HTC Corporation
(Formerly High Tech Computer Corporation)

Financial Statements for the Nine Months Ended September 30, 2006, 2007 and 2008 and Independent Accountants' Review Report

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors and Stockholders
HTC Corporation

We have reviewed the accompanying balance sheets of HTC Corporation (the "Company," formerly High Tech Computer Corporation) as of September 30, 2006, 2007 and 2008 and the related statements of income and cash flows for the nine months then ended, all expressed in New Taiwan dollars. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our reviews.

Except as stated in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 36 - "Review of Financial Statements" issued by the Auditing Standards Committee of the Accounting Research and Development Foundation of the Republic of China. A review consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

The calculation of long-term investments accounted for by the equity method as of and for the nine months ended September 30, 2006 and 2007 was based on the investees' unreviewed financial statements of the same reporting periods as those of the Company. These investments amounted to NT$481,644 thousand and NT$2,381,979 thousand as of September 30, 2006 and 2007, respectively. The related equity in the investees' loss and gain for the nine months ended September 30, 2006 and 2007, respectively, amounted to NT$88,635 thousand and NT$72,802 thousand, respectively.

Based on our reviews, except for the effects of adjustments that might have been required had the investees' financial statements mentioned in the preceding paragraph been reviewed, we are not aware of any material modifications that should be made to the accompanying financial statements of HTC Corporation for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

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

We have also reviewed the consolidated financial statements of HTC Corporation as of and for the nine months ended September 30, 2008 and have issued a report on those financial statements dated October 15, 2008 (not presented herewith).

In addition, the translation of the 2008 New Taiwan dollar amounts into U.S. dollars has been reviewed on the basis stated in Note 3 to the financial statements.

October 15, 2008

Notice to Readers

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

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

HTC CORPORATION

BALANCE SHEETS
SEPTEMBER 30, 2006, 2007 AND 2008
(In Thousands, Except Par Value)
(Reviewed, Not Audited)

	2006	2007	2008	
ASSETS	**NT$**	**NT$**	**NT$**	**US$ (Note 3)**
CURRENT ASSETS				
Cash (Note 5)	$ 30,441,557	$ 40,612,727	$ 63,937,741	$ 1,987,496
Financial assets at fair value through profit or loss (Notes 2, 6 and 24)	18,957	-	97,351	3,026
Bond investment not quoted in an active market (Notes 2 and 13)	-	33,030	-	-
Notes receivable, net (Notes 2 and 8)	1,931	1,515	21,618	672
Accounts receivable, net (Notes 2 and 8)	14,149,140	19,341,597	20,997,048	652,690
Accounts receivable from related parties, net (Notes 2 and 25)	1,422,074	689,038	534,281	16,608
Other current financial assets (Notes 9 and 25)	147,150	156,813	350,283	10,888
Inventories (Notes 2, 4 and 10)	5,659,556	5,922,301	7,876,045	244,826
Prepayments (Notes 11 and 25)	780,466	1,780,672	1,043,278	32,430
Deferred income tax assets (Notes 2 and 22)	302,202	433,771	514,150	15,982
Other current assets	51,501	126,968	203,423	6,324
Total current assets	52,974,534	69,098,432	95,575,218	2,970,942
LONG-TERM INVESTMENTS				
Available-for-sale financial assets - noncurrent (Notes 2 and 7)	1,087	1,004	581	18
Financial assets carried at cost (Notes 2 and 12)	1,192	501,192	501,192	15,579
Investments accounted for by the equity method (Notes 2 and 14)	481,644	1,795,023	2,639,502	82,049
Prepayments for long-term investments (Notes 2 and 14)	-	586,956	1,461,360	45,426
Total long-term investments	483,923	2,884,175	4,602,635	143,072
PROPERTIES (Notes 2, 15 and 25)				
Cost				
Land	610,293	610,293	822,027	25,553
Buildings and structures	1,081,136	2,193,394	2,765,722	85,972
Machinery and equipment	2,563,963	3,100,311	3,611,830	112,273
Molding equipment	201,247	172,632	172,632	5,366
Computer equipment	176,257	202,012	248,792	7,734
Transportation equipment	1,938	1,335	1,335	41
Furniture and fixtures	101,916	101,215	123,309	3,833
Leased assets	4,712	4,712	4,712	146
Leasehold improvements	22,816	22,816	95,018	2,954
	4,764,278	6,408,720	7,845,377	243,872
Less accumulated depreciation	(2,524,896)	(3,044,173)	(3,581,053)	(111,316)
Prepayments for construction-in-progress and equipment-in-transit	491,143	247,428	209,066	6,499
Properties, net	2,730,525	3,611,975	4,473,390	139,055
OTHER ASSETS				
Assets leased to others	-	-	358,044	11,130
Refundable deposits	35,622	40,560	120,478	3,745
Deferred charges (Note 2)	126,796	235,448	59,247	1,842
Deferred tax assets (Notes 2 and 22)	223,706	263,883	686,967	21,354
Other (Notes 2 and 18)	68,200	90,010	111,562	3,468
Total other assets	454,324	629,901	1,336,298	41,539
TOTAL	$ 56,643,306	$ 76,224,483	$ 105,987,541	$ 3,294,608

	2006	2007	2008	
LIABILITIES AND STOCKHOLDERS' EQUITY	**NT$**	**NT$**	**NT$**	**US$ (Note 3)**
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss (Notes 2, 6 and 24)	$ -	$ 204,449	$ -	$ -
Notes and accounts payable	15,885,072	18,722,055	26,372,804	819,795
Notes and accounts payable to related parties (Note 25)	9,812	45,341	16,902	525
Income tax payable (Notes 2 and 22)	1,164,826	2,401,081	2,980,689	92,654
Accrued expenses (Notes 4, 16 and 25)	2,279,820	6,290,332	15,025,508	467,066
Payable for purchase of equipment	15,087	103,711	151,805	4,719
Other current liabilities (Notes 2, 17 and 25)	1,883,784	2,356,782	5,437,213	169,015
Total current liabilities	21,238,401	30,123,751	49,984,921	1,553,774
OTHER LIABILITIES				
Guarantee deposits received	646	628	6,276	195
Total liabilities	21,239,047	30,124,379	49,991,197	1,553,969
STOCKHOLDERS' EQUITY (Note 19)				
Capital stock - NT$10.00 par value; authorized: 1,000,000 thousand shares; issued and outstanding: 436,419 thousand shares in 2006, 573,134 thousand shares in 2007 and 755,394 thousand shares in 2008				
Common stock	4,364,192	5,731,337	7,553,938	234,813
Capital surplus				
Additional paid-in capital	4,410,871	4,374,244	4,374,244	135,973
Long-term equity investments	15,845	15,845	17,534	545
Merger	25,972	25,756	25,756	801
Retained earnings				
Legal reserve	1,991,520	4,516,253	7,410,139	230,343
Special reserve	6,175	-	-	-
Accumulated earnings	24,581,934	31,411,931	36,535,875	1,135,713
Unrealized valuation losses on financial instruments (Notes 2 and 7)	(884)	(967)	(1,390)	(43)
Cumulative translation adjustments (Note 2)	8,634	25,705	80,248	2,494
Total stockholders' equity	35,404,259	46,100,104	55,996,344	1,740,639
TOTAL	$ 56,643,306	$ 76,224,483	$ 105,987,541	$ 3,294,608

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

(With Deloitte & Touche review report dated October 15, 2008)

HTC CORPORATION

STATEMENTS OF INCOME
NINE MONTHS ENDED SEPTEMBER 30, 2006, 2007 AND 2008
(In Thousands, Except Earnings Per Share)

