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BenQ Corporation

2001 Annual Report

Spokesperson：

Name:	Joseph Huang
Position:	Executive Vice President
Tel:	886-2-2799-8800
E-mail	Investor@BenQ.com

Spokesperson：

Name:	Eric KY Yu
Position:	Chief Financial Officer
Tel:	886-3-359-8800
E-mail	Investor@BenQ.com

Spokesperson：

Name:	Alex Liou
Position:	Financial Controller
Tel:	886-3-359-8800
E-mail	Investor@BenQ.com

Headquarters & Factory

Headquarters & Taoyuan Plant:	157 Shan-Ying Road, Gueishan, Taoyuan 333, Taiwan, R.O.C.
Tel:	886-3-359-8800
Jiandong Plant:	29 Jian-Guo E. Road, Gueishan, Taoyuan 333, Taiwan, R.O.C.
Tel:	886-3-359-8800
Gueishan Plant:	No. 7, Shing-Ye St., Gueishan, Taoyuan 333, Taiwan, R.O.C.
Tel:	886-3-359-8800
Taipei office:	8 Jihu Road, Neihu, Taipei 114, Taiwan, R.O.C.
Tel:	886-2-2799-8800

Website：http://www.BenQ.com.

Registrar & Transfer Agent

Name:	National Securities Corp.
Address:	3F, 53, Po Ai Road, Taipei 100, Taiwan, R.O.C.
Website:	http://www.nsc.com.tw
Tel:	886-2-2381-6288

The Auditors

Name:	Alfred Chen, Albert Lou
Name:	KPMG Peat Marwick
Address:	6th Fl., No. 156, Sec.3, Min-Sheng East Road, Taipei 105, Taiwan, R.O.C.
Website:	http://www.kpmg.com.tw
Tel:	886-2-2715-9999

Key Figures

Unit: NT$ Million

	2001	2000	1999	1998
Sales Revenue	58,820	48,627	37,902	33,432
Earnings After Tax	3,031	4,624	2,170	1,451
Growth Rate (%)	12.43	11.40	10.17	9.01
Earnings Per Share (NT$/Share)	2.20	3.35	1.78	1.25
Net Worth	28,141	27,045	22,530	14,594

Message to the Shareholders

Dear Shareholders:

Year 2001 is a very important year of BenQ's development.

With the dramatic shift of the electric industry, for instance the recession of the last three quarters and the evens such as laid off, the control of inventory and the bad earning performance of the enterprise were happened all around the world. A lot of the enterprises in Taiwan also lowed their financial forecasts. Furthermore, with the influence of the 911 event in U.S., the global economic became more and more conservative.

Fortunely, BenQ's strategy position and the global arrangement leaded BenQ to a harvesting period. In this recession, the consolidated sales revenue had a growth rate, 18% and attended to NT$ 7.37 billion. The gross growth rate also was increased from 13% to 15%. Then, the operating net income also achieved NT$ 3.2 billion. This figure showed a 158% growth YoY. After BenQ booked the loss from AUO, the net income declined 34% YoY. The performance of the net income after booking the loss of AU was NT$ 3 billion. In addition, the sales was boosted every year and the core business showed an rising profit ability. This development direction proved the right strategy decision of past years and the sales growth momentum. Furthermore, this development direction also entitled BenQ the leading position of the development potential in the customer electric industry.

BenQ always focus on the research, design and the upgrade of the product quality. Therefore, with the balance consideration of strategy and earning, BenQ spent seven years developing the communication products. Last year, the shipment of mobile phone bloomed and become the leading enterprise in Taiwan. The first quarter mobile phone delivery was 1.5 million units every month that was the record high of BenQ history. The excellent performance was depended on the diligence of the manager team and the employees, and the depth of the research teams. This performance also showed a great research, design, flexible, reactive and large capacity production ability.

One of BenQ's important strategies is the vertical management of the suppliers. Last year, the invested company of BenQ, Acer Display Technology, Inc., was merged with UNIPAC to be AUO. The new company, AUO, is the largest TFT-LCD manufacture in Taiwan and the third and fabulous one in the world. Therefore, with the strength of full size production line, the products can be used widely. Surely, BenQ can use this TFT-LCD technology strength to be the main direction, then the new business can be expand dramatically.

Name brand is the largest beneficence of the long-term enterprise development. With the broad technology development and diversified products in all segmentations, BenQ successfully released the new brand name "BenQ"-Bring Enjoy and Quality to Life. The goal is to combine the technology and enjoyment and then bring a flash feeling to the customers. Furthermore, BenQ will bring the higher level technology products into customer's life. Recently, the study in the market, the extension in the distribution, the back support and the maintenances in the after service lead a lot of BenQ's products to dominate the industry. The increasing of sales revenue in Taiwan, Mainland, Asia and Latin America confident us to public the brand name "BenQ". In the future, BenQ will use the global purchase and interactive study in the organization and centralize all the source to focus on the research to upgrade the quality of products and also develop the products with crossing area technology to upgrade the competition and then to be a global brand name.

About the forecast of the development in year 2002, the LCD display products and optimics storage products are still hot in the market. Furthermore, with the increasing demand of the replacement mobile phone, a lot of BenQ's products are the biggest players in the fast development market and the sales revenue continue to increase. With the inside portfolio source efficient application and the excellent cost control, BenQ can upgrade competition. The manage team and all the employees has positive attitude to the forecast of year 2002. BenQ also hopes that after the hard work and a series of challenge for a long time, BenQ can thank the shareholders' long-term loyalty and consideration by contributing more excellent performance.

Best regards.

Chairman: Stan Shih　　　　　　President: KY Lee

Company Background

1.Company History

(1) Established April 21, 1984

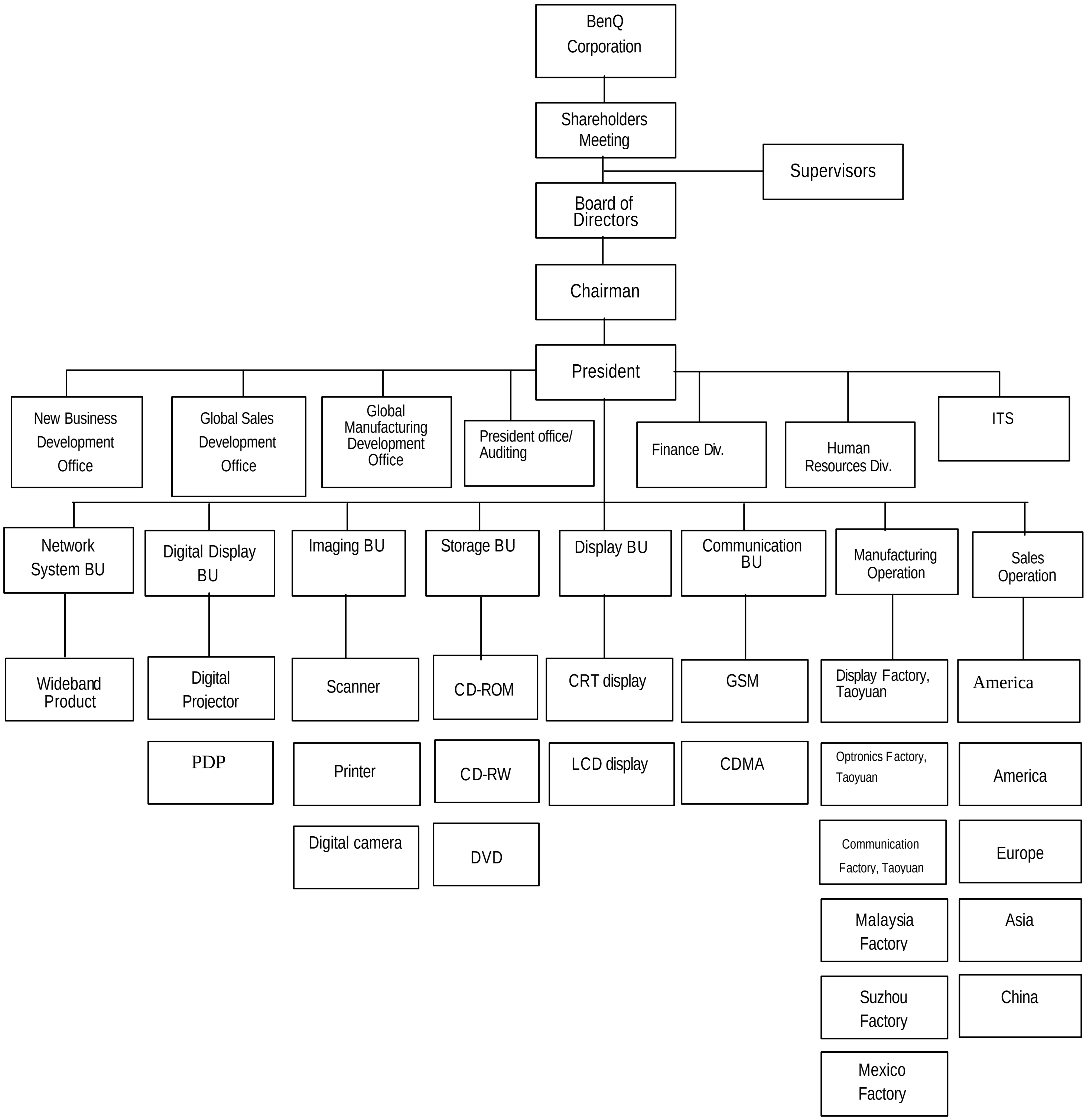
(2) Key events

April 1984
Company registered with capital of NT$140 million and paid -in capital of NT$35 million.
November 1984
Issuance of new shares raised paid-in capital to NT$70 million.
October 1986
Earnings of NT$70 million was converted to capital, bringing paid -in capital to NT$140 million.
April 1989
Acer Peripherals began production of monitors and shifted from computers to computer peripherals.
February 1992
Securities & Exchange Commission approved conversion of NT$17.85 million of capital surplus to capital; Earnings of NT$84.15 million was converted to capital prior to supplementary public offering. Capital increased from NT$170 million to NT$272 million.
April 1992
Established US-based subsidiary, Acer Peripherals Labs, Inc., to develop the U.S. market and offer after-service.
November 1992
Earnings of NT$130.048 million was converted to capital along with NT$17.952 million of capital surplus. Paid-in capital increased to NT$420 million.
February 1993
New shares issuance reached NT$180 million; paid -in capital reached NT$600 million.
April 1993
Acer Peripherals (Suzhou) Co., Ltd. was established in Mainland China to produce computer peripherals .
August 1993
Securities & Exchange Commission approved conversion of earnings to capital, increasing capital to NT$795 million.
July 1994
Securities & Exchange Commission approved conversion of earnings to capital, increasing capital to NT$1.1435 billion.
December 1994
2X CD-ROM drives successfully launched.
May 1995
Securities & Exchange Commission approved conversion of earnings to capital, increasing capital to NT$1.9 billion.
October 1995
AcerScan 300C flatbed scanner successfully launched.
November 1995
Set up the headquarters and main production facility at 157, Shan-Ying Road, Gueishan, Taoyuan, Taiwan, R.O.C..
April 1996
Securities & Exchange Commission approved issuance of new shares, increasing capital to NT$2.5 billion.
June 1996
Earnings was converted to capital, raising paid -in capital to NT$3.715 billion.
July 1996
Acer Peripherals stock formally listed.
November 1996
Issued Euro Convertible Bonds of USD110 million.
July 1997
Sheet-feeder scanner launched. Earnings and capital surplus was converted to capital, raising paid -in capital to NT$4.758 billion.
October 1997
LCD Monitor launched.
December 1997
GSM 900 mobile phone launched.
January 1998
Acer Suzhou Techno Park (ASTP) founded.
February 1998
CD-RW 2X2X6X launched.
September 1998
Earnings and capital surplus was converted to capital, raising paid -in capital to NT$6.6 billion.
December 1998
Issued Domestic Straight Bonds of NT$2 billion.
GSM 1800 mobile phone launched.
February 1999
Dye-sub photo printer launched.
March 1999
Opening of Minhu R&D center (Taipei).
June 1999
Earnings and capital surplus was converted to capital, raising paid -in capital to NT$7.67 billion.
October 1999

Issued 100 million new shares and received proceeds of NT$5.5 billion. Paid-in capital reached NT$10.83 billion.
December 1999
Opening of Jiandong Plant.
March 2000
Acquisition of Bri-Link Technology Co., Ltd.
April 2000
DLP Projector launched.
May 2000
Earnings and capital surplus was converted to capital, raising paid-in capital to NT$10.8 billion.
June 2000
Issued Domestic Convertible Bonds of NTD4, 000,000,000.
Changed name form "Acer Peripherals Inc." to "Acer Communications & Multimedia Inc."
November 2000
PDP (Plasma Display Panel) Lunched
February 2001
Issued Euro Convertible Bonds of USD175 million.
May 2001
Earnings and capital surplus was converted to capital, raising paid-in capital to NT$13.8 billion.
January 2002
Changed name from " Acer Communications & Multimedia Inc." to " BenQ Corporation"

