

(English Translation of Financial Report Originally Issued in Chinese)

PEGATRON CORPORATION AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2010

(With Independent Auditors' Report Thereon)

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(English Translation of Financial Report Originally Issued in Chinese)

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors of
Pegatron Corporation

We have reviewed the accompanying consolidated balance sheet of Pegatron Corporation and its subsidiaries (the Consolidated Company) as of March 31, 2010, and the related consolidated statement of income and cash flows for the three months then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue the review report based on our review.

Except as stated in the following paragraph, we conducted our review in accordance with Statement of Auditing Standards No. 36 "Engagements to Review Financial Statements". A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

The consolidated financial statements of certain subsidiaries were consolidated based on their unreviewed financial statements as of and for the three-month period ended March 31, 2010. As of March 31, 2010, total assets of these subsidiaries amounted to \$145,017,190 thousand, representing 66.29% of the related consolidated total assets and total liabilities amounted to \$43,731,682 thousand, representing 43.69% of the related consolidated liabilities. For the three-month period ended March 31, 2009, the operating revenues of these subsidiaries amounted to \$27,714,331 thousand, representing 21.30% of the consolidated operating revenues and their net income amounted to \$915,182 thousand, representing 32.71% of the consolidated net income. As disclosed in Note (4) (e) to the consolidated financial statement, the financial statements of certain long-term investments accounted for under the equity method were not reviewed by independent accountants. Long-term investments in these companies amounted to \$2,036,817 thousand as of March 31, 2010 and the related investment income thereon amounted to \$45,611 thousand for the three-month period then ended.

Based on our review, except for the effects of such adjustments, if any, as might have been determined to be necessary had the financial statements of some consolidated subsidiaries and some equity-method investees as described in the preceding paragraph been reviewed, we are not aware of any material modifications that should be made to the consolidated financial statements referred to the first paragraph for them to be in conformity with Order

VI-0960064020 issued by the Financial Supervisory Commission under the Executive Yuan dated November 15, 2007 and the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and the accounting principles generally accepted in the Republic of China.

The consolidated company issued the consolidated financial statements as of and for the three-month then ended March 31, 2010, which were the first time the consolidated company issued consolidated financial statements to public after initial public offering (IPO). These consolidated financial statements covered a single period only in conformity with the regulation issued by Financial Supervisory Commission Executive Yuan and which did not conform to the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers".

A handwritten signature in black ink, appearing to be 'KRMG', is located above the date and location text.

Taipei, Taiwan, R.O.C
April 20, 2010

Note to Readers

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

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

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

(English Translation of Financial Report Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards.
PEGATRON CORPORATION AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
March 31, 2010
(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

	March 31, 2010	
	Amount	%
ASSETS		
Current Assets:		
Cash (Note (4)(a))	\$ 35,845,618	16
Financial assets reported at fair value through profit or loss— current (Note (4)(b))	7,632,546	3
Available for sale financial assets — current (Note(4)(b))	981,274	1
Notes receivable, net of allowance for uncollectible accounts (Notes (4)(c) and (5))	29,932	-
Accounts receivable, net of allowance for uncollectible accounts (Note(4)(c))	43,646,617	20
Accounts receivable— related parties (Note (5))	10,158,457	5
Other receivables, net of allowance for uncollectible accounts	1,379,370	1
Other receivables— related parties (Note (5))	703,881	-
Other financial assets — current (Note (6))	148,610	-
Inventories (Notes (4)(d) and (6))	48,749,584	22
Other current assets	1,606,639	1
Deferred income tax assets — current (Note (4)(i))	589,087	-
	<u>151,471,615</u>	<u>69</u>
Investments:		
Available-for-sale financial assets— noncurrent (Note(4)(b))	2,043,394	1
Financial assets measured at cost - noncurrent (Note(4)(b))	773,805	-
Long-term investments under the equity method (Note (4)(e))	2,036,817	1
	<u>4,854,016</u>	<u>2</u>
Other Financial Assets — Noncurrent (Note (6))	<u>404,935</u>	<u>-</u>
Property, Plant and Equipment, at cost :(Notes (4)(g) and (6))		
Land	2,805,128	1
Buildings	23,110,916	11
Machinery and equipment	45,617,321	21
Warehousing equipment	114,103	-
Instrument equipment	1,658,488	1
Transportation equipment	200,882	-
Office equipment	1,072,240	-
Miscellaneous equipment	5,967,804	3
	<u>80,546,882</u>	<u>37</u>
Less: Accumulated depreciation	(29,371,799)	(13)
Less: Accumulated impairment	(179,793)	-
Prepayments on purchase of equipment	2,370,283	1
	<u>53,365,573</u>	<u>25</u>
Intangible Assets (Notes (4)(h) and (6))		
Goodwill	890,002	1
Deferred pension costs	4,894	-
Land use rights	2,360,767	1
Other intangible assets	434,974	-
	<u>3,690,637</u>	<u>2</u>
Other Assets:		
Deferred expenses (Note(4)(i))	2,995,922	1
Other Assets — Others (Notes (4)(g), (4)(i) and (6))	1,963,854	1
	<u>4,959,776</u>	<u>2</u>
TOTAL ASSETS	<u>\$ 218,746,552</u>	<u>100</u>

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

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PEGATRON CORPORATION AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEET (CONT'D)
March 31, 2010
(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

	March 31, 2010	
	Amount	%
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Short-term debt (Note (4)(j))	\$ 7,622,538	3
Short-term notes and bills payable	49,936	-
Financial liabilities at fair value through profit or loss – current (Note (4)(b))	14,948	-
Derivative financial liability for hedging purposes (Note(4)(b))	5,619	-
Notes payable	158,225	-
Accounts payable	59,196,837	27
Accounts payable – related parties (Note (5))	1,477,753	1
Income tax payable	1,871,915	1
Accrued expenses – non-related parties	8,723,878	4
Accrued expenses – –related parties (Note (5))	55,322	-
Dividend payable (Note (5))	4,000,594	2
Current portion of long-term loans payable (Note(4)(l))	70,864	-
Other financial liabilities – current	1,289,048	-
Other current liabilities (Note (5))	5,507,789	3
	<u>90,045,266</u>	<u>41</u>
Long-Term Liabilities:		
Bonds payable (Note(4)(k))	1,350,622	1
Long-term debt payable (Note(4)(l))	8,040,435	4
Other financial liabilities – noncurrent	205,394	-
	<u>9,596,451</u>	<u>5</u>
Other Liabilities:		
Deferred income tax liabilities – noncurrent	326,591	-
Other long-term liabilities– other	126,494	-
	<u>453,085</u>	<u>-</u>
Total Liabilities	<u>100,094,802</u>	<u>46</u>
Stockholders' Equity:		
Common stock – authorized 2,500,000 thousand shares, 2,286,054 thousand shares issued and outstanding as of March 31, 2010 (Note(4)(o))	22,860,539	10
Capital Surplus (Note (4)(o))		
Premium on capital stock	61,188,108	28
Others	2,608,589	1
	<u>63,796,697</u>	<u>29</u>
Retained Earnings (Note (4)(o)):		
Legal reserve	1,215,457	-
Unappropriated earnings	3,817,485	2
	<u>5,032,942</u>	<u>2</u>
Other Adjustments to Stockholders' Equity:		
Cumulative translation adjustments	(225,012)	-
Unrecognized loss on pension cost	(3,202)	-
Unrealized gain of financial assets	1,692,848	1
	<u>1,464,634</u>	<u>1</u>
Total Parent Company's Equity	<u>93,154,812</u>	<u>42</u>
Minority interest	<u>25,496,938</u>	<u>12</u>
Total Stockholders' Equity	<u>118,651,750</u>	<u>54</u>
Commitments and Contingencies (Note (7))		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 218,746,552</u>	<u>100</u>

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

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PEGATRON CORPORATION AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

FOR THREE MONTHS ENDED MARCH 31, 2010

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

	For the Three Months Period	
	Ended March 31,	
	2010	
	Amount	%
Operating revenues (Note (5))	\$ 130,845,702	101
Less: Sales returns and allowances	740,290	1
Net sales	130,105,412	100
Cost of sales (Notes (4)(d) and (5))	121,687,404	94
Gross profit	8,418,008	6
Operating expenses (Note (5))		
Selling expenses	1,488,688	1
General and administrative expenses	1,640,230	1
Research and development expenses	2,031,703	2
	5,160,621	4
Income from operations	3,257,387	2
Non-operating incomes		
Interest revenue	26,139	-
Investment income under the equity method (Note(4)(e))	45,611	-
Gain on disposal of investments	76,210	-
Gain on valuation of financial asset(Note(4)(b))	5,625	-
Others(Note(5))	717,474	1
	871,059	1
Non-operating expenses		
Interest expense	40,725	-
Loss on disposal of assets	51,862	-
Foreign exchange loss, net	2,395	-
Impairment loss(Notes(4)(b) and (4)(g))	8,156	-
Loss on valuation of financial liability(Note(4)(b))	20,950	-
Others	74,220	-
	198,308	-
Income before income tax	3,930,138	3
Income Tax	1,132,243	1
Consolidated net income	\$ 2,797,895	2
Income attributable to :		
Shareholders of parent company	\$ 1,775,316	1
Minority interest income	1,022,579	1
	\$ 2,797,895	2
	Before	After
	Income Tax	Income Tax
Earnings per share attributable to parent company (Note (4)(q))		
Primary earnings per share	\$ 1.13	0.78
Diluted earnings per share	\$ 1.11	0.77