	2006	2007	2008	
	NT$	NT$	NT$	US$ (Note 3)
REVENUES (Notes 2 and 25)	$ 76,361,068	$ 79,570,181	$ 105,182,166	$ 3,269,573
COST OF REVENUES (Notes 4, 21 and 25)	54,026,551	53,309,347	68,637,536	2,133,588
GROSS PROFIT	22,334,517	26,260,834	36,544,630	1,135,985
UNREALIZED PROFIT FROM INTERCOMPANY TRANSACTIONS	(142,369)	(173,330)	(151,389)	(4,706)
REALIZED PROFIT FROM INTERCOMPANY TRANSACTIONS	15,077	164,011	175,075	5,442
REALIZED GROSS PROFIT	22,207,225	26,251,515	36,568,316	1,136,721
OPERATING EXPENSES (Notes 21 and 25)				
Selling and marketing	1,424,863	2,866,353	6,681,840	207,704
General and administrative	556,870	649,133	1,336,739	41,552
Research and development	1,992,332	2,645,438	6,951,553	216,088
Total operating expenses	3,974,065	6,160,924	14,970,132	465,344
OPERATING INCOME	18,233,160	20,090,591	21,598,184	671,377
NONOPERATING INCOME AND GAINS				
Interest income	273,588	541,228	1,057,423	32,870
Gains on equity-method investment (Notes 2 and 14)	-	72,802	-	-
Gain on sale of properties	41,341	2,120	-	-
Gain on physical inventory	-	53	9	-
Foreign exchange gain (Note 2)	355,696	720,419	-	-
Rent income	-	-	2,519	78
Valuation gains on financial instruments, net (Notes 2 and 6)	18,957	-	97,351	3,026
Other	123,221	101,625	163,827	5,093
Total nonoperating income and gains	812,803	1,438,247	1,321,129	41,067
NONOPERATING EXPENSES AND LOSSES				
Interest expense	229	186	140	4
Losses on equity-method investments (Notes 2 and 14)	88,635	-	172,705	5,369
Losses on disposal of properties	3,377	661	-	-
Losses on physical inventory	2,197	-	-	-
Foreign exchange loss (Note 2)	-	-	59,488	1,849
Valuation loss on financial instruments, net (Notes 2 and 6)	-	204,449	-	-
Other	4,205	40,916	35,299	1,097
Total nonoperating expenses and losses	98,643	246,212	267,632	8,319
INCOME BEFORE INCOME TAX	18,947,320	21,282,626	22,651,681	704,125
INCOME TAX (Notes 2 and 22)	(1,109,149)	(2,335,700)	(2,106,639)	(65,485)
NET INCOME	$ 17,838,171	$ 18,946,926	$ 20,545,042	$ 638,640

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HTC CORPORATION

STATEMENTS OF INCOME
NINE MONTHS ENDED SEPTEMBER 30, 2006, 2007 AND 2008
(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 23)	$ 24.87	$ 23.42	$ 28.16	$ 25.07	$ 29.99	$ 0.93	$ 27.20	$ 0.85
DILUTED EARNINGS PER SHARE (Note 23)	$ 24.66	$ 23.21	$ 28.16	$ 25.07	$ 29.49	$ 0.92	$ 26.75	$ 0.83

(Concluded)

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

HTC CORPORATION

STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2006, 2007 AND 2008
(In Thousands)
(Reviewed, Not Audited)

	2006	2007	2008	
	NT$	NT$	NT$	US$ (Note 3)
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	$ 17,838,171	$ 18,946,926	$ 20,545,042	$ 638,640
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation (including depreciation of assets leased to others)	439,106	400,803	415,107	12,904
Transfer of properties to expenses	-	-	14,087	438
Foreign exchange loss on bond investments not quoted in an active market	-	-	2,670	83
Amortization	23,441	23,213	28,861	897
Gains on disposal of properties	(37,964)	(1,459)	-	-
Losses (gain) on equity-method investments	88,635	(72,802)	172,705	5,369
Deferred income tax assets	(47,048)	(50,347)	(259,007)	(8,051)
Prepaid pension cost	(18,440)	(15,990)	(16,375)	(509)
Net changes in operating assets and liabilities				
Financial instruments at fair value through profit or loss	41,128	127,979	(193,607)	(6,018)
Notes and accounts receivable	160,831	(966,203)	(2,071,741)	(64,400)
Accounts receivable from related parties	(1,001,294)	622,752	2,594	81
Other current financial assets	(92,156)	211,684	(66,232)	(2,059)
Inventories	(822,003)	(938,410)	(1,756,632)	(54,605)
Prepayments	(306,205)	100,447	494,049	15,357
Other current assets	(21,176)	(63,867)	(86,582)	(2,691)
Notes and accounts payable	2,144,677	1,889,071	4,382,087	136,216
Notes and accounts payable to related parties	(46,486)	31,286	(12,499)	(389)
Income tax payable	547,963	642,364	466,295	14,495
Accrued expenses	1,075,013	1,826,969	8,545,679	265,641
Other current liabilities	125,912	568,045	1,140,552	35,454
Net cash provided by operating activities	20,092,105	23,282,461	31,747,053	986,853
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of properties	(675,778)	(1,039,132)	(1,564,256)	(48,625)
Proceeds of the sales of properties	44,519	5,155	453	14
Increase in long-term investments - equity method	(217,254)	(1,472,702)	(1,773,801)	(55,138)
Increase in financial assets carried at cost	-	(500,000)	-	-
Purchase of bond investments not quoted in an active market	-	(33,030)	-	-
Increase in deferred charges	-	(139,602)	-	-
Increase in refundable deposits	(344)	(3,569)	(27,041)	(841)
Net cash used in investing activities	(848,857)	(3,182,880)	(3,364,645)	(104,590)
CASH FLOWS FROM FINANCING ACTIVITIES				
Purchase of treasury stock	-	(1,747,760)	-	-
Cash dividends and bonuses to employees	(4,998,224)	(12,136,470)	(19,486,547)	(605,737)
Increase (decrease) in guarantee deposits received	85	(12)	5,648	176
Net cash used in financing activities	(4,998,139)	(13,884,242)	(19,480,899)	(605,561)
NET INCREASE IN CASH	14,245,109	6,215,339	8,901,509	276,702
CASH, BEGINNING OF PERIOD	16,196,448	34,397,388	55,036,232	1,710,794
CASH, END OF PERIOD	$ 30,441,557	$ 40,612,727	$ 63,937,741	$ 1,987,496

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HTC CORPORATION

STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2006, 2007 AND 2008
(In Thousands)
(Reviewed, Not Audited)

	2006	2007	2008	
	NT$	NT$	NT$	US$ (Note 3)
SUPPLEMENTAL CASH FLOW INFORMATION				
Cash paid during the period				
Interest	$ -	$ 186	$ 140	$ 4
Income tax	$ 608,234	$ 1,743,683	$ 1,899,351	$ 59,041
NONCASH INVESTING AND FINANCING ACTIVITIES				
Transfer of bond investment not quoted in an active market to investments accounted for by the equity method	$ -	$ -	$ 33,030	$ 1,027
Transfer of properties to assets leased to others	$ -	$ -	$ 358,044	$ 11,130
PURCHASE OF PROPERTIES				
Cost of properties	$ 680,930	$ 1,106,850	$ 1,545,180	$ 48,032
(Increase) decrease in payable for purchase of equipment	(1,048)	(68,369)	18,379	571
(Increase) decrease in lease payable	(4,104)	651	697	22
Cash paid for purchase of properties	$ 675,778	$ 1,039,132	$ 1,564,256	$ 48,625
CASH DIVIDENDS AND BONUSES TO EMPLOYEES				
Appropriation of cash dividends and bonuses to employees	$ 5,449,224	$ 13,685,470	$ 20,696,547	$ 643,349
Increase in payable of cash dividends and bonuses to employees	(451,000)	(1,549,000)	(1,210,000)	(37,612)
Cash paid	$ 4,998,224	$ 12,136,470	$ 19,486,547	$ 605,737

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

(With Deloitte & Touche review report dated October 15, 2008) (Concluded)

1. ORGANIZATION AND OPERATIONS

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

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

The Company had 4,685, 5,271 and 7,872 employees as of September 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, Business Accounting Law, Guidelines Governing Business Accounting, 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:

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.

