

**(English Translation of Financial Report Originally Issued in Chinese)**

**PEGATRON CORPORATION AND ITS SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2010**

**(With Independent Accountant' Review Report)**

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**REVIEW REPORT OF INDEPENDENT ACCOUNTANTS**

To the Board of Directors of

Pegatron Corporation

We have reviewed the accompanying consolidated balance sheet of Pegatron Corporation and its subsidiaries (the Consolidated Company) as of September 30, 2010, and the related consolidated statements of income and cash flows for the nine months then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue the review report based on our review.

Except as discussed in the following paragraph, we conducted our review in accordance with Statement of Auditing Standards No. 36 "Engagements to Review Financial Statements". A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, 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 consolidated financial statements of certain subsidiaries were consolidated based on their unreviewed financial statements as of and for the nine months ended September 30, 2010. As of September 30, 2010, the total assets of these subsidiaries amounted to \$185,531,459 thousand, representing 82.40% of the related consolidated total assets and total liabilities amounted to \$76,925,661 thousand, representing 73.43% of the related consolidated liabilities. For the nine months ended September 30, 2010, the operating revenues of these subsidiaries amounted to \$174,896,078 thousand, representing 43.95% of the consolidated operating revenues and their net income amounted to \$4,399,796 thousand, representing 51.72% of the consolidated net income. As disclosed in Note (4) (e) to the consolidated financial statement, the financial statements of certain long-term investments accounted for under the equity method were not reviewed by independent accountants. Long-term investments in these companies amounted to \$2,097,659 thousand as of September 30, 2010 and the related investment income thereon amounted to \$178,940 thousand for the nine months then ended.

Based on our review, except for the effects of such adjustments, if any, as might have been determined to be necessary had the financial statements of some consolidated subsidiaries and some equity-method investees as described in the preceding paragraph been reviewed, we are not aware of any material modifications that should be made to the consolidated financial statements referred to the first paragraph for them to be in conformity with Order VI-0960064020 issued by the Financial Supervisory Commission under the Executive Yuan dated November 15, 2007 and the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and the accounting principles generally accepted in the Republic of China.

The Consolidated Company issued the consolidated financial statements as of and for the nine months then ended September 30, 2010, which were deemed to be the first time the Consolidated Company issued consolidated financial statements to the public after its initial public offering (IPO). These consolidated financial statements covered a single period only in conformity with the regulation issued by Financial Supervisory Commission Executive Yuan and which need not prepare comparing two consecutive periods conform to the “Guidelines Governing the Preparation of Financial Reports by Securities Issuers”.

KPMG

A handwritten signature in black ink, appearing to read 'KPMG', is positioned below the printed name.

Taipei, Taiwan, R.O.C  
October 22, 2010

**Note to Readers**

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

The standards, procedures and practices to review such financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the accountants' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language accountants' report and financial statements shall prevail.

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Reviewed only, not audited in accordance with generally accepted auditing standards.  
**PEGATRON CORPORATION AND ITS SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET**  
**SEPTEMBER 30, 2010**  
(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

	<b>September 30, 2010</b>	
	<b>Amount</b>	<b>%</b>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash (Note (4)(a))	\$ 36,172,519	16
Financial assets reported at fair value through profit or loss — current (Note (4)(b))	7,844,169	4
Available-for-sale financial assets — current (Note(4)(b))	886,308	-
Derivative hedging instrument — current (Note(4)(b))	6,649	-
Notes and accounts receivable, net of allowance for uncollectible accounts (Notes (4)(c))	46,265,392	21
Accounts receivable — related parties (Note (5))	10,703,637	5
Other receivables, net of allowance for uncollectible accounts	1,821,227	1
Other receivables — related parties (Note (5))	36,376	-
Other financial assets — current (Note (6))	118,604	-
Inventories (Notes (4)(d))	52,861,180	23
Other current assets (Note(5))	1,763,043	1
Deferred income tax assets — current (Note (4)(n))	774,896	-
	<u>159,254,000</u>	<u>71</u>
<b>Investments:</b>		
Available-for-sale financial assets — noncurrent (Note(4)(b))	2,006,556	1
Financial assets measured at cost — noncurrent (Note(4)(b))	825,082	-
Long-term investments under the equity method (Note (4)(e))	2,097,659	1
	<u>4,929,297</u>	<u>2</u>
Other Financial asset - non-current	201,458	-
<b>Property, Plant and Equipment, at cost :(Notes (4)(g)and(6))</b>		
Land	2,811,832	1
Buildings	24,269,433	11
Machinery and equipment	46,235,121	21
Warehousing equipment	117,972	-
Instrument equipment	1,751,412	1
Transportation equipment	228,823	-
Office equipment	1,103,245	-
Leasehold improvements	336,237	-
Miscellaneous equipment	6,366,620	3
Leased assets	2,366	-
	<u>83,223,061</u>	<u>37</u>
Less: Accumulated depreciation	(32,709,153)	(14)
Less:Accumulated impairment	(198,016)	-
Prepayments on purchase of equipment	2,481,010	1
	<u>52,796,902</u>	<u>24</u>
<b>Intangible Assets (Notes (4)(h))</b>		
Goodwill	889,156	-
Deferred pension costs	4,894	-
Land use rights	2,345,860	1
Other intangible assets	388,087	-
	<u>3,627,997</u>	<u>1</u>
<b>Other Assets:</b>		
Deferred expenses (Note(4)(i))	2,597,402	1
Other Assets — Others (Notes (4)(g), (4)(i) and (6))	1,757,562	1
	<u>4,354,964</u>	<u>2</u>
<b>TOTAL ASSETS</b>	<b>\$ 225,164,618</b>	<b>100</b>

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

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**PEGATRON CORPORATION AND ITS SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET (CONT'D)**  
**SEPTEMBER 30, 2010**  
(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

	September 30, 2010	
	Amount	%
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities:</b>		
Short-term loans (Note (4)(j))	\$ 15,685,471	7
Short-term notes and bills payable	49,923	-
Financial liabilities at fair value through profit or loss — current (Note (4)(b))	17,757	-
Notes and accounts payable	58,720,104	26
Accounts payable — related parties (Note (5))	1,279,457	1
Income tax payable	1,909,567	1
Accrued expenses	9,025,880	4
Dividend payable	76,426	-
Current portion of long-term loans payable (Note(4)(l))	148,135	-
Other current liabilities (Note (5))	6,335,391	3
	93,248,111	42
<b>Long-Term Liabilities:</b>		
Long-term loans payable (Note(4)(l))	9,398,466	4
Bonds payable (Note(4)(k))	1,366,075	1
Other financial liabilities — noncurrent	227,797	-
	10,992,338	5
<b>Other Liabilities:</b>		
Deferred income tax liabilities — noncurrent (Note(4)(n))	475,090	-
Other long-term liabilities — other (Note(4)(m))	49,710	-
	524,800	-
<b>Total Liabilities</b>	104,765,249	47
<b>Stockholders' Equity:</b>		
Common stock (Note(4)(o))	22,860,639	10
<b>Capital Surplus (Note (4)(o))</b>		
Premium on capital stock	61,188,108	27
Others	2,659,306	1
	63,847,414	28
<b>Retained Earnings (Note (4)(o)):</b>		
Legal reserve	1,215,457	1
Unappropriated earnings	6,963,458	3
	8,178,915	4
<b>Other Adjustments to Stockholders' Equity:</b>		
Cumulative translation adjustments	(703,320)	-
Unrecognized loss on pension cost	(3,203)	-
Unrealized gain of financial assets	1,497,510	1
	790,987	1
<b>Treasury stocks(Notes (4)(o))</b>	(1,016,184)	(1)
<b>Total Parent Company's Equity</b>	94,661,771	42
<b>Minority interest</b>	25,737,598	11
<b>Total Stockholders' Equity</b>	120,399,369	53
<b>Commitments and Contingencies (Note (7))</b>		
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	\$ 225,164,618	100

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**PEGATRON CORPORATION AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF INCOME**  
**FOR NINE MONTHS ENDED SEPTEMBER 30, 2010**  
( All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

	For the Nine Months Ended September 30,	
	2010	
	Amount	%
<b>Operating revenues (Note (5))</b>	\$ 400,166,087	101
Less: Sales returns and allowances	2,211,187	1
<b>Net sales</b>	397,954,900	100
<b>Cost of sales (Notes (4)(d) and (5))</b>	374,006,757	94
<b>Gross profit</b>	23,948,143	6
<b>Operating expenses (Note (5))</b>		
Selling expenses	5,889,223	1
General and administrative expenses	4,108,298	1
Research and development expenses	6,073,036	2
	16,070,557	4
<b>Income from operations</b>	7,877,586	2
<b>Non-operating incomes</b>		
Interest revenue	101,319	-
Investment income under the equity method (Note(4)(e))	178,940	-
Dividend income	72,814	-
Gain on disposal of investments	773,882	-
Gain on foreign exchange	324,320	-
Gain on valuation of financial asset	18,956	-
Others	1,839,374	1
	3,309,605	1
<b>Non-operating expenses</b>		
Interest expense	147,108	-
Loss on disposal of assets	120,873	-
Impairment loss	113,564	-
Loss on valuation of financial liability	19,335	-
Others	326,080	-
	726,960	-
<b>Income before income tax</b>	10,460,231	3
<b>Income tax expense (Note(4)(n))</b>	1,953,778	1
<b>Consolidated net income</b>	<b>\$ 8,506,453</b>	<b>2</b>
<b>Income attributable to :</b>		
Shareholders of parent company	\$ 4,921,289	1
Minority interest income	3,585,164	1
	<b>\$ 8,506,453</b>	<b>2</b>
	<b>Before</b>	<b>After</b>
	<b>Income Tax</b>	<b>Income Tax</b>
<b>Earnings per share attributable to parent company (Note (4)(q))</b>		
<b>Primary earnings per share</b>	<b>\$ 2.68</b>	<b>2.16</b>
<b>Diluted earnings per share</b>	<b>\$ 2.66</b>	<b>2.15</b>

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**PEGATRON CORPORATION AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010**  
(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

		For the Nine Months Ended September 30, 2010
<b>Cash flows from operating activities:</b>		
<b>Consolidated net income</b>	\$	8,506,453
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation		5,877,541
Amortization		1,758,515
Cash dividend from investments under equity method		96,421
Ownership of employee stock option and treasury stock were transferred to employee compensation cost		108,161
Amortization of discount on bonds payable		20,604
Loss on inventory market price decline and obsolescence, and on impairment		1,302,326
Investment income under the equity method		(178,940)
Loss on disposal and retirement of assets, net (accounted under other expenses)		162,902
Loss on disposal of assets		113,564
Interest expense generated from the trust of shareholders of parent company		30,632
Gain on disposal of investments		(773,882)
Loss on valuation of financial asset		379
Change in assets and liabilities:		
Increase in financial assets reported at fair value through profit or loss — current		(487,676)
Decrease in notes and accounts receivable (include related parties)		10,843,124
Increase in other receivables (include related parties)		(422,674)
Increase in inventories		(10,753,574)
Decrease in other current assets		49,318
Deferred income tax assets and liabilities, net		323,852
Decrease in notes and accounts payable (include related parties)		(7,922,356)
Increase in income tax payable		633,402
Increase in accrued expenses (include related parties)		874,442
Decrease in other financial liabilities — current		(449,419)
Decrease in other operating liabilities		(1,509)
<b>Net cash provided by operating activities</b>		9,711,606

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**PEGATRON CORPORATION AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010**  
(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