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PEGATRON CORPORATION AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2010
(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

	For the Three Months Period Ended March 31, 2010
Cash flows from operating activities:	
Consolidated net income	\$ 2,797,895
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:	
Depreciation	1,951,420
Amortization	576,838
Ownership or employee stock option and treasury stock were transferred to employee compensation cost	5,433
Amortization of discount on bonds payable	5,151
Loss for market price decline and obsolete and slow-moving inventories	135,753
Investment income under the equity method	(45,611)
Gain on disposal of investments	(76,210)
Loss on disposal of assets	62,375
Loss on valuation of financial asset	15,325
Impairment loss	8,156
Change in assets and liabilities:	
Financial assets reported at fair value through profit or loss — current	(307,136)
Notes and accounts receivable	13,977,148
Other receivables	(648,323)
Inventories	(5,475,405)
Other current assets	232,618
Deferred income tax assets and liabilities, net	361,162
Other assets	(61,602)
Financial liabilities at fair value through profit or loss — current	16,525
Derivative financial liability for hedging purposes	5,619
Notes and accounts payable	(7,089,102)
Income tax payable	595,750
Accrued expenses	627,762
Other financial liabilities — current	(460,712)
Other current liabilities	(220,546)
Other liabilities — current	75,285
Net cash provided by operating activities	7,065,568

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PEGATRON CORPORATION AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)
FOR THE THREE MONTHS ENDED MARCH 31, 2010
(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

	For the Three Months Period Ended March 31, 2010
Cash flows from investing activities:	
Decrease in other financial assets	47,517
Increase in long-term investments under the equity method	(36,609)
Disposal of long-term investmens	127,635
Purchase of property, plant and equipment	(2,299,931)
Disposal of property, plant and equipment, deferred charges and idle assets	1,369,038
Purchase of deferred charges	(280,791)
Purchase of intangible assets	(91,718)
Decrease in other financial assets — noncurrent	63,372
Net cash used in investing activities	(1,101,487)
Cash flows from financing activities:	
Increase in short-term loans	(3,256,501)
Increase in short-term notes and bills payable	2
Increase in bonds payable	1,497,401
Decrease in long-term loan	(14,463)
Decrease in other financial liabilities— noncurrent	(35,911)
Increase in minority interest	10,000
Net cash used in financing activities	(1,799,472)
Foreign exchange rate effects	(161,411)
Effect of changes of certain subsidiaries	(3,860)
Net increase in cash	3,999,338
Cash, beginning of the period	31,846,280
Cash, end of the period	\$ 35,845,618
Supplemental disclosures of cash flow information:	
Cash paid during the period for:	
Interest	\$ 34,614
Income tax	\$ 172,232
Non-cash investing and financing activities:	
Current portion of long-term loans payable	\$ 70,864
Dividend payable	\$ 4,000,594
Purchase of property and equipment with cash and other payables:	
Property, plant and equipment	\$ 2,403,973
Add: Other payables, beginning of the year	97,397
Less: Other payables, end of the year	(201,439)
Cash paid	\$ 2,299,931

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

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PEGATRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2010
(Amount Expressed in Thousands of New Taiwan Dollars, Except for
Per Share Information and Unless otherwise Stated)

1. ORGANIZATION AND BUSINESS :

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

a. Basis of consolidation

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

Investor	Subsidiary	Nature of business	Shareholding ratio	Notes
			2010.03.31	
The Company	UNIHAN CORPORATION (UNIHAN)	Designing, manufacturing, maintaining and selling computer peripherals and audio-video products	100.00%	Subsidiary directly held over 50% by the Company
UNIHAN AND ASUSPOWER INVESTMENT	Ability Enterprise Co., Ltd. (Ability (tw))	Selling computer peripherals, office automation equipment, digital cameras, retailing and wholesaling, of food products leasing	12.63%	Subsidiary has de facto control
Ability (tw)	ACTION PIONEER INTERNATIONAL LTD.	Trading activities	100.00%	Subsidiary directly held over 50%

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Investor	Subsidiary	Nature of business	Shareholding ratio	Notes
			2010.03.31	
Ability (tw)	VIEWQUEST TECHNOLOGIES INTERNATIONAL LTD.	Selling computer peripherals, digital cameras and electronic components	100.00%	Subsidiary directly held over 50%
"	ASSOCIATION INTERNATIONAL LTD.	Investing activities	100.00%	"
"	ABILITY ENTERPRISE (BVI) CO., LTD.(ABILITY)	Investing activities	100.00%	"
ABILITY	Ability Technology (Dongguan) Co., Ltd	Producing and selling digital cameras	100.00%	"
Ability (tw)	VIEQUEST TECHNOLOGIES (BVI) INC.	Manufacturing and selling computer peripherals, digital cameras and electronic components	100.00%	"
"	Ability International Investment Co., Ltd.	Investing activities	100.00%	"
Ability International Investment Co., Ltd.	NOENA CORPORATION	Selling computer peripherals, digital cameras and optical products	80.00%	"
UNIHAN	Unihan Holding Ltd. (Unihan Holding)	Investing activities	100.00%	"
Unihan Holding	CASETEK HOLDINGS LIMITED (CASETEK HOLDING)	Investing and trading activities	100.00%	"

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Investor	Subsidiary	Nature of business	Shareholding ratio	Notes
			2010.03.31	
CASETEK HOLDING	SLITEK HOLDINGS LIMITED	Investing and trading activities	100.00%	Subsidiary directly held over 50%
"	CASETEK COMPUTER (SUZHOU) CO., LTD	Manufacturing, developing and selling computers, computer parts, application systems, and providing after-sales service	100.00%	"
"	KAEDAR HOLDINGS LIMITED (KAEDAR HOLDING)	Investing and trading activities	100.00%	"
KAEDAR HOLDING	KAEDAR ELECTRONICS (KUNSHAN) CO., LTD	Tooling module of stainless steel computer cases	100.00%	"
CASETEK HOLDING	KAEDAR TRADING LTD.	Investing and trading activities	100.00%	"
"	CORE-TEK (SHANGHAI) LIMITED	Researching and producing the parts of notebooks, designing nonmetal tooling, electronic specific equipment and related products, repairing and producing precision equipment and providing after-sales service	100.00%	"
"	APLUS PRECISION (Cayman) LIMITED (APLUS)	Investing and trading activities	51.00%	"

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Investor	Subsidiary	Nature of business	Shareholding ratio	Notes
			2010.03.31	
APLUS	UNITED NEW LIMITED (UNITED)	Investing and trading activities	100.00%	Subsidiary directly held over 50%
UNITED	AVY PRECISION ELECTROPLATING (SUZHOU) CO., LTD.	Manufacturing and selling electronic and camera components, and accessories	100.00%	"
UNIHAN and ASUSTEK INVESTMENT	AzureWave Technologies, Inc. (AzureWave)	Manufacturing office machinery, electronic parts and computer peripherals and selling precision equipment, and digital cameras	43.56%	Subsidiary has de facto control
AzureWave	Eminent Star Company Limited (Eminent)	Investing activities	100.00%	Subsidiary directly held over 50%
Eminent	Hannex International Limited (Hannex)	Investing activities	100.00%	"
Hannex	Scientek. Nanjing Co.,Ltd	Designing, researching and selling computer products	100.00%	"
Eminent	Jade Technologies Limited (Jade)	Investing activities	100.00%	"
Eminent and Jade	Azurewave Technology (Shenzhen) Co., Ltd.	Designing, researching and selling computer products	100.00%	Subsidiary comprehensive held 100%
AzureWave	EZWAVE TECHNOLOGIES, INC.	Selling computer peripherals	100.00%	Subsidiary directly held over 50%
"	Azwave Holding (Samoa) Inc. (Azwave Samoa)	Investing activities	100.00%	"