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 collectability 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 not quoted in an active market

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

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

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

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

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

Investments Accounted for by the Equity Method

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

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

When the Company subscribes for 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.

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

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

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

Deferred Charges

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

Asset Impairment

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

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

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

Accrued Marketing Expenses

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

Reserve for Warranty Expenses

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

Product-Related Costs

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

Pension Plan

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

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

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.

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 financial statements as of and for the nine months ended September 30, 2008.

3. TRANSLATION INTO U.S. DOLLARS

The financial statements are stated in New Taiwan dollars. The translation of the 2008 New Taiwan dollar amounts into U.S. dollar amounts are included solely for the convenience of readers, using the noon buying rate of NT$ 32.17 to US$1.00 quoted by the Bank of Taiwan on September 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$3,845,328 thousand (US$119,531 thousand) in net income, including employee bonus payable of NT$4,390,267 thousand (US$136,471 thousand), minus the allocation to inventory of NT$25,750 thousand (US$800 thousand) and minus the tax saving of NT$519,189 thousand (US$16,140 thousand), and a decrease in after income tax basic earnings per share of NT$5.09 for the nine months ended September 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:

	Nine Months Ended September 30						
	2006		2007		2008		
	Amount NT$	%	Amount NT$	%	Amount NT$	Amount US$ (Note 3)	%
Revenues	$ 76,361,068	100	$ 79,570,181	100	$ 105,182,166	$ 3,269,573	100
Cost of revenues	54,026,551	71	53,309,347	67	68,179,917	2,119,363	65
Gross profit	22,334,517	29	26,260,834	33	37,002,249	1,150,210	35
Unrealized profit from intercompany transactions	(142,369)	-	(173,330)	-	(151,389)	(4,706)	-
Realized profit from intercompany transactions	15,077	-	164,011	-	175,075	5,442	-
Realized gross profit	22,207,225	29	26,251,515	33	37,025,935	1,150,946	35
Operating expenses	3,974,065	5	6,160,924	8	11,063,234	343,899	11
Operating income	18,233,160	24	20,090,591	25	25,962,701	807,047	24
Nonoperating income and gains	812,803	1	1,438,247	2	1,321,129	41,067	1
Nonoperating expenses and losses	98,643	-	246,212	-	267,632	8,319	-
Income before income tax	18,947,320	25	21,282,626	27	27,016,198	839,795	25
Income tax	(1,109,149)	(2)	(2,335,700)	(3)	(2,625,828)	(81,624)	(2)
Net income	$ 17,838,171	23	$ 18,946,926	24	$ 24,390,370	$ 758,171	23

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 nine months ended September 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 nine months ended September 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:

	Nine Months Ended September 30						
	2006		2007		2008		
	Amount	%	Amount	%	Amount		%
	NT$		NT$		NT$	US$ (Note 3)	
Revenues	$ 76,361,068	100	$ 79,570,181	100	$ 105,182,166	$ 3,269,573	100
Cost of revenues	51,926,899	68	50,349,312	63	64,065,534	1,991,468	61
Gross profit	24,434,169	32	29,220,869	37	41,116,632	1,278,105	39
Unrealized profit from intercompany transactions	(142,369)	-	(173,330)	-	(151,389)	(4,706)	-
Realized profit from intercompany transactions	15,077	-	164,011	-	175,075	5,442	-
Realized gross profit	24,306,877	32	29,211,550	37	41,140,318	1,278,841	39
Operating expenses	5,464,135	7	8,633,480	11	18,857,662	586,188	18
Operating income	18,842,742	25	20,578,070	26	22,282,656	692,653	21
Nonoperating income and gains	812,803	1	1,438,247	2	1,321,129	41,067	1
Nonoperating expenses and losses	708,225	1	733,691	1	952,104	29,596	1
Income before income tax	18,947,320	25	21,282,626	27	22,651,681	704,124	21
Income tax	(1,109,149)	(2)	(2,335,700)	(3)	(2,106,639)	(65,484)	(2)
Net income	$ 17,838,171	23	$ 18,946,926	24	$ 20,545,042	$ 638,640	19

5. CASH

Cash as of September 30, 2006, 2007 and 2008 were as follows:

	2006	2007	2008	
	NT$	NT$	NT$	US$ (Note 3)
Cash on hand	$ 1,000	$ 1,000	$ 1,030	$ 32
Cash in banks	5,632,157	5,684,727	7,544,117	234,508
Time deposits	24,808,400	34,927,000	56,392,594	1,752,956
	$ 30,441,557	$ 40,612,727	$ 63,937,741	$ 1,987,496

On time deposits, interest rates ranged from 1.40% to 2.075%, 1.76% to 2.185% and 1.65% to 2.475% as of September 30, 2006, 2007 and 2008, respectively.

On preferential deposits, interest rates ranged from 2.57% to 5.25%, 3.05% to 4.75% and 0.13% to 6.88% as of September 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 September 30, 2006, 2007 and 2008 were as follows:

	2006	2007	2008	
	NT$	NT$	NT$	US$ (Note 3)
Derivatives - financial assets				
Forward exchange contracts	$ 18,957	$ -	$ 97,351	$ 3,026
Derivatives - financial liabilities				
Forward exchange contracts	$ -	$ 204,449	$ -	$ -

The Company entered into derivative transactions during the nine months ended September 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 as of September 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	2006.10.04~2006.12.29	US$ 10,000
Forward exchange contracts	Sell	EUR/USD	2006.10.04~2006.11.29	EUR€ 66,000
Forward exchange contracts	Buy	USD/JPY	2006.10.25~2006.12.29	US$ 4,016
Forward exchange contracts	Sell	GBP/USD	2006.10.11~2006.11.03	GBP£ 4,250
Forward exchange contracts	Sell	JPY/NTD	2006.10.25~2006.11.03	JP¥ 205,000

	2007			
	Buy/Sell	Currency	Expiry Date	Contract Amount
Forward exchange contracts	Sell	USD/NTD	2007.10.02~2007.10.26	US$ 37,500
Forward exchange contracts	Sell	EUR/USD	2007.10.05~2007.12.28	EUR€ 152,000
Forward exchange contracts	Sell	GBP/USD	2007.10.17~2007.11.30	GBP£ 3,100
Forward exchange contracts	Sell	JPY/NTD	2007.11.09~2007.11.21	JP¥ 1,830,000
Forward exchange contracts	Buy	CAD/USD	2007.10.12	US$ 1,872

	2008			
	Buy/Sell	Currency	Expiry Date	Contract Amount
Forward exchange contracts	Sell	EUR/USD	2008.10.01~2008.11.28	EUR€ 155,000
Forward exchange contracts	Sell	GBP/USD	2008.10.08~2008.11.21	GBP£ 10,970
Forward exchange contracts	Sell	JPY/NTD	2008.10.17	JPY 17,000
Forward exchange contracts	Sell	USD/NTD	2008.10.01	US$ 21,000
Forward exchange contracts	Buy	USD/CAD	2008.10.17	US$ 477

Net gain on derivative financial instruments for the nine months ended September 30, 2008 was NT$196,240 thousand (US$6,100 thousand), including realized settlement gain of NT$98,889 thousand (US$3,074 thousand) and valuation gain of NT$97,351 thousand (US$3,026 thousand).

