HTC Corporation
(Formerly High Tech Computer Corporation)
and Subsidiaries

Consolidated Financial Statements for the Six Months Ended June 30, 2006, 2007 and 2008 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
HTC Corporation

We have audited the accompanying consolidated balance sheets of HTC Corporation (formerly High Tech Computer Corporation) and subsidiaries (collectively, the "Company") as of June 30, 2006, 2007 and 2008, 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 HTC Corporation and subsidiaries as of June 30, 2006, 2007 and 2008, 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 and accounting principles generally accepted in the Republic of China.

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

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

July 17, 2008

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.

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
JUNE 30, 2006, 2007 AND 2008
(In Thousands, Except Par Value)

ASSETS	2006 NT$	2007 NT$	2008 NT$	2008 US$ (Note 3)
CURRENT ASSETS				
Cash (Note 5)	$ 28,106,066	$ 45,802,660	$ 74,647,445	$ 2,460,364
Financial assets at fair value through profit or loss (Notes 2, 6 and 25)	11,005	30,670	-	-
Bond investments not quoted in an active market (Notes 2 and 13)	-	33,030	-	-
Notes and accounts receivable, net (Notes 2, 8 and 26)	16,147,365	18,038,451	18,965,548	625,100
Other current financial assets (Notes 9 and 26)	52,073	88,542	163,084	5,375
Inventories (Notes 2 and 10)	5,688,896	5,921,934	6,575,235	216,719
Prepayments (Note 11)	884,454	1,540,082	1,074,160	35,404
Deferred income tax assets (Notes 2 and 23)	268,630	458,213	414,494	13,662
Other current assets	23,469	88,200	164,435	5,420
Total current assets	51,181,958	72,001,782	102,004,401	3,362,044
LONG-TERM INVESTMENTS				
Available-for-sale financial assets (Notes 2 and 7)	1,201	1,485	912	30
Financial assets carried at cost (Notes 2 and 12)	1,192	501,192	501,192	16,519
Investments accounted for by the equity method (Notes 2 and 14)	-	-	39,780	1,311
Total long-term investments	2,393	502,677	541,884	17,860
PROPERTIES (Notes 2 and 15)				
Cost				
Land	610,293	625,342	610,293	20,115
Buildings and structures	1,078,977	1,087,626	2,260,585	74,508
Machinery and equipment	2,737,110	3,616,815	4,196,376	138,312
Molding equipment	201,567	179,135	187,425	6,177
Computer equipment	192,601	244,973	321,809	10,607
Transportation equipment	3,133	3,212	3,118	103
Furniture and fixtures	120,335	156,570	230,862	7,609
Leased assets	4,712	4,712	6,825	225
Leasehold improvements	42,888	83,516	149,568	4,930
	4,991,616	6,001,901	7,966,861	262,586
Less accumulated depreciation	(2,571,269)	(3,248,524)	(3,921,896)	(129,265)
Prepayments for construction-in-progress and equipment-in-transit	25,795	845,460	196,802	6,487
Properties, net	2,446,142	3,598,837	4,241,767	139,808
INTANGIBLE ASSETS				
Goodwill	-	174,253	174,253	5,743
Deferred pension cost	-	-	953	32
Total intangible assets	-	174,253	175,206	5,775
OTHER ASSETS				
Refundable deposits	37,868	63,773	142,726	4,704
Deferred charges (Note 2)	138,002	202,383	136,459	4,498
Deferred tax assets (Notes 2 and 23)	193,821	284,272	538,022	17,733
Restricted assets - noncurrent (Notes 2 and 27)	-	34,500	41,761	1,376
Other (Notes 2 and 19)	62,225	84,911	105,191	3,467
Total other assets	431,916	669,839	964,159	31,778
TOTAL	$ 54,062,409	$ 76,947,388	$ 107,927,417	$ 3,557,265

LIABILITIES AND STOCKHOLDERS' EQUITY	2006 NT$	2007 NT$	2008 NT$	2008 US$ (Note 3)
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss (Notes 2, 6 and 25)	$ -	$ -	$ 169,184	$ 5,576
Notes and accounts payable (Note 26)	15,869,300	17,838,224	20,992,413	691,906
Income tax payable (Notes 2 and 23)	763,575	1,871,191	2,392,870	78,868
Accrued expenses (Note 16)	2,081,126	4,917,457	10,647,263	350,932
Payable for purchase of equipment	15,057	85,540	72,020	2,374
Long-term bank loans - current portion (Note 18)	-	12,500	28,750	948
Other current liabilities (Notes 17 and 26)	6,503,814	13,361,475	24,595,691	810,668
Total current liabilities	25,232,872	38,086,387	58,898,191	1,941,272
LONG-TERM LIABILITIES				
Long-term bank loans, net of current portion (Note 18)	-	83,800	61,250	2,019
OTHER LIABILITIES				
Guarantee deposits received	613	628	633	21
Total liabilities	25,233,485	38,170,815	58,960,074	1,943,312
EQUITY ATTRIBUTABLE TO STOCKHOLDERS OF PARENT (Note 20)				
Capital stock - NT$10.00 par value				
Authorized: 650,000 thousand shares				
Issued and outstanding: 357,016 thousand shares in 2006, 432,795 thousand shares in 2007 and 573,134 thousand shares in 2008				
Common stock	3,570,160	4,327,952	5,731,337	188,904
Stock dividend for distribution	794,032	1,403,385	1,822,601	60,073
Capital surplus				
Additional paid-in capital - issuance of shares in excess of par	4,410,871	4,374,244	4,374,244	144,174
Long-term equity investments	15,845	15,845	15,845	522
From a merger	25,972	25,756	25,756	849
Retained earnings				
Legal reserve	1,991,520	4,516,253	7,410,139	244,237
Special reserve	6,175	-	-	-
Accumulated earnings	17,873,984	23,980,153	29,550,423	973,975
Cumulative translation adjustments (Note 2)	(3,272)	19,777	(64,976)	(2,142)
Unrealized valuation losses on financial instruments (Notes 2 and 7)	(770)	(486)	(1,059)	(35)
Total equity attributable to stockholders of the parent	28,684,517	38,662,879	48,864,310	1,610,557
MINORITY INTEREST IN SUBSIDIARIES	144,407	113,694	103,033	3,396
Total stockholders' equity	28,828,924	38,776,573	48,967,343	1,613,953
TOTAL	$ 54,062,409	$ 76,947,388	$107,927,417	$ 3,557,265

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

(With Deloitte & Touche audit report dated July 17, 2008)

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
SIX MONTHS ENDED JUNE 30, 2006, 2007 AND 2008
(In Thousands, Except Earnings Per Share)

	2006	2007	2008	
	NT$	NT$	NT$	US$ (Note 3)
REVENUES (Notes 2 and 26)	$ 49,742,196	$ 50,818,819	$ 67,648,881	$ 2,229,693
COST OF REVENUES (Notes 22 and 26)	35,970,122	34,665,497	43,877,855	1,446,205
GROSS PROFIT	13,772,074	16,153,322	23,771,026	783,488
OPERATING EXPENSES (Notes 22 and 26)				
Selling and marketing	451,647	1,250,990	3,969,241	130,825
Administrative and selling expenses	656,382	676,091	1,271,164	41,897
Research and development expenses	1,266,993	1,659,723	4,449,625	146,659
Total operating expenses	2,375,022	3,586,804	9,690,030	319,381
OPERATING INCOME	11,397,052	12,566,518	14,080,996	464,107
NONOPERATING INCOME AND GAINS				
Interest income	167,724	340,306	721,895	23,794
Gain on sale of properties	2,568	74	-	-
Gain on physical inventories	-	5,936	-	-
Foreign exchange gain (Note 2)	198,286	253,858	278,926	9,193
Valuation gain on financial instruments, net (Notes 2 and 6)	11,005	30,670	-	-
Other	121,878	92,519	135,556	4,468
Total nonoperating income and gains	501,461	723,363	1,136,377	37,455
NONOPERATING EXPENSES AND LOSSES				
Interest expense	156	603	675	23
Losses on equity-method investments	-	-	1,206	40
Losses on disposal of properties	2,452	662	1,255	41
Loss on physical inventories	2,210	-	57	2
Valuation loss on financial instruments, net (Notes 2 and 6)	-	-	169,184	5,576
Other	3,933	41,124	8,708	287
Total nonoperating expenses and losses	8,751	42,389	181,085	5,969
INCOME BEFORE INCOME TAX	11,889,762	13,247,492	15,036,288	495,593
INCOME TAX (Notes 2 and 23)	(760,790)	(1,751,319)	(1,485,184)	(48,951)
NET INCOME	$ 11,128,972	$ 11,496,173	$ 13,551,104	446,642
ATTRIBUTABLE TO				
Stockholders of the parent	$ 11,130,221	$ 11,515,148	$ 13,559,590	446,921
Minority interest	(1,249)	(18,975)	(8,486)	(279)
	$ 11,128,972	$ 11,496,173	$ 13,551,104	$ 446,642