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Investor	Subsidiary	Nature of business	Shareholding ratio	Notes
			2010.03.31	
Azwave Samoa	AzureWave Technologies (Shanghai) Inc.	Manufacturing electronic parts	100.00%	Subsidiary directly held over 50%
"	AzureLighting Technologies ,INC (Yangzhou)	Manufacturing electronic parts	100.00%	"
AzureWave	EZWAVE TECHNOLOGIES, INC.	Manufacturing electronic parts	100.00%	"
UNIHAN	AMA PRECISION INC.(AMA PRECISION)	Designing and developing computer parts	100.00%	"
AMA PRECISION	AMA Technology Corporation	Trading computer peripherals	100.00%	"
"	AMA Holdings Limited (AMA)	Investing activities	100.00%	"
AMA	METAL TRADINGS LTD. (METAL)	Trading activities	100.00%	"
METAL	FENGSHUO TRADING (TONGZHOU) CO. LTD	Trading activities	100.00%	"
AMA	EXTECH LTD.	Trading electronic parts	90.51%	"
EXTECH LTD.	GRANDTECH PRECISION (TONGZHOU) CO., LTD	Manufacturing, developing and selling electronic parts	100.00%	"

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Investor	Subsidiary	Nature of business	Shareholding ratio	Notes
			2010.03.31	
AMA	Toptek Precision Industry(SuZhou) Co., Ltd	Manufacturing and selling new electronic parts and premium hardware	100%	Subsidiary directly held over 50%
The Company and ASUS INVESTMENT	ASUS HOLLAND HOLDING B.V. (AHH)	Investing activities	100.00%	Subsidiary comprehensive held 100%
AHH	PEGATRON Czech s.r.o.	Installing, repairing and selling electronic products	100.00%	Subsidiary directly held over 50%
The Company	Pegatron Holding Ltd. (Pegatron Holding)	Investing activities	100.00%	The Company directly held over 50%
Pegatron Holding	POWTEK HOLDINGS LIMITED (POWTEK)	Investing and trading activities	100.00% (Note (A))	Subsidiary directly held over 50%
POWTEK	Powtek (Shanghai) Co., Ltd.	Selling main boards, computer peripherals, note books, servers and software, and providing after-sales service	100.00%	"
Pegatron Holding	BOARDTEK HOLDINGS LTD. (CAYMAN) (BOARDTEK CAYMAN)	Investing and holding activities	100.00%	"
BOARDTEK CAYMAN	BOARDTEK HOLDING LIMITED (BOARDTEK HOLDING)	Investing and trading activities	100.00%	"

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Investor	Subsidiary	Nature of business	Shareholding ratio	Notes
			2010.03.31	
BOARDTEK CAYMAN	BOARDTEK COMPUTER (SUZHOU) CO., LTD	Developing, manufacturing and selling new electronic components, circuit boards and relevant products, and providing after-sales service	100.00%	Subsidiary directly held over 50%
BOARDTEK HOLDING	BOARDTEK(H.K.) TRADING LIMITED	Trading activities	100.00%	"
Pegatron Holding	ASLINK PRECISION CO., LTD (ASLINK)	Investing and trading activities	100.00%	"
ASLINK	ASLINK (H.K.) PRECISION CO., LIMITED	Investing and trading activities	100.00%	"
"	ASAP INTERNATIONAL CO., LIMITED (ASAP)	Investing activities	59.17%	"
ASAP	ASAP TECHNOLOGY (JIANGXI) CO., LIMITED	Manufacturing and selling date transit wire and cable	100.00%	"
Pegatron Holding	DIGITEK GLOBAL HOLDINGS LIMITED	Investing and trading activities	100.00%	"
"	MAGNIFICENT BRIGHTNESS LIMITED (MAGNIFICENT)	Investing and trading activities	100.00%	"

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Investor	Subsidiary	Nature of business	Shareholding ratio	Notes
			2010.03.31	
MAGNIFICENT	MAINTEK COMPUTER (SUZHOU) CO., LTD.	Manufacturing, developing and selling power supply units, computer cases, computer systems, notebooks, main boards, and computer peripherals, and providing after-sales service	100.00%	Subsidiary directly held over 50%
Pegatron Holding	PROTEK GLOBAL HOLDINGS LTD. (PROTEK)	Investing and trading activities	100.00%	"
"	NORTH TEC ASIA LIMITED (NORTH)	Investing and trading activities	100.00%	"
PROTEK AND NORTH	Protek (ShangHai) Limited	Manufacturing, developing and selling computers, printers and electronic components, and providing after-sales service	100.00%	Subsidiary comprehensive held 100%
Pegatron Holding	COTEK HOLDINGS LIMITED (COTEK)	Investing and trading activities	100.00%	Subsidiary directly held over 50%
COTEK	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Developing , manufacturing and selling new electronic components, providing mold technology, and after-sales service	100.00%	"
Pegatron Holding	TOP QUARK LIMITED (TOP QUARK)	Investing and holding activities	100.00%	"

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Investor	Subsidiary	Nature of business	Shareholding ratio	Notes
			2010.03.31	
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%	Subsidiary directly held over 50%
The Company	ASUSPOWER INVESTMENT CO., LTD.	Investing activities	100.00%	The Company directly held over 50%
"	ASUS INVESTMENT CO., LTD.	Investing activities	100.00%	"
"	ASUSTEK INVESTMENT CO., LTD.	Investing activities	100.00%	"
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	ASROCK Incorporation (ASROCK)	Data storage and processing equipment, manufacturing wired and wireless communication equipment, and wholesaling of computer equipment and electronic components	58.65%	Subsidiary directly held over 50%
ASROCK	ASIA ROCK TECHNOLOGY LIMITED (ASIA ROCK)	Manufacturing and selling database storage and processing equipments	100.00%	"
ASIA ROCK	ASROCK EUROPE B.V.	Database service and trading electronic components	100.00%	"
"	CalRock Holdings, LLC.	Office building leasing	100.00%	"

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Investor	Subsidiary	Nature of business	Shareholding ratio	Notes
			2010.03.31	
ASROCK	Leader Insight Holdings Ltd. (Leader)	Investing activities	100.00%	Subsidiary directly held over 50%
Leader	Firstplace International Ltd. (Firstplace)	Investing activities	100.00%	"
Firstplace	Asrock America, Inc.	Database service and trading electronic components	100.00%	"
ASUSPOWER INVESTMENT AND ASUS INVESTMENT	PEGATRON Mexico, S.A. DE C.V.	Sales and repair service center in Mexico	100.00%	Subsidiary comprehensive held 100%
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	KINSUS INTERCONNECT TECHNOLOGY CORP. (KINSUS)	Manufacturing electronic parts, wholesaling and retailing electronic components, and providing business management consultant service	39.00%	Subsidiary has de facto control
KINSUS	KINSUS INVESTMENT CO., LTD (KINSUS INVESTMENT)	Investing activities	100.00%	Subsidiary directly held over 50%
KINSUS INVESTMENT AND ASUSPOWER INVESTMENT	PEGAVISION CORPORATION	Manufacturing medical appliances	84.45%	"

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Investor	Subsidiary	Nature of business	Shareholding ratio	Notes
			2010.03.31	
KINSUS	KINSUS CORP. (USA)	Developing and designing new technology and products; analyzing marketing strategy and developing new customers	100.00%	Subsidiary directly held over 50%
"	KINSUS HOLDING (SAMOA) LIMITED (KINSUS SAMOA)	Investing activities	100.00%	"
KINSUS SAMOA	KINSUS HOLDING (CAYMAN) LIMITED (KINSUS CAYMAN)	Investing activities	100.00%	"
KINSUS CAYMAN	KINSUS INTERCONNECT TECHNOLOGY (SUZHOU) CORP.	Manufacturing and selling circuit boards	100.00%	"
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	ASUSPOWER CORPORATION	Investing and trading activities	100.00%	Subsidiary comprehensive held 100%
"	STARLINK ELECTRONICS CORPORATION (STARLINK)	Manufacturing electronic parts and plastic products, and manufacturing and wholesaling electronic components	100.00%	"
STARLINK	STRATEGY Technology Co., Ltd.	Investing and trading activities	100.00%	Subsidiary directly held over 50% (Note B)