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

	2006	2007	2008	
	NT$	NT$	NT$	US$ (Note 3)
VIA Technologies, Inc.	$ 1,087	$ 1,004	$ 581	$ 18

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 September 30, 2006, 2007 and 2008 were as follows:

	2006	2007	2008	
	NT$	NT$	NT$	US$ (Note 3)
Notes receivable	$ 1,931	$ 1,515	$ 21,618	$ 672
Accounts receivable	14,152,814	19,500,534	21,536,456	669,458
Less allowance for doubtful accounts	(3,674)	(158,937)	(539,408)	(16,768)
	$ 14,151,071	$ 19,343,112	$ 21,018,666	$ 653,362

9. OTHER CURRENT FINANCIAL ASSETS

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

	2006	2007	2008	
	NT$	NT$	NT$	US$ (Note 3)
Other receivables	$ 16,278	$ 14,101	$ 233,068	$ 7,245
Other receivables from related parties (Note 25)	106,727	72,253	59,148	1,838
Interest receivable	15,150	39,058	50,857	1,581
Others	8,995	31,401	7,210	224
	$ 147,150	$ 156,813	$ 350,283	$ 10,888

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

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

10. INVENTORIES

Inventories as of September 30, 2006, 2007 and 2008 were as follows:

	2006	2007	2008	
	NT$	NT$	NT$	US$ (Note 3)
Finished goods	$ 455,786	$ 460,211	$ 534,955	$ 16,629
Work-in-process	2,296,051	2,402,113	2,659,198	82,661
Raw materials	3,950,088	4,106,782	6,158,052	191,422
	6,701,925	6,969,106	9,352,205	290,712
Less valuation allowance	(1,042,369)	(1,046,805)	(1,476,160)	(45,886)
	$ 5,659,556	$ 5,922,301	$ 7,876,045	$ 244,826

The write-down of inventories to their net realizable value amounted to NT$684,472 thousand (US$21,277 thousand) and was recognized as cost of sales for the nine months ended September 30, 2008. For consistency with the presentation of the financial statements for the nine months ended September 30, 2008, the Company reclassified "provision for loss on inventories" amounting to NT$609,582 thousand and NT$487,479 thousand for the nine months ended September 30, 2006 and 2007, respectively, to "cost of sales."

11. PREPAYMENTS

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

	2006	2007	2008	
	NT$	NT$	NT$	US$ (Note 3)
Royalty	$ 585,083	$ 1,622,429	$ 739,944	$ 23,001
Software and hardware maintenance	22,502	42,922	106,887	3,323
Molding equipment	39,528	46,912	95,860	2,980
Services	54,799	18,938	32,271	1,003
Others	78,554	49,471	68,316	2,123
	$ 780,466	$ 1,780,672	$ 1,043,278	$ 32,430

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

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

12. FINANCIAL ASSETS CARRIED AT COST

Financial assets carried at cost as of September 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	$ 15,542
Answer Online, Inc.	1,192	1,192	1,192	37
	$ 1,192	$ 501,192	$ 501,192	$ 15,579

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 September 30, 2007 the Company had the following bond investment, which had no quoted price 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 September 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									
H.T.C. (B.V.I.) Corp.	$ 337,517	100	$ 1,401,519	100	$ 1,402,835	$ 43,607	$ 1,267,619	$ 39,404	100
BandRich Inc.	142,850	51	111,794	51	135,000	4,196	68,766	2,138	51
HTC HK, Limited	1,277	100	3,130	100	1,277	40	41,482	1,289	100
Communication Global Certification Inc.	-	-	278,580	100	280,000	8,704	275,115	8,552	100
High Tech Computer Asia Pacific Pte. Ltd.	-	-	-	-	562,414	17,483	644,701	20,040	100
Vitamin D Inc.	-	-	-	-	40,986	1,274	41,624	1,294	26
HTC Investment Corporation	-	-	-	-	300,000	9,325	300,135	9,330	100
PT. High Tech Computer Indonesia	-	-	-	-	62	2	60	2	1
Prepayments for long-term investments	-	-	586,956	-	1,461,360	45,426	1,461,360	45,426	-
	$ 481,644		$ 2,381,979		$ 4,183,934	$ 130,057	$ 4,100,862	$ 127,475	

In August 2000, the Company acquired 100% equity interest in H.T.C. (B.V.I.) Corp. for NT$12,834 thousand and accounted for this investment by the equity method. As of September 30, 2008, the Company had increased this investment to NT$1,402,835 thousand (US$43,607 thousand). H.T.C. (B.V.I.) Corp. makes investments on behalf of the Company.

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

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

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

In July 2007, the Company acquired 100% equity interest in High Tech Computer Asia Pacific Pte. Ltd. and accounted for this investment by the equity method. As of September 30, 2008, the Company had increased this investment to NT$2,023,774 thousand (US$62,909 thousand). Because the registration of this investment was not completed on September 30, 2008, the amounts of NT$1,461,360 thousand (US$45,426 thousand) were temporarily accounted for as "prepayments for long-term investments."

In April 2008, the Company invested US$300 thousand in, 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$40,986 thousand, enabling the Company to exercise significant influence over this investee. Thus, the Company accounts for this investment by the equity method. In September 2008, Vitamin D Inc. issued 2,375 thousand convertible preferred shares, but the Company did not buy any of these shares. Thus, the Company's ownership percentage declined from 27% to 26%, and there was a capital surplus - long term equity investments of NT$ 1,689 thousand (US$53 thousand).

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

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

On its equity-method investments, the Company had a loss of NT$88,635 thousand, a gain of NT$72,802 thousand and a loss of NT$172,705 thousand (US$5,369 thousand) for the nine months ended September 30, 2006, 2007 and 2008, respectively.

The financial statements of equity-method investees for the nine months ended September 30, 2008 had been reviewed by the Company's independent accountants, but those for the nine months ended September 30, 2006 and 2007 were unreviewed.

Under orders VI-0960064017 and VI-0960064020 issued by Financial Supervisory Commission under the Executive Yuan, the Company included the accounts of all its direct and indirect subsidiaries in the consolidated financial statements as of and for the nine months ended September 30, 2008. All significant intercompany balances and transactions have been eliminated.

15. PROPERTIES

Properties as of September 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	$ 610,293	$ 822,027	$ -	$ 822,027	$ 25,553
Buildings and structures	751,599	1,793,066	2,765,722	495,413	2,270,309	70,572
Machinery and equipment	805,725	891,485	3,611,830	2,598,809	1,013,021	31,489
Molding equipment	-	-	172,632	172,632	-	-
Computer equipment	39,752	46,823	248,792	183,766	65,026	2,022
Transportation equipment	761	539	1,335	989	346	10
Furniture and fixtures	23,755	17,522	123,309	95,521	27,788	864
Leased assets	4,123	3,338	4,712	2,160	2,552	79
Leasehold improvements	3,374	1,481	95,018	31,763	63,255	1,967
Prepayments on equipment-in-transit	491,143	247,428	209,066	-	209,066	6,499
	$2,730,525	$3,611,975	$8,054,443	$3,581,053	$4,473,390	$139,055

In July 2008, the Company acquired from Runtop Inc. land and building, with areas of approximately 10.6 thousand square meters and 40 thousand square meters, respectively, for NT$900,000 thousand (US$27,976 thousand) to have more office space, parking lots, dormitory, etc.

16. ACCRUED EXPENSES

Accrued expenses as of September 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	$ 5,600,267	$ 174,084
Marketing	542,741	2,151,433	5,250,041	163,197
Salaries & bonuses	391,544	811,347	1,290,361	40,111
Services	33,665	438,019	1,134,881	35,278
Donation	300,000	197,600	267,811	8,325
Export expenses	207,516	140,400	646,913	20,109
Research materials	89,114	129,577	256,053	7,959
Meals and welfare	62,244	55,494	80,213	2,493
Insurance	61,302	47,425	69,918	2,173
Repair and maintenance	19,784	16,329	57,853	1,798
Travel	50,112	3,392	22,522	700
Others	70,798	299,316	348,675	10,839
	$ 2,279,820	$ 6,290,332	$ 15,025,508	$ 467,066

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$4,390,267 thousand (US$136,471 thousand). Based on a resolution passed by the Company's board of directors in February 2008, the employee bonus payable should be appropriated at 18% of net income less employee bonus expenses.

Also, in the stockholders' meetings of 2006, 2007 and 2008, the stockholders approved the appropriation from the net earnings of 2005, 2006 and 2007, and the employee bonuses were NT$451,000 thousand, NT$2,000,000 thousand and NT$1,210,000 thousand (US$37,613 thousand), respectively.

