

**High Tech Computer Corp. and
Subsidiaries**

**Consolidated Financial Statements for the
Six Months Ended June 30, 2005, 2006 and 2007 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
High Tech Computer Corp.

We have audited the accompanying consolidated balance sheets of High Tech Computer Corp. and subsidiaries (collectively, the "Company") as of June 30, 2005, 2006 and 2007, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the six months 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 High Tech Computer Corp. and subsidiaries as of June 30, 2005, 2006 and 2007, and the results of their operations and their cash flows for the six months 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.

Our audits also comprehended the translation of the 2007 New Taiwan dollar amounts into U.S. dollars 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.

July 13, 2007

Notice to Readers

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

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

HIGH TECH COMPUTER CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

JUNE 30, 2005, 2006 AND 2007

(In Thousands, Except Par Value)

ASSETS	2005	2006	2007		LIABILITIES AND STOCKHOLDERS' EQUITY	2005	2006	2007	
	NT\$	NT\$	NT\$	US\$ (Note 3)		NT\$	NT\$	NT\$	US\$ (Note 3)
CURRENT ASSETS					CURRENT LIABILITIES				
Cash (Note 5)	\$ 11,628,642	\$ 28,106,066	\$ 45,802,660	\$ 1,393,873	Financial liabilities at fair value through profit or loss (Notes 2, 4, 6 and 25)	\$ 9,764	\$ -	\$ -	\$ -
Financial assets at fair value through profit or loss (Notes 2, 4, 6 and 25)	-	11,005	30,670	933	Notes and accounts payable	8,411,010	15,869,076	17,838,224	542,855
Bond investments not quoted in an active market (Notes 2 and 13)	-	-	33,030	1,005	Notes and accounts payable to related parties (Note 26)	117,389	224	-	-
Notes receivable, net (Notes 2 and 8)	347,274	515,932	1,520	46	Income tax payable (Notes 2 and 23)	210,291	763,575	1,871,191	56,944
Accounts receivable, net (Notes 2 and 8)	7,726,383	15,630,125	17,972,314	546,936	Accrued expenses (Note 15)	667,659	1,630,126	2,917,457	88,785
Accounts receivable from related parties (Notes 2 and 26)	5,971	1,308	64,617	1,966	Payable for purchase of equipment	22,097	15,057	85,540	2,603
Other current financial assets (Notes 9, 26 and 27)	32,306	52,073	123,042	3,745	Long-term bank loans - current portion (Note 18)	-	-	12,500	380
Inventories (Notes 2 and 10)	3,947,832	5,688,896	5,921,934	180,217	Other current liabilities (Notes 16 and 26)	2,350,244	6,954,814	15,361,475	467,483
Prepayments (Note 11)	636,418	884,454	1,540,082	46,868	Total current liabilities	11,788,454	25,232,872	38,086,387	1,159,050
Deferred income tax assets (Notes 2 and 23)	165,460	268,630	458,213	13,944	LONG-TERM LIABILITIES				
Other current assets	25,500	23,469	88,200	2,684	Long-term bank loans, net of current portion (Note 18)	-	-	83,800	2,550
Total current assets	24,515,786	51,181,958	72,036,282	2,192,217	OTHER LIABILITIES				
LONG-TERM INVESTMENTS					Guarantee deposits received	495,160	613	628	19
Available-for-sale financial assets (Notes 2 and 7)	947	1,201	1,485	45	Total liabilities	12,283,614	25,233,485	38,170,815	1,161,619
Financial assets carried at cost (Notes 2 and 12)	1,192	1,192	501,192	15,253	EQUITY ATTRIBUTABLE TO STOCKHOLDERS OF PARENT (Note 20)				
Total long-term investments	2,139	2,393	502,677	15,298	Capital stock				
PROPERTIES (Notes 2, 14 and 26)					Common stock	2,887,633	3,570,160	4,327,952	131,709
Cost					Stock dividend for distribution	682,527	794,032	1,403,385	42,708
Land	576,001	610,293	625,342	19,031	Capital surplus				
Buildings and structures	951,716	1,078,977	1,087,626	33,099	Additional paid-in capital - common stock	4,410,871	4,410,871	4,374,244	133,118
Machinery and equipment	2,420,018	2,737,110	3,616,815	110,067	Long-term equity investments	-	15,845	15,845	482
Molding equipment	201,567	201,567	179,135	5,451	From a merger	25,972	25,972	25,756	784
Computer equipment	171,964	192,601	244,973	7,455	Retained earnings				
Transportation equipment	2,482	3,133	3,212	98	Legal reserve	813,326	1,991,520	4,516,253	137,439
Furniture and fixtures	114,829	120,335	156,570	4,765	Special reserve	19,133	6,175	-	-
Leased assets	-	4,712	4,712	143	Accumulated earnings	6,426,542	17,873,984	23,980,153	729,767
Leasehold improvements	56,311	42,888	83,516	2,542	Cumulative translation adjustments (Note 2)	(20,645)	(3,272)	19,777	602
Less accumulated depreciation	(2,008,618)	(2,571,269)	(3,248,524)	(98,860)	Unrealized valuation losses on financial instruments (Notes 2 and 7)	(1,024)	(770)	(486)	(15)
Prepayments for construction-in-progress and equipment-in-transit	151,990	25,795	845,460	25,729	Total equity attributable to stockholders of the parent	15,244,335	28,684,517	38,662,879	1,176,594
Properties, net	2,638,260	2,446,142	3,598,837	109,520	MINORITY INTEREST IN SUBSIDIARIES				
INTANGIBLE ASSETS									
Goodwill	-	-	174,253	5,303	Total stockholders' equity	15,244,335	28,828,924	38,776,573	1,180,054
OTHER ASSETS					TOTAL	\$ 27,527,949	\$ 54,062,409	\$ 76,947,388	\$ 2,341,673
Refundable deposits	7,087	37,868	63,773	1,941					
Deferred charges (Note 2)	175,650	138,002	202,383	6,159					
Deferred tax assets (Notes 2 and 23)	158,054	193,821	284,272	8,651					
Other (Notes 2 and 19)	30,973	62,225	84,911	2,584					
Total other assets	371,764	431,916	635,339	19,335					
TOTAL	\$ 27,527,949	\$ 54,062,409	\$ 76,947,388	\$ 2,341,673					

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

HIGH TECH COMPUTER CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME SIX MONTHS ENDED JUNE 30, 2005, 2006 AND 2007 (In Thousands, Except Earnings Per Share)

	2005	2006	2007	
	NT\$	NT\$	NT\$	US\$ (Note 3)
REVENUES (Notes 2 and 26)	\$ 28,627,884	\$ 49,742,196	\$ 50,818,819	\$ 1,546,525
COST OF REVENUES (Note 26)	<u>22,047,945</u>	<u>34,393,166</u>	<u>32,756,184</u>	<u>996,841</u>
GROSS PROFIT	<u>6,579,939</u>	<u>15,349,030</u>	<u>18,062,635</u>	<u>549,684</u>
OPERATING EXPENSES (Notes 22 and 26)				
Selling and marketing	755,615	1,428,987	2,602,893	79,211
Administrative and selling expenses	225,715	656,382	676,091	20,575
Research and development expenses	<u>1,071,791</u>	<u>1,266,993</u>	<u>1,659,723</u>	<u>50,509</u>
Total operating expenses	<u>2,053,121</u>	<u>3,352,362</u>	<u>4,938,707</u>	<u>150,295</u>
OPERATING INCOME	<u>4,526,818</u>	<u>11,996,668</u>	<u>13,123,928</u>	<u>399,389</u>
NONOPERATING INCOME AND GAINS				
Interest income	55,203	167,724	340,306	10,356
Gain on sale of properties	-	2,568	74	2
Gain on physical inventories	3,231	-	5,936	181
Foreign exchange gain (Note 2)	-	198,286	253,858	7,725
Valuation gain on financial instruments, net (Notes 2, 4 and 6)	-	11,005	30,670	933
Rental revenue (Note 26)	339	-	-	-
Other	<u>30,997</u>	<u>121,878</u>	<u>92,519</u>	<u>2,816</u>
Total nonoperating income and gains	<u>89,770</u>	<u>501,461</u>	<u>723,363</u>	<u>22,013</u>
NONOPERATING EXPENSES AND LOSSES				
Interest expense	19,718	156	603	18
Losses on disposal of properties	504	2,452	662	20
Loss on physical inventories	-	2,210	-	-
Foreign exchange loss (Note 2)	214,401	-	-	-
Provision for loss on decline in value of inventory	193,710	599,616	557,410	16,963
Valuation loss on financial instruments, net (Notes 2, 4 and 6)	9,764	-	-	-
Other	<u>5,303</u>	<u>3,933</u>	<u>41,124</u>	<u>1,252</u>
Total nonoperating expenses and losses	<u>443,400</u>	<u>608,367</u>	<u>599,799</u>	<u>18,253</u>
INCOME BEFORE INCOME TAX	4,173,188	11,889,762	13,247,492	403,149
INCOME TAX (Notes 2 and 23)	<u>(116,957)</u>	<u>(760,790)</u>	<u>(1,751,319)</u>	<u>(53,296)</u>
NET INCOME	<u>\$ 4,056,231</u>	<u>\$ 11,128,972</u>	<u>\$ 11,496,173</u>	<u>\$ 349,853</u>
ATTRIBUTABLE TO				
Stockholders of the parent	\$ 4,056,231	\$ 11,130,221	\$ 11,515,148	\$ 350,430
Minority interest	<u>-</u>	<u>(1,249)</u>	<u>(18,975)</u>	<u>(577)</u>
	<u>\$ 4,056,231</u>	<u>\$ 11,128,972</u>	<u>\$ 11,496,173</u>	<u>\$ 349,853</u>

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HIGH TECH COMPUTER CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME SIX MONTHS ENDED JUNE 30, 2005, 2006 AND 2007 (In Thousands, Except Earnings Per Share)

	2005		2006		2007			
	Before Income Tax NT\$	After Income Tax NT\$	Before Income Tax NT\$	After Income Tax NT\$	Before Income Tax NT\$ US\$ (Note 3)		After Income Tax NT\$ US\$ (Note 3)	
BASIC EARNINGS PER SHARE (Note 24)	<u>\$ 7.31</u>	<u>\$ 7.11</u>	<u>\$ 20.58</u>	<u>\$ 19.26</u>	<u>\$ 23.11</u>	<u>\$ 0.70</u>	<u>\$ 20.08</u>	<u>\$ 0.61</u>
DILUTED EARNINGS PER SHARE (Note 24)	<u>\$ 7.26</u>	<u>\$ 7.05</u>	<u>\$ 20.34</u>	<u>\$ 19.04</u>	<u>\$ 23.11</u>	<u>\$ 0.70</u>	<u>\$ 20.08</u>	<u>\$ 0.61</u>

(Concluded)

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

HIGH TECH COMPUTER CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY SIX MONTHS ENDED JUNE 30, 2007 AND 2006 (In Thousands of New Taiwan Dollars)