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HTC CORPORATION AND SUBSIDIARIES

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

	2006		2007		2008			
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax	Before Income Tax		After Income Tax	
	NT$	NT$	NT$	NT$	NT$	US$ (Note 3)	NT$	US$ (Note 3)
BASIC EARNINGS PER SHARE (Note 24)	$ 15.61	$ 14.61	$ 17.54	$ 15.24	$ 19.79	$ 0.65	$ 17.95	$ 0.59
DILUTED EARNINGS PER SHARE (Note 24)	$ 15.47	$ 14.48	$ 17.54	$ 15.24	$ 19.64	$ 0.65	$ 17.81	$ 0.59

(Concluded)

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

(With Deloitte & Touche audit report dated July 17, 2008)

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
SIX MONTHS ENDED JUNE 30, 2006, 2007 AND 2008
(In Thousands of New Taiwan Dollars)

	Issued and Outstanding Capital Stock		Capital Surplus			Retained Earnings							
	Common Stock	Stock Dividend for Distribution	Additional Paid-in Capital - Issuance of Shares in Excess of Par	Long-Term Equity Investments	From a Merger	Legal Reserve	Special Reserve	Accumulated Earnings	Cumulative Translation Adjustments	Unrealized Valuation Losses on Financial Instruments	Treasury Stock	Minority Interest	Total
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													
Legal reserve	-	-	-	-	-	1,178,194	-	(1,178,194)	-	-	-	-	-
Special reserve	-	-	-	-	-	-	(12,958)	12,958	-	-	-	-	-
Stock dividends	-	714,032	-	-	-	-	-	(714,032)	-	-	-	-	-
Transfer of employee bonuses to capital stock	-	80,000	-	-	-	-	-	(80,000)	-	-	-	-	-
Employee bonuses	-	-	-	-	-	-	-	(451,000)	-	-	-	-	(451,000)
Cash dividends	-	-	-	-	-	-	-	(4,998,224)	-	-	-	-	(4,998,224)
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													
Legal reserve	-	-	-	-	-	2,524,733	-	(2,524,733)	-	-	-	-	-
Special reserve	-	-	-	-	-	-	(6,175)	6,175	-	-	-	-	-
Stock dividends	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer of employee bonuses to capital stock	-	1,298,385	-	-	-	-	-	(1,298,385)	-	-	-	-	-
Employee bonuses	-	105,000	-	-	-	-	-	(105,000)	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	(2,000,000)	-	-	-	-	(2,000,000)
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

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HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
SIX MONTHS ENDED JUNE 30, 2006, 2007 AND 2008
(In Thousands)

	Issued and Outstanding Capital Stock		Capital Surplus			Retained Earnings						
New Taiwan Dollars	Common Stock	Stock Dividend for Distribution	Additional Paid-in Capital - Issuance of Shares in Excess of Par	Long-Term Equity Investments	From a Merger	Legal Reserve	Special Reserve	Accumulated Earnings	Cumulative Translation Adjustments	Unrealized Valuation Losses on Financial Instruments	Minority Interest	Total
BALANCE, JANUARY 1, 2008	$ 5,731,337	$ -	$ 4,374,244	$ 15,845	$ 25,756	$ 4,516,253	$ -	$41,403,867	$ 9,664	$ (1,187)	$ 111,519	$56,187,298
Appropriation of the 2007 net earnings												
Legal reserve	-	-	-	-	-	2,893,886	-	(2,893,886)	-	-	-	-
Stock dividends	-	1,719,401	-	-	-	-	-	(1,719,401)	-	-	-	-
Transfer of employee bonuses to common stock	-	103,200	-	-	-	-	-	(103,200)	-	-	-	-
Employee bonuses	-	-	-	-	-	-	-	(1,210,000)	-	-	-	(1,210,000)
Cash dividends	-	-	-	-	-	-	-	(19,486,547)	-	-	-	(19,486,547)
Net income in the six months ended June 30, 2008	-	-	-	-	-	-	-	13,559,590	-	-	(8,486)	13,551,104
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	(74,640)	-	-	(74,640)
Unrealized loss on financial instruments	-	-	-	-	-	-	-	-	-	128	-	128
BALANCE, JUNE 30, 2008	$ 5,731,337	$ 1,822,601	$ 4,374,244	$ 15,845	$ 25,756	$ 7,410,139	$ -	$29,550,423	$ (64,976)	$ (1,059)	$ 103,033	$48,967,343
U.S. Dollars											-	
BALANCE, JANUARY 1, 2008	$ 188,904	$ -	$ 144,174	$ 522	$ 849	$ 148,855	$ -	$ 1,364,663	$ 319	$ (39)	$ 3,675	$ 1,851,922
Appropriation of the 2007 net earnings												
Legal reserve	-	-	-	-	-	95,382	-	(95,382)	-	-	-	-
Stock dividends	-	56,671	-	-	-	-	-	(56,671)	-	-	-	-
Transfer of employee bonuses to common stock	-	3,402	-	-	-	-	-	(3,402)	-	-	-	-
Employee bonuses	-	-	-	-	-	-	-	(39,881)	-	-	-	(39,881)
Cash dividends	-	-	-	-	-	-	-	(642,273)	-	-	-	(642,273)
Net income in the six months ended June 30, 2008	-	-	-	-	-	-	-	446,921	-	-	(279)	446,642
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	(2,461)	-	-	(2,461)
Unrealized loss on financial instruments	-	-	-	-	-	-	-	-	-	4	-	4
BALANCE, JUNE 30, 2008	$ 188,904	$ 60,073	$ 144,174	$ 522	$ 849	$ 244,237	$ -	$ 973,975	$ (2,142)	$ (35)	$ 3,396	$ 1,613,953

(Concluded)

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

(With Deloitte & Touche audit report dated July 17, 2008)

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2006, 2007 AND 2008
(In Thousands)

	2006	2007	2008	
	NT$	NT$	NT$	US$ (Note 3)
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	$ 11,128,972	$ 11,496,173	$ 13,551,104	$ 446,642
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation	305,356	355,535	357,783	11,792
Transfer of properties to expenses	-	-	11,303	372
Exchanges loss on bond investments with no active market	-	-	2,670	88
Amortization	27,250	38,537	33,404	1,101
Loss on equity-method investments	-	-	1,206	40
Loss (gain) on disposal of properties	(116)	588	1,255	41
Deferred income tax assets	16,409	(88,804)	10,650	351
Prepaid pension costs	(12,465)	(10,903)	(10,931)	(360)
Net changes in operating assets and liabilities				
Financial liabilities at fair value through profit or loss	49,080	(107,140)	73,457	2,421
Notes and accounts receivable	(1,659,455)	1,204,742	508,169	16,749
Other current financial assets	22,484	287,622	13,244	437
Inventories	(370,865)	41,579	661,467	21,802
Prepayments	(466,490)	331,795	494,699	16,305
Other current assets	-	(88,018)	14,832	489
Notes and accounts payable	1,792,419	554,779	(2,209,207)	(72,815)
Income tax payable	146,712	112,474	(165,833)	(5,466)
Accrued expenses	387,864	427,487	5,520,854	181,966
Other current liabilities	302,927	(13,690)	(70,427)	(2,321)
Net cash provided by operating activities	11,670,082	14,542,756	18,799,699	619,634
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of properties	(146,636)	(569,070)	(510,710)	(16,832)
Proceeds of the sale of properties	4,768	5,155	648	21
Acquisition of investments accounted for by equity method	-	-	(10,626)	(350)
Increase in refundable deposits	(1,276)	(17,957)	(10,107)	(333)
Increase in deferred charges	(9,484)	(105,541)	(31,351)	(1,034)
Increase in restricted assets	-	(34,500)	(7,261)	(240)
Increase in financial assets carried at cost	-	(500,000)	-	-
Increase in bond investments not quoted in an active market	-	(33,030)	-	-
Acquisition of subsidiary	-	(240,039)	-	-
Net cash used in investing activities	(152,628)	(1,494,982)	(569,407)	(18,768)
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase in minority interest	161,501	-	-	-
Decrease in long-term bank loans	-	(16,181)	(6,250)	(206)
Purchase of treasury stock	-	(1,747,760)	-	-
Increase (decrease) in guarantee deposits received	52	(12)	-	-
Bonus to employees	-	(451,000)	-	-
Net cash provided by (used in) financing activities	161,553	(2,214,953)	(6,250)	(206)
EFFECT OF EXCHANGE RATE CHANGES	1,833	21	(66,782)	(2,201)

