TWSE: 4938

PEGATRON

PEGATRON CORPORATION
2010 ANNUAL REPORT

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FOR MORE INFORMATION ABOUT PEGATRON

http://www.pegatroncorp.com

This English version of the Pegatron Annual Report is a concise translation of the Chinese version. This document is created for the sole purpose of the convenience for its non-Chinese readers and is not an official document to represent the financial status of the Company per Taiwan laws.

Pegatron Corporation does not assure the accuracy of this translated document. Readers wishing to view the official audited version of Pegatron's financial reports can obtain a copy of the Pegatron Annual Report (Chinese version) on the Pegatron Corporation website (*www.pegatroncorp.com*).

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1. Letter to Shareholders

Dear Shareholders,

I would like to express my appreciation for your support to the Pegatron Corporation over the past three years.

Since our incorporation on June 27, 2007 and spin-off from Asustek in January 2008 pursuant to the ROC Company Act and Mergers and Acquisition Law, we have been dedicated in the DMS (design, manufacturing and services) business and on June 24, 2010, we were successfully listed on the Taiwan Stock Exchange. Prior to our listing, however, we encountered constant obstacles in business development due to the Company's shareholding structure, which resulted in conflicts between brand and ODM/EMS business. Not only did this discourage potential orders from new customers, but existing customers also cut their orders to the Company, as they were skeptical of the operating independence of Pegatron. Subsequently, the Company faced a temporary rigorous ordeal in business development.

However, as we approach our third anniversary of incorporation and the first anniversary of the listing of Pegatron on the Taiwan Stock Exchange, we can confidently say that we have delivered the commitment previously made to customers. In the past three years, we have been reinforcing our competitiveness by strengthening our research and development capability, improving operation efficiency, developing new products, as well as expanding the deployment of key components. As a result, Pegatron has received recognition from many global customers in the past year. Furthermore, with our adamant determination and the endeavoring effort to focus on core business, the Company witnessed positive results in business development, organizational growth and operational management.

Financial Performance

While we expect our spin-off to gradually pay off and the operating performance to improve, the Company is still in its transition stage. Thus, the consolidated revenue of 2010 decreased slightly to NT$530.5 billion (a 1.41% decline compared with NT$538.1 billion in 2009) with a gross margin of 5.69%. The Net income (attributable to shareholders of parent company) decreased by NT$540 million, from NT$6.75 billion to NT$6.21 billion in 2010, representing an 8% decline. Earning per share decreased by a percentage point of 7.46% to NT$2.73 in 2010, compared with NT$2.95 in 2009. Revenue from computing products accounted for the majority of the total revenue, followed by consumer electronics products and communication products.

Technical Capability and Operating Highlights

With our extensive experience in product development, streamlined operating management and integrated manufacturing capabilities, we endeavor to fulfill our customers' demands effectively by providing services from innovative design to systematic manufacturing. We continue to develop advanced technologies, improve manufacturing process, and provide a comprehensive range of products with total-solution and value-added after-sales services. We aim to expand the market share and to build long-term partnerships with global branded customers.

With the gradual recovery of the global economy, we are taking a proactive step to invest and expand our business, further enhancing our internal operating efficiency while also cautiously monitoring our risk management to ensure sustainable growth of the Company. In 2010, not only did we successfully become the supply chain of global branded customers, but we also actively engaged in the development of new products. In addition to producing computing products such as notebook PCs, desktop PCs, motherboards and more, we also continued investing in consumer electronics and communication related products and technologies with growth potential and profitability, including tablet PCs, e-readers, game consoles, LCD TVs, smart phones, broadband products and the like.

Awards and Social Responsibility

Since the founding of the Company, our industrial design team, which is renowned for its extensive experience in design, has received significant global recognition for its innovative design capability. In 2010, our design team received numerous international awards, including: the German iF Material Award, iF Communication Design Gold Award, red dot Communication Design Award, iF Design Award, and China iF Design Award. These awards specifically highlight our core inspiration of "design innovation", and we strive to provide comprehensive services to customers with innovative designs and manufacturing excellence.

In light of the increasing global awareness of corporate social responsibility, Pegatron has issued annual corporate social responsibility reports since 2009. The reports, which are audited by the independent third party, DNV, are in compliance with GRI G3 A+ and AA1000AS:2008. Since receiving the world first carbon footprint certification on notebook PCs, we have been dedicated in providing exceptional services to customers while promoting social responsibility towards our employees, shareholders and the society as a whole. While competition remains intensive in the industry, we view ourselves as a role model to others, by creating a pleasant work environment and promoting the development of green technologies.

Outlook

In 2010, revenues from the computing segment accounted for approximately 67% of the total revenue, followed by the consumer electronics segment and the communications segment. With significant effort devoted in the past years, we believe the Company has established a sound foundation for future growth. As we set our sights ahead, we aim to achieve sustainable growth in communication and consumer electronics products. Through product diversification, the Company is able to strengthen its capabilities in product development, which can create more opportunities in potential business growth. In this respect, the Company has achieved a major breakthrough in customer development by building partnerships with the increasing number of global branded customers. By having a diversified customer base, we believe it will help expand our product portfolios and provide flexibility for the Company to weather through industrial changes. For the outlook in 2011, Pegatron will continue to strengthen its research and development of new products and advanced technologies, enhance its product and service qualities, and elevate market competitiveness to expand its customer base as well as its market share.

On behalf of all employees of Pegatron, I would like to express our appreciation for the support of our shareholders again. With your unwavering trust and confidence in Pegatron, we will continuously strive towards better operating performance to achieve prosperous growth, and share the fruitful result with all our shareholders, customers and employees.

Chairman T.H. Tung

President and CEO Jason Cheng

2. Company Profile

2.1 Date of Incorporation: June 27th, 2007

2.2 Company Milestones

June 2007	● Pegatron Corporation ("the Company") was incorporated with a paid-in capital of NT$1 million.
Nov 2007	● Increased paid-in capital to NT$50 million by capital injection
Jan 2008	● Increased paid-in capital to NT$16,050 million by issuing 1,600,000,000 shares to inherit the DMS (design and manufacturing services) unit from Asustek Computer Inc ("Asustek").
Apr 2008	● Merged 100% owned subsidiary Asusalpha Computer Inc. in order to streamline corporate resources.
Jun 2008	● Became the member of EICC (Electronic Industry Code of Conduct) ● Increased paid-in capital to NT$18,846 million by issuing 279,628,141 shares in exchange for 100% ownership of Unihan Corporation with Asustek. After the share exchange, Unihan became the Company's wholly owned subsidiary.
Dec 2008	● The Company was awarded the Red Dot Award for its Just Draw It Power Management Device. ● The Company was awarded the world's first Energy using Product (EuP) certificate by DNV (DET NORSKE VERITAS).
Feb 2009	● Acquired Top Quark Limited for US$6.04 million in order to provide more comprehensive services of communication products to customers.
Mar 2009	● The Company was awarded the iF Material Award in Germany for the application of bamboo and acetate fiber on computing products.
Apr 2009	● Completed the world first Product Category Rule for Notebook PC products which can be served as the key reference for Environmental Product Declaration (EPD) as officially announced on the website of Global TYPE III Environmental Product Declaration Network (GEDnet).
Jul 2009	● Acquired 100% shareholding of Powtek (Shanghai) Co., Ltd so as to conduct business in mainland China and expand the market share in China.
Oct 2009	● Assisted key customers received the world first TYPE III Environmental Product Declaration for N51V series Notebook PC awarded by Environment and Development Foundation (EDF). ● Assisted key customers received the world first Carbon Footprint Certificate for N51V series Notebook PC awarded by DNV (DET

	● The Company was awarded the iF Design Award in China for Mini PC (Cape 7), Digital Photo Frame (Orbit) and light bulbs products.
Nov 2009	● Increased NT$4,014 million through capitalization of profits and the paid-in capital amounted to NT$22,861 million.
Dec 2009	● In order to streamline organization structure and reduce management cost, a key subsidiary, Protek (Shanghai) Limited, merged with another key subsidiary, North Tec Asia (Shanghai) Limited, and the former one is the surviving company.
	● In order to expand business, a key subsidiary, Maintek Computer (Suzhou) Co., Ltd, increased capital of US$34 million.
	● Assisted customers achieving more than 55 products for key environmental certifications such as EPEAT, EU Flower and Taiwan Green Market.
Jan 2010	● The Company's board of directors, acting on behalf of the Company's AGM pursuant to the Company Law, approved the merger with Pegatron International. Upon the completion of the merger, the Company is the surviving company.
Mar 2010	● Approved the application for being a public company.
	● The Company was awarded the German 2010 iF Material Award for the alloy of PLA and Recycled PC.
May 2010	● The Company was awarded the German 2010 iF Communication Design Gold Award, 2010 iF Communication Design Award and 2010 red dot Communication Design Award for the tea packaging design, Dao Cha, and Cubicphile the promotion material.
Jun 2010	● Approved the merger with Pegatron International by issuing 2,286,064 thousands shares after cancelling 2,286,054 thousands shares previously issued by Pegatron International. The paid-in capital amounted to NT$22,861 million.
	● The Company was officially listed on the Taiwan Stock Exchange.
Aug 2010	● The Company issued GDRs on Luxemburg Stock Exchange
Sep 2010	● DNV (DET NORSKE VERITA) awarded the Company with A+ certification for the 2009 CSR Report based on Global Reporting Initiative G3 format.
Nov 2010	● The Company's board of directors approved the cancellation of 29,697,000 shares of treasury stock. Subsequently, the paid-in capital reduced to NT$22,563,669 thousand dollars.
	● Assisted key customers received the world first PAS 2050 and ISO 14067-1 Carbon Footprint Certificate awarded by DNV (DET

14067-1 Carbon Footprint Certificate awarded by DNV (DET NORSKE VERITA).

- The Company was awarded the German 2010 iF Product Design Award and the iF Product Design China for the Italia (frame-based notebook PC), the California (special production process notebook PC), Lucid (tablet PC), and the Joyoung Soymilk Maker.

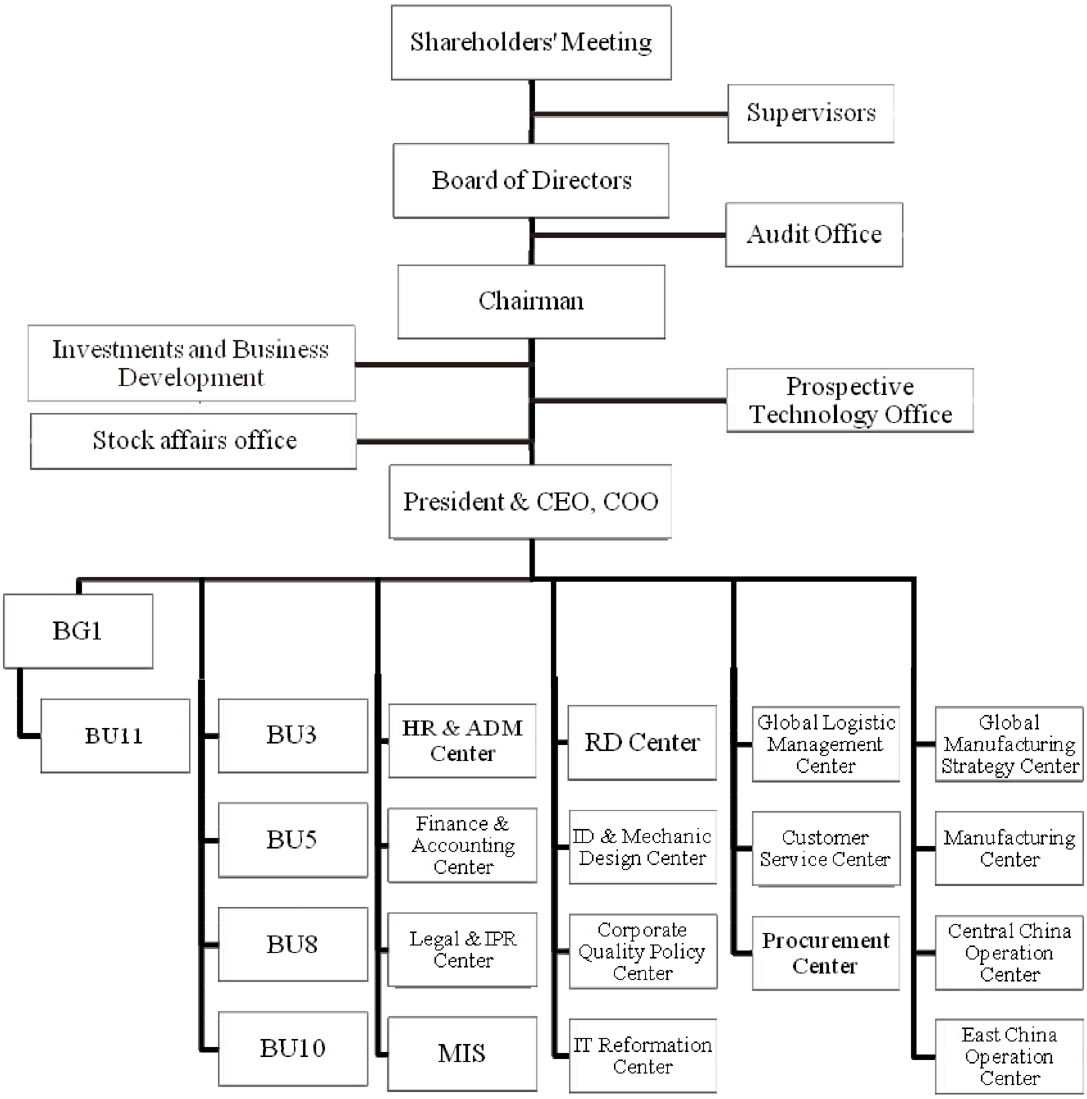
Feb 2011

- The Company was awarded the German 2011 iF Material Award, iF Packaging Design Award and iF Communication Design Award for the Paper PP Alloy, Tea Giving and Bloom, respectively.

3. Corporate Governance

3.1 Organization Structure

3.1.1 Organization Chart



3.1.2 Department Functions

Department	Main Responsibilities
Board of Directors	Establishing corporate business guiding principles and goals
Audit Office	Auditing and evaluating the compliance of internal policies, procedures and operations based on governing regulations
President and CEO, COO	Board resolutions execution and general corporate affairs
Investment & Business Development	Long term corporate investment planning and industry analysis
Perspective Technology Office	Strategic planning and development for perspective technology
Stock Affairs Office	Coordinating board meetings, shareholders' meetings and stock affairs
Central China Operation Center	Central China operation planning and management
East China Operation Center	East China operation planning and management
Manufacturing Center	Coordination of manufacturing process among BU and FU departments in accordance to corporate business operation plan
Procurement Center	Raw material procurement and cost planning
Corporate Quality Policy Center	Quality control and management in accordance to internal policies and customer requests. Establishing environmental quality management system and promoting awareness of green regulations. Conducting corporate document management and maintaining the operation of systems effectively.
Global Manufacturing Strategy Center	Operation planning and management in Europe and America
Global Logistics Management Center	Global logistics planning and management
Customer Service Center	Global customer service operation and providing the most comprehensive and prompt support to local customers via support network
RD Center	Developing innovative technology, conducting simulations and developing technology commonly shared among each business unit

Department	Main Responsibilities
ID & Mechanic Design Center	Development of mechanical and industrial design and providing support to each business unit for technology needed for each project.
HR & ADM Center	Corporate human resource and administration planning and execution
Finance & Accounting Center	Corporate finance, accounting and tax planning and execution
Legal & IPR Center	Corporate legal affairs, legal counseling, litigation, patents, licensing and other intellectual property management
MIS	Internal & external network system planning, integration and design
IT Reformation Center	Coordinating enterprise system resources management and acting as a communication medium between internal departments and external consultancy firms to ensure enterprise system integration and continuous system improvement
Business Group 1	Design, manufacturing and services of Notebook PCs
Business Unit 3	Design, manufacturing and services of handheld devices and multimedia players
Business Unit 5	Design, manufacturing and services of main boards and systems for large size customers
Business Unit 8	Design, manufacturing and services of main boards and systems for small and medium size customers
Business Unit 10	Design, manufacturing and services of industrial PCs
Business Unit 11	Design, manufacturing and services of switch and networking products

3.2 Board of Directors, Supervisors and Management Team Background Information

3.2.1 Introduction of Board of Directors and Supervisors

As of 04/26/2011

Title / Name	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Selected Current Positions
				Shares	%	Shares	%	Shares	%	Shares	%		
Chairman T.H. Tung	05/18/2010	3	05/18/2010	-	-	60,411,809	2.68	19,517,291	0.86	-	-	Master degree in computer and communication engineering, National Taipei University of Technology Deputy General Manager of Asustek	Chairman of Pegatron Corp. Chairman of Unihan Corp. Chairman of Kinsus Investment Co.,Ltd. Director of Asrock Incorporation Managing Director of Ability Enterprise Co., Ltd. Chairman of Lumens Digital Optics Inc. Chairman of Asus Investment Co., Ltd. Chairman of Asustek Investment Co., Ltd. Chairman of Pegavision Corp. Chairman KINSUS Investment Co., Ltd. Chairman of AMA Precision Inc. Director of Asuspower Investment Co., Ltd. Director of Magnificent Brightness Ltd. Director of Casetek Holdings Ltd. Director of Protek Global Holdings Ltd. Director of The Eslite Corporation Director of EZHi Technologies, Inc. Director of AzureWave Technologies, Inc.
Director Ted Hsu	05/18/2010	3	05/18/2010	-	-	52,625,540	2.33	17,143,855	0.76	-	-	EMBA , National Chiao Tung University Deputy General Manager of Asustek	Deputy Chairman of Pegatron Corp. Chairman of Asrock Incorporation. Chairman of Asuspower Investment Co., Ltd. Chairman of AzureWave Technologies, Inc. Chairman of eBizprise Inc. Director of Asuspower Corp. Director of Asiarock Technology Ltd. Director of Unihan Corp. Director of Advantech Co. Ltd Director of Advansus Corporation Director of Associated Industries China, Inc. Director of Kinsus Interconnect Technology corp. Director of ASMedia Technology Inc.

Title / Name	Date Elected	Term (Years	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Selected Current Positions
				Shares	%	Shares	%	Shares	%	Shares	%		
Director Jason Cheng	05/18/2010	3	05/18/2010	-	-	1,973,866	0.09	54,250	0.00	-	-	Master degree in electrical engineering, University of Southern California Deputy General Manager of Asustek	Director and CEO of Pegatron Corp. Director of Unihan Corp. Director of Alcor Micro Corp. Director of Asus Investment Ltd. Director of Asuspower Investment Ltd. Director of Asustek Investment Ltd. Director of AzureWave Technologies, Inc. Director of Pegatron Czech s.r.o.
Director K.C. Liu	05/18/2010	3	05/18/2010	-	-	161,490	0.01	86,801	0.00	-	-	Bachelor degree in communication engineering, National Chiao Tung University Founder of Advantech Corp	The founder and Chairman of Advantech Co. Ltd Chairman of Advantech foundation Chairman of Yan Hua Xing Ye Electronic(SHHQ) Chairman of Advantech Investment Fund - A Co., Ltd. (Advantech Fund - A) Chairman of Advansus Corporation Chairman of Advantech Technology (China) Company Ltd. (AKMC) Chairman of Shanghai Advantech Intelligent Services Co., Ltd. (AINS) Chairman of Xi'an Advantech Software Ltd. (AXA) Chairman of Broadwin Technology Chairman of Netstar Technology Co., Ltd. (Netstar) Chairman of BCM Embedded Computer Inc. Chairman of Advantech Intelligent Service (AiST) Chairman of ACA Digital Corporation Chairman of Advantech Europe GmbH (ADL) Chairman of Advantech Japan Co.,Ltd.(AJP) Director of AIDC Investment Corp. Director of Sinocon Industrial Standards Foundation Director of Aximtek Co., Ltd. Director of Avalue Technology Inc. Director of K and M Investment Co., Ltd. Director of Advantech Europe B.V.(AESC) Director of Advantech Technology Co., Ltd.(ATC)

Title / Name	Date Elected	Term (Years	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Selected Current Positions
				Shares	%	Shares	%	Shares	%	Shares	%		
Director C.I. Chia	05/18/2010	3	05/18/2010	-	-	20,186	0.00	-	-	-	-	BBA, National Taiwan University MBA, Univeristy of Wisconsin-Madison Vice President, Citibank, N.A.Taipei Branch President, Individual Financial Services Group, Bank SinoPac	Director of Yangtze Associates
Director C.V. Chen	05/18/2010	3	05/18/2010	-	-	-	-	-	-	-	-	LL.B., National Taiwan University LL.M., University of British Columbia LL.M., Harvard Law School S.J.D., Harvard Law School Vice Chairman & Secretary-general and Director of Straits Exchange Foundation (SEF)	Chairman and Managing Partner of Lee and Li Attorneys-At-Law Adjunct Professor of Law at National Chengchi University President of The Red Cross Society of The Republic of China Director of Asia Cement Corporation Director of Novartis Taiwan
Independent Director C.P. Chang	05/18/2010	3	05/18/2010	-	-	-	-	-	-	-	-	B.S., Statistics, National Chengchi University Deputy General Manager of China Development Industrial Bank	Chairman of Polytronic Technology Corp. Independent Director of Far Eastern International Bank Independent Director of Gold Circuit Electronics Independent Director of Raydium Semiconductor Corp. Director of Topology Technology Inc.

Title / Name	Date Elected	Term (Years	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Selected Current Positions
				Shares	%	Shares	%			Shares	%		
Independent Director C. Lin	05/18/2010	3	05/18/2010	-	-	-	-	-	-	-	-	Master degree in Department of Public Finance, National Chengchi University Ph.D. Economics, University of Illinois Director General, Bureau of Finance, Taipei City Government Minister, Directorate General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. Minister of Finance of the R.O.C. Chairman of Vanguard International Semiconductor Corporation	Adjunct Professor of Economics at National Taiwan University Director of Vanguard International Semiconductor Corp. Director of Chartis Taiwan Insurance Co., Ltd.
Independent Director C.S. Yen	05/18/2010	3	05/18/2010	-	-	-	-	-	-	-	-	Provincial Keelung Senior High School Country Manager of American Express Inc. Taiwan General Manager of the Grand Hotel Chairman of Taiwan Visitors Association Pacific Asia Travel Association (PATA) Young Presidents' Organization (YPO) Asia Conference. Chairman for Asia Pacific region of The Leading Hotels of The World	Group President of Landis Hotels and Resorts Chairman of the Landis Institute Chairman of the Landis Management CO., LTD. Director of Spatial Native Language Foundation of Arts and Culture Director of NSFG Foundation Director of CHENG HSIN GENERAL HOSPITAL Director of Chun Ching Social Welfare Foundation Director of Dwen An Social Welfare Foundation Director of Koo Foundation Sun Yat-Sen Cancer Center Director of Andrew T. Huang Medical Education Promotion Foundation Director of XUE XUE Foundation Director of Lung Yingtai Cultural Foundation Director of Long Yen Foundation Director of New Generation Foundation Independent Director of Shinkong Insurance Co., Ltd. Director of Republic of China(Taiwan) Centenary Foundation

Title / Name	Date Elected	Term (Years	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Selected Current Positions
				Shares	%	Shares	%	Shares	%	Shares	%		
Supervisor C.H. Tong	05/18/2010	3	05/18/2010	-	-	-	-	210,358	0.01	-	-	Bachelor degree in mechanical engineering, Waseda University, Japan Chairman of AVY Co., Ltd. Chairman of AVY Precision Technology Inc. Chairman of Ability Enterprise Co., Ltd.	Chairman of Abico Group Director of Ability Enterprise Co., Ltd. Director of AVY Precision Technology Inc. Chairman of Ability Investment Co., Ltd. Chairman of Ashine Precision Co., Ltd. Director of HiTi Digital, Inc. Director of GrandTech C.G. Systems Inc.
Supervisor M.C. Chou	05/18/2010	3	05/18/2010	-	-	7,462,968	0.33	-	-	-	-	Master degree in industrial management, National Taiwan University of Science and Technology Head of Information Division of Asustek Supervisor of AmTRAN Technology	Chairman of Crystal Technology Venture Capital Investment Corp.
Supervisor I. L. Cheng	05/18/2010	3	05/18/2010	-	-	-	-	-	-	-	-	Bachelor degree in accounting, National Chung Hsing University Bachelor degree in law from Chinese Culture University Certified Public Accountant Partner of Diwan Ernst & Young, Taiwan Director of ROC CPA Association Director of Taipei CPA Association A member of legal committee at Taipei CPA Association Director of Association for R&D of Corporate Organization ROC Supervisor of IFA(International Fiscal Association) ROC Director of The Foundation of Both Banks Peaceful Coexistence	Director of The Lin pen-Yuan Cultural and Educational Foundation

3.2.2 Professional Qualifications and Independence Analysis of the Board Directors and Supervisors

As of 04/26/2011

Criteria / Name	Met One of the Following Professional Qualification Requirements with at Least Five Years Work Experience			Independence Criteria(Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
T.H. Tung	-	-	V	-	-	-	V	V	V	V	V	V	V	0
Ted Hsu	-	-	V	-	-	-	V	V	V	V	V	V	V	0
Jason Cheng	-	-	V	-	-	V	V	V	V	V	V	V	V	0
K.C. Liu	-	-	V	-	-	V	V	V	V	V	V	V	V	0
C.I. Chia	-	-	V	V	V	V	V	V	V	V	V	V	V	0
C.V. Chen	V	V	V	V	V	V	V	V	V	-	V	V	V	0
C.P. Chang	-	-	V	V	V	V	V	V	V	V	V	V	V	2
C. Lin	V	-	V	V	V	V	V	V	V	V	V	V	V	0
C.S. Yen	-	-	V	V	V	V	V	V	V	V	V	V	V	1
C.H. Tong	-	-	V	-	-	V	V	V	V	V	V	V	V	0
M.C. Chou	-	-	V	V	V	V	V	V	V	V	V	V	V	0
I.L. Cheng	-	V	V	V	V	V	V	V	V	V	V	V	V	0

Note: The independence criteria corresponding boxes are ticked to indicate whether the directors or supervisors had been any of the following during the two years prior to being elected or during the term of office:

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any of the persons in the preceding three subparagraphs.

5. Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the share, of a specified company or institution that has a financial or business relationship with the Company.
7. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
9. Not been a person of any conditions defined in Article 30 of the Company Law.
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

3.2.3 Introduction of Management Team

As of 04/26/2011

Title / Name	Date Elected	Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Selected Current Positions
		Shares	%	Shares	%	Shares	%		
Group CEO T.H. Tung	01/01/2008	60,411,809	2.68	19,517,291	0.86	-	-	Master degree in computer and communication engineering, National Taipei University of Technology Deputy General Manager of Asustek	Chairman of Pegatron Corp. Chairman of Unihan Corp. Chairman of Kinsus Interconnect Technology Corp. Chairman of Lumens Digital Optics Inc. Chairman of AMA Precision Inc. Chairman of Asus Investment Co., Ltd. Chairman of Asustek Investment Co., Ltd. Chairman of Pegavision Corp. Chairman of Kinsus Investment Co.,Ltd. Director of Ability Enterprise Co., Ltd. Director of Asrock Incorporation Director of AzureWave Technologies, Inc.
Deputy Group CEO Ted Hsu	01/01/2008	52,625,540	2.33	17,143,855	0.76	-	-	EMBA , National Chiao Tung University Deputy General Manager of Asustek	Deputy Chairman of Pegatron Corp. Chairman of Asuspower Investment Co., Ltd. Chairman of Asrock Incorporation. Chairman of AzureWave Technologies, Inc. Director of Unihan Corp. Director of Kinsus Interconnect Technology Corp. Director of Advantech Corp.
President and CEO Jason Cheng	01/01/2008	1,973,866	0.09	54,250	0.00	-	-	Master degree in electrical engineering, University of Southern California Deputy General Manager of Asustek	Director and CEO of Pegatron Corp. Director of Unihan Corp. Director of Alcor Micro Corp. Director of Asus Investment Co. Ltd. Director of Asuspower Investment Co. Ltd. Director of Asustek Investment Co. Ltd. Director of AzureWave Technologies, Inc. Director of Pegatron Czech s.r.o.
CTO Tien-Chun Tseng	05/12/2009	26,969	0.00	6,913	0.00	-	-	MBA, Tulane University Chief of Staff of Asustek	None
CAO Ching-Ru Wu	07/01/2009	239,247	0.01	22,892	0.00	-	-	Master degree in Management National Taiwan University of Science and Technology Controller of Asustek	Supervisor of Unihan Corporation Supervisor of Lumens Digital Optics Inc. Supervisor of Starlink Eletronics Corp.

Title / Name	Date Elected	Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Selected Current Positions
		Shares	%	Shares	%	Shares	%		
Senior Vice President Chin-Kuo Tsai	08/01/2008	81,557	0.00	-	-	-	-	Bachelor degree in transportation engineering and management National Chiao Tung University Chief of Staff of Asustek	None
Senior Vice President and COO Hsu-Tien Tung	08/01/2008	354,337	0.02	-	-	-	-	Bachelor degree in electrical engineering National Taiwan University Associate Vice President of Asustek	Director of Ability Enterprise Co., Ltd. Director of Advansus Computer Co., Ltd Chairman of Top Quark Ltd.
Vice President Yenh-Sueh Su	02/01/2008	30,609	0.00	80,000	0.00	-	-	Mater degree in industrial management Carnegie Mellon University Chief Investment Officer of Asustek	Director of Kinsus Interconnect Technology Corp Supervisor of Asrock Incorporation Supervisor of Advansus Computer Co., Ltd Supervisor of Advantech Co. Ltd Supervisor of Asus Investment Co., Ltd Supervisor of Asuspower Investment Co., Ltd Supervisor of Asustek Investment Co., Ltd
Vice President Tsu-Yau Lee	08/01/2008	401,807	0.02	-	-	-	-	MBA, University of New York Associate Vice President of Asustek	None
Vice President Yean-Jen Shue	08/01/2008	97,060	0.00	4,175	0.00	-	-	Ph.D. Electrical Engineering University of Florida Associate Vice President of Asustek	None
Vice President Te-Tzu Yao	08/01/2008	141,624	0.01	-	-	-	-	MBA, Thunderbird Graduate School Chief of Staff of Asustek	None
Vice President Kuo-Yen Teng	08/01/2008	231,083	0.01	2	0.00	-	-	College degree in Electronic Engineering National Taipei Institute of Technology Associate Vice President of Asustek	None
Vice President Tien-Ting Wei	08/01/2008	3,755,308	0.17	2,774,055	0.12	-	-	Bachelor degree in Electrical Engineering Chinese Culture University Associate Vice President of Asustek	None
Vice President Tsung-Jen Ku Lai	08/01/2008	425,288	0.02	6,991	0.00	-	-	Bachelor degree in industrial engineering Tunghai University Associate Vice President of Asustek	None
Vice President Yu-Nan Ting	08/01/2008	81,654	0.00	-	-	-	-	Ph.D. Business Administration Shanghai University of Finance and Economics Associate Vice President of Asustek	None

Title / Name	Date Elected	Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Selected Current Positions
		Shares	%	Shares	%	Shares	%		
Vice President En-Bair Chang	02/01/2008	162,559	0.01	60,556	0.00	-	-	Master degree in industrial design University of Copenhagen Associate Vice President of Asustek	Director of Kaedar Trading Ltd Director of Kaedar Holdings Ltd Director of Indeed Holdings Ltd Director of Slitek Holdings Ltd Director of Wilson Holdings Ltd Director if United New Ltd Director of AMA Precision Inc. Director of Indeed Shanghai Supervisor of Ability Enterprise Co. Ltd Director of Aplus Precision (Cayman) Director of Grand Upright Technology Ltd.
Vice President Shih-Chi Hsu	08/01/2008	39,621	0.00	-	-	-	-	Bachelor degree in Mechanical Engineering National Taiwan Institute of Technology Associate Vice President of Asustek	None
Vice President Kuang-Chih Cheng	08/01/2008	38,720	0.00	5,324	0.00	-	-	Master degree in computer science and information engineering Tamkang University Associate Vice President of Asustek	Director of Asrock Incorporation
Vice President Tian-Bao Chang	08/01/2008	293,953	0.01	-	-	-	-	College degree in transportation Chungyu Institute of Technology Senior Manager of Asustek	Director of Protek (Shanghai) Ltd Director of Powtek (Shanghai) Co., Ltd Director of Runtop (Shanghai) Co., Ltd Director of Core-Tek (Shanghai) Limited
Vice President Ming-Tung Hsu	08/01/2008	75,634	0.00	8,219	0.00	-	-	College degree in industrial engineering National Taipei Institute of Technology Associate Vice President of Asustek	None
Vice President Yuing Chang	04/01/2010	12,593	0.00	5,649	0.00	-	-	Ph.D. Mechanical Engineering Chung Yuan Christian University Vice President of Liteon Technology Corp.	None
Vice President Chih-Hsiung Chen	07/01/2010	381,075	0.02	-	-	-	-	Master in Electrical Engineering Tufts University (USA) Vice President of Asustek	None
Chief Financial Officer Chiu-Tan Lin	02/01/2008	28,317	0.00	-	-	-	-	Master degree in business administration Tunghai University Deputy Chief Investment Officer	Supervisor of AVY Precision Technology Inc. Supervisor of Kinsus Interconnect Technology Corp. Chairman of Starlink Electronics Corp. Director of Ri-Kuan Metal Corp.

Title / Name	Date Elected	Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Selected Current Positions
		Shares	%	Shares	%	Shares	%		
Associate Vice President Chun-Jui Yang	08/01/2008	43,860	0.00	-	-	-	-	Master degree in computer science Georgia Institute of Technology. Special Assistant of Asustek	None
Associate Vice President Wen-Jiunn Cheng	01/01/2008	32,515	0.00	2,669	0.00	-	-	Master degree in electronic engineering National Chiao Tung University Associate Vice President of Asustek	None
Associate Vice President Chien-Chao Yang	08/01/2008	46,123	0.00	-	-	-	-	Bachelor degree in electronic engineering Tamkang University Senior Manager of Asustek	None
Associate Vice President Che-Yen Lai	01/01/2008	121,898	0.01	-	-	-	-	Bachelor degree in mechanical engineering Feng Chia University Associate Vice President of Asustek	None
Associate Vice President Jeremy-Pyu Shu	07/01/2009	89,194	0.00	9,339	0.00	-	-	MBA, California State University, Los Angels (UCLA) Senior Manager of Asustek	None
Associate Vice President Tsang-Lung Lin	01/01/2008	26,969	0.00	-	-	-	-	College degree in electronical engineering Lien Ho Industrial and Technological Junior College Senior Manager of Asustek	None
Associate Vice President Hung-Ta Huang	01/01/2008	58,023	0.00	-	-	-	-	Mater degree in electrical engineering National Cheng Kung University Associate Vice President of Asustek	None
Associate Vice President Tien-Peng Yu	08/01/2008	55,005	0.00	-	-	-	-	Bachelor degree in electrical engineering National Taiwan Ocean University Senior Manager of Asustek	None
Associate Vice President Jen-Chung Yang	04/01/2008	128,113	0.01	43,669	0.00	-	-	College degree in computer science National Taipei Junior College of Business Chief Engineer of Asustek	None
Associate Vice President Chia-Huang Huang	01/01/2008	39,704	0.00	-	-	-	-	College degree in mechanical engineering Hwa Hsia Institute of Technology Associate Vice President of Asustek	None
Associate Vice President Wen-Geeng Huang	01/01/2008	43,911	0.00	-	-	-	-	Master degree in Science in Florida Institute of Technology Senior Manager of Asustek	None

Title / Name	Date Elected	Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Selected Current Positions
		Shares	%	Shares	%	Shares	%		
Associate Vice President Chung-Yao Li	05/05/2008	20,161	0.00	37	0.00	-	-	Master degree in industrial management University of South Australia Chief of Hua Nan Site, Wistron Corp.	None
Associate Vice President YI-Hsin Lee	08/01/2008	142,584	0.01	933	0.00	-	-	Bachelor degree in computer science and information engineering Tamkang University Senior Manager of Asustek	None
Associate Vice President Shyh-Heh Hwang	01/01/2008	39,244	0.00	65	0.00	-	-	MBA, Thunderbird Graduate School Associate Vice President of Asustek	None
Associate Vice President Bau-Hsing Ann	07/01/2010	-	-	-	-	-	-	Master degree in Electrical Engineering Ohio State University Managing Director of KTB	None
Associate Vice President Chen-Pin Tseng	08/18/2010	-	-	-	-	-	-	Bachelor degree in Industrial Engineering National Tsng Hua University Associate Vice President of Accton Technology Corp.	None
Associate Vice President Kuo-Pin Chang	10/04/2010	17	0.00	-	-	-	-	Master degree in Communication Engineering National Chiao Tung University Vice President of Inventec Appliances Corp.	None
Associate Vice President Tien-Yiu Tang	10/15/2010	-	-	-	-	-	-	Bachelor degree in Electrical Engineering Chung Yuan Christian University Vice President of Inventec Appliances Corp.	None
Associate Vice President Wei-Te Lai	12/27/2010	-	-	-	-	-	-	MBA, National Chung San University Senior Associate Vice President of Inventec Appliances Corp.	None
Associate Vice President Chieh-Hen Huang	04/01/2011	200,000	0.01	-	-	-	-	Master degree in Computer Science, UC Santa Barbara President of Pegatron USA	None
Associate Vice President Chih-Chung Wang	03/23/2011	-	-	-	-	-	-	College degree in Mechanical Engineering Minghsin University of Science and Technology Director of AzureWave	None

Title / Name	Date Elected	Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Selected Current Positions
		Shares	%	Shares	%	Shares	%		
Vice President Lung-Hua Shen (Note 1)	08/01/2008	-	-	-	-	-	-	Bachelor degree in civil engineering Tamkang University Associate Vice President	None
Vice President Chin-Pei Lin (Note 2)	08/01/2008	-	-	-	-	-	-	Bachelor degree in Industrial Engineering National Taipei University of Technology Associate Vice President of Asustek	None
Vice President Yung-Ming Huang (Note 3)	08/01/2008	-	-	-	-	-	-	Bachelor degree in Industrial Engineering Chung Yuan Christian University Chief Quality Officer of Asustek	None
Associate Vice President Te-Ming Yang (Note 4)	09/01/2009	-	-	-	-	-	-	MBA, Leicester University (U.K.) President of Yahsin Electronics Suzhou	None
Associate Vice President Hui-Te Hsu (Note 5)	07/01/2009	-	-	-	-	-	-	College degree in electrical engineering Hwa Hsia Institute of Technology Senior Manager of Asustek	None
Associate Vice President Shih-Chen Huang (Note 6)	05/01/2009	-	-	-	-	-	-	Bachelor degree in electrical engineering Tatung University President of Runtop (Shanghai) Co. Ltd	None
Associate Vice President Fung-San Chiang (Note 7)	03/01/2008	-	-	-	-	-	-	Master degree in computer engineering San Jose State University Associate Vice President of Asustek	None

Note 1: Mr. Lung-Hua Shen resigned from his position effective 04/14/2010.
Note 2: Mr. Chin-Pei Lin resigned from his position effective 04/16/2010.
Note 3: Mr. Yung-Ming Huang retired from his position effective 12/31/2010.
Note 4: Mr. Te-Ming Yang resigned from his position effective 09/15/2010.
Note 5: Mr. Hui-Te Hsu was resigned from his position effective 09/16/2010.
Note 6: Mr. Shih-Chen Huang resigned from his position effective 09/30/2010.
Note 7: Mr. Fung-San Chiang resigned from his position effective 10/12/2010.

3.2.4 Remuneration of Directors, Supervisors, the President, and Vice President

3.2.4.1 Remuneration of Directors

Unit: NT$ thousands

Title/ Name	Remuneration								Ratio of total remuneration (A+B+C+D) to net income(%)		Relevant remuneration received by directors who are also employees										Ratio of total compensation (A+B+C+D+E+F+G) to net income(%)		Compensation paid to directors from an invested company other than the company's subsidiary
	Base Compensation(A)		Severance Pay(B)		Bonus to Directors(C)		Allowances(D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Profit Sharing- Employee Bonus (G)				Exercisable Employee Stock Options (H)				
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	
															Cash	Stock	Cash	Stock					
Chairman T.H. Tung Director Ted Hsu Director Jason Cheng Director C.T. Lin Director L.L. Chao Director K.C. Liu Director C.I. Chia Director C.V. Chen Independent Director C.P. Chang Independent Director C. Lin Independent Director C.S. Yen	0	0	0	0	9,000	9,000	0	30	0.15%	0.15%	28,749	28,749	0	0	4,312	0	4,312	0	0	0	0.68%	0.68%	1,250

Note: Charles Lin and Lily Chao retired from his/her position effective 18 May, 2011.

Bracket	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	All affiliated companies
Below NT$ 2,000,000	T.H. Tung, Ted Hsu, Jason Cheng, C.T. Lin, L.L. Chao, K.C. Liu, C.I. Chia, C.V. Chen, C.P. Chang, C. Lin, C.S. Yen	T.H. Tung, Ted Hsu, Jason Cheng, C.T. Lin, L.L. Chao, K.C. Liu, C.I. Chia, C.V. Chen, C.P. Chang, C. Lin, C.S. Yen	L.L. Chao, K.C. Liu, C.I. Chia, C.V. Chen, C.P. Chang, C. Lin, C.S. Yen	L.L. Chao, K.C. Liu, C.I. Chia, C.V. Chen, C.P. Chang, C. Lin, C.S. Yen
NT$2,000,000(Included) ~ NT$5,000,000(Excluded)			C.T. Lin	C.T. Lin
NT$5,000,000 (Included)~ NT$10,000,000(Excluded)			T.H. Tung, Ted Hsu	T.H. Tung, Ted Hsu
NT$10,000,000(Included) ~ NT$15,000,000(Excluded)			Jason Cheng	Jason Cheng
NT$15,000,000 (Included)~ NT$30,000,000(Excluded)				
NT$30,000,000 (Included)~ NT$50,000,000(Excluded)				
NT$50,000,000(Included) ~ NT$100,000,000(Excluded)				
Over NT$100,000,000				
Total				

3.2.4.2 Remuneration of Supervisors

Unit: NT$ thousands

Title/Name	Remuneration						Ratio of total remuneration (A+B+C) to net income(%)		Compensation paid to directors from an invested company other than the company's subsidiary
	Base Compensation(A)		Bonus to Supervisor(B)		Allowances(C)				
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	
Supervisor Jerry Shen Supervisor David Chang Supervisor C.H. Tong Supervisor M.C. Chou Supervisor I. L. Cheng	0	0	3,000	3,000	0	24	0.05%	0.05%	0

Note: Mr. Jerry Shen and Mr. David Chang's term as supervisor expired on May 18, 2010.