	Issued and Outstanding Capital Stock			Capital Surplus			Retained Earnings			Cumulative Translation Adjustments	Unrealized Valuation Losses on Financial Instruments	Treasury Stock	Minority Interest	Total
	Common Stock	Capital Collected in Advance	Stock Dividend for Distribution	Additional Paid-in Capital - Common Stock	Long-Term Equity Investments	From a Merger	Legal Reserve	Special Reserve	Accumulated Earnings					
BALANCE, JANUARY 1, 2005	\$ 2,714,276	\$ 48,838	\$ -	\$ 3,064,356	\$ -	\$ 25,972	\$ 427,791	\$ 1,983	\$ 5,105,339	\$ (17,865)	\$ (1,268)	\$ -	\$ -	\$ 11,369,422
Appropriation of the 2004 net earnings	-	-	-	-	-	-	385,535	17,150	(385,535)	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	-	(17,150)	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	(577,527)	-	-	-	-	-
Stock dividends	-	-	577,527	-	-	-	-	-	(105,000)	-	-	-	-	-
Transfer of employee bonuses to capital stock	-	-	105,000	-	-	-	-	-	(206,000)	-	-	-	-	(206,000)
Employee bonuses	-	-	-	-	-	-	-	-	(1,443,816)	-	-	-	-	(1,443,816)
Cash dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital collected in advance transferred to common stock	48,838	(48,838)	-	-	-	-	-	-	-	-	-	-	-	-
Convertible bonds converted to common stock	124,519	-	-	1,346,515	-	-	-	-	-	-	-	-	-	1,471,034
Net income in the six months ended June 30, 2005	-	-	-	-	-	-	-	-	4,056,231	-	-	-	-	4,056,231
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	-	(2,780)	-	-	-	(2,780)
Unrealized valuation gains on financial instruments	-	-	-	-	-	-	-	-	-	-	244	-	-	244
BALANCE, JUNE 30, 2005	\$ 2,887,633	\$ -	\$ 682,527	\$ 4,410,871	\$ -	\$ 25,972	\$ 813,326	\$ 19,133	\$ 6,426,542	\$ (20,645)	\$ (1,024)	\$ -	\$ -	\$ 15,244,335
BALANCE, JANUARY 1, 2006	\$ 3,570,160	\$ -	\$ -	\$ 4,410,871	\$ -	\$ 25,972	\$ 813,326	\$ 19,133	\$ 14,152,255	\$ (5,041)	\$ (1,135)	\$ -	\$ -	\$ 22,985,541
Adjustments due to accounting changes	-	-	-	-	-	-	-	-	-	-	48	-	-	48
Appropriation of the 2005 net earnings	-	-	-	-	-	-	1,178,194	(12,958)	(1,178,194)	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	-	12,958	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	(714,032)	-	-	-	-	-
Stock dividends	-	-	714,032	-	-	-	-	-	(80,000)	-	-	-	-	-
Transfer of employee bonuses to capital stock	-	-	80,000	-	-	-	-	-	(451,000)	-	-	-	-	(451,000)
Employee bonuses	-	-	-	-	-	-	-	-	(4,998,224)	-	-	-	-	(4,998,224)
Cash dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustment arising from changes of percentage of ownership in investees	-	-	-	-	15,845	-	-	-	-	-	-	-	-	15,845
Net income in the six months ended June 30, 2006	-	-	-	-	-	-	-	-	11,130,221	-	-	-	(1,249)	11,128,972
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	-	1,769	-	-	-	1,769
Unrealized valuation gains on financial instruments	-	-	-	-	-	-	-	-	-	-	317	-	-	317
Increase in minority interest	-	-	-	-	-	-	-	-	-	-	-	-	145,656	145,656
BALANCE, JUNE 30, 2006	\$ 3,570,160	\$ -	\$ 794,032	\$ 4,410,871	\$ 15,845	\$ 25,972	\$ 1,991,520	\$ 6,175	\$ 17,873,984	\$ (3,272)	\$ (770)	\$ -	\$ 144,407	\$ 28,828,924
BALANCE, JANUARY 1, 2007	\$ 4,364,192	\$ -	\$ -	\$ 4,410,871	\$ 15,845	\$ 25,972	\$ 1,991,520	\$ 6,175	\$ 31,991,090	\$ 10,786	\$ (238)	\$ (243,995)	\$ 132,669	\$ 42,704,887
Appropriation of the 2006 net earnings	-	-	-	-	-	-	2,524,733	(6,175)	(2,524,733)	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	-	6,175	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	(1,298,385)	-	-	-	-	-
Stock dividends	-	-	-	-	-	-	-	-	(105,000)	-	-	-	-	-
Transfer of employee bonuses to capital stock	-	-	1,298,385	-	-	-	-	-	(2,000,000)	-	-	-	-	(2,000,000)
Employee bonuses	-	-	105,000	-	-	-	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustment arising from changes of percentage of ownership in investees	-	-	-	-	-	-	-	-	(11,685,470)	-	-	-	-	(11,685,470)
Net income in the six months ended June 30, 2007	-	-	-	-	-	-	-	-	11,515,148	-	-	-	(18,975)	11,496,173
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	-	8,991	-	-	-	8,991
Unrealized valuation losses on financial instruments	-	-	-	-	-	-	-	-	-	-	(248)	-	-	(248)
Retirement of treasury stock	(36,240)	-	-	(36,627)	-	(216)	-	-	(1,918,672)	-	-	1,991,755	-	-
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	-	-	(1,747,760)	-	(1,747,760)
BALANCE, JUNE 30, 2007	\$ 4,327,952	\$ -	\$ 1,403,385	\$ 4,374,244	\$ 15,845	\$ 25,756	\$ 4,516,253	\$ -	\$ 23,980,153	\$ 19,777	\$ (486)	\$ -	\$ 113,694	\$ 38,776,573

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

HIGH TECH COMPUTER CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY SIX MONTHS ENDED JUNE 30, 2007 AND 2006 (In Thousands of U.S. Dollars)

	Issued and Outstanding Capital Stock			Capital Surplus			Retained Earnings			Cumulative Translation Adjustments	Unrealized Valuation Losses on Financial Instruments	Treasury Stock	Minority Interest	Total
	Common Stock	Capital Collected in Advance	Stock Dividends for Distribution	Additional Paid-in Capital - Common Stock	Long-Term Equity Investments	From a Merger	Legal Reserve	Special Reserve	Accumulated Earnings					
BALANCE, JANUARY 1, 2006	\$ 132,812	\$ -	\$ -	\$ 134,233	\$ 482	\$ 790	\$ 60,606	\$ 188	\$ 973,557	\$ 328	\$ (7)	\$ (7,425)	\$ 4,037	\$ 1,299,601
Appropriation of the 2006 net earnings														
Legal reserve	-	-	-	-	-	-	76,833	-	(76,833)	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	(188)	188	-	-	-	-	-
Stock dividends	-	-	39,513	-	-	-	-	-	(39,513)	-	-	-	-	-
Transfer of employee bonuses to capital stock	-	-	3,195	-	-	-	-	-	(3,195)	-	-	-	-	-
Employee bonuses	-	-	-	-	-	-	-	-	(60,864)	-	-	-	-	(60,864)
Cash dividends	-	-	-	-	-	-	-	-	(355,614)	-	-	-	-	(355,614)
Adjustment arising from changes of percentage of ownership in investees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income in the six months ended June 30, 2007	-	-	-	-	-	-	-	-	350,430	-	-	-	(577)	349,853
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	-	274	-	-	-	274
Unrealized valuation losses on financial instruments	-	-	-	-	-	-	-	-	-	-	(8)	-	-	(8)
Retirement of treasury stock	(1,103)	-	-	(1,115)	-	(6)	-	-	(58,389)	-	-	60,613	-	-
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	-	-	(53,188)	-	(53,188)
BALANCE, JUNE 30, 2007	<u>\$ 131,709</u>	<u>\$ -</u>	<u>\$ 42,708</u>	<u>\$ 133,118</u>	<u>\$ 482</u>	<u>\$ 784</u>	<u>\$ 137,439</u>	<u>\$ -</u>	<u>\$ 729,767</u>	<u>\$ 602</u>	<u>\$ (15)</u>	<u>\$ -</u>	<u>\$ 3,460</u>	<u>\$ 1,180,054</u>

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

HIGH TECH COMPUTER CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS SIX MONTHS ENDED JUNE 30, 2005, 2006 AND 2007 (In Thousands)

	2005	2006	2007	
	NT\$	NT\$	NT\$	US\$ (Note 3)
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	\$ 4,056,231	\$ 11,128,972	\$ 11,496,173	\$ 349,853
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation	296,249	305,356	355,535	10,820
Amortization	23,834	27,250	38,537	1,173
Loss (gain) on disposal of properties	504	(116)	588	18
Provision for the redemption of convertible bonds	2,042	-	-	-
Foreign-exchange gains from the conversion of convertible bonds	(8,179)	-	-	-
Amortization of bond issue costs	17,675	-	-	-
Deferred income tax assets	(98,747)	16,409	(88,804)	(2,702)
Prepaid pension costs	(23,310)	(12,465)	(10,903)	(332)
Net changes in operating assets and liabilities				
Financial liabilities at fair value through profit or loss	10,858	49,080	(107,140)	(3,260)
Notes receivable	(275,518)	(416,845)	57,410	1,747
Accounts receivable	663,684	(1,243,020)	1,208,264	36,770
Accounts receivable from related parties	(4,961)	410	(60,932)	(1,854)
Other current financial assets	43,770	22,484	287,622	8,753
Inventories	321,441	(370,865)	41,579	1,265
Prepayments	(379,180)	(466,490)	331,795	10,097
Other current assets	-	-	(88,018)	(2,679)
Notes and accounts payable	483,699	1,847,999	554,779	16,883
Notes and accounts payable to related parties	91,327	(55,580)	-	-
Income tax payable	115,790	146,712	112,474	3,423
Accrued expenses	(213,625)	387,864	427,487	13,009
Other current liabilities	<u>291,668</u>	<u>302,927</u>	<u>(13,690)</u>	<u>(417)</u>
Net cash provided by operating activities	<u>5,415,252</u>	<u>11,670,082</u>	<u>14,542,756</u>	<u>442,567</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of properties	(395,370)	(146,636)	(569,070)	(17,318)
Proceeds of the sale of properties	-	4,768	5,155	157
Proceeds of the liquidation of long-term investments	4,312	-	-	-
Increase in refundable deposits	(417)	(1,276)	(17,957)	(546)
Increase in deferred charges	(1,091)	(9,484)	(105,541)	(3,212)
Increase in restricted assets	-	-	(34,500)	(1,050)
Increase in financial assets carried at cost	-	-	(500,000)	(15,216)
Increase in bond investments not quoted in an active market	-	-	(33,030)	(1,005)
Acquisition of subsidiary	<u>-</u>	<u>-</u>	<u>(240,039)</u>	<u>(7,305)</u>
Net cash used in investing activities	<u>(392,566)</u>	<u>(152,628)</u>	<u>(1,494,982)</u>	<u>(45,495)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase in minority interest	-	161,501	-	-
Decrease in long-term bank loans	-	-	(16,181)	(493)
Purchase of treasury stock	-	-	(1,747,760)	(53,188)
Increase (decrease) in guarantee deposits received	222,082	52	(12)	-
Bonus to employees	<u>(4,500)</u>	<u>-</u>	<u>(451,000)</u>	<u>(13,725)</u>
Net cash provided by (used in) financing activities	<u>217,582</u>	<u>161,553</u>	<u>(2,214,953)</u>	<u>(67,406)</u>