	<b>For the Nine Months Ended September 30, 2010</b>
<b>Cash flows from investing activities:</b>	
Purchase of available-for-sale financial assets	(175,384)
Disposal of available-for-sale financial assets	295,651
Purchase of financial assets measured at cost	(200,023)
Disposal of financial assets measured at cost	27,495
Derivative hedging instrument — current	(6,649)
Disposal of long-term investments under the equity method	15,245
Purchase of property, plant and equipment	(5,977,371)
Proceeds from disposal of assets	1,300,122
Disposal of idle assets	1,208
Increase in deferred charges	(842,190)
Decrease in other financial assets — noncurrent	266,850
Decrease in restricted financial assets — current (accounted to other financial assets — current)	77,523
Purchase of intangible assets	(61,993)
Decrease in other assets	109,869
<b>Net cash used in investing activities</b>	<b>(5,169,647)</b>
<b>Cash flows from financing activities:</b>	
Increase in short-term loans	4,806,432
Decrease in short-term notes and bills payable	(10)
Increase in bonds payable	1,497,401
Increase in long-term loans	1,478,953
Reimburse in long-term loans	(31,728)
Decrease in guarantee deposits	(13,508)
Distribution of cash dividend	(6,584,567)
Acquired investments by increasing in capital from organizations reorganization	407
Repurchase of treasury stock	(1,006,862)
Increase in minority interest	348,808
<b>Net cash used in financing activities</b>	<b>495,326</b>
<b>Foreign exchange rate effects</b>	<b>(707,186)</b>
<b>Effect of changes of certain subsidiaries</b>	<b>(3,860)</b>
<b>Net increase in cash</b>	<b>4,326,239</b>
<b>Cash, beginning of the period</b>	<b>31,846,280</b>
<b>Cash, end of the period</b>	<b>\$ 36,172,519</b>
<b>Supplemental disclosures of cash flow information:</b>	
<b>Cash paid during the period for:</b>	
Interest	<b>\$ 122,612</b>
Income tax	<b>\$ 1,222,232</b>
<b>Non-cash investing and financing</b>	
Current portion of long-term loans payable	<b>\$ 148,135</b>
<b>Purchase of property and equipment with cash and other payables:</b>	
Property, plant and equipment	\$ 5,954,500
Add: Other payables, beginning of the year	97,397
Less: Other payables, end of the year	(74,526)
<b>Cash paid</b>	<b>\$ 5,977,371</b>

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

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**PEGATRON CORPORATION AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**  
**(Amounts Expressed in Thousands of New Taiwan Dollars,**  
**Except for Per Share Information and Unless Otherwise Stated)**

**1. ORGANIZATION AND BUSINESS :**

According to the order VI-0960064020 issued by Financial Supervisory Commission, Executive Yuan, Pegatron Corporation (the “Company”) needed not to disclose the information about organization and business.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Consolidated Company’s financial statements were prepared in accordance with the order VI-0960064020 issued by Financial Supervisory Commission, Executive Yuan on November 15, 2007 and generally accepted accounting principles of the Republic of China. Except for the following significant accounting policies, other significant policies which are not disclosed herein are the same as those in the 2009 annual consolidated financial statements.

The financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language financial statements, the Chinese version shall prevail.

The significant accounting policies and their measurement basis are as follows.

**a. Basis of consolidation**

1. The consolidated financial statements include the Company and its controlled subsidiaries. The income and expenses of the subsidiaries were consolidated from the acquisition date when the Company obtains control. The significant inter-company transactions were eliminated. As of September 30, 2010, the consolidated subsidiaries were as follows:

Investor	Subsidiary	Nature of business	Shareholding ratio	Notes
			2010.09.30	
The Company	UNIHAN CORPORATION (UNIHAN)	Designing, manufacturing, maintaining and selling computer peripherals and audio-video products	100.00%	Subsidiary directly held over 50% by the Company
UNIHAN AND ASUSPOWER INVESTMENT	Ability Enterprise Co., Ltd. (Ability (tw))	Selling computer peripherals, office automation equipment, digital cameras, retailing and wholesaling, of food products leasing	12.54%	Subsidiary has de facto control

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

Investor	Subsidiary	Nature of business	Shareholding ratio	Notes
			2010.09.30	
Ability (tw)	ABILITY ENTERPRISE (BVI) CO., LTD.(ABILITY)	Investing activities	100.00%	Subsidiary directly owns over 50% of equity
"	ACTION PIONEER INTERNATIONAL LTD.	Trading activities	100.00%	"
"	VIEWQUEST TECHNOLOGIES INTERNATIONAL LTD.	Selling computer peripherals, digital cameras and electronic components	100.00%	"
"	ASSOCIATION INTERNATIONAL LTD.	Investing activities	100.00%	"
"	VIEWQUEST TECHNOLOGIES (BVI) INC.	Manufacturing and selling computer peripherals, digital cameras and electronic components	100.00%	"
"	Ability International Investment Co., Ltd.	Investing activities	100.00%	"
ABILITY	Ability Technology (Dongguan) Co., Ltd	Producing and selling digital cameras	100.00%	"
"	Jiujiang Viewquest Electronics Inc	Producing and selling digital cameras	100.00%	"
Ability International Investment Co., Ltd.	NOENA CORPORATION	Selling computer peripherals, digital cameras and optical products	80.00%	"
UNIHAN	Unihan Holding Ltd. (Unihan Holding)	Investing activities	100.00%	"
Unihan Holding	CASETEK HOLDINGS LIMITED (CASETEK HOLDING)	Investing and trading activities	100.00%	"
CASETEK HOLDING	SLITEK HOLDINGS LIMITED	Investing and trading activities	100.00%	"
"	CASETEK COMPUTER (SUZHOU) CO., LTD	Manufacturing, developing and selling computers, computer parts, application systems, and providing after-sales service	100.00%	"
"	KAEDAR HOLDINGS LIMITED (KAEDAR HOLDING)	Investing and trading activities	100.00%	"

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

Investor	Subsidiary	Nature of business	Shareholding ratio	Notes
			2010.09.30	
CASETEK HOLDING	GRAND UPRIGHT TECHNOLOGY LIMITED	Trading activities	100.00%	Subsidiary directly owns over 50% of equity
KAEDAR HOLDING	KAEDAR ELECTRONICS (KUNSHAN) CO., LTD	Tooling module of stainless steel computer cases	100.00%	"
CASETEK HOLDING	KAEDAR TRADING LTD.	Investing and trading activities	100.00%	"
"	CORE-TEK (SHANGHAI) LIMITED	Researching and producing the spare parts of notebook computers, designing nonmetal tooling, electronic specific equipment and related products, repairing and producing precision equipment and providing after-sales service	100.00%	"
"	APLUS PRECISION (APLUS)	Investing and trading activities	51.00%	"
APLUS	UNITED NEW LIMITED (UNITED)	Investing and trading activities	100.00%	"
UNITED	AVY PRECISION ELECTROPLATING (SUZHOU) CO., LTD.	Manufacturing and selling electronic and camera components, and accessories	100.00%	"
UNIHAN and ASUSTEK INVESTMENT	AzureWave Technologies, Inc. (AzureWave)	Manufacturing office machinery, electronic parts and computer peripherals and selling precision equipment, and digital cameras	43.56%	Subsidiary has de facto control
AzureWave	Eminent Star Company Limited (Eminent)	Investing activities	100.00%	Subsidiary directly owns over 50% of equity
Eminent	Hannex International Limited (Hannex)	Investing activities	100.00%	"
Hannex	Scientek. Nanjing Co.,Ltd	Designing, manufacturing and selling computer products	100.00%	"
Eminent	Jade Technologies Limited (Jade)	Investing activities	100.00%	"
Eminent and Jade	Azurewave Technology (Shenzhen) Co., Ltd.	Designing, researching and selling computer products	100.00%	Subsidiary directly and indirectly held 100%

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

Investor	Subsidiary	Nature of business	Shareholding ratio	Notes
			2010.09.30	
AzureWave	EZWAVE TECHNOLOGIES, INC.	Manufacturing computer peripherals	100.00%	Subsidiary directly owns over 50% of equity
"	Azwave Holding (Samoa) Inc. (Azwave Samoa)	Investing activities	100.00%	"
Azwave Samoa	AzureWave Technologies (Shanghai) Inc.	Designing, manufacturing and selling computer products	100.00%	"
"	AzureLighting Technologies ,INC (Yangzhou)	Manufacturing electronic parts	100.00%	"
"	AIGALE CORPORTATION	Designing, manufacturing and selling computer products	100.00%	"
AzureWave	AzureLighting Technologies ,INC	Selling electronic parts	100.00%	"
UNIHAN	AMA PRECISION INC.(AMA PRECISION)	Designing and developing computer parts	100.00%	"
AMA PRECISION	AMA Technology Corporation	Trading computer peripherals	100.00%	"
"	AMA Holdings Limited (AMA)	Investing activities	100.00%	"
AMA	METAL TRADINGS LTD. (METAL)	Trading activities	100.00%	"
METAL	FENGSHUO TRADING (TONGZHOU) CO. LTD	Trading activities	100.00%	"
AMA	EXTECH LTD.	Trading electronic parts	90.51%	"
EXTECH LTD.	GRANDTECH PRECISION (TONGZHOU) CO., LTD	Manufacturing, developing and selling electronic parts	100.00%	"
AMA	Toptek Precision Industry(SuZhou) Co., Ltd	Manufacturing and selling new electronic parts and premium hardware	100.00%	"
The Company and ASUS INVESTMENT	ASUS HOLLAND HOLDING B.V. (AHH)	Investing activities	100.00%	Subsidiary directly and indirectly held 100%
AHH	PEGATRON Czech s.r.o.	Installing, repairing and selling electronic products	100.00%	Subsidiary directly owns over 50% of equity
The Company	Pegatron Holding Ltd. (Pegatron Holding)	Investing activities	100.00%	"

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

Investor	Subsidiary	Nature of business	Shareholding ratio	Notes
			2010.09.30	
Pegatron Holding	POWTEK HOLDINGS LIMITED (POWTEK)	Investing and trading activities	100.00%	Subsidiary directly owns over 50% of equity
POWTEK	Powtek (Shanghai) Co., Ltd.	Selling main boards, computer peripherals, note books, servers and software, and providing after-sales service	100.00%	"
Pegatron Holding, KINS US SAMOA	PIOTEK HOLDINGS LTD. (CAYMAN) (PIOTEK CAYMAN)	Investing and holding activities	68.89%	"
PIOTEK HOLDING	PIOTEK HOLDING LIMITED (BOARDTEK HOLDING)	Investing and trading activities	100.00%	"
"	PIOTEK COMPUTER (SUZHOU) CO., LTD	Developing, manufacturing and selling new electronic components, circuit boards and relevant products, and providing after-sales service	100.00%	"
"	PIOTEK(H.K.) TRADING LIMITED	Trading activities	100.00%	"
Pegatron Holding	ASLINK PRECISION CO., LTD (ASLINK)	Investing and trading activities	100.00%	"
ASLINK	ASLINK (H.K.) PRECISION CO., LIMITED	Investing and trading activities	100.00%	"
"	ASAP INTERNATIONAL CO., LIMITED (ASAP)	Investing activities	59.17%	"
ASAP	ASAP TECHNOLOGY (JIANGXI) CO., LIMITED	Manufacturing and selling date transit wire and cable	100.00%	"
Pegatron Holding	DIGITEK GLOBAL HOLDINGS LIMITED	Investing and trading activities	100.00%	"
"	MAGNIFICENT BRIGHTNESS LIMITED (MAGNIFICENT)	Investing and trading activities	100.00%	"

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			2010.09.30	
MAGNIFICENT	MAINTEK COMPUTER (SUZHOU) CO., LTD.	Manufacturing, developing and selling power supply units, computer cases, computer systems, notebooks, main boards, and computer peripherals, and providing after-sales service	100.00%	Subsidiary directly owns over 50% of equity
Pegatron Holding	PROTEK GLOBAL HOLDINGS LTD. (PROTEK)	Investing and trading activities	100.00%	"
"	NORTH TEC ASIA LIMITED (NORTH)	Investing and trading activities	100.00%	"
PROTEK AND NORTH	Protek (ShangHai) Limited	Researching, designing, manufacturing, and selling gps, computers, printers and related electronic components given above, and providing after-sales service	100.00%	Subsidiary directly and indirectly held 100%
Pegatron Holding	COTEK HOLDINGS LIMITED (COTEK)	Investing and trading activities	100.00%	Subsidiary directly owns over 50% of equity
COTEK	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Developing , manufacturing and selling new electronic components, providing mold technology, and after-sales service	100.00%	"
Pegatron Holding	TOP QUARK LIMITED (TOP QUARK)	Investing and holding activities	100.00%	"
TOP QUARK	RUNTOP (SHANGHAI) CO., LTD.	Manufacturing and selling computer parts and peripherals of digital automatic data processors, multimedia computer system accessories, power supply units, network switches, and modems	100.00%	"
The Company	ASUSPOWER INVESTMENT CO., LTD.	Investing activities	100.00%	Subsidiary directly held over 50% by the Company