Bracket	Name of Supervisors	
	Total of (A+B+C)	
	The company	All affiliated companies
Below NT$ 2,000,000	Jerry Shen, David Chang, C.H. Tong, M.C. Chou, I.L. Cheng	Jerry Shen, David Chang, C.H. Tong, M.C. Chou, I.L. Cheng
NT$2,000,000(Included) ~ NT$5,000,000(Excluded)		
NT$5,000,000 (Included)~ NT$10,000,000(Excluded)		
NT$10,000,000 (Included)~ NT$15,000,000(Excluded)		
NT$15,000,000(Included) ~ NT$30,000,000(Excluded)		
NT$30,000,000 (Included)~ NT$50,000,000(Excluded)		
NT$50,000,000(Included) ~ NT$100,000,000(Excluded)		
Over NT$100,000,000		
Total		

3.2.4.3 Remuneration of the President and Vice President

Unit: NT$ thousands

Title/Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		Profit Sharing- Employee Bonus (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Exercisable Employee Stock Options		Compensation paid to the president and vice president from an invested company other than the company's subsidiary
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	
							Cash	Stock	Cash	Stock					
Group CEO T.H. Tung	57,651	61,971	0	0	48,866	48,935	12,652	0	12,652	0	1.92%	1.99%	0	0	1,250
Deputy Group CEO Ted Hsu															
President and CEO Jason Cheng															
CTO Tien-Chun Tseng															
Senior Vice President Chin-Kuo Tsai															
Senior Vice President and COO Hsu-Tien Tung															
Vice President Yenh-Sueh Su															
Vice President Tsu-Yau Lee															
Vice President Yean-Jen Shue															
Vice President Te-Tzu Yao															
Vice President Kuo-Yen Teng															
Vice President Tien-Ting Wei															

Title/Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		Profit Sharing- Employee Bonus (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Exercisable Employee Stock Options		Compensation paid to the president and vice president from an invested company other than the company's subsidiary
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	
							Cash	Stock	Cash	Stock					
Vice President Tsung-Jen Ku Lai															
Vice President Chin-Pei Lin															
Vice President Lung-Hua Shen															
Vice President Yung-Ming Huang															
Vice President Yu-Nan Ting															
Vice President En-Bair Chang															
Vice President Shih-Chi Hsu															
Vice President Kuang-Chi Cheng															
Vice President Tian-Bao Chang															
Vice President Ming-Tung Hsu															
Vice President Yuing Chang															
Vice President Chih-Hsiung Chen															

Bracket	Name of President and Vice President	
	The company	Companies in the consolidated financial statements
Below NT$ 2,000,000	Chin-Pei Lin, Chih-Hsiung Chen	Chin-Pei Lin, Chih-Hsiung Chen
NT$2,000,000(Included)~ NT$5,000,000(Excluded)	Kuo-Yen Teng, Kuang-Chi Cheng, Yu-Nan Ting, Tsu-Yau Lee, Yean-Jen Shue, Tien-Ting Wei, Tsung-Jen Ku Lai, Tian-Bao Chang, Ming-Tung Shu, Te-Tzu Yao, Tien-Chun Cheng, Yuing Chang, Shih-Chi Hsu, Lung-Hua Shen, Yung-Ming Huang	Kuo-Yen Teng, Kuang-Chi Cheng, Yu-Nan Ting, Tsu-Yau Lee, Yean-Jen Shue, Tien-Ting Wei, Tsung-Jen Ku Lai, Tian-Bao Chang, Ming-Tung Shu, Tien-Chun Cheng, Yin Chang, Shih-Chi Hsu, Lung-Hua Shen, Yung-Ming Huang
NT$5,000,000(Included) ~ NT$10,000,000(Excluded)	T.H. Tung, Ted Hsu, Hsu-Tien Tung, Chin-Kuo Tsai, En-Bair Chang	T.H. Tung, Ted Hsu, Hsu-Tien Tung, Chin-Kuo Tsai, En-Bair Chang, Te-Tzu Yao
NT$10,000,000(Included) ~ NT$15,000,000(Excluded)	Jason Cheng, Yenh-Sueh Su	Jason Cheng, Yenh-Sueh Su
NT$15,000,000(Included) ~ NT$30,000,000(Excluded)		
NT$30,000,000(Included) ~ NT$50,000,000(Excluded)		
NT$50,000,000(Included)~NT$100,000,000(Excluded)		
Over NT$100,000,000		
Total		

3.2.4.4 Employee Profit Sharing Granted to Management Team

Unit: NT$ thousands

Title	Name	Stock (Fair Market Value)	Cash	Total	Ratio of Total Amount to Net Income (%)
Group CEO	T.H. Tung	0	20,329	20,329	0.33%
Deputy Group CEO	Ted Hsu				
President and CEO	Jason Cheng				
CTO	Tien-Chun Tseng				
CAO	Ching-Ru Wu				
Senior Vice President	Chin-Kuo Tsai				
Senior Vice President and COO	Hsu-Tien Tung				
Vice President	Ming-Tung Hsu				
Vice President	Kuang-Chih Cheng				
Vice President	Yu-Nan Ting				
Vice President	Tsu-Yau Lee				
Vice President	Yenh-Sueh Su				
Vice President	Kuo-Yen Teng				
Vice President	Tsung-Jen Ku Lai				
Vice President	Te-Tzu Yao				
Vice President	Shih-Chi Hsu				
Vice President	Yean-Jen Shue				
Vice President	En-Bair Chang				
Vice President	Tian-Bao Chang				
Vice President	Tien-Ting Wei				
Vice President	Chih-Hsiung Chen				
Vice President	Yuing Chang				
Vice President	Lung-Hua Shen				
Vice President	Yung-Ming Huang				
Vice President	Chin-Pei Lin				
Associate Vice President	Tien-Peng Yu				
Associate Vice President	Jeremy-Pyu Shu				
Associate Vice President	Chun-Jui Yang				
Associate Vice President	Wen-Geeng Huang				
Associate Vice President	Hung-Ta Huang				
Associate Vice President	Wen-Jiunn Cheng				
Associate Vice President	Jen-Chung Yang				

Title	Name	Stock (Fair Market Value)	Cash	Total	Ratio of Total Amount to Net Income（%）
Associate Vice President	Chia-Huang Huang				
Associate Vice President	Tsang-Lung Lin				
Associate Vice President	Che-Yen Lai				
Associate Vice President	Shyh-Heh Hwang				
Associate Vice President	Chien-Chao Yang				
Associate Vice President	Yi-Hsin Lee				
Associate Vice President	Chung-Yao Li				
Chief Financial Officer	Chiu-Tan Lin				
Associate Vice President	Hui-Te Hsu				
Associate Vice President	Fung-San Chiang				
Associate Vice President	Shih-Chen Huang				
Associate Vice President	Te-Ming Yang				
Associate Vice President	Chen-Pin Tseng				
Associate Vice President	Bau-Hsing Ann				
Associate Vice President	Kuo-Pin Chang				
Associate Vice President	Tien-Yiu Tang				
Associate Vice President	Wei-Te Lai				
Associate Vice President	Chih-Chung Wang				
Associate Vice President	Chieh-Hen Huang				

3.2.4.5 Compare and state the ratio of total remuneration paid to the Company's Directors, Supervisors, President and Vice Presidents by the company and the companies in the consolidated financial statements to net income in the past two years. Please also describe the policy, criteria, packages and rules relating to the remuneration, as well as its relation to business performance and future risks.

Total remuneration paid by the company and by all companies included in the consolidated financial statements for the most recent two fiscal years to directors, supervisors, presidents and vice presidents of the Company:

Net Income of year 2009 : NT 6,751,588 thousand dollars

Net Income of year 2010 : NT 6,211,436 thousand dollars

NT$ thousands; %

Year	Total remuneration paid to directors, supervisors, presidents and vice presidents		Ratio of total remuneration paid to directors, supervisors, presidents and vice presidents to net income (%)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
2009	180,567	185,223	2.67%	2.74%
2010	134,615	140,254	2.17%	2.25%

The ratio of remuneration paid to directors, supervisors, presidents and vice presidents of the company and the companies in the consolidated financial statements in the last two years, to net income was 2.67% and 2.74% in 2009 and 2.17% and 2.25% in 2010, respectively.

Remuneration to directors and supervisors is appropriated according to the Articles of Incorporation and approves by the shareholders' meeting after proposed by the board of directors. Remuneration to the president and vice presidents includes salary, bonus, employee profit sharing, etc., and is decided based on the responsibility of each role with reference to the salary level per industry average. Factors such as industry outlook and business performance of the company are also taken into considered when determining remuneration amounts.

The compensation is measured based on the employee's personal achievements, contribution made to the business operation, and the market averages. It has a positive correlation with the performance of the company's business.

3.3 Implementation of Corporate Governance

3.3.1 Board of Directors

A total of 13 (A) meetings of the board of directors were held in 2010. The directors' attendance status is as follows:

Title	Name	Attendance in person (B)	By Proxy	Attendance rate (%)【B/A】	Remarks
Chairman	T.H. Tung	12	1	92.3%	Renewal of office (Re-elected on May 18)
Director	Ted Hsu	11	2	84.6%	Renewal of office (Re-elected on May 18)
Director	Jason Cheng	10	3	76.9%	Renewal of office (Re-elected on May 18)
Director	K.C. Liu	4	0	100.0%	New office resumed (Elected on May 18)
Director	C.I. Chia	4	0	100.0%	New office resumed (Elected on May 18)
Director	C.V. Chen	1	2	25.0%	New office resumed (Elected on May 18)
Director	C.T. Lin	7	0	100.0%	Appointed by Asustek on Jan 28 and term expired on May 18
Director	L.L. Chao	7	0	100.0%	Appointed by Asustek on Jan 28 and term expired on May 18
Independent Director	C. Lin	4	0	100.0%	New office resumed (Elected on May 18)
Independent Director	C.S. Yen	3	1	75.0%	New office resumed (Elected on May 18)
Independent Director	C.P. Chang	2	0	50.0%	New office resumed (Elected on May 18)

Remarks:

1. If there are the circumstances referred to in Article 14-3 of Securities and Exchange Act and resolutions of the directors' meetings objected to by Independent Directors or subject to qualified opinion and recorded or declared in writing, the dates of meetings, sessions, contents of motions, all independents' opinion and the Company's response to independent directors' opinion should be specified: None
2. If there is Directors' avoidance of motions in conflict of interest, the Directors' names, contents of motions, causes for avoidance and voting should be specified: None
3. Measures taken to strengthen the functionality of the Board: The Board complies with the "Rules Governing the Conduct of Board Meetings" which has been established according to statutory regulations. Chief Internal Audit and Chief Financial Officer also report to the board regarding the status of internal audit and finance and relevant reports are provided to the directors for their reference.

3.3.2 Supervisors

A total of 13 (A) meetings of the board of directors were held in 2010. The directors' attendance status is as follows:

Title	Name	Attendance in person (B)	Attendance rate (%)【B/A】	Remarks
Supervisor	C.H. Tong	1	25.0%	New office resumed (Elected on May 18)
Supervisor	M.C. Chou	3	75.0%	New office resumed (Elected on May 18)
Supervisor	I.L. Cheng	4	100.0%	New office resumed (Elected on May 18)
Supervisor	Jerry Shen	1	11.1%	Term expired on May 18
Supervisor	David Chang	3	42.9%	Appointed by Asustek on Jan 28 and term expired on May 18

Remark:

1. Composition and responsibilities of supervisors:
   (1) Communications between supervisors and the Company's employees and shareholders (e.g. the communication channels and methods, etc.): If necessary, supervisors can be reached by telephone, fax and email for communications.
   (2) Communications between supervisors and the Company's Chief Internal Auditor and CPA (e.g. the items, methods and results of the audits of corporate finance or operations, etc.): Supervisors hold meetings with Chief Internal Audit on periodic basis to review auditing report and CPA will be consulted whenever necessary.
2. If a supervisor expresses an opinion during a meeting of the Board of Directors, the dates of meetings, sessions, contents of motions, resolutions of the directors' meetings and the Company's response to supervisor's opinion should be specified: None

3.3.3 Corporate Governance Implementation Status and Deviations from "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies

Item	Implementation Status	Non-implementation and its reason(s)
1.Shareholding Structure & Shareholders' Rights		None
(1) Method of handling shareholder suggestions or complaints	The Company has designated departments to handle shareholder suggestions or complaints. Shall any legal issues involve our legal department and outside counsel will be handling the issues.	
(2) The Company's possession of a list of major shareholders and a list of ultimate owners of these major shareholders	The Company maintains a good relationship with major shareholders and keeps an updated list of the major shareholders.	
(3) Risk management mechanism and "firewall" between the Company and its affiliates	The Company has established appropriate internal policies and assigned designated personnel to be handled by affiliated companies.	
2.Composition and Responsibilities of the Board of Directors		None
(1) Independent Directors	Mr. C.P. Chang, Mr. C. Lin and Mr. C.S. Yen are the independent directors of the Company.	
(2) Regular evaluation of CPAs' independence	CPA's independence is reviewed regularly.	
3.Communication channel with stakeholders	The Company has designated departments to communicate with stakeholders on a case by case basis. Furthermore, the contact information providing access to the Company's spokesperson and relevant departments is available on the Market Observation Post System ("MOPS") website.	None
4.Information Disclosure		None
(1) Establishment of a corporate website to disclose information regarding the Company's finance,	Information regarding the Company's finance, business and corporate governance status can be found on MOPS.	

Item	Implementation Status	Non-implementation and its reason(s)
business and corporate governance status (2) Other information disclosure channels (e.g., maintaining an English-language website, appointing responsible people to handle information collection and disclosure, appointing spokespersons, webcasting investors conference)	The company has designated persons to handle information collection and disclosure as required by laws and regulations of Taiwan. The Company has designated spokespersons as required by relevant regulations. Investor conference information is disclosed on the corporate website as well as MOPS.	
5.Operations of the Company's Nomination Committee, Compensation Committee, or other committees of the Board of Directors	The Company has not established Nomination Committee or, Compensation Committee.	None
6. If the Company has established corporate governance principles based on "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies", please describe any discrepancy between the principles and their implementation: The Company has not established corporate governance principles based on "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies". However, relevant internal policies and internal control systems are being implemented and the results are deemed satisfactory.		
7. Other important information to facilitate better understanding of the Company's corporate governance practices (e.g., employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors): (1) Status of employee rights and employee wellness: Employee rights and wellness are stated in internal policies as required by relevant regulations. (2) Status of investor relations, supplier relations and rights of stakeholders: Please refer to the "*Corporate Social Responsibility*" available on the corporate website. (3) The Company maintains a positive relationship with its customers. (4) The Company's directors and supervisors perform sufficient supervision by inspecting the Company's business operation from time to time and establishing internal control, auditing and evaluation procedures. (5) The Company has purchased D&O insurance for its directors and supervisors.		
8. If the Company has implemented a self corporate governance evaluation or has authorized any other professional organization to conduct such an evaluation, the evaluation results, major deficiencies or suggestions, and improvements are stated as follows: None		

3.3.4 Status of Compensation Committee: The Company has not established compensation committee.

3.3.5 Implementation of Social Responsibility

Item	Implementation Status	Non-implementation and its reason(s)
1. Exercising Corporate Governance (1) The Company establishes corporate social responsibility policy or system and its implementation status.	We have established our corporate social responsibility, environmental and occupational health & safety management system (PUreCSR management system) to implement CSR, environmental, safety & health related duties. We not only set up objectives and targets, but also perform internal and external audit and corrective and preventive actions. Our PUreCSR policy is as followings: 1. Abide by all environmental protection, labor, safety and health laws. 2. Conserve natural resources, and actively prevent pollution. 3. Reduce environmental impact and safety risks. 4. Fulfill customer requirements and become an entirely green enterprise. 5. Enable a company-wide promotion of corporate social responsibility. 6. Encourage full participation from employees and conduct continuous improvement.	None
(2) The Company sets up an exclusive (or concurrent) dedicated unit to be in charge of proposing and implement corporate social responsibility policies.	We have convened PUreCSR committee with the members of ESH, HR&ADM, CQPC, Procurement, Customer service, Industrial Design, Chairman Office, each BU/FU and CSR members in each site on bi-weekly basis to discuss each member's progress on CSR related issues	
(3) The Company organizes training and promotes awareness of business ethics for directors, supervisors and employees, and should incorporate the foregoing into its employee performance appraisal system to establish a clear and effective reward and discipline system	We have established relevant management policies and procedures, including "Business Ethics and Code of Conduct" and "Giving Gifts and Treatment Management Procedure". We also established "Business Ethics Website" to provide guidelines to all employees.	

Item	Implementation Status	Non-implementation and its reason(s)
2. Fostering a Sustainable Environment		None
(1) The Company endeavors in to utilize all resources more efficiently and use renewable materials which have a low impact on the environment to improve sustainability of natural resources	We put environmental protection into considerations when using materials, production and wastes management. We hope to successfully apply this concept to consumer electronic products in order to eliminate the impacts on our environment. We are also devoted to research and development of greener substitute substances and hope to offer our customers options to replace toxic material that will have severe impact to the environment. Besides, package materials of paper are consisted of certain proportion of recycled contents.	
(2) The Company establishes proper environment management system based on the characteristics of the industry	We have adopted an adequate environmental management system, ISO 14001, which is certified by a third party periodically.	
(3) A designated department or personnel for environment management and maintain the environment management system	We have set up the environmental management unit to coordinate the overall plan for regular operation and waste statistics, and help other units to implement waste reduction and recycling.	
(4) Monitoring the impact of climate change on the Company's business operations and establishing corporate strategies on energy conservation and carbon and greenhouse gas reduction	We enthusiastically confronted the environmental challenge of climate change and global warming. In addition to internal implementation of energy saving programs and organization's greenhouse gas (GHG) inventory, we have investigated all significant emission sources and conducted the reduction project to decrease the GHG emissions according to the results of internal and external inventory verifications. We have obtained the verification statement of ISO 14064-1 GHG Management system by the third party, and planed energy saving project to fulfill our low carbon production commitment towards a long-term target of sustainability.	

Item	Implementation Status	Non-implementation and its reason(s)
3. Preserving Public Welfare		None
(1) The Company follows relevant labor laws, protects employees rights and establishes appropriate management policies and procedures	We have established relevant labor regulations database and reviewed it periodically. Besides, we also issued adequate management procedures and standard operating procedures to protect the interests and rights of the employees.	
(2) The Company provides safe and healthy working environment to employees and organizes training on safety and health management to employees periodically	We have implemented OHSAS 18001 (OH&S management system) to create a safe and healthy work environment through daily inspections and audit and annual training programs.	
(3) The Company publishes its consumer rights and interests policy and provide a clear and effective procedure for accepting consumer complaints	We are a design, manufacturing and service (DMS) company, and do not direct contact with consumers.	
(4) Relations between the Company and suppliers and jointly promoting corporate social responsibility	We are a member of EICC (Electronic Industry Citizenship Coalition, EICC), and follow its code of conduct. In addition, we also promote EICC to our supply chain to make sure our suppliers being responsible for the environmental protection, labor rights, and health and safety when production.	
(5) The Company may, through commercial activities, non-cash property endowments, volunteering services or other free professional services, participate in event held by charities or local community for community development	We implemented "Stair Climbing Competition" in 2010. All effective charity points accumulated by all participants will be set aside as donation to the disadvantaged groups. Besides, we organized "Pegatron Environmental Protection Volunteer Team" to conduct street sweeping, beach cleansing and mountain cleansing. Furthermore, we held donation activities, waste electronic products recycling and donation. We also invited NPO to join our activities and parties.	

Item	Implementation Status	Non-implementation and its reason(s)
4. Enhancing Information Disclosure (1) How the Company discloses information regarding corporate social responsibility (2) The Company prepares corporate social responsibility report and discloses implementation status of corporate social responsibility	http://www.pegatroncorp.com/sustainability/csrReport.php We publish CSR report on annual basis and it contains chapters including corporate governance, social, economical and environmental performances. It is disclosed on our corporate website (http://www.pegatroncorp.com/sustainability/csrReport.php)	None
5. If the Company established any guideline of corporate social responsibility in accordance with "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM-Listed Companies" and please state the implementation status of the guideline and any reasons for non-implementation: As a member of EICC (Electronic Industry Citizenship Coalition), the Company follows the code of conduct established by EICC, which includes labor standard, health, safety, environment, management system and business ethics. In terms of implementation, systematic management approach is adopted and any inconsistencies will be corrected to ensure continuous improvement on the operation of the system.		
6. Other material information that helps to understand the operation of corporate social responsibility: The Company proactively participates in corporate social responsibility activities concerning employees, communities, disadvantaged minorities, charities, such as donations, cleaning communities and beach and activities organized by Children Are Us Foundation, Sunshine Organization, Changhwa Christian Hospital, etc.		
7. Please provide further description for company product or corporate social responsibility report which is certified by relevant organization: The core business of the Company is ODM/EMS business, any certification regarding the products will be carried by customers themselves and the Company will assist customers whenever necessary. The Company has assisted customers in receiving certification and award such as TYPE III environmental certification and carbon footprint certification, EPEAT golden award, EU Flower, Taiwan environmental label, CECC, Energy Star, etc. In 2010, the Company issued Year 2009 Corporate Social Responsibility Report which has been certified by independent third party, DNV, and the standard of certification is AA1000.		

3.3.6 Corporate Business Conduct Guideline and Its Implementation:

To pursue sustainable corporate development and to implement corporate social responsibilities, the Company established the Business Ethic Guidelines and Giving Gifts and Treatment Management Procedures as the highest guiding principles. All employees should embrace and practice these standards in their daily operation. Meanwhile, the Business Ethic website and the whistleblower mailbox were also established for employees to report any misconduct that may violate Business Ethic Guideline where relevant. Specialized personnel will be assigned immediately to handle each reported case.

3.3.7 Corporate Governance Guideline and Regulations:

The Company has not established corporate governance principles.

3.3.8 Other Important Information Regarding Corporate Governance: None.

3.3.9 Internal Control System:

- **Declaration of internal control:** Please refer to page 41.
- **If the Company is requested by the SEC to retain CPA's service for examining internal control system, the Independent Auditor's Report must be disclosed:** None

Pegatron Corporation
Statement of Internal Control System

Date: March 30, 2011

Based on the findings of self-assessment, Pegatron Corporation states the following with regard to its internal control system in 2010:

1. Pegatron is fully aware that establishing, operating and maintaining an internal control system are the responsibilities of its Board of Directors and management. The aim of the internal control system is to provide reasonable assurance to operating effectiveness and efficiency (including profitability, performance and safeguarding of assets), reliability of financial reporting and compliance of applicable laws and regulations.

2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can only provide reasonable assurance of accomplishing the aforementioned three objectives. Moreover, the effectiveness of an internal control system may be subject to changes of environmental or circumstances. Nevertheless, the internal control system of Pegatron contains self-monitoring mechanism and Pegatron takes corrective actions whenever a deficiency is identified.

3. Pegatron evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control System by Public Companies (herein below, the “Regulations”). The criteria adopted by the Regulations indentify five components of internal control based on the process of management control: (1) control environment, (2) risk assessment and response, (3) control activities, (4) information and communication, and (5) monitoring. Each component further contains several items. Please refer to the Regulations for details.

4. Pegatron has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.

5. Based on the findings of the evaluation mentioned in the preceding paragraph, Pegatron believes that, as of December 31, 2010, its internal control system (including its supervision and management of subsidiaries), as well as its internal controls to monitor the achievement of its objectives concerning operational effectiveness and efficiency, reliability of financial reporting, and compliance with the applicable laws and regulations, were effective in design and operation, and reasonably assured the achievement of the above-stated objectives.

6. This Statement will be integral part of Pegatron’s Annual Report for the year 2010 and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Law.

7. This Statement has been passed by the Board of Directors in their meeting held on March 30, 2011 with zero of seven attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Pegatron Corporation

H.T. Tung
Chairman

Jason Cheng
President and Chief Executive Officer

3.3.10 The penalties delivered to the Company and the staffs of the Company, or the penalties delivered by the Company to the staff for a violation of internal control system, the major nonconformity, and the corrective action in the most recent years and up to the date of the annual report printed: None.

3.3.11 Major Resolutions of Shareholders' Meeting and Board Meetings

3.3.11.1 Major Resolutions of Shareholders' Meeting:

Pursuant to Article 128-1 of the Company Act, the functional duties and power of the shareholders' meeting of the Company was exercised by its board of directors. For detail, please refer to the following major resolutions of board of directors.

3.3.11.2 Major Resolutions of Board Meetings

Date	Major resolutions
01.01.2010	1. Approved the merger with Pegatron International Investment Company, Ltd
01.17.2010	1. Approved the merger with Pegatron International Investment Company, Ltd
02.05.2010	1. Approved the proposal for earning distribution of 2009 2. Approved scheduling the Annual Shareholders Meeting of 2010
03.03.2010	1. Appointed new CPA for IPO application 2. Approved 2009 Business report and financial statements 3. Approved the proposal for earning distribution of 2009 4. Approved the submission of public offering application 5. Approved the indirect investment in China "PIOTEK COMPUTER (SUZHOU) CO., LTD" 6. Appointed management team of the Company 7. Approved to remove the non-compete clause for the management team 8. Appointed Head of Finance and Accounting and Head of Internal Audit
03.10.2010	1. Approved 2009 Business report and financial statements 2. Approved earning distribution of 2009 3. Approved the amendments of Articles of Incorporation 4. Approved the amendments of「Procedures for Loading Funds to other Parties, Endorsement and Guarantee」 5. Approved amendments of 「Procedures for Acquisition or Disposal of Assets」 6. Approved the「Regulations of Shareholder's meeting」 7. Approved the「Regulations of Electing Director and Supervisor」
03.31.2010	1. Approved the submission of application for listing on Taiwan Stock Exchange 2. Approved the appropriation of issued shares for underwriting before listing 3. Approved the indirect investment in China "RUNTOP (SHANGHAI) CO., LTD" 4. Approved scheduling the Extraordinary Shareholders Meeting of 2009 for reelecting directors and supervisors 5. Approved the period and venue for nominating the candidates of independent directors by shareholders 6. Approved on the date, venue, events and book closing day of Extraordinary Shareholders Meeting of 2009 7. Approved the nominated candidates of independent directors
04.12.2010	1. Approved the qualification of nominated candidates of independent directors
04.30.2010	1. Approved the ex-dividend date of earning distribution of 2009

Date	Major resolutions
05.18.2010	1. Appointed the Chairman of the Board 2. Appointed the Deputy Chairman of the Board
07.09.2010	1. Approved application of GDR program resulting from the spin-off from Asustek's GDR program 2. Approved treasury stock buy-back plan
08.25.2010	1. Approved the Financial Statements for the Six Months Ended June 30, 2010 2. Approved acquisition of material asset 3. Approved the indirect investment in China via RIH LI INTERNATIONAL (SAMOA) 4. Approved the syndication loan in USD
10.27.2010	1. Approved the record date for cancellation of bought-back treasury stock
26.01.2011	1. Approved the indirect investment in China "Shi-Shao Technology (ChongQing) Limited " 2. Approved the indirect investment in China "Ri-Teng Computer (Shanghai) Limited " 3. Approved the indirect investment in China "Ri-Ming Computer (Shanghai) Limited " 4. Approved the issuance of Employee Stock Options (ESOP) 5. Approved the endorsement for Asuspower Corporation
30.03.2011	1. Approved 2010 business report and financial statements 2. Approved the proposal for earning distribution of 2010 3. Approved scheduling the Annual Shareholders' Meeting of 2010 4. Approved the endorsement for PROTEK (SHANGHAI) LIMITED 5. Approved the Indirect investment in China

Note: Pursuant to Article 128-1 of Company Act to act on behalf of Shareholders meeting.

3.3.12 Major Issues of Record or Written Statement Made by Any Director Dissenting to Important Resolutions Passed by the Board of Directors from January 1, 2010 to April 26, 2011: None.

3.3.13 Resignation or Dismissal of Personnel Involved in Preparation of Financial Reports

As of 04/26/2011

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation
Vice President	Lung-Hua Shen	01.01.2008	04.14.2010	Mr. Shen was transferred to Asustek
Vice President	Chin-Pei Lin	01.01.2008	04.16.2010	Mr. Lin was transferred to Kinsus
Vice President	Yung-Ming Huang	01.01.2008	12.31.2010	Retirement
Associate Vice President	Te-Ming Yang	09.01.2009	09.15.2010	Personal Reason
Associate Vice President	Hui-Te Hsu	01.01.2008	09.16.2010	Dismissal
Associate Vice President	Shih-Chen Huang	05.01.2009	09.30.2010	Personal Reason
Associate Vice President	Fung-San Chiang	03.01.2008	10.12.2010	Personal Reason

3.4 CPA Fees

CPA Firm	CPA		Auditing Period	Note
KPMG	Ulyos K.J. Maa	Charlotte W.W. Lin	Jan 1, 2010 ~ Dec 31, 2010	

Unit: NTD

Amount Bracket \ Items of CPAs fee		Auditing Fees	Non-Auditing Fees	Total
1	Below 2,000 thousand			
2	2,000 thousand (included) ~ 4,000 thousand(excluded)			
3	4,000 thousand (included) ~ 6,000 thousand(excluded)			
4	6,000 thousand (included) ~ 8,000 thousand(excluded)	v		
5	8,000 thousand (included) ~ 10,000 thousand(excluded)			
6	Over 10,000 thousand (included)		v	v

Service Items included in the CPA fees

Unit: NT$ thousands

CPA Firm	CPA	Auditing Fees	Non-Auditing Fees					Auditing Period	Note
			System Design	Industrial and commercial registration	HR	Others	Total		
KPMG	Ulyos K.J. Maa Charlotte W.W. Lin	6,687	0	449	0	14,080	14,529	2010/1/1 ~ 2010/12/31	Non-auditing services includes IPO, pricing transfer and introduction of IFRS

3.5 Information on Change of CPA: None

3.6 If the chairman, president, and financial or accounting manager of the Company who had worked for the independent auditor or the related party in the most recent year, the name, title, and the term with the independent auditor or the related party must be disclosed: None.

3.7 Information on Net Change in Shareholding and Net Change in Shares Pledged by Directors, Supervisors, Department Heads and Shareholders of 10% Shareholding or More:

3.7.1 Information on Net Change in Shareholding

Unit: Share

Title	2009		2010		As of Apr. 26, 2011	
	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman and Group CEO T.H. Tung	-	-	34,035,809	-	26,376,000	-
Director and Deputy Group CEO Ted Hsu	-	-	52,625,540	-	-	-
Director and President and CEO Jason Cheng	-	-	1,892,959	-	80,907	-
Director K.C. Liu	-	-	161,490	-	-	-
Director C.I. Chia	-	-	20,186	-	-	-
Director C.V. Chen	-	-	-	-	-	-
Independent Director C.P. Chang	-	-	-	-	-	-
Independent Director C. Lin	-	-	-	-	-	-
Independent Director C.S. Yen	-	-	-	-	-	-
Supervisor C.H. Tong	-	-	-	-	-	-
Supervisor M.C. Chou	-	-	7,462,968	-	-	-
Supervisor I. L. Cheng	-	-	-	-	-	-
Shareholder of 10% shareholding or more Asustek Computer Inc.	401,425,794	-	(1,734,530,451)	-	-	-

3.7.2 Information of Shares Transferred: None.

3.7.3 Information of Equity Pledged: None.

3.8 The relations of the top ten shareholders as defined in the Finance Standard Article 6:

As of 04/26/2011

Name	Shareholding		Spouse & Minor		Shareholding by Nominee Arrangement		The relationship between any of the Company's Top Ten Share holders		Remarks %
	Shares	%	Shares	%	Shares	%	Name	Relation	
Asustek Computing Inc. (Representative: Jonney Shih)	551,523,484	24.44	-	-	-	-	Jonney Shih	Chairman of Asustek Computer Inc.	-
T.H.Tung	60,411,809	2.68	19,517,291	0.86	-	-	-	-	-
Citi (Taiwan) Bank in custody for Government of Singapore Investment Corporation	57,377,677	2.54	-	-	-	-	-	-	-
Ted Hsu	52,625,540	2.33	17,143,855	0.76	-	-	-	-	-
GDR – Pegatron Corporation	50,992,950	2.26	-	-	-	-	-	-	-
Jonney Shih	39,254,634	1.74	-	-	-	-	Asustek Computer Inc.	Chairman	-
Standard Chartered Bank in custody for Wayne Hsieh	35,629,622	1.58	-	-	-	-	-	-	-
ChungHwa Post Co., Ltd.	29,958,235	1.33	-	-	-	-	-	-	-
HSBC in custody for Goldman Sachs Investment	28,974,425	1.28	-	-	-	-	-	-	-
Jonney Shih's trust account with the First Bank	24,223,644	1.07	-	-	-	-	-	-	-

3.9 Long-Term Investment Ownership

Unit: thousand shares; %

Long-Term Investment	Ownership by Pegatron (1)		Direct/Indirect Ownership by Directors and Management (2)		Total Ownership (1)+(2)	
	Shares	%	Shares	%	Shares	%
Unihan Corporation	840,105	100%	0	0%	840,105	100%
Asustek Investment Co., Ltd.	872,700	100%	0	0%	872,700	100%
Asuspower Investment Co., Ltd.	841,900	100%	0	0%	841,900	100%
Asus Investment Co., Ltd.	908,600	100%	0	0%	908,600	100%
Advansus Corp.	18,000	50%	0	0%	18,000	50%
Pegatron USA, Inc.	50	100%	0	0%	50	100%
Asus Holland Holding B.V.	-	92.45%	-	7.55%	-	100%
Pegatron Holding Ltd.	663,406	100%	0	0%	663,406	100%

4. Capital and Shares

4.1 Capital and Shares

4.1.1 Type of Stock

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common Share	2,256,366,935	243,633,065	2,500,000,000	Listed

4.1.2 Share Capital

Month/ Year	Par Value (NTD)	Authorized Capital		Paid-in Capital		Remark		
		Shares (1,000)	Amount (NT$1,000)	Shares (1,000)	Amount (NT$1,000)	Sources of Capital	Capital Increased by Assets Other than Cash	Date of Approval and Document No.
6/2007	10	100	1,000	100	1,000	Incorporation		Note 1
11/2007	10	1,600,100	16,001,000	5,000	50,000	Cash injection of NT$49,000 thousand		Note 2
1/2008	10	1,605,000	16,050,000	1,605,000	16,050,000	Issuing common shares of NT$16,000,000 thousand for exchange of assets from Asustek		Note 3
6/2008	10	2,200,000	22,000,000	1,884,628	18,846,281	Issuing common shares of NT$2,796,281 thousand for exchange of subsidiary shareholding from Asustek		Note 4
11/2009	10	2,500,000	25,000,000	2,286,054	22,860,539	Capitalization of profit NT$4,014,258 thousand		Note 5
6/2010	10	2,500,000	25,000,000	2,286,064	22,860,639	Issuing common shares of NT$22,860,639 thousand and cancellation of issued shares of NT$22,860,539 thousand		Note 6
11/2010	10	2,500,000	25,000,000	2,256,367	22,563,669	Capital reduction of NT$296,970 thousand by canceling treasury shares		Note 7

Note 1: 06/28/2007 Fu Chian Son Tzi No. 09686253810
Note 2: 11/12/2007 Fu Chian Son Tzi No. 09691678020
Note 3: 01/23/2008 Jin So Son Tzi No. 09701016670
Note 4: 06/19/2008 Jin So Son Tzi No. 09701140610
Note 5: 11/06/2009 Jin So Son Tzi No. 09801255610
Note 6: 06/10/2010 Jin So Son Tzi No. 09901110210
Note 7: 11/16/2010 Jin So Son Tzi No. 09901256200

4.1.3 Information for Shelf Registration: None

4.1.4 Composition of Shareholders

As of 04/26/2011

Item	Government Agencies	Financial Institutions	Other Juridical Person	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	7	23	455	175,866	680	177,021
Shareholding (shares)	1,564,173	16,495,258	773,048,962	735,133,837	730,124,705	2,256,366,935
Percentage	0.07	0.73	34.26	32.58	32.36	100.00

4.1.5 Shareholding Distribution Status

Common Share (The par value for each share is NT$10)

As of 04/26/2011

Class of Shareholding (Unit : Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	100,729	31,346,835	1.39
1,000 ~ 5,000	60,299	130,102,185	5.77
5,001 ~ 10,000	8,712	64,325,981	2.85
10,001 ~ 15,000	2,654	32,334,857	1.43
15,001 ~ 20,000	1,329	23,741,764	1.05
20,001 ~ 30,000	1,230	29,715,321	1.32
30,001 ~ 50,000	831	32,191,293	1.43
50,001 ~ 100,000	541	38,216,279	1.69
100,001 ~ 200,000	239	33,874,257	1.50
200,001 ~ 400,000	160	45,103,210	2.00
400,001 ~ 600,000	56	27,197,372	1.21
600,001 ~ 800,000	33	23,252,730	1.03
800,001 ~ 1,000,000	19	16,882,704	0.75
over 1,000,001	189	1,728.082,147	76.58
Total	177,021	2,256,366,935	100.00

Preferred Share: The Company did not issue any preferred share.

4.1.6 List of Major Shareholder

As of 04/26/2011

Shareholder's Name	Shareholding	
	Shares	Percentage
Asustek Computing Inc. (Representative: Jonney Shih)	551,523,484	24.44
T.H.Tung	60,411,809	2.68
Citi (Taiwan) Bank in custody for Government of Singapore Investment Corporation	57,377,677	2.54
Ted Hsu	52,625,540	2.33
GDR – Pegatron Corporation	50,992,950	2.26
Jonney Shih	39,254,634	1.74
Standard Chartered Bank in custody for Wayne Hsieh	35,629,622	1.58
ChungHwa Post Co., Ltd.	29,958,235	1.33
HSBC in custody for Goldman Sachs Investment	28,974,425	1.28
Jonney Shih's trust account with the First Bank	24,223,644	1.07

4.1.7 Market Price, Net Worth, Earnings and Dividends Per Common Share

Unit: NT$, except for weighted average shares and return on investment ratios

Item	2010	2009	01/01/2011-04/26/2011
Market Price per Share (Note 1)			
Highest Market Price	46.2	Not listed	42.2
Lowest Market Price	29.1	Not listed	30.45
Average Market Price	39.67	Not listed	35.97
Net Worth per Share (Note 2)			
Before Distribution	40.26	41.88	-
After Distribution	Undistributed	40.13	-
Earnings per Share			
Weighted Average Shares (thousand shares)	2,273,429	2,286,054	-
Diluted Earnings Per Share (Note 3)	2.73	2.95	-
Dividends per Share			
Cash Dividends	Undistributed	1.75	-
Stock Dividend			
• Dividends from Retained Earnings	-	-	-
• Dividends from Capital Surplus	-	-	-
Accumulated Undistributed Dividends (Note 4)	-	-	-
Return on Investment			
Price / Earnings Ratio (Note 5)	14.53	Not listed	-
Price / Dividend Ratio (Note 6)	Undistributed	Not listed	-
Cash Dividend Yield Rate (Note 7)	Undistributed	Not listed	-

Note 1: Listed the highest and the lowest market price per share in every year and the average market price were calculated based on the trading amount and volume.
Note 2: Based on the shares issued for the year end and resolution for stock distribution in the shareholders' meeting the next year.
Note 3: If the stock dividend is to be adjusted retroactively, earning per share before and after the adjustment shall be listed.
Note 4: Pursuant to regulations of security issuance, the undistributed dividend can be accumulated till the year with retained earnings. However, the accumulated undistributed dividend shall be disclosed.
Note 5: Price / Earnings Ratio = Average Market Price / Earnings per Share
Note 6: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share
Note 7: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

4.1.8 Divided Policy and Execution Status

4.1.8.1 Dividend Policy Stipulated in the Company's Articles of Incorporation

Article 28 of the Company' Articles of Incorporation provides that when it is determined that the Company has earnings for a fiscal year, the earnings shall be appropriated to profit-seeking enterprise tax payable first, and make up the losses of previous years. Then, the Company shall provide 10% of the remaining earnings as the Legal Reserve, unless such Legal Reserve has amounted to the total capital, and then set aside the special reserve in accordance with the requirements under the laws and regulations or of the competent authorities.

Should there be any residual, it shall be distributed according to the following sequences:

- At least 10% of the remaining earnings shall be allocated as employee bonus, which may be paid in cash or in the form of shares. Where the employee bonus is distributed in the form of shares, qualified employees of the subordinate companies may be included. The qualification shall be determined by the board of directors.
- At most 1% of the remaining earnings shall be allocated as directors' and supervisors' remuneration.
- Any remaining earnings, together with any accumulated undistributed earnings of previous years, may then be distributed or kept in accordance with a proposal for the distribution of earnings made by the board of directors and duly approved by a resolution at a shareholders' meeting.

The dividend distribution of the Company will be coordinated with the surplus of that year based on the principle of stabilization. Due to rapid change of the industry where the Company is in and considering the future financing requirement as well as the long term business plan, the Company adopts a balanced dividend policy. If the Company would set aside cash dividend, it would be at least ten percent (10%) of the total dividend in the shareholders bonus to be distributed under Article 28 of the Company' Articles of Incorporation.

4.1.8.2 Proposed Dividend Distribution

The Board approved the proposal for 2010 dividend distribution at its meeting on March 30, 2011. The proposal will become effective according to the relevant regulations, upon the approval of shareholders at the Annual Shareholders' Meeting on June 24, 2011.

Unit: NT$

Items	Amount	
	Subtotal	**Total**
Unappropriated Earnings of Previous Years		2,042,168,897
- Net Income of 2010		6,211,436,223
Earnings in 2010 Available for Distribution		8,253,605,120
Minus:		
- Legal Reserve		(621,143,622)
- Special Reserve		(4,327,628,683)
Distribution Items:		
- Cash Dividend to Common Share Holders (NT$1.45 per share)	(3,271,732,056)	(3,271,732,056)
Unappropriated Earnings		33,100,759

Items	Amount	
	Subtotal	**Total**
Note:		
Employees' Cash Bonus		127,000,000
Compensation of Directors		12,000,000

4.1.9 Impact to 2010 Business Performance and EPS resulting from Stock Dividend Distribution: Not Applicable.

4.1.10 Bonus to Employees and Remuneration to Director and Supervisors:

4.1.10.1 Dividend to employees and remuneration to directors and supervisors stipulated in the Company's Articles of Incorporation

Article 28 of the Company' Articles of Incorporation provides that when it is determined that the Company has earnings for a fiscal year, the earnings shall be appropriated to profit-seeking enterprise tax payable first, and make up the losses of previous years. Then, the Company shall provide 10% of the remaining earnings as the Legal Reserve, unless such Legal Reserve has amounted to the total capital, and then set aside the special reserve in accordance with the requirements under the laws and regulations or of the competent authorities.

Should there be any residual, it shall be distributed according to the following sequences:

- At least 10% of the remaining earnings shall be allocated as employee bonus, which may be paid in cash or in the form of shares. Where the employee bonus is distributed in the form of shares, qualified employees of the subordinate companies may be included. The qualification shall be determined by the board of directors.
- At most 1% of the remaining earnings shall be allocated as directors' and supervisors' remuneration.

4.1.10.2 Accounting treatment applied to the difference between actual and estimated dividend to employees and remuneration to directors and supervisors

Shall there be any difference between the actual amount of dividend approved by Annual Shareholders' Meeting and that of the estimation, it will be deemed as the changes in accounting estimates and will be recognized in the profit and loss account of the distributing year.

4.1.10.3 Dividend distribution to employees in 2010 resolved by the board of directors

a. Proposed distribution of cash / stock dividend to employees and remuneration to directors and supervisors.

	Amount (NT$)
Employees' Cash Bonus	127,000,000
Compensation of Directors	12,000,000

b. Proposed stock dividend to employees and its ratio to total net income and total dividend to employees:

No stock dividend distributed in 2010.

c. Earnings per share including the proposed stock dividend to employees and remuneration to directors and supervisors:

No stock dividend distributed in 2010.

4.1.10.4 Distribution of cash / stock dividend to employees and remuneration to directors and supervisors in 2009 resolved by the board of directors on Mar. 10, 2010.

	Amount (NT$)
Employees' Cash Bonus	1,205,796,887
Compensation of Directors	60,289,844

Above cash bonus and compensation, being approved by the Board, has been expensed at the same amount under the Company's 2009 income statements.