(Continued)

HIGH TECH COMPUTER CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS SIX MONTHS ENDED JUNE 30, 2005, 2006 AND 2007 (In Thousands)

	2005	2006	2007	
	NT\$	NT\$	NT\$	US\$ (Note 3)
EFFECT OF EXCHANGE RATE CHANGES	\$ (2,168)	\$ 1,833	\$ 21	\$ 1
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,238,100	11,680,840	10,832,842	329,667
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>6,390,542</u>	<u>16,425,226</u>	<u>34,969,818</u>	<u>1,064,206</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 11,628,642</u>	<u>\$ 28,106,066</u>	<u>\$ 45,802,660</u>	<u>\$ 1,393,873</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Cash paid during the period				
Income tax	<u>\$ 99,914</u>	<u>\$ 597,669</u>	<u>\$ 1,727,649</u>	<u>\$ 52,576</u>
NONCASH INVESTING AND FINANCING ACTIVITIES				
Transfer of retained earnings and bonus to employees to stock dividends for distribution	<u>\$ 682,527</u>	<u>\$ 794,032</u>	<u>\$ 1,403,385</u>	<u>\$ 42,708</u>
Transfer of convertible bonds to common stock and additional paid-in capital	<u>\$ 1,471,034</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
PURCHASE OF PROPERTIES				
Cost of properties purchased	\$ 360,412	\$ 145,958	605,126	\$ 18,415
Decrease (increase) in payables for the purchase of equipment	34,958	4,988	(36,482)	(1,110)
(Increase) decrease in lease payable	<u>-</u>	<u>(4,310)</u>	<u>426</u>	<u>13</u>
	<u>\$ 395,370</u>	<u>\$ 146,636</u>	<u>\$ 569,070</u>	<u>17,318</u>
CASH DIVIDENDS, BONUSES TO EMPLOYEES AND DIRECTORS' REMUNERATION				
Appropriation of cash dividends, bonuses to employees and directors' remuneration	\$ 1,649,816	\$ 5,449,224	\$ 13,685,470	\$ 416,478
Increase in payables on cash dividends, bonuses to employees and directors' remuneration	<u>(1,645,316)</u>	<u>(5,449,224)</u>	<u>(13,234,470)</u>	<u>(402,753)</u>
	<u>\$ 4,500</u>	<u>\$ -</u>	<u>\$ 451,000</u>	<u>\$ 13,725</u>

(Concluded)

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

HIGH TECH COMPUTER CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SIX MONTHS ENDED JUNE 30, 2005, 2006 AND 2007 (In Thousands, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

High Tech Computer Corp. (HTCC) 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, HTCC had an initial public offering and, in March 2002, had its stock listed on the Taiwan Stock Exchange. On November 19, 2003, HTCC started trading Global Depositary Receipts on the Luxembourg Stock Exchange.

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

HTCC and its consolidated subsidiaries, hereinafter referred to as the “Company, had 3,744 , 4,930 and 6,252 employees as of June 30, 2005, 2006 and 2007, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared 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 (ROC). In preparing financial statements in conformity with these guidelines and principles, the Company is required to make certain estimates and assumptions that could affect the amounts of allowance for doubtful accounts, allowance for inventory devaluation, property depreciation, royalty, accrued pension cost, and warranty liability. Actual results could differ from these estimates.

The accompanying financial statements were originally presented in more than one set of Chinese reports. For the convenience of readers, the accompanying 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 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 (SFB, formerly the “Securities and Futures Commission” before July 1, 2004) 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 direct and indirect subsidiaries of HTCC, and the accounts of investees in which HTCC’s ownership percentage is less than 50% but in which HTCC has a controlling interest.

The revised ROC Statement of Financial Accounting Standards No. 7 - "Consolidated Financial Statements" took effect on January 1, 2005. This revised standard requires the consolidation of all investees in which HTCC has a controlling interest.

All significant intercompany balances and transactions were eliminated upon consolidation. Minority interest was presented separately in the financial statements.

The consolidated entities as of June 30, 2005, 2006 and 2007 were as follows:

Name of Investor	Name of Investee	Main Businesses	% of Ownership			Remark
			2005	2006	2007	
High Tech Computer Corp.	H.T.C. (B.V.I.) Corp.	Global investing activities	100	100	100	Incorporated in August 2000
	BandRich Inc.	Design, manufacture and sale of electronic devices	-	51	51	Incorporated in April 2006
	HTC HK, Limited	Global investing activities	-	-	100	Incorporated in August 2006
	Communication Global Certification Inc.	Testing and certification service	-	-	100	Invested in January 2007
H.T.C. (B.V.I.) Corp.	HTEK	Marketing and engineering support activities	100	100	100	Incorporated in August 2000
	HTC America Inc.	Repair and after-sales service	100	100	100	Incorporated in January 2003
	HTC Europe Co., Ltd.	Repair and after-sales service	100	100	100	Incorporated in July 2003
	High Tech Computer Corp. (Suzhou)	Manufacture and sale of smart handheld devices	100	100	100	Incorporated in January 2003
	Exedea Inc.	Distribution and sales	-	100	100	Incorporated in December 2004 and invested in July 2005
	HTC Nippon Corporation	Distribution and after-sales service	-	100	100	Incorporated in March 2006
	HTC BRASIL	Repair and after-sales service	-	-	100	Incorporated in October 2006
HTC HK, Limited	HTC Belgium BVBA/SPRL	Global investing activities	-	-	100	Incorporated in October 2006

In January, 2007, the Company acquired 100% of the issued share capital of Communication Global Certification Inc. for cash consideration of NT\$280,000 thousand. Net assets acquired were as follows:

	2007	
	NT\$	US\$ (Note 3)
Bank balances and cash	\$ 39,961	\$ 1,216
Other current assets	40,201	1,223
Property	175,940	5,354
Intangible assets	174,253	5,303
Other assets	3,913	119
Current liabilities	(63,315)	(1,927)
Long-term bank loans	(90,050)	(2,740)
Other liabilities	(903)	(27)
Total consideration	<u>\$ 280,000</u>	<u>\$ 8,521</u>

	<u>2007</u>	
	NT\$	US\$ (Note 3)
Cash consideration	\$ 280,000	\$ 8,521
Bank balances and cash acquired	<u>(39,961)</u>	<u>(1,216)</u>
Net outflow of cash in respect of acquisition of subsidiaries	<u>\$ 240,039</u>	<u>\$ 7,305</u>

As mentioned in Note 1, HTCC and the foregoing subsidiaries are hereinafter referred to collectively as the “Company.”

Current/Noncurrent Assets and Liabilities

Current assets are unrestricted cash, cash equivalents and other assets to be realized in cash, sold, or consumed (prepaid items) within 12 months of the balance sheet date. Current liabilities are obligations to be paid or settled within 12 months of the balance sheet date. All other assets or liabilities are classified as noncurrent.

Financial Assets/Liabilities at Fair Value through Profit or Loss

Derivatives that do not meet the criteria for hedge accounting are initially recognized at fair value, with transaction costs expensed as incurred. The derivatives are subsequently remeasured at fair value, with the changes in fair value recognized as current income. When the fair value is positive, the derivative is recognized as a financial asset; when the fair value is negative, the derivative is recognized as a financial liability.

Available-for-Sale Financial Assets

Available-for-sale financial assets are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition. When the assets are subsequently measured at fair value, the changes in fair value are excluded from earnings and reported as a separate component of stockholders’ equity. The accumulated gains or losses are recognized as earnings when the financial asset is de-recognized from the balance sheet.

Cash dividends are recognized as investment income upon the declaration of an investee’s stockholders under a resolution but are accounted for as a reduction of the original cost of investment if these dividends are declared on the earnings of the investees attributable to periods before the purchase of the investments. Stock dividends are recorded as an increase in the number of shares held and do not affect investment income. The cost per share is recalculated on the basis of the new number of shares held after the stock dividends are received.

If there is objective evidence that a financial asset is impaired, a loss is recognized. If the impairment loss decreases, the previously recognized impairment loss is reversed to the extent of the decrease and recorded as an adjustment to stockholders’ equity.

Revenue Recognition, Accounts Receivable and Allowance for Doubtful Accounts

The Company recognizes revenues when the earnings process is complete, as evidenced by an agreement with the customer, the transfer of title and acceptance has occurred, the price is fixed or determinable and the collectibility is reasonably assured. The Company records a provision for estimated future returns and other allowances in the same period the related revenue is recorded. Provisions for estimated sales returns and other allowances are generally made based on historical experience, management’s judgment, and any known factors that would significantly affect the allowance.

Sales prices are determined using the fair value taking into account related sales discounts agreed to by the Company and its customers. Since the receivables from sales are collectible within one year and such transactions are frequent, the fair value of receivables is equivalent to the nominal amount of cash to be received.

Allowance for doubtful accounts is provided on the basis of management's evaluation of the collectibility of receivables, past loss experience, and other pertinent factors.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the moving-average method. Market value is based on replacement costs of raw materials and work-in-process and on net realizable values of finished goods.

Financial Assets Carried At Cost

Investments that do not have quoted market prices in an active market and have fair values that cannot be reliably measured, such as non-publicly traded stocks, are carried at original cost. The costs of non-publicly traded stocks are determined using the weighted-average method.

The accounting treatment for cash dividends and stock dividends arising from financial assets carried at cost is the same as that for cash and stock dividends arising from available-for-sale financial assets.

Bond Investments not Quoted in an Active Market

Bond investments not quoted in an active market are carried at amortized cost under the effective interest method. Those financial assets are initially recognized at fair value plus costs that are directly attributable to the acquisition. Gains or losses are recognized on investment de-recognition, impairment or amortization.

Properties

Properties are stated at cost less accumulated depreciation. Interest incurred in connection with the purchase or construction of properties is capitalized. Major additions, renewals and betterments are capitalized, while maintenance and repairs are expensed in the period incurred.

On the balance sheet date, assets are evaluated for any impairment. If impairment is identified, the Company should evaluate the recoverable amount of the assets. An impairment loss should be recognized whenever the recoverable amount of the properties is below carrying amount, and this loss should be charged to current income.

An impairment loss recognized in prior years can be reversed only if there is a change in the estimates used to determine recoverable amount since the last impairment loss was recognized. However, the amount reversed is only to the extent that the increased carrying amount of an asset should not exceed the asset carrying amount (net of depreciation) that would have been determined had no impairment loss been recognized in prior years. An impairment loss of an asset revalued under certain regulations should be treated as a revaluation increment decrease. A reversal of an impairment loss on a revalued asset is credited directly to equity under the heading revaluation increment. However, to the extent that an impairment loss on the same revalued asset was previously recognized as profit or loss, a reversal of that impairment loss is also recognized as profit or loss.