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HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2006, 2007 AND 2008
(In Thousands)

	2006	2007	2008	
	NT$	NT$	NT$	US$ (Note 3)
NET INCREASE IN CASH AND CASH EQUIVALENTS	$ 11,680,840	$ 10,832,842	$ 18,157,260	$ 598,459
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	16,425,226	34,969,818	56,490,185	1,861,905
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 28,106,066	$ 45,802,660	$ 74,647,445	$ 2,460,364
SUPPLEMENTAL CASH FLOW INFORMATION				
Cash paid during the period				
Interest	$ 156	$ 603	$ 675	$ 23
Income tax	$ 597,669	$ 1,727,649	$ 1,640,367	$ 54,066
NONCASH INVESTING AND FINANCING ACTIVITIES				
Transfer of retained earnings and bonus to employees to stock dividends for distribution	$ 794,032	$ 1,403,385	$ 1,822,601	$ 60,072
Transfer of bond investment not quoted in an active market to investments accounted for by the equity method	$ -	$ -	$ 33,030	$ 1,089
PURCHASE OF PROPERTIES				
Cost of properties purchased	$ 145,958	$ 605,126	$ 402,989	$ 13,282
Decrease (increase) in payables for the purchase of equipment	4,988	(36,482)	107,260	3,535
(Increase) decrease in lease payable	(4,310)	426	461	15
	$ 146,636	$ 569,070	$ 510,710	$ 16,832
CASH DIVIDENDS AND BONUSES TO EMPLOYEES				
Appropriation of cash dividends and bonuses to employees	$ 5,449,224	$ 13,685,470	$ 20,696,547	$ 682,154
Increase in payable for cash dividends and bonuses to employees	(5,449,224)	(13,234,470)	(20,696,547)	(682,154)
	$ -	$ 451,000	$ -	$ -

(Concluded)

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

(With Deloitte & Touche audit report dated July 17, 2008)

HTC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2006, 2007 AND 2008
(In Thousands, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

HTC Corporation ("HTC," formerly High Tech Computer Corporation until June 13, 2008) was incorporated on May 15, 1997 under the Company Law of the Republic of China to design, manufacture and sell smart handheld devices. In 1998, HTC had an initial public offering and, in March 2002, had its stock listed on the Taiwan Stock Exchange. On November 19, 2003, HTC started trading Global Depositary Receipts on the Luxembourg Stock Exchange.

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

HTC and its consolidated subsidiaries, hereinafter referred to as the "Company, had 4,930, 6,252 and 8,192 employees as of June 30, 2006, 2007 and 2008, 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 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 for their oversight purposes.

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

Principles of Consolidation

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 HTC has a controlling interest. Thus, the accompanying consolidated financial statements include the accounts of all the direct and indirect subsidiaries of HTC and the accounts of investees that are not majority owned by HTC but in which HTC has controlling interests.

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

The consolidated entities as of June 30, 2006, 2007 and 2008 were as follows:

Investor	Investee	Main Businesses	% of Ownership 2006	2007	2008	Remark
HTC Corporation	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	51	Incorporated in April 2006
	HTC HK, Limited	Global investing activities	-	100	100	Incorporated in August 2006
	Communication Global Certification Inc.	Testing and certification services	-	100	100	Invested in January 2007
	High Tech Computer Asia Pacific Pte. Ltd.	Global investing activities	-	-	100	Incorporated in July 2007
H.T.C. (B.V.I.) Corp.	HTEK	Marketing and engineering support activities	100	100	-	Incorporated in August 2000 and liquidated in 2007
	HTC America Inc.	Marketing , repair and after-sales services	100	100	100	Incorporated in January 2003
	HTC EUROPE CO., LTD.	〃	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	100	Incorporated in December 2004 and invested in July 2005
	HTC NIPPON Corporation	Marketing, distribution and after-sales service	100	100	100	Incorporated in March 2006
	HTC BRASIL	〃	-	100	100	Incorporated in October 2006
	High Tech Computer Corp. (WGQ)	Repair and after-sales service	-	-	100	Incorporated in July 2007
HTC HK, Limited	HTC Belgium BVBA/SPRL	Marketing, distribution and after-sales service	-	100	100	Incorporated in October 2006
HTC Belgium BVBA/SPRL	HTC Italia SRL	〃	-	100	100	Incorporated in February 2007
High Tech Computer Asia Pacific Pte. Ltd.	High Tech Computer Singapore Pte. Ltd.	〃	-	-	100	Incorporated in July 2007
	HTC (H.K.) Limited	〃	-	-	100	Incorporated in August 2007
	HTC (Australia and New Zealand) Pty. Ltd.	〃	-	-	100	Incorporated in August 2007
	HTC Philippines Corp.	〃	-	-	100	Incorporated in December 2007
	PT. High Tech Computer Indonesia	〃	-	-	100	Incorporated in October 2007
	HTC India Private Ltd.	〃	-	-	100	Incorporated in January 2008

In January 2007, the Company wholly acquired the shares issued by Communication Global Certification Inc. for NT$280,000 thousand in cash. The net assets acquired were as follows:

	2007 NT$
Cash on hand and in banks	$ 39,961
Other current assets	40,201
Property	175,940
Intangible assets	174,253
Other assets	3,913
Current liabilities	(63,315)
Long-term bank loans	(90,050)
Other liabilities	(903)
Total consideration	$ 280,000
Cash consideration	$ 280,000
Cash on hand and in banks	(39,961)
Net cash outflow on the acquisition of a subsidiary	$ 240,039

As mentioned in Note 1, HTC and the foregoing subsidiaries are hereinafter referred to collectively as the "Company."

Current/Noncurrent Assets and Liabilities

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

Financial Assets/Liabilities at Fair Value through Profit or Loss

Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss (FVTPL) include financial assets or financial liabilities held for trading and those designated as at FVTPL on initial recognition. The Company recognizes a financial asset or a financial liability in the balance sheet when the Company becomes a party to a financial instrument contract. A financial asset is derecognized when the Company loses its contractual rights to the financial asset. A financial liability is derecognized when the relevant contract ends or is discharged or canceled.

Financial instruments at FVTPL are initially measured at fair value. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss. After the initial recognition, financial assets or financial liabilities at FVTPL are remeasured at fair value at the balance sheet date, with changes in fair value recognized as current gains or losses. Cash dividends received are recognized as income for the year. On the derecognition of a financial asset or a financial liability, the difference between its carrying amount and the sum of the consideration received or receivable or consideration paid or payable is recognized as gain or loss.

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

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

Available-for-Sale Financial Assets

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

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

Cash dividends are recognized on the stockholders' declaration under resolutions, except for dividends distributed from the pre-acquisition earnings, which are treated as a reduction of investment cost. Stock dividends are not recognized as investment income but are recorded as an increase in the number of shares. The total number of shares held after this increase is used to recalculate cost per share. The difference between the initial cost of a debt instrument and its maturity amount is amortized using the effective interest method, with the amortized interest recognized as gain or loss.

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

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

Revenue is measured at the fair value of the consideration received or receivable and represents amounts agreed between the Company and the customers for goods sold in the normal course of business, net of sales discounts and volume rebates. For trade receivables due within one year from the balance sheet date, since the nominal value of the consideration to be received approximates its fair value and sales transactions are frequent, the fair value of the consideration is not determined by discounting all future receipts using an imputed rate of interest.

An allowance for doubtful accounts is provided on the basis of a review of the collectibility of accounts receivable. The Company assesses the probability of the collection of accounts receivable by aging analysis and assessing the value of the collaterals provided by customers.