4.1.11 Buyback of Common Stock

As of 04/26/2011

Treasury stocks in Batches	1st Batch
Purpose of Buy-back	For shareholders' interest
Timeframe of Buy-back	7/12/2010 ~ 9/10/2010
Price range	NT$21.8 ~ 41
Class, quantity of shares bought back	Common shares 29,697,000 shares
Value in NT$ of bought-back shares	NT$1,007,716,609
Shares sold/transferred	29,697,000 shares
Accumulated number of company shares held	0
Percentage of total company shares held (%)	0

4.2 Issuance of Corporate Bond

4.2.1 Corporate Bond: None.

4.2.2 Convertible Bond: None.

4.2.3 Exchangeable Bond: None.

4.2.4 Self Registration Bond: None.

4.2.5 Bond with Stock Option: None.

4.3 Preferred Shares (with stock option): None.

4.4 Issuance of Global Depository Receipts:

<table>
<tr><td colspan="3">Date of Issuance(Process)
Item</td><td>August 9, 2010</td></tr>
<tr><td colspan="3">Date of issuance (Process)</td><td>2010/08/09</td></tr>
<tr><td colspan="3">Location and Issuance and Trade</td><td>Luxemburg Stock Exchange</td></tr>
<tr><td colspan="3">Total Amount</td><td>Non applicable</td></tr>
<tr><td colspan="3">Unit Price (in NT$ per GDS)</td><td>NT$37.70</td></tr>
<tr><td colspan="3">Total Issuance</td><td>12,163,804</td></tr>
<tr><td colspan="3">Source of Common Stock Registration</td><td>One GDS stands to five common share of Pegatron</td></tr>
<tr><td colspan="3">Total Marketable Security Shares Recognized</td><td>Stands for 60,819,020 common shares of Pegatron</td></tr>
<tr><td colspan="3">Rights and Obligations of GDR Holders</td><td>Same as those of common share holders
(See Deposit Agreement and Custody Agreement for Details)</td></tr>
<tr><td colspan="3">Trustee</td><td>Non applicable</td></tr>
<tr><td colspan="3">GDR Institute</td><td>Citibank N.A.</td></tr>
<tr><td colspan="3">Depositary Institute</td><td>Citibank Taiwan Limited</td></tr>
<tr><td colspan="3">Outstanding GDS (as of December 31, 2010)</td><td>10,181,078 GDS</td></tr>
<tr><td colspan="3">Issuance and Expense Amortization throughout the Issuance Period</td><td>Annual listing fees and accountant fees were borne by Pegatron</td></tr>
<tr><td colspan="3">GDR Agreement and Depositary Agreement</td><td>See Deposit Agreement and Custody Agreement for Details</td></tr>
<tr><td rowspan="6">Market Price per unit (US$)</td><td rowspan="3">2010</td><td>Max.</td><td>US$7.44</td></tr>
<tr><td>Min.</td><td>US$5.93</td></tr>
<tr><td>Average</td><td>US$6.75</td></tr>
<tr><td rowspan="3">As of April 26, 2011</td><td>Max.</td><td>US$7.20</td></tr>
<tr><td>Min.</td><td>US$5.26</td></tr>
<tr><td>Average</td><td>US$6.18</td></tr>
</table>

4.5 Employee Stock Option

4.5.1 Issuance of Employee Stock Option

The application of employee stock option (first tranche) has been approved by Financial Supervisory Commission, Executive Yuan on April 14th, 2011 and none of the approved units have been issued as of the date of this annual report.

4.5.2 Listing of Executive Receiving Employee Stock Options and the Top 10 Employees with Options Valued in Excess in NT$30 Million:

Not Applicable

4.6 Status of New Shares Issuance in connection with Mergers and Acquisitions:

Not Applicable

4.7 Financing Plan and Implementation

Up to the last quarter before the printing of the financial statements, outstanding equity issuance or marketable security subscription or the completed equity issuance or subscribed marketable security without success: Not Applicable.

5. Overview of Business Operation

5.1 Business Activities

5.1.1 Business Scope

5.1.1.1 Operating Scope

The Company offers a wide range of electronics products in computing, communications and consumer electronics, including Notebook PCs, Netbook PCs, DeskTop PCs, Smart Books, Mobile Internet Devices (MID), Motherboards, VGA Cards, Switches, Handheld Devices, Smartphone, MP3s, E-Readers etc. The Company also engages in development, design and manufacturing of peripherals and components of the above-mentioned products. Furthermore, the Company emphasizes the development of both software and hardware technologies to provide customers with total solutions and high value-added services.

5.1.1.2 Breakdown of Sales by Major Products

Unit: NT$ thousands; %

Year / Major Product	2009		2010	
	Amount	**%**	**Amount**	**%**
3C Products	317,821,436	96.91	288,277,927	96.81
Other	10,143,091	3.09	9,483,842	3.19
Total	327,964,527	100.00	297,791,769	100.00

5.1.1.3 Project Lines

Computing Product

a. Notebook PCs
b. Netbook PCs
c. DeskTop PCs
d. Smart Books
e. Mobile Internet Devices (MID)
f. Motherboards
g. VGA Cards

Communication Product

a. Switches
b. Set-top boxes
c. Cable modems
d. Smartphones

Consumer Electronics Product

a. Handheld devices
b. Multimedia players (MP3)

c. E-readers

e. LCD TVs

5.1.1.4 Product (Service) Development

a. Notebook PCs that are equipped with the latest Intel chipset, Chief River platform, highlight high efficiency and low power consumption technologies that can maximize the performance between multi core CPU and graphic chipset with Intel Turbo Boost technology.

b. Notebook PCs with AMD Comal platform have the advantages of high efficiency and low design cost.

c. Tablet PCs equipped with the latest nVIDIA Tegra 3 chipset technology and the advanced Android operating system, have the advantage of multi-resource sharing in order to increase market share.

d. Tablet PCs with the latest Intel chipset, Oaktrail, have extended usage time.

e. Motherboards with USB 3.0 specification.

f. E-reader products adopt the new generation of E-ink color electronic paper technology, the latest TM display technology. The microcapsule electrophoresis technology coupled with color filter technology, provide thousands of colors for presented.

g. E-reader products with Optical touch screen technology increase the transmittance and visibility and make readers more comfortable when reading.

h. Digital Vacuum Robot Cleaner features a new cleaning path memory and map identification system, a security monitoring and automatic cleaning system, child safety and a mobile phone remote controlling system development.

i. Technology and products relating to automobile control system on automobile interfaces. Research and development of tablet PCs are designated to interfaces on automobiles.

j. Research and development of high-end 3D LED displays, Wire and Wireless internet TVs, Smart TVs with Android platforms and relevant Smart TV products.

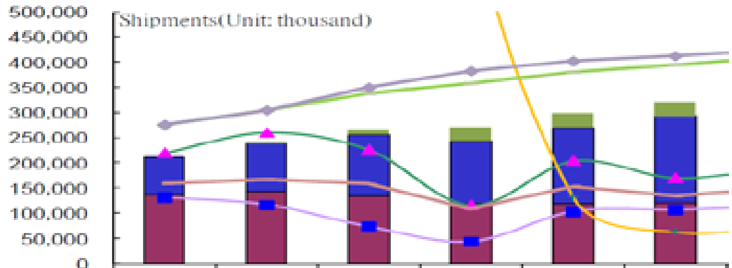
5.1.2 Industry Overview

5.1.2.1 Progress and Development of the Industry

a. Computing Industry

The global PC computing industry includes products such as notebooks, netbooks, desktop PCs etc. In 2010, the PC computing industry returned to double-digit growth rates after a decline in 2009 due to the global economic crisis. Notebooks, in particular, outperformed other products by achieving more than 20% growth rate. Netbooks, on the other hand, experienced a single-digit growth due to the cannibalization of the tablet PC. Although the desktop PC market was set back by the less than expected demand of the All-in-one PC, an increase of corporate PC replacements led to a growing momentum. As the economy continues to recover and grow in 2011, the PC computing industry seems to be reviving from the recession period, with estimated total global PC shipment volume reaching 320 million units annually, an increase of 6.8%. If we include the tablet PC shipment in this estimate, the volume would further increase to 360 million units, up by 14.9%. While notebook PCs account for the majority of the PC shipment, with an estimated annual volume of 170 million units, the notebook market is likely to gradually mature starting from 2011, with annual growth rate likely dipping below 20% in the next three years due to the lack of a major breakthrough in notebook specifications, as well as the successful launch of the tablet PC, which may cannibalize the notebook's market share. The desktop PC, on the other hand, is expected to continue its positive growth rate, with estimated annual shipment volume of 120 million units. The netbook PC, though affected by the launch of the tablet PC, is likely to continue occupying 5%~8% market share with its advantages in size (a 10 inch notebook with a keypad), and its competitive pricing strategy. The tablet PC will continue to benefit from a high growth rate, due to launching of new tablet PCs by various brand companies.

Global PC Market Forecast



	2006	2007	2008	2009	2010(e)	2011(f)
PC Vol	210,685	238,847	266,358	271,188	299,352	319,670
NetB Vol	0	300	11,210	27,519	29,262	27,100
NB Vol	73,664	97,192	121,627	125,368	151,269	172,358
DT Vol	137,021	141,355	133,521	118,301	118,821	120,212
DT GR(%)	6.1%	3.2%	-5.5%	-11.4%	0.4%	1.2%
NB GR(%)	23.9%	31.9%	25.1%	3.1%	20.7%	13.9%
NetB GR(%)			3636.7%	145.5%	6.3%	-7.4%
PC GR(%)	11.7%	13.4%	11.5%	1.8%	10.4%	6.8%

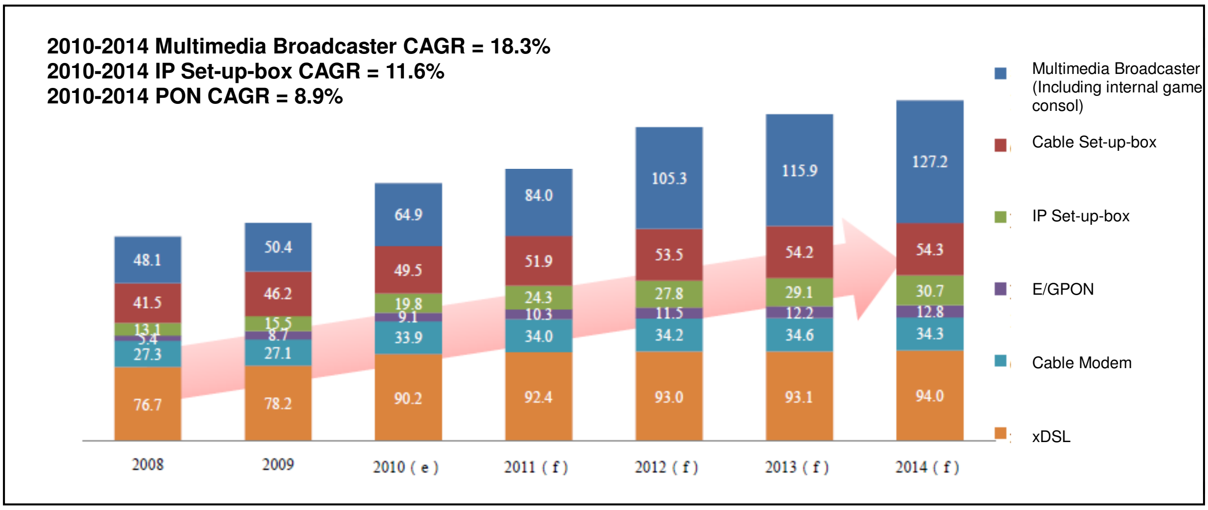
Source: MIC Report issued in Dec. 2010.

b. Communication Industry

In 2010, total sales of global communication equipment grew by 13.4% to US$300.5 billion dollars. If we include the growing total sales revenue of US$1,720 billion dollars from global telecommunications, the total revenue generated from communication equipment and service is likely to reach US$2,000 billion dollars, representing an 8% year-over-year growth in 2010. Going forward in 2011, the estimated total revenue for communication equipment and telecommunication services is likely to reach US$325 billion dollars and US$1,850 billions dollars respectively. As a result, the total revenue generated from both segments may reach US$2,170 billion dollars, a 7.4% growth from that of 2010.

From the prospective of shipment trends of cable modem products, service providers who own content resources continually launch internet media services similar to that of the VoIP internet phone concept and provide paid Video On Demand (VoD) services via set-up-box, which differs from traditional OTT Video mode under the Walled Garden structure. As a result, this will push forward the demand of internet multimedia broadcasters (including game consoles) with a shipment growth that is expected to reach 18.3% in 2014 CAGR.

Global Cable & Set-Up-Box Shipment Trend



Source: MIC Report issued in Oct. 2010.

In terms of the mobile phones, the total worldwide volume in 2010 is approximately 1.35 billion and the total sales amount reached NT$4,671.5 billion, representing an 18.5% and 16.6% year-over-year growth respectively. This growth was mainly driven by shortening mobile phone replacement cycle, from 18-24 months to 12-18 months. The change in the replacement cycle can be attributed to the increasing consumer demand from the growing emerging market and the gradual recovering of the global economy. In addition, due to the growing demand in smart phones from companies such as Apple, HTC, Motorola and other major brands, consumers in North America and Europe have also increased the demand of smart phone products. The increase in demand is expected to continue in 2011, while the shipment of smart phones is expected to grow from 26.2% in 2010 to 29.3% in 2011, and the total volume will reach around 430 million units. Since smart phones are likely to generate higher profitability, many suppliers, hardware manufacturers and brand companies have attempted to expand their market share for the smart phone. As a result, the smart phone industry has become a major battlefield for market competition.

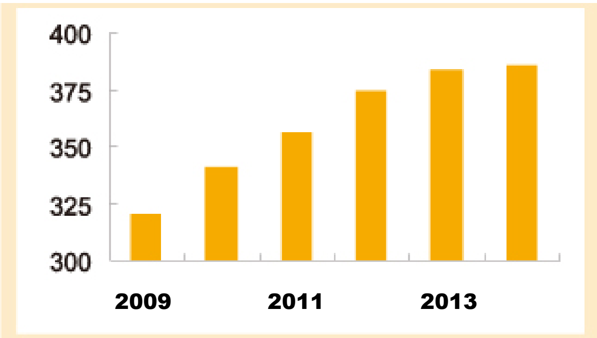
c. Consumer Electronics Industry

According to the research institute iSuppli, consumer electronics include products such as TVs, DVD and blue-ray players, digital cameras (DSC), portable multimedia players (PMP), projectors, game consoles, e-readers and other consumer appliances. Since the rebound of the global consumer electronics industry in 2009, the consumer electronics industry continued growing in 2010 and the growth momentum is expected to continue to 2014, though matured products such as DVD players may experience a slower growth. In 2010, the sales of most consumer electronics products were better than that of the previous year, especially LCD TVs and blue-ray players, while portable multimedia players experienced the worst. 178 million sets of LCD TVs were sold in 2010 and the total revenue reached US$95 billion dollars, while 16.4 millions of blue-ray players were shipped, representing a 82.2% growth, compared with 9.1 million units in 2009. In the next two years, the growth rate of blue-ray player may increase by over 50 %. As for portable multimedia players, its growth rate has declined since its peak in 2009 as more advanced electronic products, such as smart phones, became available in the market.

With the continuous demand for more advanced products, the sales revenue for consumer electronics of OEM companies reached US$340.4 billion dollars in 2010, a growth of 6.2% as compared to that of 2009. The sales revenue is expected to grow US$300~1,800 million dollars each year and to reach US$385 million dollars in 2014.

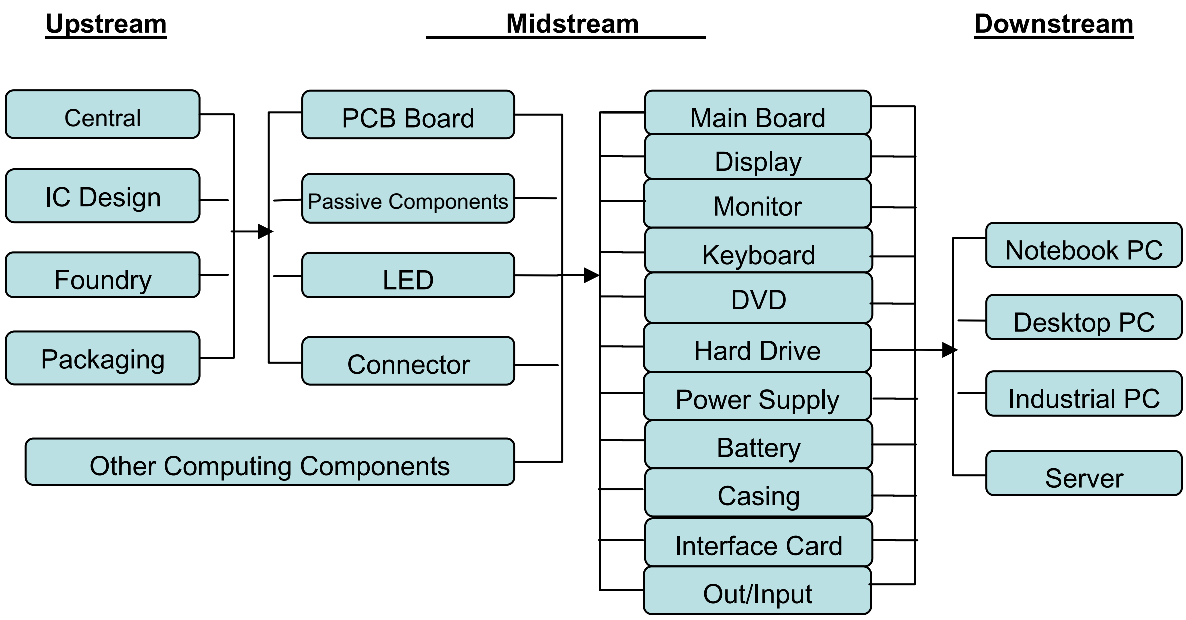
Est. Revenue of Consumer Electronics OEM Companies

Unit: US$ Billion



Source: iSuppli and Digitimes issued in Oct. 2010.

5.1.2.2 Correlation of the Upper-stream, Mid-stream and Down-stream of the Industry



After decades of development of the computing industry in Taiwan, the relationships among upstream, midstream and downstream sectors have become highly correlated. While it is evident that bigger suppliers are expanding over the years, it has been difficult for smaller suppliers to survive in the industry.

5.1.2.3 Trends of Product Development

As LTE/Wimax has gradually matured, the functionality of computing and communication products have become highly integrated, such as Google entering the Android mobile platform via internet, and Apple entering the mobile internet by producing the iPhone. More and more products are created by innovative technologies with functions integrated from different products, therefore, product segmentation among notebook PCs, desktop PCs and handsets have slowly diminished.

In addition, products with mobility functions such as the netbook, smart book and MID have expanded their targeting market from the retailed market with regular notebook users to 1 billion and 171 million 3G and broadband users respectively.

5.1.2.4 Market Competition

As the function integration of computing, consumer electronics and communication products continues, the circumstances of the ODM/EMS market will also change in Taiwan. It has become crucial for ODM/EMS companies to obtain orders from international brand customers by providing value added services, enhancing capabilities in software and hardware design, progressing vertical integration and providing total solution services.

The manufacturing of notebook PCs and desktop PCs is outsourced to ODM/EMS companies and a majority of these companies' resources are focused on global logistics as well as cost reduction. While economies of scale and comprehensive vertical integration are considered two important elements, DMS (design, manufacturing and services) is also one of the key factors to successfully secure customer' orders.

5.1.3 Research and Development

5.1.3.1 Technology and Research Development

The Company was originally the ODM/EMS business unit of Asustek Computer Inc. Pegatron has been striving for excellence in research and development since the day of incorporation, and is fully dedicated in design and manufacturing of computing products, communication products and consumer electronics products. It is the Company's aim to continue developing cutting edge 3C (Computing, Communication and Consumer Electronics) integrated products.

The Company's Research and Development Center currently conducts projects which develop energy saving and environmental friendly notebook PCs, 3C multimedia products, innovative household electronic appliances etc. The Research and Development Center, Layout team, QTC, QTR and EMC departments were established as subdivisions. In addition, the project management unit and software development unit were also established to focus on the development of systems. By mastering the key technique of software and hardware for future products, chipset or application platform, the research results are effectively integrated into systems and ready for commercial production.

5.1.3.2 Qualification of Employees in Research and Development

Year / Number of Employees	2008	2009	2010
Ph.D.	7	6	8
Master	971	1,000	1,165
Bachelor	1,331	1,221	1,330
High School (or below)	53	33	42
Total	2,362	2,260	2,545

5.1.3.3 Research and Development Expense in Recent Years

Unit: NT$ thousands; %

Items	2008	2009	2010
R&D Expense (A)	3,191,380	3,990,865	3,339,007
Net Revenue (B)	303,748,099	327,964,527	297,761,769
(A)/(B) %	1.05%	1.22%	1.12%

Note: The Company was incorporated in 2007 and R&D expense only occurred starting from Jan 2008 after Asustek transferred its ODM/EMS business to the Company.

5.1.3.4 Research and Development Expense in Recent Years

Year	Achievement in Research and Development
2010	1. Based on the new platform Huron River launched by Intel in 2010, the notebooks adopted Couger Point, the latest chipset of 32nm process technology, duo core/quarto core (symbol: Sandy Bridge), and a built-in CPU+GPU chipset, which is favorable in terms of high efficiency and low battery consumption. The notebook supports high transferable interface such as DDR3, SATA3.0 and USB3.0. 2. Completed the development of multi-touched display system for tablet PC by adopting Nvidia chipsets Tegra 2 and integrated operation system Andriod, which has the advantages of multi resources and user friendliness. 3. Improved operation efficiency of main board by using Intel and AMD chipsets as the main structure and coupled with DDR3 memory and SATA3.9 storage interface and supported Intel Core i CPU. 4. Introduced the specification of USB3.0 to main board with the standard size of uATX and mini-ITX which can easily install in system casing. In addition, the main boards comply with EnergyStar 5.0 environmental protection and EUP standards. 5. Total solutions for enterprises and consumers which include traditional desktop PC products such as ultra light and slim mini PC (Nettop PC), All-In-One PC and Tablet PC. 6. Developed PND automobile interface and AVN products with customers and applied MEMS technologies such as compass module, accelerator, and advanced technologies on PND products. 7. Digital Vacuum Robot Cleaner with high efficiency and low noise. 8. Wifi module used in e-reader with following specifications: IEEE802.11b/g W-Lan, SDIO (Secure Digital Input Output) on OMAP3621 chipset and Linus 2.6.32.7 embedded operating system. 9. E-reader with Large size battery support touch screen and the specifications are 9.7 inch andS3C6410 chipset coupled with Win C.E. 6.0 embedded operating system. 10. Tablet PC products with Wi-Fi module IEEE802.11b/g, BT3.0 HS on Windows 7 Homes Premium operating system or BT2.1+EDR on Linux2.6.32 operating system, global positioning system GPS and long distance communication standards like HSDPA 7.2Mbit/s or WiMAX 11. Developed the world smallest size 3G WiFi Access Point with three different versions, home, automobile and chargeable versions, which can be used by various types of consumers in different aspects of internet life. 12. Docssis 3.0 compatible Cable modems and routers that can support dual band technologies in America and Europe.

5.1.4 Long Term and Short Term Business Development Plans

5.1.4.1 Short Term Business Development Plan

a. To increase market competitiveness and pursue higher annual revenue growth by leaning on operation management and effective manufacturing process.

b. To improve the efficiency of logistic management by reducing logistic cost and shortening product delivery time.

c. Based on the product mix, to approach different markets with different strategies. For mainstream products, the aim is to increase value-added services and versatility of the products with industrial design and new technologies, so as to become the market leader by developing leading products with innovative technology and expertise in the market. As for low cost products, the Company endeavors to provide products with lower manufacturing cost to fulfill consumers' needs.

d. To strengthen the relationship with existing customers, provide total solutions to customers and increase DMS market shares.

5.1.4.2 Long Term Business Development Plan

The Company intends to adjust its product mix by increasing the volume of products with higher margin and actively strengthening the factors (such as LCD TVs) that drives revenue growth. The development plan includes the following strategies:

a. Customer Service Strategy

- To strengthen the customer relationship and provide services in product planning, research and development, and manufacturing.
- To complete the deployment of global sales network and provide comprehensive after sales services to customers.

b. Manufacturing Strategy

- To continue to promote the LSS project and improve the quality and efficiency at all level
- To enhance vertical as well as horizontal integration and streamline group resources in related components, products and services.

c. Product Development Strategy

- To focus on talent development especially in R&D and industrial design sectors and to enhance the Company's R&D capabilities.
- To proactively develop material and technologies that is environmentally friendly and that comply with green product and other relevant environmental protection regulations.

5.2 Market and Sales Overview

5.2.1 Market Analysis

5.2.1.1 Sales (Service) Regions

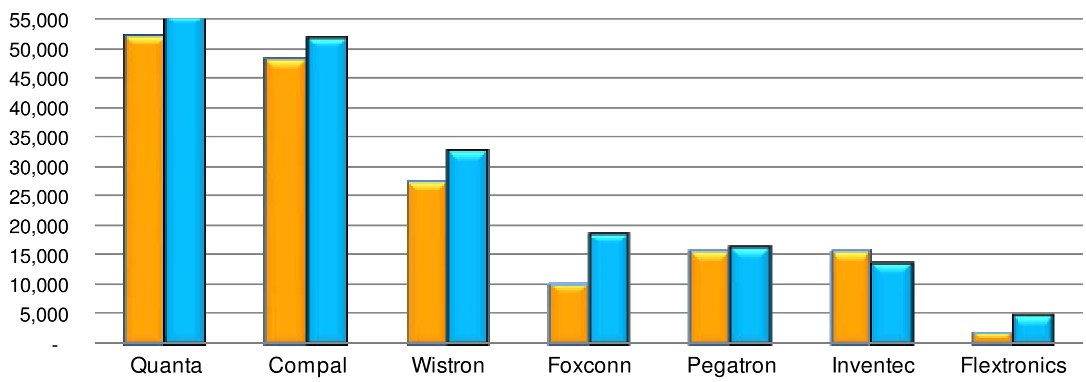
Unit: NT$ thousands; %

		2009		2010	
		Amount	**%**	**Amount**	**%**
Domestic		211,811,827	64.58	222,040,769	74.57
Export	**Asia**	44,426,334	13.55	22,663,002	7.61
	Europe	13,999,663	4.27	13,893,846	4.67
	America	57,306,127	17.47	38,472,657	12.92
	Others	420,576	0.13	691,495	0.23
	Subtotal	116,152,700	35.42	75,721,000	25.43
Total		327,964,527	100.00	297,761,769	100.00

5.2.1.2 Market Share

In 2010, the top five notebook PC ODM/EMS companies accounted for 159 million units of shipment, around 80% of total global shipment volume. This includes 52.1 million units from Quanta, 48.16 million units from Compal, 27.45 million units from Wistron, 16.4 million units from Inventec and 15.4 million units from Pegatron. According to Digitimes' estimation, the notebook PC market will gradually mature in 2011, and the top five ODM/EMS companies are likely to continue owning 80% of the market share.

Shipment for Global Notebook ODM/EMS Companies



	Quanta	Compal	Wistron	Foxconn	Pegatron	Inventec	Flextronics
2010	52,100	48,160	27,500	10,330	15,719	15,765	2,162
2011	55,821	51,791	32,795	18,696	16,258	13,566	4,653

Source: DIGITIMES issued in February 2011

5.2.1.3 Market Demand, Supply and Growth

a. Market Supply

In order to expand market shares, customers depend more on suppliers to shorten the time to market for computing, consumer electronics and communication products, while suppliers are also developing more service categories. Currently, more international brand customers outsource products to ODM/EMS companies, which, apart from manufacturing, can also provide extended services for logistics and after sale services. With capabilities such as excellent cost control, advantages in manufacturing skills, production flexibility, and experience in logistics, innovative research, marketing and management, ODM/EMS companies in Taiwan have the competitive edge in the industry. In addition, with highly vertical integrated capabilities, efficient product design and production flexibilities, ODM/EMS companies in Taiwan can provide services to customers that differ from other EMS and OEM companies located elsewhere.

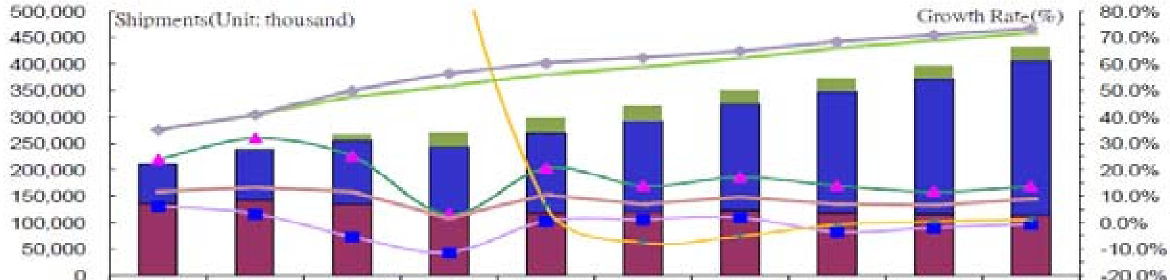
b. Market Demand

Stable global economic growth will be the driving force for the growth of the PC market in 2011. The IMF estimated that the global economic growth rate will be around 4.4% and the growth for emerging countries is higher than that of developed countries. The economic growth for China and India in 2011, the two of the biggest economies in Asia, are expected to maintain at 9.6% and 8.4% respectively. Both emerging and developed countries are expecting positive economic growth in the next two years, which will help boost market demands.

c. Market Growth

In 2010, PC shipments seasonality shifted due to less than expected demands in Europe and the US, the rising of the Asian market, the increase of sea shipments and the delayed launch of Wintel products. In 2011, the notebook PC market is expected to grow due to desktop PC placements and demands from emerging markets. The growth for netbooks will be impacted by the growth of tablet PCs and is only expected to achieve medium growth by entering certain markets with pricing strategies, while a double digit growth rate is expected for tablet PCs.

Global PC Market Forecast



	2006	2007	2008	2009	2010(e)	2011(f)	2012(f)	2013(f)	2014(f)	2015(f)
PC Vol	210,685	238,847	266,358	271,188	299,352	319,670	350,032	373,516	398,092	432,812
NetB Vol	0	300	11,210	27,519	29,262	27,100	25,745	25,561	25,703	26,031
NB Vol	73,664	97,192	121,627	125,368	151,269	172,358	201,975	230,237	257,181	292,415
DT Vol	137,021	141,355	133,521	118,301	118,821	120,212	122,312	117,718	115,208	114366
DT GR(%)	6.1%	3.2%	-5.5%	-11.4%	0.4%	1.2%	1.7%	-3.8%	-2.1%	-0.7%
NB GR(%)	23.9%	31.9%	25.1%	3.1%	20.7%	13.9%	17.2%	14.0%	11.7%	13.7%
NetB GR(%)			3636.7%	145.5%	6.3%	-7.4%	-5.0%	-0.7%	0.6%	1.3%
PC GR(%)	11.7%	13.4%	11.5%	1.8%	10.4%	6.8%	9.5%	6.7%	6.6%	8.7%
NB/(NB+DT)(%)	35.0%	40.7%	47.7%	51.5%	56.0%	58.9%	62.3%	66.2%	69.1%	71.9%
Mobile/PC(%)	35.0%	40.8%	49.9%	56.4%	60.3%	62.4%	65.1%	68.5%	71.1%	73.6%

	2010(e)	2011(f)	2012(f)	2013(f)	2014(f)	2015(f)
Tablet Device Shipment	12.280	38.310	52.322	60.446	66.005	71.160
Tablet Device GR		212.0%	36.6%	15.5%	9.2%	7.8%

註1：GR is Year-on-Year Growth Rate. 註2：Mobile PC=NB PC + NetB PC

Source: MIC issued in December 2010

5.2.1.4 Competitive Advantages

a. Experienced R&D Team

In addition to the Perspective Technology Office within the Company, there are also designated research and development engineers in each business unit. As of the end of 2010, total research and development engineers reached 2,545, among which 98.3% are with university degree. The leading research and development engineers in each product development have more than 15 years of experience in the relevant fields.

b. Comprehensive Manufacturing Locations

Suzhou and Shanghai in China, Juarez in Mexico, Ostrava in the Czech Republic and Kuanshan in Taoyuan, Taiwan to fulfill the needs of global customers at different regions.

c. Diversified Product Portfolio and Customer Base

The Company emphasizes on design capabilities, manufacturing excellence and service quality, and our major customers are well known global brand companies in the computing, communication and consumer electronics markets. In addition to our diversified product portfolio, the Company also has in-depth knowledge of the products to provide services to various types of customers.

d. Global Logistics Capabilities

The Company has manufacturing sites and service & repair stations across Europe, North America and Asia. One of the most important advantages of Pegatron is the effective management of global logistics based on the long-term experience providing prompt services across different time zones to meet customers' needs.

e. Professional Management Team

The management team consists of highly regarded senior professionals in the industry with more than 20 years of experience in the founding and managing of Asustek. One of the essential factors to the Company's sound development is the unspoken consensus and successful collaboration among the members of the management team after the long-term and stable working relationship.

f. Innovation Capabilities

Since the founding of the Company, the industrial design team, after years of experience, has won numerous international awards, such as the German 2009 iF material award in March 2009 for the application of bamboo and acetate fiber on computing products and German 2010 iF Communication Design Gold Award, 2010 iF Communication Design Award and 2010 red dot Communication Design Award in May 2010 for the tea packaging design, Dao Cha, and Cubicphile the promotion material. Furthermore, the Company was awarded the German 2011 iF Product Design Award and the iF Product Design China for the Italia (frame-based notebook PC), California (special production process notebook PC), Lucid (tablet PC), and the Joyoung Soymilk Maker. As a result, the capability of producing innovative designs is one of the core competitive advantages of the Company.

5.2.1.5 Disadvantages and Responsive Strategies

Advantages

a. Strong marketing attraction for fully the developed computing industry in Taiwan

The computing industry in Taiwan experienced numerous transformations and has fully developed over time. With the evenly developed industry and excellent collaboration among each supply chain, the computing industry in Taiwan is a strong marketing attraction and has become the global procurement center for computer peripherals.

b. Matured computing components industry and stable supply of key components in Taiwan

In the recent years, key components, such as chipset and PCB's, venders for motherboards, CD-ROM drives and other electronic products have become more competitive at the global level. Comprehensive development of the component industry is one of the key factors for the prosperity of the computing industry in

Taiwan.

c. **The Booming computing industry stimulates the growth of relevant components and the peripheral industry**

In the recent years, the decrease of computer pricing, gradual rising of multimedia application and the rapid development of internet have brought strong global demand in computer products, communication products as well as consumer electronics products, which leads to a promising outlook of the industry.

d. **Excellent capabilities in research & development and innovative industrial design**

The Company has an excellent research and development team, that is fully dedicated to product development and innovative industrial design. As a result, the Company is able to launch new models before its peer companies. In addition to the corporate perspective technology office, there are also designated R&D units within each business unit, which helps shorten production cycle and keep the Company a step ahead of its peer companies in this competitive environment.

e. **Comprehensive after sales service network**

The Company provides consistent after sales services and quality assurance to global customers via service & repair stations across North America, Europe, Japan and China.

Disadvantages

a. **Declined gross margin due to severe pricing competition**

The competition in the computing industry is intense due to the low entry barrier that attracts a large number of competitors. Furthermore, with the products becoming more matured over time, product supply has been higher than its demand. Product differentiation has also gradually diminished, which may also lead to a decline of gross margin.

b. **Profit margin impact by fluctuation of foreign exchange rates**

Most of the Company's products are exported and is highly exposed to the fluctuation of foreign exchange rates which may have direct impact to the Company's profit margin.

c. **Increase of manufacturing costs by potential labor shortage and higher acquisition cost of land**

The Company has increased the usage of automation for majority of products in an effort to reduce the reliance on labors. However, certain manufacturing processes are still conducted manually. As the issues of labor shortage gradually surfaced over recent years, labor compensation has increased dramatically, which increases the manufacturing cost and affects the Company's competitiveness in the global market.

Responsive Strategies

a. Enhance research and development capability and manufacture high value-added products.
b. Enforce cost control and inventory management, and maximize production efficiency by increasing automation.
c. Maximize the hedging effect by balancing the position in foreign and local currencies.
d. Invest in automation equipments to reduce the reliance on labor and improve product quality.
e. Allocate labors across manufacturing sites appropriately and minimize the impact of labor shortage.

5.2.2 Application and Production Process of Major Products

5.2.2.1 Application of Major Products

a. Computing Products

Notebook PCs, desktop PCs and other information electronic products that are mainly used for word processing, information management, typesetting, industrial design, presentation, statistic analysis, multimedia application, etc.

b. Communication Products

Communication products can be used for individual communication, internet communication, wire and wireless internet access.

c. Consumer Electronics Products:

Products that can be used for entertainment purposes, such as MP3s, game consoles, digital photo frames, etc.

5.2.3 Supply of Major Material

Major Raw Materials	Source of Supply	Supply Situation
Chipset	Asustek Computer Inc.	Stable
CPU	Asustek Computer Inc.	Stable
System Module	Asustek Computer Inc.	Stable
Storage	Asustek Computer Inc.	Stable
Display	Asustek Computer Inc.	Stable

Note: All major material is purchased by major customer, Asustek, and resell to the Company for manufacturing, system assembly. Therefore, source of supply is from Asustek

5.2.4 Major Customers with over 10% Net Sales and Suppliers with over 10% Net Purchases of the Last Two Fiscal Years

5.2.4.1 Major Suppliers of the Last Two Fiscal Years

Unit: NT$ thousands

Item	2009				2010			
	Company Name	Amount	%	Relation with Issuer	Company Name	Amount	%	Relation with Issuer
1	Asustek (Note1)	136,742,235	45.79	Shareholder	Asustek (Note 1)	151,112,664	54.42	Shareholder
2	A Customer (Note 2)	33,964,321	11.37	None	A Customer (Note 2)	21,569,985	7.77	None
3	Protek (Note 3)	30,864,549	10.33	Subsidiary	Protek (Note 3)	35,363,947	12.73	Subsidiary
4	Others	97,073,927	32.51	-	Others	69,657,261	25.08	-
	Net Total Purchases	298,645,032	100.00	-	Net Total Purchases	277,703,857	100.00	-

Note 1: In 2009 and 2010, the Company purchased (raw) material via Asustek.

Note 2: In 2009 and 2010, the Company purchased key parts via A Customer and finished goods are sold back to A Customer after completing assembly.

Note 3: It is considered an industry practice that the Company received orders from customers and allocates the orders to be manufactured by Protek, a subsidiary. Therefore, the Company purchased the products from Protek and resold them to customers.

Note 4: Increase and decrease of the amount was due to business demand.

5.2.4.2 Major Customers of the Last Two Fiscal Years

Unit: NT$ thousands

Item	2009				2010			
	Company Name	Amount	%	Relation with Issuer	Company Name	Amount	%	Relation with Issuer
1	Asustek	196,506,372	59.92	shareholder	Asustek	207,982,648	69.85	Shareholder
2	A Customer	46,363,897	14.14	None	A Customer	28,801,523	9.67	None
3	Others	85,094,258	25.94	-	Others	60,977,598	20.48	-
	Net Total Sales	327,964,527	100.00	-	Net Total Sales	297,761,769	100.00	-

Note 1: Increase and decrease of the amount was due to business demand.

5.2.5 Production/Sales Quantities and Value over the Past Two Years

Unit: thousands; NT$ thousands

Year / Output / Major Products (or by departments)	2009			2010		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
3C Products	700	598	6,354,581	948	505	341,013
Other	-	-	581,293	-	-	789,321
Total	700	598	6,935,874	948	505	1,130,334

Note: The quantities of 3C products reduced significantly in 2010 because the Company's manufacturing model changed from consigned model to buy and sell model.

5.2.6 Sales Quantities and Value of the Last Two Years

Unit: thousands; NT$ thousands

Shipments & Sales / Year / Major Products	2009				2010			
	Domestic		Export		Domestic		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
3C Products	28,050	209,683,400	30,015	108,138,036	20,297	218,294,872	21,873	69,983,055
Others	-	2,128,427	-	8,014,664	-	3,745,897	-	5,737,945
Total	28,050	211,811,827	30,015	116,152,700	20,297	222,040,769	21,873	75,721,000

5.3 Status of Employees

Status of employees over the past two years and up to the date of the report

Year		2009	2010	As of 04/26/2011
Number of Employees	Others	1,893	1,882	1,939
	R&D	2,260	2,545	2,671
	Total	4,153	4,427	4,610
Average Age		32.7	32.7	32.7
Average Years of Service		4.65	4.7	4.6
Education	Ph.D.	0.3%	0.3%	0.26%
	Masters	34.3%	35.7%	34.97%
	Bachelor's Degree	55.4%	54.7%	54.99%
	Senior High School	8.9%	5.8%	5.62%
	Below Senior High School	1.1%	3.5%	4.16%

5.4 Expenditure on Environmental Protection

Total amount of loss (including penalty) paid for environmental pollution and stated any responsive actions and potential expenditure

During 2010 and as of the date of this report, the Company did not incur any loss or have any penalty for environmental pollution. There are designated personnel within the company who are in charge of environmental protection in compliance to the legal requirements. Waste clearance and disposal, wastewater management, environmental measurement and chemicals management have been conducted and controlled by management procedures to reduce the environmental pollution and impact.

5.5 Employee Relations

5.5.1 Employee's Welfare and Benefit

a. Employee welfare and benefit

Employee welfare and benefit are provided by both the Company and Pegatron Employee Welfare Committee. Corporate benefit program offerings to employees include labor insurance, group insurance, travel insurance on business trips, meal subsidies, year end bonus, employee profit sharing, etc, while benefit from Pegatron Employee Welfare Committee includes social clubs, family outlining, company group outlining, bonuses for three major festivals and different subsidies such as marriage, funeral, scholarship, etc.

b. Professional training program

The Company emphasizes on career planning for employees and is devoted in talent development by encouraging employees to attend internal and external training programs. Internal training programs include courses for core competence and professional development to enhance employees working capabilities, while external training programs include seminars or conferences organized by external parties that provide excellent training opportunities for employees.

c. Retirement system

Pegatron's retirement policy is in accordance with the provisions in the Labor Standards Law and Labor Pension Act of the Republic of China.

d. Employee rights

The Company always emphasizes employee benefits as well as harmonious labor relations, and value the employees' opinions and feedbacks, which can be submitted via employee mailbox, conferences and emails. Employees can fully express their opinions, raising any labor issues to promote and maintain a positive labor relationship.

e. Employees code of conduct

The pursuance of sustainable corporate development and embrace integrity is our highest guiding principle, and the Company has established Business Ethic Guidelines. Based on the Business Ethic Guideline, employees are required to strictly follow the moral standards and advocate honesty, integrity and confidentiality to protect the rights of the Company and shareholders and enhance the Company's competitiveness.

5.5.2 Any current or potential loss resulting from labor disputes and prevention actions for the past two years and as of the date of this annual report.

The Company's employee relations agreement is based on Labor Standard Law and employees are required to strictly follow this agreement since the on-board day. There have not been any potential losses resulting from labor disputes for the past two years and as of the date of this annual report.

5.6 Important Contracts

As of 26 April, 2011

Agreement	Counterparty	Period	Major Contents	Restrictions
Syndication agreement	ABN Amro Bank (lead bank) and other participating banks	10/30/2008 ~ 10/30/2011	Loan Amount: NT$12billion. Period: three years	Restrictions to financial ratios before repayment: 1. Current ratio: no less than 100% 2. Debt ratio (interesting bearing debt to equity: no higher than 50%) 3. Interest coverage ratio (EBITDA): no less than 4 times 4. Tangible equity: no less than NT$90billion
Syndication agreement	Citi Bank, Taipei Fubon Bank, Taiwan Corporative Bank,DBS Bank, Bank of Taiwan, Land Bank of Taiwan and Bank of Taiwan (lead banks) and other participating banks	10/25/2010 ~ 10/25/2005	Loan Amount: US$450million. Period: five years	Restrictions to financial ratios: 1. Current ratio: no less than 100% 2. Debt ratio (interesting bearing debt to equity: no higher than 50%) 3. Interest coverage ratio (EBITDA): no less than 4 times 4. Tangible equity: no less than NT$90billion

Agreement	Counterparty	Period	Major Contents	Restrictions
Construction Agreement	Kao Li Construction Co.	03/01/2008 ~ to date	Interior refurbishment project at headquarter	None
Appointment Agreement	ABeam Consulting Ltd	03/28/2008 ~ to date	SAP system development and migration	Should ABeam not complete the work specified in the contract, the Company is entitled to cancel the contract and request for punitive damage as well as other compensation, provided AMeam is solely responsible for not completing the work as scheduled.

6. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Condensed Balance Sheet

Unit: NT$ thousands

Item \ Year		Five-Year Financial Summary (Note2) 2006 (Note1)	2007	2008	2009	2010	As of 4/26/2011 (Note 3)
Current assets		-	161,816	75,232,766	100,228,588	59,018,914	-
Funds & Long-term investments		-	-	85,259,911	90,594,845	83,573,594	-
Other non-current financial assets		-	-	315,429	203,650	28,637	-
Fixed assets		-	-	5,487,230	4,253,802	4,041,546	-
Intangible assets		-	-	217,672	235,453	181,820	-
Other assets		-	50,000	991,625	1,872,571	1,512,580	-
Total assets		-	211,816	167,504,633	197,388,909	148,357,091	-
Current liabilities	Before distribution	-	146	69,510,123	94,169,788	50,203,065	-
	After distribution	-	146	70,392,215	98,170,382	Undistributed	-
Long-term liabilities		-	-	8,005,928	7,215,718	7,007,411	-
Other liabilities		-	-	14,498	232,926	305,386	-
Total liabilities	Before distribution	-	146	77,530,549	101,618,432	57,515,862	-
	After distribution	-	146	78,412,641	105,619,026	Undistributed	-
Capital stock		-	50,000	18,846,281	22,860,539	22,563,669	-
Capital surplus		-	165,375	63,582,097	63,776,623	63,145,448	-
Retained earnings	Before distribution	-	(3,705)	5,455,699	7,258,220	9,469,062	-
	After distribution	-	(3,705)	559,349	3,257,626	Undistributed	-
Unrealized gain or loss on financial instruments		-	-	241,398	1,680,205	922,576	-
Cumulative translation adjustments		-	-	1,849,737	198,092	(5,250,188)	-
Net loss unrecognized as pension cost		-	-	(1,128)	(3,202)	(16)	-
Total shareholders' equity	Before distribution	-	211,670	89,974,084	95,770,477	90,841,229	-
	After distribution	-	211,670	89,091,992	91,769,883	Undistributed	-

Note 1: The Company incorporated on Jun 27, 2007, therefore, there is no data in 2006.
Note 2: Financial information in 2007, 2008, 2009 and 2010 is audited by CPA.
Note 3: First quarter 2011 financial statements have not been disclosed to public as of the date of this annual report.

6.1.2 Condensed Income Statement

Unit: NT$ thousands

Item \ Year	Five-Year Financial Summary (Note 2)					As of 4/26/2011 (Note 3)
	2006 (Note 1)	2007	2008	2009	2010	
Operating revenue	-	-	303,748,099	327,964,527	297,761,769	-
Gross profit	-	-	8,878,596	9,251,251	10,626,452	-
Income from operations	-	(4,140)	219,084	1,068,740	4,032,105	-
Non-operating income	-	435	6,015,943	6,839,938	3,758,108	-
Non-operating expenses	-	-	1,211,327	713,629	473,803	-
Income from operations of continued segments - before tax	-	-	5,023,700	7,195,049	7,316,410	-
Income from operations of continued segments - after tax	-	(3,705)	5,526,317	6,751,588	6,211,436	-
Income from discontinued departments	-	-	-	-	-	-
Extraordinary gain or loss	-	-	-	-	-	-
Cumulative effect of accounting principle changes	-	-	-	-	-	-
Net income (loss)	-	(3,705)	5,526,317	6,751,588	6,211,436	-
Earnings per share (before adjustment)	-	(2.14)	3.08	2.95	2.73	-

Note 1: The Company incorporated on Jun 27, 2007, therefore, there is no data in 2006.
Note 2: Financial information in 2007, 2008, 2009 and 2010 is audited by CPA.
Note 3: First quarter 2011 financial statements have not been disclosed to public as of the date of this annual report.
Note 4: Gross profit included realized (unrealized) profits from affiliated companies.

6.1.3 Auditing by CPA from 2006 to 2010

Year	CPA Firm	CPA's Name	Auditing Opinion
2006	-	-	-
2007	Earnest & Young	Ming-Yi Lee	Unqualified
2008	Earnest & Young	Ming-Yi Lee	Modified Unqualified
2009	KPMG	Ulyos K.J. Maa & Charlotte W.W. Lin	Modified Unqualified
2010	KPMG	Ulyos K.J. Maa & Charlotte W.W. Lin	Modified Unqualified

Note 1: The Company incorporated on Jun 27, 2007, therefore, there is no data in 2006.

6.2 Five-Year Financial Analysis

Item (Note 3)			2006	2007	2008	2009	2010	As of 4/26/2011 (Note 2)
Year(Note1)			Financial analysis in the past five years					
Financial structure (%)	Ratio of liabilities to assets		-	-	46.29	51.48	38.77	-
	Ratio of long-term capital to fixed assets		-	-	1,785.60	2,421.04	2,421.07	-
Solvency (%)	Current ratio		-	-	108.23	106.43	117.56	-
	Quick ratio		-	-	81.26	95.25	103.13	-
	Times interest earned ratio		-	-	32.86	65.33	78.17	-
Operating ability	Accounts receivable turnover (Times)		-	-	6.48	5.03	4.72	-
	Average collection period		-	-	56.35	72.63	77.41	-
	Inventory turnover (Times)		-	-	14.74	20.59	30.93	-
	Accounts payable turnover (Times)		-	-	7.46	5.65	5.34	-
	Average days in sales		-	-	24.77	17.73	11.80	-
	Fixed assets turnover (Times)		-	-	55.63	77.10	73.68	-
	Total assets turnover (Times)		-	-	1.81	1.66	2.01	-
Profitability	Return on total assets (%)		-	-	3.40	3.76	3.64	-
	Return on stockholders' equity (%)		-	-	6.14	7.27	6.66	-
	Ratio to issued capital (%)	Operating income	-	-	1.16	4.68	17.87	-
		Pre-tax income	-	-	26.66	31.47	32.43	-
	Profit ratio (%)		-	-	1.82	2.06	2.09	-
	Earnings per share(Before adjustment) ($)		-	(2.14)	3.08	2.95	2.73	-
Cash flow	Cash flow ratio (%)		-	-	-	8.26	20.81	-
	Cash flow adequacy ratio (%)		-	-	-	163.33	226.20	-
	Cash reinvestment ratio (%)		-	-	-	6.66	6.52	-
Leverage	Operating leverage		-	-	3.46	1.92	1.21	-
	Financial leverage		-	-	3.57	1.12	1.02	-

Analysis of financial ratio change in the last two years.

1. Ratio of liabilities to assets: The ratio declined in 2010 due to decline of account payable for raw material.
2. Inventory turnover (Times): Increase in inventory turnover in 2010 was due to effective control of inventory which resulted in decline of balance of inventory for the year ended.
3. Average days in sales: The decrease of average days in sales in 2010 was due to improvement in inventory turnover.
4. Total assets turnover (Times): Total assets turnover increased in 2010 due to reduction in current asset.
5. Operating income ratio to issued capital: The ratio increased in 2010 resulting from improved gross margin and operating expense.
6. Cash flow ratio: The ratio increased in 2010 due to increase of cash inflow from operating activities and decrease of current liabilities.
7. Cash flow adequacy ratio: The ratio increased in 2010 because cash inflow from operating activities was higher in 2010, while capital expenditure outflow decreased.
8. Operating leverage: The decline of operating leverage was due to the decrease of sales.

Note 1: The Company was incorporated on June 27th, 2007 and the financial information have been audited by CPA.
Note 2: First quarter 2011 financial statements have not been disclosed to public as of the date of this annual report.
Note 3: Equations:

1. Financial Structure

(1) Ratio of liabilities to assets = Total liability / Total assets

(2) Ratio of long-term capital to fixed assets = (Net shareholders' equity + Long-term liability) / Net fixed assets

2. Solvency
   (1) Current ratio: Current assets / current liability
   (2) Quick ratio = (Current assets – Inventory – Prepaid expense) / current liability
   (3) Times interest earned ratio = Net income before tax and interest expense / Interest expense of the year
3. Operating ability
   (1) Account receivable turnover (including accounts receivable and notes receivable derived from business operations) = Net sales / Average accounts receivable (including accounts receivable and notes receivable derived from business operation)
   (2) Days sales in accounts receivable = 365 / Account receivable turnover
   (3) Inventory turnover = Cost of goods sold / Average inventory amount
   (4)Account payable turnover (including accounts payable and notes payable derived from business operation) = Cost of goods sold / Average accounts payable (including accounts payable and notes payable derived from business operation)
   (5) Average days in sales = 365 / Inventory turnover
   (6) Fixed assets turnover = Net sales / Net fixed assets
   (7) Total assets turnover = Net sales / Total assets
4. Profitability
   (1) Return on assets = (Net income (loss) + interest expense x (1-tax rate)) / Average total assets
   (2) Return on shareholders' equity = Net income (loss) / Net average shareholders' equity
   (3) Return to issued capital stock = Net income before tax / Issued capital stock
   (4) Profit ratio = Net income (loss) / Net sales
   (5) Earnings per share = (Net income – preferred stock dividend) / Weighted average stock shares issued
5. Cash flow
   (1) Cash flow ratio = Bet cash flow from operating activity / Current liability
   (2) Cash flow adequacy ratio = Net cash flow from operating activity in the past 5 years / (Capital expenditure + Inventory interest + Cash dividend) in the past 5 years
   (3) Cash + reinvestment ratio = (Net cash flow from operating activity – Cash dividend) / (Fixed assets + Long term investment + Other assets + Working capital)
6. Balance
   (1) Degree of operating leverage = (Net operating income – Variable operating cost and expense) / Operating income(note6)
   (2) Degree of financial leverage = Operating income / (Operating income – interest expense)

Note 4: The following factors are to be included in the consideration for the calculation of earnings per share:

1. It is based on the weighted average common stock shares instead of the outstanding stock shares at year end.
2. For capitalization with cash or treasury stock trade, the stock circulation must be included for consideration to calculate weighted average shares.
3. For capitalization with retained earnings and additional paid-in capital, the earnings per share calculated semi-annually an annually must be adjusted retroactively and proportionally to the capitalization but without considering the issuance period of the capitalization.
4. If preferred stock shares are nonconvertible and cumulative, the dividend of the year (whether it is distributed or not) should be deducted from net income or added to the net loss. If preferred shares are not cumulative, preferred stock dividend should be deducted from net income if there is ant but it needs not be added to net loss if there is any.

Note 5: The following factors are to be included for consideration for the analysis of cash flow:

1. Net cash flow from operating activity meant for the net cash inflow from operating activity on the Cash Flow Statement.
2. Capital expenditure meant for the cash outflow of capital investment annually.
3. Increase of inventory is counted only when ending inventory exceeds beginning inventory. If the ending inventory is decreased, it is booked as zero value.
4. Cash dividend includes the amount for common stock and preferred stock.
5. Gross fixed assets for the total fixed assets before deducting the cumulative depreciation.

Note6: Issuer should classify operating coat and operating expense according to fixed and variable category If the classification is estimated and subjective, it should correspond with rationality and consistence.

6.3 Supervisors' Report in the Most Recent Year

Pegatron Corporation

Supervisor's Report

Date: March, 31, 2011

The Board of Directors has prepared and submitted to the supervisor of Pegatron Corporation ("the Company)", the 2010 Business Report, financial statements, and proposal for earning distribution of the Company. The above Business Report, financial statements, and earning distribution proposal have been examined and determined to be correct and accurate by the undersigned. According to Article 219 of the Company Law, I hereby submit this report.

To the 2011 Annual Shareholders' Meeting of Pegatron Corporation.

C.H. Tong

Supervisor

Pegatron Corporation

Supervisor's Report

Date: March, 31, 2011

The Board of Directors has prepared and submitted to the supervisor of Pegatron Corporation ("the Company)", the 2010 Business Report, financial statements, and proposal for earning distribution of the Company. The above Business Report, financial statements, and earning distribution proposal have been examined and determined to be correct and accurate by the undersigned. According to Article 219 of the Company Law, I hereby submit this report.

To the 2011 Annual Shareholders' Meeting of Pegatron Corporation.

M.C. Chou

Supervisor

Pegatron Corporation

Supervisor's Report

Date: March, 31, 2011

The Board of Directors has prepared and submitted to the supervisor of Pegatron Corporation ("the Company)", the 2010 Business Report, financial statements, and proposal for earning distribution of the Company. The above Business Report, financial statements, and earning distribution proposal have been examined and determined to be correct and accurate by the undersigned. According to Article 219 of the Company Law, I hereby submit this report.

To the 2011 Annual Shareholders' Meeting of Pegatron Corporation.

I. L. Cheng

Supervisor 鄭義鈴

6.4 Financial Statements of the Most Recent Year:

Please refer to page 95 to 136 of this annual report.

6.5 Consolidated Financial Statements of the Parent Company and Subsidiary in the Most Recent Year

Please refer to page 137 to 214 of this annual report.

6.6 Financial Difficulties Encountered By the Company and the Related Party in the Most Recent Year and Up to the Date of the Annual Report Printed: None.

7. Review of Financial Position, Management Performance and Risk Management

7.1 Analysis of Financial Status

Unit: NT$ thousands; %

Year / Item	2010	2009	Difference	
			Amount	%
Current Assets	59,018,914	100,228,588	(41,209,674)	(41.12%)
Funds & Investments	83,573,594	90,594,845	(7,021,251)	(7.75%)
Other Financial Assets– Non Current	28,637	203,650	(170,013)	(85.94%)
Fixed Assets	4,041,546	4,253,802	(212,256)	(4.99%)
Intangible Assets	181,820	235,453	(53,633)	(22.78%)
Other Assets	1,512,580	1,872,571	(359,991)	(19.22%)
Total Assets	148,357,091	197,388,909	(49,031,818)	(24.84%)
Current Liabilities	50,203,065	94,169,788	(43,966,723)	(46.69%)
Long-term Liabilities	7,007,411	7,215,728	(208,307)	(2,89%)
Other Liabilities	305,386	232,926	72,460	31.11%
Total Liabilities	57,515,862	101,618,432	(44,102,570)	(43.40%)
Capital stock	22,563,669	22,860,539	(296,870)	(1.30%)
Capital surplus	63,145,448	63,776,623	(631,175)	(0.99%)
Retained Earnings	9,469,062	7,258,220	2,210,842	30.46%
Other Adjustments	(4,336,950)	1,875,095	(6,212,045)	(331.29%)
Total Stockholders' Equity	90,841,229	95,770,477	(4,929,248)	(5.15%)

Analysis of changes in financial ratios:

1. Current Assets: The reduction was mainly due to the decrease of revenue in 4Q2010, which resulted in less transaction with subsidiaries and less account receivable and inventory as compared to the year before.
2. Other Financial Assets – Non Current: The decrease was caused by less refundable deposit.
3. Intangible Assets: The decrease was due to intangible assets being amortized over the year.
4. Total Assets: The reduction was mainly due to the decrease of inventory and account receivable.
5. Current Liabilities: The reduction was caused mainly by the decrease in revenue in 4Q2010, which led to decrease of in purchase. Therefore, the account payable decreased accordingly.
6. Other Liabilities: The increase was due to the increase of deferred income tax liabilities for overseas investment loss.
7. Total Liabilities: The reduction was caused by the decrease in account payable.
8. Retained Earnings: The increase was due to the increase in profits for 2010 and gathered higher retain of previous dividend distribution.
9. Other Adjustments: The reduction was due to changes in FX rates.

- **Effect of change on financial condition:**

  The Company's financial condition is without significant change.

- **Future response actions:** Not applicable.

7.2 Analysis of Operating Results

Unit: NT$ thousands; %

Item \ Year	2010	2009	Difference	
			Amount	%
Net Sales	297,761,769	327,964,527	(30,202,758)	(9.21%)
Cost of Sales (Note)	287,135,317	318, 713,276	(31,577,959)	(9.91%)
Gross Profit	10,626,452	9,251,251	1,375,201	14.87%
Operating Expense	6,594,347	8,182,511	(1,588,164)	(19.41%)
Operating Income	4,032,105	1,068,740	2,963,365	277.28%
Non-operating Income and Gains	3,758,108	6,839,938	(3,081,830)	(45.06%)
Non-operating Expenses and Losses	473,803	713,629	(239,826)	(33.61%)
Income Before Tax	7,316,410	7,195,049	121,361	1.69%
Tax Expense	1,104,974	443,451	661,513	149.17%
Income after Income Tax	6,211,436	6,751,588	(540,152)	(8.70%)

Analysis of changes in financial ratios:

1. Operating Income: The increase was due to the improvement in gross margin and less operating expense.
2. Non-Operating Income and Gains: The decrease was mainly due to the reduced profit from investment companies.
3. Non-Operating Expense and Losses: The decrease was mainly due to effective control over foreign currency positions.
4. Tax Expense: The increase was mainly due to the increase of profit from core business and tax rate for undistributed dividend.

Note: Including realized (unrealized) profit of affiliated companied.

7.3 Analysis of Cash Flow

7.3.1 Cash Flow Analysis for the Current Year

Unit: NT$ thousands; %

Item \ Year	2010	2009	Difference	
			Amount	%
Cash flows from operating activities	10,445,490	7,775,055	2,670,435	34.35
Cash flows from investing activities	423,048	(3,112,542)	3,535,590	113.59
Cash flows from financing activities	(5,573,211)	(7,069,247)	1,496,036	(21.16)

Analysis of changes in financial ratios:

1. Cash flows from operating activities: The increase in cash flow was due to change of group business model from manufacturing by consigned material to manufacturing of procured material, which resulted in decrease of inventory and account payable.
2. Cash flows from investing activities: The increase was caused by the decrease of long term investment under equity method and capital expenditure as compared to the previous year.
3. Cash flows from financing activities: The decrease was due to the decrease of payment to short term loan as compared to the previous year.

7.3.2 Remedy for Cash Deficit and Liquidity Analysis:

In light of positive cash flows, remedial actions are not required.

7.3.3 Cash Flow Analysis for the Coming Year: None applicable.

7.4 Major Capital Expenditure Items: None.

7.5 Investment Policy in Last year, Main Causes for Profits or Losses, Improvement Plans and the investment Plans for the Coming Year

The Company's long-term investment accounted under the equity method are all for strategic purposes. In 2010, the investment income under equity method reached NT$2,458,713 thousand dollars, which was significantly less than the previous year. This decline was mainly due to intensifying competition in the industry in which our subsidiary, Unihan Corp, is in and increasing cost in developing new products and customers. For future investment, the Company will continue to focus on strategic purpose and carefully assess the financial risks and its return in order to maximize the value for the Company.

7.6 Analysis of Risk Management

7.6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation of Corporate Finance, and Future Response Measures

(1) Interest Rate

The Company's interest rate risks mainly arise from the long-term and short-term loans made from banks and the short-term capital management for operating capital needs. In order to reduce the risks of interest rates, especially relating to bank loans, the Company contacts banks on the regular basis, studies the trend of interest rate and negotiates for the best interest rate for the Company. As for short-term capital management, the Company mainly invests in financial instruments such as fixed deposit or invests in NTD based funds, which not only secures the capital but also reduces associated risks.

(2) Foreign Exchange Rate

The Company adopts a prudent approach towards foreign exchange strategy and since the Company's sales and purchases are denominated mainly in US dollars, the risks are naturally hedged. However, significant changes in foreign exchange rate may cause adverse impact to the financial conditions of the Company and the responsive measures are taken as follows:

a. Collecting market information for analysis and risk evaluation, and contacting banks on a regular basis to be fully aware of the trend of foreign exchange rate and adjusting financial positions in foreign currency when necessary.

b. Securing reasonable profits by taking foreign exchange into consideration when providing quotations for sales.

(3) Inflation

According to the statistics released by the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, the consumer price index and wholesale price index grew by 0.96% and 5.46% respectively in 2010, which represented a minor inflation and did not have material impact the Company's financial conditions in 2010. The Company observes the changes of market price at all times and adjusts selling price or inventory levels when necessary.

7.6.2 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-Risk, High-Leverage Investment, Loaning or Endorsement Guarantees and Derivatives Transactions

(1) High-Risk, High-Leverage Investment

In 2010 and as of the date of this annual report, the Company has not conducted any high-risk and/or high-leverage investment.

(2) Loaning or Endorsement Guarantees

The Company conducts loaning or endorsement guarantees according to the internal policy "Procedures for Loaning of Funds and Making of Endorsements / Guarantees". Procedures and risk evaluation are conducted in accordance with this policy.

(3) Derivatives Transactions

The Company has not conducted any derivative transactions in 2010. Shall such needs arise due to business operation; the transaction will be processed in accordance with the Company's internal policy "Procedures for the Acquisition and Disposal of Assets".

7.6.3 Future Research & Development Projects and Corresponding Budget

The Company focuses on the development of products that are integrated with high added value while the associated research and development projects are proceeding as scheduled. Going forward, continuous effort will be spent on product research and development and pursuing leading position in this field by controlling factors such as talent, capital, technology, etc.

7.6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales

The Company complies with regulations associating with corporate governance, company law, security law and other important sources of regulations. In addition, the Company also monitors material changes in governing regulations and laws and be fully aware of the changes in the markets. In 2010 and as of the date of this annual report, there were no such risks to the Company.

7.6.5 Effects of and Response to Changes in Technology and in Industry Relating to Corporate Finance and Sales

The Company pays attention to the changes in technologies and in industry at all time, be fully aware of the market trend and evaluate any potential impact on the operations of the Company. In 2010, no material changes of technologies have brought any adverse impact to the financial conditions of the Company.

7.6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures

Since the date of incorporation, the Company has been having a positive corporate image and complying with relevant laws and regulations. In 2010 and as of the date of this annual report, there were no such risks for the Company.

7.6.7 Expected Benefits and Risks Relating to and Response to Merger and Acquisition Plans

In 2010 and as of the date of this annual report, the Company did not have any plans for mergers and acquisitions and there were no such risks for the Company.

7.6.8 Expected Benefits and Risks Relating to and Response to Factory Expansion Plans

In 2010 and as of the date of this annual report, the Company did not have any plans for factory expansion and there were no such risks for the Company.

7.6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration

The Company's core business is the manufacturing of 3C products and, and according to the industry practice, the Company tends to purchase raw material and sell the finished goods to the same party.

a. Source of Purchase

Per ODM/EMS industry practice, major customers, in order to control product quality and reduce cost of key components, will request the Company to purchase key components from specific supplier(s) and sell back to the customer after assembly. Therefore, purchase of material and sales of finished goods are concentrated to specific customer(s). In 2010, the top two suppliers were the subsidiaries of the Company. In addition, the Company maintains more than two qualified raw material suppliers to ensure supply flexibility and pricing advantages so as to achieve cost reduction. In conclusion, The Company does not have risks associating with excessive concentration of supply.

b. Sales of Products

In 2010, the revenue from sales to Asustek was around 50% of the total revenue. The Company was originally the ODM/EMS business unit of Asustek and officially spun off from Asustek in 2008, which allowed Asustek to focus on branding business and the Company on design, manufacturing and services. In addition to continually engaging new customers, enhancing technologies and improving manufacturing process, the Company endeavors to develop new products to meet the versatile market demands and Pegatron expected that the reliance on Asustek will gradually reduce.

7.6.10 Effects of Risks Relating to and Response to Large Share Transfer or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholding of over 10%

At the end of 2009, the Company was owned 100% by Asustek. On Feb 9, 2010, Asustek special shareholders' meeting approved the plan to transfer its long term equity in ODM/EMS business to its wholly owned subsidiary Pegatron International, while Pegatron International's board, acting on behalf of its shareholders' meeting, also approved the plan to accept the long term equity from Asustek on the same day, whereby Pegatron International issued 2,286,054,000 shares to Asustek. As a result, Asustek acquired approximately 25% (571,510,000 shares) of the equity in Pegatron International and all shareholders of Asustek acquired 75% (1,714,540,000 shares) of the equity in Pegatron International. Not only has Asustek's shareholding in the Company reduced dramatically, the Company's operation was becoming more independent to Asustek. The operation of the Company has become more transparent after the spin-off and acceptable by customers, which is considered a positive factor in business development.

7.6.11 Effects of Risks Relating to and Response to Changes in Control over the Company

By the end of 2009, the Company was owned 100% by Asustek and the shareholding reduced dramatically after the spin-off plan in 2010. The operation of the Company has become more transparent after the spin-off and acceptable by customers, which is considered a positive factor in business development. In addition, the Company has formed a management team to manage the Company's operation and does not have risks associating with the changes in control over the Company.

7.6.12 Litigation or Non-litigation Matters

1. Aver Media 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 NT90,000 thousand dollars as counter-security to the Court for rescinding the attachment. In addition, Aver Media 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 NT16,410 thousand dollars which had been recognized as the loss on valuation allowance on June 4, 2010. Lumens Digital Optics Inc. lost its first instance lawsuit and expected that there is no material loss thereon for the allowance of inventories on the aforementioned case.
2. On May 24, 2010, Lumens Digital Optics Inc. filed a lawsuit accusing Aver Media Information Inc. for patent infringement. The Intellectual Property Court decided in

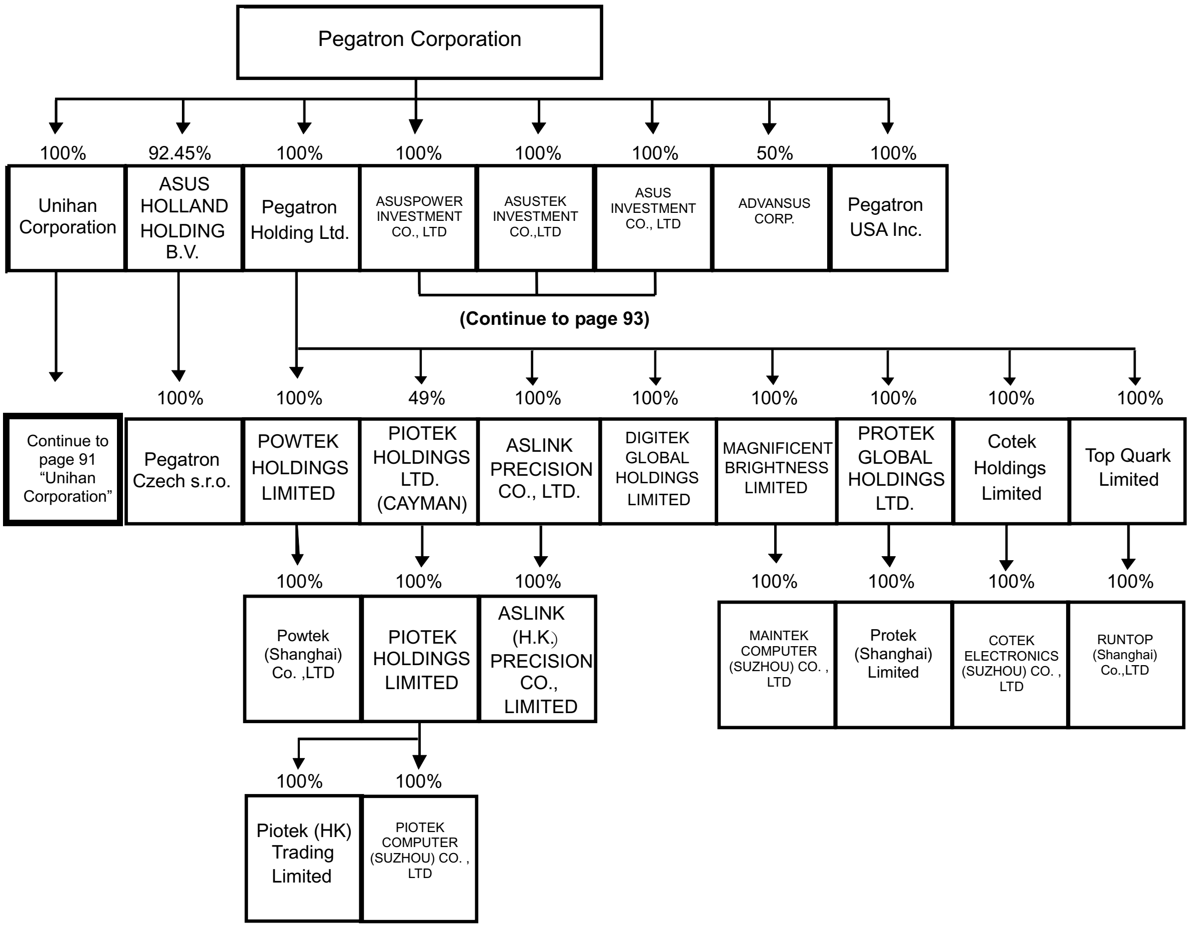
favor of Aver Media Information Inc. and Lumens Digital Optics Inc. then filed an appeal. This case is under trial of the appellate court.

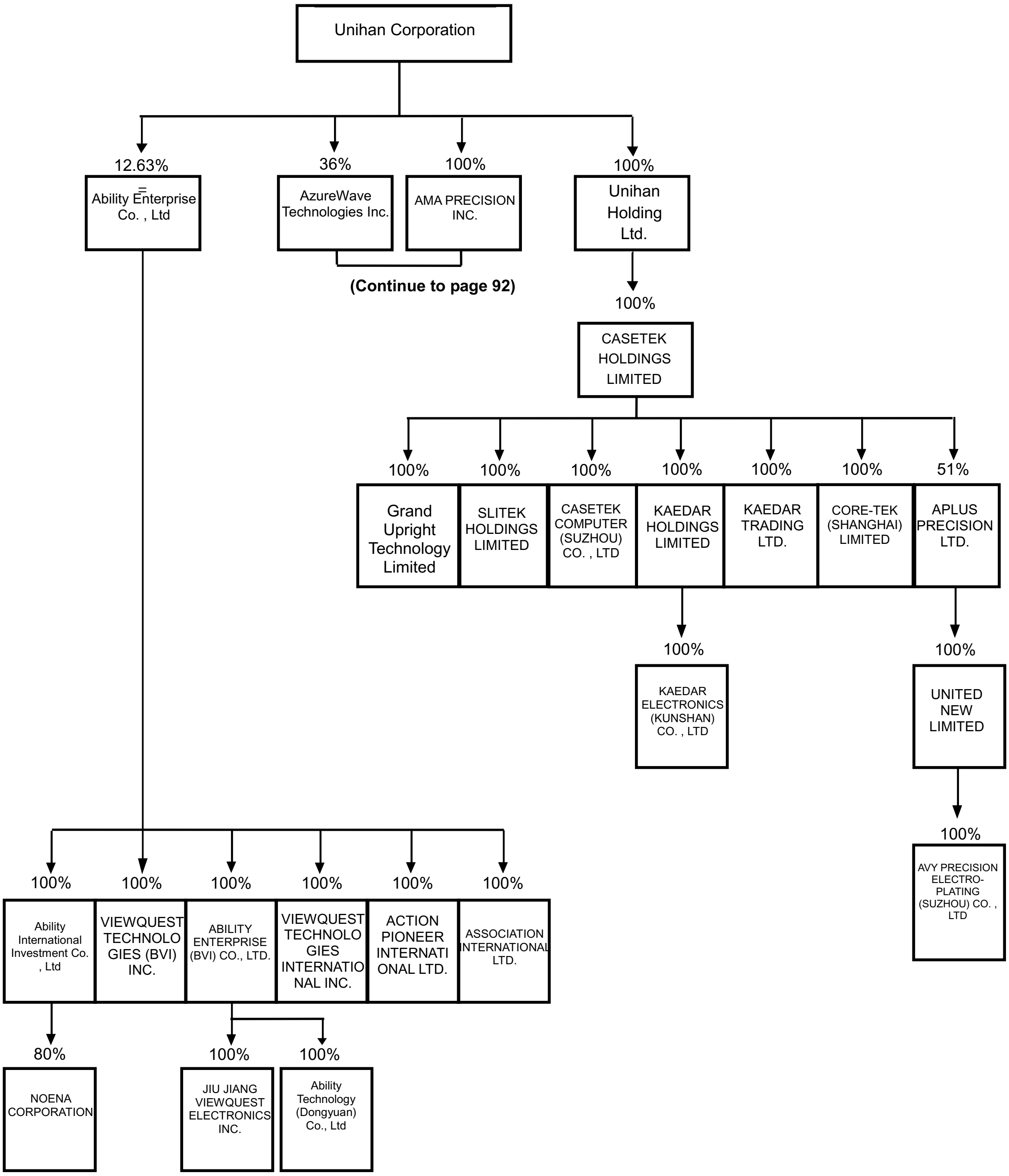
3. One of Asuspower Corporation's American customers voluntarily filed for bankruptcy with the United States Bankruptcy Court of California District. The customer has made payments for goods amounting to US$1,439,484 to Asuspower Corporation 90 days before filing bankruptcy. Insolvency administrator 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. Both parties reach a settlement in December 2010.
4. As of December 31, 2010, the tax returns of the Ability Enterprise Co., through 2006 have been assessed and approved by the tax authority. Ability Enterprise Co. 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 to NT248,999 thousand dollars in total. The relative estimated income tax ability was approximately NT124,499 thousand dollars.
5. American Kodak Company filed a civil lawsuit against sued Ability Enterprise Co. on June 22, 2010. Ability Enterprise Co. and Kodak Company have been settled and withdrawn the lawsuit on October 4, 2010. The lawsuit and settlement has no significant influence over Ability Enterprise Co.'s operating and financing position.
6. AzureWave Technologies, INC.'s (AzureWave) tax returns through 2008 have been assessed and approved by the Tax Authority. TWINHAN Technology Co., Ltd. (TWINHAN) has liquidated after its merger with AzureWave in December 2008. TWINHAN's tax returns through 2008 have been assessed and approved by the Tax Authority where TWINHAN appealed an administrative remedy against the tax authority's assessment from 2002 to 2004. The Supreme Court had rejected the appeal in September 2010. AzureWave has recognized the possible additional tax liabilities from the said statement.

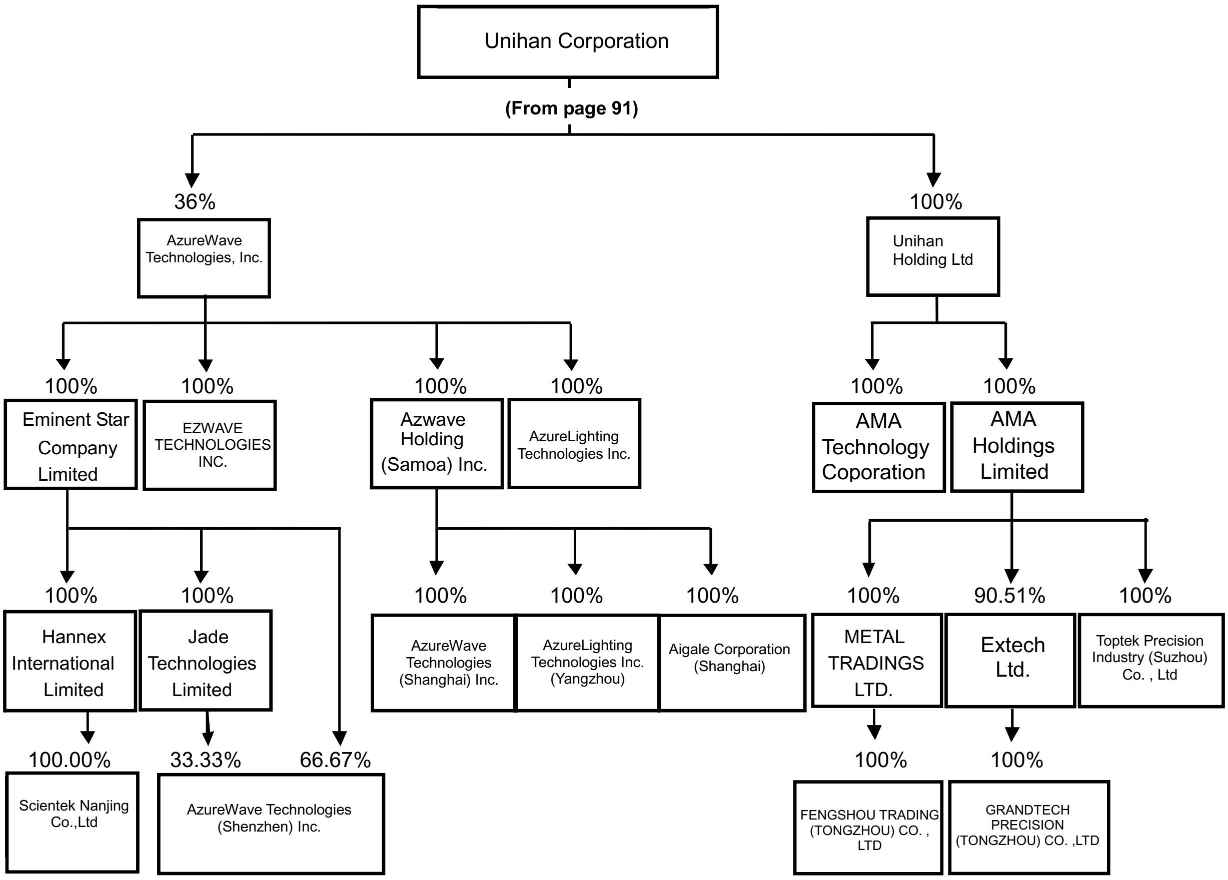
7.7 Other Major Risks

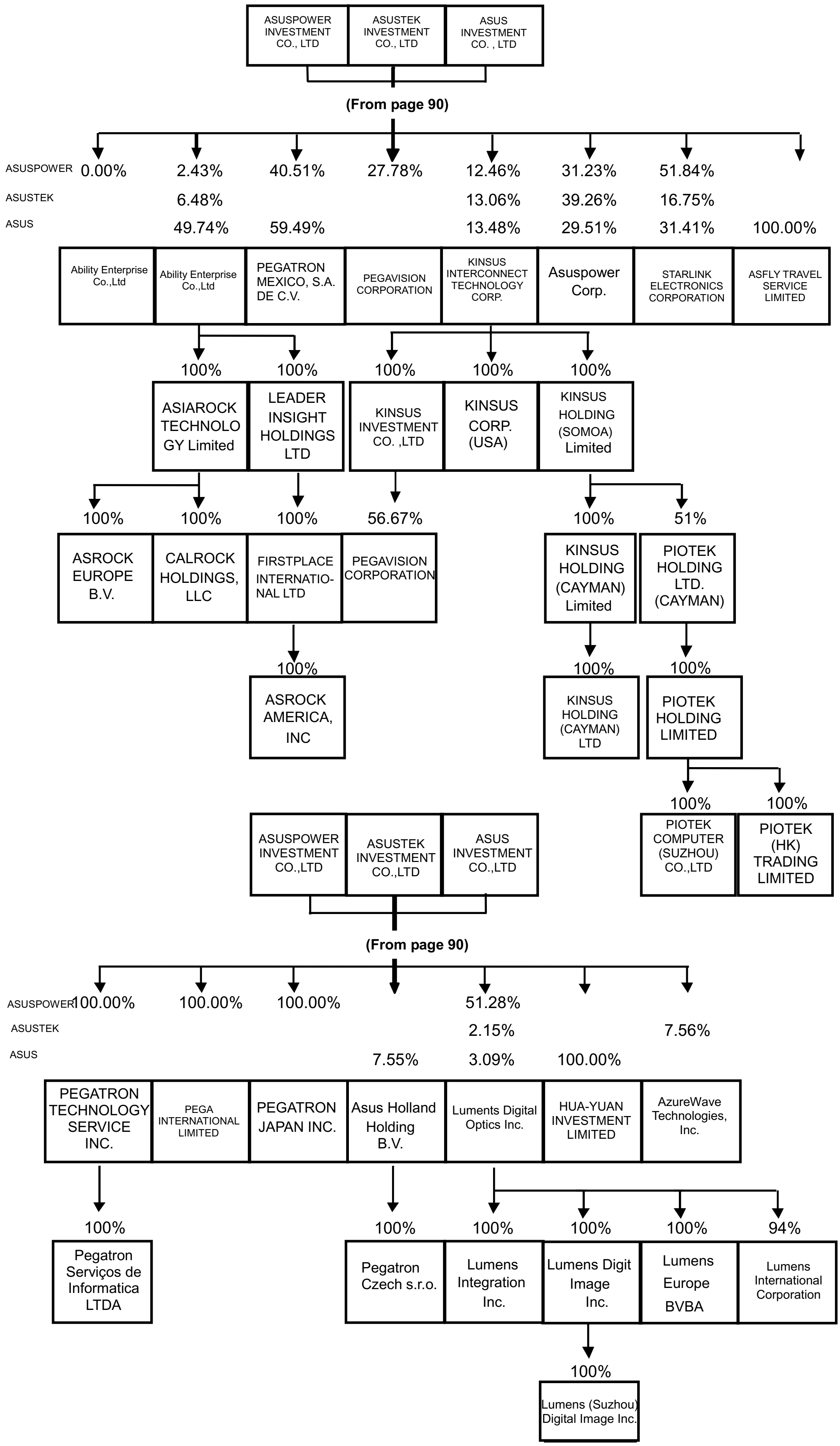
In 2010 and as of the date of this annual report, the Company did not have any other major risks.

8. Other Special Notes
8.1 Summary of Affiliated Companies
8.1.1 Affiliated Companies Chart




Unihan Corporation
12.63%
Ability Enterprise Co. , Ltd
36%
AzureWave Technologies Inc.
100%
AMA PRECISION INC.
100%
Unihan Holding Ltd.
(Continue to page 92)
100%
CASETEK HOLDINGS LIMITED
100%
Grand Upright Technology Limited
100%
SLITEK HOLDINGS LIMITED
100%
CASETEK COMPUTER (SUZHOU) CO. , LTD
100%
KAEDAR HOLDINGS LIMITED
100%
KAEDAR TRADING LTD.
100%
CORE-TEK (SHANGHAI) LIMITED
51%
APLUS PRECISION LTD.
100%
KAEDAR ELECTRONICS (KUNSHAN) CO. , LTD
100%
UNITED NEW LIMITED
100%
AVY PRECISION ELECTRO-PLATING (SUZHOU) CO. , LTD
100%
Ability International Investment Co. , Ltd
100%
VIEWQUEST TECHNOLOGIES (BVI) INC.
100%
ABILITY ENTERPRISE (BVI) CO., LTD.
100%
VIEWQUEST TECHNOLOGIES INTERNATIONAL INC.
100%
ACTION PIONEER INTERNATIONAL LTD.
100%
ASSOCIATION INTERNATIONAL LTD.
80%
NOENA CORPORATION
100%
JIU JIANG VIEWQUEST ELECTRONICS INC.
100%
Ability Technology (Dongyuan) Co., Ltd


Unihan Corporation
(From page 91)
36%
AzureWave Technologies, Inc.
100%
Unihan Holding Ltd
100%
Eminent Star Company Limited
100%
EZWAVE TECHNOLOGIES INC.
100%
Azwave Holding (Samoa) Inc.
100%
AzureLighting Technologies Inc.
100%
AMA Technology Coporation
100%
AMA Holdings Limited
100%
Hannex International Limited
100%
Jade Technologies Limited
100%
AzureWave Technologies (Shanghai) Inc.
100%
AzureLighting Technologies Inc. (Yangzhou)
100%
Aigale Corporation (Shanghai)
100%
METAL TRADINGS LTD.
90.51%
Extech Ltd.
100%
Toptek Precision Industry (Suzhou) Co. , Ltd
100.00%
Scientek Nanjing Co.,Ltd
33.33%
66.67%
AzureWave Technologies (Shenzhen) Inc.
100%
FENGSHOU TRADING (TONGZHOU) CO. , LTD
100%
GRANDTECH PRECISION (TONGZHOU) CO. ,LTD


ASUSPOWER INVESTMENT CO., LTD
ASUSTEK INVESTMENT CO., LTD
ASUS INVESTMENT CO. , LTD
(From page 90)
ASUSPOWER
ASUSTEK
ASUS
0.00%
2.43%
6.48%
49.74%
40.51%
59.49%
27.78%
12.46%
13.06%
13.48%
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39.26%
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51.84%
16.75%
31.41%
100.00%
Ability Enterprise Co.,Ltd
Ability Enterprise Co.,Ltd
PEGATRON MEXICO, S.A. DE C.V.
PEGAVISION CORPORATION
KINSUS INTERCONNECT TECHNOLOGY CORP.
Asuspower Corp.
STARLINK ELECTRONICS CORPORATION
ASFLY TRAVEL SERVICE LIMITED
100%
100%
100%
100%
100%
ASIAROCK TECHNOLOGY Limited
LEADER INSIGHT HOLDINGS LTD
KINSUS INVESTMENT CO. ,LTD
KINSUS CORP. (USA)
KINSUS HOLDING (SOMOA) Limited
100%
100%
100%
56.67%
100%
51%
ASROCK EUROPE B.V.
CALROCK HOLDINGS, LLC
FIRSTPLACE INTERNATIONAL LTD
PEGAVISION CORPORATION
KINSUS HOLDING (CAYMAN) Limited
PIOTEK HOLDING LTD. (CAYMAN)
100%
ASROCK AMERICA, INC
100%
KINSUS HOLDING (CAYMAN) LTD
100%
PIOTEK HOLDING LIMITED
100%
100%
PIOTEK COMPUTER (SUZHOU) CO.,LTD
PIOTEK (HK) TRADING LIMITED
ASUSPOWER INVESTMENT CO.,LTD
ASUSTEK INVESTMENT CO.,LTD
ASUS INVESTMENT CO.,LTD
(From page 90)
ASUSPOWER
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ASUS
100.00%
100.00%
100.00%
7.55%
51.28%
2.15%
3.09%
100.00%
7.56%
PEGATRON TECHNOLOGY SERVICE INC.
PEGA INTERNATIONAL LIMITED
PEGATRON JAPAN INC.
Asus Holland Holding B.V.
Lumens Digital Optics Inc.
HUA-YUAN INVESTMENT LIMITED
AzureWave Technologies, Inc.
100%
Pegatron Serviços de Informatica LTDA
100%
Pegatron Czech s.r.o.
100%
Lumens Integration Inc.
100%
Lumens Digit Image Inc.
100%
Lumens Europe BVBA
94%
Lumens International Corporation
100%
Lumens (Suzhou) Digital Image Inc.