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Investor	Subsidiary	Nature of business	Shareholding ratio	Notes
			2010.03.31	
ASUS INVESTMENT	ASFLY TRAVEL SERVICE LIMITED	Travel agency	100.00%	Subsidiary directly held over 50%
ASUSPOWER INVESTMENT	PEGATRON TECHNOLOGY SERVICE INC.	Sales and repair service center in North America	100.00%	"
"	PEGA INTERNATIONAL LIMITED	Design service and sales	100.00%	"
"	PEGATRON JAPAN INC.	Sales and repair service center in Japan	100.00%	"
ASUSPOWER INVESTMENT , ASUS INVESTMENT AND ASUSTEK INVESTMENT	Lumens Digital Optics Inc. (Lumens)	Researching, manufacturing and selling computer data projectors and related peripherals	56.52%	Subsidiary directly held over 50%
Lumens	Lumens Integration Inc.	Selling computer communication products and peripherals	100.00%	"
"	Lumens Digit Image Inc. (SOMOA)(Lumens SOMOA)	Investing activities	100.00%	"
Lumens SOMOA	Lumens (Suzhou) Digital Image Inc.	Researching, manufacturing and selling projectors, projection screens and related products, and providing after-sales service	100.00%	"

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Investor	Subsidiary	Nature of business	Shareholding ratio	Notes
			2010.03.31	
Lumens	Lumens Europe BVBA	Selling computer communication products and peripherals	100.00%	Subsidiary directly held over 50%
"	Jie Xin Inc.	Manufacturing and wholesaling electronic parts	94.00%	"
ASUS INVESTMENT	HUA-YUAN INVESTMENT LIMITED	Investing activities	100.00%	"
The Company	ADVANSUS CORP.	Manufacturing computer peripherals	50.00%	The Company directly held over 50% (Note A)
The Company	PEGATRON USA, INC.	Sales and repair service center in North America	100.00%	"

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

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

2. Increases or decreases of consolidated subsidiary as of March 31, 2010 were summarized as follows:

CASETEK HOLDING LIMITED acquired 51% of total issued shares of APLUS PRECISION (Cayman) LIMITED ("APLUS") by exchanging its long-term investment. And Ability (tw) invested \$40,000 in a newly established company, NOENA CORPORATION (NOENA), and held 80% shares of this company. According to SFAS No.7 "Consolidated Financial Statements.", if the Company has controlling power over these entities, then they should be treated as subsidiaries and included in consolidation financial statements.

3. The entities in which less than 50% voting shares were held by the Company but were included in the consolidated financial statements were as follows:

The Company held less than 50% of voting shares of Hannex International Limited, Ability Enterprise Co., Ltd and Kinsus Interconnect Technology Corp, or 43.56%, 12.63% and 39% of total issued shares of these entities, but it has the ability to control the board of directors, thus these entities were included in the consolidated financial statements.

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4. Subsidiaries excluded from consolidation

STRATEGY Technology Co., Ltd. went into liquidation on March 26, 2010. Therefore, the net income (loss) of this investee company was excluded in the consolidated financial statements as of March 27, 2010. Since STRATEGY Technology Co., Ltd. has not completed its liquidation process, the equity investments in STARLINK were reclassified as “financial assets measured at cost”.

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

b. Financial derivatives and hedging

If a cash flow hedge meets the criteria for hedge accounting, the gain or loss on hedged items is recognized as an adjustment of stockholders' equity. If a hedging transaction is recognized as assets or liabilities, the gain or loss recorded in stockholders' equity is reclassified as current gain or loss in the financial statements. And if a hedging transaction will influence the net gain or loss, the above-mentioned gain or loss recognized in stockholders' equity is reclassified as a current gain or loss in the financial statements.

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

(i) Fair value hedges

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

c. Bonds payable

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

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

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

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

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

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

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

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

4. Summary of Major Accounts

a. Cash

	March 31, 2010
Cash on hand	\$ 50,343
Demand deposits	23,903,972
Time deposits	11,891,303
Total	\$ 35,845,618

b. Financial Instruments

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

	March 31, 2010
Financial assets reported at fair value through profit or loss-current :	
Stocks of listed companies	\$ 210,139
Beneficiary certificates	6,248,528
Currency swap contracts	3,886
Overseas notes	619,636
Depository receipts	18,008
Corporate bonds	532,349
Total	\$ 7,632,546

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	March 31, 2010
Available-for-sale financial assets-current:	
Stocks of listed companies	\$ 50,537
Stock of overseas listed companies	930,737
Total	\$ 981,274
Available-for-sale financial assets-non current:	
Stocks of listed companies	\$ 1,497,158
Stock of overseas listed companies	546,236
Total	\$ 2,043,394
Financial assets carried at cost-non current:	
Equity securities-common stock	\$ 773,805
Financial liabilities held for trading-current	
Forward exchange contracts	\$ 458
Adjustments	753
Sub-total	\$ 1,211
Financial liabilities designated as at FVTPL-current	
Domestic convertible bonds-put and call option	\$ (1,578)
Adjustments	15,315
Sub-total	13,737
Total	\$ 14,948
Derivative financial liability for hedging	
Forward exchange contracts	\$ 5,619

The convertible bond issued by Ability Enterprise Co., Ltd. was treated as a compound financial instrument, with a portion classified as equity and the rest as a liability. And the fair value of call options and put options embedded in bonds payable was separated from bonds payable, and was recognized as "Financial assets or liabilities at fair value through profit or loss" in accordance with SFAS No.34. For three months period ended March 31, 2010, Ability Enterprise Co., Ltd. recognized a loss on financial liability reported at fair value through profit or loss of \$15,315.

For three months period ended March 31, 2010, the Company and subsidiaries recognized a loss on financial assets reported at fair value through profit or loss amounted \$15,325.

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(ii) Available-for-sale financial assets

For three months ended March 31, 2010, the unrealized losses on available-for-sale financial assets amounted to \$5,500.

(iii) Financial assets carried at cost

Impairment loss recognized on financial assets carried at cost amounted to \$40,159 for three months period ended March 31, 2010.

(iv) As of March 31, 2010, the components of financial derivatives of Ability Enterprise Co., Ltd. and United New Limited were as follows:

	March 31, 2010		
	Book Value	Nominal Principal (thousands)	Maturity Date/contract period
<u>Derivative financial assets not for hedge:</u>			
Currency swap contracts	\$ 3,886	USD 83,640	2010.03~2010.04
Forward exchange contracts (sell)	\$ (458)	USD 10,000	2010.03~2010.04
		NTD 113,894	2010.03~2010.04
Forward exchange contracts (buy)	\$ (753)	USD 41,550	2010.03~2010.04
<u>Derivative financial assets not for hedge:</u>			
Forward exchange contracts (sell)	\$ (5,619)	USD 8,708	2010.09~2010.10

Ability (tw) entered into derivative contracts during the three months period ended March 31, 2010 to manage exposures due to the fluctuations of exchange rate and interest rate. However, no hedge accounting is adopted as these derivatives do not meet the criteria for hedge accounting.

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

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c. Notes and Accounts Receivable

(i) Non-related parties

	March 31, 2010
Notes receivable	\$ 29,932
Less: Allowance for doubtful accounts	-
Net	<u>29,932</u>
Accounts receivable	44,246,199
Less: Allowance for doubtful accounts	(599,580)
Net	<u>43,646,617</u>
Total	<u>\$ 43,676,549</u>

(ii) As of March 31, 2010, KINSUS INTERCONNECT TECHNOLOGY CORP. sold its accounts receivable without recourse as follows:

<u>Purchaser</u>	<u>Amount Derecognized</u>	<u>Credit advanced</u>	<u>Collateral</u>	<u>Credit (thousands)</u>
Mega International Commercial Bank	<u>\$ 496,974</u>	<u>255,188</u>	None	USD 30,000

d. Inventories

	March 31, 2010
Merchandise	\$ 1,354,395
Finished goods	12,891,830
Work in process	7,549,188
Raw materials	27,375,176
Inventories-in-transit	21,137,585
Sub-total	<u>51,308,174</u>
Less: Allowance for inventory market decline and obsolescence	(2,558,590)
Total	<u>\$ 48,749,584</u>

For three months period ended March 31, 2010, the components of cost of goods sold were as follows:

	For three months period ended March 31, 2010
Cost of goods sold	\$ 121,450,892
Loss on disposal of scrapping	36,509
Idle capacity	100,759
Loss on inventory valuation and obsolescence	99,244
Total	<u>\$ 121,687,404</u>

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e. Long-Term Equity Investments

	March 31, 2010	
Name of Investee company	Equity Holding	Book Value
INDEED HOLDINGS LIMITED	49.00%	\$ 750,446
Avy Precision Technology Inc.	20.39%	758,576
WILSON HOLDINGS LIMITED	49.00%	163,048
EVER PINE INTERNATIONAL LTD. (BVI)	34.65%	127,763
PENTAX VQ CO., LTD.	40.00%	58,762
WISE INVESTMENT LIMITED	48.78%	37,035
SHIN-EI YORKEY INTERNATIONAL LTD. (BVI)	50.00%	23,226
ZhangJiaGang dongbu High Technilogy Metal Products Co., Ltd.	20.00%	45,229
YOFREE TECHNOLOGY CO., LTD	17.50%	10,900
Subtotal		1,974,985
Add: Fair value adjustment for identifiable assets		61,832
Total		\$ 2,036,817

Investment income of \$45,611 for three months period ended March 31, 2010, was recognized under the equity method based upon the financial statements without auditing or reviewing.