2.The Organization of Company

Organization Chart



3. Capital and Shares

(1) The source of capital

Time	Price	Authorized capital		Capital		Note	
		Shares (1000 shares)	Amount (NT$ 1000)	Shares (1000 shares)	Amount (NT$ 1000)	Sources/Amount (NT$ 1000)	Approved Date
1984.04	10	14,000	140,000	3,500	35,000	Founded	
1984.11	10	14,000	140,000	7,000	70,000	Capital increase in cash 35,000	
1986.12	10	14,000	140,000	14,000	140,000	Re-capitalization of Bonus 70,000	
1989.12	10	17,000	170,000	17,000	170,000	Capital increase in cash 30,000	1989.12.30
1992.05	10	50,000	500,000	27,200	272,000	Capital surplus 17,850 Re-capitalization of Bonus 84,150	1992.05.07
1992.11	10	50,000	500,000	42,000	420,000	Capital surplus 17,952 Re-capitalization of Bonus 130,048	1992.11.27
1993.02	10	60,000	600,000	60,000	600,000	Capital increase in cash 180,000	1993.02.10
1994.03	10	110,000	1,100,000	79,500	795,000	Re-capitalization of Bonus 195,000	1994.03.22
1994.9	10	150,000	1,500,000	114,350	1,143,500	Re-capitalization of Bonus 348,500	1994.09.22
1995.07	10	250,000	2,500,000	190,000	1,900,000	Re-capitalization of Bonus 756,500	1995.07.06
1996.06	10	250,000	2,500,000	250,000	2,500,000	Capital increase in cash 600,000	1996.06.19
1996.08	10	800,000	8,000,000	371,500	3,715,000	Re-capitalization of Bonus 1,215,000	1996.08.23
1997.04	10	800,000	8,000,000	376,080	3,760,806	Convertible bond 45,806	1997.04.11
1997.07	10	800,000	8,000,000	475,800	4,758,008	Capital surplus 376,081 Re-capitalization of Bonus 621,121	1997.07.04
1997.10	10	800,000	8,000,000	518,787	5,187,879	Convertible bond 429,871	1997.10.07
1998.03	10	800,000	8,000,000	520,849	5,208,499	Convertible bond 20,620	1998.03.20
1998.06	10	1,100,000	11,000,000	660,062	6,600,624	Capital surplus 520,850 Re-capitalization of Bonus 871,275	1998.06.15
1998.09	10	1,100,000	11,000,000	662,817	6,628,175	Convertible bond 27,551	1998.09.25
1999.08	10	1,250,000	12,500,000	767,390	7.673,902	Capital surplus 331,409 Re-capitalization of Bonus 714,318	1999.08.11
1999.09	10	1,250,000	12,500,000	788,176	7,881,756	Convertible bond 207,854	1999.09.20
1999.11	10	1,250,000	12,500,000	888,176	8,881,756	Capital increase in cash 1,000,000	1999.11.19
2000.02	10	1,250,000	12,500,000	893,943	8,939,426	Convertible bond 57,670	2000.02.02
2000.07	10	1,650,000	16,500,000	1,082,731	10,827,312	Capital surplus 446,971 Re-capitalization of Bonus 1,440,914	2000.07.26
2001.07	10	1,770,000	17,700,000	1,381,088	13,810,879	Capital surplus 541,366 Re-capitalization of Bonus 2,442,201	2001.07.02
2001.03	10	1,770,000	17,700,000	1,398,318	13,983,180	Capital surplus 541,366 Re-capitalization of Bonus 2,442,201	2002.03.15

Shares Category	Authorized Shares			Note
	Outstanding shares	**Non-issued**	**Total**	
Common Shares	1,381,087,912 shares	388,912,088 shares	1,770,000,000 shares	Listing Company Stock

(2) The Stock Price、 Net Worth 、Earnings 、Dividend and Relative Information of Last Two Years

Unit: NTD; Per Share

		2001	2000
Net worth per share	Before distribution	21.19	24.99
	After distribution	-	23.95
EPS	Weighted average share	1,376,921,245	1,082,377,057
	EPS	2.20	4.27
	EPS (adjusted)	-	3.35
Dividends per share	Cash dividends	1	0.5
	Stock dividends Earnings	2	1.5
	Stock dividends Capital surplus	0.5	0.5
Market price	Highest	55.5	173.0
	Lowest	24.5	32.7
	Average	37.8	94.0
Invest Return Analysis	P/E Ratio	17.19	21.99

(3) The Dividend Policy and Status：

A.The Dividend Policy----The Residual Dividend Model

The company is belonged to high-tech industry which is technology- and capital-intensive high-tech concern. The company is in the budding status. In order to adopt the long term target capital structure and satisfy the shareholders with the cash flows demand, the company takes The residual Dividend Model as the dividend policy：

1. Determines the optimal capital budget。
2. Determines the amount of equity needed to finance that budget. Given its target capital structure
3. Determines the ratio of the required capital to be obtained from retained earning through stock dividend (with the remaining to be obtained through capital increase in cash increase in cash or issuance of corporate bonds).
4. Pays dividend only if more earnings are available than are needed to support the optimal capital budget. The final remainder will be retained for allocation in subsequent years expect cash dividend.

B. Terms of dividend payment for the future three years：

The Company pays dividend by means of converting the earning into capital increase, converting capital reserve into capital increase and cash dividend. The cash or stock dividends are allocated with the following considerations：

1. needs to meet future expansions。
2. Balance of the Company’s EPS。
3. Considerate the shareholders’ cash flow demand and operating profit status

C. The timing, condition, amount and categories of dividend：

If there are retained earning at the end of the fiscal year, the company, in dividends, considerate the future expansions and the cash flow demand, mainly through stock dividend matched with some cash dividend. The cash dividend, if to be allocated, shall less than 50% of the cash and stock dividend in the year.

D. According to the article 16 and 17 of the article of Incorporation of BenQ, the dividend policy is ruled as below：

Article 16: The Company shall pay dividends to shareholders in the amount of 10% per annum. If there is no profit, no dividend shall be paid out of the capital of the Company.

1. Employee bonus: 8% to 10%.
2. Remuneration of directors and supervisors: 1%.
3. The balance shall be distributed as shareholders' bonus.

The manner for distribution and ratio of bonus may be adjusted by the shareholders meeting.

Article 17: The Company is a technology enterprise with technology and capital mass and is at a growth stage in its business. In shareholders' needs for cash flow, the Company's dividend policy shall follow a surplus dividend policy in order to casue the Company's growth to be in good condition and operation.

Where the Company has a profit at the end of each fiscal year, in consideration of the expanding operation magnitude and the needs of cash flow of the Company, the major dividend issued by the Company shall be stock dividend and the Company may issue some cash dividend. As a principal, the cash dividend ratio in the current year shall not be less then 50% of the total amount of cash dividend and stock dividend in the current year.

E. The resolution of dividend appropriation in the Annual General Meeting 2001:

Cash Dividend	for every thousand issue NT$ 800
Stock Dividend by Retained Earnings	for every thousand shares issue 100 shares
Stock Dividend by capital surplus	for every thousand shares issue 20 shares
Total	for every thousand shares issue NT$ 2

Operation Status

1.Scope of Business Services

BenQ's business services include manufacturing, R&D, and sales of computer peripherals and communications & consumer electronics products. Moreover, we provide consulting and technical services.

In response to trends in global information technology, we are currently developing several types of products equipped with user-friendly interfaces, which will play essential parts in people's daily lives. They are:

■ Multimedia Display: Multimedia color monitors, LCD monitors, Plasma display, Digital projectors and Rear projection monitors.

■ Optronics Products: High-speed CD-ROM drives, CD-RW drives, DVD-ROM drives, Combi drives, DVD+RW drives, Multi-function peripherals, Color flatbed scanners, Pre-press color flatbed scanners, High-resolution film scanners and Digital cameras.

■ Communication Products: GSM 900/1800 mobile phones, Dual band GSM900/1800 mobile phones, Smart phones and CDMA mobile phones, GPRS phones, Bluetooh PCMCIA card, Wireless module, Wireless Lan, SOHO router, Ether switch, xDSL CPE and Home Network.

(1) Operating Revenue Percentage

Unit: NT$1,000

Sales Item	2001 Net Sales	%
Multimedia Display	30,315,308	51.54
Optronics Products	10,693,126	18.18
Communication Products	17,318,931	29.44
Others	492,522	0.84
Total	58,819,887	100.00

(2) Production in the Last Two Years

Unit: Set, NT$1,000

Main Products	2001			2000		
	Production Capacity	Production Quantity	Production Amount	Production Capacity	Production Quantity	Production Amount
Multimedia Display	6,500,000	4,344,511	26,572,190	7,748,000	4,651,920	23,503,465
Optronics Products	12,000,000	7,500,804	10,430,140	14,341,000	10,822,918	14,312,604
Communication Products	10,000,000	6,840,220	11,573,771	7,000,000	4,421,943	10,604,969
Others	1000,000	22,150	94,743	12,000	2,867	29,355
Total	-	-	48,670,844	-	-	48,450,393

(3) Sales in the Last Two Years

Unit: Set, NT$1,000

Main Products	2001				2000			
	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Multimedia Display	160,810	2,409,175	4,157,531	28,146,178	69,811	3,432,161	3,738,263	18,958,748
Optronics Products	445,507	607,755	7,241,308	10,085,371	70,006	110,732	7,674,809	12,069,980
Communication Products	502,955	1,623,332	6,361,087	15,695,598	10,149	31,219	4,481,421	13,708,428
Others	-	-	-	252,469	-	1,602	-	314,594
Grand Total	-	4,640,262	-	54,179,625	-	3,575,714	-	45,051,750

2.Market Analysis

(1) Main Products and Sales Areas

Sales Areas：More than 90% of our sales are exports. Initially North America took the biggest share, and then we expanded to those Asian markets other than Taiwan. From 1994 we hit aggressively on the European market, and we will put more efforts on regional balance for the years to come.

Unit: NT$1,000

Sales Area		2001 Sales Amount	2001 %	2000 Sales Amount	2000 %
Domestic		4,640,262	7.89	3,575,714	7.35
Export:	America	11,450,138	19.47	9,185,213	18.89
	Europe	21,324,880	36.25	14,564,282	29.95
	Asia	19,186,502	32.62	19,144,721	39.37
	Other	2,218,105	3.77	2,157,534	4.44
Total		58,819,887	100.00	48,627,464	100.00

(2) Market Shares

Products	Market Shares (%) in 2001
LCD Monitor	8.0%
CRT Monitor	4.5%
CD-Rom	8.0%
Projector	10.0%
Scanner	8.5%
Mobile Phone	1.7%

(3) Market Forecast

A. Multimedia Display

According to INSTITUTE OF INFORMATION INDUSTRY, Taiwan produced 46.2 million pieces of CRT monitors in 2001, while the worldwide output of CRT monitors reached 88 million pieces. Taiwan-made CRT monitors took up 53% of global market share. The same figures in 2002 will hit 44.5 million pieces (Taiwan-made), 87 million pieces (worldwide), and 51% (market share) respectively.

The worldwide market for LCD monitors will increase from 15.0 million pieces in 2001 to 26.0 million pieces in 2002. Taiwan-made LCD monitor took up and will take up more than 60% of global market share. Although the market share of Taiwan-made CRT monitor decline in year 2001, Taiwan's display industry will continue to dominate the worldwide market for the coming years because of the dominate market share and leading position in LCD monitor.

The global production quantity of PDP display attended 0.33 million units in 2001, and the forecast of the global production of PDP display will increase to 0.6 million units in 2002. With the fashion of slim TV set and the strong support from PDP panel suppliers, the global market of PDP display may have a positive growth in 2002. The production quantity of TFT TV set increased to 0.68 million units in 2001. The Forecast of the global production of TFT TV set in 2002 may attend 1.5 million units. Sharp dominates the TFT TV set market but the increasing demand and price show a great potential for the new entrants.

B. Storage Devices

Taiwan's shipments of CD-ROM drives reached 42 million pieces in 2001 with a worldwide market share of roughly 52%. The main products in Taiwan are 52x CD-ROM drives. As market demand for CD-RW and DVD-ROM increase, CD-ROM shipments will gradually decrease from 2002.

The market of DVD-ROM drives was less than expected because Japanese manufacturers tightly controlled the release of DVD patents and key components. Taiwan's shipment of DVD-ROM drives in 2001 was about 5.9 million pieces. In year 2002, shipment is forecasted to be increased to 9.6 million pieces.

Market demand for CD-RW drives is very strong and lots of PC vendors are bounding CD-RW drives with their PCs. Therefore, worldwide CD-RW shipment will increase obviously. It is forecasted that Taiwan's shipment will reach 18.3 million pieces in 2002 from 11.3 million pieces in 2001.

C. Scanners
The market of scanner did not increase. With the decreasing of suppliers and brand name promotion, BENQ becomes the important partner of the scanner-leading brand and also increase the market share around the world. With the OEM orders, the color laser printer may have excellent performance.

D. Mobile Phones
According to the various market dates, the demand of Mobile Phones shows a positive growth. Forecasting 2002, BENQ will deliver 11 million sets and about the 2.5% market share of the global market. The ranking of BENQ' s market share is NO. 10 around the world.

E. Network Product

WLAN market forecast: the shipment will increase but the production amount may decline slightly about 20% to 30%.

For the Wireless Internet card, IDC estimated the global delivery may grow about 48.3% to 8.53 million pieces and the CAGR is 42.5% from 2000 to 2005. The production amount may increase 22.8 % to US$ 950 million and the CAGR is 22.5%. On the other hand, the Forecast decline rate of the price was 20% even though the market forecast is over 30% in 2002, the decline of price can increase the demand; therefore, the forecast of shipment is conservative. IEK forecasts 10.47 million pieces and notes that the delivery of Taiwan-made products may increase about 86% to 6.85 million in 2002 from 3.68 million pieces in 2001. The market share will attend 65% around the world.

For the AP/Bridge, IDC announced the world production quality and amount will increase about 43.5% and 29.1 %. From 2000 to 2005 the CAGR will be 33.5% and 25.7% because of the slight declining forecast of the price. According to MIC, although the AP production quality in Taiwan increased 60% in 2001, the growth rate production amount is only 6%. Therefore, the increasing delivery of Bridge and Router in 2002 will lead the production amount of AP to increase about 10% to 20%.

(4) The status of the supplement of the components:

Main Components	Suppliers
CRT-Tube	Samsung SDI 、LG.Philips Display、Chunghwa PictureTubes, Ltd
TFT-Panel	翰宇彩晶、IBM、LG.Philips LCD、AUO
Optical Pick-up Head	Pioneer、Philips、Hitachi
Digital Signal Processor	Qualcomm、TI、ADI
Flash Memory	Intel、Mxic、Fujitsu、ATMEL、AMD
Li-ion Battery	CHENG UEI PRECISION INDUSTRY CO., LTD、ESG

(5) The list of the major business partners for last two years

A. The Major Suppliers of Last Two Years units：NT$ thousands；%

Year	2001		2000	
Name of the supplier	Amount	%	Amount	%
BenQ Malaysia (BQM)	12,743,158	26	15,486,670	36
BenQ Labuan (BQLB)	10,316,016	21	7,547,667	17

B. The Major Buyers of The Last Two Years units：NT$ thousands；%

Year	2001		Year	2000	
Name of the suppliers	Amount	%	**Name**	Amount	%
BenQ America (BQA)	8,862,626	15.07	**BenQ America (BQA)**	7,695,788	15.83
BenQ Labuan (BQLB)	6,877,192	11.69	**BenQ Europe (BQE)**	6,150,441	12.65
BenQ Europe (BQE)	6,570,213	11.17	**BenQ Labuan (BQLB)**	5,851,602	12.03
A	6,307,622	10.72	**-**	-	-

3.Emplyee’s Information

2002/04/20

	2000	2001	2002
Direct Labor	879	1,603	1,492
Indirect Labor	1,306	1,368	1,399
Total	2,185	2,971	2,891
Average Age	30.33	29.30	29.32
Average Seniority	3.09	2.69	2.74
Doctor(%)	0.73	0.64	0.65
Master(%)	31.18	25.35	27.2
Bachelor(%)	29.84	32.14	32.69
College(%)	28.93	34.02	33.97
Below High School(%)	9.32	7.85	5.49

Plan for Utilization of Fund

1. Research and Development

(1) Most recent two-years R&D expenses:

R&D expenses were NTD$1,563,127,000 in 2001 and up to NTD$1,637,840,000 in 2002.