Assets held under capital leases are initially recognized as assets at the lower of their fair value at the inception of the lease or the present value of all future lease payments plus the bargain purchase price. The corresponding liability to the lessor is included in the balance sheet as a capital lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation to have a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to gain or loss. But if these charges they are directly attributable to qualifying assets, they are capitalized in accordance with the Company's general policy on borrowing costs.

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 equipments) - 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.

Goodwill

Goodwill is the consideration paid for an acquisition in excess of the fair value of identifiable net assets acquired. Before January 1, 2006, goodwill was amortized using the straight-line method over the estimated life of 10 years. Effective January 1, 2006, based on the newly revised Statement of Financial Accounting Standards No. 25 - "Business Combinations - Accounting Treatment under the Purchase Method," goodwill is no longer amortized and is tested for impairment annually instead. If circumstances show that the fair value of goodwill has become lower 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

An impairment loss should be recognized on the balance sheet date whenever the recoverable amount of the asset is below carrying amount. The increased carrying amount due to reversal should not be more than what the depreciated historical cost would have been if the impairment had not been recognized. Reversal of an impairment loss is recognized as income in the income statement. However, the reversal of impairment loss on goodwill is prohibited.

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 based on management's evaluation of the products under warranty, past warranty experience, and other pertinent factors.

Bonds Payable

Bonds are issued at face value and recorded as bonds payable. Each month's interest expense is booked at face value multiplied by the stated interest rate. For bonds sold under repurchase agreements, interest is calculated according to the repurchase value and recognized as interest expense by period. The direct and necessary expenses of issuing convertible bonds are recorded as issuance expenses and amortized over the period from issuance date to the maturity date. When a bondholder requests conversion of convertible bonds, unamortized issue costs, interest expense that is accreted to the date of conversion but need not be paid, recognized interest premium, and the par value of the bonds are written off. The common stock should be valued at the carrying amount net of the amounts written off, and the difference of this net amount from the par value of the common stock is recognized as additional paid-in capital.

Pension Plan

Under the ROC Labor Standards Law (the "Law"), which provides for a defined benefit pension plan, the Company has a pension plan covering all eligible employees. 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 the defined benefit pension plan should be calculated by the actuarial method.

The Labor Pension Act (the "Act), which provides for a new defined contribution plan, took effect on July 1, 2005. Employees already covered by the Law can choose to remain to be subject to the pension mechanism under the Law or to be subject to the Act. Under the Act, the rate of an employer's monthly contribution to the pension fund should be at least 6% of the employee's monthly wages, and the contribution should be recognized as pension expense in the income statement.

Under SFAS No. 23, "Interim Financial Reporting and Disclosures," the Company does not have to apply the requirement stated in SFAS No. 18 ("Accounting for Pensions") of remeasuring the minimum pension liability and pension cost of the current interim period.

Income Tax

The Company adopted Statement of Financial Accounting Standards No. 22, "Accounting for Income Taxes," which requires an asset and liability approach to financial accounting and reporting for income tax. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are provided for deferred tax assets that are not certain to be realized. Income tax expense or benefit is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

Adjustment of prior years' income tax is added to current income tax expense in the year the adjustment is made.

Income tax on unappropriated earnings of 10% is expensed in the year of stockholder approval which is the year subsequent to the year the earnings are generated.

All subsidiaries file income tax returns based on the regulations of their respective local governments. In addition, there is no material difference in the accounting principles on income taxes between the parent company and those of its subsidiaries.

Stock-Based Employee Compensation Plans

When the grant date of stock-based employee compensation plans is on or after January 1, 2004, the Company applies the accounting guidelines for stock-based compensation issued by the Accounting Research and Development Foundation of the ROC. Under these guidelines, the fair value of option compensation is recorded initially as an asset. This asset is expensed ratably over the service period, which is generally the period over which the options vest.

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, if the selling price is above the book value, the difference should be credited to the capital surplus - from treasury stock transactions account. 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 the remainder, if any, debited to retained earnings. The carrying value of treasury stocks should be calculated by using the weighted-average approach.

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-Currency Transactions

Transactions in currencies other than the New Taiwan dollars are recorded at the rates of exchange prevailing on the dates of the transactions. On the balance sheet date, monetary items denominated in foreign currencies are translated at prevailing rates. Exchange differences arising on the settlements of the monetary items and on the retranslation of monetary items are included in earnings for the period.

Exchange differences arising on the retranslation of nonmonetary items carried at fair value are included in earnings for the period, except for differences arising on the retranslation of nonmonetary items for which gains and losses are recognized directly under equity. For these nonmonetary items, any exchange component of that gain or loss is also recognized directly under equity. Nonmonetary items that are measured at historical cost in a foreign currency are not retranslated.

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

The rates of exchange prevailing on the transaction dates are based on the rates quoted by the Bank of Taiwan.

Mergers

The Company's acquisition of IA Style, Inc. was accounted for using the Statement of Financial Accounting Standards No. 25, "Business Combinations - Accounting Treatment under the Purchase Method," and measured at the fair value of the business acquired. The net assets and net liabilities of the acquired entity were accounted for in the balance sheet as

an increase in additional paid-in capital from merger (credit) and as a decrease in retained earnings (debit), respectively.

Reclassifications

Certain 2005 and 2006 accounts have been reclassified to be consistent with the presentation of the financial statements as of and for the three months ended June 30, 2007.

3. TRANSLATION INTO U.S. DOLLARS

The financial statements are stated in New Taiwan dollars. The translation of the 2007 New Taiwan dollar amounts into U.S. dollar amounts are included solely for the convenience of readers, using the noon buying rate of NT\$32.86 to US\$1.00 quoted by the Bank of Taiwan on June 30, 2007. The convenience translation should not be construed as representations that the New Taiwan dollar amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other exchange rate.

4. ACCOUNTING CHANGES

a. SFAS Nos. 37 and 38

Effective January 1, 2007, the Company adopted the newly released SFAS No. 37 - "Intangible Assets" and SFAS No. 38 - "Noncurrent Assets Held for Sale and Discontinued Operations." These accounting changes had no material effect on the Company's financial statements as of and for the six months ended June 30, 2007.

b. SFAS Nos. 34 and 36

On January 1, 2006, the Company adopted the newly released Statements of Financial Accounting Standards ("Statements" or SFAS) No. 34 - "Accounting for Financial Instruments" and No. 36 - "Disclosure and Presentation of Financial Instruments" and related revisions of previously released Statements.

The Company recategorized its financial assets and liabilities upon adopting SFAS Nos. 34 and 36. As shown below, the adjustments made to the carrying amounts of the financial instruments categorized as financial assets or financial liabilities at fair value through profit or loss were included in the cumulative effect of changes in accounting principles. On the other hand, the adjustments made to the carrying amounts of those categorized as available-for-sale financial assets were recognized as adjustments to stockholders' equity.

	As Cumulative Effect of Change in Accounting Principles (After Tax)	As Adjustments of Stockholders' Equity (After Tax)
Available-for-sale financial assets	\$ <u> </u> -	\$ <u> </u> 48

The accounting changes had no material effect on the Company's financial statements as of and for the six months ended June 30, 2006.

c. SFAS Nos. 1, 5 and 25

Effective January 1, 2006, the Company adopted the newly revised SFAS No. 1 - "Conceptual Framework for Financial Accounting and Preparation of Financial Statements," No. 5 - "Long Term Investments in Equity Securities" and No. 25 - "Business Combinations - Accounting Treatment under the Purchase Method," which prescribe that investment premiums, representing goodwill, be assessed for impairment at least annually instead of being amortized. These accounting changes had no material effect on the Company's financial statements as of and for the six months ended June 30, 2006.

5. CASH

Cash as of June 30, 2005, 2006 and 2007 was as follows:

	<u>2005</u>	<u>2006</u>	<u>2007</u>	
	NT\$	NT\$	NT\$	US\$ (Note 3)
Cash on hand	\$ 1,043	\$ 1,064	\$ 2,396	\$ 73
Cash in banks	3,497,811	4,064,602	6,281,864	191,171
Time deposits	<u>8,129,788</u>	<u>24,040,400</u>	<u>39,518,400</u>	<u>1,202,629</u>
	<u>\$ 11,628,642</u>	<u>\$ 28,106,066</u>	<u>\$ 45,802,660</u>	<u>\$ 1,393,873</u>

As of June 30, 2005, 2006 and 2007, interest rates on domestic currency time deposits ranged from 1.00% to 1.45%, 1.30% to 2.005% and 1.844% to 2.20%, respectively.

As of June 30, 2005, 2006 and 2007, interest rates on foreign currency time deposits or preferential deposit ranged from 2.00% to 4.55%, 2.43% to 4.97% and 2.95% to 5.00%, respectively.

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

Financial assets and liabilities at fair value through profit or loss as of June 30, 2005, 2006 and 2007 were as follows:

	<u>2005</u>	<u>2006</u>	<u>2007</u>	
	NT\$	NT\$	NT\$	US\$ (Note 3)
Derivatives - financial assets				
Forward exchange contracts	\$ -	\$ 11,005	\$ 30,670	\$ 933
Derivatives - financial liabilities				
Forward exchange contracts	9,764	-		

The Company entered into derivative transactions during the six months ended June 30, 2005, 2006 and 2007 to manage exposures related to foreign exchange rate fluctuations. The derivative transactions entered into by the Company did not meet the criteria for hedge accounting prescribed by SFAS No. 34. Therefore, the Company hadn't adopted hedge accounting. Outstanding forward exchange and currency option contracts as of June 30, 2005, 2006 and 2007 were as follows:

Forward Exchange Contracts

2005				
	Buy/Sell	Currency	Expiry Date	Contract Amount
Forward exchange contracts	Sell	USD/NTD	2005.07.01~2005.08.05	US\$ 65,000
Forward exchange contracts	Sell	EUR/USD	2005.07.01~2005.07.22	EUR€ 18,000
Forward exchange contracts	Sell	GBP/USD	2005.07.07	GBP£ 2,000
2006				
	Buy/Sell	Currency	Expiry Date	Contract Amount
Forward exchange contracts	Sell	USD/NTD	2006.07.05~2006.09.06	US\$ 89,000
Forward exchange contracts	Sell	EUR/USD	2006.07.05~2006.09.27	EUR€ 93,000
Forward exchange contracts	Sell	EUR/JPY	2006.07.07	EUR€ 250
Forward exchange contracts	Sell	USD/JPY	2006.07.07	US\$ 800
Forward exchange contracts	Sell	GBP/USD	2006.07.14	GBP£ 500
2007				
	Buy/Sell	Currency	Expiry Date	Contract Amount
Forward exchange contracts	Sell	USD/NTD	2007.07.04~2007.07.18	US\$ 33,000
Forward exchange contracts	Sell	EUR/USD	2007.07.13~2007.09.07	EUR€ 130,000
Forward exchange contracts	Sell	GBP/USD	2007.07.13	GBP£ 150
Forward exchange contracts	Sell	JPY/USD	2007.08.24	JPY 70,000

Net loss on derivative financial instruments for the six months ended June 30, 2007 was NT\$106,324 thousand (US\$3,236 thousand), including realized settlement loss of NT\$136,994 thousand (US\$4,169 thousand) and valuation gain of NT\$30,670 thousand (US\$933 thousand).