Inventories

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

Financial Assets Carried At Cost

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

Bond Investments with No Active Market

Bond investments with no active market are stated at amortized cost and are classified as current or noncurrent based on their maturities.

Bond investments with no active market - current are investments paying fixed or determinable amounts. Other features of these bond investments are as follows:

a. The bond investments have not been designated as at fair value through profit or loss.

b. The bond investments have not been designated as available for sale.

Those investments that are noncurrent are classified as bond investments with no active market - noncurrent under funds and investments.

Investments Accounted for by the Equity Method

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

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

When the Company subscribes for additional investee shares at a percentage different from its existing equity interest, the resulting change in the Company's equity in the investee's net assets is recorded as an adjustment to long-term investments, with the corresponding amount charged or credited to capital surplus.

On the balance sheet date, an impairment loss should be recognized if the recoverable amount of the investment is below carrying amount. This loss should be charged to current income.

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 the 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 at the lower of their fair value at the start 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 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 instead tested for impairment annually. If circumstances show that the fair value of goodwill has become lower than its carrying amount, an impairment loss is recognized. A reversal of this impairment loss is not allowed.

Deferred Charges

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

Asset Impairment

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

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

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

Accrued Marketing Expenses

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

Reserve for Warranty Expenses

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

Product-Related Costs

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

Pension Plan

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

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

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

Tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures are recognized using the flow-through method.

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

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

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

Stock-Based Employee Compensation Plans

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

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

Foreign Currencies

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

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

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

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

At the balance sheet date, foreign-currency monetary assets and liabilities are revalued at prevailing exchange rates, and the exchange differences are recognized as gain or loss.

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

a. Under stockholders' equity if the changes in fair value are recognized in stockholders' equity;
b. As gain or loss if the change in fair value is recognized as gain or loss.

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

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

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 2006 and 2007 accounts have been reclassified to be consistent with the presentation of the consolidated financial statements as of and for the six months ended June 30, 2008.

3. TRANSLATION INTO U.S. DOLLARS

The consolidated financial statements are stated in New Taiwan dollars. The translation of the 2008 New Taiwan dollar amounts into U.S. dollar amounts are included solely for the convenience of readers, using the noon buying rate of NT$30.34 to US$1.00 quoted by the Bank of Taiwan on June 30, 2008. The convenience translation should not be construed as representations that the New Taiwan dollar amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other exchange rate.

4. ACCOUNTING CHANGES

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

In March 2007, the Accounting Research and Development Foundation issued an interpretation that requires companies to recognize as compensation expenses bonuses paid to employees and remuneration to directors and supervisors beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. The adoption of this interpretation resulted in a decrease of NT$2,565,346 thousand (US$ 84,553 thousand) in net income, including employee bonus payable of NT$2,902,488 thousand (US$95,665 thousand), minus the allocation to inventory of NT$16,834 thousand (US$555 thousand) and minus the tax saving of NT$320,308 thousand (US$10,557 thousand), and a decrease in after income tax basic earnings per share of NT$3.40 for the six months ended June 30, 2008.

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

	Six Months Ended June 30						
	2006		2007		2008		
	Amount	%	Amount	%	Amount		%
	NT$		NT$		NT$	US$ (Note 3)	
Revenues	$ 49,742,196	100	$ 50,818,819	100	$ 67,648,881	$ 2,229,693	100
Cost of revenues	35,970,122	72	3,4665,497	68	43,575,125	1,436,227	65
Gross profit	13,772,074	28	16,153,322	32	24,073,756	793,466	35
Operating expenses	2,375,022	5	3,586,804	7	7,107,106	234,249	10
Operating income	11,397,052	23	12,566,518	25	16,966,650	559,217	25
Nonoperating income and gains	501,461	1	723,363	1	1,136,377	37,455	2
Nonoperating expenses and losses	8,751	-	42,389	-	181,085	5,969	-
Income before income tax	11,889,762	24	13,247,492	26	17,921,942	590,703	27
Income tax	(760,790)	(2)	(1,751,319)	(3)	(1,805,492)	(59,508)	(3)
Net income	$ 11,128,972	22	$ 11,496,173	23	$ 16,116,450	$ 531,195	24

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

On January 1, 2008, the Company adopted the newly released Statement of Financial Accounting Standards (SFAS) No. 39 - “Accounting for Share-based Payments.” Except as mentioned above, the adoption resulted in no material effect on the Company’s financial statements as of and for the three months ended June 30, 2008.

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

On January 1, 2008, the Company adopted early the newly revised SFAS No. 10, “Accounting for Inventories”. The main revisions are (1) inventories are stated at the lower of cost or net realizable value, and inventories are written down to net realizable value item-by-item except when the grouping of similar or related items is appropriate; (2) unallocated overheads are recognized as expenses in the period in which they are incurred; and (3) abnormal costs, write-downs of inventories and any reversal of write-downs are recorded as cost of goods sold for the period. The adoption had no material effect on the Company’s financial statements as of and for the three months ended June 30, 2008.

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

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

	Six Months Ended June 30						
	2006		2007		2008		
	Amount	%	Amount	%	Amount		%
	NT$		NT$		NT$	US$ (Note 3)	
Revenues	$ 49,742,196	100	$ 50,818,819	100	$ 67,648,881	$ 2,229,693	100
Cost of revenues	34,393,166	69	32,756,184	64	40,747,433	1,343,027	60
Gross profit	15,349,030	31	18,062,635	36	26,901,448	886,666	40
Operating expenses	3,352,362	7	4,938,707	10	12,172,450	401,201	18
Operating income	11,996,668	24	13,123,928	26	14,728,998	485,465	22
Nonoperating income and gains	501,461	1	723,363	1	1,136,377	37,455	1
Nonoperating expenses and losses	608,367	1	599,799	1	829,087	27,327	1
Income before income tax	11,889,762	24	13,247,492	26	15,036,288	495,593	22
Income tax	(760,790)	(2)	(1,751,319)	(3)	(1,485,184)	(48,951)	(2)
Net income	$ 11,128,972	22	$ 11,496,173	23	$ 13,551,104	$ 446,642	20

5. CASH

Cash as of June 30, 2006, 2007 and 2008 was as follows

	2006	2007	2008	
	NT$	NT$	NT$	US$ (Note 3)
Cash on hand	$ 1,064	$ 2,396	$ 123,058	$ 4,056
Cash in banks	4,064,602	6,281,864	3,841,533	126,616
Time deposits	24,040,400	39,518,400	70,682,854	2,329,692
	$ 28,106,066	$ 45,802,660	$ 74,647,445	$ 2,460,364

On time deposits, interest rates ranged from 1.30% to 2.005%, 1.844% to 2.20% and 1.65% to 2.475% as of June 30, 2006, 2007 and 2008, respectively.

On preferential deposit, interest rates ranged from 2.43% to 4.97%, 2.95% to 5.00% and 0.20% to 7.00% as of June 30, 2006, 2007 and 2008, respectively.

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

Financial assets and liabilities at fair value through profit or loss as of June 30, 2006, 2007 and 2008 were as follows:

	2006	2007	2008	
	NT$	NT$	NT$	US$ (Note 3)
Derivatives - financial assets				
Forward exchange contracts	$ 11,005	$ 30,670	$ -	$ -
Derivatives - financial liabilities				
Forward exchange contracts	$ -	$ -	$ 169,184	$ 5,576

The Company entered into derivative transactions during the six months ended June 30, 2006, 2007 and 2008 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, 2006, 2007 and 2008 were as follows:

Forward Exchange Contracts

	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	JP¥ 70,000

	2008			
	Buy/Sell	Currency	Expiry Date	Contract Amount
Forward exchange contracts	Sell	EUR/USD	2008.07.01~2008.09.05	EUR€ 162,000
Forward exchange contracts	Sell	GBP/USD	2008.07.11~2008.08.22	GBP£ 7,530
Forward exchange contracts	Sell	JPY/NTD	2008.07.23	JP¥ 131,000
Forward exchange contracts	Sell	USD/NTD	2008.07.01~2008.07.07	US$ 24,100
Forward exchange contracts	Buy	USD/JPY	2008.07.23~2008.08.01	US$ 13,017

Net loss on derivative financial instruments for the six months ended June 30, 2008 was NT$551,267 thousand (US$18,170 thousand), including realized settlement loss of NT$382,083 thousand (US$12,594 thousand) and valuation loss of NT$169,184 thousand (US$5,576 thousand).