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			2010.09.30	
The Company	ASUS INVESTMENT CO., LTD.	Investing activities	100.00%	Subsidiary directly held over 50% by the Company
"	ASUSTEK INVESTMENT CO., LTD.	Investing activities	100.00%	"
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	ASROCK Incorporation (ASROCK)	Data storage and processing equipment, manufacturing wired and wireless communication equipment, and whole selling of computer equipment and electronic components	58.65%	Subsidiary directly owns over 50% of equity
ASROCK	ASIAROCK TECHNOLOGY LIMITED (ASIAROCK)	Manufacturing and selling database storage and processing equipments	100.00%	"
ASIAROCK	ASROCK EUROPE B.V.	Database service and trading electronic components	100.00%	"
"	CalRock Holdings, LLC.	Office building leasing	100.00%	"
ASROCK	Leader Insight Holdings Ltd. (Leader)	Investing activities	100.00%	"
Leader	Firstplace International Ltd. (Firstplace)	Investing activities	100.00%	"
Firstplace	ASRock America, Inc.	Database service and trading electronic components	100.00%	"
ASUSPOWER INVESTMENT AND ASUS INVESTMENT	PEGATRON Mexico, S.A. DE C.V.	Sales and repair service center in Mexico	100.00%	Subsidiary directly and indirectly held 100%
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	KINSUS INTERCONNECT TECHNOLOGY CORP. (KINSUS)	Manufacturing electronic parts, wholesaling and retailing electronic components, and providing business management consultant service	39.00%	Subsidiary has de facto control
KINSUS	KINSUS INVESTMENT CO., LTD (KINSUS INVESTMENT)	Investing activities	100.00%	Subsidiary directly owns over 50% of equity



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			2010.09.30	
KINSUS INVESTMENT AND ASUSPOWER INVESTMENT	PEGAVISION CORPORATION	Manufacturing medical appliances	84.45%	Subsidiary directly owns over 50% of equity
KINSUS	KINSUS CORP. (USA)	Developing and designing new technology and products; analyzing marketing strategy and developing new customers	100.00%	"
"	KINSUS HOLDING (SAMOA) LIMITED (KINSUS SAMOA)	Investing activities	100.00%	"
KINSUS SAMOA	KINSUS HOLDING (CAYMAN) LIMITED (KINSUS CAYMAN)	Investing activities	100.00%	"
KINSUS CAYMAN	KINSUS INTERCONNECT TECHNOLOGY (SUZHOU) CORP.	Manufacturing and selling circuit boards	100.00%	"
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	ASUSPOWER CORPORATION	Investing and trading activities	100.00%	Subsidiary directly and indirectly held 100%
"	STARLINK ELECTRONICS CORPORATION (STARLINK)	Manufacturing electronic parts and plastic products, and manufacturing and wholesaling electronic components	100.00%	"
STARLINK	STRATEGY Technology Co., Ltd.	Investing and trading activities	-%	Subsidiary directly owns over 50% of equity (Note B)
ASUS INVESTMENT	ASFLY TRAVEL SERVICE LIMITED	Travel agency	100.00%	Subsidiary directly owns over 50% of equity
ASUSPOWER INVESTMENT	PEGATRON TECHNOLOGY SERVICE INC.	Sales and repair service center in North America	100.00%	"
"	PEGA INTERNATIONAL LIMITED	Design service and sales	100.00%	"

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Investor	Subsidiary	Nature of business	Shareholding ratio	Notes
			2010.09.30	
ASUSPOWER INVESTMENT	PEGATRON JAPAN INC.	Sales and repair service center in Japan	100.00%	Subsidiary directly owns over 50% of equity
ASUSPOWER INVESTMENT , ASUS INVESTMENT AND ASUSTEK INVESTMENT	Lumens Digital Optics Inc. (Lumens)	Researching, manufacturing and selling computer data projectors and related peripherals	56.52%	"
Lumens	Lumens Integration Inc.	Selling computer communication products and peripherals	100.00%	"
"	Lumens Digit Image Inc. (Lumens)	Investing activities	100.00%	"
Lumens SOMOA	Lumens (Suzhou) Digital Image Inc.	Researching, manufacturing and selling projectors, projection screens and related products, and providing after-sales service	100.00%	"
Lumens	Lumens Europe BVBA	Selling computer communication products and peripherals	100.00%	"
"	Jie Xin Inc.	Manufacturing and wholesaling electronic parts	94.00%	"
ASUS INVESTMENT	HUA-YUAN INVESTMENT LIMITED	Investing activities	100.00%	"
The Company	ADVANSUS CORP.	Manufacturing computer peripherals	50.00%	The Company directly owns over 50% of equity (Note A)
"	PEGATRON USA, INC.	Sales and repair service center in North America	100.00%	"

Note A: The consolidated financial statements include only a proportion of the joint venture owned by the Company.

Note B: The investee company went into liquidation on March 26, 2010. Its profit or loss had not been included in the consolidated financial statement from the effective date of its liquidation.

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2. Increases or decreases of consolidated subsidiary as of September 30, 2010 were summarized as follows:

- (i) CASETEK HOLDING LIMITED acquired 51% of total issued shares of APLUS PRECISION (Cayman) LIMITED (“APLUS”) by exchanging its long-term investment.
- (ii) Ability (tw) invested \$40,000 in exchange for an 80% equity ownership of a newly established company, NOENA CORPORATION (NOENA). Furthermore, Ability (tw) invested and acquired 100% of the equity ownership of Jiujiang Viewquest Electronics Inc through a third party.
- (iii) UNIHAN HOLDING acquired the 100% equity ownership of GRAND UPRIGHT TECHNOLOGY LIMITED amounted to USD 1,326 on August 27, 2010.
- (iv) For the nine months ended September 30, 2010, KINSUS HOLDING (SAMOA) LIMITED has participated in the capital increase in cash of PIOTEK HOLDING LTD., whose former name was BOARDTEK HOLDING LTD(CAYMAN). Since the third quarter of 2010, KINSUS HOLDING (SAMOA) LIMITED has purchased from Pegatron Holding for USD 87,755 the equity ownership of PIOTEK HOLDING LTD. with carrying value USD 6,554. This equity ownership acquisition increased the equity investment of KINSUS HOLDING (SAMOA) LIMITED in PIOTEK HOLDING LTD. to 51%. As Pegatron Holding did not participate in the capital increase in cash of KINSUS HOLDING (SAMOA) LIMITED according to its equity holding percentage, the direct equity ownership of the Company has dropped from 100% to 49% as of September 30, 2010. However, the equity of KINSUS HOLDING LIMITED held by the Company was 68.89%, thereby holding the ability to exercise control.
- (v) Azware Holding (Samoa) Inc. acquired the 100% equity ownership of AIGALE CORPORATION amounted to RMB 1,361 on August, 2010.

According to SFAS No.7 “Consolidated Financial Statements.”, if the Company has controlling power over entities described above, those entities are treated as subsidiaries and are included in consolidation financial statements.

3. The entities in which less than 50% voting shares were held not directly or indirectly by the Company but were included in the consolidated financial statements were as follows:

Hannex International Limited, Ability Enterprise Co., Ltd and Kinsus Interconnect Technology Corp., were included in the consolidated financial statements even if the Consolidated Company holds 43.56%, 12.54% and 39%, respectively, or less than 50% of their total issued shares because the Consolidated Company has acquired more than 50% of voting shares of each of these entities and has the ability to excise control over their respective board of directors.

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4. Subsidiaries excluded from consolidation

STRATEGY Technology Co., Ltd. went into liquidation on March 26, 2010. Therefore, the net income (loss) of this investee company was excluded in the consolidated financial statements as of March 27, 2010. The process of liquidating STRATEGY Technology Co. Ltd. had been completed in April, 2010.

5. Refer to Note (4) (k) for related information on convertible bonds and new shares issued by subsidiaries.

**b. Financial derivatives and hedging**

Hedge accounting recognizes the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item. If hedging relationships meet the criteria for hedge accounting, they are accounted for as follows:

Changes in the fair value of a hedging instrument designated as a fair value hedge are recognized in profit or loss. The hedged item also is stated at fair value in respect of the risk being hedged, with any gain or loss being recognized in profit or loss.

**c. Bonds payable**

For the bonds payable issued after January 1, 2006, the issuer shall classify the instrument, on initial recognition as a financial liability, a financial asset or an equity instrument (capital reserve from stock warrants). These bonds are accounted for as follows:

The bond embedded with conversion option, call option and put option and issued after January 1, 2006, is treated a compound financial instruments, with a portion classified as equity and the rest as a liability and are accounted for as follows:

(A) The difference between the issue price and face value of bonds payable is accounted for as premium or discount which is required to be amortized over the period from the date of issuance to maturity date using the interest method or straight line method and is recorded as “interest expense”. However, the straight line method may be used if the result were not materially different than those resulting from the interest method.

(B) The value of any derivative features (such as a call option and put option) embedded in the compound financial instrument is recognized as “financial assets and financial liabilities at fair value through profit or loss”. At the maturity of redemption period, if the fair value of common stock exceeds the redemption price, the fair value of the derivative

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is recognized as “paid-in capital”; however if the fair value of common stock is lower than the redemption price, the fair value of the derivative is recognized as “gain or loss”.

(C) A conversion option embedded in the bonds issued by the Company, which is convertible to an equity instrument, is recognized and included in “capital reserve from stock warrants”, net of income tax effect. When a bondholder exercises the conversion rights, the liability component of the bonds (including corporate bonds and embedded derivatives) are revalued, and the resulting difference is recognized as “gain or loss” in the current period. The book value of the common stock issued due to the conversion is based on the adjusted book value of the abovementioned liability component plus the book value of the stock warrants.

(D) Costs incurred on issuance of convertible bonds are proportionately charged to the liabilities and equities of the underlying instruments based on initial recognition costs.

**d. Treasury Stock**

As the Company purchased its outstanding shares, the Company adopted Financial Accounting Standard No. 30 “Accounting for Treasury Stock” in the accounting of treasury shares, which are stated at cost. When treasury stock is sold, the excess of the proceeds from sale over the book value of treasury stock is recorded as capital surplus-treasury stock transaction. If the disposal price is lower than the book value, the difference is offset against capital surplus resulting from other treasury stock transactions, and any deficiency is debited to retained earnings. The book value of treasury stock is calculated according to reasons of purchase using the weighted average method.

When the treasury stock is disposed, the “capital surplus-premium on capital stock” is debited proportionately according to the equity shareholding ration. If the book value of the treasury stock exceeds the sum of par value and premium on capital stock, the difference is offset against capital surplus arising from similar treasury stock transactions, and any deficiency is charged against retained earnings. If the book value is lower than the total par value and premium on stock, the difference is added to capital surplus arising from treasury stock transaction of the same category.

In accordance with Financial Accounting Standard No. 30 “Accounting for Treasury Stock”, the Company’s shares held by its subsidiaries are deemed as treasury stock when recognizing investment income (loss) and when preparing the financial statements.