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets as of June 30, 2005, 2006 and 2007 were as follows:

	<u>2005</u>	<u>2006</u>	<u>2007</u>	
	NT\$	NT\$	NT\$	US\$ (Note 3)
VIA Technologies, Inc.	<u>\$ 947</u>	<u>\$ 1,201</u>	<u>\$ 1,485</u>	<u>\$ 45</u>

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

8. NOTES AND ACCOUNTS RECEIVABLE

Notes and accounts receivable as of June 30, 2005, 2006 and 2007 were as follows:

	<u>2005</u>	<u>2006</u>	<u>2007</u>	
	NT\$	NT\$	NT\$	US\$ (Note 3)
Notes receivable	\$ 347,274	\$ 515,932	\$ 1,520	\$ 46
Accounts receivable	7,743,675	15,633,958	18,003,159	547,875
Less allowance for doubtful accounts	<u>(17,292)</u>	<u>(3,833)</u>	<u>(30,845)</u>	<u>(939)</u>
	<u>\$ 8,073,657</u>	<u>\$ 16,146,057</u>	<u>\$ 17,973,834</u>	<u>\$ 546,982</u>

9. OTHER CURRENT FINANCIAL ASSETS

Other current financial assets as of June 30, 2005, 2006 and 2007 were as follows:

	<u>2005</u>	<u>2006</u>	<u>2007</u>	
	NT\$	NT\$	NT\$	US\$ (Note 3)
Restricted current assets (Notes 18 and 27)	\$ -	\$ -	\$ 34,500	\$ 1,050
Other receivables	23,664	23,577	30,208	920
Payment on behalf of others	4,768	15,580	24,316	740
Interest receivable	<u>3,874</u>	<u>12,916</u>	<u>34,018</u>	<u>1,035</u>
	<u>\$ 32,306</u>	<u>\$ 52,073</u>	<u>\$ 123,042</u>	<u>\$ 3,745</u>

Restricted current assets were time deposits provided as collaterals for long-term loans.

Other receivables were primarily compensation from service charges, overseas value-added tax refund receivables, prepayment for employees' traveling expenses and proceeds of the sales of properties.

10. INVENTORIES

Inventories as of June 30, 2005, 2006 and 2007 were as follows:

	<u>2005</u>	<u>2006</u>	<u>2007</u>	
	NT\$	NT\$	NT\$	US\$ (Note 3)
Finished goods	\$ 590,526	\$ 874,579	\$ 791,360	\$ 24,083
Work-in-process	1,433,967	1,765,838	1,707,170	51,953
Raw materials	<u>2,385,089</u>	<u>4,057,877</u>	<u>4,634,925</u>	<u>141,050</u>
	4,409,582	6,698,294	7,133,455	217,086
Less valuation allowance	<u>(461,750)</u>	<u>(1,009,398)</u>	<u>(1,211,521)</u>	<u>(36,869)</u>
	<u>\$ 3,947,832</u>	<u>\$ 5,688,896</u>	<u>\$ 5,921,934</u>	<u>\$ 180,217</u>

11. PREPAYMENTS

Prepayments as of June 30, 2005, 2006 and 2007 were as follows:

	<u>2005</u>	<u>2006</u>	<u>2007</u>	
	NT\$	NT\$	NT\$	US\$ (Note 3)
Prepayments for:				
Royalty	\$459,721	\$688,356	\$1,272,333	\$38,720
Molding equipment	85,141	65,383	50,094	1,524
Travel	18,784	32,037	6,450	196
Rental	342	555	17,637	537
Net input VAT	514	15,523	76,661	2,333
Others	<u>71,916</u>	<u>82,600</u>	<u>116,907</u>	<u>3,558</u>
	<u>\$636,418</u>	<u>\$884,454</u>	<u>\$1,540,082</u>	<u>\$46,868</u>

Prepayments for royalty were primarily prepayments for the future discount purpose (Note 29 has more information).

Prepayments for others were primarily for insurance expenses and other expenses.

12. FINANCIAL ASSETS CARRIED AT COST

Financial assets carried at cost as of June 30, 2005, 2006 and 2007 were as follows:

	<u>2005</u>	<u>2006</u>	<u>2007</u>	
	NT\$	NT\$	NT\$	US\$ (Note 3)
Hua-Chuang Automobile Information Technical Center Co., Ltd.	\$ -	\$ -	\$500,000	\$15,216
Answer Online, Inc.	<u>1,192</u>	<u>1,192</u>	<u>1,192</u>	<u>37</u>
	<u>\$ 1,192</u>	<u>\$ 1,192</u>	<u>\$501,192</u>	<u>\$15,253</u>

In January 2007, the Company acquired 10% equity interest in Hua-Chuang Automobile Information Technical Center Co., Ltd. for NT\$500,000 thousand (US\$15,216 thousand). The Company also signed a joint venture agreement with Yulon Group, which was the main stockholder of Hua-Chuang. Under the agreement, the Company and Yulon Group may, from January 1, 2010 to December 31, 2011, submit written requests to each other to request Yulon Group to buy back for NT\$300 million, some of the Hua-Chuang shares bought by the Company.

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

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

13. BOND INVESTMENT NOT QUOTED IN AN ACTIVE MARKET

As of June 30, 2007, HTCC had the following bond investment, which was not quoted in an active market:

	NT\$	US\$ (Note 3)
Bond investment	\$ 33,030	\$ 1,005
Less current portion	<u>(33,030)</u>	<u>(1,005)</u>
	<u>\$ -</u>	<u>\$ -</u>

The above 12-month bond investment was acquired by HTCC for NT\$33,030 thousand (US\$1,000 thousand). The unquoted debt instrument was not carried at fair value because its fair value could not be reliably measured.

14. PROPERTIES

Properties as of June 30, 2005, 2006 and 2007 were as follows:

	2005		2006		2007	
	Carrying Value	Carrying Value	Cost	Accumulated Depreciation	Carrying Value	
	NT\$	NT\$	NT\$	NT\$	NT\$	US\$ (Note 3)
Land	\$ 576,001	\$ 610,293	\$ 625,342	\$ -	\$ 625,342	\$ 19,030
Buildings and structures	709,597	767,105	1,087,626	382,187	705,439	21,468
Machinery and equipment	967,530	925,578	3,616,815	2,386,604	1,230,211	37,438
Molding equipment	-	-	179,135	179,135	-	-
Computer equipment	167,502	50,789	244,973	168,947	76,026	2,314
Transportation equipment	1,229	1,395	3,212	2,272	940	29
Furniture and fixtures	39,119	40,383	156,570	93,653	62,917	1,915
Leased assets	-	4,319	4,712	1,178	3,534	107
Leasehold improvements	25,292	20,485	83,516	34,548	48,968	1,490
Prepayments on equipment-in-transit	<u>151,990</u>	<u>25,795</u>	<u>845,460</u>	<u>-</u>	<u>845,460</u>	<u>25,729</u>
	<u>\$2,638,260</u>	<u>\$2,446,142</u>	<u>\$6,847,361</u>	<u>\$3,248,524</u>	<u>\$3,598,837</u>	<u>\$109,520</u>

Prepayments for construction-in-progress and equipment-in-transit were prepayments for building construction and miscellaneous equipment.

In June 2005, the Company acquired land and building from VIA Technologies, Inc. for NT\$304,630 thousand.

15. ACCRUED EXPENSES

Accrued expenses as of June 30, 2005, 2006 and 2007 were as follows:

	<u>2005</u>	<u>2006</u>	<u>2007</u>	
	NT\$	NT\$	NT\$	US\$ (Note 3)
Marketing	\$ -	\$ 267,305	\$ 1,510,074	\$ 45,955
Salaries and bonuses	275,510	350,716	619,614	18,856
Research materials	101,233	121,578	136,212	4,145
Export expenses	71,265	245,652	123,898	3,771
Professional fees	22,820	29,180	120,853	3,678
Donation	-	300,000	120,402	3,664
Meals and welfare	32,624	61,148	49,394	1,503
Insurance	67,351	66,166	22,124	673
Travel	15,712	41,005	18,188	554
Others	81,144	147,376	196,698	5,986
	<u>\$ 667,659</u>	<u>\$ 1,630,126</u>	<u>\$ 2,917,457</u>	<u>\$ 88,785</u>

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

For the three months ended June 30, 2006 and 2007, the Company accrued the donation of NT\$300,000 thousand and 120,402 (US\$3,664 thousand) based on its social welfare policy to the High Tech Computer Foundation for Social Welfare Charity to help disadvantaged minorities, teenagers and other people in need.

16. OTHER CURRENT LIABILITIES

Other current liabilities as of June 30, 2005, 2006 and 2007 were as follows:

	<u>2005</u>	<u>2006</u>	<u>2007</u>	
	NT\$	NT\$	NT\$	US\$ (Note 3)
Cash dividend payable	\$ 1,443,816	\$ 4,998,224	\$ 11,685,470	\$ 355,614
Reserve for warranty expenses	615,590	1,144,979	1,319,395	40,152
Employee bonus payable	206,000	451,000	2,000,000	60,864
Agency receipts	31,016	113,020	109,111	3,321
Advance receipts	19,397	105,613	101,675	3,094
Directors' remuneration	21,842	21,842	21,842	665
Other	12,583	120,136	123,982	3,773
	<u>\$ 2,350,244</u>	<u>\$ 6,954,814</u>	<u>\$ 15,361,475</u>	<u>\$ 467,483</u>

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

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

17. BONDS PAYABLE

On January 29, 2003, the Company issued zero coupon convertible bonds with an aggregate amount of US\$66,000 thousand and maturity in 2008. The issue price was 100% of the US\$1,000 par value.

Under the bond terms, a bondholder has the right to request the Company to redeem the bonds on April 29, 2004 at their accreted principal amount. Thus, some bondholders requested the Company to redeem the bonds amounting to US\$2,000 thousand, and other bondholders requested conversion of bonds amounting to US\$64,000 thousand into 17,336 thousand shares. As a result, the Company had no outstanding bonds payable as of April 30, 2005.

The number of shares issued upon conversion of any bond is determined by dividing the principal amount of the bonds (translated into New Taiwan dollars at a fixed exchange rate of NT\$34.658 to US\$1.00) by the conversion price in effect on the conversion date.

The initial conversion price was NT\$205.32 per share at the time of issuance. Upon the distribution of stock dividends and the issuance of additional common shares, the conversion price will be adjusted.