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets as of June 30, 2006, 2007 and 2008 were as follows:

	2006	2007	2008	
	NT$	NT$	NT$	US$ (Note 3)
VIA Technologies, Inc.	$ 1,201	$ 1,485	$ 912	$ 30

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, 2006, 2007 and 2008 were as follows:

	2006	2007	2008	
	NT$	NT$	NT$	US$ (Note 3)
Notes receivable	$ 515,932	$ 1,520	$ -	$ -
Accounts receivable	15,633,958	18,003,159	19,461,128	641,434
Accounts receivable from related parties	1,308	64,617	424	14
Less allowance for doubtful accounts	(3,833)	(30,845)	(496,004)	(16,348)
	$ 16,147,365	$ 18,038,451	$ 18,965,548	$ 625,100

9. OTHER CURRENT FINANCIAL ASSETS

Other current financial assets as of June 30, 2006, 2007 and 2008 were as follows:

	2006	2007	2008	
	NT$	NT$	NT$	US$ (Note 3)
Other receivables	$ 23,577	$ 30,208	$ 74,952	$ 2,471
Interest receivable	12,916	34,018	66,272	2,184
Payment on behalf of others	15,580	24,316	15,328	505
Others	-	-	6,532	215
	$ 52,073	$ 88,542	$163,084	$ 5,375

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, 2006, 2007 and 2008 were as follows:

	2006	2007	2008	
	NT$	NT$	NT$	US$ (Note 3)
Finished goods	$ 874,579	$ 791,360	$ 764,973	$ 25,214
Work-in-process	1,765,838	1,707,170	2,153,684	70,985
Raw materials	4,057,877	4,634,925	5,308,735	174,975
	6,698,294	7,133,455	8,227,392	271,174
Less valuation allowance	(1,009,398)	(1,211,521)	(1,652,157)	(54,455)
	$5,688,896	$5,921,934	$6,575,235	$216,719

The write-down of inventories to net realizable value amounted to NT$648,002 thousand (US$21,358 thousand) and was recognized as cost of sales for the six months ended June 30, 2008.

11. PREPAYMENTS

Prepayments as of June 30, 2006, 2007 and 2008 were as follows:

	2006	2007	2008	
	NT$	NT$	NT$	US$ (Note 3)
Prepayments for:				
Royalty	$ 688,356	$ 1,272,333	$ 740,218	$ 24,397
Software and hardware maintenance	18,878	36,683	102,215	3,369
Molding equipment	65,383	50,094	76,735	2,529
Prepayments for materials purchases	265	9,765	17,872	589
Rental	555	17,637	14,107	465
Net input VAT	15,523	76,661	48,317	1,593
Others	95,494	76,909	74,696	2,462
	$ 884,454	$ 1,540,082	$ 1,074,160	$ 35,404

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, 2006, 2007 and 2008 were as follows:

	2006	2007	2008	
	NT$	NT$	NT$	US$ (Note 3)
Hua-Chuang Automobile Information Technical Center Co., Ltd.	$ -	$ 500,000	$ 500,000	$ 16,480
Answer Online, Inc.	1,192	1,192	1,192	39
	$ 1,192	$ 501,192	$ 501,192	$ 16,519

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

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

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

13. BOND INVESTMENT NOT QUOTED IN AN ACTIVE MARKET

As of June 30, 2008, HTC had the following bond investment, which was not quoted in an active market:

	2006	2007	2008	
	NT$	NT$	NT$	US$ (Note 3)
Bond investment	$ -	$ 33,030	$ -	$ -
Less current portion	-	(33,030)	-	-
	$ -	$ -	$ -	$ -

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

In April 2008, the Company made a new investment of US$300 thousand and transferred its bond investment and related interest income of US$1,050 thousand to convertible preferred stocks issued by Vitamin D Inc. As a result, the Company acquired 27% equity interest in Vitamin D Inc. and can exercise significant influence over this investee. The Company accounts for this investment by the equity method.

14. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

Investments accounted for by the equity method as of June 30, 2006, 2007 and 2008 were as follows:

	2006		2007		2008				
	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage	Original Cost		Carrying Value		Ownership Percentage
	NT$		NT$		NT$	US$ (Note 3)	NT$	US$ (Note 3)	
Equity method									
Vitamin D Inc.	$ -	-	$ -	-	$ 40,986	$ 1,351	$ 39,780	$ 1,311	27

In April 2008, the Company made a new investment of US$300 thousand and transferred its bond investment and related interest income of US$1,050 thousand to convertible preferred stocks issued by Vitamin D Inc. As a result, the Company acquired 27% equity interest in Vitamin D Inc. for NT$40,986 thousand and can exercise significant influence over this investee. The Company accounts for this investment by the equity method.

On its equity-method investments, the Company had a loss of NT$1,206 thousand (US$40 thousand) for the six months ended June 30, 2008.

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

15. PROPERTIES

Properties as of June 30, 2006, 2007 and 2008 were as follows:

	2006	2007	2008			
	Carrying Value	Carrying Value	Cost	Accumulated Depreciation	Carrying Value	
	NT$	NT$	NT$	NT$	NT$	US$ (Note 3)
Land	$ 610,293	$ 625,342	$ 610,293	$ -	$ 610,293	$ 20,115
Buildings and structures	767,105	705,439	2,260,585	470,314	1,790,271	59,007
Machinery and equipment	925,578	1,230,211	4,196,376	2,879,006	1,317,370	43,420
Molding equipment	-	-	187,425	177,091	10,334	341
Computer equipment	50,789	76,026	321,809	207,966	113,843	3,752
Transportation equipment	1,395	940	3,118	2,660	458	15
Furniture and fixtures	40,383	62,917	230,862	133,442	97,420	3,211
Leased assets	4,319	3,534	6,825	1,963	4,862	160
Leasehold improvements	20,485	48,968	149,568	49,454	100,114	3,300
Prepayments for construction-in-progress and equipment-in-transit	25,795	845,460	196,802	-	196,802	6,487
	$2,446,142	$3,598,837	$8,163,663	$3,921,896	$4,241,767	$ 139,808

The construction of a new office building was completed in September 2007, and prepayments for construction in progress were transferred to buildings and structures.

16. ACCRUED EXPENSES

Accrued expenses as of June 30, 2006, 2007 and 2008 were as follows:

	2006	2007	2008	
	NT$	NT$	NT$	US$ (Note 3)
Bonus to employees	$ 451,000	$ 2,000,000	$ 4,112,488	$135,547
Marketing	267,305	1,510,074	4,022,769	132,590
Salaries and bonuses	350,716	619,614	1,142,654	37,662
Research materials	121,578	136,212	249,706	8,230
Export expenses	245,652	123,898	275,354	9,076
Services	29,180	120,853	279,438	9,210
Donation	300,000	120,402	179,256	5,908
Meals and welfare	61,148	49,394	72,034	2,374
Insurance	66,166	22,124	53,932	1,778
Travel	41,005	18,188	31,912	1,052
Others	147,376	196,698	227,720	7,505
	$ 2,081,126	$ 4,917,457	$10,647,263	$350,932

As discussed in Note 4 to the financial statements, the Company adopted Interpretation 96-052 - “Accounting for Bonuses to Employees, Directors and Supervisors.” As a result, the Company accrued an employee bonus payable of NT$2,902,488 thousand (US$95,665 thousand). Based on a resolution passed by the Company’s board of directors in February 2008, the employee bonus payable should be appropriated at 18% of net income less employee bonus expenses.

Also, in June 2006, 2007 and 2008, the stockholders approved the appropriation from the net earnings of 2005, 2006 and 2007, and the employee bonuses were NT$451,000 thousand, NT$2,000,000 thousand and NT$1,210,000 thousand (US$39,882 thousand), respectively.

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

For the six months ended June 30, 2006, 2007 and 2008, the Company accrued the donation of NT$300,000 thousand, NT$120,402 thousand and NT$179,256 thousand (US$5,908 thousand) based on its social welfare policy to the HTC Foundation for Social Welfare Charity or HTC Education Foundation to help disadvantaged minorities, teenagers and other people in need.

