company's annual net income less any deficit should first be appropriated as legal reserve. 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.

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.

The bonus to employees of NT\$4,859,236 thousand for 2009 were approved in the stockholders' meeting in June 2010. The bonus to employees included a cash bonus of NT\$2,915,542 thousand and a share bonus of NT\$1,943,694 thousand. The number of shares of 5,021 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, the employee bonus for 2009 and 2010 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 2010 earnings had not been proposed by the Board of Directors. Information on earnings appropriation can be accessed online through the Market Observation Post System website.

21. 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 during the repurchase period and retired them in November 2009.

On February 9, 2010, the Company's board of directors passed a resolution to buy back 15,000 thousand Company shares from the open market. The repurchase period was between February 10, 2010 and April 9, 2010, and the repurchase price ranged from NT\$280 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 15,000 thousand shares for NT\$4,834,174 thousand (US\$165,951 thousand) during the repurchase period and retired them in April 2010.

On July 11, 2010, 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 July 13, 2010 and September 12, 2010, and the repurchase price ranged from NT\$526 to NT\$631 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 4,786 thousand shares for NT\$2,865,990 thousand (US\$98,387 thousand) during the repurchase period.

On October 29, 2010, the Company's board of directors passed a resolution to buy back 10,000 thousand and 10,000 thousand

Company shares from the open market between November 1, 2010 and November 30, 2010, and between December 1, 2010 and December 31, 2010, respectively, with the repurchase price ranging from NT\$565 to NT\$850 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 5,000 thousand shares for NT\$3,986,503 thousand (US\$136,852 thousand) during the repurchase period. The related treasury stock information for the years ended December 31, 2009 and 2010 was as follows:

				(In Thousands of Shares)
Purpose of Treasury Stock	Number of Shares, Beginning of Year	Addition During the Year	Reduction During the Year	Number of Shares, End of Year
Year ended December 31, 2009				
To maintain the Company's credibility and shareholders' interest	10,000	7,085	17,085	-
Year ended December 31, 2010				
To maintain the Company's credibility and shareholders' interest	-	15,000	15,000	-
For transferring shares to the Company's employees	-	9,786	-	9,786
	-	24,786	15,000	9,786

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.

22. PERSONNEL EXPENSES, DEPRECIATION AND AMORTIZATION

Expense Item	Function								
	2009			2010					
	NT\$			NT\$			US\$ (Note 3)		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Personnel expenses	\$ 2,980,449	\$ 8,964,593	\$ 11,945,042	\$ 5,265,747	\$ 15,813,869	\$ 21,079,616	\$ 180,767	\$ 542,872	\$ 723,639
Salary	2,551,772	8,180,903	10,732,675	4,544,387	14,879,114	19,423,501	156,004	510,783	666,787
Insurance	155,481	253,081	408,562	224,738	446,621	671,359	7,715	15,332	23,047
Pension cost	66,029	163,977	230,006	101,749	194,391	296,140	3,493	6,673	10,166
Other	207,167	366,632	573,799	394,873	293,743	688,616	13,555	10,084	23,639
Depreciation	476,585	421,450	898,035	469,145	435,568	904,713	16,105	14,953	31,058
Amortization	34,561	38,053	72,614	36,244	60,592	97,196	1,244	2,093	3,337

23. INCOME TAX

HTC's income tax returns through 2007 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 Communication Global Certification Inc. and HTC Investment Corporation through 2008 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
Sales of wireless or smartphone which has 3.5G function	2010.01.01-2014.12.31

In May 2009, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduced a profit-seeking enterprise's income tax rate from 25% to 20%, effective January 1, 2010. In May 2010, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduced a profit-seeking enterprise's income tax rate from 20% to 17%, also effective January 1, 2010. Provision for income tax expense (benefit) in 2009 and 2010; income tax payable, income tax receivables and deferred tax assets (liabilities) as of December 31, 2009 and 2010 were as follows:

	2009			
	Income Tax Expense (Benefit)	Income Tax Payable	Income Tax Receivable	Deferred Tax Assets (Liabilities)
	NT\$	NT\$	NT\$	NT\$
HTC Corporation	\$ 2,603,562	\$ 4,152,624	-	1,877,341
BandRich Inc.	(245)	-	72	-
Communication Global Certification Inc.	664	-	23	1,576
HTC Investment Corporation	141	-	225	-
HTC I Investment Corporation	\$ 19	\$ -	\$ 2	\$ -
High Tech Computer Asia Pacific Pte. Ltd.	77	-	-	-
HTC America Inc.	72,449	-	15,074	26
HTC EUROPE CO., LTD.	77,102	96,613	-	-
Exedea Inc.	46	1,215	-	-
HTC NIPPON Corporation	7,354	-	5,981	-
HTC BRASIL	4,240	-	7,846	-
One & Company Design, Inc.	2,538	2,018	-	(8,478)
HTC Corporation (Shanghai WGQ)	(583)	-	256	-
HTC Belgium BAVA/SPRL	19,314	14,312	-	-
High Tech Computer Singapore Pte. Ltd.	389	511	-	(328)
HTC (Australia and New Zealand) Pty. Ltd.	2,295	2,746	-	123
HTC India Private Limited	1,216	-	25	-
HTC (Thailand) Limited	725	449	-	-
HTC Malaysia Sdn. Bhd.	669	417	-	(29)
HTC Innovation Limited	54	57	-	-
HTC Electronics (Shanghai) Co., Ltd.	(10,027)	-	-	9,714
	\$ 2,781,999	\$ 4,270,962	\$ 29,504	\$ 1,879,945

	2010							
	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	\$ 4,957,709	\$ 170,193	\$ 6,416,667	\$ 220,277	\$ -	\$ -	\$ 3,345,010	\$ 114,830
Communication Global Certification Inc.	500	17	735	25	23	1	1,843	63
HTC Investment Corporation	132	5	-	-	216	7	-	-
HTC I Investment Corporation	159	6	32	1	-	-	-	-
Huada Digital Corporation	116	4	28	1	-	-	-	-
High Tech Computer Asia Pacific Pte. Ltd.	1,016	35	287	10	-	-	36	1
HTC Communication Co. Ltd	(17,031)	(585)	80,600	2,767	-	-	56,370	1,935
HTC America Inc.	213,608	7,333	-	-	59,070	2,028	27,787	954
HTC EUROPE CO., LTD.	138,709	4,762	137,426	4,718	-	-	8,612	296
Exedea Inc.	19,356	665	-	-	4894	168	2,505	86
HTC NIPPON Corporation	4,028	138	3,692	127	-	-	-	-
HTC BRASIL	5,006	172	3,575	123	-	-	2,607	89
HTC Corporation (Shanghai WGQ)	1,533	53	949	33	-	-	-	-
One & Company Design, Inc.	(5,034)	(173)	-	-	2,416	83	(319)	(11)
HTC Belgium BAVA/SPRL	10,468	359	11,005	378	-	-	733	25
High Tech Computer (H.K.)	1,435	49	640	22	-	-	-	-
HTC (Australia and New Zealand) Pty. Ltd.	6,292	216	5,132	176	-	-	(1,189)	(41)
HTC India Private Limited	\$ 1,837	\$ 63	\$ 5,929	\$ 203	\$ 21	\$ 1	\$ 16	\$ 1
HTC (Thailand) Limited	1,206	41	720	25	-	-	-	-
HTC Electronics (Shanghai) Co., Ltd.	86,172	2,958	123,994	4,257	63,647	2,185	46,288	1,589
HTC Malaysia Sdn. Bhd.	1,334	46	(227)	(8)	-	-	256	9
HTC Innovation Limited	1,060	36	1,005	34	-	-	-	-
HTC Netherlands B.V.	1,029	35	958	33	-	-	-	-
HTC France Corporation	2,074	71	3,155	108	-	-	(78,724)	(2,702)
HTC South Eastern Europe Limited liability Company	456	16	424	14	-	-	-	-
HTC Germany GmbH	2,502	86	605	21	-	-	-	-
HTC Spain, S.L.	757	26	419	14	-	-	-	-
HTC Italia SRL	3,705	127	(1,263)	(43)	-	-	-	-
HTC Nordic ApS.	1,092	37	275	9	-	-	(55)	(2)
HTC Poland sp. z.o.o.	225	8	-	-	-	-	743	25
HTC HK, Limited	58	2	54	2	-	-	-	-
HTC America Innovation Inc.	8,035	276	12,601	433	-	-	5,174	178
	\$ 5,449,544	\$ 187,077	\$ 6,809,417	\$ 233,760	\$ 130,287	\$ 4,473	\$ 3,417,684	\$ 117,325

Deductible temporary differences and tax credit carryforwards that gave rise to deferred tax assets as of December 31, 2009 and 2010 were as follows::