(2) Research Achievement over the past two years & Research plans in the future：

Research Achievement	Research plans in the future
A. Display:	A. Display:
18"、20" Professional Series LCD Displays	Single Chip Smart Integration LCD Displays
Smart Integration LCD Displays	15"、17" High Brightness Flat Professional Series LCD Displays
17" Flat High-end CRT Displays	17", 19" High Brightness Flat Professional Series CRT Displays
Digital Visual Interface (DVI) Monitor	50" PDP Display
42” 16:9 PDP Display (WVGA): 2001 M/P	17” 16:9 TFT LCD TV (HDTV), Built-in DVD Player
42” 4:3 PDP Display (SVGA): 2002 M/P	20” 16:9 TFT LCD TV (HDTV), Built-in DVD Player
46” 4:3PDP Display	>30” 16:9 HDTV TFT LCD TV (HDTV)
15” 4:3 TFT LCD TV (HDTV)	Rear-Projection Lcos TV
20” 4:3 TFT LCD TV (HDTV)	Wireless Digital Projector
29” 16:9 HDTV TFT LCD TV	
Wireless Transmitter	
MicroPortable Digital Projector	
Home-theater Video Projector	
High Brightness Portable Projector	

B. Storage Devices:	B. Storage Devices:
48X/50X/52X/56X CD-ROM	High Speed 32X/40X/48X CD-RW Drive
12X/16X/20X/24X CD-RW	32X/40X External CD-RW
4X/6X USB External CD-RW	8X Mini External DVD-ROM
16X DVD-ROM	Combo CD-RW (Combi)
8X Slim External DVD-ROM	DVD-RW/ DVD & RW
Slim Type Web Scanner	High Resolution Professional Scanner
USB 2.0 Flat Bed Scanner	High End/Professional Digital Still Camera
USB 2.0 Film Scanner	Color Laser Printer
Digital Still Camera	Multifunction Peripherals
Color Multifunction Peripherals	
Color Laser Printer	
C. Communication products:	C. Communication products:
Three model GSM Dual Band Mobile Phone	GPRS Three Band Color LCD Mobile Phone
Two Model GSM module	GPRS Color Dual Screen Mobil Phone
GSM Bolder Mobile Phone	CDMA 2000 Mobil Phone
Bluetooth PCMCIA Card	GSM/GPRS Module
CDMA UIM Card technology	GSM/GPRS smart phone
	Wireless PDA
	Wireless LAN
	SOHO Router
	Ethernet Switch

Financial Standing

1. Most Recent 5-year Financial Statement Information

Balance Sheet

Unit: NT$1,000

Item		2001(US$)	2001(NT$)	2000(NT$)	1999(NT$)	1998(NT$)	1997(NT$)
Current assets		711,384	24,898,441	16,821,374	12,474,736	8,430,170	11,161,775
Long-term investments		642,504	22,487,619	22,077,818	16,632,751	12,031,257	6,358,691
Net property, plant and equipment		191,175	6,691,115	6,181,445	4,541,102	3,781,611	1,957,133
Other assets		26,174	916,114	743,283	168,678	149,773	49,878
Total assets		1,571,237	54,993,289	45,823,920	33,817,267	24,392,811	19,527,477
Current liabilities	Before distribution	502,737	17,595,802	15,806,152	8,270,711	6,117,608	5,084,006
	After distribution	—	—	16,919,632	8,728,264	6,786,858	5,354,591
Long-term debt		257,809	9,023,317	2,681,156	2,745,125	3,609,000	1,134,982
Other liabilities		264,469	233,117	291,572	271,823	72,393	78,667
Total liabilities	Before distribution	767,206	26,852,236	18,778,880	11,287,659	9,799,001	6,297,655
	After distribution	—	—	19,892,360	11,745,212	10,468,251	6,568,240
Common stock		379,469	13,810,879	10,827,312	8,881,756	6,628,176	5,199,069
Capital surplus		233,981	8,189,351	9,267,485	9,563,675	4,630,085	4,888,762
Retained earnings	Before distribution	167,098	5,848,455	6,405,036	3,683,935	2,898,417	2,589,210
	After distribution	—	—	2,849,355	1,785,468	1,514,850	1,447,349
Translation adjustment		23,480	821,817	545,207	365,961	437,132	552,781
Stockholders' equity	Before distribution	804,030	28,141,053	27,045,040	22,529,608	14,593,810	13,229,822
	After distribution	—	—	25,931,560	22,072,055	13,924,560	12,959,237

Income Statement

Unit : NT$1,000

Item	2001(US$)	2001(NT$)	2000(NT$)	1999(NT$)	1998(NT$)	1997(NT$)
Sales revenue	1,680,568	58,819,887	48,627,464	37,901,685	33,431,512	29,014,876
Gross profit	208,830	7,309,047	5,544,592	3,854,648	3,010,888	3,051,276
Operating income	94,453	3,305,867	1,630,539	800,248	725,600	1,293,029
Non-operating income	52,268	1,829,379	3,113,427	1,707,279	983,143	775,717
Non-operating expense	(54,917)	1,922,082	401,012	364,890	229,043	186,939
Net income before income taxes	91,804	3,213,164	4,342,954	2,142,637	1,479,700	1,881,807
Net income	86,610	3,031,363	4,623,924	2,169,605	1,451,239	1,710,372
EPS	0.063	2.20	3.35	1.78	1.25	1.55

2. Most Recent 5-year Financial Analysis

Item		Year 2001	2000	1999	1998	1997
Financial ratios (%)	Total liabilities to total assets (%)	49	41	33	40	32
	Long-term funds to fixed assets (%)	559	486	563	483	734
Liquidity ratios (%)	Current ratio (%)	142	106	151	138	220
	Quick ratio (%)	112	80	121	121	186
	Interest protection	7	11	7	10	11
Operating performance analysis	A/R turnover (times)	4.36	4.70	4.66	4.71	4.71
	A/R turnover days	84	78	78	78	78
	Inventory turnover (times)	13.24	14.12	20.06	23.36	22.56
	Inventory turnover days	28	26	18	16	16
	Fixed assets turnover (times)	8.79	7.87	8.35	8.84	14.83
	Total assets turnover (times)	1.07	1.06	1.12	1.37	1.49
Activity ratios	Retum on assets (%)	7	12	8	7	11
	Return on equity (%)	11	19	12	10	15
	Operating income to paid-in capital (%)	24	15	9	11	25
	PBT to paid-in capital (%)	25	40	24	22	36
	Net income ratio (%)	5	10	6	4	6
	EPS	2.20	3.35	1.78	1.25	1.55
Profitability ratios (%)	Cash flow ratio (%)	28	3	(10.31)	46	9
	Cash flow adequacy ratio (%)	59	28	34	64	44
	Cash reinvestment ratio (%)	10	(0.13)	(5.79)	14	2
Leverage	Operating leverage (%)	2.04	2.74	3.49	3.10	2.12
	Financial leverage (%)	1.17	1.25	1.59	1.21	1.17

3. Net worth of each share, EPS, Dividends, Market Value, for the last two years

Unit: NTD; Per Share

		2001	2000
Net worth per share	Before distribution	21.19	24.99
	After distribution	-	-
EPS	Weighted average share	1,376,921,245	1,082,377,057
	EPS	2.20	4.27
	EPS (adjusted)	-	3.35
Dividends per share	Cash dividends	1.0	0.5
	Stock dividends Earnings	2.0	1.5
	Stock dividends Capital surplus	0.5	0.5
Market price	Highest	55.5	173.0
	Lowest	24.5	32.7
	Average	37.8	94.0
	P/E Ratios	**17.2**	**22.0**

BenQ Corporation

Non-Consolidated Financial Statements

December 31, 1999, 2000 and 2001
(With Independent Auditor's Report Thereon)

Independent Auditors' Report

The Board of Directors
Benq Corporation:

We have audited the non-consolidated balance sheets of Benq Corporation as of December 31, 1999, 2000 and 2001, and the related non-consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of Benq Corporation as of December 31, 1999, 2000 and 2001, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the Republic of China.

The accompanying non-consolidated financial statements as of and for the year ended December 31, 2001 have been translated into United States dollars solely for the convenience of the readers. We have audited the translation and, in our opinion, the non-consolidated financial statements expressed in New Taiwan dollars have been translated into United States dollars on the basis set forth in note 2 (b) of the notes to the non-consolidated financial statements.

Taipei, Taiwan (the Republic of China)

March 6, 2002

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

BENQ CORPORATION

Non-Consolidated Balance Sheets

December 31, 1999, 2000 and 2001
(expressed in thousands of New Taiwan dollars and US dollars)

Assets	1999	2000	2001	
	NT$	I. NT$	NT$	US$
Current assets:				
Cash and cash equivalents (note 3)	90,044	459,817	560,431	16,012
Short-term investments (note 4)	45,341	903,973	3,469,826	99,138
Notes and accounts receivable	1,758,225	2,683,125	5,284,683	150,991
Receivables from related parties (note 16)	7,681,541	8,583,416	10,460,075	298,859
Inventories (note 5)	2,406,230	3,694,345	4,089,057	116,830
Prepaid expenses and other current assets (notes 12, 13 and 15)	493,355	496,698	1,034,369	29,554
Total current assets	12,474,736	16,821,374	24,898,441	711,384
Long-term investments (note 6)	16,632,751	22,077,818	22,487,619	642,504
Property, plant and equipment (notes 7, 17 and 18):				
Land	1,935,604	2,265,826	2,265,826	64,738
Buildings	1,142,713	1,893,434	2,004,937	57,284
Machinery and equipment	1,332,688	2,347,839	2,312,204	66,063
Molds	19,659	19,659	-	-
Furniture and fixtures	47,394	83,675	100,763	2,879
Miscellaneous equipment	79,658	107,698	53,150	1,519
Prepayments for plant and equipment	598,793	406,989	1,276,211	36,463
	5,156,509	7,125,120	8,013,091	228,946
Less: accumulated depreciation	(615,407)	(943,675)	(1,321,976)	(37,771)
Net property, plant and equipment	4,541,102	6,181,445	6,691,115	191,175
Refundable deposits and deferred expenses	122,713	130,310	188,767	5,393
Deferred tax assets-non current (note 12)	45,965	612,973	727,347	20,781
Total assets	33,817,267	45,823,920	54,993,289	1,571,237

Liabilities and Stockholders' Equity	1999	2000	2001	
	NT$	II. NT$	NT$	US$
Current liabilities:				
Short-term borrowings (note 8)	583,298	2,178,417	1,585,563	45,302
Current portion of long-term debt (note 9)	5,138	-	40,190	1,148
Bonds payable (note 10)	-	4,000,000	212,800	6,080
Notes and accounts payable	1,680,856	3,502,417	6,427,370	183,639
Payables to related parties (note 16)	5,040,416	4,397,907	6,633,250	189,521
Accrued expenses and other current liabilities	805,058	1,602,533	2,432,520	69,501
Deferred intercompany profit (note 16)	155,945	124,878	264,109	7,546
Total current liabilities	8,270,711	15,806,152	17,595,802	502,737
Bonds payable (note 10)	2,091,767	2,000,000	8,383,127	239,518
Long-term debt, excluding current portion (notes 9 and 17)	653,358	681,156	640,190	18,291
Other liabilities (note 6)	271,823	291,572	233,117	6,661
Total liabilities	11,287,659	18,778,880	26,852,236	767,207
Stockholders' equity (note 11):				
Common stock	8,881,756	10,827,312	13,810,879	394,597
Convertible bonds applied for conversion	34,281	-	-	-
Capital surplus	9,563,675	9,267,485	8,189,351	233,981
Legal reserve	782,450	999,359	1,461,316	41,752
Retained earnings	2,901,485	5,405,677	4,387,139	125,347
Translation adjustment	365,961	545,207	821,817	23,480
Treasury stock	-	-	(529,449)	(15,127)
Total stockholders' equity	22,529,608	27,045,040	28,141,053	804,030
Commitments and contingencies (notes 15, 16 and 18)				
Total liabilities and stockholders' equity	33,817,267	45,823,920	54,993,289	1,571,237

BENQ CORPORATION

Non-Consolidated Statements of Income

Years ended December 31, 1999, 2000 and 2001
(expressed in thousands of New Taiwan dollars and US dollars except net income per share)

	1999	2000	2001	
	NT$	NT$	NT$	US$
Net sales (note 16)	37,901,685	48,627,464	58,819,887	1,680,568
Cost of goods sold (note 16)	(33,928,763)	(43,113,939)	(51,371,609)	(1,467,760)
	3,972,922	5,513,525	7,448,278	212,808
Change in unrealized intercompany profits (note 16)	(118,274)	31,067	(139,231)	(3,978)
Gross profit	3,854,648	5,544,592	7,309,047	208,830
Operating expenses (note 16):				
Selling	(1,377,124)	(1,770,856)	(1,731,594)	(49,474)
Administrative	(459,820)	(580,070)	(633,746)	(18,107)
Research and development	(1,217,456)	(1,563,127)	(1,637,840)	(46,796)
	(3,054,400)	(3,914,053)	(4,003,180)	(114,377)
Operating income	800,248	1,630,539	3,305,867	94,453
Non-operating income:				
Interest income	9,724	9,719	103,203	2,949
Investment income, net (note 6)	431,229	933,519	-	-
Dividend income	120,957	8,472	30,642	875
Gain on disposal of investments, net (note 6)	883,051	2,022,428	1,503,144	42,947
Foreign currency exchange gain, net	92,530	-	70,772	2,022
Other (note 16)	169,788	139,289	121,618	3,475
	1,707,279	3,113,427	1,829,379	52,268
Non-operating expense:				
Interest expense (notes 7 and 16)	(296,901)	(326,645)	(474,757)	(13,565)
Investment loss, net	-	-	(1,406,537)	(40,187)
Foreign currency exchange loss, net	-	(41,980)	-	-
Other	(67,989)	(32,387)	(40,788)	(1,165)
	(364,890)	(401,012)	(1,922,082)	(54,917)
Net income before income taxes	2,142,637	4,342,954	3,213,164	91,804
Income tax (expense) benefit (note 12)	26,968	280,970	(181,801)	(5,194)
Net income	2,169,605	4,623,924	3,031,363	86,610
Net income per share	1.78	3.35	2.20	0.063

BENQ CORPORATION

Non-Consolidated Statements of Changes in Stockholders' Equity

Years ended December 31, 1999, 2000 and 2001
(expressed in thousands of New Taiwan dollars)