17. OTHER CURRENT LIABILITIES

Other current liabilities as of June 30, 2006, 2007 and 2008 were as follows:

	2006	2007	2008	
	NT$	NT$	NT$	US$ (Note 3)
Cash dividend payable	$ 4,998,224	$ 11,685,470	$ 19,486,547	$ 642,272
Reserve for warranty expenses	1,144,979	1,319,395	4,597,930	151,547
Agency receipts	113,020	109,111	172,840	5,696
Advance receipts	105,613	101,675	153,332	5,054
Directors' remuneration	21,842	21,842	21,842	720
Other	120,136	123,982	163,200	5,379
	$ 6,503,814	$ 13,361,475	$ 24,595,691	$ 810,668

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.

18. LONG-TERM BANK LOANS

	2006	2007	2008	
	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	$ 25,000	$ 824
NT$65,000, 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, 2008	-	58,800	65,000	2,142
Less current portion	-	(12,500)	(28,750)	(947)
	$ -	$ 83,800	$ 61,250	$ 2,019

19. PENSION PLAN

The pension plan under the Labor Pension Act (the "LPA") is a defined contribution plan. Based on the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. The pension costs of the defined contribution pension plan for the six months ended June 30, 2006, 2007 and 2008 were NT$42,031, NT$53,308 thousand and NT$72,839 (US$2,401 thousand), respectively.

Under the Law, which provides for a defined benefit pension plan, retirement payments should be made according to the years of service, with a payment of two units for each year of service but only one unit per year after the 15th year; however, total units should not exceed 45. The rate of the Company's contributions to a pension fund is 2%. The pension fund is deposited in the Bank of Taiwan (the Central Trust of China merged with the Bank of Taiwan in July 2007, with the Bank of Taiwan as the survivor entity) and managed by the Pension Fund Administration Committee. The pension fund balances were NT$291,477 thousand, NT$328,309 thousand and NT$367,050 thousand (US$12,098 thousand) as of June 30, 2006, 2007 and 2008, 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, 2007 and 2008 were NT$3,923 thousand, NT$4,753 thousand and NT$21,610 thousand (US$712 thousand) in 2008. 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, 2006, 2007 and 2008 as follows:

	2006	2007	2008	
	NT$	NT$	NT$	US$ (Note 3)
Balance, beginning of period	$ 49,760	$ 74,020	$ 94,260	$ 3,107
Effect of first inclusion for consolidation of subsidiaries		(12)	-	-
Contributions	(3,024)	(3,413)	(2,759)	(91)
Payments	15,489	14,316	13,690	451
Balance, end of period	$ 62,225	$ 84,911	$ 105,191	$ 3,467

20. STOCKHOLDERS' EQUITY

Capital Stock

The Company's outstanding common stock as of January 1, 2006 amounted to NT$3,570,160 thousand, divided into 357,016 thousand 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 as of June 30, 2006.

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

Also, in June 2008, the stockholders approved the transfer of retained earnings amounting to NT$1,719,401 thousand and employee bonuses amounting to NT$103,200 thousand to capital stock. The amounts to be distributed were accounted for as "stock dividend for distribution" temporarily. As a result, the amount of the Company's outstanding common stock as of June 30, 2008 increased to NT$5,731,337 thousand (US$188,904 thousand), divided into 573,134 thousand common shares at NT$10.00 (US$0.33) par value.

In their meeting on December 11, 2002, the Company's Board of Directors resolved to issue 7,000 thousand units of employee stock options in accordance with Article 28.3 of the Securities and Exchange Law. Each option represents the right to buy one newly issued common share of the Company. The exercise price is the closing price of the Company's common shares on the option issuance date 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 their right at up to 70% of the granted option units. After four years from the grant date, the option holders are eligible to exercise their rights on all the options owned. The exercise period is five years. As of June 30, 2008, 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 were 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 common shares corresponding to 3,600 thousand units of Global Depositary Receipts (GDRs). For this GDR issuance, the Company's stockholders, including Via Technologies, Inc., also issued 12,878.4 thousand common shares, corresponding to 3,219.6 thousand GDR units. Thus, the entire offering consisted of 6,819.6 thousand GDR units. Each GDR represents four common shares, with par value of NT$131.1. For this common share issuance, net of related expenses, NT$1,696,855 thousand was accounted for as capital surplus. This share issuance for cash was completed and registered on November 19, 2003.

The holders of these GDRs have 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.

Taking into account the effect of stock dividends, the GDRs increased to 7,833.3 thousand units (31,333.2 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, 2008, there were 6,063.5 thousand units of GDRs redeemed, representing 24,254 thousand common shares, and the outstanding GDRs represented 7,079 thousand common shares or 1.24% of the Company's common shares.

Capital Surplus

Under the Company Law, capital surplus can only be used to offset a deficit. However, the capital surplus from share issued in excess of par (additional paid-in capital from issuance of common shares, conversion of bonds and treasury stock transactions) and donations may be capitalized, which however is limited to a certain percentage of the Company's paid-in capital. Also, the capital surplus from long-term investments may not be used for any purpose.

The additional paid-in capital was NT$4,410,871 thousand as of January 1, 2006. In April 2007, the retirement of treasury stock caused a decrease of additional paid-in capital amounted to 36,627 thousand. As a result, the additional paid-in capital as of June 30, 2008 was NT$4,374,244 thousand (US$144,174 thousand). Under the Company Law, the Company may transfer the capital surplus to common stock if there is no accumulated deficit.

When HTC did not subscribe for 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$849 thousand).

Appropriation of Retained Earnings and Dividend Policy

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

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

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

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

Had the Company recognized the employees' bonuses of NT$2,105,000 thousand as expenses in 2006, the pro forma earnings per share in 2006 would have decreased from NT$57.85 to NT$53.03, which were not adjusted retroactively for the effect of stock dividend distribution in the following year.

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

Based on a resolution passed by the Company's board of directors in February 2008, the employee bonus payable should be appropriated at 18% of net income less employee bonus expenses.

Material differences between such estimated amounts and the amounts proposed by the Board of Directors in the following year are retroactively adjusted for in the current year. If the actual amounts subsequently resolved by the stockholders differ from the proposed amounts, the differences are recorded in the year of stockholders' resolution as a change in accounting estimate. If bonus shares are resolved to be distributed to employees, the number of shares is determined by dividing the amount of bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day preceding the stockholders' meeting.

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 was lower than this price range, the Company might continue to buy back its shares.

During the repurchase period, the Company bought back 3,624 thousand shares, which were approved to be retired by the Company's board of directors in April 2007, for NT$1,991,755 thousand.

Based on the Securities and Exchange Act of the ROC, the number of reacquired shares should not exceed 10% of the Company's issued and outstanding stocks, and the total purchase amount should not exceed the sum of the retained earnings, additional paid-in capital in excess of par, and realized capital reserve. In addition, the Company should not pledge its treasury shares nor exercise voting rights on the shares before their reissuance.

22. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

Function / Expense Item	2006			2007		
	NT$			NT$		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Personnel expenses	$769,797	$828,913	$1,598,710	951,608	1,637,921	2,589,529
Salary	654,370	717,519	1,371,889	820,713	1,482,765	2,303,478
Insurance	33,594	40,192	73,786	36,379	53,045	89,424
Pension cost	17,894	31,084	48,978	20,816	40,658	61,474
Other	63,939	40,118	104,057	73,700	61,453	135,153
Depreciation	183,205	122,151	305,356	211,497	144,038	355,535
Amortization	9,391	17,859	27,250	20,432	18,105	38,537

Function / Expense Item	2008					
	NT$			US$ (Note 3)		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Personnel expenses	1,475,748	4,858,455	6,334,203	48,640	160,134	208,774
Salary	1,317,223	4,558,005	5,875,228	43,415	150,231	193,646
Insurance	45,377	92,494	137,871	1,496	3,048	4,544
Pension cost	26,670	70,538	97,208	879	2,325	3,204
Other	86,478	137,418	223,896	2,850	4,530	7,380
Depreciation	184,115	173,668	357,783	6,068	5,724	11,792
Amortization	9,901	23,503	33,404	326	775	1,101

23. INCOME TAX

HTC's income tax returns through 2003 had been examined by the tax authorities. However, HTC disagreed with the tax authorities' assessment on its returns for 2001 to 2003 and applied for the reexamination of its returns. Nevertheless, under the conservatism guideline, HTC adjusted its income tax for the tax shortfall stated in the tax assessment notices.