	2009		2010	
	NT\$	NT\$	US\$(Note 3)	
Temporary differences				
Provision for loss on decline in value of inventory	\$ 536,717	\$ 596,374	\$ 20,473	
Unrealized marketing expenses	1,716,445	2,705,547	92,879	
Unrealized reserve for warranty expense	1,058,820	1,539,698	52,856	
Capitalized expense	40,747	74,433	2,555	
Unrealized royalties	1,691,142	2,879,421	98,847	
Unrealized bad-debt expenses	147,309	64,353	2,209	
Unrealized contingent losses of purchase orders	95,699	206,795	7,099	
Unrealized exchange losses	155,790	30,482	1,047	
Other	43,497	66,947	2,298	
Loss carryforwards	48,566	1,523	52	
Tax credit carryforwards	3,157,393	3,148,156	108,073	
Total deferred tax assets	8,692,115	11,313,729	388,388	
Less: Valuation allowance	(6,772,111)	(7,788,708)	(267,378)	
Total deferred tax assets, net	1,920,004	3,525,021	121,010	
Deferred tax liabilities				
Unrealized pension cost	(27,597)	(27,063)	(929)	
Unrealized valuation gains on financial instruments	(3,626)	(76,547)	(2,628)	
Unrealized depreciation	(8,836)	(3,727)	(128)	
	1,879,945	3,417,684	117,325	
Less: Current portion	(812,254)	(1,051,196)	(36,086)	
Deferred tax assets - noncurrent	\$ 1,067,691	\$ 2,366,488	\$ 81,239	

Details of the tax credit carryforwards were as follows:

Credit Grant Year	Validity Period	2009		2010	
		NT\$	NT\$	US\$(Note 3)	
2006	2006-2010	\$ 15,475	\$ -	\$ -	
2007	2007-2011	220,249	4,404	151	
2008	2008-2012	874,619	833,163	28,602	
2009	2009-2013	2,047,050	2,310,589	79,320	
		\$ 3,157,393	\$ 3,148,156	\$ 108,073	

Details of the loss carryforwards were as follows:

Loss Year	Validity Period	2009		2010	
		NT\$	NT\$	US\$(Note 3)	
2006	2007-2016	\$ 49,635	\$ -	\$ -	
2007	2008-2017	48,885	-	-	
2008	2009-2018	102,497	-	-	
2009	2010-2019	16,519	-	-	
		\$ 217,536	\$ -	\$ -	

The loss carryforwards of HTC BRASIL that gave rise to deferred tax assets in the Federative Republic of Brazil were NT\$1,523 thousand (US\$52 thousand). Taxation could be made on its net income after deduction of losses incurred in the preceding years, but the deduction cannot exceed 30% of the taxable income in current year.

Before January 1, 2010, the investment and research and development tax credits can be carried forward for four years based on the related regulations of Income Tax Act in the ROC. The total credits used in each year cannot exceed half of the estimated income tax provision.

Under Article 10 of the Statute for Industrial Innovation (SII) passed by the Legislative Yuan in April 2010, a profit-seeking enterprise may deduct up to 15% of its research and development expenditures from its income tax payable for the fiscal year in which these expenditures are incurred, but this deduction should not exceed 30% of the income tax payable for that fiscal year. This incentive took effect from January 1, 2010 and is effective till December 31, 2019.

Valuation allowance is based on management's evaluation of the amount of tax credits that can be carried forward for four years.

The income taxes in 2009 and 2010 were as follows:

	2009		2010	
	NT\$	NT\$	US\$(Note 3)	
Current income tax	\$ 3,383,532	\$ 6,890,038	\$ 236,527	
Increase in deferred income tax assets	(506,522)	(1,537,739)	(52,789)	
(Overestimation) underestimation of prior year's income tax	(95,011)	97,245	3,339	
Income tax	\$ 2,781,999	\$ 5,449,544	\$ 187,077	

The integrated income tax information is as follows:

	2009		2010	
	NT\$	NT\$	US\$(Note 3)	
Balance of imputation credit account (ICA)	\$ 1,702,246	\$ 3,098,652	\$ 106,373	
Unappropriated earnings generated from 1998	38,364,099	52,876,892	1,815,204	
Actual/estimated creditable ratio (including income tax payable)	13.85%	18.00%	18.00%	
	(Actual ratio)	(Estimated ratio)	(Estimated ratio)	

For distribution of earnings generated on or after January 1, 1998, the ratio for the imputation credits allocated to stockholders of the Company is based on the balance of the ICA as of the date of dividend distribution. The expected creditable ratio for the 2010 earnings may be adjusted, depending on the ICA balance on the date of dividend distribution.

24. 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 826,735 thousand shares and 815,239 thousand shares for the years ended December 31, 2009 and 2010, respectively. EPS for the year ended December 31, 2009 was calculated after the average number of shares outstanding was adjusted retroactively for the effect of stock dividend distribution in 2010.