8.1.2 Business Scope of Pegatron and Its Affiliated Companies

Pegatron's affiliates support the Company's core business in providing design, manufacturing and services (DMS) of computing, consumer electronics and communication products. Some of Pegatron's affiliated companies are focused on investing in related companies in the industry. Pegatron and its affiliates provide mutual support in technology, capacity and services to maximize synergy within the group, enabling Pegatron to provide its customers with the most complete and comprehensive services.

8.2 Private Placement Securities in the Most Recent year: None.

8.3 The Shares of the Company Held or Disposed of by the Subsidiaries in the Most Recent year

Unit: NT$ thousands; Shares; %

Name of subsidiary	Stock capital collected	Fund source	Shareholding ratio of the company	Date of acquisition or disposition	Shares and amount acquired	Shares and amount disposed of	Investment gain (loss)	Shareholdings & amount in the most recent year	Mortgage	Endorsement amount made for the subsidiary	Amount loaned to the subsidiary
Kinsus Interconnect Technology Corp.	4,460,000	Self Finance	39%	7/1/2010	800,000 shares / NT$23,902	-	-	800,000 shares / NT$23,902	-	-	-

8.4 Any Other Special Notes to be specify: None.

8.5 Any Events in 2010 and as of the Date of this Annual Report that had Significant Impacts on Shareholders' Right or Security Prices as Stated in Item 2 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan: None.

(English Translation of Financial Report Originally Issued in Chinese)

AUDIT REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors of
Pegatron Corporation

We have audited the accompanying balance sheet of Pegatron Corporation (the "Company") as of December 31, 2010 and 2009, and the related statements of income, changes in stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express the audit report based on our audits. We did not audit the financial statements of certain investees accounted for under the equity method, in which the Company's long-term equity investments amounted to NT$ 21,591,166 thousand as of December 31, 2010 representing 14.55% of total assets, and related investment income was NT$ 2,336,755 thousand for the year then ended, representing 31.94% of net income before tax. The financial statements of these investees were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts for these companies, is based solely on the reports of other auditors.

We conducted our audit in accordance with "Regulation Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and auditing standards generally accepted in the Republic of China. Those regulations and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidences supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report issued by other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Pegatron Corporation as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, with the related financial accounting standards of the "Business Entity Accounting Act" and of the "Regulation on Business Entity Accounting Handling" , and accounting principles generally accepted in the Republic of China.

As described in Note (3) to the financial statements, effective January 1, 2009, the Company adopted the amended Republic of China Statement of Financial Accounting Standard (SFAS) No. 10 “Accounting for Inventories.” The adoption of this revised accounting standard decreased net income and earnings per share by NT$ 116,562 thousand and NT $0.05, respectively, for the year ended December 31, 2009.

We have also audited the consolidated financial statements of the Company as of and for the years ended December 31, 2010 and 2009 and have issued a modified unqualified audit report and an unqualified audit report, respectively.

Taipei, Taiwan, R.O.C
March 7, 2011

Note to Readers

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

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

(English Translation of Financial Report Originally Issued in Chinese)

PEGATRON CORPORATION

BALANCE SHEETS

December 31, 2010 and 2009

(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

	December 31, 2010		December 31, 2009	
ASSETS	**Amount**	**%**	**Amount**	**%**
Current Assets:				
Cash (Note (4)(a))	$ 8,808,075	6	3,512,748	2
Notes receivable, net of allowance for uncollectible accounts (Note (4)(b))				
– Non-related parties	259	-	3,332	-
– Related parties (Note (5))	-	-	28,659	-
Accounts receivable, net of allowance for uncollectible accounts (Note (4)(b))				
– Non-related parties	7,690,768	6	15,031,793	8
– Related parties (Note (5))	34,921,360	25	68,480,859	35
Other receivables				
– Non-related parties	18,871	-	388,949	-
– Related parties (Note (5))	21,774	-	1,278,092	1
Other financial assets — current (Note (6))	71,887	-	141,597	-
Inventories (Note (4)(c))	7,169,808	5	10,517,208	5
Other current assets (Note (5))	72,729	-	41,061	-
Deferred income tax assets — current (Note (4)(i))	243,383	-	804,290	-
	59,018,914	42	100,228,588	51
Investments:				
Long-term investments under the equity method (Note (4)(d))	83,573,594	56	90,594,845	46
Other Financial Assets — Noncurrent (Note (6))	28,637	-	203,650	-
Property, Plant and Equipment, at cost :				
Land	2,150,317	1	2,156,047	1
Buildings	1,745,891	1	1,788,644	1
Machinery and equipment	285,708	-	317,044	-
Warehousing equipment	600	-	1,199	-
Instrument equipment	273,977	-	316,784	-
Transportation equipment	21,752	-	23,765	-
Office equipment	3,951	-	3,951	-
Leased assets	27,423	-	13,393	-
Miscellaneous equipment	398,450	-	404,571	-
	4,908,069	2	5,025,398	2
Less: Accumulated depreciation	(916,653)	(1)	(783,373)	-
Prepayment for equipment	50,130	-	11,777	-
	4,041,546	1	4,253,802	2
Intangible Assets	181,820	-	235,453	-
Other Assets — others (Note (4)(e))	1,512,580	1	1,872,571	1
TOTAL ASSETS	**$ 148,357,091**	**100**	**197,388,909**	**100**

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

(English Translation of Financial Report Originally Issued in Chinese)

PEGATRON CORPORATION

BALANCE SHEETS (CONT'D)

December 31, 2010 and 2009

(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

	December 31, 2010		December 31, 2009	
LIABILITIES AND STOCKHOLDERS' EQUITY	Amount	%	Amount	%
Current Liabilities:				
Short-term loans (Note (4)(f))	$ 2,665,200	2	3,023,055	2
Notes accounts payable				
– Non-related parties	12,469,050	8	19,256,810	10
– Related parties (Note (5))	21,903,630	15	53,930,162	27
Accrued expenses				
– Non-related parties	2,821,046	2	3,974,987	2
– Related parties (Note (5))	7,509,146	5	10,665,125	5
Other current liabilities (Note (5))	2,834,993	1	3,319,649	2
	50,203,065	33	94,169,788	48
Long-Term Loans:				
Long-term loans (Note (4)(g))	6,991,200	5	7,200,000	4
Other financial liabilities — noncurrent	16,211	-	15,718	-
	7,007,411	5	7,215,718	4
Other Liabilities:				
Deferred income tax liabilities — noncurrent (Note (4)(i))	295,006	-	164,833	-
Other long-term liabilities — other	10,380	-	68,093	-
	305,386	-	232,926	-
Total Liabilities	57,515,862	38	101,618,432	52
Stockholders' Equity:				
Common stock (Note (4)(j))	22,563,669	15	22,860,539	12
Capital surplus (Note (4)(j))				
Premium on capital stock	60,393,247	41	61,188,108	31
Other	2,752,201	2	2,588,515	1
	63,145,448	43	63,776,623	32
Retained earnings (Note (4)(j)):				
Legal reserve	1,215,457	1	545,570	-
Unappropriated earnings	8,253,605	6	6,712,650	3
	9,469,062	7	7,258,220	3
Other adjustments to stockholders' equity:				
Cumulative translation adjustments	(5,250,188)	(4)	198,092	-
Unrecognized loss on pension cost	(16)	-	(3,202)	-
Unrealized profit on financial assets	922,576	1	1,680,205	1
Treasury stock(Note(4)(j))	(9,322)	-	-	-
	(4,336,950)	(3)	1,875,095	1
Total Stockholders' Equity	90,841,229	62	95,770,477	48
Commitments and Contingencies (Note (7))				
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 148,357,091**	**100**	**197,388,909**	**100**

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

(English Translation of Financial Report Originally Issued in Chinese)
PEGATRON CORPORATION
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data))

	For the Year Ended December 31,			
	2010		2009	
	Amount	%	Amount	%
Operating revenues (Note (5))	$ 298,795,302	100	329,668,452	101
Less: Sales returns	176,833	-	951,419	(1)
Sales allowances	856,700	-	752,506	-
Net sales	297,761,769	100	327,964,527	100
Cost of sales (Notes (4)(c) and (5))	287,193,000	96	318,659,711	97
Gross profit	10,568,769	4	9,304,816	3
Less: Realized(Unrealized) profit on sales (Note (5))	57,683	-	(53,565)	-
	10,626,452	4	9,251,251	3
Operating expenses (Note (5))				
Selling expenses	1,858,165	1	2,553,330	1
General and administrative expenses	1,397,175	-	1,638,316	1
Research and development expenses	3,339,007	1	3,990,865	1
	6,594,347	2	8,182,511	3
Income from operations	4,032,105	2	1,068,740	-
Non-operating income				
Interest revenue	11,546	-	11,690	-
Investment gain under the equity method (Note (4)(d))	2,458,713	1	5,339,396	2
Others	1,287,849	-	1,488,852	-
	3,758,108	1	6,839,938	2
Non-operating expenses				
Interest expense	94,815	-	111,842	-
Foreign exchange loss, net	79,123	-	274,403	-
Others	299,865	-	327,384	-
	473,803	-	713,629	-
Income before income tax	7,316,410	3	7,195,049	2
Income tax expense (Note (4)(i))	1,104,974	-	443,461	-
Net income	**$ 6,211,436**	**3**	**6,751,588**	**2**

	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
Earnings per share (Notes(4)(k))				
Primary earnings per share	**$ 3.22**	**2.73**	**3.15**	**2.95**
Diluted earnings per share	**$ 3.21**	**2.72**	**3.10**	**2.91**

Pro forma result of the company's shares of stock held by its subsidiary do not count as treasury stock:

	Before Income Tax	After Income Tax
Net income	**$ 7,316,410**	**6,211,436**
Earnings per share(Note(4)(k))	**$ 3.22**	**2.73**

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

(English Translations of Financial Statements Originally Issued in Chinese)
PEGATRON CORPORATION
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER, 2010 AND 2009
(Expressed in Thousands of New Taiwan Dollars)

			Retained earnings		Other adjustments of stockholders' equity				
	Common stock	Capital surplus	Legal reserve	Unappropriated earnings	Cumulative translation adjustments	Unrecognized loss on pension cost	Unrealized gain(loss) of financial assets	Treasury Stock	Total
Balance, January 1, 2009	$ 18,846,281	63,582,097	-	5,455,699	1,849,737	(1,128)	241,398	-	89,974,084
Net income for the year ended December, 2009	-	-	-	6,751,588	-	-	-	-	6,751,588
Appropriations and distributions of 2008 earnings:									
Legal reserve	-	-	545,570	(545,570)	-	-	-	-	-
Cash dividends	-	-	-	(882,092)	-	-	-	-	(882,092)
Stock dividends	4,014,258	-	-	(4,014,258)	-	-	-	-	-
Adjustment arising from long-term equity investments	-	156,504	-	(52,717)	-	(2,074)	1,438,807	-	1,540,520
Cumulative translation adjustments	-	-	-	-	(1,651,645)	-	-	-	(1,651,645)
Interest expense generated from trust of shareholders of parent company	-	38,022	-	-	-	-	-	-	38,022
Balance, December 31, 2009	$ 22,860,539	63,776,623	545,570	6,712,650	198,092	(3,202)	1,680,205	-	95,770,477
Issuance of new shares in merge of the organization reorganization	100	307	-	-	-	-	-	-	407
Purchase of treasury stock	-	-	-	-	-	-	-	(1,006,862)	(1,006,862)
Retirement of treasury stock	(296,970)	(709,892)	-	-	-	-	-	1,006,862	-
Net income for the year ended December 31, 2010	-	-	-	6,211,436	-	-	-	-	6,211,436
Appropriations and distributions of 2009 earnings									
Legal reserve	-	-	669,887	(669,887)	-	-	-	-	-
Cash dividends	-	-	-	(4,000,594)	-	-	-	-	(4,000,594)
Adjustment arising from long-term equity investments	-	47,779	-	-	-	3,186	(757,629)	-	(706,664)
Cumulative translation adjustments	-	-	-	-	(5,448,280)	-	-	-	(5,448,280)
Equity held by investee	-	-	-	-	-	-	-	(9,322)	(9,322)
Interest expense generated from trust of sharsholders of parent company	-	30,631	-	-	-	-	-	-	30,631
Balance, December 31, 2010	**$ 22,563,669**	**63,145,448**	**1,215,457**	**8,253,605**	**(5,250,188)**	**(16)**	**922,576**	**(9,322)**	**90,841,229**

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

(English Translation of Financial Report Originally Issued in Chinese)

PEGATRON CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009

(All Amount Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

	For the Year Ended December 31,	
	2010	**2009**
Cash flows from operating activities:		
Net income	$ 6,211,436	6,751,588
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	262,831	324,220
Amortization	654,549	620,596
Reversal for allowance for uncollectable account	(47,666)	(48,451)
Reversal for contingent service cost	(126,000)	(253,144)
Provision (Reversal) for inventory market price decline and obsolescence, and for important loss	58,888	(856,356)
Investment gain under equity method	(2,458,713)	(5,339,396)
Loss on disposal and retirement of assets (accounted under other expense)	40,867	39,465
Cash dividend from investments under equity method	3,419,062	2,446,583
Gain on disposal of long-term investment	-	(218)
Provision (Reversal) for impairment loss (accounted under non-operating income/expense others)	(9,647)	1,401
Unrealized (Realized) unrealized gross profit	(57,683)	53,565
Interest expense generated from the trust of shareholders	30,631	31,594
Change in assets and liabilities:		
Decrease (increase) in notes and accounts receivable	40,979,922	(36,742,080)
Decrease in other receivables	986,596	1,009,030
Decrease in inventories	3,288,512	9,060,366
Decrease (increase) in other current assets	3,723	(46,662)
Decrease in deferred income tax assets and liabilities, net	691,080	362,671
Increase (decrease) in notes and accounts payable	(38,814,292)	33,705,969
Increase (decrease) in accrued income tax	413,168	(63,651)
Decrease in accrued expenses	(4,309,920)	(3,497,026)
Increase (decrease) in other current liabilities	(771,824)	223,090
Decrease in other operational liabilities	(30)	(8,099)
Net cash provided by operating activities	10,445,490	7,775,055
Cash flows from investing activities:		
Increase in long-term investment under the equity method	(103,364)	(3,527,451)
Proceeds from disposal of long-term investments under the equity method	-	860,851
Returned investments due to subsidiary's capital decrease	-	120,000
Purchase of property, plant and equipment	(75,374)	(212,220)
Proceeds from disposal of assets, idle assets, deferred charges	2,134	93,440
Increase in deferred charges	(241,604)	(470,966)
Decrease in other account receivable - related parties	639,800	-
Purchase of intangible assets	(43,267)	(66,378)
Decrease in other financial assets	244,723	90,182
Net cash provide by (used in) investing activities	423,048	(3,112,542)
Cash flows from financing activities:		
Decrease in short-term loans	(357,855)	(5,396,945)
Repurchase of treasury stock	(1,006,862)	-
Increase in long-term loans	6,991,200	-
Repayment of long-term loans	(7,200,000)	(800,000)
Distribution of cash dividends	(4,000,594)	(882,092)
Increase in other financial liabilities	493	9,790
Share issued from reorganization	407	-
Net cash used in financing activities	(5,573,211)	(7,069,247)
Net increase (decrease) in cash	5,295,327	(2,406,734)
Cash, beginning of the year	3,512,748	5,919,482
Cash, end of the year	**$ 8,808,075**	**3,512,748**
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest exclude interest capitalized	**$ 93,618**	**129,578**
Income tax	**$ 726**	**144,441**

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

(English Translation of Financial Report Originally Issued in Chinese)
PEGATRON CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Amounts Expressed in New Taiwan Dollars in Thousands,
Except for Per Share Information and Unless Otherwise Stated)

1. Organization and Business

Pegatron Corporation (the "Company") was established on June 27, 2007. In order to enhance competitiveness and boost productivity, the Company resolved to accept the OEM business from ASUSTek Computer Inc. on January 1, 2008 as part of the Company's business restructuring. On April 1, 2008, ASUSALPHA Computer Inc. was merged with the Company. The main activities of the Company are to produce, design and sell OEM business. In January 2010, pursuant to the resolutions of the board of directors, the Company decided to merge with Pegatron International Investment Co., Ltd., and the record date for the merger was June 10, 2010. As the surviving entity from this merger, the Company applied for initial public offering (IPO) to TSEC. The Company's shares were listed on TSEC on June 24, 2010.

The company's parent company**:** None

As of December 31, 2010 and 2009, the Company had 4,505 and 4,153 employees, respectively.

2. Summary of Significant Accounting Policies

The Company's financial statements were prepared in accordance with Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the Business Entity Accounting Act, and the Guidelines Governing Business Accounting and generally accepted accounting principles of the Republic of China. The significant accounting policies and their measurement basis are as follows:

a. Use of Estimates

The preparation of the accompanying financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

b. Foreign Currency Translation

The Company records its transactions in New Taiwan dollars. Non-derivative foreign currency transactions are recorded at the exchange rates prevailing at the transaction date. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated into New Taiwan dollars using the exchange rates on that date, and the resulting unrealized exchange gains or losses from such translations are reflected in the accompanying statements of income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the reporting currency using the foreign exchange rates at the balance sheet date. If the non-monetary assets or liabilities are measured at fair value through profit or loss, the resulting unrealized exchange gains or losses from such translation are reflected in the accompanying statements of income. If the non-monetary assets or liabilities are measured at fair value through stockholders' equity, the resulting unrealized exchange gains or losses from such translation are recorded as a separate component of stockholders' equity.

For long-term equity investments in foreign investees which are accounted for by the equity method, their foreign currency-denominated assets and liabilities are translated at spot rate on the balance sheet date; the components of their stockholders' equity are translated at the historical rate except for the beginning balance of retained earnings, which is translated using the spot rate at the beginning of the year. Income statement accounts are translated at the weighted-average rate of the year. Translation differences are accounted for as cumulative translation adjustments to stockholders' equity.

c. Basis for Classifying Assets and Liabilities as Current or Non-current

Unrestricted cash, cash equivalents, assets held for trading, or other assets that the Company will convert to cash or use within in a relatively short period of time — one year or one operating cycle, whichever is longer — are classified as current assets; other assets are classified as non-current assets. Debts due within one year or one operating cycle, whichever is longer, are classified as current liabilities; other liabilities are classified as non-current liabilities.

d. Asset Impairment

The Company adopted Statement of Financial Accounting Standards No. 35 (SFAS 35) "Impairment of Assets". In accordance with SFAS 35, the Company assesses at each balance sheet date whether there is any indication that an asset (individual asset or cash-generating unit other than goodwill) may have been impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. The Company recognizes impairment loss for an asset whose carrying value is higher than the recoverable amount.

The Company reverses an impairment loss recognized in prior periods for assets other than goodwill if there is any indication that the impairment loss recognized no longer exists or has decreased. The carrying value after the reversal should not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods.

e. Financial Instruments

Financial instrument transactions are recorded at the trading date. Financial instruments other than those held-for-trading are initially recognized at fair value plus transaction costs, while those held-for-trading financial assets are carried at fair value.

Subsequent to initial recognition, financial instruments are classified, depending on the Company's intention, as follows:

i. Financial assets or liabilities reported at fair value through profit or loss

Financial assets held-for-trading are those that the Company principally holds for the purpose of short-term profit-taking. Financial derivatives, except for those that meet the criteria for hedge accounting, are classified as financial instruments reported at fair value though profit or loss. These financial instruments are recorded as financial assets or liabilities for favorable or unfavorable changes in market value.

f. Notes and Accounts Receivable, and Allowance for Doubtful Accounts

Allowance for doubtful accounts is based on the aging analysis and results of the Company's evaluation of the collectability of outstanding receivable balances.

g. Inventories

Inventories are carried at the lower of cost or market value using a perpetual inventory basis. Cost is determined using the weighted-average method. Market value is determined by replacement value. A provision for inventory devaluation is recorded when the market value of inventories is less than cost. The fair value of finished goods, merchandise and work in process is determined on the basis of net realizable value, while the fair value of raw material is determined by replacement value. A provision for inventory devaluation and obsolescence is recorded as allowance for loss based on certain percentages according to the aging of inventories.

Effective January 1, 2009, the Company adopts Republic of China Statement of Financial Accounting Standards (SFAS) No. 10 "Inventories". According to SFAS 10, the cost of inventories includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average cost principle. Net realizable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses at the end of the period.

h. Long-Term Equity Investments (Including Joint Ventures)

Long-term equity investments in which the Company, directly or indirectly, owns 20% or more of the investee's voting shares, or less than 20% of the investee's voting shares but is able to exercise significant influence over the investee's operating and financial policies, are accounted for under the equity method.

Investment in joint ventures in which the Company has the ability to control is accounted for under the equity method.

Unrealized profits/losses on inter-company transactions are eliminated and deferred. Regardless of whether inter-company transactions are downstream or upstream transactions, unrealized inter-company gains and losses are eliminated in proportion to the shareholding ratio, except for those in downstream transactions, where gain or loss is fully eliminated when controlling interests exist. Unrealized gains and losses resulting from transactions between investee companies are eliminated in proportion to shareholding ratio if controlling interests exist. Otherwise the unrealized gains or losses are eliminated according to the shareholding ratio. Gains and losses resulting from transactions involving depreciable assets are recognized ratably over their economic lives, while those from other assets are recognized immediately.

Cost and gains or losses on disposition of long-term equity investments are determined by the weighted-average method. Capital surplus from disposition of such investments is reduced by the percentage sold, with gains and losses included in current earnings.

The change in the carrying value of long-term equity investment as a result of the change in percentage of equity ownership due to disproportionate subscription to additional shares issued by the investee company is charged against capital surplus. When the balance of capital surplus arising from long-term equity investments is insufficient, the difference is charged against retained earnings.

i. Property, Plant, and Equipment, and Depreciation

Property, plant, and equipment are stated at cost. Interest expense incurred up to the time when the asset is ready for its intended use is capitalized as part of the acquisition cost. Major additions, improvements, and replacements are capitalized.

Depreciation is provided over the estimated economic lives using the straight-line method. Assets still in use at the end of their estimated useful lives are continuously depreciated based on their estimated remaining useful lives and estimated salvage values. Economic lives of major property and equipment are as follows:

Buildings and structures	5 to 50 years
Machinery and equipment	5 to 6 years
Warehousing equipment	8 years
Instrument equipment	1 to 3 years
Transportation equipment	1 to 5 years
Office equipment	5 years
Miscellaneous equipment	1 to 15 years

Gain and loss on disposal of properties are recorded as non-operating income or loss.

Rental assets and idle fixed assets, which are not used for operating purposes, are classified as other assets.

j. Intangible Assets

According to the Statement of Financial Accounting Standard No. 37 (SFAS 37) "Intangible Assets", intangible assets are stated at cost, except for the government grant which is stated at fair value. Intangible assets with finite life are measured at cost plus the revaluation increment arising from the revaluation in accordance with the laws, less any accumulated amortization and any impairment losses.

The amortizable amount of intangible assets with definite lives is determined after deducting its residual value. Amortization is recognized as an expense on a straight-line basis over the estimated useful lives of intangible assets from the date that they are made available for use. The economic useful lives of intangible assets are as follows:

Computer software cost	3 to 5 years

The residual value, the amortization period, and the amortization method for an intangible asset with a finite useful life are audited at least at each financial year end. Any changes thereof are accounted for as changes in accounting estimates.

k. Deferred Expenses

The costs of renovation project and office decorations are deferred and amortized equally over 3 years, and the costs of molds and fixtures are deferred and amortized equally over 2 years.

l. Pension Plan

In accordance with the "Labor Pension Act", that prescribes a defined contribution plan, the Company contributes monthly to the Labor Pension Fund at the rate of 6% of the employees' monthly wages. These contributions are recognized as pension expense for the current period when made.

m. Warranty Reserve

A warranty reserve is provided for products sold with a warranty based on estimated warranty service cost and in consideration of past experience.

n. Revenue and Cost Recognition

Revenue is recognized when title to the product and the risks and rewards of ownership are transferred to the customer; otherwise revenue recognition is deferred until these criteria are met. The related cost and expenses are recognized as the revenue is recognized. The expenses are recognized on accrual basis.

o. Classification of Capital and Operating Expenditures

Expenditures that benefit the Company in future years are capitalized, while immaterial expenditures or those with no future benefits are treated as current expense or loss.

p. Commitments and Contingencies

If loss from a commitment or contingency is deemed highly likely and the amount can be reasonably estimated, then such loss is immediately recognized. Otherwise only the nature of such loss is disclosed in the notes to the financial statements.

q. Income Tax

In accordance with Statement of Financial Accounting Standards No. 22 (SFAS 22) "Income Taxes", income taxes are accounted for using the asset and liability method. The income tax effects resulting from taxable temporary differences are recognized as deferred income tax liabilities. The income tax effects resulting from deductible temporary differences, loss carry forwards and investment tax credits are recognized as deferred income tax assets. The realization of the deferred income tax assets is evaluated, and if it is considered more likely than not that the deferred tax assets will not be realized, a valuation allowance is recognized accordingly. The Company recalculates deferred income tax liabilities and deferred income tax assets based on newly modified effective tax rate, and reports the difference between newly calculated amount and the originally calculated one as current expense or benefit. Adjustments to prior years' income taxes are reported as current income taxes.

Deferred income tax assets or liabilities are classified as current and non-current in accordance with the nature of the related assets and liabilities or the length of time to their reversal.

Income taxes credits from purchase of equipment, technical research and development, and personnel training are recognized by the flow-through method.

The 10% surtax on undistributed earnings of the Company is reported as current expense on the date when the stockholders declared not to distribute the earnings during their annual meeting.

r. Earnings per Share ("EPS")

Earnings per share of common stock is determined based on net income available to common stockholders divided by the weighted-average number of outstanding shares of common stock. The effect on earnings per share from an increase in capital stock through the distribution of stock dividends from unappropriated earnings, capital surplus, or employee stock bonuses approved in the annual stockholders' meetings held before and in 2008 is computed retroactively.

Diluted EPS is calculated by dividing net income by the weighted-average number of common shares used in the basic EPS calculation plus the number of common shares that would be issued assuming all potentially dilutive common shares are converted and outstanding. The employee bonus appropriated after 1 January, 2008 are potentially dilutive common shares. If a dilutive effect does not exist, only basic EPS is disclosed; otherwise, diluted EPS is disclosed in addition to the basic EPS.

s. Spin–Off Transactions

Spin-off transactions are accounted for by the Interpretation (91) 128 issued by the ROC Accounting Research and Development Foundation. If a transferor company and a transferee company are affiliated and the nature of the transfer is group reorganization, the assets and liabilities are recognized by the transferee based on the book value of the assets and liabilities of the transferor company without recognizing any transfer gain/loss. However, if the book value of the assets has any impairment loss, it shall be considered.

t. Employee Bonuses and Remuneration to Directors and Supervisors

Appropriations for employee bonuses and remuneration to directors and supervisors appropriated are accounted for in accordance with Interpretation (96) 052 issued by the ROC Accounting Research and Development Foundation. According to this Interpretation, the Company estimates the amount of employee bonuses and remuneration to directors and supervisors and recognizes it as expenses in the year when services are rendered. The differences between the amounts approved in the shareholders' meeting and those recognized in the financial statements, if any, are accounted for as changes in accounting estimates and recognized in profit or loss.

u. Treasury Stock~~s~~

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~~s~~ is calculated upon reasons of purchase and the weighted-average method is used.

When disposing the treasury stock, "capital surplus-premium on capital stock" is debited proportionately according to the equity shareholding ratio. 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:

Effective January 1, 2009, the Company adopted the amended Republic of China Statement of Financial Accounting Standards (SFAS) No. 10 "Inventories." In accordance with the standards, fixed costs are allocated to finished goods and work in process on the basis of the normal capacity utilization, and inventories are measured individually at the lower of cost and net realizable value. The effects of the adoption of this revised accounting standard on net income (NI) and earnings per share (EPS) for the year ended December 31, 2009 were as follows:

Effect of Accounting Change	**Account affected**	**Decrease in Net Income**	**Decrease in EPS**
Fixed costs allocated based on normal capacity utilization	Cost of goods sold	$ 64,652	0.03
Fixed costs allocated based on normal capacity utilization (subsidiaries)	Investment gain under equity method	51,910	0.02
Total		**$ 116,562**	**0.05**

4. Summary of Major Accounts:

a. Cash

	December 31, 2010	December 31, 2009
Demand deposits	$ 896,674	1,502,930
Time deposits	-	210,000
Foreign currency deposits	5,171,051	1,128,028
Foreign currency time deposits	2,767,350	671,790
Total	**$ 8,808,075**	**3,512,748**

b. Notes and Accounts Receivable － Non-related parties

	December 31, 2010	December 31, 2009
Notes receivable	$ 262	3,655
Less: Allowance for doubtful accounts	(3)	(323)
Net	259	3,332
Accounts receivable	7,734,368	15,122,739
Less: Allowance for doubtful accounts	(43,600)	(90,946)
Net	7,690,768	15,031,793
Total	**$ 7,691,027**	**15,035,125**

c. Inventories

	December 31, 2010	December 31, 2009
Finished goods (including inventory-in-transit)	$ 3,516,640	5,214,722
Less: Allowance for inventory market decline and obsolescence	(85,565)	(125,936)
Sub-total	3,431,075	5,088,786
Work in process	338,461	693,765
Less: Allowance for inventory market decline and obsolescence	(31,913)	(51,819)
Sub-total	306,548	641,946
Raw material & Merchandise (including inventory-in-transit)	3,769,637	5,039,217
Less: Allowance for inventory market decline and obsolescence	(337,452)	(252,741)
Sub-total	3,432,185	4,786,476
Total	**$ 7,169,808**	**10,517,208**

For the years ended December 31, 2010 and 2009, the components of cost of goods sold were as follows:

	For the Year Ended December 31	
	2010	2009
Cost of goods sold	$ 287,134,112	319,324,599
Loss (Gain) on inventory disposal, valuation and obsolescence	58,888	(664,888)
	$ 287,193,000	318,659,711

d. Long-Term Equity Investments

	December 31, 2010			December 31, 2009		
Name of Investee Company	Equity Holding	Book Value	Original Investment	Equity Holding	Book Value	Original Investment
PEGATRON HOLDING LTD.	100.00%	$ 27,580,026	24,385,030	100.00%	29,311,767	24,281,666
UNIHAN CORPORATION	100.00%	11,997,517	12,098,279	100.00%	15,408,963	12,098,279
ASUSPOWER INVESTMENT CO., LTD.	100.00%	14,052,812	13,033,429	100.00%	14,342,702	13,033,429
ASUS INVESTMENT CO., LTD.	100.00%	14,759,695	16,184,982	100.00%	15,528,237	16,184,982
ASUSTEK INVESTMENT CO., LTD	100.00%	13,682,791	14,593,543	100.00%	14,686,690	14,593,543
ADVANSUS CORP.	50.00%	247,822	166,364	50.00%	220,399	166,364
ASUS HOLLAND HOLDING B.V.	92.45%	1,236,667	1,153,501	92.45%	1,078,274	1,153,501
PEGATRON USA, INC.	100.00%	16,264	16,085	100.00%	17,813	16,085
		$ 83,573,594			90,594,845	

Investees, in which the Company has controlling interest over their operation, are included in the Company's consolidated financial statements, except for ADVANSUS CORP.

ADVANSUS CORP. is a joint venture entity of the Company, which held the assets and liabilities of ADVANSUS CORP as follows:

	December 31, 2010	December 31, 2009
Current Assets	$ 523,492	487,823
Noncurrent Assets	14,317	17,290
Current Liabilities	289,987	283,972
Other Liabilities	-	742

	For the Year Ended December 31	
	2010	2009
Revenues	$ 2,358,362	1,473,862
Expenses	2,302,139	1,442,692

e. Idle Assets

(i) In accordance with Statement of Financial Accounting Standards No. 35 (SFAS 35) "Accounting for Asset Impairment", the Company performs asset impairment test by comparing the recoverable amount with carrying value of the idle assets amount. Based on the results of such assessment, the Company recognized provisions for impairment loss of $36,487 and $46,134 as of December 31, 2010 and 2009, respectively.

(ii) For the years ended December 31, 2010 and 2009, the Company recognized a gain from impairment recovery of $9,647 and $23,174, respectively, and a loss on disposal of idle assets of $6,784 and $0, respectively.

(iii) For the year ended December 31, 2009, the Company recognized impairment loss of $24,575 based on the net fair value in reference to the real estate valuation report.

f. Short-Term Loans

Nature of the loan	December 31, 2010	December 31, 2009
Credit loan	$ 2,665,200	3,023,055
Range of interest rage	0.40%~0.87%	0.44%~0.53%

The Company issued promissory notes as guarantee for part of credit loan facility. The majority of the credit loan lines were used jointly by the Company and Unihan Corporation.

g. Long-Term Loans

Types of Debt	Creditor	December 31, 2010	Repayment Schedule	Credit Line
Credit loan	Citibank Taiwan and 15 other banks	$ 6,991,200 USD 240,000,000	2010.10.25~2015.10.25 Credit line is repayable in 5 semi-annual installments, commencing October 25, 2013	11,652,000 USD 400,000,000

For the year ended December 31, 2010, long-term loans bore interest at average rates of 0.8926% ~ 1.0647%. According to the agreement, during the loan repayment periods, the Company must comply with certain financial covenants based on the audited consolidated financial statements on the balance sheet date (June 30 and December 31) as follows:

(i) Current ratio (current assets/current liabilities): should not be less than 100%.

(ii) Debt ratio ((total liabilities + contingent liabilities)/tangible net assets): should not be higher than 50%.

(iii) Interest coverage ratio (EBITDA/interest expense): should not be less than 400%.

(iv) Tangible net assets (stockholders' equity (including minority shareholders) - intangible assets): should not be less than $90 billion.

As of December 31, 2010, the Company was in compliance with the loan covenants mentioned above.

The Company's promissory notes were pledged as a guarantee for the credit loan facility as of December 31, 2010.

Types of Debt	Creditor	December 31, 2009	Repayment Schedule	Credit Line
Credit loan	ANZ, Mega International Commercial Bank and 14 other banks	$ 7,200,000	2008.10.30~2011.10.30 $1.5 billion is repayable in 3 semi-annual installments, commencing on April 30, 2010 and the remaining balance has been repaid in advance on November 23, 2010	12,000,000

For the year ended December 31, 2009, credit loans bore interest at average rates of 1.15%. According to the agreement, during the loan repayment periods, the Company must comply with certain financial covenants based on the audited consolidated financial statements on the balance sheet date (June 30 and December 31) as follows:

(i) Current ratio (current assets/current liabilities): should not be less than 100%.

(ii) Debt ratio ((total liabilities + contingent liabilities)/tangible net assets): should not be higher than 50%.

(iii) Interest coverage ratio (EBITDA/interest expense): should not be less than 400%.

(iv) Tangible net assets (stockholders' equity (including minority shareholders) - intangible assets): should not be less than $90 billion.

As of December 31, 2009, the Company was in compliance with the loan covenants mentioned above.

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

h. Pension Plan

For the years ended December 31, 2010 and 2009, the pension costs for the defined contribution pension plan of the Company amounted to $147,364 and $151,015, respectively.

i. Income Tax

(i) According to the revised income tax law announced on June 15, 2010, this statutory income tax rate is reduced further to 17% effective January 1, 2010. Therefore, the Company is subject to statutory income tax rate of 17% and 25% for the years ended December 31, 2010 and 2009, respectively. The Company also complies with the Basic Income Tax Act when calculating its income tax.

(ii) For the years ended December 31, 2010 and 2009, the components of income tax expense were as follows:

	For the Year Ended December 31	
	2010	**2009**
Current income tax expense	$ 311,786	4,035
Deferred income tax expense	691,080	362,671
10% surtax on undistributed earnings	102,108	8,069
Prior years income tax adjustment	-	68,686
Income tax expense	**$ 1,104,974**	**443,461**

The components of deferred income tax expense were as follows:

	For the Year Ended December 31	
	2010	**2009**
Unrealized exchange gain	$ 82,510	148,118
Reversal (Provisions) for loss on allowance for inventory market decline and obsolescence	(4,154)	235,614
Unrealized (Realized) profits on sales	9,806	(9,987)
Amortization of employee benefits	17	40
Reversal for warranty reserve	113,813	112,053
Organization Costs	-	700
Bonus	-	78,807
Investment tax credits	(204,858)	(379,053)
Reversal for impairment loss on assets	1,640	1,956
Loss carry-forward	11,296	(13,289)
Unrealized foreign investment gain	141,670	187,712
Effect on deferred tax of the change in statutory tax rate	12,960	-
Allowance of deferred tax asset	526,380	-
Deferred income tax expense	**$ 691,080**	**362,671**

(iii) The income tax calculated on pretax financial income at a statutory income tax rate was reconciled with the income tax expense as reported in the accompanying financial statements for the years ended December 31, 2010 and 2009 as follows:

	For the Year Ended December 31	
	2010	**2009**
Income tax expense calculated on pre-tax financial income at the statutory tax rate	$ 1,243,790	1,798,762
Permanent differences	(406,793)	(1,075,845)
10% surtax on undistributed earnings	102,108	8,069
Investment tax credits	103,198	(383,087)
Effect on deferred tax of the change in statutory tax rate	12,960	21,043
Others	49,711	74,519
Income tax expense	**$ 1,104,974**	**443,461**

(iv) As of December 31, 2010 and 2009, the temporary differences, loss carry-forwards and income tax credits and the related income tax effect thereof resulting in deferred income tax assets (liabilities) were as follows:

	December 31, 2010		December 31, 2009	
Temporary differences of deferred income tax assets (liabilities) - current	**Amount**	**Income Tax Effect**	**Amount**	**Income Tax Effect**
Recognition of unrealized foreign exchange loss: taxable	$(701,536)	(119,261)	(216,192)	(43,238)
Recognition of loss on allowance for inventory market decline and obsolescence: deductible	454,931	77,338	430,496	86,099
Recognition of deferred employee benefits for tax: deductible	100	17	100	20
Recognition of warranty reserve: deductible	305,848	51,994	975,334	195,067
Recognition of organization costs: deductible	10,380	1,764	-	-
Unused balance of investment tax credits	-	757,911	-	553,053
Loss carry-forward	-	-	66,446	13,289
Valuation allowance		(526,380)		-
Net deferred income tax assets		**$ 243,383**		**804,290**

	December 31, 2010		December 31, 2009	
Temporary differences of deferred income tax assets (liabilities) - noncurrent	**Amount**	**Income Tax Effect**	**Amount**	**Income Tax Effect**
Recognition of impairment loss on assets: deductible	$ 36,487	6,203	46,134	9,227
Recognition of deferred employee benefits for tax: deductible	100	17	200	40
Recognition of organization costs: deductible	-	-	68,063	13,612
Recognition of gain on foreign investments: taxable	(1,123,388)	(190,976)	(938,560)	(187,712)
Reserve for foreign investment losses	(648,527)	(110,250)	-	-
Net deferred income tax assets (liabilities)		**$ (295,006)**		**(164,833)**

(v) The Company's tax returns through 2007 have been assessed and approved by the Tax Authority.

(vi) According to Article 6, Section 3 of the Statute for Upgrading Industries, unused investment tax credits which may be applied to offset against income tax in the future were as follows:

Year of occurrence	Unused investment tax credits	Year of expiration
For the year ended December 31, 2008	$ 378,858	2012
For the year ended December 31, 2009	379,053	2013
	$ 757,911	

(vii) Due to the increase in its investments in new equipment, the Company was granted several income tax exemptions for its manufacturing and sales of "motherboard" out of the new equipment purchased from the proceeds of capital increase. As of December 31, 2010, the five year income tax exemption periods were as follows:

Description	Exemption
Tenth capital increase used for investment in new equipment.	07/31/2006 ~ 07/30/2011
Eleventh capital increase used for investment in new equipment.	04/30/2007 ~ 04/29/2012

(viii) Stockholders' imputation tax credit account and tax rate:

Undistributed earnings:		**December 31, 2010**	**December 31, 2009**
Accumulated in 1997 and prior years	$	-	-
Accumulated in 1998 and thereafter		8,253,605	6,712,650
Total	**$**	**8,253,605**	**6,712,650**
Stockholders' imputation tax credit account	**$**	**200,504**	**5,240**

	2010(Expected)	**2009 (Actual)**
Expected or actual deductible tax ratio	**7.45%**	**3.17%**

j. 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 thousand common stock with par value of $10 per share. The record date of this capital increase was October 16, 2009 and the Company 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 thousand, the Company issued 1,600,000 thousand new shares with par value of $10 per share, which resulted in additional capital of $16,000,000 thousand. 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 thousand.

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 merged 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.

In November, 2010, the Company had retired treasury stock of 29,697 thousand shares valued at $296,970. As of December 31, 2010 and 2009, the authorized capital of the Company both consisted of 2,500,000 thousand shares, with par value of $10 per share, and its outstanding capital consisted of 2,256,367 thousand shares and 2,286,054 thousand shares, respectively.

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 60,819,026 the Company's common shares in Taiwan.

The Company may issue new GDRs with no more than 60,819,020 Pegatron common shares and delivered them to ASUSTeK GDR holders pursuant to the "Issuer of Overseas Securities Offering and Issued Guidelines". As of December 31, 2010, the Company has listed, in total, 10,181 thousand units of GDR on the Luxembourg Stock Exchange. Each unit of deposit receipt represents 5 shares and thereby the Company has listed 50,905 thousand shares in total. Major terms and conditions for GDR were as follows:

1. Voting Rights

   Holders of GDRs may exercise voting rights with respect to the common shares in the manner set out in "Terms and Conditions of the Global Depositary Shares – Voting Rights", as such provisions may be amended from time to time to comply with applicable ROC law.

2. Dividend Distributions, Pre-emptive Rights, and Other Rights

   Holders of GDR's have same rights on dividend distribution and share distribution as the Company's existing common shareholders.

(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.

As of December 31, 2010 and 2009, 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 $232,803 and $194,872, respectively, which were debited to salary expense and credited to capital surplus－others.

(iii) Treasury Stock

1. For the year ended December 31, 2010, in order to maintain the Company's credit standing and shareholders' equity, the Company bought back 29,697 thousand shares in accordance with Securities and Exchange Act Article 28-2. As of December 31, 2010, the Company had completed the process of retiring all of its treasury stock.

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 which conformed to 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 which are calculated according to financial reports for the latest accounting period prior to a resolution of a meeting of the board of directors.

3. In accordance with Securities and Exchange Act, treasury shares cannot be pledged. Also, treasury shares do no bear the shareholder's right prior to being sold to third parties.

4. As of December 31, 2010, the number of Company's shares held by its subsidiaries was 800 thousand shares amounting to $33,600 at fair value.