**3. Reasons for and Effect of Accounting Changes: None**

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**4. Summary of Major Accounts**

**a. Cash**

	<b>September 30, 2010</b>
Cash on hand	\$ 13,515
Demand deposits	15,494,283
Time deposits	20,664,721
Total	<b>\$ 36,172,519</b>

**b. Financial Instruments**

(i) The components of financial instruments were as follows:

	<b>September 30, 2010</b>
Financial assets reported at fair value through profit or loss-current :	
Stocks of listed companies	\$ 283,341
Beneficiary certificates	6,453,170
Forward exchange contracts	733
Currency swap contracts	26,720
Depositary receipts	17,144
Corporate bonds	529,924
Callable bonds	533,137
Total	<b>\$ 7,844,169</b>
Available-for-sale financial assets-current:	
Stocks of listed companies	\$ 11,573
Stocks of overseas listed companies	874,735
Total	<b>\$ 886,308</b>
Derivative financial liability for hedging	
Forward exchange contracts	<b>\$ 6,649</b>
Available-for-sale financial assets-non current:	
Stocks of listed companies	\$ 1,641,046
Stocks of overseas listed companies	365,510
Total	<b>\$ 2,006,556</b>

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	<b>September 30, 2010</b>
Financial assets carried at cost-non current:	
Equity securities-common stock	\$ 725,082
Corporate bonds	100,000
Total	<b>\$ 825,082</b>
Financial liabilities reported at fair value through profit or loss-current	\$ (1,578)
Adjustments	19,335
Total	<b>\$ 17,757</b>

- (ii) The convertible bond issued by Ability Enterprise Co., Ltd. was treated as a compound financial instrument, with a portion classified as equity and the rest as a liability. And the fair value of call options and put options embedded in bonds payable was separated from bonds payable, and was recognized as "Financial assets or liabilities at fair value through profit or loss" in accordance with SFAS No.34. For the nine months ended September 30, 2010, Ability Enterprise Co., Ltd. recognized a loss on financial liability reported at fair value through profit or loss of \$19,335. (Note (4)(k))
- (iii) For nine months ended September 30, 2010, the Consolidated Company recognized a profit of financial assets reported at fair value through profit or loss amounted to \$18,956.
- (iv) For nine months ended September 30, 2010, the unrealized losses on available-for-sale financial assets amounted to \$182,695.
- (v) The common stock held by Consolidated Company with no quoted price from active market and the fair value cannot be measured reliably, were reported as financial assets carried at cost - noncurrent. Following the resolution by the Annual Meeting of Shareholders, ADDTEK Corporation carried out a capital reduction of \$98,125, divided into 9,812 thousand shares, in order to cover its accumulated deficit at March 30, 2010.
- (vi) Financial assets carried at cost
- Impairment loss recognized on financial assets carried at cost amounted to \$92,886 for the nine months ended September 30, 2010.

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(vii) As of September 30, 2010, the components of financial derivatives of Ability Enterprise Co., Ltd. and United New Limited were as follows:

	<b>September 30, 2010</b>		
	<b>Book Value</b>	<b>Nominal Principal (thousands)</b>	<b>Maturity Date/ contract period</b>
<u>Derivative financial assets not for hedge:</u>			
Currency swap contracts	<u>\$ 26,720</u>	<u>USD 133,660</u>	2010.09~2010.10
Forward exchange contracts	<u>\$ 733</u>	<u>USD 2,000</u>	2010.09~2010.10
<u>Derivative financial assets for hedge:</u>			
Forward exchange contracts (sell)	<u>\$ 6,649</u>	<u>USD 2,000</u>	2010.09~2010.10

Ability (tw) entered into derivative contracts during the nine months ended September 30, 2010 to manage exposures due to the fluctuations of exchange rate and interest rate. However, no hedge accounting is adopted as these derivatives do not meet the criteria for hedge accounting.

Furthermore, please refer to Note (4) (r) for the risk management of the Company and its subsidiaries.

**c. Notes and Accounts Receivable**

(i) Non-related parties

	<b>September 30, 2010</b>
Notes receivable	\$ 86,850
Less: Allowance for doubtful accounts	-
Net	86,850
Accounts receivable	46,904,584
Less: Allowance for doubtful accounts	(726,042)
Net	46,178,542
Total	\$ 46,265,392

(ii) As of September 30, 2010, KINSUS INTERCONNECT TECHNOLOGY CORP. sold its accounts receivable without recourse as follows:

<b>Purchaser</b>	<b>Amount Derecognized</b>	<b>Credit advanced</b>	<b>Collateral</b>	<b>Credit (thousands)</b>
Mega International Commercial Bank	<u>\$ 595,870</u>	<u>369,996</u>	None	USD 30,000



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**d. Inventories**

	<b>September 30, 2010</b>
Merchandise	\$ 1,976,961
Finished goods	17,244,900
Work in process	6,414,208
Raw materials	29,710,102
Inventories-in-transit	858,490
Sub-total	56,204,661
Less: Allowance for inventory market decline and obsolescence	(3,343,481)
Total	\$ <b>52,861,180</b>

For the nine months ended September 30, 2010, the components of cost of goods sold were as follows:

	<b>For the nine months ended September 30, 2010</b>
Cost of goods sold	\$ 373,254,288
Gain on reversal for inventory market price decline	1,302,326
Others	(549,857)
Total	\$ <b>374,006,757</b>

**e. Long-Term Equity Investments**

	<b>September 30, 2010</b>	
<b>Name of Investee company</b>	<b>Equity Holding</b>	<b>Book Value</b>
INDEED HOLDINGS LIMITED	49.00%	\$ 769,247
Avy Precision Technology Inc.	20.25%	793,398
WILSON HOLDINGS LIMITED	49.00%	164,832
EVER PINE INTERNATIONAL LTD. (BVI)	34.65%	122,939
PENTAX VQ CO., LTD.	40.00%	70,242
WISE INVESTMENT LIMITED	48.78%	36,849
SHIN-EI YORKEY INTERNATIONAL LTD. (BVI)	50.00%	18,211
ZhangJiaGang dongbu High Technilogy Metal Products Co., Ltd.	20.00%	48,785
YOFREE TECHNOLOGY CO., LTD	17.50%	11,324
Subtotal		2,035,827
Add: Fair value adjustment for identifiable assets		61,832
Total		\$ <b>2,097,659</b>

1. For the nine months ended September 30, 2010, some of the investment income (loss) under equity method was recognized based on the financial statements prepared by the investees

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which were unreviewed by the auditors. The components of this investment income (loss) were as follows:

<b>Name of Investee companies</b>	<b>Investment(income)/loss</b>
	<b>For the nine months ended</b>
	<b>September 30, 2010</b>
INDEED HOLDINGS LIMITED	\$ 45,520
Avy Precision Technology Inc	112,857
WILSON HOLDINGS LIMITED	5,573
EVER PINE INTERNATIONAL LTD. (BVI)	4,550
PENTAX VQ CO., LTD.	12,282
WISE INVESTMENT LIMITED	(276)
ZhangJiaGangdongbu High Technology etal Products Co., Ltd.	6,648
SHIN-EI YORKEY INTERNATIONAL LTD. (BVI)	(9,672)
YOFREE TECHNOLOGY CO., LTD	1,458
Total	<b>\$ 178,940</b>

2. Shin-Ei Yorkey international Ltd. (BVI), was thus there's no control force and excluded from consolidated financial statements as the Consolidated Company held less than 50% of its voting shares and had no significant control thereof.
3. Avy Precision Technology Inc., a subsidiary of Ability Enterprise Co., Ltd., had swapped its equity shares with Azure Wave Technologies, Inc., which resulted in a difference between acquisition cost and fair value of the identifiable long-term investment. Since the Consolidated Company has the ability to control Ability Enterprise Co., Ltd., such difference of \$61,832 as of September 30, 2010, was adjusted using the equity method of accounting based on the percentage of ownership of the Consolidated Company, in accordance with the Republic of China Statement of Financial Accounting Standards (SFAS) No. 25 "Business Combinations".

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**f. Joint Venture Investments**

The Company had equity investment in ADVANSUS CORP., which is a joint venture entity. As of September 30, 2010, the issued capital of ADVANSUS CORP., amounted to \$360,000 of which 50% was held by the Company as of the same dates. The financial accounts of ADVANSUS CORP., which were included in the Company's consolidated financial statements, were as follows:

	<b>September 30, 2010</b>	
Current assets	\$	685,131
Non current assets		14,637
Current liabilities		475,318

	<b>For the nine months ended September 30, 2010</b>	
Revenues	\$	1,816,220
Expenses		1,765,368

**g. Property, Plant and Equipment, Idle Assets, and Rental Assets**

(i) Property, plant and equipment

(a) Based on the results of its evaluation of the recoverability of property, plant and equipment, the Consolidated Company recognized a gain on recovery of impairment of assets amounted to \$114,770 for the nine month ended September 30, 2010.

(b) Please refer to Note (6) for details regarding the property, plant, and equipment pledged as collateral.

(ii) Rental assets

1) As of September 30, 2010, the components of rental assets were as follows:

	<b>September 30, 2010</b>	
Land	\$	345,749
Buildings		623,417
Less: accumulated depreciation		(135,844)
Less: accumulated impairment		(69,061)
Add: fair value adjustment for identifiable assets		13,483
	<b>\$</b>	<b>777,744</b>

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- 2) In accordance with SFAS 25, the Company has control over Ability Enterprise Co., Ltd. through a share swap and adjusted the difference between the acquisition cost and the fair value of the rental assets based on the Consolidated Company's percentage of ownership. As of September 30, 2010, the fair value adjustment for identifiable assets amounted to \$13,483.

(iii) Idle assets

- 1) As of September 30, 2010, the components of idle assets were as follows:

	<b>September 30, 2010</b>
Land	\$ 385,564
Buildings	705,524
Machinery and others	1,679,919
Less: accumulated depreciation	(1,275,793)
Less: accumulated impairment	(570,329)
	<b>\$ 924,885</b>

- 2) As these idle assets were not used in operation, the Consolidated Company recognized their net fair value as the recoverable amount. For the nine months ended September 30, 2010, a gain on recovery of impairment recognized for these idle assets amounted to \$94,092.

**h. Intangible assets**

Goodwill is assessed periodically for impairment in accordance with the Republic of China Statement of Financial Accounting Standards (SFAS) No. 35 "Impairment of Assets". As of September 30, 2010, the book value of goodwill was \$889,156.

'Land use rights' are rights for the Company to use government-owned land. These rights were paid in lump sum, which was capitalized and amortized equally over their useful lives. As of September 30, 2010, the unamortized amount of land use rights was \$2,345,860.

Please refer to Note (6) for details of the intangible assets pledged as collateral.

**i. Other Assets – Other**

Deferred expenses consist of capitalized costs of small molds, fixtures and office decorations, which are amortized equally over 9 months to 10 years. As of September 30, 2010, the unamortized amount was \$2,597,402.

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Due to the restriction imposed by local government, KINSUS INTERCONNECT TECHNOLOGY CORP. (KINSUS) purchased a farm land in the name of KINSUS's chairman instead of KINSUS. Before KINSUS may take over the title to the farmland as well as completing the registration procedures, the land is temporarily recorded as other assets. As of September 30, 2010, the book value of this farmland was \$30,784.

**j. Short - Term Loans**

	<b>September 30, 2010</b>
Credit loans	\$ 1,546,312
Collateralized loans	222,159
Total	<b>\$ 15,685,471</b>
Range of interest rate	<b>0.50%~5.04%</b>

The Company issued promissory notes as guarantee for part of credit loan facility.

Please refer to Note (6) for details of the related assets pledged as collateral.

**k. Bonds Payable**

	<b>September 30, 2010</b>
Bonds payable	\$ 1,500,000
Less: discounts on bonds payable	(133,925)
Total	<b>\$ 1,366,075</b>

1. The main terms and conditions of the 1<sup>st</sup> unsecured domestic convertible bonds were as follows:

- i. Ability (TW) issued the 1<sup>st</sup> unsecured domestic convertible bonds of NT\$1,500 million with each bond having coupon rate of 0% an issue price of 100.2% over par value, and maturing in 5 years (From Feb 6<sup>th</sup>, 2010 to Feb 8<sup>th</sup>, 2015). These convertible bonds are payable in full at par on maturity date and are listed on Over-the-Counter Market on February 8<sup>th</sup>, 2010.
- ii. After 30 days from issue date (March 7<sup>th</sup>, 2010) and 10 days prior to maturity date (January 27<sup>th</sup>, 2015, the bondholders can exercise their right to convert the bonds into the Company's common stock. Under the terms of the convertible bonds, the rights and obligations of the new shares converted from convertible bonds are the same as the issued and outstanding common stock.

