

(English Translation of Financial Report Originally Issued in Chinese)

PEGATRON CORPORATION AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

(With Independent Accountant' Review Report)

Address: 5F., No.76, Ligong St., Beitou District, Taipei City 112, Taiwan

Telephone: 886-2-8143-9001

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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 September 30, 2010, and the related consolidated statements of income and cash flows for the nine months then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue the review report based on our review.

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

The consolidated financial statements of certain subsidiaries were consolidated based on their unreviewed financial statements as of and for the nine months ended September 30, 2010. As of September 30, 2010, the total assets of these subsidiaries amounted to \$185,531,459 thousand, representing 82.40% of the related consolidated total assets and total liabilities amounted to \$76,925,661 thousand, representing 73.43% of the related consolidated liabilities. For the nine months ended September 30, 2010, the operating revenues of these subsidiaries amounted to \$174,896,078 thousand, representing 43.95% of the consolidated operating revenues and their net income amounted to \$4,399,796 thousand, representing 51.72% of the consolidated net income. As disclosed in Note (4) (e) to the consolidated financial statement, the financial statements of certain long-term investments accounted for under the equity method were not reviewed by independent accountants. Long-term investments in these companies amounted to \$2,097,659 thousand as of September 30, 2010 and the related investment income thereon amounted to \$178,940 thousand for the nine months then ended.

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

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

KPMG

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

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

Note to Readers

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

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

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

(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
SEPTEMBER 30, 2010
(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

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

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

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

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

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 NINE MONTHS ENDED SEPTEMBER 30, 2010
(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

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

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

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

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

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

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

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

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

1. ORGANIZATION AND BUSINESS :

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

a. Basis of consolidation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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4. Subsidiaries excluded from consolidation

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

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

b. Financial derivatives and hedging

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

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

c. Bonds payable

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

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

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

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

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

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

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

d. Treasury Stock

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

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

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

3. Reasons for and Effect of Accounting Changes: None

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4. Summary of Major Accounts

a. Cash

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

b. Financial Instruments

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

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

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

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

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

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

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

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

c. Notes and Accounts Receivable

(i) Non-related parties

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

(ii) As of September 30, 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>\$ 595,870</u> | <u>369,996</u> | None | USD 30,000 |

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d. Inventories

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

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

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

e. Long-Term Equity Investments

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

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

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

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

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

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f. Joint Venture Investments

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

| | September 30, 2010 | |
|---------------------|---------------------------|---------|
| Current assets | \$ | 685,131 |
| Non current assets | | 14,637 |
| Current liabilities | | 475,318 |

| | For the nine months ended September 30, 2010 | |
|----------|---|-----------|
| Revenues | \$ | 1,816,220 |
| Expenses | | 1,765,368 |

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

(i) Property, plant and equipment

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

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

(ii) Rental assets

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

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

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

(iii) Idle assets

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

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

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

h. Intangible assets

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

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

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

i. Other Assets – Other

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

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

j. Short - Term Loans

| | September 30, 2010 |
|------------------------|---------------------------|
| Credit loans | \$ 1,546,312 |
| Collateralized loans | 222,159 |
| Total | \$ 15,685,471 |
| Range of interest rate | 0.50% ~ 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

| | September 30, 2010 |
|----------------------------------|---------------------------|
| Bonds payable | \$ 1,500,000 |
| Less: discounts on bonds payable | (133,925) |
| Total | \$ 1,366,075 |

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

- 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 (From 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, 2015, the bondholders can exercise their right to convert the bonds into the Company's common stock. Under the terms of the convertible bonds, the rights and obligations of the new shares converted from convertible bonds are the same as the issued and outstanding common stock.