18. LONG-TERM BANK LOANS

	<u>2005</u>	<u>2006</u>	<u>2007</u>	
	NT\$	NT\$	NT\$	US\$ (Note 3)
Secured loans (Notes 9 and 27)				
NT\$50,000, repayable from July 2006 in 16 quarterly installments; 1% annual interest	\$ -	\$ -	\$ 37,500	\$ 1,141
NT\$58,800, repayable in quarterly installments from the completion date of the loan plan; 1% annual interest; the loan plan had not been completed as of June 30, 2007	-	-	58,800	1,789
Less current portion	<u>-</u>	<u>-</u>	<u>(12,500)</u>	<u>(380)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 83,800</u>	<u>\$ 2,550</u>

19. PENSION PLAN

The Labor Pension Act (the "Act"), which provides for a new defined contribution plan, took effect on July 1, 2005. Employees already covered by the Labor Standards Law (the "Law") can choose to remain to be subject to the pension mechanism under the Law or to be subject to the Act. Under the Act, the rate of an employer's monthly contribution to the pension fund should be at least 6% of the employee's monthly wages, and the contribution should be recognized as pension expense in the income statement. The pension costs of the defined contribution pension plan for the six months ended June 30, 2006 and 2007 were NT\$42,031, and NT\$53,308 thousand (US\$1,622 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. On January 1, 2004, the rate of the Company's contributions to a pension fund increased from 2% to 8% of employees' salaries and wages and then decreased to 2% after the Act took effect. The fund is deposited in the Central Trust of China, a government-designated custodian of pension funds, and managed by the Pension Fund Administration Committee. The pension fund balances were NT\$244,377 thousand, NT\$291,477 thousand and NT\$328,309 (US\$ 9,991 thousand) as of June 30, 2005, 2006 and 2007, respectively.

Under local government regulations, HTC America Inc., HTC Europe Co., Ltd., and High Tech Computer Corp. (Suzhou) etc. have defined contribution pension plans covering all eligible employees. The pension fund contributions for the six months ended June 30, 2006 and 2007 were NT\$83 thousand in 2005, NT\$3,923 thousand in 2006 and NT\$4,753 thousand (US\$145 thousand) in 2007. The remaining subsidiaries have no pension plans.

Based on the Statement of Financial Accounting Standards No. 18 - "Accounting for Pensions," issued by the Accounting Research and Development Foundation of the ROC, changes of prepaid pension cost under the defined benefit plans for the six months ended June 30, 2005, 2006 and 2007 as follows:

	<u>2005</u>	<u>2006</u>	<u>2007</u>	
	NT\$	NT\$	NT\$	US\$ (Note 3)
Balance, beginning of period	\$ 7,663	\$ 49,760	\$ 74,020	\$ 2,252
Effect of first inclusion for consolidation of subsidiaries			(12)	-
Contributions	(47,542)	(3,024)	(3,413)	(104)
Payments	<u>70,852</u>	<u>15,489</u>	<u>14,316</u>	<u>436</u>
Balance, end of period	<u>\$ 30,973</u>	<u>\$ 62,225</u>	<u>\$ 84,911</u>	<u>\$ 2,584</u>

20. STOCKHOLDERS' EQUITY

Capital Stock

The Company's outstanding common stock as of January 1, 2005 amounted to NT\$2,714,276 thousand, divided into 271,427 thousand shares at NT\$10.00 par value. After the registration of the conversion of bonds into 4,884 thousand shares (NT\$48,838 thousand) was completed, these shares were transferred to common stocks. In the first and second quarters of 2005, holders of US\$45,970 thousand in bonds requested to convert the bonds into 12,452 thousand shares (NT\$124,519 thousand). As a result, the amount of the Company's outstanding common stock as of June 30, 2005 increased to NT\$2,887,633 thousand, divided into 288,763 thousand common shares at NT\$10.00 par value. In June 2005, the stockholders approved the transfer of retained earnings amounting to NT\$577,527 thousand and employee bonuses amounting to NT\$105,000 thousand to capital stock. The amounts to be distributed were accounted for as "stock dividend for distribution" temporarily.

After finishing the registration of the shares to be distributed, the amount of the Company's outstanding common stock as of June 30, 2006 increased to NT\$3,570,160 thousand, divided into 357,016 thousand common shares at NT\$10.00 par value. In May 2006, the stockholders approved the transfer of retained earnings amounting to NT\$714,032 thousand and employee bonuses amounting to NT\$80,000 thousand to capital stock. The amounts to be distributed were accounted for as "stock dividend for distribution" temporarily.

In April 2007, the Company retired 3,624 thousand treasury shares (NT\$36,240 thousand, or US\$1,103 thousand). As a result, the amount of the Company's outstanding common stock as of June 30, 2007 decreased to NT\$4,327,952 thousand (US\$131,709 thousand), divided into 432,795 thousand common shares at NT\$10.00 (US\$0.30) par value. Also, in June 2007, the stockholders approved the transfer of retained earnings amounting to NT\$1,298,385 thousand (US\$39,513 thousand) and employee bonuses amounting to NT\$105,000 thousand (US\$3,195 thousand) to capital stock. The amounts to be distributed were accounted for as "stock dividend for distribution" temporarily.

In their meeting on December 11, 2002, the Company's Board of Directors resolved to issue 7,000 thousand units of employee stock options in accordance with Article 28.3 of the Securities and Exchange Law. Each option represents the right to buy one newly issued common share of the Company. The exercise price is the closing price of the Company's common shares on the option issuance date or the share par value, whichever is higher. The option holders can exercise the right up to 35% of the granted option units no earlier than two years from the grant date. After three years from the grant date, the holders can exercise the right at up to 70% of the granted option units. After four years from the grant date, the option holders are eligible to exercise their rights on all the options owned. The exercise period is five years. As of June 30, 2007, the Company had issued 3,000 thousand units of the stock options to employees which were increased to 7,011 thousand units by taking into account the effect of stock dividends and the issuance of additional common stocks. After the employees' choosing to give up the stock options, there was no employee stock options outstanding. The remaining employee stock options which were not issued, amounting to 4,000 thousand units, expired on December 25, 2003.

Global Depositary Receipts

The Company issued 14,400 thousand shares of its common stock divided into 3,600 thousand units of Global Depositary Receipts. The Company's stockholders including Via Technologies, Inc., offered 12,878.4 thousand shares of its common stock, divided into 3,219.6 thousand units of Global Depositary Receipts. Therefore, there are 6,819.6 thousand units of GDRs in the aggregate in this offering. Each GDR represents four common shares and issued at NT\$131.1 per share. NT\$1,696,855 thousand of the additional paid-in capital from the issuance of such common stock were accounted for as "capital surplus". This cash subscription was finished and registered on November 19, 2003.

The holders of these GDRs have same rights and obligation with 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. The GDRs offered hereby and the shares represented thereby are not transferable except in accordance with the restrictions described in the GDRs offering circular and related laws applied in Taiwan. The holders should through the depositary's custodian in Taiwan exercise these rights as follows:

- a. Voting right, and
- b. Entitlement to receive dividends and participate in new share issuance for cash subscription.

Also the GDR holders could trade their shares through the GDR custodian in Taiwan. Taking into account the effect of stock dividends, the GDRs increased to 7,324.7 thousand units (29,299 thousand shares). The holders of these GDRs requested the Company to redeem the GDRs to get the Company's common shares. As of June 30, 2007, there were 5,106.5 thousand units of GDRs redeemed, representing 20,426 thousand common shares, and the outstanding GDRs represented 8,873 thousand common shares or 2.05% of the Company's common shares.

Capital Surplus

The additional paid-in capital was NT\$3,064,356 thousand as of January 1, 2005. Then, the following additional paid-in capital resulted from two transactions: (a) NT\$1,346,515 thousand from the conversion of bonds payable into 12,452 thousand shares in the first and second quarters of 2005; and (b) NT\$36,627 thousand (US\$1,115 thousand) from the retirement of treasury stock in April 2007. As a result, the additional paid-in capital as of June 30, 2007 was NT\$4,374,244 thousand (US\$133,118 thousand). Under the Company Law, the Company may transfer the capital surplus to common stock if there is no accumulated deficit.

When the Company did not subscribe to the new shares issued by BandRich Inc., an adjustment of NT\$15,845 thousand was made to the investment's carrying value and capital surplus.

The additional paid-in capital from a merger (Note 1), which took effect on March 1, 2004, was NT\$25,972 thousand. Then, because of treasury stock retirement in April 2007, the additional paid-in capital from a merger decreased to NT\$25,756 thousand. (US\$784 thousand).

Appropriation of Retained Earnings and Dividend Policy

Based on the Company Law of the ROC and the Company's Articles of Incorporation, 10% of the Company's annual net income less any deficit should first be appropriated as legal reserve until this reserve equals its paid-in capital. From the remainder, there should be appropriations of not more than 1% 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 as 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 only up to 95% of total dividends may be distributed as cash dividends.

Had the Company recognized the employees bonuses of NT\$311,000 thousand as expenses in 2004, the pro forma earnings per share in 2004 would have decreased from NT\$14.21 to NT\$13.06.

Had the Company recognized the employees bonuses of NT\$531,000 thousand as expenses in 2005, the pro forma earnings per share in 2005 would have decreased from NT\$33.26 to NT\$31.76.

Had the Company recognized the employees bonuses of NT\$2,105,000 thousand as expenses in 2006, the pro forma earnings per share in 2005 would have decreased from NT\$57.85 to NT\$53.03.

21. TREASURY STOCK

On December 12, 2006, the Company's board of directors passed a resolution to buy back 5,000 thousand Company shares from the open market. The repurchase period was between December 13, 2006 and January 19, 2007, and the repurchase price ranged from NT\$601 to

NT\$800 per share. If the Company's share price is lower than this price range, the Company may continue to buy back its shares.

During the repurchase period, the Company brought back 3,624 thousand shares for NT\$1,991,755 thousand (US\$53,188 thousand). Other information on the treasury stock transactions was as follows:

(In thousands of shares)

Purpose	As of January 1, 2007	Increase	Decrease	As of June 30, 2007
For maintaining the Company's credit and stockholders' equity	374	3,250	-	3,624

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, DEPRECIATION AND AMORTIZATION EXPENSES

Expense Item	Function	2005			2006		
		NT\$			NT\$		
		Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Personnel expenses		\$585,797	\$618,636	\$1,204,433	\$769,797	\$828,913	\$1,598,710
Salary		507,005	531,490	1,038,495	654,370	717,519	1,371,889
Insurance		28,948	34,943	63,891	33,594	40,192	73,786
Pension cost		22,982	24,643	47,625	17,894	31,084	48,978
Other		26,862	27,560	54,422	63,939	40,118	104,057
Depreciation		181,683	114,566	296,249	183,205	122,151	305,356
Amortization		393	23,441	23,834	9,391	17,859	27,250

Expense Item	Function	2007					
		NT\$			US\$ (Note 3)		
		Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Personnel expenses		951,608	1,637,921	2,589,529	28,960	49,845	78,805
Salary		820,713	1,482,765	2,303,478	24,976	45,124	70,100
Insurance		36,379	53,045	89,424	1,107	1,614	2,721
Pension cost		20,816	40,658	61,474	634	1,237	1,871
Other		73,700	61,453	135,153	2,243	1,870	4,113
Depreciation		211,497	144,038	355,535	6,436	4,384	10,820
Amortization		20,432	18,105	38,537	622	551	1,173

23. INCOME TAX

The Basic Income Tax Act (BITA), which took effect on January 1, 2006, requires that the basic income tax (BIT) should be 10% of the sum of the taxable income as calculated in accordance with the Income Tax Act (ITA) plus tax-exempt income under the ITA or relevant laws. The tax payable of the current year would be the higher of the BIT or the income tax payable calculated in accordance with the ITA. However, if the BIT is higher than the ITA tax, investment tax credits granted under the provisions of other laws should not be used to deduct the difference between the two taxes payable. The effect of BIT had been taken into account by the Company.