Avy Precision Technology Inc., a subsidiary of Ability Enterprise Co., Ltd., had swapped its equity shares with AzureWave Technologies, Inc., which resulted in a difference between acquisition cost and fair value of the identifiable long-term investment. Since the Consolidated Company has the ability to control Ability Enterprise Co., Ltd., such difference of \$61,832 as of March 31, 2010, was adjusted using the equity method of accounting based on the percentage of ownership of the Consolidated Company, in accordance with the Republic of China Statement of Financial Accounting Standards (SFAS) No. 25 "Business Combinations".

f. Joint Venture Investments

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

	March 31, 2010	
Current assets	\$	567,028
Non current assets		17,440
Current liabilities		352,185

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		For the three month period ended March 31, 2010
Revenues	\$	457,664
Expenses		445,780

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

(i) Property, plant and equipment

Based on the results of its evaluation of the recoverability of property, plant and equipment, the Consolidated Company recognized a gain on recovery of impairment of assets amounted to \$32,523 for three month period ended March 31, 2010.

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

(ii) Rental assets

1) As of March 31, 2010, the components of rental assets were as follows:

		March 31, 2010
Land	\$	345,749
Buildings		623,417
Less: accumulated depreciation		(124,706)
Less: accumulated impairment		(69,061)
Add: fair value adjustment for identifiable assets		9,266
	\$	784,665

2) In accordance with SFAS 25, the Company has control over Ability Enterprise Co., Ltd. through a share swap and adjusted the difference between the acquisition cost and the fair value of the rental assets based on the Consolidated Company's percentage of ownership. As of March 31, 2010, the fair value adjustment for identifiable assets amounted to \$9,266.

(iii) Idle assets

1) As of March 31, 2010, the components of idle assets were as follows:

		March 31, 2010
Land	\$	394,645
Buildings		740,901
Machinery and others		1,842,112
Less: accumulated depreciation		(1,033,883)
Less: accumulated impairment		(970,828)
	\$	972,947

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- 2) As these idle assets were not used in operation, the Consolidated Company recognized their net fair value as the recoverable amount. For the three months period ended March 31, 2010, a gain on recovery of impairment recognized for these idle assets amounted to \$20.

h. Intangible assets

Goodwill is assessed periodically for impairment in accordance with the Republic of China Statement of Financial Accounting Standards (SFAS) No. 35 "Impairment of Assets". As of March 31, 2010, the book value of goodwill was \$890,002.

'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 March 31, 2010, the unamortized amount of land use rights was \$2,360,767.

i. Other Assets – Other

Deferred expenses consist of capitalized costs of small molds, fixtures and office decorations, which are amortized equally over 9 to 10 years. As of March 31, 2010, the unamortized amounts was \$2,995,922. For three months period ended March 31, 2010, impairment loss recognized for these deferred expenses amounted to \$540.

Due to the restriction imposed by local government, KINSUS INTERCONNECT TECHNOLOGY CORP. (KINSUS) purchased a farm land in the name of KINSUS's chairman instead of KINSUS. Before KINSUS may take over the title to the farmland as well as completing the registration procedures, the land is temporarily recorded as other assets. As of March 31, 2010, the book value of this farmland was \$30,784.

j. Short - Term Loans

	March 31, 2010
Credit loans	\$ 6,734,369
Collateralized loan	888,169
Total	\$ 7,622,538
Range of interest rate	0.45%~5.04%

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

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

k. Bonds Payable

	March 31, 2010
Bonds payable	\$ 1,500,000
Less: discounts on bonds payable	(149,378)
Total	\$ 1,350,622

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

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- i. 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 8th, 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.
 - ii. After 30 days from issue date (March 7th, 2010) and 10 days prior to maturity date (January 27th, 2010), 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.
 - iii. The conversion price will be adjusted based on the terms of the conversion plan, and will be reset based on the prescribed formula upon the occurrence of certain events that will have a dilutive effect on the bondholders' rights. As of March 31, 2010, the conversion price is \$60.
 - iv. 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.
 - v. The Company may purchase the outstanding bonds at face value after the following events, provided the (1) the closing price of the shares for a period of 30 consecutive trading day is above 130% of the conversion price (2) the amount of the outstanding bonds is less than 10% of the initial issuance amount of convertible bonds, from the day after the first month of issuance of the bonds to 40days prior to the maturity date.
 - vi. Under the terms of the convertible bonds, the convertible bonds which are repurchased, redeemed, or converted to common shares will be retired and cannot be sold or re-issued.
2. In accordance with SFAS No. 36, convertible bonds are initially treated as compound financial instruments, with a portion classified as equity and the rest as a liability. As of March 31, 2010, the issuance of convertible bonds, which classified as equity portion are recorded under "additional paid-in capital-stock option" amounted \$153,508. In addition, the fair value of call options and put options embedded in bonds payable was separated from bonds payable, and was recognized under "Financial assets or liabilities at fair value through profit or loss" in accordance with SFAS No. 34. The effective annual interest rate of the bonds range is from 2.122% to 2.263%.

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1. Long - Term Loans

<u>Creditor</u>	<u>Usage and redemption duration</u>	<u>March 31, 2010</u>
ABN AMRO, Mega International Commercial Bank and 14 other participating financial institutions (Note A)	2008.10.30~2011.10.30, \$1.5 billion is payable in 3 semi-annual installments, commencing on April 30, 2010 and the remaining amount is payable on maturity date.	\$ 7,200,000
Industrial and Commercial Bank of China — Ji-An Branch	2009.10.09~2011.10.08, interest is payable quarterly, and total outstanding amount is payable on maturity date.	139,754
Mega International Commercial Bank — Lan-Ya Branch	2004.12.31~2012.01.31, payable in 20 quarterly installments, commencing from the date of borrowing (with a two year grace period).	56,602
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).	345,966
The Shanghai Commercial & Savings Bank, Ltd. — Chung — Li Branch	2006.12.08 ~2013.10.15, interest is payable monthly and principal is payable in quarterly installments from the thirteenth month, commencing the date of borrowing.	19,837
The Shanghai Commercial & Savings Bank, Ltd. — Chung — Li Branch	2009.06.23 ~2014.06.23, interest is payable monthly and principal is payable in quarterly installments from the thirteenth month, commencing the date of borrowing.	95,220
The Shanghai Commercial & Savings Bank, Ltd. — Chung — Li Branch	2009.07.23 ~2014.07.15, interest is payable monthly and principal is payable in quarterly installments from the thirteenth month, commencing the date of borrowing.	23,805
The Shanghai Commercial & Savings Bank, Ltd. — Chung — Li Branch	2009.11.23 ~2014.10.15, interest is payable monthly and principal is payable in quarterly installments from the thirteenth month, commencing the date of borrowing.	230,115
Subtotal		8,111,299
Less: Current portion		(70,864)
		<u>\$ 8,040,435</u>
Range of interest rate		<u>0.79%~4.86%</u>

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:

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

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

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

m. Pension Plan :

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

n. Income Tax :

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

o. Stockholders' Equity

(i) Capital Stock

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

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

In order to integrate the group's OEM business and boost productivity, on April 24, 2008, pursuant to resolutions of the board of directors, the Company proceeded the share swap with UNIHAN CORPORATION (a 100% owned entity of ASUSTek Computer Inc.) effective on May 1, 2008. The share swap ratio was 2.8613 shares of UNIHAN CORPORATION to 1 share of the Company. In accordance with the share swap arrangement, the Company issued 279,628 thousand new shares, resulting in additional capital of \$2,796,281. Thereafter, the total outstanding capital amounted to \$18,846,281, divided into 1,884,628 thousand shares with par value of \$10 per share. This capital

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increase was approved by the central government authority, and the Company had completed the process for the registration thereof.

In order to enhance own-brand business and boost productivity, the board of directors of ASUSTeK Computer Inc. (ASUSTek) resolved on December 11, 2009 but revised it on January 1, 2010, to spin-off or cede its OEM group (Pegatron Corporation (the Company)) to Pegatron International Investment Co., Ltd. (Pegatron Investment), which is being held by ASUSTeK. Pegatron Investment will issue new shares to ASUSTeK and all shareholders of ASUSTek, for which, ASUSTek and all other shareholders of ASUSTek will acquire 25% ownership and 75% ownership, respectively, of the equity of Pegatron Investment. The record date of this spin-off is June 1, 2010. Following the spin-off, the Company will merge with Pegatron Investment. As a surviving entity from this merger, the Company will apply for the initial public offering (IPO) to the Taiwan Stock Exchange Corporation. This merger plan has been resolved by both the board of directors of the Company and Pegatron Investment on January 1, 2010, and also resolved by both shareholders' meetings of the Company and Pegatron Investment on January 17, 2010. The record date for this merger is June 10, 2010

(ii) Legal reserve and capital surplus

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

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

For the three month period ended March 31, 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 \$194,872, which were debited to salary expense and credited to capital surplus — others.