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- iii. The conversion price will be adjusted based on the terms of the conversion plan, and will be reset based on the prescribed formula upon the occurrence of certain events that will have a dilutive effect on the bondholders' rights. As of September 30, 2010, the conversion price is \$60 and as Ability (TW) will distribute cash dividend as August 1, 2010, the exercise price will be adjusted from \$60 to \$55.7 on that date.
 - iv. After 3 years from issue date (Feb 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 40 days prior to the maturity date.
 - vi. Under the terms of the convertible bonds, the convertible bonds which are repurchased, redeemed, or converted to common shares will be retired and cannot be sold or re-issued.
2. In accordance with SFAS No. 36, convertible bonds are initially treated as compound financial instruments, with a portion classified as equity and the rest as a liability. As of September 30, 2010, the issuance of convertible bonds, which classified as equity portion are recorded under "additional paid-in capital-stock option" amounted \$153,508. In addition, the fair value of call options and put options embedded in bonds payable was separated from bonds payable, and was recognized under "Financial assets or liabilities at fair value through profit or loss" in accordance with SFAS No. 34. The effective annual interest rate of the bonds range is from 2.122% to 2.263%.

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1. Long - Term Loans

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

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

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

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

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

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

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m. Pension Plan :

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

n. Income Tax :

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

o. Stockholders' Equity

(i) Capital Stock

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

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

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

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

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

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

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

(ii) Legal reserve and capital surplus

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

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

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

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(iii) Treasury Stock

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

(iv) Earnings Distribution and Dividend Policy

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

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

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

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

| Common stock dividends per share (dollars) | 2009 |
|--|---------------------|
| -Cash | \$ 1.75 |
| -Stock (at par) | - |
| Total | \$ 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. Related information can be found through Market Observation Post System, etc.

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

p. Employee Stock Option

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

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

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

| | For the Nine Months Ended September 30, 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 | (3,246) | 38.3 |
| Forfeited | - | - |
| Outstanding at the end of the year | 6,754 | 38.3 |
| Exercisable at the end of the year | 754 | |

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

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

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

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

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

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

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

| | For the Nine Months Ended September 30, 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 | 19.3 |
| Exercisable at the end of the year | - | |

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

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

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

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

| | For the Nine Months Ended September 30, 2010 |
|--------------------|---|
| Equity transaction | \$ 16,299 |

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q. Earnings per Share (EPS)

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

(Note: shares in thousands)

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

r. Financial Instruments

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

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

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

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

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

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

(iv) Information on financial risk

2) Market risk

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

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

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3) Credit risk

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

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

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

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

4) Liquidity risk

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

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

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

5) Cash flow risk arising from variation in interest rates

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

(v) Risk control, Hedging strategies and related activities

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

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

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

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

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

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

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5. Related-Party Transactions

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

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

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

b. Significant Transactions with Related Parties

(i) Sales

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

(ii) Purchases

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

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

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

(iii) Others

1)

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

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2)

| Other income from | For the Nine Months Ended September 30, 2010 |
|--------------------------|---|
| ASUSTeK | \$ 427,289 |
| Others | 2,505 |
| Total | \$ 429,794 |

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

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

(iv) Property transactions

(a) Purchase of properties

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

(b) Disposal of properties

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

(c) Rental revenue

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

(v) Accounts Receivable (Payable)

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

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

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

| | September 30, 2010 | |
|-------------------------|---------------------------|--|
| Assets: | | |
| Temporary payments | \$ 5,748 | |
| Liabilities: | | |
| Other Accrued expenses | \$ 224 | |
| Temporary receipts | 53,719 | |
| | \$ 53,943 | |

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PEGATRON CORPORATION AND ITS SUBSIDIARIES
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(vi) Endorsement Guarantee

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

| Name of Related Party Guarantee | Amount of Guarantee (thousands) | |
|--|--|----------------|
| | September 30, 2010 | |
| ASUSTeK | USD | 300,000 |

6. Pledged Assets

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

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

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

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

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

(a)

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

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

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

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

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

8. SIGNIFICANT CATASTROPHIC LOSSES: None.

9. SIGNIFICANT SUBSEQUENT EVENTS: None.

10. OTHERS:

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

11. DISCLOSURES REQUIRED:

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

a. Information on significant transactions:

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

b. Information on investee companies:

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

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c. Information on investment in Mainland China:

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

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

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

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PEGATRON CORPORATION AND ITS SUBSIDIARIES
DISCLOSURES-TABLE 1

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

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

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

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

Note 2: Relationships are stated as follows:

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

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

Note 3: balance at period-end

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

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

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