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

For the nine months ended September 30, 2006, 2007 and 2008, the Company accrued the donation of NT$300,000 thousand, NT$197,600 thousand and NT$267,811 thousand (US$8,325 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 September 30, 2006, 2007 and 2008 were as follows:

	2006	2007	2008	
	NT$	NT$	NT$	US$ (Note 3)
Reserve for warranty expenses	$ 1,373,587	$ 1,765,955	$ 4,855,370	$ 150,929
Agency receipts	110,364	116,850	157,258	4,888
Deferred credits - profit from intercompany transactions	142,369	173,330	151,389	4,706
Other payable to related parties (Note 25)	101,066	65,627	52,091	1,619
Advance receipts	67,441	117,577	131,955	4,102
Directors' remuneration	21,842	21,842	21,842	679
Other	67,115	95,601	67,308	2,092
	$ 1,883,784	$ 2,356,782	$ 5,437,213	$ 169,015

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.

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

Other payables to related parties were payments for miscellaneous expenses of overseas sales offices and repair materials.

18. 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. Such pension costs were NT$65,656 thousand, NT$80,385 thousand and NT$112,469 thousand (US$3,496 thousand) for the nine months ended September 30, 2006, 2007 and 2008, 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$298,964 thousand, NT$334,767 thousand and NT$373,382 thousand (US$11,607 thousand) as of September 30, 2006, 2007 and 2008, respectively.

Based on the Statement of Financial Accounting Standards No. 18 - "Accounting for Pensions," issued by the Accounting Research and Development Foundation of the ROC, changes of prepaid pension cost under the defined benefit plans for the nine months ended September 30, 2006, 2007 and 2008 as follows:

	2006	2007	2008	
	NT$	NT$	NT$	US$ (Note 3)
Balance, beginning of period	$ 49,760	$ 74,020	$ 95,187	$ 2,959
Contributions	(4,535)	(5,044)	(4,060)	(126)
Payments	22,975	21,034	20,435	635
Balance, end of period	$ 68,200	$ 90,010	$ 111,562	$ 3,468

19. STOCKHOLDERS' EQUITY

Capital Stock

The Company's outstanding common stock as of January 1, 2006 amounted to NT$3,570,160 thousand, divided into 357,016 thousand common shares at NT$10.00 par value. In May 2006, the stockholders approved the transfer of retained earnings of NT$714,032 thousand and employee bonuses of NT$80,000 thousand to capital stock. As a result, the amount of the Company's outstanding common stock as of September 30, 2006 increased to NT$4,364,192 thousand, divided into 436,419 thousand common shares at NT$10.00 par value.

In April 2007, the Company retired 3,624 thousand treasury shares (NT$36,240 thousand). In June 2007, the stockholders approved the transfer of retained earnings amounting to NT$1,298,385 thousand and employee bonuses amounting to NT$105,000 thousand to capital stock. As a result, the amount of the Company's outstanding common stock as of September 30, 2007 was NT$5,731,337 thousand, divided into 573,134 thousand common shares at NT$10.00 par value.

Also, in June 2008, the stockholders approved the transfer of retained earnings amounting to NT$1,719,401 thousand and employee bonuses amounting to NT$103,200 thousand to capital stock. As a result, the amount of the Company's outstanding common stock as of September 30, 2008 increased to NT$7,553,938 thousand (US$234,813 thousand), divided into 755,394 thousand common shares at NT$10.00 (US$0.31) par value.

In their meeting on December 11, 2002, the Company's Board of Directors resolved to issue 7,000 thousand units of employee stock options in accordance with Article 28.3 of the Securities and Exchange Law. Each option represents the right to buy one newly issued common share of the Company. The exercise price is the closing price of the Company's common shares on the option issuance date. The option holders can exercise the right up to 35% of the granted option units no earlier than two years from the grant date. After three years from the grant date, the holders can exercise their right at up to 70% of the granted option units. After four years from the grant date, the option holders are eligible to exercise their rights on all the options owned. The exercise period is five years. As of September 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 8,322 thousand units (33,287.9 thousand shares). The holders of these GDRs requested the Company to redeem the GDRs to get the Company's common shares. As of September 30, 2008, there were 5,729.4 thousand units of GDRs redeemed, representing 22,918 thousand common shares, and the outstanding GDRs represented 10,370 thousand common shares or 1.37% 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 September 30, 2008 was NT$4,374,244 thousand (US$135,973 thousand). Under the Company Law, the Company may transfer the capital surplus to common stock if there is no accumulated deficit.

When the Company did not subscribe for the new shares issued by BandRich Inc. and Vitamin D Inc., adjustments of NT$15,845 thousand and NT$1,689 thousand (US$53 thousand) were made to the investment's carrying value and capital surplus, respectively. As a result, the capital surplus from long-term equity investments as of September 30, 2008 was NT$17,534 thousand (US$545 thousand).

The additional paid-in capital from a merger (Note 1), which took effect on March 1, 2004, was NT$25,972 thousand. Then, because of treasury stock retirement in April 2007, the additional paid-in capital from a merger decreased to NT$25,756 thousand (US$801 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.

20. 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.

21. PERSONNEL EXPENSE, DEPRECIATION AND AMORTIZATION

Personnel expense, depreciation and amortization for the nine months ended September 30, 2006, 2007 and 2008 were as follows:

Function / Expense Item	2006			2007		
	NT$			NT$		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Personnel expenses	991,789	1,088,306	2,080,095	1,044,022	2,119,565	3,163,587
Salary	822,822	910,488	1,733,310	862,805	1,886,802	2,749,607
Insurance	51,516	62,772	114,288	56,847	81,364	138,211
Pension cost	23,882	46,309	70,191	26,891	58,538	85,429
Other	93,569	68,737	162,306	97,479	92,861	190,340
Depreciation	266,997	172,109	439,106	219,627	181,176	400,803
Amortization	-	23,441	23,441	-	23,213	23,213

Function / Expense Item	2008					
	NT$			US$ (Note 3)		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Personnel expenses	1,918,631	6,261,066	8,179,697	59,640	194,624	254,264
Salary	1,690,139	5,924,297	7,614,436	52,538	184,156	236,694
Insurance	75,122	114,099	189,221	2,335	3,547	5,882
Pension cost	33,844	82,685	116,529	1,052	2,570	3,622
Other	119,526	139,985	259,511	3,715	4,351	8,066
Depreciation	196,980	217,431	414,411	6,123	6,759	12,882
Amortization	-	28,861	28,861	-	897	897

22. INCOME TAX

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

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

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

Income taxes payable as of September 30, 2006, 2007 and 2008 were computed as follows:

	2006	2007	2008	
	NT$	NT$	NT$	US$ (Note 3)
Income before income tax	$18,947,320	$21,282,626	$22,651,681	$ 704,125
Permanent differences				
Losses (gains) on equity-method investments	88,635	(72,802)	172,705	5,369
Other	25,994	29,366	37,267	1,158
Temporary differences				
Realized pension cost	(18,439)	(15,989)	(16,376)	(509)
Unrealized loss on decline in value of inventory	455,642	155,142	559,873	17,404
Unrealized royalties	1,460,302	1,421,962	1,431,103	44,486
Unrealized foreign exchange (gains) losses, net	(55,058)	(278,157)	262,526	8,161
Unrealized marketing expense	-	1,168,345	2,466,232	76,662
Unrealized warranty expense	409,084	371,960	1,385,412	43,065
Unrealized bad debt expenses	-	-	251,382	7,814
Unrealized valuation (gain) loss on financial instruments	(18,957)	204,449	(97,351)	(3,026)
Unrealized (realized) profit from intercompany transactions	127,292	9,319	(23,686)	(736)
Other	(15,881)	29,740	(54,150)	(1,683)
Total income	21,405,934	24,305,961	29,026,618	902,290
Less tax-exempt income tax	(15,241,139)	(16,057,280)	(24,049,661)	(747,580)
Taxable income	6,164,795	8,248,681	4,976,957	154,710
Tax rate	25%	25%	25%	25%
	1,541,199	2,062,170	1,244,239	38,677
Income tax credit	(10)	(10)	(10)	
Estimated income tax provision	1,541,189	2,062,160	1,244,229	38,677
Unappropriated earnings (additional 10% income tax)	436,049	571,507	352,583	10,960
Less investment research and development tax credits	(852,745)	(373,531)	(352,583)	(10,960)
Income tax payable determined pursuant to the Income Tax Law	$ 1,124,493	$ 2,260,136	$ 1,244,229	$ 38,677
Alternative minimum tax	$ 1,124,493	$ 2,260,136	$ 2,375,405	$ 73,839
Less prepaid and withheld income tax	(27,398)	(52,697)	(406,576)	(12,638)
Prior years' income tax payable	67,731	193,642	1,011,860	31,453
Income tax payable	$ 1,164,826	$ 2,401,081	$ 2,980,689	$ 92,654