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- iii. The conversion price will be adjusted based on the terms of the conversion plan, and will be reset based on the prescribed formula upon the occurrence of certain events that will have a dilutive effect on the bondholders' rights. As of September 30, 2010, the conversion price is \$60 and as Ability (TW) will distribute cash dividend as August 1, 2010, the exercise price will be adjusted from \$60 to \$55.7 on that date.
  - iv. After 3 years from issue date (Feb 6<sup>th</sup>, 2013), the bondholders shall have the right at such bondholders' option to require the Company to redeem all or some of the convertible bonds at a price equal to 100% of the principal amount plus interest at the rate of 0.3% per annum, payable annually.
  - v. The Company may purchase the outstanding bonds at face value after the following events, provided the (1) the closing price of the shares for a period of 30 consecutive trading day is above 130% of the conversion price (2) the amount of the outstanding bonds is less than 10% of the initial issuance amount of convertible bonds, from the day after the first month of issuance of the bonds to 40 days prior to the maturity date.
  - vi. Under the terms of the convertible bonds, the convertible bonds which are repurchased, redeemed, or converted to common shares will be retired and cannot be sold or re-issued.
2. In accordance with SFAS No. 36, convertible bonds are initially treated as compound financial instruments, with a portion classified as equity and the rest as a liability. As of September 30, 2010, the issuance of convertible bonds, which classified as equity portion are recorded under "additional paid-in capital-stock option" amounted \$153,508. In addition, the fair value of call options and put options embedded in bonds payable was separated from bonds payable, and was recognized under "Financial assets or liabilities at fair value through profit or loss" in accordance with SFAS No. 34. The effective annual interest rate of the bonds range is from 2.122% to 2.263%.

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**1. Long - Term Loans**

<b>Creditor</b>	<b>Usage and redemption duration</b>	<b>September 30, 2010</b>
ANZ, Mega International Commercial Bank and 14 other participating financial institutions (Note A)	2008.10.30~2011.10.30, \$1.5 billion is payable in 3 semi-annual installments, commencing on April 30, 2010 and the remaining amount is payable on maturity date.	\$ 7,200,000
Industrial and Commercial Bank of China — Ji-An Branch	2009.10.09~2011.10.08, interest is payable quarterly, and total outstanding amount is payable on maturity date.	137,380
Industrial and Commercial Bank of China — Ji-An Branch	2010.09.17~2012.09.17, interest is payable quarterly, and total outstanding amount is payable on maturity date.	95,865
Mega International Commercial Bank — Lan-Ya Branch	2004.12.31~2011.12.31, payable in 20 quarterly installments, commencing from January, April, August, October 15 which date is the nearest date of borrowing.	6,545
Mega International Commercial Bank — Lan-Ya Branch	2005.01.31~2012.01.31, payable in 20 quarterly installments, commencing the date of borrowing.	34,911
Mega International Commercial Bank — Lan-Ya Branch	2009.12.16~2016.12.08, payable in 20 quarterly installments, commencing from the date of borrowing (with a two year grace period).	340,516
The Shanghai Commercial & Savings Bank, Ltd. — Chung — Li Branch	2006.12.08 ~2013.10.15, interest is payable monthly and principal is payable in quarterly installments from the thirteenth month, commencing the date of borrowing.	16,922
The Shanghai Commercial & Savings Bank, Ltd. — Chung — Li Branch	2009.06.23 ~2014.06.23, interest is payable monthly and principal is payable in quarterly installments from the thirteenth month, commencing the date of borrowing.	87,862
The Shanghai Commercial & Savings Bank, Ltd. — Chung — Li Branch	2009.07.23 ~2014.07.15, interest is payable monthly and principal is payable in quarterly installments from the thirteenth month, commencing the date of borrowing.	23,430

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<b>Creditor</b>	<b>Usage and redemption duration</b>	<b>September 30, 2010</b>
The Shanghai Commercial & Savings Bank, Ltd. — Chung — Li Branch	2009.11.23 ~2014.10.15, interest is payable monthly and principal is payable in quarterly installments from the thirteenth month, commencing the date of borrowing.	226,490
The Shanghai Commercial & Savings Bank, Ltd. — Chung — Li Branch	2010.07.22~2015.07.23, interest is payable monthly and principal is payable in quarterly installments from the thirteenth month, commencing the date of borrowing.	220,060
The Shanghai Commercial & Savings Bank, Ltd. — International Financial Services Branch	2010.04.20~2013.04.19, payable in 8 quarterly installments, commencing from May 20, 2011.	62,520
The Shanghai Commercial & Savings Bank, Ltd.	2010.09.21~2015.09.20, payable in 10 quarterly installments from the thirty-first month.	1,094,100
Subtotal		9,546,601
Less: Current portion		(148,135)
		<b>\$ 9,398,466</b>
Range of interest rate		<b>0.98%~4.87%</b>

Note A: According to the agreement, during the loan repayment periods, the Company must comply with certain financial covenants based on the audited annual and semi-annual consolidated financial statements (June 30 and December 31) as follows:

- (1) Current ratio (current assets/current liabilities): should not be less than 100%.
- (2) Debt ratio ((total liabilities + contingent liabilities)/tangible net assets): should not be higher than 50%.
- (3) Interest coverage ratio (EBITDA/interest expenses): should not be less than 400%.
- (4) Tangible net assets (stockholders' equity (including minority shareholders) - intangible assets): should not be less than \$90 billion.

The Company's promissory notes were pledged as a guarantee for the credit loan facility.

Please refer to Note (6) for details of the related assets pledged as collateral.



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**m. Pension Plan :**

In accordance with the order VI-0960064020 issued by the Financial Supervisory Commission, Executive Yuan, Roc, and the related information on pension plan is not required to be disclosed.

**n. Income Tax :**

In accordance with the order VI-0960064020 issued by the Financial Supervisory Commission, Executive Yuan, Roc, and the related information on income tax is not required to be disclosed.

**o. Stockholders' Equity**

**(i) Capital Stock**

On June 30, 2009, pursuant to the resolutions of the board of directors (acting on behalf of stockholders), the Company capitalized the earnings of \$4,014,258, divided into 401,426 common stock with par value of \$10 per share. The record date of this capital increase was October 16, 2009 and the Company had completed the process for the relevant registration thereof.

On July 2, 2007, pursuant to resolutions of the board of directors, the Company decided January 1, 2008 as the effective date for the spin-off of the OEM business from ASUSTeK Computer Inc.. In exchange for the net assets acquired and liabilities assumed from this OEM business worth \$70,000,000, the Company issued 1,600,000 thousand new shares with par value of \$10 par share, which resulted in additional capital of \$16,000,000. Those new shares were issued at a premium of \$43.75 per share. The Company had already completed the relevant registration thereof.

In order to integrate the group's OEM business and boost productivity, on April 24, 2008, pursuant to resolutions of the board of directors, the Company proceeded the share swap with UNIHAN CORPORATION ( a 100% owned entity of ASUSTek Computer Inc.) effective on May 1, 2008. The share swap ratio was 2.8613 shares of UNIHAN CORPORATION to 1 share of the Company. In accordance with the share swap arrangement, the Company issued 279,628 thousand new shares, resulting in additional capital of \$2,796,281.

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In order to enhance own-brand business and boost productivity, the board of directors of ASUSTeK Computer Inc. (ASUSTek) resolved on December 11, 2009 but revised it on January 1, 2010, to spin-off or cede its OEM group (Pegatron Corporation (the Company)) to Pegatron International Investment Co., Ltd. (Pegatron Investment), which is being held by ASUSTeK. Pegatron Investment will issue new shares to ASUSTeK and all shareholders of ASUSTek, for which, ASUSTek and all other shareholders of ASUSTek will acquire 25% ownership and 75% ownership, respectively, of the equity of Pegatron Investment. The record date of this spin-off is June 1, 2010. Following the spin-off, the Company will merge with Pegatron Investment. The Company issued 10 thousands new shares, resulting in additional capital of \$100. Thereafter, the total outstanding capital amounted to \$22,860,639, divided into 2,286,064 thousand shares with par value of \$10 per share.

As of September 30, 2010, the authorized capital of the Company consisted of 2,500,000 thousand shares, with a par value of \$10 (in dollars) per share, and its outstanding capital consisted of 2,286,064 thousand shares.

ASUSTeK GDR holders who surrender their ASUSTeK GDRs on or after the Effective Date of Spin-off and Merger in Taiwan will receive the new ASUSTeK GDRs and the Company's entitlement. The Company's entitlement represents the rights to receive 60,819 thousand the Company's common shares in Taiwan. The Company may issue new GDRs with no more than 60,819 thousand common shares and delivered them to ASUSTeK GDR holders pursuant to the "Issuer of Overseas Securities Offering and Issued Guidelines".

As of September 30, 2010, the Company has listed, in total 12,164 thousand units of GDR on Luxembourg Stock Exchange. Each unit of deposit receipt represents 5 shares and thereby the Company has listed 60,819 thousands in total.

(ii) Legal reserve and capital surplus

Legal reserve can only be used exclusively to offset a deficit or to increase capital. Capitalization of legal reserve is permitted only until it reaches 50% of total issued capital, and only 50% of it can be capitalized.

In accordance with the ROC Company Law, capital surplus can only be used exclusively to offset a deficit and increase capital. Capital surplus resulting from long-term equity investments cannot be used to increase capital.

For the nine months ended September 30, 2010, interest revenues generated from the trust of shareholders of parent company were distributed to the employees of the Company as bonuses. These bonuses amounted to \$225,503, which were debited to salary expense and credited to capital surplus — others.

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(iii) Treasury Stock

- (1) For the nine months ended September 30, 2010, in order to maintain the Company's credit standing and shareholders' equity, the Company bought back 29,697 thousand shares in accordance with Article 28-2 of the Securities and Exchange Act. As of September 30, 2010, the Company had 29,697 thousand shares not yet cancelled, which was recorded as treasury stock of \$1,006,862.
- (2) In accordance with Securities and Exchange Act, the number of treasury shares shall not exceed ten percent of the total number of issued and outstanding shares of the Company. Also, the total amount of the treasury shares may not exceed the amount of retained earnings plus premium on capital stock plus realized capital reserve. The repurchased shares shall not exceed the amount of retained earnings plus premium on capital stock plus realized capital reserve. The repurchased shares held by the Company was 29,697 thousand shares and the maximum total amount of shares held was \$1,006,862 thousand as of September 30, 2010 which conformed to the Securities and Exchange Act. The limit of shares the Company repurchased from the active market are up to 228,605 thousand shares amounting to \$66,221,050 as of June 30, 2010. The number of shares that the Company repurchased was 29,697 thousand shares amounting to \$1,006,862 for the nine months ended September 30, 2010.
- (3) In accordance with Securities and Exchange Act, treasury shares cannot be pledged. Also, treasury shares do not bear the shareholder's right prior to being sold to third parties.
- (4) As of September 30, 2010, the number of the Company's shares held by its subsidiaries was 800 thousand shares amounting to \$32,680.

(iv) Earnings Distribution and Dividend Policy

The Company's articles of incorporation require that after-tax earnings shall first be offset against any deficit, and 10% of the balance shall be set aside as legal reserve. The appropriation for legal reserve is discontinued when the balance of the legal reserve equals the total authorized capital. Aside from the aforesaid legal reserve, the Company may, under its Articles of Incorporation or as required by the government, appropriate for special reserve. The remaining balance of the earnings, if any, should be distributed as follows:

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1. No less than 10% as employees' bonuses which are distributable in cash or stock. In the event that the employee bonus is distributed in the form of stock, employees qualifying for such distribution may include the employees of subsidiaries of the Company who meet certain specific requirements. Such qualified employees and distribution ratio shall be decided by the Board of Directors.
2. Up to 1% as remuneration to directors and supervisors.
3. The remaining earnings, if any, may be appropriated or retained according to a resolution of a stockholders' meeting.

In order to bring about stability in the payment of dividends, the Company distributes dividends depending on the level of earnings of each year. The Company is facing a rapidly changing industrial environment. In consideration of the Company's long-term operating plan and funding needs, the Company adopts a stable dividends policy. Therefore, the Company distributes cash dividends of at least 10% of the aggregate of all dividends, if the distributions include cash dividends.