(iii) 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.

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

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

There were no differences between the actual results of earnings distributed in 2009 and those estimated and accrued in the financial statements of 2009.

For the three months period ended March 31, 2010, the distribution for employee bonus and remuneration to directors and supervisors from the distributable earnings amounted to \$177,014 and \$8,851, respectively. Differences between the amounts approved in the shareholders' meeting and recognized in the financial statements, if any, are to be accounted for as changes in accounting estimates and recognized in profit or loss next year.

p. Employee Stock Option

- (i) The details of the first batch of employee stock options of the Ability Enterprise Co., Ltd. in 2007 were as follows:
 - 1) On November 20, 2007, pursuant to the resolutions of its board of directors, Ability Enterprise Co., Ltd. (Ability) had issued employee stock options covering a total number of 19,500 units. Each unit bears an option to subscribe for one thousand share of Ability's common stock. Therefore, 10,000 thousand shares of new common stock were issued from the exercise of 10,000 units of employee stock option. Following the issuance of employee stock options, any event, such as additional change to common

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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 March 31, 2010, the weighted-average expected life of the employee stock options was 4.99 years.

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

	For the Three Months Period Ended March 31, 2010	
	Quantity of stock option (thousand shares)	Weighted-average exercise price (dollars)
Outstanding at the beginning or the year	10,000	41.3
Granted	-	-
Added or adjusted	-	-
Exercised	-	-
Forfeited	-	-
Outstanding at the end of the year	10,000	41.3
Exercisable at the end of the year	-	

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

	For the Three Months Period Ended March 31, 2010	
Net income:		
Net income	\$	604,466
Pro forma net income		596,444
Basic earning per share		
Earnings per share		1.38 dollars
Pro forma earning per share		1.36 dollars
Diluted earning per share		
Earnings per share		1.33 dollars
Pro forma earning per share		1.31 dollars

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

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

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

1) On November 20, 2007, pursuant to resolutions of its board of directors, Ability Enterprise Co., Ltd. (Ability) had issued employee stock options covering a total number of 19,500 units. The second batch of employee stock option, 9,500 units, was issued on October 13, 2008. Each unit bears an option to subscribe for one thousand shares of Ability's common stock at an exercise price of \$22.2 per share. As of March 31, 2010, the weighted-average expected life of the employee stock options was 5.50 years.

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

	For the Three Months Ended March 31, 2010	
	Quantity of stock option (thousand shares)	Weighted-average exercise price (dollars)
Outstanding at the beginning or the year	9,500	20.8
Granted	-	-
Added or adjusted	-	-
Exercised	-	-
Forfeited	-	-
Outstanding at the end of the year	9,500	20.8
Exercisable at the end of the year	-	

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

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

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

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

	For the Three Months Period Ended March 31, 2010
Equity transaction	5,433

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

For three months period ended March 31, 2010, the Parent company's basic earnings per share, diluted earnings per share and adjustments were computed as follows:

(Note: shares in thousands)

	For the three Months Period Ended March 31, 2010	
	Before income tax	After income tax
Net income	\$ 2,585,017	1,775,316
Weighted-average common shares outstanding	2,286,054	2,286,054
Dilutive potential common shares	33,129	33,129
Diluted shares	2,319,183	2,319,183
Primary earnings per share	\$ 1.13	0.78
Diluted earnings per share	\$ 1.11	0.77

r. **Financial Instruments**

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

In addition to all of the above, other financial instruments as of March 31, 2010, were as follows:

	March 31, 2010	
	Book Value	Fair Value
Non-Financial Instruments		
Financial Assets		
Financial assets carried a cost-non current	\$ 773,805	-
Financial Liabilities		
Bonds payable	1,350,622	1,350,622
Long-term loans (includes current portion)	8,111,299	8,112,99

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Financial Instruments

Financial Assets

Currency swap contracts	\$	3,866	3,866
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Financial Liabilities

Forward exchange contracts-hedging		458	458
Forward exchange contracts-non-hedging		5,619	5,619
Forward exchange contracts		753	753
Embedded derivatives-convertible bonds		13,737	13,737

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

- 1) The fair value of financial instruments, which are carried at fair value through profit or loss and traded in active markets, is based on quoted market prices. If the financial instruments are not traded in an active market, then the fair value is determined by using valuation techniques, under which, the estimates and assumptions used are consistent with prevailing market conditions.
- 2) Financial assets carried at cost, are measured at carrying value, as their market price is difficult to determine, due to lack of objective evidences, in practice.
- 3) The fair value of call options and put options embedded in the convertible bonds, which were issued after January 1st, 2006, is determined by their book value.
- 4) The fair market value of long-term debt 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.
- 5) The fair value of the derivatives is determined by their book value on the balance sheet date. If the derivatives are not traded in active markets, then the fair value is determined by using valuation techniques, under which the estimates and assumptions used are consistent with prevailing market conditions.

(iii) Loss recognized from changes in the fair values of financial assets and liabilities, which were estimated by using valuation techniques, amounted to \$15,325, for the three months period ended March 31, 2010.

(iv) Information on financial risk

2) Market risk

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

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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.

3) Credit risk

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

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

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

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

4) Liquidity risk

The capital and working funds of the Consolidated Company are sufficient to meet its entire contractual obligations and un-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.

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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.

5) Cash flow risk arising from variation in interest rates

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

(v) Risk control, Hedging strategies and related activities

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

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

As of March 31, 2010, financial instruments transactions accounted for using the hedge accounting were as follows:

Hedged item	Derivative Financial Instruments	March 31, 2010 Hedging instrument designated at fair value
Payables – foreign currency	Forward exchange contracts	\$ <u>(5,619)</u>

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

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

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5. Related-Party Transactions

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

Name of Related Party	Relationship with the Company
ASUSTeK Computer Inc.	The parent company
Askey Computer Corp.	An investee company accounted for under the equity method by the parent
ASMEDIA TECHNOLOGY INC.	//
International United Technology Co., Ltd. (Taiwan)	//
Shinewave International Inc.	//
UNIMAX ELECTRONICS INCORPORATION	//
ASUS TECHNOLOGY INCORPORATION	//
ASUS Computer (Shanghai) CO., LTD.	//
Powtek (Shanghai) Co., Ltd.	//
ASUS Technology (Suzhou) Co., Ltd.	//
eMES (SUZHOU) CO., LTD.	//
ASHINE TECHNOLOGY (SUZHOU) LTD.	//
Huizhou Enertronix Co., Ltd.	//
ASUS COMPUTER INTERNATIONAL	//
ASUS HOLLAND B.V.	//
ASUS TECHNOLOGY PTE. LIMITED (ASTP)	//
ASKEY TECHNOLOGY (JIANGSU) LTD.	//
ASUSTEK COMPUTER (SHANGHAI) CO., LTD.	//
(ASUS UNITED Technology (Shanghai) Co., Ltd. formerly)	//
AGAiT Technology Corporation	//
ASHINE PRECISION CO., LTD.	An investee company accounted for under the equity method.
Avy Precision Technology Inc.	//
Avy Co., Ltd.	//
DongGuan Avy Precision Metal Components Co., Ltd.	//
DongGuan ChengGuangp Precision Hardware Co., Ltd.	//

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<u>Name of Related Party</u>	<u>Relationship with the Company</u>
AVY PRECISION METAL COMPONENTS (SUZHOU)	An investee company accounted for under the equity method
SHINE TRADE INTERNATIONAL LTD.	//
YORKEY OPTICAL TECHNOLOGY LTD. (SAMOA)	//
AVY HIGH TECH LIMITED	//
SHANGHAI INDEED TECHNOLOGY CO., LTD.	//
HONG HUA TECHNOLOGY (SUZHOU) CO., LTD.	//
GHING HONG PRECISE MOULD INDUSTRY (SUZHOU) CO., LTD	//
Taishiba International Co., Ltd.	An affiliate of Ability Enterprise Co., Ltd.

b. Significant Transactions with Related Parties

(i) Sales

<u>Name of Related Party</u>	<u>For the Three Months Period Ended March 31, 2010</u>		
	<u>Amount</u>	<u>% of Net Sales</u>	<u>The collection term</u>
ASUSAeK	\$ 56,399,740	43.35%	30~60 days from receipt of goods Open account 30~120 days
Others	80,968	0.06%	30~60 days from receipt of goods Open account 30~120 days
Total	<u>\$ 56,480,708</u>	<u>43.41%</u>	

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

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(ii) Purchases

<u>Name of Related Party</u>	<u>For the Three Months Ended March 31, 2010</u>		
	<u>Amount</u>	<u>% of Net Sales</u>	<u>The collection term</u>
ASUS AeK	\$ 39,972,077	16.80%	30~60 days from receipt of goods Open account 30~120 days
Others	1,405,832	0.59%	30~60 days from receipt of goods Open account 30~120 days
Total	<u><u>\$ 41,374,909</u></u>	<u><u>17.39%</u></u>	

The prices and purchase term are the same as general purchase terms.

