

High Tech Computer Corp.

4th Q BUSINESS REVIEW

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Jan. 30, 08'



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PRESENTATION OUTLINE

- ▶ EXECUTIVE SUMMARY
- ▶ BUSINESS ENVIRONMENT
- ▶ Y08 BUSINESS OBJECTIVES
- ▶ MANAGEMENT INITIATIVES
- ▶ 4th Q, 07' BUSINESS REVIEW
- ▶ Y07 P&L AFTER WARRANTY SERVICE EXPENSES ADJUSTMENT
- ▶ 4th Q, 07' KEY FINANCIALS
- ▶ Y07 OPERATIONAL FACT SHEET
- ▶ 1st Q, 08' BUSINESS OUTLOOK

EXECUTIVE SUMMARY

- HTC implemented a successful transition in Y07 in terms of business mix change, creation of friendly user interface (TouchFlo™), penetration into mass consumer market, technology migration and build up of operational platform for brand business
- HTC has been exercising best practice in corporate governance since the election of new board in last June in risk management and financial disclosure transparency. The board has approved an investment to build a production facility in China to meet the business growth in Y08
- The Y07 revenue reached NT\$ 118.58 bil., representing 13.1% YoY growth. The Non ODM business YoY growth was over 30%. The NPAT YoY growth was 14.6%. Annual avg. GPM, excluding a one time royalty recovery, was 37.1%. Annual avg. RSGA expense ratio, excluding a one time warranty provision adjustment, was 11.3%
- The operational result of the 4th Q exceeded the business guidance provided achieving a YoY revenue growth of 34.7%¹. The non ODM business grew over 60% YoY
- The business momentum of the 1st Q remains strong despite of the global economic weakness

¹The 4th Q revenue as a base of comparison is NT\$28.95 billion, not NT\$28.46 billion shown in the formal financial statement which deducted MIR and MDF for the whole Y07 year and was underestimated to reflect the actual revenue situation.

BUSINESS ENVIRONMENT

- Converging devices experience strong business growth, including the US market, despite of signs of global economic weakness. The strong demand confirms our observation that converging devices penetrate into the mass consumer market replacing some feature phones and enter into the inflexion point of growth.
- Component supply situation solved – PA, Qualcomm chips, etc.
- Devices with either 3G bandwidth, GPS or TouchFlo™ interface will be prevailed
- Qualcomm IP issue has no impact to HTC business

Y08 BUSINESS OBJECTIVES

- ▶ Business strategy --Balancing growth and OPEX spending
 - ▶ Business growth: Total revenue expects to grow around 20% to 30%
 - ▶ OPEX spending: OPEX as investment to build long term competence and support growth
- ▶ Brand strategy – Year of TRANSFORMATION
 - ▶ Brand Image – Innovation and leader in user interface and Touch devices
 - ▶ Brand Awareness – Own brand plus co-brand business percentage of total volume increase
 - ▶ Brand Value – Client royalty and brand recognition

MANAGEMENT INITIATIVES

- Y08 Product plan – Drive innovative products, position in mass market with volume and create new category product line
- Culture change – Encourage initiative, communication, accountability, creativity and excellence
- Operational excellence – Expand the bandwidth in sales and marketing professional, build brand awareness cross regions, enhance product launch effectiveness and benchmark competitors' cost structure and technology development
- Risk management – Channel credit and inventory control
- Technology development – Android platform, TDSCDMA and WiMAX etc

4th Q, 07' BUSINESS REVIEW

- ▶ Quarterly revenue reached NT\$ 39.01 bil. representing a 34.7% YOY growth rate, exceeding business guidance provided. Non ODM business growth rate was 60% plus on YOY basis
- ▶ 3G devices account for 60% of shipment
- ▶ The strong business momentum reflects:
 - ▶ The strong industry growth in the converging device market space especially in 3G platform and
 - ▶ HTC's competitive new product offering in the 4th Q, 07'
- ▶ Normalized GPM, excluding the NT\$ 1.67 bil. one time IP provision recovery, was 38.0% sustained at the same level of last quarter. The stable GPM was due to the product mix change which offset the upside of lesser ODM business

4th Q, 07' BUSINESS REVIEW

- The warranty service expenses, including the quarterly actual expenses plus the incremental warranty service expenses, will be reclassified into the COGS to be in consistent with industry practice effectively from the 1st quarter, 08'. The relevant quarterly P&L adjustment and warranty service expenses was provided in the following slide for comparison
- The warranty services provision was beefed up to NT\$ 3.47 bil. reflecting a one time NT\$ 1.25 bil. incremental increase in this quarter. Bad debt provision was NT\$ 271 mil. based on internal provision policy newly established in this quarter.
- RSGA expense ratio, including the regular warranty services expenses but excluding the one time warranty provision adjustment, was 12.3% of revenues. The higher RSGA expense ratio was due to (1) higher RD and SMO expenses and (2) miscellaneous one time expenses. Higher RD expenses paved the core competence of HTC products and brand value