The government enacted the Alternative Minimum Tax Act (the "AMT Act"), which became effective on January 1, 2006. The alternative minimum tax ("AMT") imposed under the AMT Act is a supplemental tax levied at a rate of 10% which is payable if the income tax payable determined pursuant to the Income Tax Law is below the minimum amount prescribed under the AMT Act. The taxable income for calculating the AMT includes most of the income that is exempted from income tax under various laws and statutes. The Company has considered the impact of the AMT Act in the determination of its tax liabilities. As a result, the current income tax payable as of September 30, 2008 should be NT$2,375,405 thousand (US$73,839 thousand).

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

	2006	2007	2008	
	NT$	NT$	NT$	US$ (Note 3)
Temporary differences				
Provision for loss on decline in value of inventory	$ 260,592	$ 261,701	$ 369,040	$ 11,472
Unrealized marketing expense	-	537,858	1,312,510	40,799
Capitalize expense	33,814	46,165	39,917	1,241
Unrealized reserve for warranty expense	343,397	441,489	1,213,842	37,732
Unrealized royalties	824,632	1,297,588	1,367,623	42,512
Unrealized foreign exchange loss, net	-	-	46,986	1,461
Unrealized valuation loss on financial instruments	-	51,112	-	-
Other	16,949	23,306	55,811	1,735
Tax credit carryforwards	-	-	1,507,595	46,863
Total deferred tax asset	1,479,384	2,659,219	5,913,324	183,815
Less valuation allowance	(929,418)	(1,850,387)	(4,659,978)	(144,855)
Total deferred tax asset, net	549,966	808,832	1,253,346	38,960
Deferred tax liability				
Unrealized pension cost	(16,492)	(22,502)	(27,891)	(867)
Unrealized valuation gain on financial instruments	-	-	(24,338)	(757)
Unrealized foreign exchange gain, net	(7,566)	(88,676)	-	-
	525,908	697,654	1,201,117	37,336
Less current portion	(302,202)	(433,771)	(514,150)	(15,982)
Deferred tax assets, noncurrent	$ 223,706	$ 263,883	$ 686,967	$ 21,354

Details of the tax credit carryforwards are as follows:

Year of Occurrence	Validity Period	2006	2007	2008	
		NT$	NT$	NT$	US$ (Note 3)
2007	2007-2011	$ -	$ -	$ 201,506	$ 6,263
2008	2008-2012	-	-	1,306,089	40,600
		$ -	$ -	$ 1,507,595	$ 46,863

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

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

The income tax expenses for the nine months ended September 30, 2006, 2007 and 2008 were as follows:

	2006	2007	2008	
	NT$	NT$	NT$	US$ (Note 3)
Current income tax expense	$ 1,124,493	$ 2,260,136	$ 2,375,405	$ 73,839
Increase in deferred income tax assets	(47,048)	(50,347)	(259,007)	(8,051)
Under (over) estimation of prior years' income tax	31,704	125,911	(9,759)	(303)
Income tax expense	$ 1,109,149	$ 2,335,700	$ 2,106,639	$ 65,485

The integrated income tax information is as follows:

	2006	2007	2008	
	NT$	NT$	NT$	US$ (Note 3)
Balance of imputation credit account	$ 352,831	$ 850,056	$ 1,577,966	$ 49,051
Unappropriated earnings from 1998	24,581,934	31,411,931	36,535,875	1,135,713
Expected creditable ratio (including income tax payable)	6.17%	10.35%	12.48%	12.48%

23. EARNINGS PER SHARE

Earnings per share ("EPS") before tax and after tax are calculated by dividing net income by the weighted average number of common shares outstanding which includes the deduction of the effect of treasury stock during each year. The weighted average number of shares used in EPS calculation was 761,716 thousand shares, 755,682 thousand shares and 755,394 thousand shares for the nine months ended September 30, 2006, 2007 and 2008, respectively. EPS for the nine months ended September 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 EPS information for nine months ended September 30, 2006, 2007 and 2008 are as follows:

	2006				
	Numerator		Denominator	Earnings Per Share	
	Income before Income Tax	Income after Income Tax	Shares (Thousands)	Income before Income Tax	Income after Income Tax
	NT$	NT$		NT$	NT$
Basic earnings per share	$ 18,947,320	$ 17,838,171	761,716	$ 24.87	$ 23.42
Employee stock options	-	-	6,770		
Diluted earnings per share	$ 18,947,320	$ 17,838,171	768,486	$ 24.66	$ 23.21

	2007				
	Numerator		Denominator	Earnings Per Share	
	Income before Income Tax	Income after Income Tax	Shares (Thousands)	Income before Income Tax	Income after Income Tax
	NT$	NT$		NT$	NT$
Basic EPS	$21,282,626	$18,946,926	755,682	$ 28.16	$ 25.07
Employee stock options	-	-	-		
Diluted EPS	$21,282,626	$18,946,926	755,682	$ 28.16	$ 25.07

	2008				
	Numerator		Denominator	Earnings Per Share	
	Income before Income Tax	Income after Income Tax	Shares (Thousands)	Income before Income Tax	Income after Income Tax
	NT$	NT$		NT$	NT$
Basic EPS	$22,651,681	$20,545,042	755,394	$ 29.99	$ 27.20
Employee stock options	-	-	12,671		
Diluted EPS	$22,651,681	$20,545,042	768,065	$ 29.49	$ 26.75

	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	$ 704,125	$ 638,640	755,394	$ 0.93	$ 0.85
Bonus to employees	-	-	12,671		
Diluted EPS	$ 704,125	$ 638,640	768,065	$ 0.92	$ 0.83

24. FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

Nonderivative Financial Instruments

	September 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	$ 1,087	$ 1,087	$ 1,004	$ 1,004	$ 581	$ 18	$ 581	$ 18
Financial assets carried at cost	1,192	1,192	501,192	501,192	501,192	15,579	501,192	15,579
Bond investment not quoted in an active market	-	-	33,030	33,030	-	-	-	-
Investments accounted for by the equity method	481,644	481,644	2,381,979	2,381,979	4,100,862	127,475	4,100,862	127,475

Derivative Financial Instruments

	September 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								
Financial assets at fair value through profit or loss	$ 18,957	$ 18,957	$ -	$ -	$ 97,351	$ 3,026	$ 97,351	$ 3,026
Liabilities								
Financial liabilities at fair value through profit or loss	-	-	204,449	204,449	-	-	-	-

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 nor guarantee deposits. The fair values of refundable deposits and guarantee deposits received are based on the present value of future cash flows discounted at the average interest rates for time deposits with maturities similar to those of the financial instruments.