For three months period ended March 31, 2010, the Company purchased raw materials from vendors through ASUSTek.

(iii) Others

1)

<u>After-sales warranty repair expense paid to:</u>	<u>For the Three Months period Ended March 31, 2010</u>
ASTP	\$ 99,027
ASUS Computer (Shanghai)	36,278
ASUSTEK COMPUTER (SHANGHAI)	952
Total	<u><u>\$ 136,257</u></u>

2)

<u>Other income from</u>	<u>For the Three Months period Ended March 31, 2010</u>
ASUSTeK	\$ 177,645
Others	629
Total	<u><u>\$ 178,274</u></u>

3) For three months period ended March 31, 2010, the Consolidated Company incurred other related party transactions recorded as expenses such as processing fee, rental expense, other expense, royalty payment, storage expense, professional service fee, etc, which amounted to \$13,622.

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- 4) For three months period ended March 31, 2010, the Consolidated Company incurred other related party transactions recorded as processing revenue and repair revenue, which amounted to \$83,380.

(iv) Property Transactions

1. Properties Purchased

For three months period ended March 31, 2010, properties purchased from other related parties amounted to \$38,017.

2. Rental Revenue

For three months period ended March 31, 2010, the Consolidated Company incurred other related party transactions recorded as rental revenue, which amounted to \$7,158.

(v) Accounts Receivable (Payable)

	March 31, 2010	
	Amount	%
Notes and Accounts Receivable:		
ASUSTeK	\$ 9,945,332	18.27%
Others	213,790	0.39%
Sub-total	10,159,122	18.66%
Less: Allowance for doubtful accounts	(665)	
Total	\$ 10,158,457	

	March 31, 2010	
	Amount	%
Other receivables:		
ASUSTeK	\$ 689,351	31.75%
Others	14,530	0.67%
Total	\$ 703,881	32.42%

Notes and Accounts Payable		
SHANGHAI INDEED TECHNOLOGY CO., LTD.	\$ 662,924	1.09%
Avy Precision Technology Inc.	283,901	0.47%
Others	530,928	0.87%
Total	\$ 1,477,753	2.43%

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

	March 31, 2010
Assets:	
Other current assets	\$ 5,767
Other financial assets-non current	2,029
	\$ 7,796
 Liabilities:	
Accrued expenses	\$ 55,322
Other financial liabilities-current	137
Other current liabilities	36,926
	\$ 92,385

(vi) Endorsement Guarantee

As of March 31, 2010, the endorsement guarantees provided by a related party for the Consolidated Company's purchases were as follows:

Name of Related Party Guarantee	Amount of Guarantee (thousands) March 31, 2010
ASUSTeK	USD 300,000

6. Pledged Assets

As of March 31, 2010, pledged assets were as follows:

Asset	March 31, 2010	Purpose of pledge
Restricted deposit	\$ 150,110	Customs duty guarantee, bank loans, rental deposits, credit contracts, issued letter of credit, travel agency guarantee, etc.
Property, plant and equipment	2,852,382	Bank loans
Land use rights	598,620	Bank loans
Inventories	16,410	Lawsuit collateral (Note A)
Refundable deposits	293,563	Deposits for performance guarantee
	\$ 3,911,085	

Note A: Accounted for restricted assets, included in other current assets.

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

As of March 31, 2010, major commitments and contingencies were as follows:

	(Thousands dollars) March 31, 2010
(a) <u>Unused standby letters of credit:</u>	<u>\$</u>
NTD	15,000
EUR	359
JPY	2,432,122
USD	44,010

(b) As of March 31, 2010, promissory notes and certificate of deposit obtained for business purpose amounted to \$18,049.

(c) Future lease commitments from the lease of buildings under the operating lease agreements were as follows:

	Future lease commitments				
	2011	2012	2013	2014	2015
Future lease commitments	187,035	135,863	98,291	12,529	6,353

(d) As of March 31, 2010, the significant contracts for purchase of properties signed by the Consolidated Company amounted to \$1,786,522, of which \$443,432 were unpaid

(e) AVerMedia Technologies Inc. filed an attachment for damage loss against Lumens Digital Optics Inc. with the Taiwan HsinChu District court on January 3, 2005. Lumens Digital Optics Inc. pledged a deposit of \$90,000 as counter-security to the Court for rescinding the attachment. In addition, AVerMedia Technologies Inc., again, filed an attachment for the same reason with the court. HsinChu District court has seized the inventory of Lumens Digital Optics Inc. amounting to \$16,410. This case is currently under investigation and Lumens Digital Optics Inc. believes that there is no material loss on the aforementioned case.

(f) One of ASUSPOWER CORPORATION's American customers voluntarily filed for bankruptcy with United States Bankruptcy Court of California District. The customer has made payments for goods amounting to US\$1,439,484 to ASUSPOWER COPORATION 90 days before filing for bankruptcy. Insolvency administrator of the customer filed a lawsuit with California court later on claiming that according to United States Bankruptcy Code § 547, the payments could be returned and requested ASUSPOWER CORPORATION to return the amount paid. ASUSPOWER CORPORATION received a notice from the court in September 2009, and entered a plea. This lawsuit is still under investigation.

(g) As of March 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 and 2006 income tax return, in which the tax authority reduced the

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company's' tax benefits amounted \$43,019, \$61,898 and \$82,105, respectively, and had filed administrative proceedings..

8. SIGNIFICANT CATASTROPHIC LOSSES: None.

9. SIGNIFICANT SUBSEQUENT EVENTS: None.

10. OTHERS:

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

11. DISCLOSURES REQUIRED:

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

a. Information on significant transactions:

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

b. Information on investee companies:

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

c. Information on investment in Mainland China:

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

d. Transactions between the Company and its subsidiaries (Disclose the transaction amount above 100 million)

(1) For the three months period ended March 31, 2010

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No. (Note 1)	Name	Object of transaction	Relationship (Note 2)	Details of transaction			Percentage of consolidated income or total assets (Note 3)
				Account	Amount	Terms of collection/payment	
0	The Company	ASIAROCK TECHNOLOGY LIMITED	1	Account receivable	289,465	30 days from receipt of goods	0.13 %
0	The Company	PEGATRON Czech s.r.o.	1	Account receivable	2,940,056	120 days from receipt of goods	1.34 %
0	The Company	PEGATRON Czech s.r.o.	1	Other receivable	636,000	Interest 1%	0.29 %
0	The Company	UNIHAN	1	Account receivable	112,121	60 days from receipt of goods	0.05 %
0	The Company	UNIHAN	1	Other receivable	2,100,263	-	0.96 %
0	The Company	Protek (ShangHai) Limited	1	Account receivable	50,167,658	90 days from receipt of goods	22.93 %
0	The Company	Powtek (ShangHai) Co., Ltd	1	Account receivable	1,006,909	45 days from receipt of goods	0.46 %
1	UNIHAN	PEGATRON Czech s.r.o.	3	Account receivable	5,666,291	Open account 120 days	2.59 %
2	MAINTEK COMPUTER (SUZHOU) CO., LTD.	ASUSPOWER CORPORATION	3	Other receivable	1,197,270	Open account 60 days	0.55 %
2	MAINTEK COMPUTER (SUZHOU) CO., LTD.	CASETEK COMPUTER (SUZHOU) CO.,LTD	3	Other receivable	631,012	both parties agreed	0.29 %
3	BOARDTEK COMPUTER (SUZHOU) CO., LTD.	BOARDTEK (H.K.) TRADING LIMITED	3	Account receivable	410,785	Open account 60-90 days	0.19 %
3	BOARDTEK COMPUTER (SUZHOU) CO., LTD.	the Company	2	Account receivable	251,268	Open account 90 days	0.11 %
3	BOARDTEK COMPUTER (SUZHOU) CO., LTD.	UNIHAN	3	Account receivable	233,930	Open account 60 days	0.11 %
3	BOARDTEK COMPUTER (SUZHOU) CO., LTD.	Protek (ShangHai) Limited	3	Account receivable	193,730	Open account 60 days	0.09 %
4	Protek (ShangHai) Limited.	the Company	2	Account receivable	46,420,583	Open account 90 days	21.22 %
4	Protek (ShangHai) Limited.	the Company	2	Other receivable	566,407	Open account 90 days	0.26 %
5	Toptek Precision Industry(SuZhou) Co., Ltd.	AMA Technology Corporation	3	Account receivable	123,467	Open account 30 days	0.06 %
6	AzureWave Technologies, Inc.	The Company	2	Account receivable	153,949	Open account 60 days	0.07 %
6	AzureWave Technologies, Inc.	Protek (ShangHai) Limited.	3	Account receivable	505,604	60~90 days from receipt of goods	0.23 %
7	CASETEK COMPUTER (SUZHOU) CO., LTD	PEGATRON Czech s.r.o.	3	Account receivable	319,572	Open account 60 days	0.15 %
7	CASETEK COMPUTER (SUZHOU) CO., LTD	The Company	2	Account receivable	726,341	Open account 60 days	0.33 %