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, 2009 and 2010 were as follows:

	2009					
	Amount (Numerator)			EPS (In Dollars)		
			Shares (Denominator) (In Thousands)			
	Before Income Tax NT\$	After Income Tax NT\$		Before Income Tax NT\$	After Income Tax NT\$	
Basic EPS	\$ 25,212,464	\$ 22,608,902	826,735	\$ 30.50	\$ 27.35	
Bonus to employees	-	-	15,044			
Diluted EPS	\$ 25,212,464	\$ 22,608,902	841,779	\$ 29.95	\$ 26.86	

	2010					
	Amount (Numerator)			EPS (In Dollars)		
			Shares (Denominator) (In Thousands)			
	Before Income Tax NT\$	After Income Tax NT\$		Before Income Tax NT\$	After Income Tax NT\$	
Basic EPS	\$ 44,491,309	\$ 39,533,600	815,239	\$ 54.57	\$ 48.49	
Bonus to employees	-	-	10,201			
Diluted EPS	\$ 44,491,309	\$ 39,533,600	825,440	\$ 53.90	\$ 47.89	

	2010					
	Amount (Numerator)			EPS (In Dollars)		
			Shares (Denominator) (In Thousands)			
	Before Income Tax US\$ (Note 3)	After Income Tax US\$ (Note 3)		Before Income Tax US\$ (Note 3)	After Income Tax US\$ (Note 3)	
Basic EPS	\$ 1,527,366	\$ 1,357,143	815,239	\$ 1.87	\$ 1.66	
Bonus to employees	-	-	10,201			
Diluted EPS	\$ 1,527,366	\$ 1,357,143	825,440	\$ 1.85	\$ 1.64	

25. FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

a. Nonderivative financial instruments

	December 31					
	2009			2010		
	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	\$ 2,497,394	\$ 441,948	\$ 15,172	\$ 441,948	\$ 15,172
Available-for-sale financial assets - noncurrent	313	313	538	18	538	18
Held-to-maturity financial assets - noncurrent	-	-	207,946	7,139	207,467	7,122
Financial assets carried at cost	565,172	565,172	1,023,661	35,141	1,023,661	35,141

b. Derivative financial instruments

	December 31					
	2009			2010		
	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	\$ 18,132	\$ 450,276	\$ 15,457	\$ 450,276	\$ 15,457

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 include neither 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, available-for-sale and held-to-maturity 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		
	2009	2010		2009	2010	
	NT\$	NT\$	US\$ (Note 3)	NT\$	NT\$	US\$ (Note 3)
Assets						
Financial assets at fair value through profit or loss - current	\$ 18,132	\$ 450,276	\$ 15,457	\$ -	\$ -	\$ -
Available-for-sale financial assets - current	2,497,394	441,948	15,172	-	-	-
Available-for-sale financial assets - noncurrent	313	538	18	-	-	-
Held-to-maturity financial assets - noncurrent	-	207,467	7,122	-	-	-
Financial assets carried at cost	-	-	-	565,172	1,023,661	35,141

There was no loss or gain recognized for the years ended December 31, 2009 and 2010 on the fair value changes of derivatives with fair values estimated using valuation techniques. However, the Company recognized an unrealized loss of NT\$26 thousand and an unrealized gain of NT\$773 thousand (US\$27 thousand) under stockholders' equity for the changes in fair value of available-for-sale financial assets for the years ended December 31, 2009 and 2010, respectively.

As of December 31, 2009 and 2010, financial assets exposed to fair value interest rate risk amounted to NT\$0 thousand and NT\$207,946 thousand (US\$7,139 thousand), respectively; financial assets exposed to cash flow interest rate risk amounted to NT\$62,609,630 thousand and NT\$52,210,905 thousand (US\$1,792,341 thousand), respectively, financial liabilities exposed to fair value interest rate risk amounted to NT\$46,875 thousand and NT\$24,376 thousand (US\$836 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's operating funds are deemed sufficient to meet the cash flow demand, therefore, liquidity risk is not considered to be significant.