On March 30, 2010, the Company's board of directors resolved the appropriation of earnings for 2009. The distributions of dividends per share and employee bonuses and remuneration to directors and supervisors from the distributable earnings in 2009 were as follows:

Common stock dividends per share (dollars)	<b>2009</b>
-Cash	\$ <b>1.75</b>
-Stock (at par)	-
<b>Total</b>	<b>\$ 1.75</b>
	<b>2009</b>
Employee bonus-cash	\$ 1,205,797
Remuneration to directors and supervisors	60,290
<b>Total</b>	<b>\$ 1,266,087</b>

There were no differences between the actual results of earnings distributed in 2009 and those estimated and accrued in the financial statements of 2009. Related information can be found through Market Observation Post System, etc.

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For the nine months ended September 30, 2010, the distribution for employee bonus from the distributable earnings amounted to \$442,916 and \$44,292, respectively. Differences between the amounts approved in the shareholders' meeting and recognized in the financial statements, if any, are to be accounted for as changes in accounting estimates and recognized in profit or loss next year.

**p. Employee Stock Option**

(i) The details of the first batch of employee stock options of the Ability Enterprise Co., Ltd. in 2007 were as follows:

1) On November 20, 2007, pursuant to the resolutions of its board of directors, Ability Enterprise Co., Ltd. (Ability) had issued employee stock options covering a total number of 19,500 units. Each unit bears an option to subscribe for one thousand share of Ability's common stock. Therefore, 10,000 thousand shares of new common stock were issued from the exercise of 10,000 units of employee stock option. Following the issuance of employee stock options, any event, such as additional change to common stock of Ability, distributions of cash dividends, and occurrence of merger and acquisition will result in adjustments in the price of the stock options. The employee stock options cover a contractual life of 7 years, and are exercisable in accordance with certain schedules as prescribed by the plan starting 2 years from the date of grant. As of September 30, 2010, the weighted-average expected life of the employee stock options was 4.49 years.

2) The number and weighted-average exercise price of the first employee stock options issued in 2007 were as follows:

	<b>For the Nine Months Ended September 30, 2010</b>	
	<b>Quantity of stock option (thousand shares)</b>	<b>Weighted-average exercise price (dollars)</b>
Outstanding at the beginning or the year	10,000	\$ 41.3
Granted	-	-
Added or adjusted	-	-
Exercised	(3,246)	38.3
Forfeited	-	-
Outstanding at the end of the year	<b>6,754</b>	38.3
Exercisable at the end of the year	<b>754</b>	

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- 3) For employee stock options of Ability Enterprise Co., Ltd. granted between January 1, 2004 and December 31, 2007, the Company recognizes compensation cost using the fair value method. Pro forma information on net income and earnings using the fair value method was as follows:

	<b>For the Nine Months Ended September 30, 2010</b>	
Net income:		
Net income	\$	2,054,285
Pro forma net income		2,030,219
Basic earning per share		
Earnings per share		4.69 dollars
Pro forma earning per share		4.64 dollars
Diluted earning per share		
Earnings per share		4.38 dollars
Pro forma earning per share		4.30 dollars

- 4) The Black-Schole Option Valuation Model was adopted to estimate the fair value of employee stock options on the date of grant. The assumptions used in this valuation model were as follows:

	<b>November 20, 2007</b>	
Dividend yields		0.00%
Volatility factors of the expected market		39.87%
Risk-free interest rate		2.54%
Weighted-average expected life of the options		5.10 years
Stock options granted		10,000 thousand shares
Weighted-average fair value (per share)		20.6025 dollars

- (ii) The details of the second batch of employee stock option of the Ability Enterprise Co., Ltd. in 2007 were as follows:

- 1) On November 20, 2007, pursuant to resolutions of its board of directors, Ability Enterprise Co., Ltd. (Ability) had issued employee stock options covering a total number of 19,500 units. The second batch of employee stock option, 9,500 units, was issued on October 13, 2008. Each unit bears an option to subscribe for one thousand shares of Ability's common stock at an exercise price of \$22.2 per share. As of September 30, 2010, the weighted-average expected life of the employee stock options was 5 years.

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- 2) The number and weighted average exercise price of the second batch of employee stock options issued in 2007 were as follows:

	<b>For the Nine Months Ended September 30, 2010</b>	
	<b>Quantity of stock option (thousand shares)</b>	<b>Weighted-average exercise price (dollars)</b>
Outstanding at the beginning or the year	9,500	\$ 20.8
Granted	-	-
Added or adjusted	-	-
Exercised	-	-
Forfeited	-	-
Outstanding at the end of the year	<b>9,500</b>	19.3
Exercisable at the end of the year	-	

- 3) The Trinomial Tree Option Valuation Model was adopted by the Ability Enterprise Co. Ltd. to estimate the fair value of employee stock options. The related information was as follows:

Types	Grand date	Stock Price	Exercise Price	Volatility factors of the expected market price	Weighted-average expected life of the options	Dividend yields	Risk-free interest rate	Fair value per unit
Employee stock opinion	2008.10.13	\$22.20	22.20	43.11% (Note)	7 years	-%	2.2101%	8.88 dollars

Note: Volatility factors of the expected market price were based on the yearly standard deviation resulting from past three years' (starting on the measurement date) return rate on stock price.

- 4) The expenses resulting from the share-based payment transactions were as follows:

	<b>For the Nine Months Ended September 30, 2010</b>
Equity transaction	<b>\$ 16,299</b>

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**q. Earnings per Share (EPS)**

For nine months ended September 30, 2010, the Parent company's basic earnings per share, diluted earnings per share and adjustments were computed as follows:

(Note: shares in thousands)

	<b>For the Nine Months Ended September 30, 2010</b>	
	<b>Before income tax</b>	<b>After income tax</b>
Net income	<b>\$ 6,100,740</b>	<b>4,921,289</b>
Weighted-average common shares outstanding	2,279,221	2,279,221
Dilutive potential common shares	11,196	11,196
Diluted shares	<b>2,290,417</b>	<b>2,290,417</b>
Primary earnings per share	<b>\$ 2.68</b>	<b>2.16</b>
Diluted earnings per share	<b>\$ 2.66</b>	<b>2.15</b>

**r. Financial Instruments**

(i) The carrying amounts of the following non-derivative short-term financial instruments such as cash, accounts receivable, accounts payable, short-term bank loans and other payables are estimated base on their fair value as of balance sheet date.

In addition to all of the above, other financial instruments as of September 30, 2010, were as follows:

<b>Non-Financial Instruments</b>	<b>September 30, 2010</b>	
	<b>Book Value</b>	<b>Fair Value</b>
<b>Financial Assets</b>		
Financial assets carried a cost-non current	\$ 825,082	-
<b>Financial Liabilities</b>		
Bonds payable	1,366,075	1,366,075
Long-term loans (includes current portion)	9,546,601	9,546,601
<b>Financial Instruments</b>		
<b>Financial Assets</b>		
Exchange swap contract-non hedging	\$ 26,720	26,720
Forward exchange contracts-non hedging	733	733
Forward exchange contracts-hedging	6,649	6,649
<b>Financial Liabilities</b>		
Embedded derivatives-convertible bonds	17,757	17,757



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(ii) Methods and assumptions used by the Consolidated Company to evaluate the fair value of financial instruments were as follows:

- 1) The fair value of financial instruments, which are carried at fair value through profit or loss and traded in active markets, is based on quoted market prices. If the financial instruments are not traded in an active market, then the fair value is determined by using valuation techniques, under which, the estimates and assumptions used are consistent with prevailing market conditions, whose information can be reasonably obtained by the Consolidated Company.
- 2) Financial assets carried at cost, are measured at carrying value, as their market price is difficult to determine, due to lack of objective evidences, in practice.
- 3) The fair value of call options and put options embedded in the convertible bonds, which were issued after January 1<sup>st</sup>, 2006, is determined by their book value.
- 4) The fair market value of long-term loans is determined by the present value of future cash flow. As the present value derived by using interest rate in discounting future cash flow is close to the book value, the book value is adopted as the fair market value.
- 5) The fair value of the derivatives is determined by their book value on the balance sheet date. If the derivatives are not traded in active markets, then the fair value is determined by using valuation techniques, under which the estimates and assumptions used are consistent with prevailing market conditions.

(iii) Loss recognized from changes in the fair values of financial assets and liabilities, which were estimated by using valuation techniques, amounted to \$379, for the nine months ended September 30, 2010.

(iv) Information on financial risk

2) Market risk

The Company's purchases and sales are denominated mainly in US dollars, and in consequence, it is exposed to the current and future foreign currency risk that arises from cash flows of foreign currency assets and liabilities. However, the risks may be regarded as insignificant, because foreign currency losses from sales are subsequently offset by the foreign currency gain from purchases.

The equity securities held by the Consolidated Company are classified as financial assets measured at fair value through profit or loss and available-for-sale financial assets. As these assets are measured at fair value, the Consolidated Company is exposed to the risk of changes in fair value in an equity securities market.

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3) Credit risk

Credit risk means the potential loss of the Consolidated Company if the counterparty involved in that transaction defaults. Since the Consolidated Company's derivative financial instrument agreements are entered into with financial institutions with good credit ratings, management believes that there is no significant credit risk from these transactions.

The primary potential credit risk is from financial instruments like cash, equity securities, and accounts receivable. The Consolidated Company deposits cash in different financial institutions. The Consolidated Company manages credit risk exposure related to each financial institution and believes that there is no significant concentration of credit risk on cash and equity securities.

The Consolidated Company only transacted with the approved third parties with good financial conditions and reputation. For those customers with poor financial situation, the Company would transfer the risk through acquiring guarantees or transacting by L/C. Therefore, the Company believes that there is no significant credit risk. According to the Consolidated Company's customer credibility evaluation policies, the Consolidated Company has to evaluate the customer's credibility and evaluate the collectability of notes and account receivables constantly before doing business. Thus, there is no significant issue on doubtful accounts.

The major customers of the Consolidated Company are concentrated in the high-tech computer industry. As the customers of the Company have good credits and profit records, the Company evaluates the financial conditions of these customers continually to reduce credit risk from accounts receivable. Moreover, the Consolidated Company also periodically evaluates the Consolidated Company's financial positions and the possibility of collecting trade receivables. Thus, there is no significant credit risk.

4) Liquidity risk

The capital and working funds of the Consolidated Company are sufficient to meet its entire contractual obligations and non hedging forward exchange contracts; therefore, no liquidity risk exists.

The funds and marketable securities investments held by the Consolidated Company have publicly quoted prices and could be sold at the approximate market price. Management believes that the cash flow risk is not significant because contracted foreign currency exchange rates are fixed.

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Equity investments recorded as financial assets carried at cost do not have reliable market prices and are expected to have liquidity risk.

5) Cash flow risk arising from variation in interest rates

The Consolidated Company's interest rate risk arises from short-term and long-term loans bearing floating interest rates. Future cash flow will be affected by a change in market interest rate.

(v) Risk control, Hedging strategies and related activities

For the hedge designation, UNITED NEW entered into derivatives to avoid the exchange rate risk exposure by operating activities. If the derivatives do not meet the criteria for hedge accounting, they will be classified as held-for trading financial assets or liabilities.

UNITED NEW held accounts payable in foreign exchange and its fair value will float with the exchange rate. UNITED NEW reduced the exchange rate risk by entering to forward exchange contracts.

As of September 30, 2010, financial instruments transactions accounted for using the hedge accounting were as follows:

<b>Hedged item</b>	<b>Derivative Financial Instruments</b>	<b>September 30, 2010 Hedging instrument designated at fair value</b>
Payables – foreign currency	Forward exchange contracts	<b>\$ 6,649</b>

(vi) Financial Instruments with Off-Balance-Sheet Credit Risk:

As of September 30, 2010, guarantee and endorsements of bank loans were provided by the Consolidated Company for related parties, as discussed in Note (5).