	Common Stock NT$	Convertible bonds applied for conversion NT$	Capital Surplus NT$	Legal Reserve NT$	Retained Earnings NT$	Translation Adjustment NT$	Treasury Stock NT$	Total NT$
Balance at January 1, 1999	6,628,176	-	4,630,085	637,344	2,261,073	437,132	-	14,593,810
Net income for 1999	-	-	-	-	2,169,605	-	-	2,169,605
Appropriation of earnings and capital surplus:								
Retained earnings transferred to common stock	714,317	-	-	-	(714,317)	-	-	-
Capital surplus transferred to common stock	331,409	-	(331,409)	-	-	-	-	-
Issuance of common stock	1,000,000	-	4,500,000	-	-	-	-	5,500,000
Cash dividends	-	-	-	-	(662,818)	-	-	(662,818)
Bonuses for directors and supervisors	-	-	-	-	(6,432)	-	-	(6,432)
Legal reserve	-	-	-	145,106	(145,106)	-	-	-
Convertible bonds converted to common stock	207,854	34,281	706,120	-	-	-	-	948,255
Gain on disposal of property, plant and equipment transferred to capital surplus	-	-	520	-	(520)	-	-	-
Adjustment of the net equity of investee companies	-	-	58,359	-	-	-	-	58,359
Translation adjustment	-	-	-	-	-	(71,171)	-	(71,171)
Balance at December 31, 1999	8,881,756	34,281	9,563,675	782,450	2,901,485	365,961	-	22,529,608
Net income for 2000	-	-	-	-	4,623,924	-	-	4,623,924
Appropriation of earnings and capital surplus:								
Retained earnings transferred to common stock	1,440,914	-	-	-	(1,440,914)	-	-	-
Capital surplus transferred to common stock	446,971	-	(446,971)	-	-	-	-	-
Cash dividends	-	-	-	-	(446,971)	-	-	(446,971)
Bonuses for directors and supervisors	-	-	-	-	(10,582)	-	-	(10,582)
Legal reserve	-	-	-	216,909	(216,909)	-	-	-
Convertible bonds converted to common stock	57,671	(34,281)	67,804	-	-	-	-	91,194
Gain on disposal of property, plant and equipment transferred to capital surplus	-	-	4,356	-	(4,356)	-	-	-
Adjustment of the net equity of investee companies	-	-	78,621	-	-	-	-	78,621
Translation adjustment	-	-	-	-	-	179,246	-	179,246
Balance at December 31, 2000	10,827,312	-	9,267,485	999,359	5,405,677	545,207	-	27,045,040
Net income for 2001	-	-	-	-	3,031,363	-	-	3,031,363
Appropriation of earnings and capital surplus:								
Retained earnings transferred to common stock	2,442,201	-	-	-	(2,442,201)	-	-	-
Capital surplus transferred to common stock	541,366	-	(541,366)	-	-	-	-	-
Cash dividends	-	-	-	-	(1,082,731)	-	-	(1,082,731)
Bonuses for directors and supervisors	-	-	-	-	(30,749)	-	-	(30,749)
Legal reserve	-	-	-	461,957	(461,957)	-	-	-
Adjustment of the net equity of investee companies	-	-	(536,768)	-	(32,263)	-	-	(569,031)
Treasury stock	-	-	-	-	-	-	(529,449)	(529,449)
Translation adjustment	-	-	-	-	-	276,610	-	276,610
Balance at December 31, 2001	13,810,879	-	8,189,351	1,461,316	4,387,139	821,817	(529,449)	28,141,053

BENQ CORPORATION

Non-Consolidated Statements of Cash Flows

Years ended December 31, 1999, 2000 and 2001
(expressed in thousands of New Taiwan dollars and US dollars)

	1999	2000	2001	
	NT$	III. NT$	NT$	US$
Cash flows from operating activities:				
Net income	2,169,605	4,623,924	3,031,363	86,610
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation	213,366	361,588	512,761	14,650
Amortization	94,586	116,454	68,695	1,963
Increase (decrease) in allowance for doubtful accounts	2,254	(3,312)	82,923	2,369
Investment loss (income) on long-term equity investments, net	(431,229)	(933,519)	1,406,537	40,187
(Reversal) provision for inventory obsolescence	(5,867)	154,914	(79,686)	(2,277)
(Gain) loss on sale of long-term equity investments	(319,357)	(1,197,664)	5,236	150
Gain on sale of short-term investments	(563,694)	(824,764)	(1,508,380)	(43,097)
Cash dividends received from investees accounted for by equity method	126,000	-	3,499	100
Loss (gain) on disposal of property, plant and equipment	1,177	2,840	(7,472)	(213)
Fixed assets transferred to expenses	-	-	748	22
Unrealized exchange loss on overseas convertible bonds	-	-	467,250	13,350
Increase in notes and accounts receivable	(926,479)	(934,512)	(2,686,163)	(76,747)
Increase in receivables from related parties	(1,698,718)	(888,951)	(1,874,977)	(53,571)
Increase in inventories	(1,412,878)	(1,443,029)	(315,026)	(9,001)
Decrease (increase) in prepaid expenses and other current assets	109,153	(60,806)	(273,350)	(7,810)
Increase in net deferred income tax assets	(211,701)	(509,545)	(378,695)	(10,820)
Increase in notes and accounts payable	491,135	1,821,561	2,924,953	83,570
Increase (decrease) in payables to related parties	884,516	(642,509)	2,235,343	63,867
Increase (decrease) in deferred intercompany profit	118,274	(31,067)	139,231	3,978
Increase in accrued expenses and other current liabilities	278,507	797,577	829,987	23,714
Provision for redemption of overseas convertible bonds	43,525	-	254,627	7,275
Amortization of bond issuance costs	3,589	3,548	91,571	2,616
Decrease (increase) in other assets	181,497	(5,350)	(32,860)	(939)
Net cash (used in) provided by operating activities	(852,739)	407,378	4,898,115	139,946
Cash flows from investing activities:				
Proceeds from disposal of property, plant and equipment	23,639	60,773	252,973	7,228
Additions to property, plant and equipment	(997,694)	(2,067,570)	(1,268,681)	(36,248)
Increase in refundable deposits and deferred expenses	(83,170)	(126,249)	(78,681)	(2,248)
Additions to long-term equity investments	(4,777,603)	(6,016,898)	(2,558,647)	(73,104)
Proceeds from sale of long-term equity investments	521,141	1,639,969	15,758	450
Additions to short-term investments	(11,015,130)	(8,623,000)	(16,316,161)	(466,176)
Proceeds from disposal of short-term investments	11,861,646	9,935,594	15,258,688	435,962
Receipt from investees' capital reduction	-	-	399,844	11,424
Net cash used in investing activities	(4,467,171)	(5,197,381)	(4,294,907)	(122,712)
Cash flows from financing activities:				
Issuance of common stock	5,500,000	-	-	-
Cash dividends	(662,818)	(446,971)	(1,082,731)	(30,935)
Decrease (increase) in short-term borrowings	387,082	1,595,119	(592,854)	(16,939)
Decrease (increase) in other liabilities	500	(450)	(42)	(1)
Decrease (increase) in long-term debt	53,358	27,798	(776)	(22)
Decrease in current portion of long-term debt	(10,276)	(5,138)	-	-
Bonuses for directors and supervisors	(6,432)	(10,582)	(30,749)	(879)
Redemption of bonds	-	-	(3,787,200)	(108,206)
Issuance of bonds	-	4,000,000	5,661,250	161,750
Issuance cost of overseas convertible bonds	-	-	(140,043)	(4,001)
Increase in treasury stock	-	-	(529,449)	(15,127)
Net cash provided by (used in) financing activities	5,261,414	5,159,776	(502,594)	(14,360)
Net (decrease) increase in cash and cash equivalents	(58,496)	369,773	100,614	2,874
Cash and cash equivalents at beginning of year	148,540	90,044	459,817	13,138
Cash and cash equivalents at end of year	90,044	459,817	560,431	16,012
Additional disclosure of cash flow information:				
Cash paid during the year for:				
Interest, excluding capitalized interest	96,717	320,908	131,466	3,756
Income taxes	12,935	164,097	222,354	6,353
Supplemental disclosure of non-cash investing and financial activities:				
Convertible bonds converted to common stock and capital surplus	948,255	91,194	-	-
Increase (decrease) in translation adjustment	(71,171)	179,246	276,610	7,903
Long-term investments transferred to short-term investments	282,946	1,346,461	-	-

BENQ CORPORATION

Notes to Non-Consolidated Financial Statements

December 31, 1999, 2000 and 2001
(all amounts expressed in thousands of New Taiwan dollars and US dollars except per share information or unless otherwise specified)

(1) Organization and Principal Activities

(Benq Corporation) (the "Company"), formerly (Acer Communications & Multimedia Inc.), was incorporated on April 21, 1984 as a company limited by shares under the laws of the Republic of China ("ROC"). The Company is engaged in the manufacture and sale of computer peripheral equipment and communication products, such as CRT monitors, CD ROM drives, projectors, scanners, LCD monitors and mobile phones.

(2) Summary of Significant Accounting Policies

The Company Prepares its non-consolidated financial statements are prepared in accordance with accounting principles generally accepted in the ROC. These non-consolidated financial statements are not intended to present the non-consolidated financial position of the Company and the related non-consolidated results of operations and cash flows with accounting principles and practices generally accepted in countries and jurisdictions other than the ROC. The financial statements of the Company's subsidiaries are not consolidated in the accompanying non-consolidated financial statements. The investments in these subsidiaries reflected in these non-consolidated financial and translation statements are accounted for using the equity method as described in point (g) to this note. The significant accounting ploicies adopted in preparing the non-consolidated financial statements are summarized below:

(a) Foreign currency transactions

The Company's functional currency is the New Taiwan dollar. Foreign currency transactions are recorded at the exchange rates prevailing on the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into New Taiwan dollars at the unrealized exchange rates prevailing on the balance sheet dates. The resulting exchange gains or losses are reflected in the accompanying non-consolidated statements of income.

For investments in foreign subsidiaries and investees, which are accounted for by the equity method, the differences resulting from translating foreign financial statements from their functional currency to reporting dollars are reported as a translation adjustment, a separate component of stockholders' equity.

(b) Translation on New Taiwan dollar amounts into United States dollar amounts

The non-consolidated financial statements are stated in New Taiwan dollars. Translations of New Taiwan dollar amounts into US dollar amounts for 2001 are included in the non-consolidated financial statements solely for the convenience of the reader, using the noon buying rate of the Federal Reserve Bank in New York on December 31, 2001 of NT$35.00 to US$1. The convenience translations should not be construed as representations that the New Taiwan dollar amounts have been, could have been, or could in the future be, converted into US dollars at this or any other rate of exchange.

(c) Cash equivalents

Cash equivalents represent all highly liquid debt instruments, such as commercial paper and redeemable bonds purchased with a maturity of three months or less, and other highly liquid investments with insignificant interest rate risks.

(d) Short-term investments

Short-term investments consist primarily of marketable securities, such as publicly listed stock, and open-ended mutual funds and bonds, and are originally stated at acquisition cost. Short-term investments are valued at the lower of cost (weighted-average method) or market value. Valuation losses are recorded as non-operating expenses in the accompanying non-consolidated statements of income. The market value used for publicly listed stock is the average closing price of the last month of the period. The market value used for open-ended mutual funds is the fund's net asset value per unit on the balance sheet date.

(e) Allowance for doubtful accounts

Allowance for doubtful accounts is provided based on the aging, credit, quality analysis and the collectibility of notes and accounts receivable.

(f) Inventories

Inventories are stated at the lower of (weighted-average cost) or market value. Market value represents net realizable value or replacement cost.

(g) Long-term equity investments

Long-term equity investments in subsidiaries where the Company owns greater than 50% of the voting shares are accounted for by the equity method. Long-term equity investments are also accounted for by the equity method where the Company, directly or indirectly, owns 20% to 50% of the voting shares or less than 20% of the investee's voting shares but is able to exercise significant influence over the investee's operations and financial policies. All other long-term equity investments are accounted for by either the lower-of-cost-or-market method or cost method. For long-term equity investments accounted for under the lower-of-cost-or-market method related to investees that are publicly listed companies, unrealized losses resulting from declines in the market value below cost are recorded as a separate component of stockholders' equity. For long-term equity investments in non-listed companies accounted for under the cost method, investments are stated at original cost. A write-down of the investment balance to earnings is taken only if it is determined that there is a permanent decline in the investment's value. Stock dividends do not result in the recognition of investment income.

For long-term equity investments accounted for by the equity method where the investment cost is different from its net equity of the subsidiary or investee company upon the initial investment, such difference is amortized over five years on a straight-line basis. When an investee issues new shares and the Company does not invest in the new shares in proportion to the Company's ownership percentage, the resulting change in the Company's ownership percentage in the net assets of the investee is recorded as a capital surplus and long-term equity investment in the accompanying non-consolidated balance sheets.

Unrealized profits or losses from transactions between the Company and its investees and subsidiaries accounted for by equity method are reported as deferred intercompany profits or losses. If the deferred intercompany profits or losses relate to the depreciation or amortization of assets, the intercompany profit or loss is recognized over the estimated useful lives of the respective asset. All other deferred intercompany profits or losses are recognized in the period of realization.

If an investee's equity becomes negative and the Company has guaranteed the payments of the investee's debt or has provided other financial commitments to the investee, or if the investee's loss temporary in nature, then the investment loss is continuously recognized using the equity method. The resulting excess of the investment loss recognized over the related long-term equity investment is accounted for as long-term equity investment credits and is recorded as liabilities in the accompanying non-consolidated balance sheets.

(h) Property, plant and equipment

Property, plant and equipment are stated at cost. Interest costs related to the construction of plants and buildings are capitalized. Depreciation of property, plant and equipment is provided over the estimated useful lives of the respective assets using the straight-line method. Gains or losses on the disposal of property, plant and equipment are presented as non-operating income or expenses in the accompanying non-consoldiated statements of income. Such gains, net-of related income taxes, are transferred from unappropriated earnings to capital surplus in the year before December 31, 2000 that the gains are realized in accordance with the ROC Company Law.

(i) Deferred charges

Deferred expenses primarily include bond issuance costs, software and royalty and are recorded at cost. These costs are amortized using the straight-line method over their estimated useful lives.

(j) Retirement plan

In 1984, the Company established a retirement plan. This plan provides for lump-sum retirement benefits to retiring employees, based on length of service, age and certain other factors. The Company deposits monthly retirement funds equal to 5.1% of employees' total salaries with the Central Trust of China in accordance with the Labor Standards Law. The company is suspending the providing of monthly retirement funds to the Central Trust of china from May 2001 to April 2002.

The Company accounts for this plan in accordance with ROC Statement of Financial Accounting Standard ("SFAS") No. 18 "Accounting for Pensions." SFAS No. 18 requires the Company to recognize a minimum pension liability as of the balance sheet date equal to the amount by which the actuarial present value of the accumulated benefit obligation exceeds the fair value of the retirement plan's assets. SFAS No. 18 also requires the Company to recognize net periodic pension costs based on actuarially determined amounts over the service lives of the retirement plan participants.