26. RELATED-PARTY TRANSACTIONS

The related parties were as follows:

Related Party	Relationship with the Company
Xander International Corp.	Chairperson is an immediate relative of the Company's chairperson
VIA Technologies, Inc.	Same chairperson with HTC
Syuda Construction Company	The only juridical stockholder whose chairperson is the same person with the Company at the transaction date
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 Cultural and Educational Foundation	A non-profit organization of which the funds donated from the Company exceeds one third of the non-profit organization's total funds
HTC Social Welfare and Charity 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	2009		2010	
	Amount	% to Total Net Purchases	Amount	% to Total Net Purchases
	NT\$		NT\$	US\$ (Note 3)
Chander Electronics Corp.	28,606	-	270,931	9,301

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

Sales and Services Provided

Related Party	2009		2010	
	Amount	% to Total Revenues	Amount	% to Total Revenues
	NT\$		NT\$	US\$ (Note 3)
Employees' Welfare Committee	\$ 9,666		\$ 34,138	\$ 1,172
VIA Technologies, Inc.	794	-	2,353	81
Others	714	-	1,701	58
	\$ 11,174	-	\$ 38,192	\$ 1,311

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

Accounts Receivable

Related Party	December 31			
	2009		2010	
	Amount	% to Total Accounts Receivable	Amount	% to Total Accounts Receivable
	NT\$		NT\$	US\$ (Note 3)
VIA Technologies, Inc.	\$ 506	-	\$ 2,113	\$ 73
Others	286	-	30	1
	\$ 729	-	\$ 2,143	\$ 74

Accounts Payable

Related Party	December 31			
	2009		2010	
	Amount	% to Total Accounts Payable	Amount	% to Total Accounts Payable
	NT\$		NT\$	US\$ (Note 3)
Chander Electronics Corp.	\$ 13,479	-	\$ 126,093	\$ 4,329

Other Receivables

Related Party	December 31			
	2009		2010	
	Amount	% to Total Other Receivable	Amount	% to Total Other Receivable
	NT\$		NT\$	US\$ (Note 3)
Chander Electronics Corp.	\$ 30	-	\$ 20	\$ 1
Others	63	-	107	3
	\$ 93	-	\$ 127	\$ 4

Accrued Expenses

Related Party	December 31			
	2009		2010	
	Amount	% to Total Accrued Expenses	Amount	% to Total Accrued Expenses
	NT\$		NT\$	US\$ (Note 3)
HTC Cultural and Educational Foundation	\$ 217,800	1	\$ 217,800	\$ 7,477
Way-Lien Technology Inc.	-	-	400	14
	\$ 217,800	1	\$ 218,200	\$ 7,491

Other Payables to Related Parties

Related Party	December 31			
	2009		2010	
	Amount	% to Total Other Payables	Amount	% to Total Other Payables
	NT\$		NT\$	US\$ (Note 3)
Way-Lien Technology Inc.	\$ 420	-	\$ -	\$ -
Chander Electronics Corp.	81	-	-	-
Xander International Corp.	38	-	-	-
	\$ 539	-	\$ -	\$ -

Warranty Expense

Related Party	December 31			
	2009		2010	
	Amount	% to Total Other Payables	Amount	% to Total Other Payables
	NT\$		NT\$	US\$ (Note 3)
Comserve Network Netherlands B.V.	\$ 1,203	-	\$ -	\$ -

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

Service Fees

Related Party	December 31			
	2009		2010	
	Amount	% to Total Other Payables	Amount	% to Total Other Payables
	NT\$		NT\$	US\$ (Note 3)
Way-Lien Technology Inc.	\$ 2,400	-	\$ 2,000	\$ 69
Captec Partners Management Corp.	3,222	-	-	-
	\$ 5,622	-	\$ 2,000	\$ 69

Leasing - Lessee

Related Party	December 31			
	2009		2010	
	Amount	% to Total Other Payables	Amount	% to Total Other Payables
	NT\$		NT\$	US\$ (Note 3)
VIA Technologies Inc.	\$ 9,035	4	\$ 12,212	\$ 419

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.

Service Fees

Related Party	December 31			
	2009		2010	
	Amount	% to Total Other Payables	Amount	% to Total Other Payables
	NT\$		NT\$	US\$ (Note 3)
HTC Cultural and Educational Foundation	\$ 300,000	92	\$ 150,000	\$ 5,150
HTC Social Welfare and Charity Foundation	25,000	7	150,000	5,150
	\$ 325,000	99	\$ 300,000	\$ 10,300

The Company donated NT\$325,500 thousand in 2009 and NT\$305,500 thousand (US\$10,487 thousand) in 2010 to help disadvantaged minorities, teenagers and other people in need. Of these donations, NT\$500 thousand in 2009 and NT\$5,500 thousand (US\$189 thousand) in 2010 went to unrelated parties (Note 16 has more information).

Property and Investment Transaction

In November 2010, the Company bought land and building for NT\$404,000 thousand (US\$13,869 thousand) from a related party, VIA Technologies, Inc. to have more office space in Xindian. The transaction price had been paid except for NT\$20,200 thousand (US\$693 thousand), which was accounted for as payable for purchase of equipment.