(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:

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 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 10,2010 and June 30, 2009(resolution on such date was amended on December 25, 2009), the Company's board of directors resolved the appropriation of earnings for 2008 and 2009.The distributions of dividends per share and employee bonuses and remuneration to directors and supervisors from the distributable earnings in 2009 and 2008 were as follows:

		2009	2008
Common stock dividends per share (dollars)			
-Cash	$	1.75	0.47
-Stock (at par)		-	2.13
Total	**$**	**1.75**	**2.60**
Employee bonus - cash	$	1,205,797	497,369
Remuneration to directors and supervisors		60,290	49,737
Total	**$**	**1,266,087**	**547,106**

There were no differences between the actual results of earnings distributed in 2009 and those estimated and accrued in the financial statements of 2008. Related information can be acquired from the Observation Post and other pipeline inquiry.

For the year ended December 31, 2010, the estimated employee bonuses and directors' and supervisors' remuneration amounted to $127,000 and $12,000, respectively, which were recognized as current expenses. 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 as profit or loss.

k. Earnings per Share (EPS)

For the years ended December 31, 2010 and 2009, the primary earnings per share, diluted earnings per share and the retroactively adjusted primary and diluted earnings per share were computed as follows:

(Note: shares in thousands)

	For the Year Ended December 31,			
	2010		2009	
	Before income tax	After income tax	Before income tax	After income tax
Net income	$ 7,316,410	6,211,436	7,195,049	6,751,588
Weighted-average common shares outstanding	2,273,429	2,273,429	2,286,054	2,286,054
Dilutive potential common shares	7,821	7,821	33,953	33,953
Diluted shares	$ 2,281,250	2,281,250	2,320,007	2,320,007
Primary earnings per share	$ 3.22	2.73	3.15	2.95
Diluted earnings per share	$ 3.21	2.72	3.10	2.91

Pro forma result of the Company's shares held by its subsidiaries do not count as treasury stock

	For the Year Ended December 31, 2010	
	Before Income Tax	After Income Tax
Net income	$ 7,316,410	6,211,436
Weighted-average outstanding shares (thousand)	2,273,585	2,273,585
Earnings per share	$ 3.22	2.73

l. Financial Instruments

(i) Fair value of financial instruments

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.

As of December 31, 2010 and 2009, except for the financial assets liabilities described above, the information on the Company's other financial assets and liabilities were as follows:

	December 31, 2010		December 31, 2009	
Financial Liabilities	**Book Value**	**Fair Value**	**Book Value**	**Fair Value**
Bank loans	**$ 6,991,200**	**6,991,200**	**7,200,000**	**7,200,000**

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

1. The fair market value of long-term loan 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.

(iii) Information on financial risks

1. 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.

2. Credit risk

The primary potential credit risk is from financial instruments like cash, equity securities, and accounts receivable. The Company deposits cash in different financial institutions. The 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 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. In compliance with the Company's customer credibility evaluation policies, the Company evaluates the customer's credibility and collectability of notes and account receivables regularly before doing business. Thus, there is no significant issue on doubtful accounts.

The major customers of the 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 Company also periodically evaluates the Company's financial positions and the possibility of collecting trade receivables. Thus, there is no significant credit risk.

3. Liquidity risk

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

4. Cash flow and interest rate risk

The 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.

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

As of December 31, 2010 and 2009, guarantees and endorsements provided by the Company for bank loans obtained by related parties, were discussed in Note (5).

m. Others

The information on the Company's significant foreign financial assets and liabilities were as follows:

	December 31, 2010			December 31, 2009		
	Foreign Currency	**Exchange Rate**	**NTD**	**Foreign Currency**	**Exchange Rate**	**NTD**
Financial Assets						
Monetary Items						
USD	$1,730,048	29.13	50,396,298	2,663,710	31.99	85,212,083
Long-term Equity Investments						
USD	947,349	29.13	27,596,276	916,836	31.99	29,329,584
EUR	31,775	38.92	1,236,683	23,390	46.10	1,078,279
Financial Liabilities						
Monetary Items						
USD	1,721,985	29.13	50,161,423	2,720,120	31.99	87,016,639

5. Related-Party Transactions

a. Names and relationships of related parties with the Company

Name of Related Party	Relationship with the Company
ASUSTEK COMPUTER INC. (ASUSTEK)	An investor company that ceased to be a parent company effective May 31, 2010.
ASUS HOLLAND B.V	An investee company accounted for under the equity method by ASUSTeK Computer Inc.
ASUS TECHNOLOGY PTE. LIMITED	〃
DOUBLE TECH LTD.	〃
ASKEY COMPUTER CORP.	〃
ASUS TECHNOLOGY INCORPORATION	〃
ASMEDIA TECHNOLOGY INC.	〃
ASUS COMPUTER (SHANGHAI) CO., LTD.	〃
ASUSTEK COMPUTER (SHANGHAI) CO., LTD. (ASUS UNITED TECHNOLOGY (SHANGHAI) CO., LTD. FORMERLY)	〃
SHINEWAVE INTERNATIONAL INC.	〃
ENERTRONIX, INC.	An investee company which became a wholly owned subsidiary of ASUSTeK following reorganization in July 2009.
ASHINE TECHNOLOGY (SUZHOU) LTD.	An investee company accounted for under the equity method by the ASUSTeK computer Inc.
ASKEY TECHNOLOGY (JIANG SU) LTD.	〃
POWTEK (SHANGHAI) CO., LTD. (POWTEK)	An investee company which became a wholly owned subsidiary of the company following reorganization in July 2009.
BIG PROFIT LIMITED	An investee company accounted for under the equity method by ASUSTeK Computer Inc.
ASUS TECHNOLOGY (SUZHOU) CO., LTD	〃
AGAIT TECHNOLOGY CORP.	〃
ASIAROCK TECHNOLOGY LIMITED (ASIAROCK)	An investee company accounted for under the equity method
ASLINK (H.K.) PRECISION CO., LTD.	〃
ASUSPOWER CORPORATION (ASUSPOWER)	〃
DIGITEK GLOBAL HOLDINGS LIMITED	〃
KAEDAR TRADING LTD.	〃
PEGATRON CZECH S.R.O (PCZ)	〃
PEGATRON JAPAN INC. (PCJ)	〃
PEGATRON MEXICO, S.A. DE C.V.(PCM)	〃

Name of Related Party	Relationship with the Company
PEGATRON TECHNOLOGY SERVICE INC. (PTSI)	An investee company accounted for under the equity method
PEGATRON USA, INC.	〃
STRATEGY TECHNOLOGY CO., LTD.	An investee company accounted for under the equity method. (Liquidation is completed in 2010)
ADVANSUS CORP.	An investee company accounted for under the equity method
ASROCK INCORPORATION	〃
ABILITY ENTERPRISE CO., LTD.	〃
PEGA INTERNATIONAL LIMITED	〃
UNIHAN CORPORATION (UNIHAN)	〃
AMA PRECISION INC.	〃
CRYSTAL ART ENTERPRISE CO., LTD.	〃
STARLINK ELECTRONICS CORPORATION	〃
ASFLY TRAVEL SERVICE LIMITED	〃
AZUREWAVE TECHNOLOGIES, INC.	〃
ASLINK PRECISION CO., LTD.	〃
PROTEK (SHANGHAI) LIMITED (PROTEK)	〃
NORTH TEC ASIA (SHANGHAI) LIMITED	An investee company accounted for under the equity method (The investee was merged with Protek (Shanghai)Limited in November 2009 and Protek (Shanghai) Limited is the surviving entity)
SHANGHAI INDEED TECHNOGLY CO.,.LTD.	An investee company accounted for under the equity method
KAEDAR ELECTRONICS (KUNSHAN) CO., LTD.	〃
HONG HUA TECHNOLOGY (SUZHOU) CO., LTD.	An investee company accounted for under the equity method
GHING HONG PRECISE MOULD INDUSTRY (SUZHOU) CO., LTD.	〃
MAINTEK COMPUTER (SUZHOU) CO., LTD.	〃
BOARDTEK COMPUTER (SUZHOU) CO., LTD.	〃
CASETEK COMPUTER (SUZHOU) CO., LTD.	〃
AVY PRECISION ELECTROPLATING (SUZHOU) CO., LTD.	〃
CORE-TEK (SHANGHAI) LIMITED	〃
PEGAVISION CORPORATION	An investee company accounted for under the equity method by Kinsus Interconnect Technology Corp.

Name of Related Party	Relationship with the Company
PIOTEK (HK) TRADING LIMITED (PIOTEK)	An investee company accounted for under the equity method
ASAP INTERNATION CO.,LIMITED	〃
RUNTOP(SHANGHAI) CO. LTD (RUNTOP)	〃
UNITED NEW LIMITED	〃
TOPTEK PRECISION INDUSTRY (SUZHOU) CO., LTD	〃
LUMENS DIGITAL OPTICS INC.	〃
KINSUS INTERCONNECT TECHNOLOGY CORP.	〃
BLACKROCK MARYLAND INT'L CORP	〃
HOLD JUMPER INTERNATIONAL CO., LTD	〃
HOLD JUMPER PACKING (SUZHOU) CO., LTD	〃
HOLD JUMPER PACKING (SHANGHAI) CO., LTD	〃
SUZHOU DELUXE PACKING PRODUCTION CO., LTD	〃
COTEK ELECTRONICS (SUZHOU) CO., LTD	〃
All directors, supervisors, general manager and vice president	The company management

b. Significant Transactions with Related Parties

(i) Sales

	For the Year Ended December 31,					
	2010			2009		
Name of Related Party	**Amount**	**% of Net Sales**	**The collection term**	**Amount**	**% of Net Sales**	**The collection term**
ASUSTEK	$ 207,982,648	69.85	Open account 60 days	196,506,372	59.92	Open account 60 days
PCZ	5,694,792	1.91	120 days from receipt of goods	3,805,838	1.16	120 days from receipt of goods
POWTEK	2,933,277	0.99	45 days from receipt of goods	4,261,589	1.30	45 days from receipt of goods
Others	1,703,020	0.57	30~90 days from receipt of goods Open account 30~90 days	2,293,529	0.70	30~90 days from receipt of goods Open account 30~90 days
Total	**$ 218,313,737**	**73.32**		**206,867,328**	**63.08**	

The collection term of third-party customer is L/C, T/T or 7 to 120 days from receipt of goods. For the years ended December 31, 2010 and 2009, the Company adjusted the double recording of sales to and purchases from related parties, which amounted to $186,242,785 and $145,430,580, respectively.

As of December 31, 2010 and 2009, unrealized profits from sales to related parties were $10,380 and $68,063, respectively.

(ii) Purchases

	For the Year Ended December 31,					
	2010			2009		
Name of Related Party	Amount	% of Gross Purchases	Purchase term	Amount	% of Gross Purchases	Purchase term
ASUSTeK	$ 151,112,664	54.42	Open account 60 days	136,742,235	30.78	Open account 60 days
Protek	35,363,947	12.73	90 days from receipt of goods	30,864,549	6.95	90 days from receipt of goods
Others	8,428,225	3.03	30~90 days from receipt of goods Open account 30~120 days	10,275,266	2.32	30~90 days from receipt of goods Open account 30~120 days
Total	**$ 194,904,836**	**70.18**		**177,882,050**	**40.05**	

The purchase term of third-party customer is 90 days from receipt of goods or open account 30~90 days.

For the years ended December 31, 2010 and 2009, the Company purchased raw materials from vendors through ASUSTek.

(iii) Others

	For the Year Ended December 31,	
	2010	2009
(1) After-sales warranty repair expense paid to:		
ASUS Computer (Shanghai)	$ 14,531	85,505
PTSI	206,018	272,520
PCZ	45,725	35,646
Others	28,984	32,051
Total	**$ 295,258**	**425,722**

	For the Year Ended December 31,		
	2010		2009
(2) Processing fee paid to:			
PCM	$	279,023	434,195
ASUSPOWER		4,930,999	8,962,696
RUNTOP		24,252	-
DIGITEK		-	649,833
Total	**$**	**5,234,274**	**10,046,724**

	For the Year Ended December 31,		
	2010		2009
(3) Other income from:			
ASUSTeK	$	598,238	761,184
UNIHAN		28,697	63,951
PCJ		47,843	55,884
Others		51,965	41,736
Total	**$**	**726,743**	**922,755**

(4) For the years ended December 31, 2010 and 2009, the Company incurred other related party transactions recorded as expenses such as rental expense, other expense, royalty payment, storage expense, professional service fee, etc, amounting to $132,772 and $126,816, respectively.

(5) For the years ended December 31, 2010 and 2009, the Company incurred other related party transactions recorded as rental revenue, amounting to $52,533 and $64,727, respectively.

(6) For the years ended December 31, 2010 and 2009, the Company had other related party transactions recorded as non-operating expense amounting to $22,750 and $0, respectively.

(7) The Company transferred all its equity ownership of Enertronix Inc. to ASUSTek for purposes of corporate restructuring in July, 2009. The transfer price of this transaction was $313,785.

(8) For the years ended December 31, 2010 and 2009, the Company sold for $1,768 and $74,501 to other related party fixed assets with carrying value of $1,609 and $77,051, which resulted in gain (loss) of disposal on fixed assets of $159 and $(2,550), respectively.

(iv) Accounts receivable (payable)

	December 31, 2010		December 31, 2009	
	Amount	**%**	**Amount**	**%**
Notes and Accounts Receivable:				
PROTEK	$ 24,247,523	56.84	51,620,571	61.72
ASUSTeK	8,646,081	20.27	12,344,888	14.76
PCZ	1,281,826	3.01	2,666,310	3.19
POWTEK	360,545	0.85	1,070,802	1.28
Others	385,385	0.90	806,947	0.96
Total	**$ 34,921,360**	**81.87**	**68,509,518**	**81.91**
Other Receivables:				
PCZ	$ -	-	639,802	36.88
ASUSTeK	4,837	11.90	134,834	7.77
UNIHAN	12,980	31.93	9	-
PROTEK	-	-	492,773	28.40
Others	3,957	9.74	10,674	0.62
Total	**$ 21,774**	**53.57**	**1,278,092**	**73.67**

	December 31, 2010		December 31, 2009	
	Amount	**%**	**Amount**	**%**
Notes and Accounts Payable:				
PROTEK	$ 19,920,632	57.95	51,927,044	70.95
Others	1,982,998	5.77	2,003,118	2.74
Total	**$ 21,903,630**	**63.72**	**53,930,162**	**73.69**
Accrued Expenses:				
ASUSPOWER	$ 6,667,741	64.55	10,014,356	68.40
PROTEK	283,746	2.75	239,679	1.64
Others	557,659	5.40	411,090	2.81
Total	**$ 7,509,146**	**72.70**	**10,665,125**	**72.85**

Other related party transactions accounted for as other assets or liabilities in balance sheets were as follows:

	December 31, 2010	December 31, 2009
Liabilities:		
Advance receipts	$ 12,626	78,945
Temporary receipts	25,937	132,312
	$ 38,563	**211,257**

(v) Endorsement Guarantee

As of December 31, 2010 and 2009, the Company provided endorsement guarantee for bank loans obtained by related parties as follows:

	Amount of Guarantee (thousands)	
Name of Related Party Guaranteed	**December 31, 2010**	**December 31, 2009**
ASUSPOWER	**USD 20,000**	**USD 30,000**
PCZ	**USD 10,000**	**USD -**
PIOTEK	**USD 49,000**	**USD -**

As of December 31, 2010 and 2009, endorsement guarantees provided by a related party for the Company's purchases were as follow:

	Amount of Guarantee (thousands)	
Name of Related Party Guarantor	**December 31, 2010**	**December 31, 2009**
ASUSTeK	**USD 300,000**	**USD 300,000**

(vi) Financing

As of December 31, 2010 and 2009, financing provided by the Company to a related party were as follows:

	December 31, 2010		December 31, 2009	
	Ending Balance	**The Highest Balance**	**Ending Balance**	**The Highest Balance**
PCZ	**$ -**	**643,300**	**639,800**	**639,800**

The loan to PCZ bears annual interest of 1%.

(vii) Remuneration

For the years ended December 2010 and 2009, the total remuneration paid to the members of Board of Directors and Supervisors and of Executive management were as follow:

		December 31, 2010	December 31, 2009
Salary and Bonus (including BODS remuneration)	$	176,203	118,832
Employee Bonus		21,129	64,730
	$	**197,332**	**183,562**

6. Pledged Assets

As of December 31, 2010 and 2009, pledged assets were as follows:

	December 31,			
Asset		**2010**	**2009**	**Purpose of pledge**
Restricted deposit	$	71,887	141,597	Deposits for customs duties.
Refundable deposits		28,637	193,132	Deposits for performance guarantee
	$	**100,524**	**334,729**	

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

(a) As of December 31, 2010 and 2009, the Company had unused letters of credit of EUR$267, US$132 and EUR$235, respectively.

(b) As of December 31, 2010 and 2009, the Company had promissory notes and certificate of deposit obtained for business purpose of $13,216 and $18,684, respectively.

(c) Rental expense and future lease commitments of the operating lease agreements were as follows:

			Future lease commitments			
Year	**Rent expense**		**2011**	**2012**	**2013**	**2014**
2010	**$**	**75,556**	**65,554**	**58,073**	**18,708**	**-**

8. Significant Catastrophic Losses: None.

9. Significant Subsequent Events: None.

10. Others

a. Personnel, depreciation, and amortization expense incurred, categorized as operating cost or expense, were as follows:

	For the Year Ended December 31, 2010			For the Year Ended December 31, 2009		
Categorized as Nature	**Operating Cost**	**Operating Expense**	**Total**	**Operating Cost**	**Operating Expense**	**Total**
Personnel expense						
Salary expense	634,605	3,226,513	3,861,118	839,284	4,177,420	5,016,704
Health and labor insurance expense	47,375	187,781	235,156	51,958	175,181	227,139
Pension expense	29,008	118,356	147,364	33,722	117,293	151,015
Other expense	34,446	125,665	160,111	45,163	136,058	181,221
Depreciation expense	51,223	190,557	241,780	79,098	225,319	304,417
Amortization expense	423,284	231,265	654,549	384,270	236,326	620,596

Note A: For the years ended December 31, 2010 and 2009, the Company recognized depreciation expense (accounted for as non-operating expense), excluding those of rental assets and idle assets, of $21,051 and $19,803, respectively.

b. Certain accounts in the financial statements as of and for the year ended December 31, 2009, were reclassified to conform to the presentation adopted in the financial statements as of and for the year ended December 31, 2010.

11. FINANCIAL INFORMATION BY SEGMENT

a. Business Segment

The Company operates in electrical industry only.

b. Geographical Segment

The Company has only one domestic operating segment and no overseas operations.

c. Export Sales

Region	For the Year Ended December 31, 2010	2009
America	$ 38,472,657	57,306,127
Asia	22,663,002	44,426,334
Europe	13,893,846	13,999,663
Other	691,495	420,576
Total	**$ 75,721,000**	**116,152,700**

d. Major Customer

The customers whose accounts exceeded more than 10% of the Company's operating revenues for the years ended December 31, 2010 and 2009 were as follows:

	For the Year Ended December 31, 2010		2009	
Customer	**Amount**	**% of total operating revenues**	**Amount**	**% of total operating revenue**
A	$ 207,982,648	69.85	196,506,372	59.92
B	28,801,523	9.67	46,363,897	14.14
	$ 236,784,171	**79.52**	**242,870,269**	**74.06**

(English Translation of Financial Report Originally Issued in Chinese)

AUDIT REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors of

Pegatron Corporation

We have audited the accompanying consolidated balance sheets of Pegatron Corporation and its subsidiaries (the Consolidated Company) as of December 31, 2010 and 2009, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Consolidated Company's management. Our responsibility is to express the audit report based on our audits. We did not audit the financial statements of certain consolidated subsidiaries with total assets of NT$75,268,389 thousand, representing 34.85% and net sales of NT$105,254,946 thousand, representing 19.84% of the related consolidated total as of and for the year ended December 31, 2010. The financial statements of these subsidiaries and investees accounted for under the equity method were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts for these companies, were based solely on the reports of other auditors. Long-term investments in these companies amounted to NT$2,086,553 thousand as of December 31, 2010 representing 0.97% of consolidated total assets, and related investment income was NT$198,623 thousand for the years then ended, representing 1.53% of consolidated net income before tax.

We conducted our audit in accordance with "Regulation Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and auditing standards generally accepted in the Republic of China. Those regulations and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Pegatron Corporation and its Subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for the years then ended, in conformity with the Guidelines

Governing the Preparation of Financial Reports by Securities Issuers and the related financial accounting standards of the "Business Entity Accounting Act" and of the "Regulation on Handling Business Entity Accounting" , and accounting principles generally accepted in the Republic of China.

As described in Note 3, to the consolidated financial statements effective January 1, 2009, the Company adopted the amendment of Statement of Financial Accounting Standard No.10 (SFAS 10) "Inventories." The effect of this change in accounting principle had decreased the after-tax income and earnings per share by NT$143,272 thousand and NT$0.06, respectively, for the year ended December 31, 2009.

Taipei, Taiwan, R.O.C
March 7, 2011

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 audit 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.

(English Translation of Financial Report Originally Issued in Chinese)
PEGATRON CORPORATION AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2010 AND 2009
(All Amounts Expressed in Thousands of New Taiwan Dollars)

	December 31, 2010		December 31, 2009	
ASSETS	**Amount**	**%**	**Amount**	**%**
Current Assets:				
Cash (Note 4(1))	$ 42,264,007	20	31,846,280	14
Financial assets reported at fair value through profit or loss — current (Note 4(2))	6,377,118	3	7,337,537	3
Available-for-sale financial assets — current (Note 4(2))	765,417	-	1,021,413	1
Held-to-maturity financial assets—current (Note 4(2))	262,170	-	-	-
Notes receivable, net of allowance for uncollectible (Note 4(3) and 5)				
– Non-related parties	134,100	-	64,401	-
– Related parties	-	-	9,390	-
Accounts receivable, net of allowance for uncollectible (Note 4(3) and 5)				
– Non-related parties	43,330,542	20	54,140,039	24
– Related parties	9,455,545	4	13,598,323	6
Other receivable (Note 5)				
– Non-related parties	1,051,593	-	1,238,616	1
– Related parties	7,484	-	196,313	-
Other financial assets — current (Note 6)	1,341,807	1	196,127	-
Inventories (Notes 4(4))	42,067,753	19	43,409,932	19
Other current assets (Note 5)	2,192,599	3	1,812,360	1
Deferred income tax assets — current (Note 4(14))	687,871	-	935,910	-
	149,938,006	70	155,806,641	69
Investments:				
Available-for-sale financial assets— noncurrent (Note 4(2))	1,824,246	1	2,245,648	1
Financial assets carried at cost - noncurrent (Note 4(2))	763,763	-	609,243	-
Long-term investments under the equity method (Note 4(5))	2,471,100	1	1,996,644	1
	5,059,109	2	4,851,535	2
Other financial assets - noncurrent (Note 6)	273,349	-	468,308	-
Property, Plant and Equipment, at cost (Note 4(7))				
Land	5,272,587	2	2,830,983	1
Buildings	22,723,956	11	23,975,458	11
Machinery and equipment	44,150,061	21	45,331,786	21
Warehousing equipment	116,552	-	112,268	-
Instrument equipment	1,589,863	1	1,630,341	1
Transportation equipment	240,450	-	198,608	-
Office equipment	2,036,983	1	1,039,897	-
Miscellaneous equipment	7,083,942	3	5,508,471	3
	83,214,394	39	80,627,812	37
Less: Accumulated depreciation	(32,573,035)	(15)	(28,277,988)	(13)
Less: Accumulated impairment	(70,140)	-	(86,691)	-
Prepayments on purchase of equipment	2,531,514	1	2,403,392	1
	53,102,733	25	54,666,525	25
Intangible Assets				
Goodwill (Note 4(8))	885,682	-	890,311	1
Deferred pension costs	379	-	4,894	-
Land use rights (Note 4(8))	2,198,848	1	2,387,720	1
Other intangible assets	358,334	-	465,826	-
	3,443,243	1	3,748,751	2
Other Assets				
Deferred expenses (Note 4(9))	2,442,013	1	3,257,467	1
Other assets - others (Note 4(7) and 4(9))	1,733,202	1	1,738,313	1
	4,175,215	2	4,995,780	2
TOTAL ASSETS	**$ 215,991,655**	**100**	**224,537,540**	**100**

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

(English Translation of Financial Report Originally Issued in Chinese)

PEGATRON CORPORATION AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET (CON'T)

DECEMBER 31, 2010 AND 2009

(All Amounts Expressed in Thousands of New Taiwan Dollars)

	December 31, 2010		December 31, 2009	
LIABILITIES AND STOCKHOLDERS' EQUITY	Amount	%	Amount	%
Current Liabilities:				
Short-term loan (Note 4(10))	$ 14,351,784	7	10,879,039	5
Short-term notes and bills payable	49,924	-	49,933	-
Financial liabilities at fair value through profit or loss — current (Note 4(2))	11,142	-	-	-
Notes payable	58,124	-	79,147	-
Accrued payable (Note 5)				
– Non-related parties	53,280,023	25	64,658,372	29
– Related parties	1,731,136	1	1,305,645	1
Income tax payable	2,046,517	1	1,276,165	1
Accounts expenses (Note 5)	7,402,686	3	10,083,664	4
Current portion of long-term loans payable (Note 4(12))	407,007	-	48,006	-
Other financial liabilities — current (Note 5)	3,165,224	1	1,592,246	1
Other current liabilities (Note 5)	4,600,056	2	5,728,335	2
	87,103,623	40	95,700,552	43
Long-Term Liabilities:				
Bonds payable (Note 4(11))	1,373,801	1	-	-
Long-term loans payable (Note 4(12))	10,143,380	5	8,078,551	3
Other financial liabilities — noncurrent	342,875	-	241,305	-
	11,860,056	6	8,319,856	3
Other Liabilities:				
Deferred income tax liabilities — noncurrent (Note 4(14))	351,848	-	312,252	-
Other liabilities— other (Note 4(13))	58,629	-	51,210	-
	410,477	-	363,462	-
Total Liabilities	99,374,156	46	104,383,870	46
Stockholders' Equity:				
Common stock (Note 4(15))	22,563,669	10	22,860,539	10
Capital surplus (Note 4(15))				
Premium on capital stock	60,393,247	28	61,188,108	28
Others	2,752,201	1	2,588,515	1
	63,145,448	29	63,776,623	29
Retained earnings (Note 4(15)):				
Legal reserve	1,215,457	1	545,570	-
Unappropriated earnings	8,253,605	4	6,712,650	3
	9,469,062	5	7,258,220	3
Other adjustments to stockholders' equity:				
Cumulative translation adjustments	(5,250,188)	(2)	198,092	-
Unrecognized loss on pension cost	(16)	-	(3,202)	-
Unrealized gain on financial assets	922,576	-	1,680,205	1
Treasury Stock (Note 4(15))	(9,322)	-	-	-
	(4,336,950)	(2)	1,875,095	1
Total Parent Company's Equity	90,841,229	42	95,770,477	43
Minority interest	25,776,270	12	24,383,193	11
Total Stockholders' Equity	116,617,499	54	120,153,670	54
Commitments and Contingencies (Note 7)				
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 215,991,655**	**100**	**224,537,540**	**100**

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

(English Translation of Financial Report Originally Issued in Chinese)

PEGATRON CORPORATION AND ITS SUBSIDIARIES

CONSOLIDATED SATAEMENT OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

	For the Year Ended December 31,			
	2010		2009	
	Amount	%	Amount	%
Operating revenues (Note 5)	$ 533,464,406	101	542,355,154	101
Less: Sales returns and allowances	2,933,055	1	4,273,493	1
Net sales	530,531,351	100	538,081,661	100
Cost of sales (Notes 4(4) and 5)	500,366,095	94	505,715,364	94
Gross profit	30,165,256	6	32,366,297	6
Operating expenses (Notes 5)				
Selling expenses	7,617,094	1	6,340,717	1
General and administrative expenses	5,671,517	1	6,487,296	1
Research and development expenses	8,182,704	2	8,963,234	2
	21,471,315	4	21,791,247	4
Income from operations	8,693,941	2	10,575,050	2
Non-operating income				
Interest revenue	182,606	-	120,681	-
Investment gain under the equity method (Note 4(5))	207,292	-	312,360	-
Dividend income	551,988	-	13,561	-
Gain on disposal of investments	758,002	-	457,126	-
Foreign exchange gain, net	999,131	-	-	-
Gain on valuation of financial asset (Note 4(2))	47,110	-	194,577	-
Others (Note 4(2), 4(7) and 4(9))	2,654,607	1	3,035,816	1
	5,400,736	1	4,134,121	1
Non-operating expenses				
Interest expense	224,770	-	153,355	-
Loss on valuation of financial liability (Note 4(2))	12,720	-	-	-
Foreign exchange loss, net	-	-	115,074	-
Loss on disposal of assets (Note 4(2) and 4(7))	-	-	478,402	-
Others	886,843	-	1,060,051	-
	1,124,333	-	1,806,882	-
Income before income tax	12,970,344	3	12,902,289	3
Income tax expense (Note 4(14))	2,363,578	1	2,354,902	1
Consolidated net income	**$ 10,606,766**	**2**	**10,547,387**	**2**
Income attributable to :				
Shareholders of parent company	$ 6,211,436	1	6,751,588	1
Minority interest income	4,395,330	1	3,795,799	1
	$ 10,606,766	**2**	**10,547,387**	**2**
	Before Income Tax	**After Income Tax**	**Before Income Tax**	**After Income Tax**
Earnings per share attributable to parent company (Note 4(17))				
Primary earnings per share	**$ 3.22**	**2.73**	**3.15**	**2.95**
Diluted earnings per share	**$ 3.21**	**2.72**	**3.10**	**2.91**

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

(English Translations of Financial Statements Originally Issued in Chinese)
PEGATRON CORPORATION AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(Expressed in Thousands of New Taiwan Dollars)

			Retained earnings		Other adjustments of stockholders' equity					
	Common stock	Capital surplus	Legal reserve	Unappropriated earnings	Cumulative translation adjustments	Unrecognized loss on pension cost	Unrealized gain(loss) of financial assets	Treasury Stock	Minority interest	Total
Balance, January 1, 2009	$ 18,846,281	63,582,097	-	5,455,699	1,849,737	(1,128)	241,398	-	20,201,470	110,175,554
Net income for the year ended December 31, 2009	-	-	-	6,751,588	-	-	-	-	3,795,799	10,547,387
Appropriations and distributions of 2008 earnings:										
Legal reserve	-	-	545,570	(545,570)	-	-	-	-	-	-
Cash dividends	-	-	-	(882,092)	-	-	-	-	-	(882,092)
Stock dividends	4,014,258	-	-	(4,014,258)	-	-	-	-	-	-
Adjustment arising from long-term equity investments	-	156,504	-	(52,717)	-	-	-	-	-	103,787
Change in unrealized profit (loss) of financial assets available-for-sale	-	-	-	-	-	-	1,438,807	-	-	1,438,807
Unrecognized loss on pension cost	-	-	-	-	-	(2,074)	-	-	-	(2,074)
Cumulative translation adjustments	-	-	-	-	(1,651,645)	-	-	-	-	(1,651,645)
Interest expense generated form trust of shareholders of parent company	-	38,022	-	-	-	-	-	-	-	38,022
Cash dividends from minority interest	-	-	-	-	-	-	-	-	(1,765,838)	(1,765,838)
Interest returned from capital decrease of minority interest	-	-	-	-	-	-	-	-	(985,909)	(985,909)
Capital increase in cash of minority interest	-	-	-	-	-	-	-	-	441,894	441,894
Changes in interest of minority shareholders	-	-	-	-	-	-	-	-	479,826	479,826
Effect of consolidation of minority interest	-	-	-	-	-	-	-	-	2,215,951	2,215,951
Balance, December 31, 2009	22,860,539	63,776,623	545,570	6,712,650	198,092	(3,202)	1,680,205	-	24,383,193	120,153,670
Issuance of new share resulting from organizations reorganization	100	307	-	-	-	-	-	-	-	407
Repurchase of treasury stock	-	-	-	-	-	-	-	(1,006,862)	-	(1,006,862)
Retirement of treasury stock	(296,970)	(709,892)	-	-	-	-	-	1,006,862	-	-
Net income for the year ended December 31, 2010	-	-	-	6,211,436	-	-	-	-	4,395,330	10,606,766
Appropriations and distributions of 2010 earnings										
Legal reserve	-	-	669,887	(669,887)	-	-	-	-	-	-
Cash dividends	-	-	-	(4,000,594)	-	-	-	-	-	(4,000,594)
Adjustment arising from long-term equity investments	-	47,779	-	-	-	3,186	(757,629)	-	-	(706,664)
Cumulative translation adjustments	-	-	-	-	(5,448,280)	-	-	-	(518,260)	(5,966,540)
Equity of the company held by investee	-	-	-	-	-	-	-	(9,322)	-	(9,322)
Interest expense generated form trust of shareholders of parent company	-	30,631	-	-	-	-	-	-	-	30,631
Cash dividends from minority interest	-	-	-	-	-	-	-	-	(2,660,402)	(2,660,402)
Capital increase in cash of minority interest	-	-	-	-	-	-	-	-	355,674	355,674
Changes in interest of minority shareholders	-	-	-	-	-	-	-	-	67,398	67,398
Effect of consolidation of minority interest	-	-	-	-	-	-	-	-	(246,663)	(246,663)
Balance, December 31, 2010	**$ 22,563,669**	**63,145,448**	**1,215,457**	**8,253,605**	**(5,250,188)**	**(16)**	**922,576**	**(9,322)**	**25,776,270**	**116,617,499**

The accompany notes are an integral part of the consolidated financial statements

(English Translation of Financial Report Originally Issued in Chinese)

PEGATRON CORPORATION AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009

(All Amount Expressed in Thousands of New Taiwan Dollars)

	For the Year Ended December 31, 2010	2009
Cash flows from operating activities:		
Consolidated net income	$ 10,606,766	10,547,387
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	8,025,085	8,304,441
Amortization	2,329,104	2,305,900
Ownership of employee stock option transferred to employee as compensation cost	36,316	133,384
Decrease in loss on unrecognized pension cost	12,162	-
Loss on inventory market price decline and obsolescence, and for impairment	122,429	290,490
Investment gain under equity method	(207,292)	(312,360)
Loss on refirement of assets (accounted under other expense)	259,998	114,521
Cash dividend from investments under equity method	118,221	82,499
Gain on disposal of investment	(758,002)	(457,126)
Unrealized gain on financial assets and liabilities valuation	(34,390)	(194,577)
Impairment loss (gain)	(7,506)	478,402
Interest expense generated from trust of shareholders of parent company	37,931	38,022
Amortization of discount on bonds payable	28,330	-
Change in assets and liabilities:		
Change in assets:		
Increase (decrease) in financial assets reported at fair value through profit or loss-current	1,007,528	(2,518,126)
Increase (decrease) in notes and accounts receivable	8,123,757	(3,185,334)
Increase (decrease) in other accounts receivable	(544,471)	3,183,799
Increase in inventories	(623,346)	(2,264,466)
Increase in other current assets	(476,933)	(151,988)
Decrease (increase) in deferred income tax asset and liability	287,538	486,044
Change in liabilities:		
Increase (decrease) in notes and accounts payable	(3,952,717)	2,243,798
Increase (decrease) in income tax payable	801,923	(356,536)
Increase (decrease) in accrued expenses	(2,400,547)	230,524
Increase (decrease) in other financial liabilities	1,465,025	(449,772)
Increase (decrease) in other current liabilities	(516,715)	(96,184)
Decrease in other liabilities - other	(756)	(17,624)
Net cash provided by operating activities	23,739,438	18,435,118
Cash flows from investing activities:		
Acquisition of financial assets available-for-sale	(703,929)	(49,187)
Proceeds from disposal of financial assets available-for-sale	367,488	399,018
Acquisition of financial assets held-to-maturity	(262,170)	-
Acquisition of financial assets carried at cost	(198,958)	-
Proceeds from disposal of financial assets carried at cost	25,883	281,468
Proceeds from capital reduction of financial assets carried at cost	50,400	933
Purchase of long-tem investments under the equity method	(335,404)	(1,677,679)
Proceeds from disposal of long-term investments under the equity method	283,329	1,706,830
Purchase of property, plant and equipment	(10,729,319)	(6,002,266)
Proceeds from disposal of assets, idle assets and deferred expenses	1,531,923	689,201
Increase in deferred expenses	(1,298,351)	(1,802,159)
Purchase of intangible assets	(80,923)	(126,445)
Increase in other financial assets－ current	(1,145,680)	(16,535)
Decrease in other financial assets－ noncurrent	194,530	153,569
Decrease in other assets - other	7,739	97,499
Net cash used in investing activities	(12,293,442)	(6,345,753)

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

(English Translation of Financial Report Originally Issued in Chinese)
PEGATRON CORPORATION AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009
(All Amount Expressed in Thousands of New Taiwan Dollars)

	For the Year Ended December 31,	
	2010	**2009**
Cash flows from financing activities:		
Increase in short-term loans	3,472,745	(3,295,203)
Retirement of treasury stock	(1,006,862)	(30,550)
Decrease (increase) in short-term notes and bills payable	(9)	49,933
Increase in long-term loans	10,039,016	-
Decrease in long-term loans	(7,323,294)	(192,647)
Increase in bonds payable	1,497,401	-
Increase (Decrease) in other financial liabilities - noncurrent	101,570	(10,359)
Distribution of cash dividend and remuneration of board of directors	(6,660,996)	(2,647,930)
Increase in cash capital (including minority equity)	356,080	441,894
Ownership of treasury stock transferred to employee	-	380,256
Refunds from capital reduction of investments under the equity method	-	(985,909)
Net cash provided by financing activities	475,651	(6,290,515)
Foreign exchange rate effects	(1,336,393)	(918,727)
Effect of changes in certain subsidiaries	(167,527)	691,296
Net increase in cash	10,417,727	5,571,419
Cash, beginning of the year	31,846,280	26,274,861
Cash, end of the year	**$ 42,264,007**	**31,846,280**
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	**$ 179,115**	**173,609**
Income tax	**$ 1,400,182**	**2,040,095**
Non-cash investing and financing		
Current portion of long-term loans payable	**$ 407,007**	**48,006**
Purchase of property and equipment with cash and other payables:		
Property, plant and equipment	$ 11,100,609	5,961,009
Add: Other payables, beginning of the year	97,397	138,654
Less: Other payables, end of the year	(468,687)	(97,397)
Cash paid	**$ 10,729,319**	**6,002,266**

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

(English Translation of Financial Report Originally Issued in Chinese)
PEGATRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Amounts Expressed in Thousands of New Taiwan Dollars,
Except for Per Share Information and Unless Otherwise Stated)

1. ORGANIZATION AND BUSINESS :

Pegatron Corporation (the "Company") was established on June 27, 2007. In order to enhance competitiveness and boost productivity, the Company resolved to absorb the OEM business from ASUSTek Computer Inc. on January 1, 2008. ASUSALPHA Computer Inc. was merged by the Company on April 1, 2008. The main activities of the Company are to produce, design and sale OEM business. In January 2010, pursuant to the resolutions of the board of directors, the Company decided to merge with Pegatron International Investment Co., Ltd., and the record date for the merger is June 10,2010. As the surviving entity from this merger, the Company applied for initial public offering (IPO) to the TSEC. The Company's shares were listed on the TSEC on June 24, 2010.