(k) Income taxes

The Company accounts for income taxes in accordance with ROC SFAS No. 22 "Accounting for Income Tax." Under the asset and liability approach of SFAS No. 22, deferred income tax liabilities are recognized for tax consequences of taxable temporary differences by applying enacted statutory tax rates. Deferred income tax assets are recognized for tax consequences of deductible temporary differences, operating loss carryforwards, and investment tax credits. A valuation allowance is provided if it is considered more likely than not that the deferred income tax assets will not be realized.

Deferred income tax assets and liabilities are classified as current and non-current in the accompanying non-consolidated balance sheets in accordance with the classification of the related asset and liability which created the temporary difference. If the deferred income tax asset or liability is not related to a specific asset or liability, then the deferred income tax balance is classified based on the period of expected realization.

(l) Net income per share of common stock

Net income per common share is based on net income divided by the weighed-average number of common shares outstanding. The increase in the number of outstanding shares through distribution of stock dividends from retained earnings or capital surplus is included in the outstanding shares retroactively. Convertible bonds are included in the computation of net income per common share if they are common stock equivalents and have a diluting effect on net income per common share of more than 3%.

(m) Financial derivative instruments

Foreign currency exchange contracts intended to hedge foreign currency receivables and payables are translated into New Taiwan dollars at the exchange rates prevailing on the balance sheet date. The resulting translation differences are recorded as current year income or expense in the accompanying non-consolidated statements of income. The differences between the forward rate and spot rate at the contract date is amortized over the contract period.

(n) Treasury stock

The Company accounts for the cost of purchasing its outstanding stock as "treasury stock" and includes the treasury stock as a component of stockholders' equity in the accompanying non-consolidated balance sheets. Upon disposal of the treasury stock, the excess of the sale proceeds over the cost is accounted for as capital surplus－treasury stock. If the sale proceeds are less than cost, the deficiency is accounted for as a reduction of the remaining balance of capital surplus－treasury stock. If the remaining balance of capital surplus－treasury stock is insufficient to cover the deficiency, the remainder is recorded as a reduction of retained earnings. The cost of treasury stock is computed using the weighted-average method.

If treasury stock is retired, the weighted-average cost of the retired treasury stock is written off to offset the par value and the premium, if any, of the stock retired. If the weighted-average cost written off exceeds the sum of both the par value and the capital surplus premium, the difference is accounted for as a reduction of capital surplus－treasury stock, or a reduction of retained earnings for any deficiency where capital surplus－treasury stock is insufficient to cover the difference. If the weighted-average cost written off is less than the sum of both the par value and premium, if any, of the stock retired, the difference is accounted for as an increase in capital surplus－treasury stock.

(3) Cash and Cash Equivalents

Cash and cash equivalents as of December 31, 1999, 2000 and 2001 are summarized as follows:

	1999	2000	2001	
	NT$	NT$	NT$	US$
Cash on hand	1,679	2,219	2,627	75
Cash in banks	73,459	457,598	547,828	15,652
Redeemable commercial paper	14,906	-	9,976	285
	90,044	**459,817**	**560,431**	**16,012**

(4) Short-term Investments

Short-term investments as of December 31, 1999, 2000 and 2001 are summarized as follows:

	1999	2000	2001	
	NT$	NT$	NT$	US$
Open-end mutual bond funds	45,341	360,938	3,158,058	90,230
Publicly listed stock	-	543,035	311,768	8,908
	45,341	**903,973**	**3,469,826**	**99,138**

(5) Inventories

Inventories as of December 31, 1999, 2000 and 2001 are summarized as follows:

	1998	1999	2000	
	NTS	NT$	NT$	US$
Raw materials	1,273,857	2,530,684	2,157,718	61,649
Work in process	208,538	542,501	643,658	18,390
Finished products	916,564	783,519	1,366,864	39,051
Inventory in transit	24,770	10,054	13,544	387
Less: provision for inventory obsolescence	(17,499)	(172,413)	(92,727)	(2,649)
	2,406,230	**3,694,345**	**4,089,057**	**116,830**

As of December 31, 1999, 2000 and 2001, insurance coverage for inventories located in the Company's Taiwan plants amounted to NT$809,431, NT$2,846,512 and NT$2,957,790, respectively. The Company also has insurance coverage for inventories stored in foreign warehouses and in-transit inventories.

(6) Long-term Equity Investments

(a) Long-term equity investments and the related investment income (loss) as of and for the years ended December 31, 1999, 2000 and 2001 are summarized below:

	1999			
Investee	Ownership %	Cost NT$	Book value NT$	Investment income (loss) NT$

Equity method:				
Benq Technologies Sdn. Bha. (“BQM”)	100.00	835,800	1,493,596	(154,241)
Benq (Hong Kong) Limited (“BQHK”)	100.00	-	60,244	(140)
Benq Wireless Technology Center (“WTC”)	100.00	20,160	41,417	4,558
Benq Europe B.V. (“BQE”)	100.00	3,336	34,596	53,212
Darly Venture, Inc. (“DVI”)	99.99	295,000	478,374	289,376
AU Optronics Corp. (“AU”)	45.69	9,153,518	9,698,258	286,811
Benq Japan Co., Ltd. (“BQjp”)	100.00	2,582	2,333	1,834
BenqMexicana S.a. De C.V. (“BQX”)	84.50	235,365	151,739	(23,327)
Darfon Electronics Corp. (“DARFON”)	68.34	771,832	780,515	(49,359)
Benq (L) Copr. (“BQLB”)	100.00	1,072,420	1,295,480	(3,280)
Darly Venture (“L) Ltd. (“DARLY”)	100.00	165,000	203,181	15,401
Daxon Technology Inc.	50.35	311,375	325,884	10,384
Guru Farm, Com Corporation (“GURU”)	45.00	45,000	44,981	-
		12,911,388	14,610,598	431,229
Cost or lower-of-cost-or-market method:				
Taiwan Cellular Corporation (“TCC”)	3.15	630,883	630,883	-
Fund 21 Limited (FUND 21)	7.91	111,600	111,600	-
Greatek Electronic Inc. (“GREATER”)	1.50	24,150	24,150	-
Acer Semiconductor Manufacturing Incorporuted (“ASMI”)	2.01	755,520	755,520	-
Taiwan Fixed Network Co., Ltd. (“TFN”)	2.50	500,000	500,000	-
		2,022,153	2,022,153	-
		14,933,541	**16,632,751**	**431,229**

Investee	Ownership %	Cost NT$	Book value NT$	Investment income (loss) NT$
	2000			
Equity method:				
BQM	100.00	835,800	1,503,900	(62,706)
BQHK	100.00	-	63,242	(117)
WTC	100.00	20,160	49,193	5,320
DVI	99.99	295,000	893,021	545,511
AU	44.16	8,845,446	10,150,524	804,064
BQjp	100.00	2,582	4,645	2,460
BQM	84.50	235,365	165,271	8,303
DARFON	56.50	1,187,620	1,589,970	137,625
DARLY	100.00	165,000	216,177	2,329
BQLB	100.00	1,786,985	1,706,305	(392,353)
DT	50.02	1,007,140	1,004,955	(19,117)
GURU	79.39	357,250	307,324	(38,649)
Darly 2 Venture, Ltd. ("DARLY2")	100.00	600,000	632,620	32,620
Bri-Link Technologies Co., Ltd. ("Bri-Link")	100.00	399,996	365,968	(34,028)
Benq Asia Pacific Corp. ("BQAP")	99.93	89,940	103,320	13,201
Suntek Compound Semiconductor Co., Ltd. ("Suntek")	23.70	509,630	506,180	(3,450)
Gallant Precision Machining Co., Ltd. ("GPM")	26.59	709,573	701,919	(9,627)
Acer Mobile Networks, Inc. ("AMN")	99.97	199,940	196,312	(3,628)
Copax Photonics, Corp. ("COPAX")	30.16	162,000	133,981	(479)
		17,409,427	20,294,827	987,279
Cost or lower-of-cost-or-market method:				
FUND 21	7.91	133,461	133,461	-
TFN	1.63	1,500,000	1,500,000	-
IP Fund One, L.P. ("IPF 1")	3.84	69,030	69,030	-
MM COMM, Inc.	10.16	80,500	80,500	-
		1,782,991	1,782,991	-
		19,192,418	**22,077,818**	**987,279**

The long-term equity investment with a credit balance presented as a liability as of and for the year ended December 31, 2000, is summarized below:

	2000			
Investee	**Ownership %**	**Cost NT$**	**Book value NT$**	**Investment income (loss) NT$**
BQE	100.00	3,336	(25,549)	(53,760)

	2001					
Investee	**Ownership %**	**Cost NT$**	**Book value NT$**	**Book value US$**	**Investment income (loss) NT$**	**Investment income (loss) US$**
Equity method:						
BQM	100.00	835,800	1,499,120	42,832	(90,399)	(2,583)
BQHK	100.00	-	60,614	1,732	(6,132)	(175)
WTC	100.00	20,160	61,569	1,759	9,184	262
BQE	100.00	3,336	39,639	1,133	64,146	1,833
DVI	99.98	295,000	1,026,521	29,329	141,477	4,042
AU	20.91	9,938,299	9,188,133	262,518	(1,503,320)	(42,952)
BQX	84.50	235,365	170,737	4,878	(12,144)	(347)
DARFON	55.87	1,187,620	1,272,112	36,346	(313,374)	(8,954)
BQLB	100.00	2,535,195	2,930,197	83,720	341,456	9,756
DARLY	100.00	165,000	311,368	8,896	80,301	2,294
AMTC	50.02	1,007,140	1,083,913	30,969	77,817	2,223
GURU	66.05	114,666	48,395	1,383	(23,885)	(683)
DARLY2	100.00	600,000	587,250	16,779	(45,370)	(1,296)
Bri-link	100.00	249,996	162,621	4,646	(53,347)	(1,524)
BQAP	99.93	89,940	205,005	5,857	101,736	2,907
GPM	26.26	709,573	606,928	17,341	(90,141)	(2,575)
AMN	84.57	422,840	381,388	10,897	(40,714)	(1,163)
COPAX	30.16	162,000	106,882	3,054	(27,099)	(774)
Airoha Technology Inc. ("Airoha")	42.00	306,226	299,462	8,556	(6,880)	(197)
		19,387,786	20,541,161	586,891	(1,406,537)	(40,187)
Cost or lower-of-cost-or-market method:						
Suntek	15.44	509,630	499,307	14,266	(9,849)	(281)
FUND 21	7.91	108,471	108,471	3,099	-	-
TFN	1.63	1,500,000	1,500,000	42,857	-	-
IPF1	3.84	152,320	152,320	4,352	-	-
MMComm, Inc.	10.85	80,500	80,500	2,300	-	-
CDIB High Tech Investment Inc. ("CDIB")	7.04	100,000	100,000	2,857	-	-
		1,941,291	194162914	55,465	-	-
		21,329,077	22,482,452	642,356	(1,406,537)	(40,187)

1. AU is engaged in the manufacture and sale of plasma display panels and TFT-LCD panels.

2. In November 1999, the Company subscribed to the issuance of AUT's newly issued shares of common stock for NT$3,401,769. The Company recorded NT$187,046 as capital surplus in the accompanying non-consolidated balance sheets resulting from this investment.

3. In March 2000, the Company sold a portion of its ownership in ADT, resulting in a gain of NT$320,856. In September 2000, AUT received government approval to publicly list its shares on the Taiwan Stock Exchange. As a result, 12,929,000 common shares were publicly sold, resulting in a gain of NT$482,095. Also, the Company, as the director of AUT, has

placed their remaining ownership of 485,725,301 common shares with a securities depository institution for centralized custody. These shares will be returned to the Company beginning six months later, at which point the shares will be eligible for public trading.

4. In March 2001, the Company subscribed NT$1,092,853 for the issuance of AU's new shares. On September 1, 2001, Unipac Optoelectronics Corp. was merged into AU, and the Company's ownership of AU was down to 20.91%.

(b) DARFON's business activities include the manufacture and sales of coil components, multi-layer ceramic capacitors and keyboards.

In July 1999, the Company subscribed to the issuance of DARFON's new shares in the amount of NT$306,892. As a result of the change in the Company's ownership percentage, NT$7,277 was recognized as a reduction in capital surplus.

In June 2000, the Company invested in DARFON's new issuance of common stock in the amount of NT$415,788.

(c) DT is engaged in the manufacture and sales of CD-RW discs. In May 2000, the company investment NT$695,765 in DT'S new issuance of common stock.

(d) DVI is engaged in the equity securities investment business.

(e)(GURU is engaged in the development of network technologies. In December 1999, the Company invested NT$45,000 to acquire a 45% ownership share of GURU. In 2000, the Company increased its investment in GURU by NT$313,509. In 2001, the company received its capital reduction by NT$224,854.

(g) TCC is engaged in the wireless communication business.

In April 1999, the Company increased its investment in TCC by NT$119,214 for the purchase of 11,921,402 shares of TCC's newly issued of common stock. In addition, the Company sold 500,000 shares of TCC's common stock to DVI, resulting in a gain of NT$17,433. The gain was deferred and recorded in "other liabilities" in the accompanying non-consolidated balance sheet. The Company also received cash dividends from TCC amounting to NT$93,000 in 1999. This amount was recognized as dividend income in the accompanying non-consolidated statement of income

In 2000, the Company sold portions of its ownership in TCC, resulting in a gain of NT$757,186. As of December 31, 2000, the remaining long-term equity investment balance in TCC was reclassified as "short-term investments" in the accompanying non-consolidated balance sheet.

In 2001, the Company sold total of NT$40,368,000 shares of its ownership in TCC, resulting in a gain of NT$1,473,685.

(h) TFN is engaged in the fixed network business. In October 1999, the Company invested NT$500,000 to acquire a 2.5% ownership share of TFN. In 2000, the Company increased its investment in TFN by NT$1,000,000.

(i) FUND 21 is an investment Company which invests primarily in equity securites.

(k) In February 2000, the Company invested NT$600,000 to establish DARLY2 in order to invest in a communication business.

(l) Bri-link is engaged in the network business. In March 2000, the Company invested NT$399,996 to acquire Bri-link. Bri-link decreased its capital by NT$150,000 in June 2001.

(m) In January 2000, the Company invested NT$89,994 to establish BQAP in order to promote the Company' s products in the Asia market.

(n) In 2000, the Company invested NT$709,573 in the common stock of GPM in order to develop handset molds and other products.

(o) In 2000, the Company invested NT$509,630 in Suntek. Suntek is engaged in the develop ment and manufacturing of the components for mobile telecommunication equipment.