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**5. Related-Party Transactions**

**a. Names and Relationships of Related Parties with the Consolidated Company**

<u>Name of Related Party</u>	<u>Relationship with the Consolidated Company</u>
ASUSTeK Computer Inc.	An invest company accounted the Consolidated Company for under the equity method (ASUSTeK Computer Inc. lost control of this investee since May 31, 2010)
Askey Computer Corp.	An investee company accounted for under the equity method by ASUSTeK Computer Inc.
ASMEDIA TECHNOLOGY INC.	"
International United Technology Co., Ltd. (Taiwan)	"
Shinewave International Inc.	"
UNIMAX ELECTRONICS INCORPORATION	"
ASUS TECHNOLOGY INCORPORATION	"
ASUS Computer (Shanghai) CO., LTD.	"
ASUS Technology (Suzhou) Co., Ltd.	"
eMES (SUZHOU) CO., LTD.	"
ASHINE TECHNOLOGY (SUZHOU) LTD.	"
Enertronix, Inc.	An investee company accounted for under the equity method until in July, 2009, when this investee became an investee company accounted for under the equity method of ASUSTeK Computer Inc. following a reorganization
ASUS COMPUTER INTERNATIONAL	An investee company accounted for under the equity method by ASUSTeK Computer Inc.
ASUS HOLLAND B.V.	"
ASUS TECHNOLOGY PTE. LIMITED (ASTP)	"
BIG PROFIT LIMITED	"
ASKEY TECHNOLOGY (JIANGSU) LTD	"

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<b>Name of Related Party</b>	<b>Relationship with the Consolidated Company</b>
ASUSTEK COMPUTER (SHANGHAI) CO., LTD. (ASUS UNITED Technology (Shanghai) Co., Ltd. formerly)	An investee company accounted for under the equity method by ASUSTeK Computer Inc.
AGAiT Technology Corporation	An investee company accounted for under the equity method by ASUSTeK Computer Inc.
ASHINE PRECISION CO., LTD. Avy Precision Technology Inc.	// An investee company accounted for under the equity method by the parent.
Avy Co., Ltd.	//
DongGuan Avy Precision Metal Components Co., Ltd.	//
DongGuan ChengGuangp Precision Hardware Co., Ltd.	//
AVY PRECISION METAL COMPONENTS (SUZHOU)	//
SHINE TRADE INTERNATIONAL LTD.	//
YORKEY OPTICAL TECHNOLOGY LTD. (SAMOA)	//
AVY HIGH TECH LIMITED	//
Shanghai Indeed Electronic Technology Co., Ltd	//
CRYSTAL ART ENTERPRISE CO.,LTD	//
HongHua Technology(Suzhou) Co., Ltd.	//
GHING HONG PRECISE MOULD INDUSTRY (SUZHOU) CO., LTD	//
PENTAX VQ CO.,LTD.(PVQ)	//
Taishiba International Co., Ltd.	An affiliate of Ability Enterprise Co., Ltd.
All directors, supervisors, general manager and vice president	The Company's key management.

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**b. Significant Transactions with Related Parties**

(i) Sales

<b>For the Nine Months Ended September 30, 2010</b>			
Name of Related Party	Amount	% of Net Sales	The collection term
ASUSAeK Computer Inc.	\$ 162,073,229	40.73%	30 to 60 days from receipt of goods. Open account: 30 to 120 days
Others	145,646	0.03%	"
Total	<b>\$ 162,218,875</b>	<b>40.76%</b>	

(ii) Purchases

<b>For the Nine Months Ended September 30, 2010</b>			
Name of Related Party	Amount	% of Net Sales	The collection term
ASUSAeK Computer Inc.	\$ 118,341,666	31.86%	30~60 days from receipt of goods Open account 60~120 days
Others	4,371,370	1.17%	"
Total	<b>\$ 122,713,036</b>	<b>33.03%</b>	

The prices and sales terms mentioned above are the same as general sales terms.

For nine months ended September 30, 2010, the Company purchased raw materials from vendors through ASUSTek.

(iii) Others

1)

After-sales warranty repair expense paid to:	<b>For the Nine Months Ended September 30, 2010</b>	
ASTP	\$	95,236
ASUS Computer (Shanghai)		29,144
Others		3,339
Total	<b>\$</b>	<b>127,719</b>

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2)

<b>Other income from</b>	<b>For the Nine Months Ended September 30, 2010</b>
ASUSTeK	\$ 427,289
Others	2,505
Total	<b>\$ 429,794</b>

3) For the nine months ended September 30, 2010, the Consolidated Company incurred other related party transactions recorded as expenses such as processing fee, rental expense, other expense, royalty payment, storage expense, professional service fee, etc, amounting to \$70,189.

4) For the nine months period ended September 30, 2010, the Consolidated Company incurred other related party transactions recorded as processing revenue and repair revenue, which amounted to \$95,907.

(iv) Property transactions

(a) Purchase of properties

For the nine months ended September 30, 2010, properties purchased from other related parties amounted to \$114,248

(b) Disposal of properties

For the nine months ended September 30, 2010, properties disposed to other related parties amounted to \$109

(c) Rental revenue

For the nine months ended September 30, 2010, the Consolidated Company incurred other related party transactions recorded as rental revenue, which amounted to \$20,012

(v) Accounts Receivable (Payable)

<b>Notes and Accounts Receivable:</b>	<b>September 30, 2010</b>	
	<b>Amount</b>	<b>%</b>
ASUSTeK	\$ 10,689,308	18.76%
Others	14,329	0.03%
Sut-total	<b>\$ 10,703,637</b>	<b>18.79%</b>
Less: Allowance for doubtful accounts	-	
Total	<b>10,703,637</b>	

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	<b>September 30, 2010</b>	
	<b>Amount</b>	<b>%</b>
<b>Other receivables:</b>		
ASUSTeK	\$ 24,776	1.33%
Others	11,600	0.63%
Total	<b>\$ 36,376</b>	<b>1.96%</b>
 <b>Notes and Accounts Payable</b>		
Any Precision Technology Inc.	\$ 577,610	0.96%
SHANGHAI INDEED	322,873	0.54%
Others	378,974	0.63%
Total	<b>\$ 1,279,457</b>	<b>2.13%</b>
 <b>Accrued Expense</b>		
ASUS Computer (Shanghai)	\$ 5,278	0.06%
ASUSTeK	3,736	0.04%
Others	863	0.01%
Total	<b>\$ 9,877</b>	<b>0.11%</b>

Other related party transactions accounted for as assets and liabilities in the balance sheet were as follows:

	<b>September 30, 2010</b>	
<b>Assets:</b>		
Temporary payments	<b>\$ 5,748</b>	
 <b>Liabilities:</b>		
Other Accrued expenses	\$ 224	
Temporary receipts	53,719	
	<b>\$ 53,943</b>	



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(vi) Endorsement Guarantee

As of September 30, 2010, the endorsement guarantees provided by a related party for the Consolidated Company's purchases were as follows:

<b>Name of Related Party Guarantee</b>	<b>Amount of Guarantee (thousands)</b>	
	<b>September 30, 2010</b>	
ASUSTeK	<b>USD</b>	<b>300,000</b>

**6. Pledged Assets**

As of September 30, 2010, pledged assets were as follows:

<b>Asset</b>	<b>September 30, 2010</b>	<b>Purpose of pledge</b>
Restricted deposit	\$ 118,604	Customs duty guarantee, bank loans, rental deposits, credit contracts, issued letter of credit, travel agency guarantee, etc.
Inventories	16,410	Lawsuit collateral (Note A)
Other financial asset - non-current	108,177	Deposits for performance guarantee
Property, plant and equipment	1,562,691	Bank loans
	<b>\$ 1,805,882</b>	

Note A: A loss on valuation allowance for inventory market decline and obsolescence was recognized for these inventories.

**7. Significant Commitments And Contingencies (Excluding Related-Party Transactions)**

As of September 30, 2010, major commitments and contingencies were as follows:

(a)

<b>Unused standby letters of credit:</b>	<b>September 30, 2010</b>
NTD	\$ 17,499
EUR	2,619
JPY	2,849,017
USD	58,106

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- (b) As of September 30, 2010, the Company had promissory notes and certificate of deposit obtained for business purpose of \$13,785.
- (c) Future lease commitments from the lease of buildings under the operating lease agreements were as follows:

Year	Future lease commitments				
	2011	2012	2013	2014	2015
2010	\$ 249,743	182,754	114,932	68,652	68,652

- (d) As of September 30, 2010, the significant contracts for purchase of properties signed by the Consolidated Company amounted to \$948,695, of which \$310,850 were unpaid
- (e) AVerMedia Technologies Inc. filed an attachment for damage loss against Lumens Digital Optics Inc. with the Taiwan HsinChu District court on January 3, 2005. Lumens Digital Optics Inc. pledged a deposit of \$90,000 as counter-security to the Court for rescinding the attachment. In addition, AVerMedia Technologies Inc., again, filed an attachment for the same reason with the court. HsinChu District court has seized the inventory of Lumens Digital Optics Inc. amounting to \$16,410. This case is currently under investigation and Lumens Digital Optics Inc. believes that there is no material loss on the aforementioned case.
- (f) One of ASUSPOWER CORPORATION's American customers voluntarily filed for bankruptcy with United States Bankruptcy Court of California District. The customer has made payments for goods amounting to US\$1,439,484 to ASUSPOWER COPORATION 90 days before filing for bankruptcy. Insolvency administrator of the customer filed a lawsuit with California court later on claiming that according to United States Bankruptcy Code § 547, the payments could be returned and requested ASUSPOWER CORPORATION to return the amount paid. ASUSPOWER CORPORATION received a notice from the court in September 2009, and entered a plea. This lawsuit is still under investigation.
- (g) As of September 30, 2010, the tax returns of the Ability Enterprise Co., Ltd. through 2007 have been assessed and approved by the tax authority. The Company disagreed with the examination results of the 2004, 2005, 2006 and 2007 income tax return, in which the tax authority reduced the company's tax benefits amounted \$43,019, \$61,898 and \$82,105, \$64,788, respectively, and had filed administrative proceedings. The relative estimated income tax liability was approximately \$125,905.

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- (h) American Kodak Company filed a civil lawsuit against Canon Enterprise at June 22, 2010. Canon Enterprise and Kodak Company have reached reconciliation and withdrawn the lawsuit on October 4, 2010. The lawsuit and agreement has no significant influence over Canon Enterprise's operating and financing position.
- (i) TWINHAN Technology Co., Ltd (liquidated after its merger with AzureWave in 2008) disagreed with the tax office's assessment on its tax exemption periods from 2002 to 2004. After it was turned down during the administrative proceeding, AzureWave has appealed such assessment to the Supreme Court in December 2008. However, AzureWave has recognized the possible additional tax liabilities from the said assessment.

**8. SIGNIFICANT CATASTROPHIC LOSSES: None.**

**9. SIGNIFICANT SUBSEQUENT EVENTS: None.**

**10. OTHERS:**

In accordance with the order VI- 0960064020 issued by the Financial Supervisory Commission, Executive Yuan, Roc, the information about personnel, depreciation, and amortization expense would not be disclosed.

**11. DISCLOSURES REQUIRED:**

In accordance with the order VI- 0960064020 issued by the Financial Supervisory Commission, Executive Yuan, Roc, the following information need not be disclosed.

a. Information on significant transactions:

In accordance with the order VI- 0960064020 issued by the Financial Supervisory Commission, Executive Yuan, Roc, the following information need not be disclosed.

b. Information on investee companies:

In accordance with the order VI- 0960064020 issued by the Financial Supervisory Commission, Executive Yuan, Roc, the following information need not be disclosed.