The HTCC's income tax returns through 2003 had been examined by the tax authorities. However, HTCC disagreed with the tax authorities' assessment on these returns and applied for the reexamination. Nevertheless, HTCC adjusted its income tax for the tax shortage stated in the tax assessment notice for conservative reasons.

Under the Statute for Upgrading Industries, the Company was granted exemption from corporate income tax as follows:

Products Granted Exemption from Corporate Income Tax	Terms Granted Exemption from Corporate Income Tax
sales of pocket PCs and Smartphones	2001.04.26~2006.04.25
sales of pocket PCs (wireless) and Smartphones	2002.01.01~2006.12.31
sales of Win CE products	2003.01.01~2007.12.31
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

Provision for income tax for the years ended June 30, 2005, 2006 and 2007, deferred tax assets and income tax payable as of June 30, 2005, 2006 and 2007 were as follows:

	2005					
	Income Tax Expense (Gain)	Income Tax Payable	Deferred Tax Asset			
High Tech Computer Corp.	\$ 117,358	\$ 210,291	\$ 321,036			
HTC America Inc.	(401)	-	2,478			
	<u>\$ 116,957</u>	<u>\$ 210,291</u>	<u>\$ 323,514</u>			
	2006					
	Income Tax Expense (Gain)	Income Tax Payable	Deferred Tax Asset			
High Tech Computer Corp.	\$ 762,071	\$ 763,575	\$ 461,170			
BandRich Inc.	(1,281)	-	1,281			
	<u>\$ 760,790</u>	<u>\$ 763,575</u>	<u>\$ 462,451</u>			
	2007					
	Income Tax Expense		Income Tax Payable		Deferred Tax Assets	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
		(Note 3)		(Note 3)		(Note 3)
High Tech Computer Corp.	\$ 1,739,655	\$ 52,941	\$ 1,859,458	\$ 56,587	\$ 732,029	\$ 22,277
BandRich Inc.	(4,628)	(141)	-	-	8,563	260
Communication Global Certification Inc.	685	21	-	-	1,893	58
HTC Europe Co., Ltd.	14,203	432	11,416	347	-	-
Exedea Inc.	1,090	33	-	-	-	-
HTC Belgium BVBA/SPRL	314	10	317	10	-	-
	<u>\$ 1,751,319</u>	<u>\$ 53,296</u>	<u>\$ 1,871,191</u>	<u>\$ 56,944</u>	<u>\$ 742,485</u>	<u>\$ 22,595</u>

The tax effects of deductible temporary differences and loss and tax credit carryforwards that gave rise to deferred tax assets as of June 30, 2005, 2006 and 2007 were as follows:

	<u>2005</u>	<u>2006</u>	<u>2007</u>	
	NT\$	NT\$	NT\$	US\$ (Note 3)
Temporary differences				
Unrealized depreciation	\$ 1,507	\$ -	\$ -	\$ -
Provision for loss on decline in value of inventory	114,560	248,271	261,701	7,964
Unrealized royalties	256,049	687,345	1,193,960	36,335
Unrealized marketing expenses	-	-	335,966	10,224
Capitalize expense	39,264	34,532	35,699	1,086
Unrealized reserve for warranty expense	153,898	286,245	329,849	10,038
Unrealized foreign exchange loss, net	-	-	17,191	523
Other	860	1,075	22,993	700
Prior years' loss carryforwards	-	1,281	19,926	606
Tax credit carryforwards	<u>633,588</u>	<u>-</u>	<u>30,771</u>	<u>937</u>
Total deferred tax assets	1,199,726	1,258,749	2,248,056	68,413
Less valuation allowance	<u>(858,857)</u>	<u>(745,875)</u>	<u>(1,471,343)</u>	<u>(44,776)</u>
Total deferred tax asset, net	340,869	512,874	776,713	23,637
Deferred tax liability				
Unrealized pension cost	(7,185)	(14,998)	(21,223)	(646)
Unrealized depreciation	-	-	(5,338)	(163)
Unrealized foreign currency exchange gain, net	(10,170)	(32,674)	-	-
Unrealized value gain on financial instruments	<u>-</u>	<u>(2,751)</u>	<u>(7,667)</u>	<u>(233)</u>
	323,514	462,451	742,485	22,595
Less current portion	<u>(165,460)</u>	<u>(268,630)</u>	<u>(458,213)</u>	<u>(13,944)</u>
Deferred tax assets, noncurrent	<u>\$ 158,054</u>	<u>\$ 193,821</u>	<u>\$ 284,272</u>	<u>\$ 8,651</u>

Details of the tax credit carryforwards are as follows:

Year of Occurrence	Validity Period	<u>2005</u>	<u>2006</u>	<u>2007</u>	
		NT\$	NT\$	NT\$	US\$ (Note 3)
2001	2001-2005	\$ 77,118	\$ -	\$ -	\$ -
2002	2002-2006	56,405	-	-	-
2003	2003-2007	179,061	-	1,852	57
2004	2004-2008	214,346	-	6,965	212
2005	2005-2009	106,658	-	6,479	197
2006	2006-2010	<u>-</u>	<u>-</u>	<u>15,475</u>	<u>471</u>
		<u>\$ 633,588</u>	<u>\$ -</u>	<u>\$ 30,771</u>	<u>\$ 937</u>

Detail of the loss carryforwards are as follows:

Year Occur	Validity Period	2004	2005	2006	
		NT\$	NT\$	NT\$	US\$ (Note 3)
2006	2007~2011	\$ -	\$ 5,124	\$ 42,341	\$ 1,289
2007	2008~2012	-	-	37,362	1,137
		-	\$ 5,124	\$ 79,703	\$ 2,426

Based on the Income Tax Law of the ROC, the investment research and development tax credits can be carried forward for four years. The total credits used in each year cannot exceed half of the estimated income tax provision, except in the last year.

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

The income tax expenses for the six months ended June 30, 2005, 2006 and 2007 were as follows:

	2005	2006	2007	
	NT\$	NT\$	NT\$	US\$ (Note 3)
Current income tax expense	\$215,492	\$712,677	\$1,714,212	\$52,167
(Increase) decrease in deferred income tax assets	(98,747)	16,409	(88,804)	(2,702)
Underestimation of prior year's income tax	212	31,704	125,911	3,831
Income tax expense	\$116,957	\$760,790	\$1,751,319	\$53,296

The integrated income tax information is as follows:

	2005	2006	2007	
	NT\$	NT\$	NT\$	US\$ (Note 3)
Balance of imputation credit account	\$ 93,811	\$ 342,267	\$ 830,009	\$ 25,259
Unappropriated earnings from 1998	6,426,542	17,873,984	23,980,153	729,767
Expected creditable ratio (including income tax payable)	4.73%	6.19%	11.12%	11.12%

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 570,563 thousand shares, 577,950 thousand shares and 573,468 thousand shares for the six months ended June 30, 2005, 2006 and 2007, respectively. EPS for the six months ended June 30, 2005 and 2006 were calculated after the average number of shares outstanding was adjusted retroactively for the effect of stock dividend distribution in 2007.

The convertible bonds and employee stock options had dilutive effects on the EPS for the six months ended June 30, 2005, 2006 and 2007. The related information is as follows:

	2005				
	Numerators		Denominator	EPS (In Dollars)	
	Income before Income Tax	Income after Income Tax	Shares (Thousands)	Income before Income Tax	Income after Income Tax
	NT\$	NT\$		NT\$	NT\$
Basic EPS	\$ 4,173,589	\$ 4,056,231	570,563	\$ 7.31	\$ 7.11
Employee stock options	-	-	4,437		
Diluted EPS	\$ 4,173,589	\$ 4,056,231	575,000	\$ 7.26	\$ 7.05
	2006				
	Numerators		Denominator	EPS (In Dollars)	
	Income before Income Tax	Income after Income Tax	Shares (Thousands)	Income before Income Tax	Income after Income Tax
	NT\$	NT\$		NT\$	NT\$
Basic EPS	\$11,892,292	\$11,130,221	577,950	\$ 20.58	\$ 19.26
Employee stock options	-	-	6,771		
Diluted EPS	\$11,892,292	\$11,130,221	584,721	\$ 20.34	\$ 19.04
	2007				
	Numerators		Denominator	EPS (In Dollars)	
	Income before Income Tax	Income after Income Tax	Shares (Thousands)	Income before Income Tax	Income after Income Tax
	NT\$	NT\$		NT\$	NT\$
Basic EPS	\$13,254,803	\$11,515,148	573,468	\$ 23.11	\$ 20.08
Employee stock options	-	-	-		
Diluted EPS	\$13,254,803	\$11,515,148	573,468	\$ 23.11	\$ 20.08
	2007				
	Numerators		Denominator	EPS (In Dollars)	
	Income before Income Tax	Income after Income Tax	Shares (Thousands)	Income before Income Tax	Income after Income Tax
	US\$ (Note 3)	US\$ (Note 3)		US\$ (Note 3)	US\$ (Note 3)
Basic EPS	\$ 403,371	\$ 350,430	573,468	\$ 0.70	\$ 0.61
Employee stock options	-	-	-		
Diluted EPS	\$ 403,371	\$ 350,430	573,468	\$ 0.70	\$ 0.61

25. FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

Nonderivative Financial Instruments

	June 30							
	2005		2006		2007			
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount		Fair Value	
	NT\$	NT\$	NT\$	NT\$	NT\$	US\$ (Note 3)	NT\$	US\$ (Note 3)
Assets								
Available-for-sale financial assets - noncurrent	\$ 947	\$ 947	\$ 1,201	\$ 1,201	\$ 1,485	\$ 45	\$ 1,485	\$ 45
Financial assets carried at cost	1,192	1,192	1,192	1,192	501,192	15,253	501,192	15,253
Bond investments not quoted in an active market	-	-	-	-	33,030	1,005	33,030	1,005

Derivative Financial Instruments

	June 30							
	2005		2006		2007			
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount		Fair Value	
	NT\$	NT\$	NT\$	NT\$	NT\$	US\$	NT\$	US\$ (Note 3)
Assets								
Financial assets at fair value through profit or loss	\$ -	\$ -	\$ 11,005	\$ 11,005	\$ 30,670	\$ 933	\$ 30,670	\$ 933
Liabilities								
Financial liabilities at fair value through profit or loss	9,764	9,764	-	-	-	-	-	-

The Company adopted Statement of Financial Accounting Standards (SFAS) No. 34 - "Accounting for Financial Instruments" for accounting period on January 1, 2006. The effects of this accounting change are described in Note 4.

Methods and Assumptions Used in Determining Fair Values of Financial Instruments

The financial instruments subject to SFAS No. 34 do not include cash and cash equivalents, receivables, other financial assets, payables, accrued expenses and other current financial liabilities. The carrying amounts of these financial instruments approximate their fair values.

The financial instruments neither include bonds payable, refundable deposits, guarantee deposits nor long-term bank loans. The fair values of aforementioned financial instruments were based on the present value of expected cash flows, which approximates their carrying amount.