(p) AMN will engage in the manufacturing and selling UMTS Terrestrial Radio Access. In 2000, the Company invested NT$199,940 to establish AMN. In 2001, the Company subscribed NT$222,900 for the issuanq of AMN' S new shores.

(q) In 2000, the Company invested NT$162,000 in COPAX. COPAX is engaged in the manufacturing and selling DWDM and Transmitter/Receivers.

(r) IPF1 is managed by Acer Soft Capital Inc. IPF1 is engaged in intelligence rights, software, communication and electronic commercial investment business. The Company increased its investment in IPF1 by NT$83,290 in 2001.

(s) CDIB is an investment company which invests primarily in the growth technological industry and Mainland China market. In 2001, the Company invested NT$100,000 to establish CDIB.

(t) Airoha is engaged in the design of IC for mobile equipment. In 2001, the Company invested NT$306,226 to establish Airoha.

(t) In 1998, the Company invested NT$600,000 in ASMI. ASMI is a manufacture of DRAMs. In September 1999, the Company subscribed to the issuance of ASMI' s new shares in the amount of NT$155,520.

On June 30, 2000, ASMI was merged into Taiwan Semiconductor Manufacturing Company Ltd. ("TSMC"). The Company acquired 12,451,840 shares of TSMC' s common stock resulting from the merger transaction. In the second half of 2000, all the shares of TSMC common stock were sold, resulting in a gain of NT$452,687.

(b) Other long-term investments

Other long-term investments as of December 31, 1999, 2000 and 2001, are summarized below:

	1999	**2000**	**2001**	
	NT$	**NT$**	**NT$**	**US$**
Credit linked structured deposit	-	-	5,167	148

(7) Capitalized Interest and Insurance Coverage of Property, Plant and Equipment

For the years ended December 31, 1999, 2000 and 2001, the Company's total interest expenses amounted to NT$329,409, NT$418,113 and NT$568,747, respectively, including capitalized interest amounting to NT$32,508, NT$91,468 and NT$93,990, respectively. The related capitalized interest rates were 6.96% and 6.07%, respectively.

As of December 31, 1999, 2000 and 2001, insurance coverage of property, plant and equipment amounted to NT$1,891,037, NT$2,543,552 and NT$3,930,199, respectively.

(8) Short-term Borrowings

As of December 31, 1999, 2000 and 2001, the Company's short-term borrowings is summarized as follows:

	1999	2000	20010	
	NT$	NT$	NT$	US$
Bank loans	583,298	1,682,483	935,765	26,736
Commercial paper payable	-	495,934	649,798	18,566
	583,298	**2,178,417**	**1,585,563**	**45,302**

In 1999, 2000 and 2001, the interest rates on the above short-term borrowings ranged from 0.79% to 7.26%, 0.56% and 2.70%~3.00% to 7.77%, respectively. Unused credit facilities as of December 31, 1999, 2000 and 2001 amounted to NT$4,735,963, NT$8,247,226 and NT$10,466,137, respectively. As of December 31, 1999, 2000 and 2001 the Company's short-term loans were guaranteed by the issuance of promissory notes amounting to NT$7,022,950, NT$9,412,760 and NT$11,822,740, respectively.

(9) Long-term Debt

A summary of long-term debt as of December 31, 1999, 2000 and 2001, is as follows:

Creditor	Nature of Loan	Description	1999	2000	2001	
			NT$	NT$	NT$	US$
Industry Development Bureau of the Ministry of Economic Affairs	Loan of strategic leading products development project "GSM Handset"	Note 1	5,138	-	-	-
Industry Development Bureau of the Ministry of Economic Affairs	Loan of strategic leading products development project "CDMA individual digital communication"	Note 2	53,358	81,156	80,380	2,296
E. Sun Bank	Mortgage loan	Note 3	600,000	600,000	600,000	17,143
			658,496	681,156	680,380	19,439
Less: current portion			(5,138)	-	(40,190)	(1,148)
			653,358	**681,156**	**640,190**	**18,291**

Note 1: The Company obtained unsecured credit facilities amounting to NT$36,000 from the Industry Development Bureau of the Ministry of Economic Affairs ("IDB") pursuant to the program of government assistance in the development of targeted leading products. The project period was from December 15, 1993 to June 30, 1997. The loan was payable in 8 quarterly installments beginning on July 1, 1998. The loan was repaid in June 2000.

Note 2: The Company obtained unsecured credit facilities amounting to NT$95,000 from the IDB pursuant to the program of government assistance in the development of targeted leading products. The project period is from July 1, 1998 to December 31, 2000. The loan is payable in 8 quarterly installments beginning on January 1, 2002.

Note 3: The Company obtained secured credit facilities amounting to NT$600,000 from E.Sun Bank at interest rates ranging from 5.10% to 5.75%, 5.30% to 5.70%, and 3.00% to 5.50% in 1999, 2000 and 2001, respectively. The renewal contract period for these facilities is from September 2000 to September 2003. The Company has pledged certain land and issued promissory notes totaling NT$600,000 to secure these facilities.

(10) Bonds Payable

(a) The Company's bonds outstanding as of December 31, 1999, 2000 and 2001 are as follows:

	1999	2000	2001	
	NT$	NT$	NT$	US$
Five-year, local company bonds	2,000,000	2,000,000	2,000,000	57,143
Ten-year, 1.25% overseas convertible bonds	74,914	-	-	-
Provision for redemption of convertible bonds	16,853	-	-	-
Zero coupon overseas convertible bonds	-	-	6,128,500	175,100
Provision for redemption of convertible bonds	-	-	254,627	7,275
	2,091,767	2,000,000	8,383,127	239,518

The five year, local bonds represent unsecured type A and B bonds which were issued on November 25, 1998 and will mature on November 2003. Interest on the bonds is paid annually on November 25th. These bonds may be redeemed in November 2001 and 2002, respectively. The interest rates on the type A and B bonds are 7.28% and 7.36%, respectively.

Overseas convertible bonds (the "Bonds") were issued on November 27, 1996 and will mature on November 27, 2006. Interest for the Bonds is paid annually on November 27th. The bonds are convertible into shares of the Company's common stock any time prior to October 27, 2006 at a prescribed conversion price at that time. The Bonds may be redeemed on November 27, 2001 at the option of the bondholders. The redemption price is at 132.77% of the par value of the bonds, plus interest accrued up to the date of redemption. In accordance with ROC Securities and Futures Commission regulations, the Company has accrued the redemption premium using the interest method over the option periods. As of December 31, 2000, all of the bonds were converted into common stock. The premium of the transfer price over the par value of common stock was accounted for as capital surplus.

Zero coupon overseas convertible bonds (the "Bonds") were issued on February 21, 2001, with a maturity date of February 21, 2006.

The Bonds are convertible by holders into common shares of the Company (the "Shares") at any time on or after March 21, 2001, and prior to the close of business on January 21, 2006, except during any closed period. As of December 31, 2001, the adjusted conversion price is NT$44.0 per share with a fixed rate of exchange applicable on conversion of the Bonds of US$1.00 equals NT$32.35.

(b) The Company's short-term bonds as of December 31, 1999, 2000 and 2001 are summarized as follows:

	1998	1999	2000	
	NT$	NT$	NT$	US$
Domestic covertible bonds	-	4,000,000	212,800	6,080

Seven-year, zero coupon domestic convertible bonds were issued on June 22, 2000 with a maturity date of June 21, 2007. The bonds are redeemable on June 22, 2001, 2002, 2003, 2004, 2005, and 2006 at the bondholders' option. The redemption price equals the par value of the bonds. The bonds are convertible into shares of the Company's common stock from September 23, 2000 to June 12, 2007 at the conversion price on the conversion date.

In 2001, the Company purchased bonds with a par value of NT$166,900 in the open market, and the related gain of NT$1,201 is included in "non-operating income" in the accompanying non-consolidated statement of income. Also, as of December 31, 2001, bonds with a par value of NT$3,620,300 had been redeemed at the option of the bondholders.

(11) Stockholders' Equity

(a) Common stock

As of December 31, 2001, the Company's total authorized common stock consisted of 1,770,000,000 shares at NT$10 par value per share, including 300,000,000 shares for the conversion of bonds into common stock. The total common stock issued and outstanding amounted to 1,381,088,000 shares.

(b) Treasury stock

For the Company's employee stock option plan, the Company purchased 20,000,000 shares of treasury stock at a total cost of NT$529,449 as of December 31, 2001. According to SFC regulations, treasury stock can not be pledged for debts. Until the treasury stock is disposed of or transferred to employees, treasury stock does not carry any shareholder rights.

According to SFC regulations, the number of shares of treasury stock can not exceed 10% of the number of shares issued. Moreover, the total amount of treasury stock can not exceed the sum of retained earnings, paid-in capital in excess of par value, and realized capital surplus. As of December 31, 2001, the Company owned treasury stock of 20,000,000 shares at a total cost of NT$529,449, which is below its maximum limitation pursuant to SFC regulations.

(c) Capital increase and earnings distribution

The Company's stockholders meeting held on May 19, 1999, resolved to appropriate 1998 earnings as follows:

	NT$
Legal reserve	145,106
Retained earnings to be transferred to common stock	714,317
Cash dividends	662,818
Bonus for directors and supervisors	6,432
	1,528,673

On May 19, 1999, the stockholders also resolved to issue 100,000,000 new shares of common stock at NT$55 per share. The aforementioned issuance was approved by and registered with the ROC governmental authorities.

In addition, the stockholders resolved to transfer capital surplus totaling NT$331,409 for the issuance of common stock. The registration procedures of the transfer of the abovementioned retained earnings to common stock has been completed.

The Company's stockholders meeting held on May 19, 2000, resolved to appropriate 1999 earnings as follows:

	NT$
Legal reserve	216,909
Retained earnings to be transferred to common stock	1,440,914
Cash dividends	446,971
Bonus for directors and supervisors	10,582
	2,115,376

The stockholders also resolved to transfer capital surplus totaling NT$446,971 for the issuance of common stock. The registration procedures for the transfer of the abovementioned retained earnings to common stock have been completed.

The Company's stockholders meeting, held on May 11, 2001 resolved to appropriate 2000 earnings as follows:

	NT$
Legal reserve	461,957
Retained earnings to be transferred to common stock	2,442,201
Cash dividends	1,082,731
Bonus for directors and supervisors	30,749
	4,017,638

The stockholders also resolved to transfer capital surplus of NT$541,366 for the issuance of common stock. The registration procedures of the transfer of the abovementioned retained earnings to common stock have been completed.

(d) Capital surplus

Capital surplus from long-term equity investment accounted for by the equity method can not be used for any purpose. Other forms of capital surplus can only be used to offset accumulated deficits or to increase common stock. As of December 31, 1999, 2000 and 2001, capital surplus is summarized as follows:

	1999	2000	2001	
	NT$	NT$	NT$	US$
Additioned paid-in capital in excess of the common stock's par value	6,502,076	6,055,625	5,518,614	157,674
Convertible bonds converted in excess of the common stock's par value	2,602,932	2,670,737	2,670,737	7603077
Gain on disposal of property, plant and equipment	520	4,355	-	-
Capital surplus from long-term equity investments and other	458,147	536,768	-	-
	9,563,675	9,267,485	8,189,351	233,981

(e) Legal reserve and restrictions on unappropriated earnings

- Legal reserve

ROC Company Law stipulates that the Company must retain 10% of its annual earnings until such retention equals the amount of issued common stock. This amount is accounted for by transfers to a legal reserve upon approval by the Company's stockholders. The legal reserve can be used to offset an accumulated deficit. Also, 50% of the legal reserve can be converted to common stock if the legal reserve reaches an amount equal to one-half of issued common stock upon approval by the Company's stockholders.

- Dividends and employee bonuses

The Company's articles of incorporation stipulate that the balance of annual income after deducting accumulated deficit, if any, must be set up as a legal reserve equal to 10% of such balance and used to declare dividends of up to NT$1 per share. The remaining balance, if any, can be distributed as follows:

a. 5%-10% as employee bonuses.

b. 1% as bonuses for directors and supervisors; and

c. the remainder as dividends and bonuses for stockholders.

The distributable percentage can be adjusted after approval by the Company's stockholders.

(12) Income Taxes

(a) The Company is subject to ROC income tax at a maximum rate of 25%. The income tax expense (benefit) in 1999, 2000 and 2001 are summarized as follows:

	1999	2000	2001	
	NT$	NT$	NT$	US$
Current income tax expense	184,733	228,574	560,497	16,014
Deferred income tax benefit	(211,701)	(509,544)	(378,696)	(10,820)
	(26,968)	**(280,970)**	**181,801**	**5,194**

The components of the deferred income tax benefit in 1999, 2000 and 2001 are summarized as follows:

	1999	20009	2001	
	NT$	NT$	NT$	US$
Provision for warranty costs, net	(10,256)	(42,892)	(12,060)	(344)
Provision for inventory obsolescence	1,467	(38,728)	19,922	569
Provision for redemption of convertible bonds, net	33,089	-	(50,925)	(1,455)
Royalty accruals, net	(24,920)	(54,180)	(74,231)	(2,121)
Investment tax credit	(58,433)	(1,394,114)	339,159	9,690
Unrealized intercompany profits	(29,568)	7,767	(34,808)	(995)
Unrealized foreign currency exchange gain (loss)	(36,634)	76,525	(197,477)	(5,642)
Valuation allowance for deferred income tax assets	-	972,721	(371,508)	(10,614)
Other	(17,963)	1,498	3,232	92
	(211,701)	**(509,544)**	**(378,696)**	**(10,820)**

(b) For 1999, 2000 and 2001, the differences between the expected income tax expense based on the pre-tax income at a statutory income tax rate, and the actual income tax expense (benefit) reported in the non-consolidated statements of income are summarized as follows:

	1999	2000	2001	
	NT$	NT$	NT$	US$
Expecte dincome tax expense	535,659	1,085,739	803,291	22,951
Gain on disposal of invetments, net	(220,763)	(505,607)	(375,786)	(10,737)
Investment (income) loss recognized by equity method	(107,807)	(233,380)	351,634	10,047
10% income surtax subject to undistributed eanrings	10,676	10,123	6,627	189
Investment tax credits	(204,855)	(1,608,568)	(237,636)	(6,790)
Valuation allowance for deferred income tax assets, net	-	972,721	(371,508)	(10,614)
Other	(26,538)	4,952	5,179	148
Actual income tax (benefit) expense	**(26,968)**	**(280,970)**	**181,801**	**5,194**

(c) The deferred income tax assets (liabilities) as of December 31, 1999, 2000 and 2001 are summarized as follows:

	1999	2000	2001	
	NT$	NT$	NT$	US$
Deferred income tax assets (liabilities)-current:				
Investment tax credits	145,189	-	84,223	2,406
Royalty accruals	35,271	89,450	163,681	4,677
Provision for inventory obsolescence	4,375	43,103	23,181	662
Unrealized warranty costs	16,585	59,478	71,538	2,044
Unrealized inter company profit	38,986	31,219	66,027	1,887
Unrealized foreign currency exchange loss (gain)	15,881	(60,644)	136,833	3,910
Other	3,776	7,816	63,150	1,804
	284,962	227,499	608,633	17,390
Valuation allowance for deferred income tax assets	-	-	(116,813)	(3,338)
Net deferred income tax assets-current	284,962	227,499	491,820	14,052
Deferred income tax assets (liabilities)-non current:				
Investment tax credits	-	1,539,304	1,115,921	31,883
Provision for redemption of convertible bonds	-	-	50,925	1,455
Other	45,965	46,390	44,901	1,283
	45,965	1,585,694	1,211,747	34,621
Valuation allowance for deferred income tax assets	-	(972,721)	(484,400)	(13,840)
Net deferred incomet ax assets-noncurrent	45,965	612,973	727,347	20,781

The above deferred income tax assets-current are included in "prepaid expenses and other current assets" in the accompanying non-consolidated balance sheets.