In January 2009, the Company acquired land from a related party, Syuda Construction Company, for NT\$791,910 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.

Compensation of Directors, Supervisors and Management Personnel

	2009		2010	
	NT\$	NT\$	US\$ (Note)	
Salaries	\$ 94,140	\$ 111,318	\$ 3,822	
Incentives	51,300	349,011	11,981	
Special compensation	12	3	-	
Bonus	747,834	(Note)	(Note)	
	\$ 893,286	\$ 460,332	\$ 15,803	

Note:The appropriation of the 2010 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, 2009 and 2010 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, 2009 included the bonuses appropriated from the earnings of 2009, which had been approved by stockholders in their annual meeting in 2010.

27. PLEDGED ASSETS

As of December 31, 2009 and 2010, the Company had provided time deposits of NT\$106,252 thousand and NT\$95,688 thousand (US\$3,285 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.

28. COMMITMENTS AND CONTINGENCIES

As of December 31, 2010, unused letters of credit amounted to EUR86 thousand.

The Company provided NT\$436,950 thousand (US\$15,000 thousand) guarantee for HTC Electronics (Shanghai)'s bank loans. HTC Electronics (Shanghai) has drawn down NT\$78,195 thousand (US\$2,684 thousand) from banks within the guarantee amount as of December 31, 2010.

29. 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.
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.
IV International Licensing Netherlands, B.V.	November 2010 - June 2020	Authorization to use wireless technology; royalty payment based on agreement.

30. OTHER EVENTS

Lawsuit

a. In April 2008, ICom GMBH & CO., KG (“ICom”) filed a multi-claim lawsuit against the Company with the District Court of Mannheim in Germany, alleging that the Company infringed ICom’s patents. In February 2009, the court granted a ruling on patent #100 (EP 186189B1) which granted ICom’s request for an injunction to prevent the Company from importing devices into Germany, with the serving of this injunction pending ICom’s placement with the court of a security bond of €1 million. The Company appealed this decision to the court of Appeal in Karlsruhe and requested a stay of the injunction pending the outcome of this appeal. In May 2009, the court of Appeal in Karlsruhe 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.

In December 2009, the District Court of Mannheim ruled that it will stay the proceedings on patent #107 (EP 122782) because of the Court’s doubts about its validity. The case was therefore stayed pending the decision of the EPO opposition division on validity. The EPO subsequently revoked the patent #107(EP 122782) for all designated states in June 2010. Also, in February 2010, the District Court of Mannheim further ruled that the Company had not infringed ICom’s patent #173 (EP 1018849).

In October 2010, ICom filed a new complaint against the Company alleging patent infringement of patent #114 (EP 1226692B1) in District Court of Dusseldorf. The Company has previously filed patent invalidity action against patent #114(EP 1226692B1) in EPO and patent #114 (EP 1226692B1) has already been revoked by EPO and ICom is appealing EPO’s decision. In December 2010, the #100 (EP 186189B1) was upheld in the Federal Patents Court; however, the chances of ICom proving infringement are very low because the revised claim is very restricted. The risk of this newly asserted patent is very low. As of January 18, 2011, the date of the accompanying independent auditors’ report, there had been no further hearing nor had a court decision been made.

b. In March 2010, Apple Inc. (“Apple”) filed a lawsuit against the Company concurrently with the U.S. International Trade Commission (“ITC”) and U.S. District Court in Delaware (“Delaware court”), alleging that the Company infringed its patents. Apple requested ITC and Delaware court to prevent the Company from importing to and selling devices in the United States and damage compensation, respectively. The Company, subsequently filed ITC investigation and filed counterclaim with Delaware court against Apple for patent infringements. The Company requested ITC and Delaware court to prevent Apple from importing and selling devices in the United States and damage compensation, respectively. The Company evaluated that there was indirect association between the patents used by the Company’s devices and those claimed by Apple. The Company believes the lawsuits have limited impact on its financial results or sales activities. As of January 18, 2011, the date of the accompanying independent auditors’ report, there had been no further hearing nor had a court decision been made.

c. 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.

Construction for Taipei R&D Headquarters

In September 2009, the Company’s board of directors resolved to build the Taipei R&D headquarters in Xindian City and the land was bought from Yulon Motors Ltd. The estimated budget for the construction is NT\$3,380,000 thousand for a total floor space of 92 thousand square meters. Construction is scheduled to be completed by August 31, 2011 (Note 14 has more information).