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PEGATRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

No. (Note 1)	Name	Object of transaction	Relationship (Note 2)	Details of transaction			Percentage of consolidated income or total assets (Note 3)
				Account	Amount	Terms of collection/payment	
7	CASETEK COMPUTER (SUZHOU) CO., LTD	UNIHAN	3	Account receivable	319,342	Open account 60 days	0.15 %
7	CASETEK COMPUTER (SUZHOU) CO., LTD	Protek (ShangHai) Limited.	3	Account receivable	239,719	Open account 60 days	0.11 %
8	AMA PRECISION INC.	Toptek Precision Industry(SuZhou) Co., Ltd.	3	Account receivable	315,528	Open account 60 days	0.14 %
9	ASROCK Incorporation	ASROCK AMERICA, INC.	3	Account receivable	328,543	Open account 90 days	0.15 %
9	"	ASROCK EUROPE B.V.	3	Account receivable	332,347	45 days from receipt of goods	0.15 %
10	ACTION PIONEER INTERNATIONAL LTD.	Ability Enterprise Co., Ltd.	3	Account receivable	106,904	both parties agreed	0.05 %
11	AMA Technology Corporation	AMA PRECISION INC.	3	Account receivable	223,334	Open account 90 days	0.10 %
12	ASIAROCK TECHNOLOGY LIMITED	ASROCK Incorporation	3	Account receivable	1,473,764	Open account 60 days	0.67 %
13	ASUSPOWER CORPORATION	The Company	2	Account receivable	10,958,270	30 days from receipt of goods	5.01 %
13	ASUSPOWER CORPORATION	UNIHAN	3	Account receivable	10,168,737	30 days from receipt of goods	4.65 %
13	ASUSPOWER CORPORATION	MAINTEK COMPUTER (SUZHOU) CO., LTD.	3	Account receivable	1,548,719	Open account 90 days	0.71 %
13	ASUSPOWER CORPORATION	BOARDTEK COMPUTER (SUZHOU) CO., LTD.	3	Account receivable	2,690,484	Open account 90 days	1.23 %
13	ASUSPOWER CORPORATION	COTEC ELECTRONICS (SUZHOU) CO., LTD.	3	Account receivable	718,645	Open account 90 days	0.33 %
13	ASUSPOWER CORPORATION	CASETEK COMPUTER (SUZHOU) CO.,LTD	3	Account receivable	1,676,025	Open account 90 days	0.77 %
14	PEGATRON Czech s.r.o.	UNIHAN	3	Account receivable	1,210,596	30 days from receipt of goods	0.55 %
15	PEGATRON Mexico, S.A. DE C.V.	The Company	2	Other receivable	364,293	30 days from receipt of goods	0.17 %
16	VIEWQUEST TECHNOLOGIES(BVI) INC.	Ability Enterprise Co., Ltd.	3	Account receivable	3,639,299	both parties agreed	1.66 %
0	The Company	ASIAROCK TECHNOLOGY LIMITED	1	Sales	263,781	30 days from receipt of goods	0.20 %
0	The Company	PEGATRON Czech s.r.o.	1	Sales	1,839,311	120 days from receipt of goods	1.41 %
0	The Company	UNIHAN	1	Sales	110,766	60 days from receipt of goods	0.09 %

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PEGATRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

No. (Note 1)	Name	Object of transaction	Relationship (Note 2)	Details of transaction			Percentage of consolidated income or total assets (Note 3)
				Account	Amount	Terms of collection/payment	
0	The Company	Powtek (ShangHai) Co., Ltd	1	Sales	1,347,031	45 days from receipt of goods	1.04 %
2	MAINTEK COMPUTER (SUZHOU) CO., LTD.	ASUSPOWER CORPORATION	3	Service revenue	2,195,871	Open account 60 days	1.69 %
3	BOARDTEK COMPUTER (SUZHOU) CO., LTD.	BOARDTEK (H.K.) TRADING LIMITED	3	Sales	412,825	Open account 60-90 days	0.32 %
3	BOARDTEK COMPUTER (SUZHOU) CO., LTD.	UNIHAN	3	Sales	234,847	Open account 60 days	0.18 %
3	BOARDTEK COMPUTER (SUZHOU) CO., LTD.	the Company	2	Sales	249,032	Open account 90 days	0.19 %
3	BOARDTEK COMPUTER (SUZHOU) CO., LTD.	Protek (ShangHai) Limited	3	Sales	301,888	Open account 60 days	0.23 %
4	Protek (ShangHai) Limited.	the Company	2	Sales	7,628,771	Open account 90 days	5.86 %
5	Toptek Precision Industry(SuZhou) Co., Ltd.	AMA Technology Corporation	3	Sales	216,674	Open account 30 days	0.17 %
6	AzureWave Technologies, Inc.	The Company	2	Sales	317,295	60 days from receipt of goods	0.24 %
6	AzureWave Technologies, Inc.	Protek (ShangHai) Limited.	3	Sales	612,421	60-90 days from receipt of goods	0.47 %
7	CASETEK COMPUTER (SUZHOU) CO., LTD	PEGATRON Czech s.r.o.	3	Sales	350,845	Open account 60 days	0.27 %
7	CASETEK COMPUTER (SUZHOU) CO., LTD	UNIHAN	3	Sales	308,903	Open account 60 days	0.24 %
7	CASETEK COMPUTER (SUZHOU) CO., LTD	The Company	2	Sales	557,067	Open account 60 days	0.43 %
7	CASETEK COMPUTER (SUZHOU) CO., LTD	Protek (ShangHai) Limited.	3	Sales	273,628	Open account 60 days	0.21 %
9	ASROCK Incorporation	ASROCK AMERICA, INC.	3	Sales	322,907	Open account 90 days	0.25 %
9	"	ASROCK EUROPE B.V.	3	Sales	1,083,198	45 days from receipt of goods	0.83 %
10	ACTION PIONEER INTERNATIONAL LTD.	Ability Enterprise Co., Ltd.	3	Sales	136,358	both parties agreed	0.10 %
11	AMA Technology Corporation	AMA PRECISION INC.	3	Sales	289,379	Open account 90 days	0.22 %
12	ASIAROCK TECHNOLOGY LIMITED	ASROCK Incorporation	3	Sales	1,837,448	Open account 60 days	1.41 %
13	ASUSPOWER CORPORATION	The Company	2	Service revenue	1,181,024	30 days from receipt of goods	0.91 %
13	ASUSPOWER CORPORATION	UNIHAN	3	Service revenue	1,102,847	30 days from receipt of goods	7.66 %

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PEGATRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

No. (Note 1)	Name	Object of transaction	Relationship (Note 2)	Details of transaction			
				Account	Amount	Terms of collection/payment	Percentage of consolidated income or total assets (Note 3)
16	VIEWQUEST TECHNOLOGIES(BVI) INC.	Ability Enterprise Co., Ltd.	3	Sales	9,971,274	both parties agreed	1.66 %
17	AVY PRECISION ELECTROPLATING (SUZHOU) Co., LTD.	United New Limited	3	Sales	616,133	60 days from receipt of goods	0.47 %
18	Lumens	Lumens Integration	3	Sales	124,777	30 days from receipt of goods	0.10 %

Note 1: For transactions between the Company and its subsidiaries, numbers are assigned as follows:
1. 0 represents the Company.

2. Serial numbers for the subsidiaries begin from number 1.

Note 2: Relationships are stated as follows:

1. The Company to subsidiary.

2. Subsidiary to the Company.

3. Subsidiary to other subsidiary

Note 3: The percentage with respect to the consolidated asset/liability for transactions of balance sheet items are based on each item's balance at period-end.

For profit or loss items, cumulative balances are used as basis.

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

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

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

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