(d) According to the ROC Statute for Upgrading Industry, the Company's investment in certain high-tech industries, automatic machinery and equipment, research and development expenses and personnel training can be used to credit one-half of the current year's income tax liabilities. The unused income tax credit can be carried forward for the following four years. As of December 31, 2001, total unused income tax credits amounted to NT$1,200,145.

(e) The Company's directors and supervisors held a meeting on March 5, 1997, and resolved that the Company's overseas subsidiaries' retained earnings will not be appropriated and shall be maintained as a permanent investment. As a result, the difference between the costs of long-term equity investment in overseas subsidiaries and its taxable basis was not recognized as a deferred tax liability.

(f) Undistributed earnings, imputation credit account ("ICA") and creditable ratio

Beginning in 1998, the integrated income tax system was implemented. Under this system, any undistributed profits earned subsequent to December 31, 1997, are subject to an additional 10% income surtax.

Under the new tax system, the income tax paid at the corporate level can be used to offset ROC resident stockholders' individual income taxes. The Company is required to establish an ICA to maintain a record of the corporate income tax paid and imputation credit they have allocated to each stockholder. The credit available to theROC resident stockholders is calculated by multiplying the dividend by creditable ratio. The creditable ratio is calculated by dividing the balance of ICA by retained earnings since January 1, 1998.

The non-resident stockholders are not eligible for the imputation credit. However, the 10% income surtax paid at the corporate level can be used to offset dividend tax withheld from non-resident stockholders upon distribution of earnings.

As of December 31, 1999, 2000 and 2001, the information related to the integrated tax system for the Company was as follows:

	1999	2000	2001	
	NT$	NT$	NT$	US$
ICA balance	9,136	5,768	52,489	174
Creditable ratio	8.68%	5.64%	16.72%	-
Unappropriated earnings:				
Before January 1, 1998	732,400	732,400	732,400	20,926
After January 1, 1998	2,169,085	4,673,277	3,654,739	104,421
	2,901,485	5,405,677	4,387,139	125,347

(g) The ROC tax authorities have examined and assessed the Company' s income tax returns for all fiscal years through December 31, 1998.

(13) Pension Plan

The funded status of pension plan and pension assets as of December 31, 1999, 2000 and 2001 are summarized below:

	1999	2000	2001	
	NT$	NT$	NT$	US$
Benefit obligation:				
Vested benefit obligation	(2,631)	-	(10,113)	-
Nonvested benefit obligation	(51,724)	(71,581)	(130,709)	(2,158)
Accumulated benefit obligation	(54,355)	(71,581)	(140,822)	(2,158)
Projected compensation increases	(77,754)	(105,196)	(202,669)	(3,171)
Projected benefit obligation	(132,109)	(176,777)	(343,491)	(5,329)
Plan assets at fair value	219,836	263,911	295,075	7,956
Funded status	87,727	87,134	(48,416)	2,627
Unrecognized (Gain) loss	(83,754)	(49,443)	84,237	(1,491)
Unrecognized transition obligation	18,277	17,202	16,127	519
Prepaid pension asset	**22,250**	**54,893**	**51,948**	**1,655**

Actuarial assumptions as of December 31, 1999, 2000 and 2001 are summarized as follows:

	1999	2000	2001
Discount rate	6.50%	6.00%	4.50%
Rate of increase in future compensation levels	5.00%	5.00%	5.00%
Expected long-term rate of returns on plan assets	6.50%	6.00%	4.50%

As of December 31, 1999, 2000 and 2001, total vested benefits were NT$2,631 and NT$16,087, respectively. There were no vested benefits as of December 31, 2000. Total pension expense was NT$18,495, NT$11,416 and NT$23,288 in 1999, 2000 and 2001, respectively.

(14) Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, notes and accounts receivable, receivables from related parties, notes and accounts payalbe, payables to related porties, and short-term borrowings, approximate fair value because of the short-term maturity of these instruments.

The fair value and carrying amounts of all other financial instruments as of December 31, 2001 are summarized as follows:

	December 31, 2001			
	Carrying amount		Fair value	
	NT$	US$	NT$	US$
Non-derivative financial instruments:				
Assets:				
Short-term investments	3,469,826	99,138	5,721,602	163,474
Long-term equity investments in which the:				
- Fair value could not be determined	9,795,061	279,859	20,676,041	590,744
- Fair value could not be determined	12,687,391	362,497	-	-
- Other long-term investment	5,167	148	4,890	140
Liabilities:				
Long-term debt	640,190	18,291	640,190	18,291
Bonds payable	8,595,927	245,598	9,106,794	260,194
Derivative financial instruments:				
Foreign currency exchange contracts	51,954	1,484	722,262	2,065

The following methods and assumptions are used to estimate the fair value of each class of the above financial instruments:

(a) Short-term investments

The fair value of short-term investments is based on the quoted market price of similar securities. If quoted prices are not available, then the market value is estimated using other financial information.

(b) Long-term equity investments

The fair value of long-term equity investments is based on quoted market prices for these securities. If those securities are not listed on a public market, the fair value is not considered estimable.

(c) Other long-term investment

The fair value of other long-term investment is based on quoted market prices.

(d) Long-term debt

The majority of the Company's long-term debt is variable interest debt in which the carrying value approximates the market value.

(e) Bonds payable

The fair value of bonds payable is estimated base on quoted market prices.

(f) Fair value of derivative financial instruments

The fair value of foreign currency exchange contracts are estimated by obtaining quotes from brokers.

(15) Derivative Financial Instruments

The Company uses financial instruments to offset exposure to market risks arising from changes in foreign exchange rates and interest rates. Derivative financial instruments utilized by the Company primarily included foreign currency exchange contracts.

As of December 31, 1999, 2000 and 2001, the contract amounts for the Company's outstanding derivative financial instruments were as follows:

	1999	2000	2001	
	Contract amount	Contract amount	Contract amount	Contract amount
	NT$	NT$	NT$	US$
Foreign currency exchange contracts	5,212,187	-	4,661,217	133,178

Management believes that these derivatives do not have any credit risk. The contract amounts for the derivatives summarized above are used to calculate amounts exchanged in future periods relating to foreign currency exchange rates. The Company is exposed to credit related losses equal to the market value of the financial instruments shown above, which reflects the loss on September 30th that would result from replacing the instruments in case of non-performance by the counterparties. The Company does not anticipate that any of its counterparties will fail to meet their obligations because of their high credit ratings. Where appropriate, the Company has diversified its selection of counterparties.

Since the foreign currency exchange contracts are entered to hedge the existing foreign currency assets and liabilities, and the exchange rate of the forward contracts are fixed, management believes that the liquidity and cash flow risk is minimal.

The related net asset balance related to these contracts is classified as "prepaid expenses and other current assets" in the accompanying non-consolidated balance sheets. As of December 31, 1999, 2000 and 2001, the net receivables were NT$31,882 and NT$51,954, respectively.

(16) Transactions with Related Parties

(a) Name and relationship

Name	Relationship to the Company
BQAP	Subsidiary of the Company
DARFON	Subsidiary of the Company
DT	Subsidiary of the Company
BQM	Subsidiary of the Company
WTC	Subsidiary of the Company
BQE	Subsidiary of the Company
BQLB	Subsidiary of the Company
BQX	Subsidiary of the Company
DVI	Subsidiary of the Company
APHK	Subsidiary of the Company
AU	Investee of the Company accounted

	for by equity method
Airoha	Investee of the Company accounted for by equity method
BQjp	Subsidiary of BQAP
Benq Incorporated ("BQA")	Subsidiary of BQLB
Benq Co., LTD. ("BQS")	Subsidiary of BQLB
CMUK	Subsidiary of CME
Acer Incorporated ("Acer")	Major stockholder
Acer Capital Corp.	Subsidiary of Acer
Wistron Infocomm (Texas) Corporation ("WTX")	Subsidiary of Acer
Acer Sales and Distribution Limited ("ASD")	Indirect holding subsidiary of Acer
Acer Japan Corp. ("AJC")	Indirect holding subsidiary of Acer
Acer Computer (Far East) Limited ("AFE")	Indirect holding subsidiary of Acer
Acer Computer (M.E) Limited ("AME")	Indirect holding subsidiary of Acer
Servex Australia Pty Ltd. ("SAL")	Indirect holding subsidiary of Acer
Acer Italy S.R.L. ("AIT")	Indirect holding subsidiary of Acer
Servex (M.E.) Ltd. ("SME")	Indirect holding subsidiary of Acer
Acer Sertek Inc. (Sertek)	Investee of Acer

(b) Significant transactions with related parties

1. Sales and related notes and accounts receivable

The Company' s sales to related parties and the related notes and accounts receivable were summarized as follows as of and for the years ended December 31, 1999, 2000 and 2001:

	Sales						
	1998		1999		2000		
	Amount NT$	Percentage of net sales	Amount NT$	Percentage of net sales	Amount NT$	Amount US$	Percentage of net sales
Subsidiaries:							
BQA	8,776,318	23	7,695,788	16	8,862,626	253,218	15
BQE	4,727,473	13	6,150,441	12	6,570,213	187,720	11
BQLB	-	-	5,851,602	12	6,877,192	196,491	12
BQAP	-	-	1,368,882	3	4,825,218	137,864	8
BQjp	1,113,636	3	1,316,003	3	1,089,537	31,130	2
Other	9,797	-	92,731	-	26,366	753	-
	14,634,937	39	22,475,447	46	28,251,152	807,176	48
Other related parties:							
AU	4,760	-	136,130	-	1,113,294	31,808	2
AFE	52,309	-	328,504	1	400,154	11,433	1
ASD	3,176,614	8	1,586,508	3	345,324	9,866	1
WTX	-	-	-	-	169,458	4,842	-
Sertek	686,598	2	428,080	1	107,124	3,061	-
AJC	203,009	1	152,602	-	74,030	2,115	-
SME	63,231	-	226,182	-	55,279	1,579	-
AIT	92,361	-	414,398	1	11,393	326	-
AME	4,782	-	415,083	1	-	-	-
SAL	34,714	-	161,284	-	-	-	-
Other	5,134,106	14	972,620	2	169,969	4,856	2
	9,452,484	25	4,821,391	10	2,446,025	69,886	10
	24,087,421	64	27,296,838	56	30,697,177	877,062	56

	Notes and accounts receivable as of December 31						
	1999		2000		2001		
	Amount NT$	Percentage of notes and accounts receivable	Amount NT$	Percentage of notes and accounts receivable	Amount NT$	Amount US$	Percentage of notes and accounts receivable
Subsidiaries:							
BQA	3,017,049	33	3,311,210	30	5,464,022	156,115	35
BQE	2,144,572	23	2,742,113	24	2,232,053	63,773	14
BQAP	-	-	500,775	5	1,729,227	49,407	11
BQjp	594,298	6	362,483	3	383,503	10,957	2
BQLB	89,038	1	1,235,455	11	10,888	311	-
Other	108,305	1	33,898	-	26,997	771	-
	5,953,262	64	8,185,934	73	9,846,690	281,334	62
Other related parties:							
AU			237,650	2	38,596	6,790	-
WTX			147,592	1	-	4,217	-
AIT	21,993	-	140,167	1	140,167	-	-
Other	1,530,437	17	184,973	2	85,603	6,083	1
	1,552,430	17	363,736	3	363,736	17,090	3
	7,505,692	81	8,549,670	76	10,444,828	298,424	66
Less: allowance for doubtful accounts	(17,740)	-	(4,816)	-	(3,134)	(90)	-
	7,487,952	**81**	**8,544,854**	**76**	**10,441,694**	**298,334**	**66**

Except for payment terms with certain related parties, there are no significant differences in the trading terms between related parties and third party customers.

As of December 31, 1999, 2000 and 2001, the unrealized gross profit on the above intercompany transactions amounted to NT$155,945, NT$124,878 and NT$264,109, respectively.

In 1999 and 2000, accounts receivable totaling US$35,318 and US$75,819, respectively, from BQA and WTC were sold to Acer Capital Corp. with recourse. The Company has no obligations to purchase back these accounts receivable. The difference between the selling price and carrying amount of the accounts receivable of NT$2,279 and NT$14,430, was recognized as interest expense in 1999 and 2000, respectively, in the accompanying non-consolidated statements of income.

2. Purchases, and related notes and accounts payable

The Company's purchases from related parties, and the related notes and accounts payable were as follows as of and for the years ended December 31, 1999, 2000 and 2001:

	Purchases						
	1999		2000		2001		
	Amount NT$	Percentage of total purchases	Amount NT$	Percentage of total purchases	Amount NT$	Amount US$	Percentage of total purchases
Subsidiaries:							
BQMB	18,191,810	53	15,486,670	36	12,715,041	363,287	26
BQLB	8,076,019	23	7,547,667	17	10,316,016	294,744	21
DT	-	-	1,396	-	110,789	3,165	-
Darfon	-	-	32,713	-	101,595	2,903	-
BQX	581,041	2	156,495	-	1,759	50	-
Other	30,304	-	39,817	-	-	-	-
	26,879,174	8	23,230,649	53	23,245,200	664,149	47
Other related parties:							
AU	-	-	866,019	2	6,696,443	191,327	13
Other	44,678	-	90,562	-	32,704	934	-
	44,678	-	956,581	2	6,729,147	192,261	13
	26,923,852	78	24,187,230	55	29,974,347	856,410	60

	Notes and accounts payable as of December 31						
	1998		1999		2000		
	Amount NT$	Percentage of total payable	Amount NT$	Percentage of total payable	Amount NT$	Amount US$	Percentage of total payable
Subsidiaries:							
BQM	3,165,389	50	2,668,635	36	3,896,369	111,325	30
BQLB	1,411,108	22	997,256	14	462,117	13,203	4
Other	36,187	1	15,550	-	114,030	3,258	-
	4,612,684	73	3,681,441	50	4,472,516	127,786	34
Other related parties:							
AU	-	-	197,565	3	1,983,056	56,659	16
Other	16,827	-	14,923	-	33,573	959	-
	16,827	-	212,488	3	2,016,629	57,618	16
	4,629,511	73	3,893,929	53	6,489,145	185,404	50

There are no significant differences in trade terms between purchases from related parties and third party suppliers.