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

Item Exempt from Corporate Income Tax	Exemption Period
Sales of pocket PCs, pocket PCs (wireless) and Smartphones	2004.09.15~2009.09.14
Sales of pocket PCs (wireless) and Smartphones	2004.11.30~2009.11.29
Sales of pocket PCs (wireless) and Smartphones	2005.12.20~2010.12.19
Sales of wireless or smartphone which has 3G or GPS function	2006.12.20~2011.12.19
Sales of wireless or smartphone which has 3G or GPS function	2007.12.20~2012.12.19

Provision for income tax for the six months ended June 30, 2006, 2007 and 2008, deferred tax assets and income tax payable as of June 30, 2006, 2007 and 2008 were as follows:

	2006		
	Income Tax Expense (Gain)	**Income Tax Payable**	**Deferred Tax Asset**
HTC Corporation	$ 762,071	$ 763,575	$ 461,170
BandRich Inc.	(1,281)	-	1,281
	$ 760,790	$ 763,575	$ 462,451

	2007		
	Income Tax Expense (Gain)	**Income Tax Payable**	**Deferred Tax Asset**
HTC Corporation	$ 1,739,655	$ 1,859,458	$ 732,029
BandRich Inc.	(4,628)	-	8,563
Communication Global Certification Inc.	685	-	1,893
HTC Europe Co., Ltd.	14,203	11,416	-
Exedea Inc.	1,090	-	-
HTC Belgium BVBA/SPRL	314	317	-
	$ 1,751,319	$ 1,871,191	$ 742,485

	2008					
	Income Tax Expense		**Income Tax Payable**		**Deferred Tax Assets**	
	NT$	**US$ (Note 3)**	**NT$**	**US$ (Note 3)**	**NT$**	**US$ (Note 3)**
HTC Corporation	$ 1,390,612	$ 45,834	$ 2,330,125	$ 76,800	$ 929,096	$ 30,622
BandRich Inc.	-	-	-	-	9,826	324
Communication Global Certification Inc.	(776)	(26)	-	-	3,063	101
HTC America Inc.	81,540	2,688	9,102	300	-	-
HTC Europe Co., Ltd.	-	-	27,791	916	-	-
HTC Nippon Corporation	8,740	288	7,752	255	-	-
HTC Belgium BVBA/SPRL	675	22	1,990	66	-	-
High Tech Computer Singapore Pte. Ltd.	1,064	35	1,179	39	-	-
HTC (H.K.) Limited	389	13	3,827	126	2,835	94
HTC India Private Limited	841	28	213	7	-	-
HTC (Australia and New Zealand) Pty. Ltd.	2,099	69	10,891	359	7,696	254
	$ 1,485,184	$ 48,951	$ 2,392,870	$ 78,868	$ 952,516	$ 31,395

The tax effects of deductible temporary differences and loss and tax credit carryforwards that gave rise to deferred tax assets as of June 30, 2006, 2007 and 2008 were as follows:

	2006	**2007**	**2008**	
	NT$	**NT$**	**NT$**	**US$ (Note 3)**
Temporary differences				
Capitalize expense	$ 34,532	$ 35,699	$ 41,956	$ 1,383
Provision for loss on decline in value of inventory	248,271	261,701	296,693	9,779
Unrealized royalties	687,345	1,193,960	1,237,377	40,784
Unrealized marketing expenses	-	335,966	935,041	30,819
Unrealized valuation loss on financial instruments	-	-	42,296	1,394
Unrealized reserve for warranty expense	286,245	329,849	1,150,327	37,915
Unrealized foreign exchange loss, net	-	17,191	-	-
Other	1,075	22,993	52,073	1,716
Prior years' loss carryforwards	1,281	19,926	31,164	1,027
Tax credit carryforwards	-	30,771	1,003,003	33,059
Total deferred tax assets	1,258,749	2,248,056	4,789,930	157,876
Less valuation allowance	(745,875)	(1,471,343)	(3,619,563)	(119,300)
Total deferred tax asset, net	512,874	776,713	1,170,367	38,576
Deferred tax liability				
Unrealized pension cost	(14,998)	(21,223)	(26,536)	(875)
Unrealized depreciation	-	(5,338)	(3,330)	(110)
Unrealized foreign currency exchange gain, net	(32,674)	-	(187,985)	(6,196)
Unrealized value gain on financial instruments	(2,751)	(7,667)	-	-
	462,451	742,485	952,516	31,395
Less current portion	(268,630)	(458,213)	(414,494)	(13,662)
Deferred tax assets, noncurrent	$ 193,821	$ 284,272	$ 538,022	$ 17,733

Details of the tax credit carryforwards are as follows:

Year of Occurrence	Validity Period	2006 NT$	2007 NT$	2008 NT$	2008 US$ (Note 3)
2003	2003-2007	$ -	$ 1,852	$ -	$ -
2004	2004-2008	-	6,965	6,965	229
2005	2005-2009	-	6,479	6,479	214
2006	2006-2010	-	15,475	15,475	510
2007	2007-2011	-	-	220,270	7,260
2008	2008-2012	-	-	753,814	24,846
		$ -	$ 30,771	$ 1,003,003	$ 33,059

Detail of the loss carryforwards are as follows:

Year Occur	Validity Period	2006 NT$	2007 NT$	2008 NT$	2008 US$ (Note 3)
2005	2006~2010	$ -	$ -	$ 94	$ 3
2006	2007~2011	5,124	42,341	50,703	1,671
2007	2008~2012	-	37,362	48,885	1,612
2008	2009~2013	-	-	24,973	823
		$ 5,124	$ 79,703	$ 124,655	$ 4,109

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, 2006, 2007 and 2008 were as follows:

	2006 NT$	2007 NT$	2008 NT$	2008 US$ (Note 3)
Current income tax expense	$ 712,677	$1,714,212	$ 1,474,534	$ 48,600
Decrease (increase) in deferred income tax assets	16,409	(88,804)	10,650	351
Underestimation of prior year's income tax	31,704	125,911	-	-
Income tax expense	$ 760,790	$1,751,319	$ 1,485,184	$ 48,951

The integrated income tax information is as follows:

	2006	2007	2008	
	NT$	NT$	NT$	US$ (Note 3)
Balance of imputation credit account	$ 342,267	$ 830,009	$ 1,240,483	$ 40,886
Unappropriated earnings from 1998	17,873,984	23,980,153	29,550,423	973,975
Expected creditable ratio (including income tax payable)	6.19%	11.12%	12.08%	12.08%

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 761,738 thousand shares, 755,831 thousand shares and 755,394 thousand shares for the six months ended June 30, 2006, 2007 and 2008, respectively. EPS for the six months ended June 30, 2006 and 2007 were calculated after the average number of shares outstanding was adjusted retroactively for the effect of stock dividend distribution in 2008.

The Company presumes that the bonus to employees will be settled in shares and the resulting potential shares will be included in the weighted average number of shares outstanding used in the calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the amount of bonus by the closing price of the shares of the balance sheet date. The dilutive effect of the shares needs to be considered until the stockholders resolve the number of shares to be distributed to employees in their meeting in the following year. The related information is as follows:

	2006				
	Numerators		Denominator	EPS (In Dollars)	
	Income Before Income Tax	Income After Income Tax	Shares (Thousands)	Income Before Income Tax	Income After Income Tax
	NT$	NT$		NT$	NT$
Basic EPS	$11,892,292	$11,130,221	761,738	$ 15.61	$ 14.61
Employee stock options	-	-	6,771		
Diluted EPS	$11,892,292	$11,130,221	768,509	$ 15.47	$ 14.48

	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	755,831	$ 17.54	$ 15.24
Employee stock options	-	-	-		
Diluted EPS	$13,254,803	$11,515,148	755,831	$ 17.54	$ 15.24

	2008				
	Numerators		Denominator	EPS (In Dollars)	
	Income Before Income Tax	Income After Income Tax	Shares (Thousands)	Income Before Income Tax	Income After Income Tax
	NT$	NT$		NT$	NT$
Basic EPS	$14,950,202	$13,559,590	755,394	$ 19.79	$ 17.95
Bonus to employees			5,897		
Diluted EPS	$14,950,202	$13,559,590	761,291	$ 19.64	$ 17.81

	2008				
	Numerators		Denominator	EPS (In Dollars)	
	Income Before Income Tax	Income After Income Tax	Shares (Thousands)	Income Before Income Tax	Income After Income Tax
	US$ (Note 3)	US$ (Note 3)		US$ (Note 3)	US$ (Note 3)
Basic EPS	$ 492,755	$ 446,921	755,394	$ 0.65	$ 0.59
Bonus to employees			5,897		
Diluted EPS	$ 492,755	$ 446,921	761,291	$ 0.65	$ 0.59

25. FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

Nonderivative Financial Instruments

	June 30							
	2006		2007		2008			
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount		Fair Value	
	NT$	NT$	NT$	NT$	NT$	US$ (Note 3)	NT$	US$ (Note 3)
Assets								
Available-for-sale financial assets - noncurrent	$ 1,201	$ 1,201	$ 1,485	$ 1,485	$ 912	$ 30	$ 912	$ 30
Financial assets carried at cost	1,192	1,192	501,192	501,192	501,192	16,519	501,192	16,519
Bond investments not quoted in an active market	-	-	33,030	33,030	-	-	-	-
Investments accounted for by the equity method	-	-	-	-	39,780	1,311	39,780	1,311

Derivative Financial Instruments

	June 30							
	2006		2007		2008			
	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	$ 30,670	$ -	$ -	$ -	$ -
Liabilities								
Financial liabilities at fair value through profit or loss	-	-	-	-	169,184	5,576	169,184	5,576

Methods and Assumptions Used in Determining Fair Values of Financial Instruments

Not subject to SFAS No. 34 are cash, receivables, other current financial assets, payables, accrued expenses and other current financial liabilities, which have carrying amounts that approximate their fair values.

The financial instruments neither include refundable deposits, guarantee deposits nor long-term bank loans. The fair values of aforementioned financial instruments were based on the present value of 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			
	2006	2007	2008		2006	2007	2008	
	NT$	NT$	NT$	US$ (Note 3)	NT$	NT$	NT$	US$ (Note 3)
Assets								
Financial assets at fair value through profit or loss	$ 11,005	$ 30,670	$ -	$ -	$ -	$ -	$ -	$ -
Available-for-sale financial assets - noncurrent	1,201	1,485	912	30	-	-	-	-
Financial assets carried at cost	-	-	-	-	1,192	501,192	501,192	16,519
Bond investments not quoted in an active market	-	-	-	-	-	33,030	-	-
Investments accounted for by the equity method	-	-	-	-	-	-	39,780	1,311
Liabilities								
Financial liabilities at fair value through profit or loss	-	-	169,184	5,576	-	-	-	-

There was no loss or gain recognized for the six months ended June 30, 2006, 2007, and 2008 on the fair value changes of derivatives estimated using valuation techniques. The Company recognized unrealized gains (losses) of NT$317 thousand, NT$(248) thousand and NT$128 thousand (US$4 thousand) in stockholders' equity for the changes in fair value of available-for-sale financial assets for the six months ended June 30, 2006, 2007 and 2008, respectively.

As of June 30, 2006, 2007 and 2008, financial assets exposed to cash flow interest rate risk amounted to NT$24,040,400 thousand, NT$39,552,900 thousand and NT$70,724,615 (US$2,331,068 thousand), respectively.

As of June 30, 2007 and 2008, financial assets and liabilities exposed to fair value interest rate risk were NT$96,300 thousand and NT$90,000 thousand (US$2,966 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. 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
Xander International Corp.	Chairperson is an immediate relative of the Company's chairperson
VIA Technologies, Inc.	Same chairperson
Chander Electronics Corp.	Same chairperson
Comserve Network Netherlands B.V.	Main director is an immediate relative of the Company's chairperson

Major transactions with related parties are summarized below:

Purchases of Inventories and Services

	Six Months Ended June 30						
	2006		2007		2008		
Related Party	**Amount**	**% of Total Net Purchases**	**Amount**	**% of Total Net Purchases**	**Amount**		**% of Total Net Purchases**
	NT$		**NT$**		**NT$**	**US$ (Note 3)**	
Chander Electronics Corp.	$ 72,175	-	$ -	-	$ -	$ -	-

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

Sales and Services Provided

	Six Months Ended June 30						
	2006		2007		2008		
Related Party	**Amount**	**% of Total Revenues**	**Amount**	**% of Total Revenues**	**Amount**		**% of Total Revenues**
	NT$		**NT$**		**NT$**	**US$ (Note 3)**	
Xander International Corp.	$ -	-	$ -		$ 93,383	$3,078	-
First International Computer, Inc.	-	-	58,523	-	24,221	798	-
Comserve Network Netherlands B.V.	-	-	37,587	-	-	-	-
Others	785	-	99	-	35,485	1,170	-
	$ 785	-	$ 96,209	-	$ 153,089	$5,046	-

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

Notes and Accounts Receivable

Related Party	June 30 2006 Amount NT$	2006 % to Total Notes and Accounts Receivable	2007 Amount NT$	2007 % to Total Notes and Accounts Receivable	2008 Amount NT$	2008 Amount US$ (Note 3)	2008 % to Total Notes and Accounts Receivable
VIA Technologies, Inc.	$ -	-	$ -	-	$ 223	$ 7	-
Xander International Corp.	-	-	-	-	201	7	-
First International Computer, Inc.	-	-	59,717	-	-	-	-
Comserve Network Netherlands B.V.	-	-	4,896	-	-	-	-
Others	1,308	-	4	-	-	-	-
	$ 1,308	-	$ 64,617	-	$ 424	$ 14	-

Notes and Accounts Payable

Related Party	June 30 2006 Amount NT$	2006 % to Total Notes and Accounts Payable	2007 Amount NT$	2007 % to Total Notes and Accounts Payable	2008 Amount NT$	2008 Amount US$ (Note 3)	2008 % to Total Notes and Accounts Payable
Chander Electronics Corp.	$ 224	-	$ -	-	$ -	$ -	-

Other Receivable

Related Party	June 30 2006 Amount NT$	2006 % to Total Other Receivable	2007 Amount NT$	2007 % to Total Other Receivable	2008 Amount NT$	2008 Amount US$ (Note 3)	2008 % to Total Other Receivable
Chander Electronics Corp.	$ -	-	$ 50	-	$ 72	$ 3	-
Others	-	-	19	-	8	-	-
	$ -	-	$ 69	-	$ 80	$ 3	-

Other Payables to Related Parties

Related Party	June 30 2006 Amount NT$	2006 % to Total Other Payables	2007 Amount NT$	2007 % to Total Other Payables	2008 Amount NT$	2008 Amount US$ (Note 3)	2008 % to Total Other Payables
VIA Technologies Inc.	$ -	-	$ 210	-	$ -	$ -	-

Service Warranty Expense

Related Party	Six Months Ended June 30						
	2006		2007		2008		
	Amount	% to Warranty Expenses	Amount	% to Warranty Expenses	Amount		% to Warranty Expenses
	NT$		NT$		NT$	US$ (Note 3)	
Comserve Network Netherlands B.V.	$ -	-	$ 188,740	24	$ 13,192	$ 435	1

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

Service Fees

Related Party	Six Months Ended June 30						
	2006		2007		2008		
	Amount	% to Total Service Expenses	Amount	% to Total Service Expenses	Amount		% to Total Service Expenses
	NT$		NT$		NT$	US$ (Note 3)	
VIA Technologies Inc.	$ 1,200	1	$ 1,200	-	$ 1,000	$ 33	-

27. PLEDGED ASSETS

As of June 30, 2007 and 2008, the Company had provided time deposits of NT$34,500 thousand and NT$41,761 thousand as collateral for the secured loans, respectively.

28. COMMITMENTS AND CONTINGENCIES

As of June 30, 2008, unused letters of credit amounted to US$500 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:	

Contractor	Contract Term	Description
	(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.
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 the Company signed an acquisition agreement with Dopod International Inc. ("Dopod") to buy the assets of Dopod's subsidiaries. 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. The Company estimates that the purchase price will not exceed US$14.5 million dollars. On July 1, 2007, the transfer of the subsidiaries' assets to the Company was completed and the purchase price was paid at US$12.2 million (not including tax) in February 2008.

In January and February 2008, the board of directors of the Company resolved to invest in Wei-Hon Electronics (Shanghai) Ltd. through increasing the capital of High Tech Computer Asia Pacific Pte. Ltd. by US$48,000 thousand which will subsequently then be used to increase the capital held in Wei-Hon Electronics (Shanghai) Ltd. for factory construction and purchasing equipment.

In February 2008, the board of directors of the Company resolved to buy land for building the Taipei R&D headquarter in Taipei County in Xindian City for NT$3.35 billion (US$110,415 thousand).