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

Methodology Used to Determine the Fair Values of Financial Instruments

	Quoted Market Prices				Measurement Method			
	September 30				September 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	$ 18,957	$ -	$ 97,351	$ 3,026	$ -	$ -	$ -	$ -
Available-for-sale financial assets - noncurrent	1,087	1,004	581	18	-	-	-	-
Financial assets carried at cost	-	-	-	-	1,192	501,192	501,192	15,579
Bond investment not quoted in an active market	-	-	-	-	-	33,030	-	-
Investments accounted for by the equity method	-	-	-	-	481,644	2,381,979	4,100,862	127,475
Liabilities								
Financial liabilities at fair value through profit or loss	-	204,449	-	-	-	-	-	-

There was no loss or gain recognized for the nine months ended September 30, 2006, 2007 and 2008 on the fair value changes of derivatives estimated using valuation techniques. However, the Company recognized unrealized a gain of NT$251 thousand and losses of NT$729 thousand and NT$203 thousand (US$6 thousand) under stockholders' equity for the changes in fair value of available-for-sale financial assets in the nine months ended September 30, 2006, 2007 and 2008, respectively.

As of September 30, 2006, 2007 and 2008, financial assets exposed to cash flow interest rate risk amounted to NT$24,808,400 thousand, NT$34,927,000 thousand and NT$56,392,594 thousand (US$1,752,956 thousand), respectively.

As of September 30, 2007, financial assets and liabilities exposed to fair value interest rate risk was NT$33,030 thousand.

Financial Risks

Market Risk

The Company uses derivative contracts for hedging purposes, i.e., to reduce any adverse effect of exchange rate fluctuations of accounts receivable/payable. The gains or losses on these contracts almost offset the gains or losses on the hedged items. Thus, market risk is not material.

Credit Risk

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

Cash Flow Risk

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

25. RELATED-PARTY TRANSACTIONS

The names and relationships of related parties are 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
Comserve Network Netherlands B.V.	Main director is an immediate relative of the Company's chairperson
VIA Technologies, Inc.	Same chairperson
Chander Electronics Corp.	Same chairperson
H.T.C. (B.V.I.) Corp.	Subsidiary
HTC HK, Limited.	Subsidiary
Band Rich Inc.	Subsidiary
Communication Global Certification Inc.	Subsidiary
High Tech Computer Asia Pacific Pte. Ltd.	Subsidiary
HTC America Inc. (formerly HTC USA Inc. until August 2, 2006)	Subsidiary of H.T.C. (B.V.I.) Corp.
HTC Europe Co., Ltd.	Subsidiary of H.T.C. (B.V.I.) Corp.
Exedea Inc.	Subsidiary of H.T.C. (B.V.I.) Corp.
HTC Nippon Corporation	Subsidiary of H.T.C. (B.V.I.) Corp.
High Tech Computer Corp. (Suzhou)	Subsidiary of H.T.C. (B.V.I.) Corp.
High Tech Computer Corp. (WGQ)	Subsidiary of H.T.C. (B.V.I.) Corp.
HTC Brasil	Subsidiary of H.T.C. (B.V.I.) Corp.
HTC Belgium BVBA/SPRL	Subsidiary of HTC HK, Limited.
High Tech Computer Singapore Pte. Ltd.	Subsidiary of High Tech Computer Asia Pacific Pte. Ltd.

Related Party	Relationship with the Company
High Tech Computer (H.K.) Limited	Subsidiary of High Tech Computer Asia Pacific Pte. Ltd.
HTC (Australia and New Zealand) Pty. Ltd.	Subsidiary of High Tech Computer Asia Pacific Pte. Ltd.
HTC India Private Limited	Subsidiary of High Tech Computer Asia Pacific Pte. Ltd.
HTC (Thailand.) Ltd.	Subsidiary of High Tech Computer Asia Pacific Pte. Ltd.

Major transactions with related parties are summarized below:

Purchases of Inventories and Services

	Nine Months Ended September 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)**	
High Tech Computer Corp. (Suzhou)	$ 12,290	-	$ 44,563	-	$ 48,631	$ 1,512	-
Chander Electronics Corp.	72,290	-	-	-	5,036	156	-
BandRich Inc.	-	-	610	-	-	-	-
	$ 84,580	-	$ 45,173	-	$ 53,667	$ 1,668	-

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

Sales and Services Provided

	Nine Months Ended September 30						
	2006		2007		2008		
Related Party	**Amount**	**% of Total Revenues**	**Amount**	**% of Total Revenues**	**Amount**		**% of Total Revenues**
	NT$		**NT$**		**NT$**	**US$ (Note 3)**	
HTC America Inc.	$ 540,719	1	$ 801,787	1	$ 988,420	$ 30,725	1
BandRich Inc.	-	-	73,542	-	267,312	8,309	-
HTC Europe Co., Ltd.	248,058	-	453,334	1	139,529	4,337	-
Xander International Corp.	-	-	-	-	93,567	2,909	-
High Tech Computer (H.K.) Limited	-	-	495	-	53,564	1,665	-
High Tech Computer Singapore Pte. Ltd.	-	-	740	-	47,488	1,476	-
First International Computer, Inc.	-	-	59,858	-	24,221	753	-
HTC NIPPON Corporation	-	-	7,040	-	219	7	-
Exedea Inc.	1,605,585	2	191,897	-	-	-	-
Comserve Network Netherlands B.V.	-	-	37,587	-	-	-	-
Others	838	-	1,043	-	40,076	1,246	-
	$2,395,200	3	$1,627,323	2	$1,654,396	$ 51,427	1

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

Notes and Accounts Receivable

Related Party	September 30 — 2006 Amount NT$	2006 % of Total Notes and Accounts Receivable	2007 Amount NT$	2007 % of Total Notes and Accounts Receivable	2008 Amount NT$	2008 Amount US$ (Note 3)	2008 % of Total Notes and Accounts Receivable
Accounts receivable							
HTC America Inc.	$ 534,688	3	$ 459,576	2	$ 417,302	$ 12,972	2
HTC Europe Co., Ltd.	236,536	2	175,463	1	85,820	2,668	-
High Tech Computer (H.K.) Limited	-	-	495	-	11,731	364	-
High Tech Computer Singapore Pte. Ltd.	-	-	740	-	8,257	257	-
BandRich Inc.	-	-	44,145	-	1,138	35	-
First International Computer, Inc.	-	-	3,970	-	-	-	-
Exedea Inc.	650,698	4	-	-	-	-	-
Others	152	-	4,649	-	10,033	312	-
	$1,422,074	9	$ 689,038	3	$ 534,281	$ 16,608	2

Notes and Accounts Payable

Related Party	September 30 — 2006 Amount NT$	2006 % of Total Notes and Accounts Payable	2007 Amount NT$	2007 % of Total Notes and Accounts Payable	2008 Amount NT$	2008 Amount US$ (Note 3)	2008 % of Total Notes and Accounts Payable
High Tech Computer Corp. (Suzhou)	$ 9,187	-	$ 44,847	-	$ 10,808	$ 336	-
Chander Electronics Corp.	132	-	-	-	5,036	156	-
Others	493	-	494	-	1,058	33	-
	$ 9,812	-	$ 45,341	-	$ 16,902	$ 525	-

Other Receivable

Related Party	September 30 — 2006 Amount NT$	2006 % of Total Other Receivable	2007 Amount NT$	2007 % of Total Other Receivable	2008 Amount NT$	2008 Amount US$ (Note 3)	2008 % of Total Other Receivable
High Tech Computer Corp. (Suzhou)	$ 16,248	13	$ 36,370	42	$ 20,604	$ 640	7
HTC NIPPON Corporation	-	-	17,014	20	17,825	554	6
BandRich Inc.	-	-	-	-	13,661	425	5
HTC Europe Co., Ltd.	41,936	34	3,841	4	4,795	149	2
HTC America Inc.	48,499	40	10,179	12	1,310	41	-
Others	44	-	4,849	6	953	29	-
	$ 106,727	87	$ 72,253	84	$ 59,148	$ 1,838	20