31. SIGNIFICANT CONTRACTS

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 2009 and 2010 were as follows:

	2009		2010	
	NT\$	NT\$	US\$ (Note)	
Asia	\$ 19,310,968	\$ 28,126,618	\$ 965,555	
North America	69,711,852	141,027,352	4,841,310	
Europe	44,021,684	90,115,532	3,093,564	
Others	6,620,411	11,867,133	407,385	
	\$ 139,664,915	\$ 271,136,635	\$ 9,307,814	

Major Customers

Sales to major customers were as follows

Customer	2009		2010	
	NT\$	NT\$	US\$ (Note)	
A	\$ 28,816,033	\$ 51,646,672	\$ 1,772,972	
B	8,110,798	47,500,397	1,630,635	
C	27,213,647	38,544,296	1,323,182	
	\$ 64,140,478	\$ 137,691,365	\$ 4,726,789	

6. OTHER MATTERS REQUIRING SUPPLEMENTARY EXPLANATION

Financial or cash flow difficulties in 2010.

None.

Explanation of significant accounting policies:

1. 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). Trade discounts include 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. Allowance accounts of customers with good credit ratings are accrued by 1% ~ 5% when receivables are 31-90 days overdue and by 5% ~ 100% when receivables are over 91 days overdue. Individual determinations are made for customers with poor credit, which include making reasonable estimates of allowances for receivables not yet due.

2. 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 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.

3. Accrued marketing expenses

Reasonable estimates for marketing expenses 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 expenses, and are entered as expenses or deductions from revenue depending on their category.

4. 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. Allocation to the product warranty reserve stands at around 3-4% of revenue currently.

5. Financial assets/liabilities at fair value through profit or loss

HTC's financial assets/liabilities at fair value through profit or loss comprise forward foreign exchange contracts. We calculated the fair value of each outstanding contract at the close of 2010 based on its maturation date, average closing rates from the Bank of Taiwan, and swap point quotations provided by financial institutions.

6. Available-for-sale financial assets

Available-for-sale financial assets are listed stocks and quasi money market funds. Estimates of fair value are based on closing prices for exchange- or OTC-listed securities on the balance sheet date.

Appendix: HTC's Code of Conduct

HTC's Code of Conduct is a guideline to provide high ethical standards for all employees in conducting business activities. All employees of HTC Corp., including branches and subsidiaries, must follow these ethical standards regardless of the employees' position, grade level, and location. This Code includes three major sections: General Moral Imperatives, Vendors/Suppliers and Customers Relationship, and Conflict of Interest.

The General Moral Imperatives section requires that HTC commits to providing a safe and healthy work environment and equal opportunities, and that it establishes a behavioral code for the treatment of knowledge about the company's assets/properties/information.

The Vendors/Suppliers and Customers Relationship section requires that HTC commits to maintaining fair, legal, and long-term relationships with its vendors/suppliers and customers to the benefit of all parties.

The Conflict of Interest section describes the behavioral rules for employees in situations of conflicted interest.

This Code is superior to any other local regulations except certain mandatory laws/acts issued by local governments. In such cases, the local Talent Management Division should submit the specific laws/acts to the Corporate Talent Management Division in order to waive this specific regulation of the Code in that location. Otherwise, any violation of the HTC Code of Conduct and applicable policies may cause disciplinary actions up to and including the termination of employment.

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 a 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.

1.1 Work Environment

HTC is committed to comply with local laws and regulations to establish a safe and healthy workplace, free from health 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 in violation of this policy is strictly prohibited and shall be reported to the responsible authority immediately.

1.2 Corporate Confidentiality

During the term of employment with HTC and thereafter, each employee must hold in strict confidence and not disclose, directly or indirectly, any "Confidential Information" (as defined below) gained from HTC or its customers or vendors/suppliers to any third party without the prior written consent of HTC. "Confidential Information" must be used only for the purpose of executing work for HTC. "Confidential Information" shall mean all business, technical, operational or other information that is not generally known to the public and that an employee develops, has access to, and becomes acquainted with during the term of employment, whether or not such information (A) is owned by HTC, HTC's customers, vendors/suppliers, or any third party with which HTC desires to establish a business relationship with; (B) is in oral, written, drawn or electronic media form; (C) is subject matter for the application of patents, trademarks, copyrights, or other intellectual property rights; or (D) is labeled with "Confidential" or an equivalent word. Confidential information may include, but is not limited to the following:

- 1. Business plans, manufacturing and marketing plans, procurement plans, product roadmaps, product design records, product test plans and reports, product software and source codes, product pricing, product appearance, product specifications, tooling specifications, personnel information, financial information, customer lists, vendors/supplier lists, distributor lists, raw materials and product inventory information, all quality records, trade secrets, and other information related to the Company's business activities;
- 2. Computer programs and all documents, databases, or other related materials developed during each stage of software development;
- 3. Discoveries, concepts, ideas, designs, sketches, engineering drawings, specifications, circuit layouts, circuit diagrams, mechanical drawings, flow charts, production processes, procedures, models, molds, samples, components, trouble shooting guides, chips and other know-how; and
- 4. Proprietary information of any third party (such as customers or vendors/suppliers) that the Company has a duty of confidentiality pursuant to contracts or required by any applicable law.