The company's parent company: None

As of December 31, 2010 and 2009, the Company and its subsidiaries (the "Consolidated Company") had 104,608 and 96,534 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Consolidated Company's financial statements were prepared in accordance with Guidelines Governing the Preparation of Financial Reports by Securities Issues and generally accepted accounting principles of the Republic of China. The significant accounting policies and their measurement basis are as follows:

(1) Basis of consolidation

a. The consolidated financial statements include the Company and its controlled subsidiaries. The significant inter-company transactions were eliminated. As of December 31, 2010 and 2009, the consolidated subsidiaries were as follows:

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			2010.12.31	2009.12.31	
The Company	UNIHAN CORPORATION (UNIHAN)	Designing, manufacturing, maintaining and selling computer peripherals and audio-video products	100.00%	100.00%	The Company directly owns over 50% of equity

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			2010.12.31	2009.12.31	
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	12.46%	12.63%	Subsidiary has de facto control
Ability (tw)	ABILITY ENTERPRISE (BVI) CO., LTD. (ABILITY)	Investing activities	100.00%	100.00%	Subsidiary directly owns over 50% of equity
"	ACTION PIONEER INTERNATIONAL LTD.	Trading activities	100.00%	100.00%	"
"	VIEWQUEST TECHNOLOGIES INTERNATIONAL LTD.	Selling computer peripherals, digital cameras and electronic components	100.00%	100.00%	"
"	ASSOCIATION INTERNATIONAL LTD.	Investing activities	100.00%	100.00%	"
"	VIEWQUEST TECHNOLOGIES (BVI) INC.	Manufacturing and trading computer peripherals, digital cameras and electronic components	100.00%	100.00%	"
"	Ability International Investment Co., Ltd.	Investing activities	100.00%	100.00%	"
ABILITY	Ability Technology (Dongguan) Co., Ltd	Producing and selling digital cameras	100.00%	100.00%	"
"	Jiujiang Viewquest Electronics Inc	Producing and selling digital cameras	100.00%	-	"
Ability International Investment Co., Ltd.	NOENA CORPORATION (NOENA)	Selling computer peripherals and optical products	80.00%	-	"

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			2010.12.31	2009.12.31	
UNIHAN	Unihan Holding Ltd. (Unihan Holding)	Investing activities	100.00%	100.00%	Subsidiary directly owns over 50% of equity
Unihan Holding	CASETEK HOLDINGS LIMITED (CASETEK HOLDING)	Investing and trading activities	100.00%	100.00%	"
CASETEK HOLDING	SLITEK HOLDINGS LIMITED	Investing and trading activities	100.00%	100.00%	"
"	CASETEK COMPUTER (SUZHOU) CO., LTD	Manufacturing, developing and selling computers, computer parts, application systems, and providing after-sales service	100.00%	100.00%	"
CASETEK HOLDING	KAEDAR HOLDINGS LIMITED (KAEDAR HOLDING)	Investing and trading activities	100.00%	100.00%	"
"	GRAND UPRIGHT TECHNOLOGY LIMITED	Trading activities	100.00%	-	"
KAEDAR HOLDING	KAEDAR ELECTRONICS (KUNSHAN) CO., LTD	Tooling module of stainless steel computer cases	100.00%	100.00%	"
CASETEK HOLDING	KAEDAR TRADING LTD.	Investing and trading activities	100.00%	100.00%	"

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			2010.12.31	2009.12.31	
CASETEK HOLDING	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%	100.00%	Subsidiary directly owns over 50% of equity
"	APLUS PRECISION LTD. (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%	100.00%	"
UNIHAN AND ASUSPOWER INVESTMENT	AZURE WAVE TECHNOLOGIES, INC. (AZURE WAVE)	Manufacturing office machinery, electronic parts and computer peripherals and selling precision equipment, and digital cameras	43.56%	43.56%	Subsidiary has de facto control
AZURE WAVE	EMINENT STAR COMPANY LIMITED (EMINENT)	Investing activities	100.00%	100.00%	Subsidiary directly owns over 50% of equity
EMINENT	HANNEX INTERNATIONAL LIMITED (HANNEX)	Investing activities	100.00%	100.00%	"
HANNEX	SCIENTEK. NANJING CO., LTD	Designing, manufacturing and selling computer products	100.00%	100.00%	"

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			2010.12.31	2009.12.31	
EMINENT	JADE TECHNOLOGIES LIMITED (JADE)	Investing activities	100.00%	100.00%	Subsidiary directly owns over 50% of equity
EMINENT、JADE	AZUREWAVE TECHNOLOGY (SHENZHEN) CO., LTD	Designing, researching and selling computer products	100.00%	100.00%	Subsidiary directly and indirectly held 100% of equity
AZURE WAVE	EZWAVE TECHNOLOGIES, INC.	Manufacturing office machinery, electronic parts and computer peripherals	100.00%	100.00%	Subsidiary directly owns over 50% of equity
"	AZWAVE HOLDING (SAMOA) INC. (AZWAVE SAMOA)	Investing activities	100.00%	100.00%	"
AZWAVE SAMOA	AZURE WAVE TECHNOLOGIES (SHANGHAI) INC.	Designing, manufacturing and selling computer products	100.00%	100.00%	"
"	AZURE LIGHTING TECHNOLOGIES, INC (YANGZHOU)	Manufacturing electronic parts	100.00%	100.00%	"
"	AIGALE CORPORATION (SHANGHAI)	Developing, designing and selling communication equipment and electronic products	100.00%	-	"
AZURE WAVE	AZURE LIGHTING TECHNOLOGIES, INC	Selling electronic parts	100.00%	100.00%	"
UNIHAN	AMA PRECISION INC.(AMA PRECISION)	Designing and developing computer parts	100.00%	100.00%	"
AMA PRECISION	AMA TECHNOLOGY CORPORATION	Trading computer peripherals	100.00%	100.00%	"
"	AMA HOLDINGS LIMITED (AMA)	Investing activities	100.00%	100.00%	"

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			2010.12.31	2009.12.31	
AMA	METAL TRADINGS LTD.(METAL)	Trading activities	100.00%	100.00%	Subsidiary directly owns over 50% of equity
METAL	FENGSHUO TRADING (TONGZHOU) CO. LTD	Trading activities	100.00%	100.00%	"
AMA	EXTECH LTD.	Trading electronic parts	90.51%	90.49%	"
EXTECH LTD.	GRANDTECH PRECISION (TONGZHOU) CO., LTD	Manufacturing, developing and selling electronic parts	100.00%	100.00%	"
AMA	TOPTED PRECISION LNDUSTRY(SUZHOU) CO., LTD	Manufacturing and selling new electronic parts and premium hardware	100.00%	100.00%	"
THE COMPANY AND ASUS INVESTMENT	ASUS HOLLAND HOLDING B.V.(AHH)	Investing activities	100.00%	100.00%	Subsidiary directly and indirectly held 100% of equity
AHH	PEGATRON CZECH S.R.O.	Installing, repairing and selling electronic products	100.00%	100.00%	Subsidiary directly owns over 50% of equity
THE COMPANY	PEGATRON HOLDING LTD. (PEGATRON HOLDING)	Investing activities	100.00%	100.00%	"
PEGATRON HOLDING	POWTEK HOLDINGS LIMITED (POWTEK)	Investing and trading activities	100.00%	100.00%	"
POWTEK	POWTEK (SHANGHAI) CO., LTD.	Selling main boards, computer peripherals, note books, servers and software, and providing after-sales service	100.00%	100.00%	"

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			2010.12.31	2009.12.31	
PEGATRON HOLDING, KINSUS SAMOA	PIOTEK HOLDINGS LTD. (CAYMAN) (PIOTEK CAYMAN)	Investing and holding activities	100.00%	100.00%	Subsidiary directly owns over 50% of equity
PIOTEK CAYMAN	PIOTEK HOLDING LIMITED (PIOTEK HOLDING)	Investing and trading activities	100.00%	100.00%	"
PIOTEK HOLDING	PIOTEK COMPUTER (SUZHOU) CO., LTD	Developing, manufacturing and selling new electronic components, circuit boards and relevant products, and providing after-sales service	100.00%	100.00%	"
"	PIOTEK (H.K) TRADING LIMITED	Trading activities	100.00%	100.00%	"
PEGATRON HOLDING	ASLINK PRECISION CO., LTD (ASLINK)	Investing and trading activities	100.00%	100.00%	"
ASLINK	ASLINK (H.K.) PRECISION CO., LIMITED	Investing and trading activities	100.00%	100.00%	"
"	ASAP INTERNATIONAL CO., LIMITED (ASAP)	Investing activities	-	59.17%	"
ASAP	ASAP TECHNOLOGY (JIANGXI) CO., LIMITED	Manufacturing and selling data transmit wire and cable	-	100.00%	"
PEGATRON HOLDING	DIGITEK GLOBAL HOLDINGS LIMITED	Investing and trading activities	100.00%	100.00%	"

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			2010.12.31	2009.12.31	
PEGATRON HOLDING	MAGNIFICENT BRIGHTNESS LIMITED (MAGNIFICENT)	Investing and trading activities	100.00%	100.00%	Subsidiary directly owns over 50% of equity
"	PROTEK GLOBAL HOLDINGS LTD. (PROTEK)	Investing and trading activities	100.00%	100.00%	"
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%	100.00%	"
PEGATRON HOLDING	NORTH TEC ASIA LIMITED (NORTH)	Investing and trading activities	-	100.00%	"
PROTEK AND NORTH	PROTEK (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%	100.00%	Subsidiary directly and indirectly held 100% of equity
PEGATRON HOLDING	COTEK HOLDINGS LIMITED (COTEK)	Investing and trading activities	100.00%	100.00%	Subsidiary directly owns over 50% of equity

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			2010.12.31	2009.12.31	
COTEK	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Developing, manufacturing and selling new electronic components, circuit boards and relevant products, and providing after-sales service	100.00%	100.00%	Subsidiary directly owns over 50% of equity
PEGATRON HOLDING	TOP QUARK LIMITED (TOP QUARK)	Investing and holding activities	100.00%	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%	100.00%	"
THE COMPANY	ASUSPOWER INVESTMENT CO., LTD.	Investing activities	100.00%	100.00%	The Company directly owns over 50% of equity
"	ASUS INVESTMENT CO., LTD.	Investing activities	100.00%	100.00%	"
"	ASUSTEK INVESTMENT CO., LTD.	Investing activities	100.00%	100.00%	"
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	ASROCK INCORPORATIO N (ASROCK)	Data storage and processing equipment, manufacturing wired and wireless communication equipment, and whole soling of computer equipment and electronic components	58.65%	58.65%	Subsidiary directly owns over 50% of equity

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			2010.12.31	2009.12.31	
ASROCK	ASIAROCK TECHNOLOGY LIMITED (ASIAROCK)	Manufacturing and selling database storage and processing equipments	100.00%	100.00%	Subsidiary directly owns over 50% of equity
ASIAROCK	ASROCK EUROPE B.V.	Database service and trading electronic components	100.00%	100.00%	"
ASIAROCK	CalRock Holdings, LLC.	Office building leasing	100.00%	100.00%	"
ASROCK	Leader Insight Holdings Ltd. (Leader)	Investing and holding activities	100.00%	100.00%	"
Leader	Firstplace International Ltd. (Firstplace)	Investing and holding activities	100.00%	100.00%	"
Firstplace	ASRock America., Inc.	Database service and trading electronic components	100.00%	100.00%	"
ASUSPOWER INVESTMENT AND ASUS INVESTMENT	PEGATRON Mexico, S.A. DE C.V.	Sales and repair service center in Mexico	100.00%	100.00%	Subsidiary directly and indirectly held 100% of equity
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%	39.00%	Subsidiary has de facto control
KINSUS	KINSUS INVESTMENT CO., LTD (KINSUS INVESTMENT)	Investing activities	100.00%	100.00%	Subsidiary directly owns over 50% of equity
KINSUS INVESTMENT AND ASUSPOWER INVESTMENT	PEGAVISION CORPORATION	Manufacturing medical appliances	84.45%	84.45%	"

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			2010.12.31	2009.12.31	
KINSUS	KINSUS CORP. (USA)	Developing and designing new technology and products; analyzing marketing strategy and developing new customers	100.00%	100.00%	Subsidiary directly owns over 50% of equity
KINSUS	KINSUS HOLDING (SAMOA) LIMITED (KINSUS SAMOA)	Investing activities	100.00%	100.00%	"
KINSUS SAMOA	KINSUS HOLDING (CAYMAN) LIMITED (KINSUS CAYMAN)	Investing activities	100.00%	100.00%	"
KINSUS CAYMAN	KINSUS INTERCONNECT TECHNOLOGY (SUZHOU) CORP.	Manufacturing and selling circuit boards	100.00%	100.00%	"
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	ASUSPOWER CORPORATION	Investing and trading activities	100.00%	100.00%	Subsidiary directly and indirectly held 100% of equity
"	STARLINK ELECTRONICS CORPORATION (STARLINK)	Manufacturing electronic parts and plastic products, and manufacturing and wholesaling electronic components	100.00%	100.00%	"
STARLINK	STRATEGY Technology Co., Ltd.	Investing and trading activities	-	100.00%	Subsidiary directly owns over 50% of equity
ASUS INVESTMENT	ASFLY TRAVEL SERVICE LIMITED	Travel agency	100.00%	100.00%	"

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			2010.12.31	2009.12.31	
ASUSPOWER INVESTMENT	PEGATRON TECHNOLOGY SERVICE INC. (PTSI)	Sales and repair service center in North America	100.00%	100.00%	Subsidiary directly owns over 50% of equity
PTSI	PEGATRON SERVICOS DE INFORMATICA LTDA.	Maintenance service	100.00%	-	"
ASUSPOWER INVESTMENT	PEGA INTERNATIONAL LIMITED	Design service and sales	100.00%	100.00%	"
"	PEGATRON JAPAN INC.	Sales and repair service center in Japan	100.00%	100.00%	"
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	Lumens Digital Optics Inc. (Lumens Optics)	Researching, manufacturing and selling computer data projectors and related peripherals	56.52%	56.52%	"
Lumens Optics	Lumens Integration Inc.	Selling computer communication products and peripherals	100.00%	100.00%	"
"	Lumens Digital Image Inc. (Lumens)	Investing activities	100.00%	100.00%	"
Lumens	Lumens (Suzhou) Digital Image Inc.	Researching, manufacturing and selling projectors, projection screens and related products, and providing after-sales service	100.00%	100.00%	
Lumens Optics	Lumens Europe BVBA	Selling computer communication products and peripherals	100.00%	100.00%	"
"	Jie Xin Inc.	Manufacturing and wholesaling electronic parts	94.00%	94.00%	"

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			2010.12.31	2009.12.31	
ASUS INVESTMENT	HUA-YUAN INVESTMENT LIMITED	Investing activities	100.00%	100.00%	Subsidiary directly owns over 50% of equity
The Company	ADVANSUS CORP.	Manufacturing computer peripherals	50.00%	50.00%	The Company directly owns over 50% of equity (Note A)
The Company	PEGATRON USA, INC.	Sales and repair service center in North America	100.00%	100.00%	The Company directly owns over 50% of equity

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

b. Increases or decreases in the number of consolidated subsidiaries as of December 31, 2010 were summarized as follows:

(a) CASETEK HOLDING LIMITED acquired 51% of total issued shares of APLUS PRECISION (Cayman) LIMITED ("APLUS") by exchanging its long-term investment.

(b) Ability (tw) invested $40,000 in exchange for an 80% equity ownership of a newly established company named, NOENA CORPORATION (NOENA). Furthermore, Ability (tw) invested and acquired 100% of the equity ownership of Jiujiang Viewquest Electronics Inc. through a third party.

(c) UNIHAN HOLDING acquired the 100% equity ownership of GRAND UPRIGHT TECHNOLOGY LIMITED amounted to USD 1,326 thousand dollars in August, 2010.

(d) For the year ended December 31, 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 thousand dollars the equity ownership of PIOTEK HOLDING LTD. with carrying value of USD 6,554 thousand dollars. 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 December 31, 2010. However, the equity of KINSUS HOLDING LIMITED held by the Consolidated Company was 68.89%, thereby holding the ability to exercise control.

(e) Azware Holding (Samoa) Inc. acquired the 100% equity ownership of AIGALE CORPORATION amounted to RMB 1,361 thousand dollars in August 2010.

(f) PEGATRON TECHNOLOGY SERVICE INC. established PEGATRON SERVICO DE INFORMATION LTDA. and owned 100% equity ownership amounted to USD 650 thousand dollars in November 2010.

According to SFAS No. 7 "Consolidated Financial Statements", if the Consolidated 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 the Company owns less than 50% of the voting shares but were included in the consolidated financial statements were summarized 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%, 12.63% 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.

4. Subsidiaries excluded from consolidation

(a) 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 26, 2010. The process of liquidating STRATEGY Technology Co., Ltd. had been completed in April, 2010

(b) NORTHTEK ASIA LIMITED, an investee company wholly owned by Pegatron Holding, merged with PROTEK GLOBAL HOLDING LTD in 2010, and PROTEK GLOBAL HOLDING LTD was the surviving entity from such merger.

(c) Due to organizational restructuring, ASLINK PRECISION CO., LTD (ASLINK PRECISION) acquired 25% equity ownership of ASAP TECHNOLOGY (JIANGXI) CO., LTD through equity swap on December 31, 2010. Consequently, ASLINK

PRECITION's equity ownership in ASAP INTERNATIONAL CO., LIMITED decreased from 59.17% to 45.56%. Following the equity swap, ASLINK PRECISION sold its equity ownership in ASAP INTERNATIONAL CO., LTD to a non-related party, and thereby the Consolidated Company lost its significant influence on ASAP PRECISION CO., LTD and ASAP TECHNOLOGY (JIANGXI) CO., LTD.

According to SFAS No. 7 "Consolidated Financial Statements", if the Consolidated Company has lost controlling power over entities described above, those entities are excluded in consolidated financial statements.

5. Refer to Note 4(11) for related information on convertible bonds and new shares issued by subsidiaries.

(2) Use of Estimates

The preparation of the accompanying consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

(3) Foreign Currency and Financial Report Translation

The Consolidated Company records its transactions in New Taiwan dollars. Non-derivative foreign currency transactions are recorded at the exchange rates prevailing at the transaction date. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated into New Taiwan dollars using the exchange rates on that date, and the resulting unrealized exchange gains or losses from such translations are reflected in the accompanying statements of income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the reporting currency using the foreign exchange rates at the balance sheet date. If the non-monetary assets or liabilities are measured at fair value through profit or loss, the resulting unrealized exchange gains or losses from such translation are reflected in the accompanying statements of income. If the non-monetary assets or liabilities are measured at fair value through stockholders' equity, the resulting unrealized exchange gains or losses from such translation are recorded as a separate component of stockholders' equity.

For long-term equity investments in foreign investees which are accounted for by the equity method, their foreign currency-denominated assets and liabilities are translated at spot rate on the balance sheet date; the components of their stockholders' equity are translated at the historical rate except for the beginning balance of retained earnings, which is translated using the spot rate at the beginning of the year. Income statement accounts are translated at the weighted-average rate of the year. Translation differences are accounted for as cumulative translation adjustments to stockholders' equity.

(4) Basis for Classifying Assets and Liabilities as Current or Non-Current

Unrestricted cash, cash equivalents, assets held for trading, or other assets that the Consolidated Company will convert to cash or use within in a relatively short period of time — one year or one operating cycle, whichever is longer — are classified as current assets; other assets are classified as non-current assets. Debts due within one year or one operating cycle, whichever is longer, are classified as current liabilities; other liabilities are classified as non-current liabilities.

(5) Assets Impairment

The Consolidated Company adopted Statement of Financial Accounting Standards No. 35 (SFAS 35) "Impairment of Assets". In accordance with SFAS 35, the Consolidated Company assesses at each balance sheet date whether there is any indication that an asset (individual asset or cash-generating unit other than goodwill) may have been impaired. If any such indication exists, the Consolidated Company estimates the recoverable amount of the asset. The Consolidated Company recognizes impairment loss for an asset whose carrying value is higher than the recoverable amount.

The Consolidated Company reverses an impairment loss recognized in prior periods for assets other than goodwill if there is any indication that the impairment loss recognized no longer exists or has decreased. The carrying value after the reversal should not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods.

The Consolidated Company assesses for impairment the goodwill and intangible assets that have indefinite lives or that is not yet available for use periodically on an annual basis and recognizes an impairment loss if the carrying value exceeds the recoverable amount. The loss is first recorded against the goodwill allocated to the CGU, with any remaining loss allocated to other assets on a pro rata basis proportionate to their carrying amounts. The write-down of goodwill cannot be reversed in subsequent periods under any circumstances.

(6) Cash and Cash Equivalents

Cash and cash equivalents are cash, bank deposit, and highly liquid short-term investment which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes resulting from fluctuations in interest rates.

(7) Financial Instruments

The Consolidated Company classifies investments in financial assets as financial assets / liabilities reported at fair value through profit or loss or financial assets carried at cost.

Financial instrument transactions are recorded at the trading date. Financial instruments other than those held for trading are initially recognized at fair value plus transaction costs, while those held for trading are carried at fair value.

Subsequent to initial recognition, financial instruments are classified and measured, depending on the Consolidated Company's intention for holding, as follows:

a Financial assets or liabilities reported at fair value through profit or loss

These financial assets and liabilities are subsequently measured at fair value with changes in fair value recognized in profit and loss. Stocks of listed companies, convertible bonds and closed-end funds are measured at closing prices on the balance sheet date. Open-end funds are measured at the unit price of the net assets on the balance sheet date.

A financial asset or financial liability may be designated as at fair value through profit or loss only when either of the following conditions is met:

i The financial asset or financial liability designated is a hybrid financial instrument.

ii It eliminates or significantly reduces a measurement or recognition inconsistency.

iii A group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

b. Financial assets carried at cost

Equity investments without reliable market prices, including emerging and other unlisted stocks, are measured at cost. If objective evidence of impairment exists, the Consolidated Company recognizes impairment loss, which is not reversed in subsequent periods.

c. Available-for-sale financial assets

Available-for-sale financial assets are measured at fair value, and changes therein, other than impairment losses and foreign exchange gains and losses on available-for-sale monetary items, are recognized directly in equity. When an investment is derecognized, the cumulative gain or loss in equity is transferred to profit or loss. If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized in earnings. If, in a subsequent period, the amount of the impairment loss decreases, for equity securities, the previously recognized impairment loss is reversed to the extent of the decrease and recorded as an adjustment to equity; for debt securities, the amount of the decrease is recognized in profit or loss, provided that the decrease is clearly attributable to an event which occurred after the impairment loss was recognized.

(8) Financial derivatives and hedging

If a cash flow hedge meets the criteria for hedge accounting, the consolidated company recognized the offsetting effects on profit or loss of changes in the fair value of the hedging instrument and the hedged item. Under hedging accounting, the changes in the fair value of a hedging instrument designated as a fair value hedge are recognized in profit or loss. The hedged items are also stated at fair value in respect of the risk being hedged, with any gain or loss being recognized in profit or loss.

(9) Notes and Accounts Receivable, and Allowance for Doubtful Accounts

Allowance for doubtful accounts is based on the aging analysis and results of the Consolidated Company's evaluation of the collectability of outstanding receivable balances.

(10) Inventories

Inventories are carried at the lower of cost or market value using a perpetual inventory basis. Cost is determined using the weighted-average method. Market value is determined by replacement value. A provision for inventory devaluation is recorded when the market value of inventories is less than cost. The fair value of finished goods, merchandise and work in process is determined on the basis of net realizable value, while the fair value of raw material is determined by replacement value. A provision for inventory devaluation and obsolescence is recorded as allowance for loss based on certain percentages according to the aging of inventories.

Effective January 1, 2009, the Consolidated Company adopts Republic of China Statement of Financial Accounting Standards (SFAS) No. 10 "Inventories". According to SFAS 10, the cost of inventories includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average cost principle. Net realizable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses at the end of the period.

(11) Long-Term Investments at Equity (Including Joint Ventures)

Long-term equity investments in which the Consolidated Company, directly or indirectly, owns 20% or more of the investee's voting shares, or less than 20% of the investee's voting shares but is able to exercise significant influence over the investee's operating and financial policies, are accounted for under the equity method.

Investment in a joint venture investment in which the Company has the ability to control is accounted for under the equity method. Also, such investment is included in the consolidated financial statements by using the proportionate consolidation method on balance sheet date.

Unrealized profits/losses on inter-company transactions are eliminated and deferred. Regardless of whether inter-company transactions are downstream or upstream transactions, unrealized inter-company gains and losses are eliminated in proportion to the shareholding ratio, except for those in downstream transactions, where gain or loss is fully eliminated when controlling interests exist. Unrealized gains and losses resulting from transactions between investee companies are eliminated in proportion to shareholding ratio if controlling interests exist. Otherwise the unrealized gains or losses are eliminated according to the shareholding ratio. Gains and losses resulting from transactions involving depreciable assets are recognized ratably over their economic lives, while those from other assets are recognized immediately.

Cost and gains or losses on disposition of long-term equity investments are determined by the weighted-average method. Capital surplus from disposition of such investments is reduced by the percentage sold, with gains and losses included in current earnings.

The change in the carrying value of long-term equity investment as a result of the change in percentage of equity ownership due to disproportionate subscription to additional shares issued by the investee company is charged against capital surplus. When the balance of capital surplus arising from long-term equity investments is insufficient, the difference is charged against retained earnings.

(12) Property, Plant, and Equipment and Depreciation

Property, plant, and equipment are stated at cost. Interest expense incurred up to the time when the asset is ready for its intended use is capitalized as part of the acquisition cost. Major additions, improvements, and replacements are capitalized.

Depreciation is provided over the estimated economic lives using the straight-line method.

Assets still in use at the end of their estimated useful lives are continuously depreciated based on their estimated remaining useful lives and estimated salvage values. Economic lives of major property and equipment are as follows:

Buildings and structures	3 to 60 years
Machinery and equipment	2 to 10 years
Warehousing equipment	5 to 15 years
Instrument equipment	1 to 5 years
Transportation equipment	1 to 20 years
Office equipment	1 to 20 years
Miscellaneous equipment	1 to 20 years

Gain and loss on disposal of properties are recorded as non-operation income or loss.

Rental assets and idle fixed assets, which are not used for operating purposes, are classified as other assets.

(13) Intangible Assets

According to the Statement of Financial Accounting Standard No. 37 (SFAS 37) "Intangible Assets", intangible assets are stated at cost, except for the government grant which is stated at fair value. Intangible assets with finite life are measured at cost plus the revaluation increment arising from the revaluation in accordance with the laws, less any accumulated amortization and any impairment losses.

The amortizable amount of intangible assets with definite lives is determined after deducting its residual value. Amortization is recognized as an expense on a straight-line basis over the estimated useful lives of intangible assets from the date that they are made available for use. The economic useful lives of intangible assets are as follows:

Computer Software	1- 5years
Trademark Rights	5years
Patents	2-5years
Land usage rights	45-50years

The residual value, the amortization period, and the amortization method for an intangible asset with a finite useful life are evaluated at least at each financial year-end. Any changes thereof are accounted for as changes in accounting estimates.

Under the purchase method, the excess of acquisition costs over the fair value of identifiable assets assumed is recorded as goodwill. Goodwill is measured at its cost less the impairment losses.

The Consolidated Company evaluates intangible assets periodically for impairment in accordance with the statement of Financial Accounting Standards No. 35 (SFAS 35) "Impairment of Assets".

(14) Deferred Expense

The costs of renovation project, molds, fixtures and office decorations are deferred and amortized equally over 9 months to 10 years.

(15) Bonds Payable

Bonds payable issued after January 1, 2006, is classified 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 issued after January 1, 2006, is treated as compound financial instruments, with equity and liability components which 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 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 is used if the results are 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 a 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 is recognized as "capital surplus"; 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 Consolidated Company, which is convertible to an equity instrument, is recognized and included in "capital surplus", 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 at fair value, and the resulting difference between book value and fair value of bonds is recognized as "gain or loss" in the current period. The fair value of the common stock issued due to the conversion is based on the fair 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.

(16) Pension Plan

Domestic public companies in the Republic of China, have adopted SFAS No.18 "Accounting for Pensions" as the basis of accounting for its defined benefits pension plan. Net periodic pension cost recognized in accordance with SFAS No. 18, includes the current service cost, amortization of net transition asset or obligation, prior service cost and amortization of unrecognized gain (loss) on pension plan on straight-line basis over the expected average remaining service period of the employees in accordance with the rules set by the SFB. Under this plan, these entities contribute monthly an amount equal to certain percentage of gross salary to a pension fund, which is deposited into a designated depository account with the Bank of Taiwan.

Pursuant to the Labor Pension Act, domestic private companies in the Republic of China, contribute an amount equal to 6% of gross salary of each employee to the Council of Labor Affairs. These contributions are recognized as pension expense during the period when contributions are made.

The Consolidated Company adopt a defined contribution pension plan according to the regulations of their respective jurisdiction and recognize monthly pension contributions as current expenses. According to the regulations of the Peoples Republic of China government, the subsidiaries in mainland China contribute basic retirement insurance fees equal to the legal percentages of employee's salary and recognize these fees as current expenses.

Other overseas subsidiaries contribute pension costs periodically on the basis of the local labor law of each subsidiary's registered jurisdiction.

(17) Warranty Reserve

A warranty reserve is provided for products sold with a warranty based on estimated warranty service cost and in consideration of past experience.

(18) Revenue and Cost Recognition

Revenue is recognized when title to the product and the risks and rewards of ownership are transferred to the customer; otherwise revenue recognition is deferred until these criteria are met. The related cost and expenses are recognized as the revenue is recognized. The expenses are recognized on accrual basis.

(19) Classification of Capital and Operating Expenditures

Expenditures that benefit the Consolidated Company in future years are capitalized, while immaterial expenditures or those with no future benefits are treated as current expense or loss.

(20) Commitments and Contingencies

If loss from a commitment or contingency is deemed highly likely and the amount can be reasonably estimated, then such loss is immediately recognized. Otherwise only the nature of such loss is disclosed in the notes to the financial statements.

(21) Income Tax

In accordance with Statement of Financial Accounting Standards No. 22 (SFAS 22) "Income Taxes", income taxes are accounted for using the asset and liability method. The income tax effects resulting from taxable temporary differences are recognized as deferred income tax liabilities. The income tax effects resulting from deductible temporary differences, loss carry forwards and investment tax credits are recognized as deferred income tax assets. The realization of the deferred income tax assets is evaluated, and if it is considered more likely than not that the deferred tax assets will not be realized, a valuation allowance is recognized accordingly. The Consolidated Company recalculates deferred income tax liabilities and deferred income tax assets based on newly modified effective tax rate, and reports the difference between newly calculated amount and the originally calculated one as current expense or benefit. Adjustments to prior years' income taxes are reported as current income taxes.

Deferred income tax assets or liabilities are classified as current and non-current in accordance with the nature of the related assets and liabilities or the length of time to their reversal.

Income taxes credits from purchase of equipment, technical research and development, and personnel training are recognized by the flow-through method.

The 10% surtax on undistributed earnings of the Consolidated Company is reported as current expense on the date when the stockholders declared not to distribute the earnings during their annual meeting.

The income tax for each consolidated entity is reported on an individual basis with the relevant jurisdiction and is not reported on a consolidated basis. The consolidated income tax expense is the total of income tax expenses for all consolidated entities.

(22) Employee Stock Option

The Consolidated Company uses the intrinsic value method to recognize compensation costs for its employee stock options whose grant date is after January 1, 2004 and before December 31, 2007. Under this method, the Consolidated Company recognizes the difference between the market price of the stock on date of grant and the exercise price of its employee stock option as compensation cost. Compensation costs are recognized as expenses over the employees' service period as defined in the Employees Stock Option Rules. Relevant changes in owner's equity resulting from the recognition of compensation costs from employee stock options are also reflected in the consolidated statements.

Equity-settled share-based payments of the Consolidated Company granted on or after January, 1 2008 are measured at fair value at the date of grant. The fair value determined at grant date of the equity-settled share-based payments is expensed over the vesting period, with a corresponding increase in equity.

(23) Earnings per Share ("EPS")

Earnings per share of common stock is determined based on net income available to common stockholders divided by the weighted-average number of outstanding shares of common stock. The effect on earnings per share from an increase in capital stock through the distribution of stock dividends from unappropriated earnings, capital surplus, or employee stock bonuses approved in the annual stockholders' meetings held before and in 2008 is computed retroactively.

Diluted EPS is calculated by dividing net income by the weighted-average number of common shares used in the basic EPS calculation plus the number of common shares that would be issued assuming all potentially dilutive common shares are converted and outstanding. The employee bonus appropriated after 1 January, 2008 are potentially dilutive common shares. If a dilutive effect does not exist, only basic EPS is disclosed; otherwise, diluted EPS is disclosed in addition to the basic EPS.

(24) Spin–Off Transactions

Spin-off transactions are accounted for by the Interpretation (91) 128 issued by the ROC Accounting Research and Development Foundation. If a transferor company and a transferee company are affiliated and the nature of the transfer is group reorganization, the assets and liabilities are recognized by the transferee based on the book value of the assets and liabilities of the transferor company without recognizing any transfer gain/loss. However, if the book value of the assets has any impairment loss, it shall be considered.

(25) Employee Bonuses and Remuneration to Directors and Supervisors

Appropriations for employee bonuses and remuneration to directors and supervisors appropriated are accounted for in accordance with Interpretation (96) 052 issued by the ROC Accounting Research and Development Foundation. According to this Interpretation, the

Consolidated Company estimates the amount of employee bonuses and remuneration to directors and supervisors and recognizes it as expenses in the year when services are rendered. The differences between the amounts approved in the shareholders' meeting and those recognized in the financial statements, if any, are accounted for as changes in accounting estimates and recognized in profit or loss.

(26) 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.

(27) Business Combinations

A business combination transaction is accounted for by the Interpretation (91) 243 and (91) 244 issued by the ROC Accounting Research and Development Foundation. The Consolidated Company had a business combination transaction for group restructuring purpose, and accounted for it according to the Interpretation. On the effective date of combination, the surviving entity acquired the assets from the dissolved entity and credited then to long term entity's investment account.

3. Reasons for and Effect of Accounting Changes:

Effective January 1, 2009, the Consolidated Company adopted the amended Republic of China Statement of Financial Accounting Standards (SFAS) No. 10 "Inventories." In accordance with this revised standard, fixed costs are allocated to finished goods and work in process on the basis of the normal capacity utilization, and inventories are measured individually at the lower of cost and net realizable value. The effects of the adoption of this revised accounting standard on net income (NI) and earnings per share (EPS) for the year ended December 31, 2009 were as follows:

Effect of Accounting Change	Account affected	Decrease in Net Income	Decrease in EPS
Fixed costs allocated based on normal capacity utilization	Cost of goods sold	$ 116,562	0.05
Inventories are measured individually at the lower of cost and net realizable value	Cost of goods sold	26,710	0.01
Total		**$ 143,272**	**0.06**

4. Summary of Major Accounts

(1)Cash

	December 31, 2010	December 31, 2009
Cash on hand	$ 23,068	40,329
Demand deposits	21,551,078	17,738,019
Time deposits	20,689,861	14,067,932
Total	**$ 42,264,007**	**31,846,280**

(2) Financial Instruments

a. The components of financial instruments were as follows:

	December 31, 2010	December 31, 2009
Financial assets reported at fair value through profit or loss - current:		
Financial assets held-for-trading - current		
Stock of listed companies	$ 257,800	209,202
Beneficiary certificates	5,547,942	6263,933
Forward exchange contracts	18,049	12,112
Overseas equity securities	-	301,862
Depositary receipts	24,155	10,389
Callable bonds	529,172	540,039
	$ 6,377,118	**7,337,537**

		December 31, 2010	December 31, 2009
Available-for-sale financial assets - current:			
Stock of listed companies		-	77,925
Stock of overseas listed companies		765,417	943,488
Total	**$**	**765,417**	**1,021,413**
Available-for-sale financial assets - noncurrent:			
Stock of listed companies	$	1,359,938	1,693,881
Stock of overseas listed companies		464,308	551,767
Total	**$**	**1,824,246**	**2,245,648**
Held-to-maturity financial assets - current:			
Investment bonds	**$**	**262,170**	**-**
Financial assets carried at cost - noncurrent:			
Equity securities – common stock	$	628,655	609,243
Equity securities – preferred stock		35,108	-
Corporate bonds		100,000	-
	$	**763,763**	**609,243**
Financial liabilities reported at fair value through profit or loss - current:			
Domestic convertible bonds	$	(1,578)	-
Adjustments		12,720	-
	$	**11,142**	**-**

b. The convertible bond issued by Ability Enterprise Co., Ltd. was treated as a compound financial instrument, which was partly classified as an equity and the rest as a liability. 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 year ended December 31, 2010, Ability Enterprise Co., Ltd. recognized a loss on financial liability reported at fair value through profit or loss of $12,720, please refer to note 4(11) for the main terms and conditions of the 1st unsecured domestic convertible bonds issued by Ability Enterprise Co., Ltd.

c. For years ended December 31, 2010 and 2009, the Consolidated Company recognized a loss on financial assets reported at fair value through profit or loss of $47,110 and $194,577, respectively.

d. For years ended December 31, 2010 and 2009, the unrealized losses on available-for-sale financial assets amounted to $885,976 and $1,574,634, respectively.

e. 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-non current. Following the resolution by the Annual Meeting of Shareholders, ADDTEK Corporation carried out a capital reduction of $98,125 and $158,000, divided into 9,812 and 15,800 shares, in order to cover its accumulated deficit at March 30, 2010 and December 21, 2010, respectively.

f. Impairment loss of $61,662 was recognized on available-for-sale financial assets for the year ended December 31, 2009.

g. Impairment loss of $109,117 and $38,788 was recognized on financial assets carried at cost for the years ended December 31, 2010 and 2009, respectively.

h. As of December 31, 2010 and 2009, the components of financial derivatives of Ability Enterprise Co., Ltd. and United New Limited were as follows:

	December 31, 2010		
	Book Value	**Nominal Principal (thousands)**	**Maturity Date/ Contract Period**
Derivative financial assets not for hedge			
Currency swap contracts	**$ 18,049**	**USD 46,700**	2010.12 ~ 2011.01

	December 31, 2009		
	Book Value	**Nominal Principal (thousands)**	**Maturity Date/ Contract Period**
Derivative financial assets not for hedge			
Currency swap contracts	**$ 12,112**	**USD 49,600**	2009.12 ~ 2010.01

Ability (tw) entered into derivative contracts during the years ended December 31, 2010 and 2009 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(18) for the risk management of the Consolidated Company.

(3) Notes and Accounts Receivable – non-related parties

	December 31, 2010	December 31, 2009
Notes receivable	$ 134,100	64,740
Less: Allowance for doubtful accounts	-	(339)
Net	134,100	64,401
Account receivable	$ 44,000,174	54,843,416
Less: Allowance for doubtful accounts	(669,632)	(703,377)
Net	43,330,542	54,140,039
Total	**$ 43,464,642**	**54,204,440**

As of December 31, 2010 and 2009, KINSUS INTERCONNECT TECHNOLOGY CORP. sold its accounts receivable without recourse as follows:

	Amount derecognized		Credit advanced			Credit (thousands)	
Purchaser	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009	Collateral	December 31, 2010	December 31, 2009
Mega International Commercial Bank	$ 557,560	313,090	345,599	192,404	None	USD 30,000	USD 30,000

(4) Inventories

	December 31, 2010	December 31, 2009
Finished goods	$ 13,721,704	14,447,390
Less: Allowance for inventory market decline and obsolescence	(806,498)	(616,867)
Sub-total	12,915,206	13,860,523
Work in process	5,347,180	3,497,250
Less: Allowance for inventory market decline and obsolescence	(337,607)	(291,715)
Sub-total	5,009,573	3,205,535
Raw materials	23,563,377	25,767,794
Less: Allowance for inventory market decline and obsolescence	(2,363,778)	(1,562,447)
Sub-total	23,199,599	24,205,317
Inventory-in-transit	943,375	2,138,557
Total	**$ 42,067,753**	**43,409,932**

For years ended December 31, 2010 and 2009, the components of cost of goods sold were as follows:

	For the year ended December 31,	
	2010	2,009
Cost of goods sold	$ 499,877,356	505,441,633
Loss (Gain) on inventory valuation and obsolescence	1,036,824	(31,274)
Loss (Gain) on disposal from scrapping	(914,395)	321,764
Idle capacity	92,492	105,375
Others	273,818	(122,134)
	$ 500,366,095	**505,715,364**

(5) Long-Term Equity Investments

Name of Investee Company	December 31, 2010 Equity Holding	December 31, 2010 Book Value	December 31, 2009 Equity Holding	December 31, 2009 Book Value
INDEED HOLDINGS LIMITED	49.00%	$ 740,759	49.00%	726,939
AVY PRECISION TECHNOLOGY INC.	20.25%	768,479	20.39%	750,051
EBIZPRISE INC.	31.76%	86,448	- %	-
ASAP TECHNOLOGY (JIANGXI) CO., LTD.	25.00%	149,407	- %	-
WILSON HOLDINGS LIMITED	49.00%	156,040	49.00%	160,340
EVER PINE INTERNATIONAL LTD. (BVI)	34.65%	113,325	34.65%	121,206
PENTAX VQ CO., LTD.	40.00%	41,866	40.00%	58,531
WISE INVESTMENT LIMITED	48.78%	35,808	48.78%	37,125
SHIN-EI YORKEY INTERNATIONAL LTD. (BVI)	50.00%	14,818	50.00%	28,420
ZHANGJIAGANG DONGBU HIGH TECHNOLOGY METAL PRODUCTS CO., LTD.	20.00%	43,292	20.00%	42,333
E-PACKING HOLDING LIMITED	30.00%	248,215	- %	-
YOFREE TECHNOLOGY CO., LTD.	17.50%	10,811	17.50%	9,867
Subtotal		2,409,268		1,934,812
Add: Fair value adjustment for identifiable assets		61,832		61,832
Total		**$ 2,471,100**		**1,996,644**

For the years ended December 31, 2010 and 2009, some of the investment gain (loss) under equity method was recognized based on the financial statements prepared by the investees which were audited by the auditors. The components of this investment gain (loss) were as follows:

	Investment gain (loss)	
	For the year ended December 31,	
Name of Investee Companies	2010	2009
YORKEY OPTICAL INTERNATIONAL (CAYMAN) LTD.	$ -	48,063
INDEED HOLDINGS LIMITED	58,103	111,427
AVY PRECISION TECHNOLOGY	141,367	140,015
WILSON HOLDINGS LIMITED	6,230	10,852
EVER PINE INTERNATIONAL LTD. (BVI)	3,199	(12,530)
ASHINE PRECISION CO., LTD.	-	1,841
PENTAX VQ CO., LTD.	12,011	(2,124)
WISE INVESTMENT LIMITED	(1,315)	(415)
EBIZPRISE INC.	(12,211)	-
CHANGJIAGANG DONGBU HIGH TECHNOLOGY METAL PRODUCTS CO., LTD.	3,755	13,478
SHIN-EI YORKEY INTERNATIONAL LTD. (BVI)	(11,976)	(822)
E-PACKING HOLDING LIMITED	7,185	-
YOFREE TECHNOLOGY CO., LTD.	944	2,575
Total	**$ 207,292**	**312,360**

a. For the years ended December 31, 2010 and 2009, the Consolidated Company held less than 50% shares of Shin-Ei Yorkey international Ltd. (BVI) and had no significant control thus Shin-Ei Yorkey international Ltd. (BVI) was excluded from the consolidated financial statements.

b. 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 both as of December 31, 2010 and 2009, 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".

c. Commencing from August 2009, the Consolidated Company has gradually disposed the equity ownership of YORKEY OPTICAL INTERNAIONAL (CAYMAN) LTD. Consequently, the Consolidated Company holds less than 20% of the equity with voting rights and lost its significant influence over YORKEY OPTICAL INTERNATIONAL (CAYMAN) LTD. As the adoption of the equity method thereon is no longer applicable, this equity investment is now accounted for under financial assets available for sale - current pursuant to the resolution of the board of directors.

d. In February, 2008, the Consolidated Company had participated in the capital increase in cash of ASHINE Precision Co., Ltd, an investee of the Consolidated Company, by purchasing 5,000,000 shares at a purchase price of $13.5 per share. In February 2009, the Consolidated Company sold all its equity ownership, 10,000,000 shares, to its related party, Avy Precision Technology Inc. at a selling price of $17.8 per share. As a result, the Consolidated Company recognized a gain on disposal of investment amounting to $26,166 and an unrealized gain on disposal investment amounting to $7,488 which was accounted for under other liabilities – other.

e. In November 2010, the Consolidated Company had participated in the capital increase of eBizprise Inc. by acquiring new shares worth $99,000, divided into 5,500 thousand shares with par value of $18 per share. As the result, the Consolidated Company holds 31.76% of equity ownership.

f. The Consolidated Company acquired 25% equity ownership of ASAP TECHNOLOGY (JIANGXI) CO., LTD. through equity swap, which enables it to exercise significant influence over ASAP TECHNOLOGY (JIANGXI) CO., LTD. Please refer to Note 2(1) for more details.

g. CASETEK HOLDING LIMITED, a subsidiary of the Consolidated Company, had participated in E-PACKING HOLDING's capital increase by purchasing additional equity shares by USD$8,115,484, and its ownership percentage after the capital increased to 30%.

h. The Consolidated Company acquired 2,500 thousand shares of Avy Precision Technology Inc. from its related party, Avy Co., with par value of $71.2 per share in February 2009. As of December 31, 2010 and 2009, the Consolidated Company holds 20.25% and 20.39% of equity ownership, respectively.

i. For the year ended December 31, 2009, the Consolidated Company increased its investment in YOFREE Technology Co., Ltd by $1,500. However, the increase of investment was not in accordance with the Consolidated Company's ownership percentage, the Consolidated

Company's ownership percentage thus declined to 17.50%, and capital surplus – long-term equity investment increased by $1,510.

(6) Joint Venture Investments

The Company had equity investment in ADVANSUS CORP., which is a joint venture entity. As of December 31, 2010 and 2009, the issued capital of ADVANSUS CORP., amounted to $360,000 of which 50% was held by the Company as of the same date. The financial accounts of ADVANSUS CORP., which were included in the Company's consolidated financial statements, were as follows:

	December 31, 2010	December 31, 2009
Current assets	$ 523,492	487,823
Non current assets	14,317	17,290
Current liabilities	289,987	283,972
Non current liabilities	-	742

	For the Year Ended December 31,	
	2010	2009
Revenues	$ 2,358,362	1,473,862
Expenses	2,302,139	1,442,692

(7) Property, Plant and Equipment, Idle Assets, and Rental Assets

a. 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 (loss) on recovery of impairment of assets amounting to $(64,130) and $564,687 for years ended December 31, 2010 and 2009, respectively.

(b) In order to construct operational headquarter and research and development center, Ability Enterprise Co., Ltd. (Ability) participated in Xinzhuang land auction and acquired a parcel of land worth $2,468,329 which was accounted under land. The legal process for the registration of this land has been completed. Also, in March 2009, Ability signed a contract of selling the real estate at Fuxing N. Rd., Songshand Dist., Taipei City for $360,000, and recognized a gain thereon of $178,573, accounted for under gain on disposal of fixed assets.

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

b. Rental assets

(a) As of December 31, 2010 and 2009, the components of rental assets were as follows:

	December 31, 2010	December 31, 2009
Land	$ 286,573	336,171
Buildings	579,063	575,303
Less: Accumulated depreciation	(119,155)	(114,077)
Less: Accumulated impairment	(12,030)	(69,061)
Add: Fair value adjustment for identifiable assets	7,986	9,692
	$ 742,437	**738,028**

(b) In accordance with SFAS 25, the Consolidated 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 December 31, 2010 and 2009, the fair value adjustment for identifiable assets amounted to $7,986 and $9,692, respectively.

(c) In October 2010, Ability Enterprise Co., Ltd sold portion of its leased real estate located in Wuquan W. Rd., Nantun Dist., Taichung City and recognized a gain threreon of $10,221, net of accumulated impairment of $57,031 and related expenses.

c. Idle assets

(a) As of December 31, 2010 and 2009, the components of idle assets were as follows:

	December 31, 2010	December 31, 2009
Land	$ 385,564	374,609
Buildings	705,523	612,220
Machinery and others	1,560,458	1,873,455
Less: Accumulated depreciation	(1,253,312)	(1,301,559)
Less: Accumulated impairment	(477,734)	(711,467)
	$ 920,499	**847,258**

(b) As these idle assets were not used in operation, the Consolidated Company recognized fair value based on recoverable amount. For the years ended December 31, 2010 and 2009, a gain (loss) of $232,177 and $(942,639), respectively, was recognized from recovery of impairment for these idle assets.

(8) 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

December 31, 2010 and 2009, the carrying value of goodwill amounted to $885,682 and $890,311, respectively.