The fair values of financial instruments at fair value through profit or loss and available-for-sale financial assets are based on quoted market prices in an active market, and their fair values can be reliably measured. If the securities do not have market prices, fair value is measured on the basis of financial or other information. The Company uses estimates and assumptions that are consistent with information that market participants would use in setting a price for these securities.

Methodology Used to Determine the Fair Values of Financial Instruments

	Quoted Market Prices				Measurement Method			
	June 30				June 30			
	2005	2006	2007	US\$	2005	2006	2007	US\$
	NT\$	NT\$	NT\$	(Note 3)	NT\$	NT\$	NT\$	(Note 3)
Assets								
Financial assets at fair value through profit or loss	\$ -	\$ 11,005	\$ 30,670	\$ 933	\$ -	\$ -	\$ -	\$ -
Available-for-sale financial assets - noncurrent	947	1201	1,485	45				
Financial assets carried at cost	-	-	-	-	1,192	1,192	501,192	15,253
Bond investments not quoted in an active market	-	-	-	-	-	-	33,030	1,005
Liabilities								
Financial liabilities at fair value through profit or loss	9,764	-	-	-	-	-	-	-

There was no loss or gain recognized for the six months ended June 30, 2005, 2006, and 2007 on the fair value changes of derivatives estimated using valuation techniques. The Company recognized unrealized gains of NT\$244 thousand and NT\$317 thousand and a loss of NT\$248 thousand (US\$8 thousand) in stockholders' equity for the changes in fair value of available-for-sale financial assets for the six months ended June 30, 2005, 2006 and 2007, respectively.

As of June 30, 2005, 2006 and 2007, financial assets exposed to cash flow interest rate risk amounted to NT\$8,129,788 thousand, NT\$24,040,400 thousand and NT\$39,552,900 thousand (US\$1,203,679 thousand), respectively.

As of June 30, 2007, financial assets and liabilities exposed to fair value interest rate risk were NT\$33,030 thousand (US\$1,005 thousand) and NT\$96,300 thousand (US\$2,930 thousand), respectively.

Financial Risks

Market Risk

The Company uses derivative contracts for hedging purposes, i.e., to reduce any adverse effect of exchange rate fluctuations of accounts receivable/payable. The gains or losses on these contracts almost offset the gains or losses on the hedged items. The bond investments not quoted in an active market held by the Company are mainly fixed-interest-rate debt securities and the investment amount is minor. Thus, market risk is not material.

Credit Risk

The Company deals only with banks with good credit standing based on the banks' reputation and takes into account past experience with them. Moreover, the Company has a series of control procedures for derivative transactions. Management believes its exposure to counter-parties' default on contracts is low.

Cash Flow Risk

The Company has sufficient working capital to settle derivative contracts. However, there are no future cash requirements for contract settlement.

26. RELATED-PARTY TRANSACTIONS

The related parties were as follows:

Related Party	Relationship with the Company
First International Computer, Inc. (FIC)	Chairperson is an immediate relative of the Company's chairperson
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

Major transactions with related parties are summarized below:

Purchases of Inventories and Services

Related Party	Six Months Ended June 30					
	2005		2006		2007	
	% of Total Net Purchases		% of Total Net Purchases		% of Total Net Purchases	
	Amount NT\$	Purchases	Amount NT\$	Purchases	Amount NT\$	US\$ (Note 3)
Chander Electronics Corp.	\$ 263,415	1	\$ 72,175	-	\$ -	-

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

Sales and Services Provided

Related Party	Six Months Ended June 30					
	2005		2006		2007	
	% of Total Revenues		% of Total Revenues		% of Total Revenues	
	Amount NT\$	Revenues	Amount NT\$	Revenues	Amount NT\$	US\$ (Note 3)
First International Computer, Inc.	\$ -	-	\$ -	-	\$ 58,523	\$ 1,781
Comserve Network Netherlands B.V.	53,470	-	785	-	37,587	1,144
Others	1,525	-	-	-	99	3
	<u>\$ 54,995</u>	<u>-</u>	<u>\$ 785</u>	<u>-</u>	<u>\$ 96,209</u>	<u>\$ 2,928</u>

Selling prices and terms of payment for both related and third parties were similar.

Notes and Accounts Receivable

Related Party	June 30					
	2005		2006		2007	
	% to Total Notes and Accounts Receivable		% to Total Notes and Accounts Receivable		% to Total Notes and Accounts Receivable	
	Amount NT\$	Receivable	Amount NT\$	Receivable	Amount NT\$	US\$ (Note 3)
First International Computer, Inc.	\$ -	-	\$ -	-	\$ 59,717	\$ 1,817
Comserve Network Netherlands B.V.	5,971	-	1,308	-	4,896	149
Others	-	-	-	-	4	-
	<u>\$ 5,971</u>	<u>-</u>	<u>\$ 1,308</u>	<u>-</u>	<u>\$ 64,617</u>	<u>\$ 1,966</u>

Notes and Accounts Payable

	June 30						
	2005		2006		2007		
	Amount	% to Total Notes and Accounts Payable	Amount	% to Total Notes and Accounts Payable	Amount		
NT\$		NT\$		NT\$	US\$ (Note 3)		
Chander Electronics Corp.	\$ 117,389	1	\$ 224	-	\$ -	\$ -	-

Other Receivable

	June 30						
	2005		2006		2007		
	Amount	% to Total Other Receivable	Amount	% to Total Other Receivable	Amount		
NT\$		NT\$		NT\$	US\$ (Note 3)		
Chander Electronics Corp.	\$ -	-	\$ -	-	\$ 50	\$ 1	-
Others	-	-	-	-	19	1	-
	\$ -	-	\$ -	-	\$ 69	\$ 2	-

Other Payables to Related Parties

	June 30						
	2005		2006		2007		
	Amount	% to Total Other Payables	Amount	% to Total Other Payables	Amount		
NT\$		NT\$		NT\$	US\$ (Note 3)		
VIA Technologies Inc.	\$ -	-	\$ -	-	\$ 210	\$ 7	-

Outsourcing Expense

	Six Months Ended June 30						
	2005		2006		2007		
	Amount	% to Total Outsourcing Expense	Amount	% to Total Outsourcing Expense	Amount		
NT\$		NT\$		NT\$	US\$ (Note 3)		
First International Computer Inc. (FIC)	\$ 7,350	4	\$ -	-	\$ -	\$ -	-

Service Warranty Expense

	Six Months Ended June 30						
	2005		2006		2007		
	Amount	% to Warranty Expenses	Amount	% to Warranty Expenses	Amount		
NT\$		NT\$		NT\$	US\$ (Note 3)		
Comserve Network Netherlands B.V.	\$ 68,649	14	\$ -	-	\$ 188,740	\$ 5,744	24

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

Administrative and Selling Expenses - Service Fees

Related Party	Six Months Ended June 30						
	2005		2006		2007		
	Amount	% to Total Service Expenses	Amount	% to Total Service Expenses	Amount	% to Total Service Expenses	
NT\$		NT\$		NT\$	US\$		
					(Note 3)		
VIA Technologies Inc.	\$ 2,400	6	\$ 1,200	1	\$ 1,200	\$ 37	-

Leasing - Lessee

Operating Expense - Rental Expense

Related Party	Six Months Ended June 30						
	2005		2006		2007		
	Amount	% to Total Rental Expense	Amount	% to Total Rental Expense	Amount	% to Total Rental Expense	
NT\$		NT\$		NT\$	US\$		
					(Note 3)		
VIA Technologies, Inc.	\$ 8,304	55	\$ -	-	\$ -	\$ -	-

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 rates prevailing in the surrounding area.

Leasing - Lessor

Nonoperating Revenue - Rental Revenue

Related Party	Six Months Ended June 30						
	2005		2006		2007		
	Amount	% to Total Rental Revenue	Amount	% to Total Rental Revenue	Amount	% to Total Rental Revenue	
NT\$		NT\$		NT\$	US\$		
					(Note 3)		
VIA Technologies, Inc.	\$ 339	100	\$ -	-	\$ -	\$ -	-

Property Transaction

In the second quarter of 2005, the Company acquired land and building from VIA Technologies, Inc. for NT\$304,630 thousand.

27. PLEDGED ASSETS

As of June 30, 2007, the Company provides time deposits of NT\$34,500 as collateral for the secured loans.

28. COMMITMENTS AND CONTINGENCIES

As of June 30, 2007, unused letters of credit amounted to US\$340 thousand.

29. SIGNIFICANT CONTRACT

Patent Agreement

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

Contractor	Contract Term	Description
Microsoft	January 1, 2007 - January 31, 2009	Authorization to use embedded operating system; royalty payment based on agreement.
Texas Instruments France	January 14, 2000 - January 13, 2010	Authorization to use GSM system software; royalty payment based on agreement.
Qualcomm Incorporated	December 20, 2000 to the following dates: (a) If the Company materially breaches any covenant and fails to take remedial action within 30 days after Qualcomm's issuance of a written notice, the Company will be prohibited from using Qualcomm's property or patents. (b) Any time when the Company is not using any of Qualcomm's intellectual property, the Company may terminate this agreement upon 60 days' prior written notice to Qualcomm.	Authorization to use CDMA technology to manufacture and sell units; royalty payment based on agreement.
Ericsson Mobile Platform AB	April 2003-March 2011	Authorization to use EDGE reference design license and support agreement; royalty payment based on agreement.
Telefonaktiebolaget LM Ericsson	December 15, 2003 to the expiry dates of these patents, and no longer than December 14, 2008	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.

Contractor	Contract Term	Description
Motorola, Inc.	December 23, 2003 to the latest of the following dates: (a) Expiry dates of patents (b) Any time when the Company is not using any of Motorola's intellectual property,	TDMA, NARROWBAND CDMA, WIDEBAND CDMA or TD/CDMA Standards patent license or technology; royalty payment based on agreement.
ALCATEL/TCL & Alcatel	July 1, 2004-June 30, 2009	Authorization to use GSM, GPRS or EDGE patent license or technology; royalty payment based on agreement.
Siemens Aktiengesellschaft	July 1, 2004 to the expiry dates of these patents.	Authorization to use GSM, GPRS or EDGE patent license or technology; royalty payment based on agreement.
Lucent Technologies GRL LLC	July 1, 2004-June 30, 2009	Authorization to use GSM, GPRS, EDGE, CDMA or WCDMA patent license or technology; royalty payment based on agreement.

30. OTHER EVENT

In May 2007, the board of directors of HTCC signed an acquisition agreement with Dopod International Inc. ("Dopod") to buy all of the assets of nine of Dopod's subsidiaries: Dopod Taiwan, Dopod Hong Kong, Dopod Singapore, Dopod Malaysia, Dopod Indonesia, and Dopod Australia, Dopod Thailand, Dopod India, and Dopod Philippines.

The purchase price will depend on the book value of the net assets of Dopod's subsidiaries. These assets had been audited by independent certified public accountants as of June 30, 2007. HTCC estimates that the purchase price will not exceed US\$14.5 million dollars. The transfer of all of the subsidiaries' assets will take effect on July 1, 2007.