Prepaid Expenses

Related Party	September 30 2006 Amount NT$	2006 % of Total Prepayment	2007 Amount NT$	2007 % of Total Prepayment	2008 Amount NT$	2008 Amount US$ (Note 3)	2008 % of Total Prepayment
Communication Global Certification Inc	$ -	-	$ -	-	$ 24,062	748	2
HTC NIPPON Corporation	3,100	-	15,789	1	6,796	211	1
HTC America Inc.	19,857	3	-	-	-	-	-
Others	17,610	2	-	-	8,209	255	1
	$ 40,567	5	$ 15,789	1	$ 39,067	$ 1,214	4

Accrued Expenses

Related Party	September 30 2006 Amount NT$	2006 % to Total Accrued Expenses	2007 Amount NT$	2007 % to Total Accrued Expenses	2008 Amount NT$	2008 Amount US$ (Note 3)	2008 % to Total Accrued Expenses
HTC Europe Co., Ltd.	$ -	-	$ 4,616	-	$ 543,529	$ 16,895	4
HTC America Inc.	-	-	74,822	1	604,261	18,783	4
HTC Nippon Corporation	-	-	43,796	1	86,098	2,676	1
High Tech Computer Singapore Pte. Ltd.	-	-	-	-	71,048	2,209	1
HTC Belgium BVBA/SPRL	-	-	-	-	56,405	1,753	-
HTC (Thailand.) Ltd.	-	-	-	-	31,200	970	
HTC BRASIL	-	-	-	-	10,841	337	-
HTC (Australia and New Zealand) Pty. Ltd.	-	-	-	-	25,571	795	-
High Tech Computer (H.K.) Limited	-	-	-	-	22,025	685	-
HTC India Private Limited	-	-	-	-	14,470	450	-
VIA Technologies, Inc.	210	-	210	-	-	-	-
	$ 210	-	$ 123,444	2	$1,465,448	$ 45,553	10

Other Payables to Related Parties

Related Party	September 30 2006 Amount NT$	2006 % of Total Other Payables	2007 Amount NT$	2007 % of Total Other Payables	2008 Amount NT$	2008 Amount US$ (Note 3)	2008 % of Total Other Payables
HTC Europe Co., Ltd.	$ 29,439	29	$ 7,114	11	$ 30,992	$ 963	59
HTC NIPPON Corporation	-	-	-	-	14,087	438	27
High Tech Computer Corp. (WGQ)	-	-	-	-	3,731	116	7
HTC America Inc.	71,607	71	53,484	82	2,123	66	4
Communication Global Certification Inc.	-	-	4,761	7	-	-	-
High Tech Computer Corp. (Suzhou)	-	-	-	-	-	-	-
Others	20	-	268	-	1,158	36	3
	$ 101,066	100	$ 65,627	100	$ 52,091	$ 1,619	100

Outsourcing Expenses

Related Party	2006 Amount	2006 % of Total Out-Sourcing Expenses	2007 Amount	2007 % of Total Out-Sourcing Expenses	2008 Amount		2008 % of Total Out-Sourcing Expenses
	NT$		NT$		NT$	US$ (Note 3)	
High Tech Computer Corp. (Suzhou)	$ 57,820	10	$ 268,757	60	$ 244,704	$ 7,607	85

Nine Months Ended September 30

Service Warranty Expense

Related Party	2006 Amount	2006 % of Warranty Expenses	2007 Amount	2007 % of Warranty Expenses	2008 Amount		2008 % of Warranty Expenses
	NT$		NT$		NT$	US$ (Note 3)	
HTC America Inc.	$ 179,729	12	$ 625,431	25	$ 767,255	$ 23,850	20
HTC Europe Co., Ltd.	220,384	15	232,717	9	487,319	15,148	13
High Tech Computer Corp. (WGQ)	-	-	-	-	39,288	1,221	1
High Tech Computer (H.K.) Limited	-	-	-	-	15,801	491	-
Comserve Network Netherlands B.V.	-	-	201,457	8	14,184	442	-
High Tech Computer Singapore Pte. Ltd.	-	-	-	-	11,550	359	-
	$ 400,113	27	$1,059,605	42	$1,335,397	$ 41,511	34

Nine Months Ended September 30

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

Service Fees

Related Party	2006 Amount	2006 % of Total Service Fees	2007 Amount	2007 % of Total Service Fees	2008 Amount		2008 % of Total Service Fees
	NT$		NT$		NT$	US$ (Note 3)	
HTC America Inc.	$ 75,661	37	$ 997,205	36	$1,371,997	$ 42,648	30
HTC Europe Co., Ltd.	9,425	5	923,764	33	1,143,462	35,544	25
HTC Belgium BVBA/SPRL	-	-	178,742	7	416,021	12,932	9
HTC NIPPON Corporation	-	-	-	-	247,487	7,693	5
HTC BRASIL	-	-	-	-	196,934	6,122	4
High Tech Computer Singapore Pte. Ltd.	-	-	-	-	130,534	4,058	3
Communication Global Certification Inc.	-	-	60,579	2	98,322	3,056	2
HTC India Private Limited	-	-	-	-	79,024	2,456	2
HTC (Australia and New Zealand) Pty. Ltd.	-	-	-	-	77,154	2,398	2
High Tech Computer (H.K.) Limited	-	-	-	-	67,199	2,089	1
HTC (Thailand.) Ltd.	-	-	-	-	21,379	665	-
HTEK	21,685	10	-	-	-	-	-
Exedea Inc.	15,567	7	-	-	-	-	-
Other	1,800	1	1,600	-	1,600	50	-
	$ 124,138	60	$2,161,890	78	$3,851,113	$119,711	83

Nine Months Ended September 30

Leasing - Lessee

Operating Expense - Rental Expense

	Nine Months Ended September 30						
	2006		2007		2008		
Related Party	**Amount**	**% of Rental Expense**	**Amount**	**% of Rental Expense**	**Amount**		**% of Rental Expense**
	NT$		**NT$**		**NT$**	**US$ (Note 3)**	
VIA Technologies, Inc.	$ -	-	$ -	-	$ 2,288	$ 71	5

The Company leased offices and parking space owned by VIA Technologies, Inc. at one-year renewable operating lease agreements, and the rental payment was determined at the prevailing rates in the surrounding area.

Property Transaction

In the second quarter of 2006, the Company sold equipment to HTC Europe Co., Ltd. for NT$141 thousand and to High Tech Computer Corp. (Suzhou) for NT$3,914 thousand, resulting in gains of NT$81 thousand and NT$2,169 thousand, respectively.

In the second quarter of 2007, the Company sold equipment to High Tech Computer Corp. (Suzhou) for NT$5,080 thousand, resulting in a gain of NT$2,046 thousand.

26. COMMITMENTS AND CONTINGENCIES

As of September 30, 2008, unused letters of credit amounted to US$1,850 thousand.

An indirect subsidiary of the Company, HTC Electronics (Shanghai), applied to Citibank for banking facilities of US$15,000 thousand. For these banking facilities, the Company signed a comfort letter in September 2008, assuring Citibank that the Company would supervise the management of HTC Electronics (Shanghai) and oversee the meeting by HTC Electronics (Shanghai) of its financial obligations. As of September 30, 2008 the Company wholly owned HTC Electronics (Shanghai) indirectly.

27. SIGNIFICANT CONTRACT

Patent Agreements

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

Contractor	Contract Term	Description
Microsoft	January 1, 2007 - January 31, 2009	Authorization to use embedded operating system; royalty payment based on agreement.
Texas Instruments France	January 14, 2000 - January 13, 2010	Authorization to use GSM system software; royalty payment based on agreement.
Qualcomm Incorporated	December 20, 2000 to the following dates:	

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.

28. 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 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).

On October 7, 2008, the Company's board of directors passed a resolution to buy back 10,000 thousand Company shares from the open market and retire them eventually for the purpose of protecting its credit and shareholders' interests. The repurchase period is between October 8, 2008 and December 7, 2008, and the repurchase price will range from NT$400.00 to NT$500.00 per share. If the Company's share price goes lower than this price range, the Company might continue to buy back its shares.