'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 December 31, 2010 and 2009, the unamortized amount of land use rights was $2,198,848 and $2,387,720, respectively.

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

(9) 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 December 31, 2010 and 2009, the unamortized amount of deferred expenses was $2,442,013 and $3,257,467, respectively.

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 can take over the title to the farmland as well as completing the registration procedures, the land is temporarily recorded as other assets. As of December 31, 2010 and 2009, the carrying value of this farmland was both $30,784.

Based on the results of impairment test on carrying value of other assets and their fair value, an impairment loss of $51,424 was recognized thereon for the year ended December 31, 2010.

(10) Short - Term Loans

	December 31, 2010	December 31, 2009
Credit loans	$ 14,252,818	10,799,394
Collateralized loan	98,966	79,645
	$ 14,351,784	**10,879,039**
Range of interest rate	**0.40% ~ 5.00%**	**0.44% ~ 5.04%**

The Consolidated 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.

(11) Bonds Payable

	December 31, 2010
Bond payable	$ 1,500,000
Less: Discounts on bonds payable	(126,199)
Total	**$ 1,373,801**

a. The key terms and conditions of the 1st unsecured domestic convertible bonds were as follows:

(a) Ability (TW) issued the 1st 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 (During Feb 6th, 2010 to Feb 6th, 2015). These convertible bonds are payable in full at par on maturity date and are listed on Over-the-Counter Market on February 8th, 2010.

(b) After 30 days from issue date (March 7th, 2010) and 10 days prior to maturity date (January 27th, 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.

(c) 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 December 31, 2010, the conversion price is $60 and as Ability (TW) will distribute cash dividend at August 1, 2010, the exercise price will be adjusted from $60 to $55.7on that date.

(d) After 3 years from issue date (Feb 6th, 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.

(e) The Company may purchase the outstanding bonds at face value after the following events, provided that (i) the closing price of the shares for a period of 30 consecutive trading day is above 130% of the conversion price (ii) 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.

(f) 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.

b. In accordance with SFAS No. 36, convertible bonds are initially treated as compound financial instruments, which are partly classified in equity and the rest as a liability. As of December 31, 2010, the issuance of convertible bonds resulted in "additional pain-in capital-stock option" of $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 as "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 ranges from 2.122% to 2.263%.

c. As of December 31, 2010, Ability Enterprise Co., Ltd.'s convertible bonds have not yet been converted into common shares nor repurchased.

(12) Long - Term Loans

Creditor	Usage and redemption duration	December 31, 2010	December 31, 2009
Citibank Taiwan and 15 other participating financial institutions (Note A)	2010.10.25~2015.10.25, Credit line is repayable in 5 semi-annual installments, commencing from October 25, 2013.	$ 6,991,200	-
ANZ, Mega International Commercial Bank and 14 other participating financial institutions	2008.10.31~2011.10.30, $1.5 billion is payable in 3 semi-annual installments, commencing on April 30, 2010 and the remaining amount is payable on maturity date and the remaining balance has been repaid in advance on November 23, 2010.	-	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.	-	140,549
The Shanghai Commercial & Saving Bank, Ltd.	2010.09.21~2015.09.20 payable in 10 quarterly installments from the thirty-first month.	1,019,550	-
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.	4,873	10,720
Mega International Commercial Bank — Lan-Ya Branch	2005.01.31~2012.01.31, payable in 20 quarterly installments, commencing from the date of borrowing.	27,081	53,606
Mega International Commercial Bank — Lan-Ya Branch	2009.12.16~2016.12.15, payable in 20 quarterly installments, commencing from the date of borrowing (with a two year grace period).	316,972	348,582

Creditor	Usage and redemption duration	December 31, 2010	December 31, 2009
Mega International Commercial Bank － Lan-Ya Branch	2010.10.28 ~2015.10.27, interest is payable monthly and principal is payable in quarterly installments from the thirteenth month, commencing from the date of borrowing.	203,560	-
Mega International Commercial Bank － Lan-Ya Branch	2010.10.28~2015.10.27, payable in 20 quarterly installments, commencing from the date of borrowing (with a two year grace period).	116,320	-
Mega International Commercial Bank － Lan-Ya Branch	2010.12.20~2015.12.20, payable in 20 quarterly installments, commencing from May 20, 2011.	1,019,550	-
The Shanghai Commercial & Savings Bank, Ltd. － Chung － Li Branch	2006.12.08 ~2013.12.08, interest is payable monthly and principal is payable in quarterly installments from the thirteenth month, commencing from the date of borrowing.	14,540	21,320
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 from the date of borrowing.	76,335	95,940
The Shanghai Commercial & Savings Bank, Ltd. － Chung － Li Branch	2009.07.23 ~2014.07.23, interest is payable monthly and principal is payable in quarterly installments from the thirteenth month, commencing from the date of borrowing.	20,447	23,985
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 from the date of borrowing.	210,830	231,855
The Shanghai Commercial & Savings Bank, Ltd. － Chung － Li Branch	2010.07.22~2015.07.15, interest is payable monthly and principal is payable in quarterly installments from the thirteenth month, commencing from the date of borrowing.	179,569	-
The Shanghai Commercial & Savings Bank, Ltd. － International Financial Service Branch	2010.12.10~2014.12.09, interest is payable monthly and principal is payable in quarterly installments from the thirteenth month, commencing from the date of borrowing.	145,650	-

Creditor	Usage and redemption duration	December 31, 2010	December 31, 2009
The Shanghai Commercial & Savings Bank, Ltd. － International Financial Service Branch	2010.04.20~2013.04.19, payable in 8 quarterly installments, commencing from May 20, 2011.	58,260	-
The Shanghai Commercial & Savings Bank, Ltd. － Chung － Li Branch	2010.12.24~2015.12.24, payable in 60 monthly installments, commencing from May 20, 2011.	145,650	-
Total		10,550,387	8,126,557
Less:Current portion		(407,007)	(48,006)
		$ 10,143,380	8,078,551
Range of interest rate		0.85%~1.33%	0.89%~4.86%

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:

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

The Company was in compliance with the above financial covenants as of December 31, 2010 and 2009. The Consolidated 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.

(13) Pension Plan：

The Company has established an employee non-contributory defined benefit pension plan covering all regular employees. According to this plan, payments of pension benefits are based on the employee's of service years and average monthly salary during the six months before the employee's retirement. Each employee earns two months' salary for the first 15 years of service and one month's salary for each service year starting from the sixteenth year. According to the retirement plan, the payments of retirement benefits are the responsibility of the Company. Under the Labor Pension Act (the "Act"), effective July 1, 2005, employees of the Company (who were hired prior to July 1, 2005) may elect to be subject to either the Act, and maintain their seniority before the enforcement of the Act, or the pension mechanism of the Labor Standard Law. Employees who are hired by the Company after July 1, 2005, shall comply with the provisions of this Act. For employees subject to this Act, the Company contributes monthly to the employees' individual pension accounts an amount equal to not less than 6% of the employees' monthly wage and deposits it in a personal retirement benefit account with Bank of Taiwan. However, if there are provisions of the Act which are not yet included in the existing retirement plans of domestic subsidiaries, those domestic subsidiaries still need to comply with those provisions of the Act.

Beginning July 1, 2005, pursuant to the newly effective ROC Labor Pension Act, the Company makes a monthly contribution at a rate of no less than 6% of the employee's monthly wages to the employee's individual pension fund account at the ROC Bureau of Labor Insurance.

Each foreign consolidated entity contributes to the employee's pension fund in accordance with the respective jurisdiction.

For the years ended December 31, 2010 and 2009, the pension costs and related information were as follows:

	2010	2009
Balance of pension fund - ending	$ 111,237	94,894
Current pension expenses:		
Defined benefit pension plan	8,971	8,819
Defined contribution pension plan	1,011,287	1,156,290

a. The actuarial assumptions used in pension costs calculation were as follows:

	2010	2009
Discount rate	2.00%	2.00% ~ 2.25%
Future salary increase rate	2.75% ~3.00%	2.00% ~ 3.00%
Estimated long-term rate of return on pension fund	2.00%	2.00% ~ 2.25%

b. As of December 31, 2010 and 2009, of the funded status was reconciled with accrued pension liability per books as follows:

	As of December 31,	
	2010	**2009**
Benefit obligation		
Vested benefit obligation	$ (14,369)	(2,543)
Non-vested benefit obligation	(108,606)	(81,994)
Accumulated benefit obligation	(122,975)	(84,537)
Effect of future salary increase	(107,020)	(72,002)
Estimated benefit obligation	(229,995)	(156,539)
Fair value of pension fund assets	111,428	94,894
Funded status	(118,567)	(61,645)
Unrecognized net transitional benefit obligation	1,989	5,180
Unrecognized gain on pension fund	126,784	61,310
Additional pension liability	(19,603)	(23,599)
Accrued pension liability	**$ (9,397)**	**(18,754)**

As of December 31, 2010 and 2009, the Consolidated Company's vested benefit obligation under the Consolidated Company's pension plan was $14,369 and $2,543, respectively.

c. The Company's pension information under the defined benefit plan was as follows:

	2010	**2009**
Service cost	$ 1,827	1,609
Interest cost	3,523	3,548
Estimated return on pension fund assets	(2,114)	(1,984)
Amortization of unrecognized net transitional benefit obligation	5,735	5,646
Net periodic pension cost	**$ 8,971**	**8,819**

(14) Income Tax：

a. According to the revised income tax law announced on June 15, 2010, this statutory income tax rate is reduced further to 17% effective January 1, 2010. Therefore, the Company and its domestic subsidiaries were subject to statutory income tax rate of 17% and 25% for the years ended December 31, 2010 and 2009, respectively. The Company also complied with the Basic

Income Tax Act when calculating its income tax. Other foreign subsidiaries are subject to income tax in compliance with their respective local income tax law.

b. For the years 2010 and 2009, the components of income tax expense were as follows:

		2010	2009
Current income tax expense	$	1,917,230	1,905,261
Deferred income tax expense		287,635	28,821
10% surtax on undistributed earnings		216,277	171,326
Prior years income tax adjustment		(57,564)	249,494
Income tax expense	**$**	**2,363,578**	**2,354,902**

The components of deferred income tax expense were as follows:

		2010	2009
Unrealized exchange gain	$	160,750	243,627
Reversal (Provision) for loss on allowance for inventory market decline and obsolescence		(178,794)	321,151
Unrealized profits on sales		19,972	29,354
Reversal of warranty reserve		107,628	105,489
Reversal (Provision) for doubtful accounts and sales allowance		(1,652)	17,756
Unrealized allowance for sales discount		2,993	-
Investment tax credits		(261,694)	(964,543)
Reversal (Provision) for impairment loss of assets		(12,312)	2,152
Loss carry-forward		(254,392)	(27,547)
Unrealized gain on foreign investment loss		36,886	141,039
Valuation allowance for deferred tax assets		658,912	52,284
The effect of income tax rate changes		25,438	-
Others		(16,100)	108,059
Deferred income tax expense	**$**	**287,635**	**28,821**

c. The income tax calculated on pretax financial income at a statutory income tax rate was reconciled with the income tax expense as reported in the accompanying financial statements for the years 2010 and 2009 as follows:

	2010	2009
Income tax expense calculated on pre-tax financial at the statutory tax rate	$ 3,342,505	4,741,062
Permanent differences	(929,994)	(1,676,340)
Tax-exempt income	(175,148)	(100,390)
Investment tax credits (increase)	(73,434)	(538,579)
Unused investment tax credit	27,232	(581,870)
Adjustment to prior year's income tax	(181,247)	(20,657)
Undervalue of income tax in prior year	3,314	249,494
Valuation allowance of deferred income tax assets	62,144	53,048
Basic income tax	840	30,342
The effect of income tax rate changes	25,438	27,466
Others	45,651	-
10% surtax on undistributed earnings	216,277	171,326
Income tax expense	**$ 2,363,578**	**2,354,902**

d. As of December, 2010 and 2009, the temporary differences, loss carry-forwards and income tax credits, resulting in deferred income tax assets(liabilities), and the related income tax effect thereof were as follows:

	December 31, 2010		December 31, 2009	
	Amount	Income Tax Effects	Amount	Income Tax Effects
Temporary differences of deferred income tax assets (liabilities) - current:				
Recognition of unrealized foreign exchange loss: taxable	$(1,294,192)	(220,012)	(403,934)	(80,728)
Recognition of loss on allowance for inventory market decline and obsolescence: deductible	2,059,241	349,976	978,870	195,851
Recognition of unrealized intercompany profit: deductible	(116,751)	(19,848)	(79,348)	(15,870)
Recognition of warranty reserve: deductible	699,335	118,887	1,326,851	265,370
Unused balance of investment tax credits	951,682	951,682	693,469	693,469
Loss carry-forward	1,573,219	268,663	66,452	13,290
Allowance for doubtful accounts	118,254	20,100	99,515	19,903
Depreciation of assets: deductible	(107,684)	(21,631)	-	-
Others	62,606	10,643	84,010	16,802
Valuation Allowance		(770,589)		(172,177)
Net deferred income tax assets		$ 687,871		935,910
Temporary difference of deferred income tax assets (liabilities) - noncurrent:				
Recognition of impairment loss on assets: deductible	$ 147,752	22,957	46,659	9,332
Recognition of unrealized intercompany profit: deductible	-	-	68,065	13,613
Recognition of gain on foreign investments: taxable	(1,133,627)	(192,717)	(1,794,370)	(358,874)
Unused balance of investment tax credits	531,258	531,258	527,777	527,777
Loss carry-forward	333,102	56,627	303,707	60,741
Reserve for overseas investment losses	(1,015,494)	(172,634)	-	-
Recognition of impairment loss on long-term investment	173,644	29,519	48,207	9,642
Unrealized allowance for sales discount	29,198	4,964	29,119	5,824
Recognition of loss on allowance for inventory market decline and obsolescence: deductible	5,351	910	3,340	668
Others	59,614	11,650	14,535	2,907
Valuation Allowance		(644,382)		(583,882)
Net deferred income tax assets (liabilities)		$ (351,848)		(312,252)

e. The Company's tax returns through 2007 have been assessed and approved by the Tax Authority.

f. For the status of the requests for administrative proceedings formally filed by the Consolidated Company, please refer to notes 7(8) and 7(10).

g. As of December 31, 2010,according to ROC Income Tax Act, unused investment tax credits which may be applied to offset against income tax in the future are as follows:

Company Name	Year of occurrence	Unused balance	Expiry year
The Company	2008~2009	$ 757,911	2012~2013
KINSUS	2007~2010	664,858	2011~2014
ASUS Investment	2007	14,750	2011
ADVANSUS	2009	6,064	2013
AMA PRECISION	2008~2009	11,890	2012~2013
UNIHAN	2009	27,467	2013
		$ 1,482,940	

h. As of December 31, 2010,according to ROC Income Tax Act, unused loss carry-forward which may be applied to offset against income tax in the future are as follows:

Company Name	Year of occurrence	Unused balance	Expiry year
PCM	2010	$ 9,352	Note
UNIHAN	2010	1,563,867	2020
STARLINK	2004~2010	149,152	2014~2020
AMA PRECISION	2009~2010	99,756	2019~2020
PEGAVISION	2009~2010	84,194	2019~2020
		$ 1,906,321	

Note: In accordance with its local income tax act.

i. Five year income tax exemption period

(a) Due to the increase in its investments in new equipment, the Company was granted several income tax exemptions for its manufacturing and sales of "motherboard" out of the new equipment purchased from the proceeds of capital increase. As of December 31, 2010, the five year income tax exemption periods were as follows:

Description	Exemption
Tenth capital increase used for investment in new equipment.	07/31/2006 to 07/30/2011
Eleventh capital increase used for investment in new equipment.	04/30/2007 to 04/29/2012

(b) The investments of KINSUS INTERCONNECT TECHNOLOGY CORP. for its establishment and expansion conform to "the Regulations Regarding Awards for Newly Emerging and Strategic Industries Under Manufacturing and Technical Service Industries". As approved by the Tax Authority, the Consolidated Company is eligible for five-year income tax exemption, the details of which were as follows:

Item	Approving Office	Approval document number	Tax exemption period
1	Industrial Development Bureau	09505017710	07/01/2005~06/30/2010
2	Industrial Development Bureau	09605016580	09/30/2006~09/29/2011
3	Industrial Development Bureau	09605016590	09/30/2006~09/29/2011
4	Industrial Development Bureau	09605034400	08/31/2007~08/30/2012
5	Industrial Development Bureau	09805018460	09/30/2008~09/29/2013

j. Stockholders' imputation tax credit account and tax rate:

Undistributed earnings	December 31, 2010	December 31, 2009
Accumulated in 1997 and prior years	$ -	-
Accumulated in 1998 and thereafter	8,253,605	6,712,650
Total	**$ 8,253,605**	**6,712,650**
Stockholders' imputation tax credit account	**$ 200,504**	**5,240**

	2010 (Expected)	2009 (Actual)
Expected or actual deductible tax ratio	**7.45 %**	**3.17%**

(15) Stockholders' Equity

a. 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 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 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 new shares, resulting in additional capital of $2,796,281.

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 merged with Pegatron Investment. The Company issued 10 new shares, resulting in additional capital of $100. Thereafter, the total outstanding capital amounted to $22,860,639, divided into 2,286,064 shares with par value of $10 per share.

In November, 2010, the Company had retired treasury stock of 29,697 thousand shares valued at $296,970. As of December 31, 2010 and 2009, the authorized capital of the Company both consisted of 2,500,000 thousand shares, with par value of $10 per share, and its outstanding capital consisted of 2,256,367 thousand shares and 2,286,054 thousand shares, respectively.

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 60,819,026 the Company's common shares in Taiwan. The Company may issue new GDRs with no more than 60,819,020 Pegatron common shares and delivered them to ASUSTeK GDR holders pursuant to the "Issuer of Overseas Securities Offering and Issued Guidelines". As of December 31, 2010, the Company has listed, in total, 10,181 thousand units of GDR on the Luxembourg Stock Exchange. Each unit of deposit receipt represents 5 shares and thereby the Company has listed 50,905 thousand shares in total. Major terms and conditions for GDR were as follows:

(a) Voting Rights

Holders of GDRs may exercise voting rights with respect to the common shares in the manner set out in "Terms and Conditions of the Global Depositary Shares – Voting Rights", as such provisions may be amended from time to time to comply with applicable ROC law.

(b) Dividend Distributions, Pre-emptive Rights, and Other Rights

Holders of GDR's have same rights on dividend distribution and share distribution as the Company's existing common shareholders.

b. 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 arising from long-term equity investments cannot be used to increase capital.

As of December 31, 2010 and 2009, 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 $232,803 and $194,872, respectively, which were debited to salary expense and credited to capital surplus－others.

c. Treasury Stock

(a) For the year ended December 31, 2010, in order to maintain the Company's credit standing and shareholders' equity, the Company bought back 29,697 thousand shares in accordance with Securities and Exchange Act Article 28-2. As of December 31, 2010, the treasury stock of the Company was retired completely.

(b) 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 which conformed to 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 which are calculated according to financial reports for the latest accounting period prior to a resolution of a meeting of the board of directors.

(c) In accordance with Securities and Exchange Act, treasury shares cannot be pledged. Also, treasury shares do no bear the shareholder's right prior to being sold to third parties.

(d) As of December 31, 2010, the number of Company's shares held by its subsidiaries was 800 thousand shares amounting to $33,600 at fair value.

d. 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:

(a) 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.

(b) Up to 1% as remuneration to directors and supervisors.

(c) The remaining earnings, if any, may be appropriated 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 10,2010 and June 30, 2009(resolution on such date was amended on December 25, 2009), the Company's board of directors resolved the appropriation of earnings for 2008 and 2009.The distributions of dividends per share and employee bonuses and remuneration to directors and supervisors from the distributable earnings in 2009 and 2008 were as follows:

	2009	2008
Common stock dividends per share (dollars)		
-Cash	$ 1.75	0.47
-Stock (at par)	-	2.13
Total	**$ 1.75**	**2.60**
Employee bonus - cash	$ 1,205,797	497,369
Remuneration to directors and supervisors	60,290	49,737
Total	**$ 1,266,087**	**547,106**

There were no differences between the actual results of earnings distributed in 2009 and those estimated and accrued in the financial statements of 2008. Related information can be acquired from the Observation Post and other pipeline inquiry.

For the year ended December 31, 2010, the estimated employee bonuses and directors' and supervisors' remuneration amounted to $127,000 and $12,000, respectively, which were recognized as current expenses. 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.

(16) Employee Stock Option

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

(a) 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 December 31, 2010 and 2009, the weighted-average expected life of the employee stock options was 4.24 years and 5.24 years, respectively.

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

	2010		2009	
	Quantity of stock option (thousand shares)	**Weighted-average exercise price**	**Quantity of stock option (thousand shares)**	**Weighted-average exercise price**
Outstanding at the beginning of the period	10,000	$ 41.3	10,000	44.2
Granted	-	-	-	-
Added or adjusted	-	-	-	-
Exercised	(3,322)	38.3	-	-
Forfeited	-	-	-	-
Outstanding at the end of the period	**6,678**	38.3	**10,000**	41.3
Exercisable at the end of the period	**2,678**		**4,000**	

(c) For the 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:

	2010	2009
Net income		
Net income	$ 2,364,919	2,152,046
Pro forma net income	2,332,829	2,079,218
Basic earnings per share		
Earnings per share	5.39 dollars	5.00 dollars
Pro forma earnings per share	5.31 dollars	4.84 dollars
Diluted earnings per share		
Earnings per share	5.03 dollars	4.89 dollars
Pro forma earnings per share	4.92 dollars	4.73 dollars

(d) The Black-Scholes 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:

	November 20, 2007
Dividend yield	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

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

(a) 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 shares of Ability's common stock at an exercise price of $22.2 per share. As of December 31, 2010 and 2009, the weighted-average expected life of the employee stock options was 4.75 years and 5.75 years, respectively.

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

	2010		2009	
	Quantity of stock option (thousand shares)	Weighted-average exercise price	Quantity of stock option (thousand shares)	Weighted-average exercise price
Outstanding at the beginning of the period	9,500	$ 20.8	9,500	22.2
Granted	-	-	-	-
Added or adjusted	-	-	-	-
Exercised	(2,698)	19.3	-	-
Forfeited	-	-	-	-
Outstanding at the end of the period	**6,802**	19.3	**9,500**	20.8
Exercisable at the end of the period	**1,102**		**-**	

(c) 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.

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

	2010	2009
Equity transaction	$ **36,316**	**21,732**

c. The details of treasury stock transferred to in 2009 were as follows

(a) On July 30, 2009, pursuant to the resolution of its board of directors and in accordance with its policy of treasury stock transfer, Ability Enterprise Co., Ltd. transferred to its employees 10,000 thousand of its own shares worth $426,209 which represent the seventh batch of repurchased shares. The transfer price after the adjustment was $38.14, which was calculated based on the average cost of treasury stock plus an amount adjusted from the proportionate increase of ex-dividend for 2009 and 2008

(b) The Black-Schole 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
Treasury stocks transferred to employees	2009.07.30	$49.30	38.14	39.23% (Note)	0.0417 years	-%	0.29%	11.1652 dollars

Note: Volatility factors of the expected market price were estimated by volatility of historical stock price for the past three months from grant date.

(c) The expenses resulting from share-based payment transactions were as follows:

	2010
Equity transaction	$ 111,652

(d) The relevant registration processes for changes of capital resulting from the exercise of employee stock options and conversion of convertible bonds should be completed within at least each quarter when those changes occur. As of December 31, 2010, Ability increased its capital by $27,740 due to the exercise of employee stock options, which was accounted for under advance receipts for common stock

(17) Earnings per Share (EPS)

For years ended December 31, 2010 and 2009, the Parent company's basic earnings per share, and diluted earnings per share were computed as follows:

(Note: shares in thousands)

	2010		2009	
	Before income tax	After income tax	Before income tax	After income tax
Net income	$ 7,316,410	6,211,436	7,195,049	6,751,588
Weighted-average common shares outstanding	2,273,429	2,273,429	2,286,054	2,286,054
Dilutive potential common shares	7,821	7,821	33,953	33,953
Diluted shares	2,281,250	2,281,250	2,320,007	2,320,007
Primary earnings per share	$ 3.22	2.73	3.15	2.95
Diluted earnings per share	$ 3.21	2.72	3.10	2.91

(18) Financial Instruments

a. Fair value of financial instruments

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 based on their fair value as of balance sheet date.

As of December 31, 2010 and 2009, except for the financial assets liabilities described as above, the Consolidated Company's other financial assets and liabilities were as follows:

Non-Financial Instruments	**December 31, 2010**		**December 31, 2009**	
Financial Assets	**Book Value**	**Fair Value**	**Book Value**	**Fair Value**
Financial assets held-to-maturity	$ 262,170	-	-	-
Financial assets carried a cost	763,753	-	609,243	-
Financial Liabilities				
Bonds payable	1,373,801	1,373,801	-	-
Long-term loans (including current portion)	10,550,387	10,550,387	8,126,557	8,126,557

Financial Instruments	**December 31, 2010**		**December 31, 2009**	
Financial Asses	**Book Value**	**Fair Value**	**Book Value**	**Fair Value**
Currency swap contract-hedging	18,049	18,049	12,112	12,112
Financial Liabilities				
Embedded derivatives - convertible bonds	11,142	11,142	-	-

b. Methods and assumptions used by the Consolidated Company to evaluate the fair value of financial instruments were as follows:

(a) 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.

(b) 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.

(c) The fair value of call options and put options embedded in the convertible bonds, which were issued after January 1st, 2006, is determined by their book value.

(d) The fair market value of long-term loan is determined by the present value of future cash flow. As the value derived by using floating interest rate in discounting is close to the book value, the book value is adopted as the fair market value.

(e) 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.

c. Loss recognized from changes in the fair values of financial assets and liabilities, which were estimated by using valuation techniques, amounted to \$47,110 and \$194,577, for the years 2010 and 2009, respectively.

d. Information on financial risks

(a) Market risk

The Consolidated Company's purchases and sales are denominated mainly in US dollars, and as a 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. In addition, the Company conducts foreign exchange activities on spot market in order to hedge its foreign exchange risks.

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.

(b) 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 Consolidated Company would transfer the risk through acquiring guarantees or transacting by L/C. Therefore, the Consolidated Company believes that there is no significant credit risk. According to the 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 Consolidated Company evaluates the financial conditions of these customers continually to reduce credit risk from accounts receivable. Moreover, the Consolidated Company also periodically evaluates the customers' financial positions and the possibility of collecting trade receivables. Thus, there is no significant credit risk.

(c) 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.

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

(d) 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.

(e) Risk control, hedging strategies and related activities

For the hedge designation, UNITED NEW entered into derivatives to avoid the exchange rate risk posed 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 December 31, 2010, the Consolidated Company has no unexpired forward exchange contracts.

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

As of December 31, 2010 and 2009, guarantee and endorsements of bank loans were provided by the Consolidated Company for related parties, as discussed in Note 5.

(19)Others

The information on the Company's significant foreign financial assets and liabilities were as follows:

	December 31, 2010			December 31, 2009		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
Financial Assets						
Monetary Items						
USD	$1,678,967	29.13	48,908,309	2,141,803	31.99	68,516,278
RMB	1,510,878	4.4405	6,709,054	1,117,272	4.6850	5,234,419
Long-term Equity Investments						
USD	51,758	29.13	1,507,711	35,566	31.99	1,137,756
Financial Liabilities						
Monetary Items						
USD	1,936,867	29.13	56,420,936	2,184,578	31.99	69,884,650
RMB	170,808	4.4405	758,473	269,606	4.6850	1,263,104

5. **Related-Party Transactions**

(1) Names and Relationships of Related Parties with the Consolidated Company

Name of Related Party	Relationship with the Company
ASUSTEK COMPUTER INC.	An investor company that ceased to be a parent company effective May 31, 2010.
ASUS HOLLAND B.V.(ACH)	An investee company accounted for under the equity method by ASUSTeK Computer Inc.
ASKEY INTERNATIONAL CORP	〃
ASUS COMPUTER INTERNATIONAL	〃
ASUS TECHNOLOGY PTE. LIMITED	〃
BIG PROFIT LIMITED	〃
OPENBASE LIMITED (OPENBASE)	〃
ENERTRONIX, INC.	〃
ASMEDIA TECHNOLOGY INC.	〃
UNIMAX ELECTRONICS INCORPORATION	〃
ASKEY TECHNOLOGY (JIANG SU) LTD	〃
ASKEY COMPUTER CORPORATION	〃
AGAIT TECHNOLOGY CRPORATION	〃
INTERNATIONAL UNITED TECHNOLOGY CO., LTD	
SHINEWAVE INTERNATIONAL INC.	
ASUS TECHNOLOGY (SUZHOU) CO.,LTD	〃
ASUS COMPUTER (SHANGHAI) CO,. LTD (ASUS UNITED Technology (Shanghai) Co., Ltd. formerly)	〃
ASUS TECHNOLOGY INCORPORATION	〃
EMES (SUZHOU) CO., LTD	〃
AVY HIGH TECH LIMITED	〃
BLACKROCK MARYLAND INT'L CORP	〃
HOLD JUMPER INTERNATIONAL CO., LTD	〃
SHINE TRADE INTERNATIONAL LTD	〃
YORKEY OPTICAL TECHNOLOGY LTD. (SAMOA)	〃
SHANGHAI INDEED TECHNOLOGY CO., LTD.	〃
HOLD JUMPER PACKING (SHANGHAI) CO., LTD.	
HOLD JUMPER PACKING (SUZHOU) CO., LTD.	
ASHINE PRECISION CO., LTD	〃
DONGGUAN CHENGGUANGP PRECISION HARDWARE CO., LTD	〃
DONGGUAN AVY PRECISION METAL COMPONENTS CO., LTD	〃

Name of Related Party	Relationship with the Company
HONG HUA TECHNOLOGY (SUZHOU) CO., LTD.	An investee company accounted for under the equity method by ASUSTeK Computer Inc.
ASAP TECHNOLOGY (JIANGXI) CO., LIMITED	〃
GING HONG PRECISE MOULD INDUSTRY (SUZHOU) CO., LTD.	〃
AVY PRECISION TECHNOLOGY INC.	An investee company accounted for under the indirect equity method
Avy Co., Ltd.	〃
AVY PRECISION METAL COMPONENTS(SUZHOU)	〃
CRYSTAL ART ENTERPRISE CO., LTD.	〃
SUZHOU DELUXE PACKING PRODUCTION CO., LTD.	
TAISHIBA INTERNATIONAL CO., LTD.	An affiliate of Ability Enterprise Co., Ltd
ALL DIRECTORS, SUPERVISORS, GRENERAL MANAGER AND VICE PRESIDENT.	The company's key management.

(2) Significant Transactions with Related Parties

a. Sales

	2010			2009		
Name of Related Party	Amount	% of Net Sales	The collection term	Amount	% of Net Sales	The collection term
ASUSTEK	$ 210,769,021	39.73	Open account 60 days	199,243,981	37.03	30 days from receipt of goods Open account 30~120 days
Others	139,408	0.02	30~90 days from receipt of goods Open account 30~90 days	2,784,092	0.52	30~60 days from receipt of goods Open account 30~120 days
Total	**$ 210,908,429**	**39.75**		**202,028,073**	**37.55**	

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

b. Purchases

Name of Related Party	2010 Amount	2010 % of Gross Purchases	2010 Purchase term	2009 Amount	2009 % of Gross Purchases	2009 Purchase term
ASUSTeK	$ 151,316,954	31.50	Open account 60 days	137,317,191	21,19	30~60 days from receipt of goods Open account 60~120 days
Others	6,200,221	1.29	30~90 days from receipt of goods Open account 30~120 days	5,089,090	0.79	30~90 days from receipt of goods Open account 30~120 days
Total	**$ 157,517,175**	**32.79**		**142,406,281**	**21.98**	

The prices and purchase term are the same as general purchase terms.

For years 2010 and 2009, the Company purchased raw materials from vendors through ASUSTek.

c. Others

		2010	2009
(a) After-sales warranty repair expense paid to:			
ASTP	$	93,162	-
ASUS COMPUTER (SHANGHAI)		14,531	85,505
ASUSTEK COMPUTER (SHANGHAI)		3,688	10,601
Others		646	327
Total	**$**	**112,027**	**96,433**

		2010	2009
(b) Other income from:			
ASUSTeK	$	614,203	768,628
Others		3,497	16,726
Total	**$**	**617,700**	**785,354**

(c) For the years 2010 and 2009, the Consolidated Company incurred other related party transactions recorded as expenses such as rental expense, other expense, royalty payment, storage expense, professional service fee, etc, amounting to $144,918 and $163,308, respectively.

(d) For years 2010 and 2009, the Consolidated Company incurred other related party transactions recorded as processing revenue and repair revenue, which amounted to $94,417 and $279,331, respectively.

d. Property Transactions

(a) Purchase of properties

For years 2010 and 2009, properties purchased from other related parties amounted to $143,218 and $105,028 (of which $9,635 was accounted under prepayment for equipment), respectively.

(b) Disposal of properties

For the years 2010 and 2009, properties disposed to other related parties amounted to $109 and $1,640, respectively

(c) Rental revenue

For years 2010 and 2009, the Consolidated Company incurred other related party transactions, which were accounted for as rental revenue of $27,148 and $36,704, respectively.

(d) Equity Transactions

Due to the reorganization in July 2009, the Company transferred all the shares of Enertronix, Inc. for $313,785 to ASUSTeK Computer Inc..

On January 8, 2009, Enertronix, Inc. acquired 100% ownership of ENERTRONIX HOLDING LIMITED from ASUSTEK HOLDINGS LIMITED for USD 5,696 thousand dollars.

On January 21, 2009, ASUSPOWER INVESTMENT CO., LTD. acquired 100% ownership of PEGA INTERNATIONAL LIMITED from WISE INVESTMENT LIMITED for $1,885.

CASETEK HOLDING LIMITED acquired 51% of total issued shares of UNITED NEW LIMITED from ASUSTEK HOLDINGS LIMITED amounted to USD 15,220 thousand dollars on July 1, 2009.

On July 1, 2009, Pegatron Holing Ltd. acquired 100% ownership of POWTEK HOLDINGS LIMITED from ASUSTEK HOLDINGS LIMITED, which amounted to USD 13,146 thousand dollars.

AMA Holdings Limited acquired the 100% equity ownership of Toptek Precision Industry (Suzhou) Co., Ltd. from AMA Corporation amounted to USD 1,109 thousand on February 5, 2009.

Ability Enterprise Co., Ltd acquired 2,500 thousand shares of Avy Precision Technology Inc. from Avy Co., Ltd for $178,067 in February 2009.

For the year ended December 31, 2009, the Company's subsidiary sold the long-term investment to AVY Precision Technology Inc. with carrying value of $143,812 for $177,466, and recognized a gain of $33,654.

e. Accounts Receivable (Payable)

	December 31, 2010		December 31, 2009	
Accounts Receivable:	**Amount**	**%**	**Amount**	**%**
ASUSTeK	$ 9,448,413	17.68	13,164,371	19.21
Others	7,132	0.01	444,049	0.65
Sub-total	9,455,545	**17.69**	13,608,420	**19.86**
Less: Allowance for doubtful accounts	-		(707)	
Total	**$ 9,455,545**		**13,607,713**	
Other Receivables:				
ASUSTeK	$ 5,775	0.54	179,761	11.80
Others	1,709	0.10	16,552	1.09
Total	**$ 7,484**	**0.64**	**196,313**	**12.89**
Note and Account Payable:				
AVY PRECISION	$ 507,525	0.92	220,798	0.33
SHANGHAI INDEED	441,994	0.81	421,073	0.64
ASKEY TECHNOLOGY	334,634	0.61	43,368	0.07
Others	446,983	0.81	620,406	0.94
Total	**$ 1,731,136**	**3.15**	**1,305,645**	**1.98**

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

	December 31, 2010	December 31, 2009
Assets:		
Prepayments	$ 5,243	130
Other current asset	5,254	6,224
	$ 10,497	**6,354**
Liabilities:		
Accrued expenses	$ 63,246	24,538
Other financial liabilities - current	232	8,478
Other current liabilities	4,770	18,671
	$ 68,248	**51,687**

f. Endorsement Guarantee

As of December 31, 2010 and 2009, the endorsement guarantees provided by a related party for the Consolidated Company's purchases were as follows:

	Amount of Guarantee (thousands)	
Name of Related Party Guarantee	**December 31, 2010**	**December 31, 2009**
ASUSTeK	**USD 300,000**	**USD 300,000**

As of December 31, 2010 and 2009, the Consolidated Company provided endorsement guarantee for bank loans obtained by a related party as follows:

	Amount of Guarantee (thousands)	
Name of Related Party Guaranteed	**December 31, 2010**	**December 31, 2009**
LINKTEK PRECISION	**USD -**	**USD 800**

g. Remuneration

For the years ended December 2010 and 2009, the total remuneration paid to the members of Board of Directors and Supervisors and of Executive management were as follow:

	2010	2009
Salary and Bonus (including BODS remuneration)	$ 295,248	208,504
Professional execution	210	153
Employee Bonus	148,162	152,510
Total	**$ 443,620**	**361,167**

6. Pledged Assets

As of December 31, 2010 and 2009, pledged assets were as follows:

Asset	December 31, 2010	December 31, 2009	Purpose of pledge
Restricted deposit	$ 1,343,307	197,627	Customs duty guarantee, bank loans, rental deposits, credit contracts, issued letter of credit, travel agency guarantee, etc.
Property, plant and equipment	1,464,747	2,955,155	Bank loans
Intangible asset	-	605,487	Bank loans
Inventories	16,410	16,410	Lawsuit collateral (Note A)
Refundable deposits	126,694	291,189	Deposits for performance guarantee
	$ 2,951,158	**4,065,868**	

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)

(1) As of December 31, 2010 and 2009, major commitments and contingencies were as follows:

Unused standby letters of credit	December 31, 2010	December 31, 2009
NTD	$ 400	5,141
EUR	2,575	497
JPY	2,245,366	3,112,833
USD	20,508	38,079
GBP	-	9

(2) As of December 31, 2010 and 2009, promissory notes and certificate of deposit obtained for business purpose amounted to $13,674 and $18,719, respectively.

(3) Future lease commitments from the lease of buildings under the operating lease agreements were as follows:

	Future lease commitments				
Year	**2011**	**2012**	**2013**	**2014**	**2015**
2010	**$ 306,540**	**201,742**	**108,253**	**74,045**	**56,440**

(4) As of December 31, 2010 and 2009, the significant contracts for purchase of properties signed by the Consolidated Company amounted to $1,374,565 and $3,834,469, of which $269,577 and $185,385 were unpaid, respectively.

(5) 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 which had been recognized as the loss on valuation allowance on June 4, 2010. Lumens Digital Optics Inc. lost its first instance lawsuit and expected that there is no material loss thereon except for the allowance of inventories on the aforementioned case.

(6) On May 24, 2010, Lumens Digital Optics Inc. filled a law suit accusing Aver Media Information Inc. for patent infringement. This case is currently under investigation as of December 31, 2010.

(7) One of ASUSPOWER CORPORATION's American customers voluntarily filed for bankruptcy with the 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.

(8) As of December 31, 2010, the tax returns of the Ability Enterprise Co., Ltd through 2006 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 to $248,999 in total. The relative estimated income tax liability was approximately $124,499.

(9) American Kodak Company filed a civil lawsuit against sued Canon Enterprise on June 22, 2010. Canon Enterprise and Kodak Company have been settled and withdrawn the lawsuit on October 4, 2010. The lawsuit and settlement has no significant influence over Canon Enterprise's operating and financing position.

(10) AzureWave Technologies, INC.'s (AzureWave) tax returns through 2008 have been assessed and approved by the Tax Authority. TWINHAN Technology Co., Ltd. (TWINHAN) has liquidated after its merger with AzureWave in December 2008. TWINHAN's tax returns through 2008 have been assessed and approved by the Tax Authority where TWINHAN appealed an administrative remedy against the tax authority's assessment from 2002 to 2004. The Supreme Court had rejected the appeal in September 2010. AzureWave has recognized the possible additional tax liabilities from the said statement.

8. SIGNIFICANT CATASTROPHIC LOSSES: None.

9. SIGNIFICANT SUBSEQUENT EVENTS: None

10. OTHERS:

(1) The employment, depreciation, depletion and amortization expenses, categorized by function, were as follows:

	For the Year Ended December 31, 2010			For the Year Ended December 31, 2009		
Categorized as Nature	**Operating Cost**	**Operating Expense**	**Total**	**Operating Cost**	**Operating Expense**	**Total**
Personnel expense						
Salary expense	13,070,982	8,175,749	21,246,731	12,253,027	9,763,772	22,016,799
Health and labor insurance expense	841,701	494,983	1,336,684	381,099	424,267	805,366
Pension expense	659,016	361,242	1,020,258	810,118	354,991	1,165,109
Other expense	716,288	336,533	1,052,821	151,206	287,301	438,507
Depreciation expense (Note A)	6,637,381	1,133,461	7,770,842	6,856,639	1,345,263	8,201,902
Amortization expense	1,494,012	835,065	2,329,104	1,345,628	960,272	2,305,900

Note A: For the years 2010 and 2009, the Consolidated Company recognized depreciation expense (accounted for as non-operating expense), excluding those of rental assets and idle-assets of $254,243 and $102,539, respectively.

(2) Certain accounts in the financial statements as of and for the year ended December 31, 2009, were reclassified to conform to the presentation adopted in the financial statements as of and for the year ended December 31, 2010.

11. BUSINESS SEGMENT FINANCIAL INFORMATION:

(1) Business Segment

The Company operates in electrical industry only.

(2) Geographical Segment

For the year ended December 31, 2010	Domestic	Asia	Others	Adjustment and eliminations	Total
External Revenue	$ 216,477,456	160,627,685	153,426,210	-	$ 530,531,351
Intra-Group Revenue	259,991,139	18,606,635	7,375,222	(285,972,996)	-
Total segment revenue	**$ 476,468,595**	**179,234,320**	**160,801,432**	**(285,972,996)**	**$ 530,531,351**
Segment profit	**$ 12,048,194**	**697,011**	**95,427**	**147,190**	12,987,822
Investment gain under equity method					207,292
Interest expenses					(224,770)
Profit in continuing operations					**$ 12,970,345**
Segment assets	**$ 180,900,681**	**111,590,503**	**34,478,170**	**(114,334,481)**	$ 212,634,873
Long-term investment under equity method					2,471,100
Goodwill					885,682
Total assets					**$ 215,991,655**

For the year ended December 31, 2009	Domestic	Asia	Others	Adjustment and eliminations	Total
External Revenue	$ 206,678,061	165,104,986	166,298,614	-	$ 538,081,661
Intra-Group Revenue	194,660,174	22,674,825	5,153,550	(222,488,549)	-
Total segment revenue	**$ 401,338,235**	**187,779,811**	**171,452,164**	**(222,488,549)**	**$ 538,081,661**
Segment profit	**$ 11,131,727**	**1,844,395**	**(287,128)**	**54,290**	$ 12,743,284
Investment gain under equity method					312,360
Interest expenses					(153,355)
Profit in continuing operations					**$ 12,902,289**
Segment assets	**$ 202,427,955**	**124,843,665**	**43,160,225**	**(148,781,260)**	$ 221,650,585
Long-term investment under equity method					1,996,644
Goodwill					890,311
Total assets					**$ 224,537,540**

(3) Export Sales

Region	2010	2009
America	$ 63,169,567	78,170,726
Asia	160,627,685	165,104,986
Europe	88,295,262	87,867,264
Other	1,961,380	260,624
Total	**$ 314,053,894**	**331,403,600**

(4) Major Customer

The customers whose accounts exceeded more than 10% of the Company's operating revenues for the years 2010 and 2009 were as follows:

Customer	2010 Amount	2010 % of total operating revenues	2009 Amount	2009 % of total operating revenue
A	$ 210,769,021	39.73	199,243,981	37.03
B	70,316,794	13.25	80,201,365	14.91
	$ 281,085,815	**52.98**	**279,445,346**	**51.94**

Pegatron Corporation 

T.H. Tung, Chairman 

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