Y07 P&L AFTER WARRANTY ADJUSTMENT

(NT\$M)	07Q1	%	07Q2	%	07Q3	%	07Q4	%
Revenue	23,601	100%	26,861	100%	29,108	100%	39,010	100%
COGS Before ADJ (1)	15,368	65.1%	16,909	63.0%	18,072	62.1%	22,531	57.8%
IP ADJ (2)							1,665	4.3%
Warranty cost (3)	450	1.9%	902	3.4%	1,120	3.8%	1,309	3.4%
COGS After ADJ (4) (4=1+2+3)	15,818	67.0%	17,811	66.3%	19,192	65.9%	25,505	65.4%
Gross Profit After ADJ¹(5)	7,783	33.0%	9,050	33.7%	9,916	34.1%	13,505	34.6%
Net Realized Profit From Intercompany Transactions(6)	9	0.0%	8	0.0%	-26	-0.1%	-2	0.0%
RSG&A Before ADJ (7)	2,123	9.0%	2,931	10.9%	3,579	12.3%	6,032	15.5%
Warranty one time adj (8)							-1,253	-3.2%
Warranty cost (9)	-450	-1.9%	-902	-3.4%	-1,120	-3.8%	-1,309	-3.4%
RSG&A After ADJ (10) (10=7+8+9)	1,673	7.1%	2,029	7.5%	2,459	8.5%	3,470	8.9%
Net impact of IP& Warranty one time adj (11), (11=2+8)							412	1.1%
NOP (12) (12=5+6-10+11)²	6,120	25.9%	7,027	26.2%	7,431	25.5%	10,445	26.8%

¹This gross profit is the base of comparison with the gross profit in Y08

²The difference is due to rounding difference

4th Q, 07' KEY FINANCIALS

• The GP adjustment summary:

- Y07 – one time IP provision adjustment in the 4th Q reflecting the GPM of the 4th Q from actual operation is 38.0% and the Y07 avg GPM is 37.1%
- Y08 – the comparison base of Y07 GP and GPM is to reclassify the warranty service expenses from the RSGA to COGS by each quarter

• The RSGA expense adjustment summary:

- Y07 – one time warranty service expense provision adjustment in the 4th Q reflecting the RSGA of the 4th Q from the actual operation is 12.3% and the Y07 avg RSGA expense ratio is 11.3%
- Y08 – the comparison base of Y07 RSGA expenses and expense ratio is to reclassify the warranty service expenses from the RSGA to COGS by each quarter

4th Q, 07' KEY FINANCIALS

(NT\$ Bil.)	4Q 06	YoY	3Q 07	QoQ	4Q 07 ¹	Y07 ¹	YoY
REVENUES	28.46	37.1%	29.11	34.0%	39.01	118.58	13.1%
G. PROFIT	9.60	71.6%	11.04	49.3%	16.48 ²	45.70	34.3%
IP ADJ					1.67		
RSGA EX.	1.87	222.1%	3.58	68.5%	6.03 ²	14.67	99.9%
NOP	7.71	35.5%	7.43	40.6%	10.45	31.02	16.8%
NPBT	8.01	35.7%	8.03	35.4%	10.87	32.15	19.3%
NPAT	7.41	34.9%	7.43	34.4%	9.99	28.94	14.6%
GPM(%)	33.7%		37.9%		42.2% ²	38.5%	
RSGA RATIO(%)	6.6%		12.3%		15.5% ²	12.4%	
EPS	57.85 ³					50.48	

¹The numbers were reviewed by CPA but not approved by the board

²Both gross profit and RSGA expense were overstated by one time IP provision recovery and one time warranty service expense provision respectively

³The EPS was for whole year of 2006 based on weighted average number of common shares outstanding during 2006