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c. Information on investment in Mainland China:

In accordance with the order VI- 0960064020 issued by the Financial Supervisory Commission, Executive Yuan, Roc, the following information need not be disclosed.

d. Transactions between the Company and its subsidiaries (Disclose the transaction amount above 100 million): Please refer to table 1

**12. BUSINESS SEGMENT FINANCIAL INFORMATION: Financial information disclosure by industry segment is not required for interim report.**

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**DISCLOSURES-TABLE 1**

Table 1 Transactions between the Company and its subsidiaries (Disclose the transaction amount above 100 million) :  
 1.As of september 30, 2010

No. (Note 1)	Name	Object of transaction	Details of transaction				
			Relationship (Note 2)	Account	Amount	Terms of collection/payment	Percentage of consolidated income or total assets (Note 3)
0	The Company	ASIAROCK TECHNOLOGY LIMITED	1	Sales	471,081	30 days from receipt of goods	0.12%
0	The Company	PEGATRON Czech s.r.o.	1	Sales	4,481,640	120 days from receipt of goods	1.13%
0	The Company	PEGATRON Czech s.r.o.	1	Account receivable	1,559,503	120 days from receipt of goods	0.69%
0	The Company	PEGATRON Czech s.r.o.	1	Other receivable	312,932	120 days from receipt of goods	0.14%
0	The Company	PEGATRON TECHNOLOGY SERVICE INC.	1	Sales	181,095	90 days from receipt of goods	0.05%
0	The Company	UNIHAN CORPORATION	1	Sales	476,854	60 days from receipt of goods	0.12%
0	The Company	UNIHAN CORPORATION	1	Account receivable	138,906	60 days from receipt of goods	0.06%
0	The Company	Protek (ShangHai) Limited	1	Sales	114,472	Open account 90 days	0.03%
0	The Company	Protek (ShangHai) Limited	1	Account receivable	42,698,477	Open account 90 days	18.96%
0	The Company	Powtek (Shanghai) Co., Ltd.	1	Sales	2,497,722	45 days from receipt of goods	0.63%
0	The Company	Powtek (Shanghai) Co., Ltd.	1	Account receivable	218,017	45 days from receipt of goods	0.10%
1	UNIHAN CORPORATION	PEGATRON Czech s.r.o.	3	Sales	1,278,209	90 days from receipt of goods	0.32%
1	UNIHAN CORPORATION	PEGATRON Czech s.r.o.	3	Account receivable	2,762,407	90 days from receipt of goods	1.23%
2	ACTION PIONEER INTERNATIONAL LTD.	Ability Enterprise Co., Ltd.	2	Sales	949,499	both parties agreed	0.24%
3	AMA Technology Corporation	AMA PRECISION INC.	2	Sales	678,983	Open account 120 days	0.17%
3	AMA Technology Corporation	AMA PRECISION INC.	2	Account receivable	216,155	Open account 120 days	0.10%
4	ASAP INTERNATIONAL CO.,LIMITED	Protek (ShangHai) Limited	3	Sales	245,477	60-85 days from receipt of goods	0.06%
4	ASAP INTERNATIONAL CO.,LIMITED	UNIHAN CORPORATION	3	Sales	139,931	Open account 120 days	0.04%
4	ASAP INTERNATIONAL CO.,LIMITED	VIEWQUEST TECHNOLOGIES (BVI) INC.	3	Sales	123,436	Open account 120 days	0.03%
5	ASIAROCK TECHNOLOGY LIMITED	The Company	2	Sales	211,965	Open account 60 days	0.05%
5	ASIAROCK TECHNOLOGY LIMITED	ASROCK Incorporation	2	Sales	5,819,051	Open account 60 days	1.46%
5	ASIAROCK TECHNOLOGY LIMITED	ASROCK Incorporation	2	Account receivable	1,698,746	Open account 60 days	0.75%
6	PEGATRON Czech s.r.o.	UNIHAN CORPORATION	3	Sales	1,468,279	90 days from receipt of goods	0.37%
6	PEGATRON Czech s.r.o.	UNIHAN CORPORATION	3	Account receivable	903,565	90 days from receipt of goods	0.40%
7	KAEDAR TRADING LTD.	KAEDAR ELECTRONICS (KUNSHAN)	3	Sales	176,284	Open account 60 days	0.04%
8	VIEWQUEST TECHNOLOGIES (BVI) INC.	Ability Enterprise Co., Ltd.	2	Sales	34,246,298	both parties agreed	8.61%
8	VIEWQUEST TECHNOLOGIES (BVI) INC.	Ability Enterprise Co., Ltd.	2	Account receivable	4,754,326	both parties agreed	2.11%
9	Piotek Computer (Suzhou) Co., Ltd.	PIOTEK (HK) TRADING LIMITED	3	Sales	1,057,920	Open account 60-90 days	0.27%
9	Piotek Computer (Suzhou) Co., Ltd.	PIOTEK (HK) TRADING LIMITED	3	Account receivable	304,410	Open account 60-90 days	0.14%
9	Piotek Computer (Suzhou) Co., Ltd.	UNIHAN CORPORATION	3	Sales	844,512	Open account 60 days	0.21%
9	Piotek Computer (Suzhou) Co., Ltd.	UNIHAN CORPORATION	3	Account receivable	236,081	Open account 60 days	0.10%
9	Piotek Computer (Suzhou) Co., Ltd.	The Company	2	Sales	642,314	Open account 90 days	0.16%
9	Piotek Computer (Suzhou) Co., Ltd.	The Company	2	Account receivable	133,808	Open account 90 days	0.06%
9	Piotek Computer (Suzhou) Co., Ltd.	Protek (ShangHai) Limited	3	Sales	649,867	Open account 60 days	0.16%
9	Piotek Computer (Suzhou) Co., Ltd.	Protek (ShangHai) Limited	3	Account receivable	118,689	Open account 60 days	0.05%
10	Protek (ShangHai) Limited	The Company	2	Other receivable	167,476	Open account 90 days	0.07%
10	Protek (ShangHai) Limited	The Company	2	Sales	26,223,219	Open account 90 days	6.59%
10	Protek (ShangHai) Limited	The Company	2	Account receivable	38,592,193	Open account 90 days	17.14%
11	Toptek Precision Industry(SuZhou) Co., Ltd	AMA Technology Corporation	2	Sales	532,203	Open account 30 days	0.13%
11	Toptek Precision Industry(SuZhou) Co., Ltd	AMA Technology Corporation	3	Account receivable	161,520	Open account 30 days	0.07%
12	AzureWave Technologies, Inc.	The Company	2	Sales	724,338	Open account 60 days	0.18%
12	AzureWave Technologies, Inc.	Protek (ShangHai) Limited	3	Sales	1,739,042	60-90 days from receipt of goods	0.44%
12	AzureWave Technologies, Inc.	Protek (ShangHai) Limited	3	Account receivable	415,103	60-90 days from receipt of goods	0.18%
13	Lumens Digital Optics Inc.	Lumens Integration Inc.	1	Sales	457,485	30 days from receipt of goods	0.11%
14	CASETEK COMPUTER (SUZHOU) CO.,LTD	PEGATRON Czech s.r.o.	3	Sales	201,380	Open account 60 days	0.05%
14	CASETEK COMPUTER (SUZHOU) CO.,LTD	UNIHAN CORPORATION	2	Sales	1,383,927	Open account 60 days	0.35%
14	CASETEK COMPUTER (SUZHOU) CO.,LTD	UNIHAN CORPORATION	2	Account receivable	513,336	Open account 60 days	0.23%
14	CASETEK COMPUTER (SUZHOU) CO.,LTD	The Company	2	Sales	1,784,383	Open account 60 days	0.45%
14	CASETEK COMPUTER (SUZHOU) CO.,LTD	The Company	2	Account receivable	223,284	Open account 60 days	0.10%
14	CASETEK COMPUTER (SUZHOU) CO.,LTD	Protek (ShangHai) Limited	3	Sales	481,615	Open account 60 days	0.12%
15	AMA PRECISION INC.	The Company	2	Sales	139,726	30 days from receipt of goods, open account 30 days	0.04%
15	AMA PRECISION INC.	Protek (ShangHai) Limited	3	Sales	162,304	Open account 30 days	0.04%
15	AMA PRECISION INC.	Toptek Precision Industry(SuZhou) Co., Ltd	1	Sales	193,594	Open account 120 days	0.05%
15	AMA PRECISION INC.	Toptek Precision Industry(SuZhou) Co., Ltd	1	Account receivable	370,650	Open account 120 days	0.16%
16	ASROCK Incorporation	ASROCK AMERICA, INC.	1	Sales	1,353,451	Open account 90 days	0.34%
16	ASROCK Incorporation	ASROCK AMERICA, INC.	1	Account receivable	435,941	Open account 90 days	0.19%
16	ASROCK Incorporation	ASROCK EUROPE B.V.	1	Sales	2,778,759	45 days from receipt of goods	0.70%
16	ASROCK Incorporation	ASROCK EUROPE B.V.	1	Account receivable	495,021	45 days from receipt of goods	0.22%
17	AVY PRECISION ELECTROPLATING (SUZHOU) CO., LTD.	United New Limited	2	Sales	624,940	Open account 60 days	0.16%
17	AVY PRECISION ELECTROPLATING (SUZHOU) CO., LTD.	United New Limited	2	Account receivable	196,150	Open account 60 days	0.09%
18	KAEDAR ELECTRONICS (KUNSHAN) CO.,LTD	KAEDAR TRADING LTD.	3	Sales	185,412	Open account 120 days	0.05%
18	KAEDAR ELECTRONICS (KUNSHAN) CO.,LTD	The Company	2	Sales	453,733	Open account 90 days	0.11%
18	KAEDAR ELECTRONICS (KUNSHAN) CO.,LTD	The Company	2	Account receivable	209,050	Open account 90 days	0.09%
19	AzureWave Technologies (Shanghai) Inc.	AzureWave Technologies, Inc.	2	Service revenue	534,521	30-60 days	0.13%
19	AzureWave Technologies (Shanghai) Inc.	AzureWave Technologies, Inc.	2	Account receivable	108,854	30-60 days	0.05%
20	RUNTOP (SHANGHAI) CO., LTD.	ASUSPOWER CORPORATION	3	Service revenue	168,765	30 days from receipt of goods	0.04%
21	MAINTEK COMPUTER(SUZHOU)CO.,LTD	ASUSPOWER CORPORATION	3	Service revenue	8,388,905	Open account 60 days	2.11%
21	MAINTEK COMPUTER(SUZHOU)CO.,LTD	ASUSPOWER CORPORATION	3	Other receivable	1,247,332	Open account 60 days	0.55%
21	MAINTEK COMPUTER(SUZHOU)CO.,LTD	CASETEK COMPUTER (SUZHOU) CO.,LTD	3	Other receivable	634,038	Open account 60 days	0.28%
22	ASUSPOWER CORPORATION	UNIHAN CORPORATION	3	Service revenue	5,053,079	Open account 120 days	1.27%
22	ASUSPOWER CORPORATION	UNIHAN CORPORATION	3	Other receivable	13,080,165	Open account 120 days	5.81%
22	ASUSPOWER CORPORATION	MAINTEK COMPUTER(SUZHOU)CO.,LTD	3	Account receivable	300,393	Open account 90 days	0.13%
22	ASUSPOWER CORPORATION	Piotek Computer (Suzhou) Co., Ltd.	3	Account receivable	1,019,070	Open account 90 days	0.45%
22	ASUSPOWER CORPORATION	The Company	2	Service revenue	3,699,663	Open account 120 days	0.93%
22	ASUSPOWER CORPORATION	The Company	2	Other receivable	10,730,912	Open account 120 days	4.77%
22	ASUSPOWER CORPORATION	COTEK ELECTRONICS(SUZHOU)CO.,LTD	3	Account receivable	706,442	Open account 90 days	0.31%
22	ASUSPOWER CORPORATION	CASETEK COMPUTER (SUZHOU) CO.,LTD	3	Account receivable	1,647,565	Open account 90 days	0.73%
23	PEGATRON Mexico S.A. de C.V.	The Company	2	Service revenue	244,830	Open account 120 days	0.06%
23	PEGATRON Mexico S.A. de C.V.	The Company	2	Other receivable	333,114	Open account 120 days	0.15%
24	PEGATRON TECHNOLOGY SERVICE INC.	The Company	2	Repair revenue	146,647	Open account 120 days	0.04%

Note 1: For transactions between the Company and its subsidiaries, the numbers are assigned as follows:

1. 0 represents the Company
2. Serial numbers for the subsidiaries begin from number 1.

Note 2: Relationships are stated as follows:

1. The Company to subsidiary
2. Subsidiary to the Company
3. Subsidiary to other subsidiary

The percentage with respect to the consolidated asset/liability for transactions of balance sheet items are based on each item's

Note 3: balance at period-end

Note 4: According to the transactions between the Company and its subsidiaries, only sales and accounts receivable are disclosed

Note 5: When amount of the transaction is minor, it would not be disclosed

Note 6: MAINTEK manufactured for the Company and UNIHAN on a consign process contract through ASUSPOWER CORPORATION