1.3 Protection of Company Assets, Information and Personal Information

Copyrights, patents, trademarks, terms of license agreements and any kind of intellectual property are under protection by related laws and regulations; violations are strictly prohibited. The Company's assets are not limited to physical equipment and facilities only, but also include technologies, trademarks, and other intangible assets and confidential information. Company assets are used for business purposes and should be maintained, updated, and recorded properly and regularly. This is also applicable to the use of employee personal information. Those who are dealing with employee information shall consider business needs and employees' privacy as well. The only exception that permits the revelation of employees' personal information is where such disclosure is required by law.

1.4 Equal Opportunity

HTC's Employment Policies are to comply with all applicable laws. Hiring decisions are based on business needs and qualifications of applicants. 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. Intention to mislead or provision of 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 to or engage in political activities in most locations it operates in. Therefore, employees must be aware that their involvements are on an individual basis, and no contribution or donation to political candidates or parties can be made under the company name. Furthermore, employees must not organize or hold any speeches or activities connected to political activities on Company premises.

2.0 Vendors/Suppliers and Customers Relationship

It is a basic principle in Company business operations to maintain good relationships with our vendors/suppliers and customers.

2.1 Firm and Rational Attitude

In securing and negotiating business, all employees should attempt to establish long-term relationships with our customers and vendors/suppliers by providing essential and accurate information about our products and services. Employees shall demonstrate their professionalism with a sincere, firm, and rational attitude while dealing with customers

or vendors/suppliers. Conflicts caused by emotional languages or behaviors are strictly prohibited.

2.2 Product Quality and Safety

The Company is committed to pursuing excellence and maintaining quality at all times. The Company strives to continuously improve the quality of products and service in compliance with related safety regulations/laws in order to benefit our customers and vendors/suppliers and achieve world-class competitiveness. To protect HTC's reputation and the interest of our customers and vendors/suppliers, all employees must comply with our quality processes and safety requirements.

2.3 Performance of Contracts

Company contracts must be executed not only in accordance with the requirements of each contract, but also in compliance with all 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 interest of HTC by considering the vendors/suppliers' suitability, quality, price, and delivery of products or services; personal preferences are not allowed for special offers. Purchasing agreements/sales contracts and related evaluation information should be documented clearly and confidentially. Contract information of customers and vendors/suppliers, including but not limited to their names, price, delivery conditions, 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 immediate family members are not allowed to accept kickbacks, commissions, lavish gifts, or luxurious entertainment from customers, suppliers/vendors, or anyone in a business relationship in any kind of situation. However, gifts of 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 small food items, 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 beneficial to building 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 equivalents, or to participate in any business courtesy that may compromise the employees' judgment or motivate the employees to perform acts prohibited by laws/regulations or HTC policies. Meal expenses between/among colleagues can not be treated as entertainment. However, expenditures incurred for entertainment immediately before, during, or after a business meeting are acceptable, if those who 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. Even golf gatherings should be minimized if the expenses are not 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 interferes with the proper performance of their duties, responsibilities or loyalty to the Company.

3.1 Outside Employment

All employees are prohibited to work either part-time or full-time for or receive payments of services from any competitors, customers, vendors/suppliers or subcontractors of HTC. If any employee is invited to serve as a lecturer, board member of an outside company, member of an advisory board, committee or agency, he/she must get appropriate approval from the local top manager in advance. Even if the invitation does not violate the above, permission from a top manager is still required. In general, employees are not restricted from being members of the boards of charitable or community organizations. HTC also permits employees with appropriate approval to serve as directors of outside companies that are invested in by HTC or are not competitors or service providers of competitors.

3.2 Insider 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 where business scope is the same as or similar to HTC or to invest exceeding five percent of total market value in such company. Employees are also prohibited from using so-called "Insider Information" to gain personal profit or to influence the normal operation of other businesses, such as investment in competitors, customers, vendors/suppliers or subcontractors. "Insider 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 insider information to trade or influence the trading of stocks of HTC or other companies and should also not provide "tips" or share insider 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 government regulations/laws.