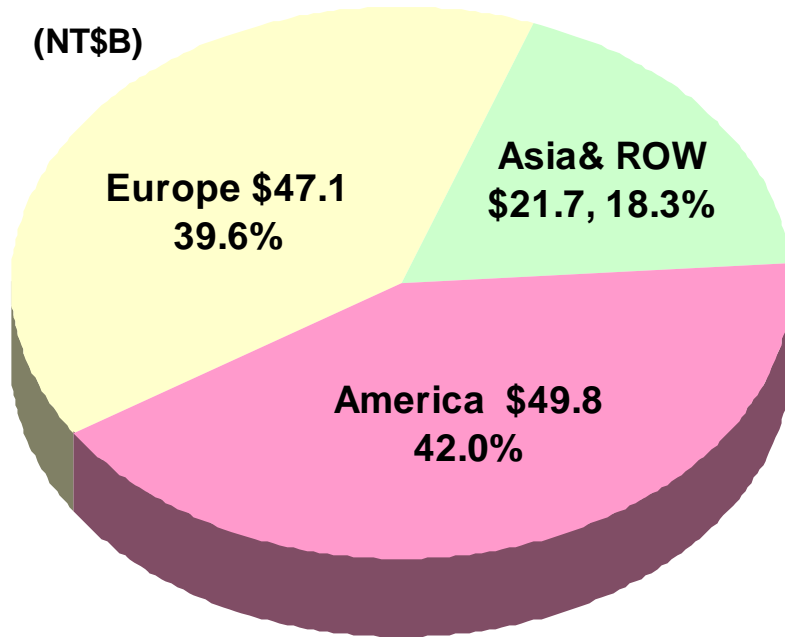
4th Q, 07' KEY FINANCIALS

(NT\$ Bil.)	4Q 06	YoY	3Q 07	QoQ	4Q 07*
Cash	34.40	60.0%	40.61	35.5%	55.04
AR	19.69	-1.0%	20.03	-2.7%	19.48
Inventory	4.98	22.8%	5.92	3.3%	6.12
Net Worth	42.57	31.7%	46.10	21.6%	56.08
Inventory Provision	0.89	2.8%	1.05	-12.5%	0.92
AR Provision	0.00	n.a.	0.16	70.7%	0.27
Warranty Provision	1.39	148.9%	1.77	96.5%	3.47

*The numbers were reviewed by CPA but not approved by the board

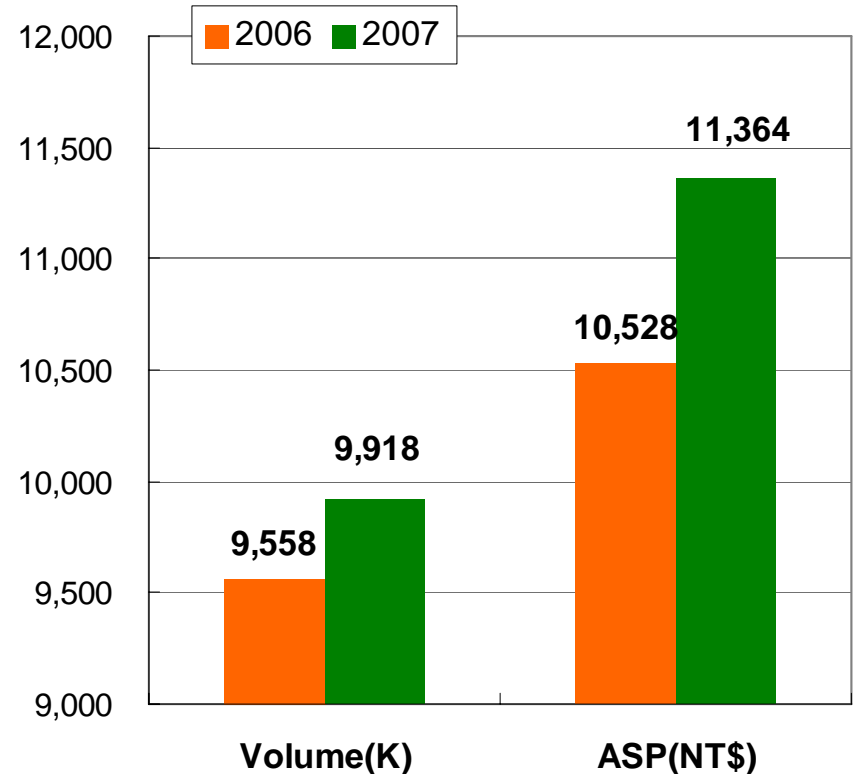
Y07 OPERATIONAL FACT SHEET

Revenue breakdown by geographic Area



Total revenues: NT\$ 118.6 Bil.

Volume & ASP



1st Q, 08' BUSINESS OUTLOOK

- The 1st Q revenue expects to grow around 35% on YoY basis. Non ODM business expects to grow around 70% plus on YoY basis
- GPM, including warranty service expenses in the COGS, expects to decline slightly from the 4th Q, 07' level due to higher percentage of warranty service expenses. The warranty service expenses ratio expects to be 4% of revenues due to lower revenue base in this quarter.
- RSGA expense ratio, excluding warranty service expenses, expects to be around 10%