As of December 31, 1999, 2000 and 2001, the unrealized intercompany gross profit (loss) related to the above purchases and the transactions amounted to NT$(2,220), NT$(9,807) and NT$122,558, respectively. These amount were eliminated accordingly in the long-term equity investment and investment income accounts in the accompanying non-consolidated financial statements.

3. Property transactions

In July 1999, the Company sold machinery, molds, equipment and inventories of the keyboard product division at book value to Darfon. The Company also transferred certain patents to Darfon. The selling prices of equipment, molds and inventories were NT$5,630, NT$42,354 and NT$15,615, respectively. The Company also received a royalty payment of NT$191,050 for patents sold, which was recognized as deferred profit and classified as other liabilities in the accompanying non-consolidated balance sheets. The deferred profit is being amortized using the straight-line method over ten years. The related royalty revenue recognized was NT$19,105 in 2000.

In 2001, the Company sold machinery and molds at a price of NT$217,743 to BQS and NT$44,164 to Airoha, resulting in a gain of NT$9,676.

4. Investment transactions

In April 1999, the Company sold 500,000 shares of TCC to DVI for NT$22,433. The related disposal gain of NT$17,433 was recorded as a deferred intercompany profit in the accompanying non-consolidated balance sheet.

In December 1999, the Company sold 100% of its ownership of CMUK to CME for NT$15,268. The related receivable was reflected as "receivables from related parties" in the accompanying non-consolidated balance sheet. The related disposal loss of NT$1,227 was recorded as a deferred intercompany loss and classified as an asset.

In August 2000, the Company sold 2,676,000 shares of GREATEK at book value to DVI.

In January 2001, the Company sold all shares of CMJP at book value of NT$4,518 to BQjp.

5. Guarantees

As of December 31, 1999, 2000 and 2001, the Company guaranteed the following credit facilities for its subsidiaries' loans from financial institutions:

	1999	2000	2001	
	NT$	NT$	NT$	US$
BQHK	943,500	-	-	-

The Company did not guarantee any credit facilities for its subsidairies as of December 31, 2000 and 2001, respectively.

6. Rental income

The Company lease offices and warehouses to DT from January 2000. The rental for this lease is NT$0.14 per square meter, payable before the tenth of each month. In 2000 and 2001, total rental each period amounted to NT$13,230, recorded as non-operating income in the accompanying non-consolidated statement of income.

7 Management consulting service fees

Acer provides management consulting services to the Company. In 1999, 2000 and 2001, the total management consulting service fee charged by Acer to the Company was NT$4,300, NT$10,644 and NT$4,300, respectively, and was included in operating expenses in the accompanying non-consolidated statements of income. The related payables were classified as "payables to related parties".

8. Repair service

The Company entered into a repair service agreements with WTC, BQE and BQjp, in which these companies provide repair services to the Company's OEM customers in the USA, Europe, and Japan. WTC, BQE and BQjp charged repair service fees based on actual services rendered. The repair service expenses resulting from these transactions for the years ended December 31, 1999, 2000 and 2001 were as follow:

	1999	2000	2001	
	NT$	NT$	NT$	US$
BQE	109,445	105,986	25,083	717
BQjp	901	24,173	10,221	292
WTC	221	-	-	-
	110,567	130,159	35,304	1,009

The repair service expense was classified as "selling expense" in the accompanying non-consolidated statements of income. The related payables were classified as "payables to related parties" in the accompanying non-consoldiated balance sheets.

9. Other

As of December 30, 2000 and 2001, the Company provided commitment letters for related parties' credit facilities from financial institutions were as follows:

	1999	2000	2001	
	NT$	NT$	NT$	US$
AU	7,000,000	20,500,000	7,000,000	200,000
DARFON	-	-	1,672,350	47,781
DT	-	-	672,350	19,210
	7,000,000	20,500,000	9,344,700	266,991

10. Other receivalbes

As of December 31, 1999, 2000 and 2001, the outstanding receivables resulting from payment on behalf of related parties for purchase of raw materials, molds, freight, insurance and travel expenses were as follows:

	1999	2000	2001	
	NT$	NT$	NT$	US$
BQS	-	-	8,334	238
BQLB	8,678	20,852	6,796	194
BQE	15,344	-	1,909	55
BQX	18,218	6,374	140	4
Other	151,349	11,336	1,202	34
	193,589	38,562	18,381	525

11. Other payables

As of December 31, 1999, 2000 and 2001, the outstanding payables resulting from advance payments made by related parties on behalf of the Company for advertisement, various duties, travel expenses, repair expenses, salaries, and miscellaneous expenses were as follows:

	1999	2000	2001	
	NT$	NT$	NT$	US$
Acer	151,618	158,758	63,686	1,820
AU	-	192	13,561	387
BQA	28,163	77,588	10,428	298
BQE	29,071	65,779	1,997	57
BQS	33,557	54,412	-	-
BQLB	38,356	51,329	3,457	99
BQM	73,297	30,842	1,191	34
WTC	-	-	12,616	360
Other	56,843	65,078	37,169	1,062
	410,905	**503,978**	**144,105**	**4,117**

12. Summary of receivables and payables

The related party receivables and payables as of December 31, 1999, 2000 and 2001, are summarized as follows:

	1999	2000	2001	
	NT$	NT$	NT$	US$
Receivables:				
Notes and accounts receivable	7,487,952	8,544,854	10,441,694	298,334
Other	193,589	38,562	18,381	525
	7,681,541	**8,583,416**	**10,460,075**	**298,859**
Payables:				
Notes and accounts payable	4,629,511	3,893,929	6,489,145	185,404
Other	410,905	503,978	144,105	4,117
	5,040,416	**4,397,907**	**6,633,250**	**189,521**

(17) Pledged Assets

As of December 31, 1999, 2000 and 2001, the carrying amount of land pledged as collateral was as follows:

	1999	2000	2001	
	NT$	NT$	NT$	US$
Land	949,170	949,170	949,170	27,119

(18) Commitments and Contingencies

(a) In December 1999, the Company's board of directors resolved to construct a second research and development office. The total construction cost is estimated to be NT$1,200,000. The building is expected to be completed on March 31, 2002.

As of December 31, 2001, the Company had paid construction costs of NT$722,690. These costs were recorded as "prepayments for plant and equipment" in the accompanying non-consolidated balance sheet.

(b) In July 2000, the Company entered into a construction contract for the building of a manufacturing plant. The total contract price amounted to NT$445,714.

As of December 31, 2001, the Company had paid construction costs of NT$366,753. These costs were recorded as "prepayments for plant and equipment" in the accompanying non-consolidated balance sheet.

(c) Elonex litigation

On February 13, 2001, Elonex I.P. Holdings, Ltd. ("Elonex"), a British company, and EIP Licensing, B.V. ("EIP"), a Netherlands company, filed a patent infringement action in Delaware, U.S.A., against the Company and 22 other well-known computer and monitor manufacturers. Elonex claims the defendants infringed on its patents relating to Cathode Ray Tube ("CRT") monitor power-saving technology. The Company has hired counsel to defend this claim, but management of the Company was unable to determine the final outcome of this claim.

(e) As of December 30, 2001, the outstanding stand-by letters of credit to guarantee contract bidding amounted to NT$245,606.

(19) Subsequent Events

The zero coupon overseas convertible bonds are convertible by bolders into NT$17,230,041 common shares for the two-month periods ended February 28, 2002.

(20) Disclosure of Segment Information

(a) Industry segment information

Industry segment financial information has not been disclosed as the primary activities of the Company are included in one segment, the manufacturing and sales of computer peripheral equipment and communication products.

(b) Geographic segment information

The Company does not have any operating segment outside of the ROC.

(c) Export sales information

In 1999, 2000 and 2001, the total export sales of the Company were as follows:

	1999	2000	2001	
	NT$	NT$	NT$	US$
Europe	15,838,381	14,564,282	21,324,880	609,282
America	10,636,765	9,185,213	11,450,138	327,147
Asia	7,075,625	19,144,721	19,186,502	548,186
Other	1,299,831	2,157,534	2,218,105	63,374
Total	34,850,602	45,051,750	54,179,625	1,547,989

(d) Significant customers

In 1999, 2000 and 2001, sales to customers representing greater than 10% of net sales were as follows:

	1999		2000			2001			
Customer	NT$	Percentage of net sales	Customer	NT$	Percentage of net sales	Customer	NT$	US$	Percentage of net sales
A	8,776,318	23	A	7,695,788	16	A	8,862,626	253,218	15
B	4,727,473	12	B	6,150,441	12	B	6,877,192	196,491	12
C	-	-	C	5,851,602	12	C	6,570,213	187,720	11
D	-	-	D		-	D	6,307,622	180,218	11
	13,503,791	35		19,697,831	40		28,617,653	817,647	49

BenQ Corporation
and Subsidiaries

Financial Statements

December 31, 1999, 2000 and 2001
(With Auditors' Report Thereon)

Independent Auditors' Report

The Board of Directors
BenQ Corporation:

We have audited the consolidated balance sheets of BenQ Corporation and subsidiaries as of December 31, 1999, 2000 and 2001, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of BenQ Corporation and subsidiaries as of December 31, 1999, 2000 and 2001, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the Republic of China.

The accompanying consolidated financial statements as of and for the year ended December 31, 2001, have been translated into United States dollars solely for the convenience of the readers. We have audited the translation, and in our opinion, the consolidated financial statements expressed in New Taiwan dollars have been translated into United States dollars on the basis set forth in note 3(c) of the notes to the consolidated financial statements.

Taipei, Taiwan (the Republic of China)
March 6, 2002

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

BenQ Corporation and Subsidiaries

Consolidated Balance Sheets

December 31, 1999, 2000 and 2001
(expressed in thousands of New Taiwan dollars and US dollars)

Assets	1999 NT$	2000 NT$	2001 NT$	2001 US$
Current assets:				
Cash and cash equivalents	1,709,951	2,475,261	2,780,624	79,446
Short-term investments	478,494	2,091,338	5,091,338	145,467
Notes and accounts receivable	3,520,933	6,962,461	11,752,844	335,796
Receivables from related parties	3,463,782	2,423,065	2,293,842	65,538
Inventories	9,080,615	10,370,562	10,992,695	314,077
Prepaid expenses and other current Assets	1,066,074	1,380,843	2,195,874	62,739
Total current assets	19,319,849	25,703,530	35,107,217	1,003,063
Long-term investments	12,423,320	14,694,855	13,819,602	394,846
Property, plant and equipment:				
Land	2,567,397	2,899,776	2,922,436	83,498
Buildings	3,177,407	4,324,293	6,111,644	174,618
Machinery and equipment	4,829,082	8,212,753	10,917,456	311,927
Molds	392,132	283,107	266,260	7,607
Furniture and fixtures	145,670	221,708	319,539	9,130
Miscellaneous equipment	334,194	560,893	498,388	14,240
Leasehold improvements	4,345	26,827	175,543	5,016
Prepayments for plant and equipment	1,168,780	2,035,354	1,710,402	48,869
	12,619,007	18,564,711	22,921,668	654,905
Less: accumulated depreciation	(2,619,251)	(3,615,612)	(5,070,218)	(144,863)
Net property, plant and equipment	9,999,756	14,949,099	17,851,450	510,042
Deferred expenses and other assets	1,033,910	1,998,701	2,683,627	76,675
Total assets	42,776,835	57,346,185	69,461,896	1,984,626

Liabilities and Stockholders' Equity	1999 NT$	2000 NT$	2001 NT$	2001 US$
Current liabilities:				
Short-term borrowings	4,815,528	8,477,262	5,245,472	149,871
Current portion of long-term debt	144,313	452,690	255,521	7,301
Bonds payable	-	4,000,000	212,800	6,080
Notes and accounts payable	8,031,181	7,763,521	15,194,579	434,131
Payables to related parties	1,005,988	463,341	2,119,962	60,570
Accrued expenses and other current liabilities	2,066,493	3,319,956	4,996,612	142,760
Total current liabilities	16,063,503	24,476,770	28,024,946	800,713
Bonds payable	2,091,766	2,000,000	8,883,127	253,804
Long-term debt	1,568,360	1,935,794	2,448,617	69,960
Other liabilities	12,607	10,488	39,445	1,127
Total liabilities	19,736,236	28,423,052	39,396,135	1,125,604
Minority interest	589,936	2,044,213	2,005,659	57,305
Stockholders' equity:				
Common stock	8,881,756	10,827,312	13,810,879	394,597
Convertible bonds applied for conversion	34,281	-	-	-
Capital surplus	9,563,675	9,267,485	8,189,351	233,981
Legal reserve	782,450	999,359	1,461,316	41,752
Retained earnings	2,901,485	5,405,677	4,387,139	125,347
Translation adjustment	365,961	545,207	821,817	23,480
Treasury stock	(78,945)	(166,120)	(610,400)	(17,440)
Total stockholders' equity	22,450,663	26,878,920	28,060,102	801,717
Commitments and contingencies				
Total liabilities and stockholders' equity	42,776,835	57,346,185	69,461,896	1,984,626

BenQ Corporation and Subsidiaries

Consolidated Statements of Income

Years ended December 31, 1999, 2000 and 2001

(expressed in thousands of New Taiwan dollars and US dollars except net income per share)

	1999	2000	2001	
	NT$	NT$	NT$	US$
Net sales	41,635,266	62,445,564	73,749,898	2,107,140
Cost of goods sold	(35,917,083)	(54,442,420)	(62,467,320)	(1,784,781)
Gross profit	5,718,183	8,003,144	11,282,578	322,359
Operating expenses:				
Selling	(2,566,893)	(3,610,342)	(4,195,106)	(119,860)
Administrative	(952,338)	(1,211,487)	(1,692,009)	(48,343)
Research and development	(1,383,752)	(1,927,854)	(2,053,078)	(58,659)
	(4,902,983)	(6,749,683)	(7,940,193)	(226,862)
Operating income	815,200	1,253,461	3,342,385	95,497
Non-operating income:				
Interest income	31,582	56,029	151,011	4,315
Investment income recorded under the equity method, net	293,476	747,529	-	-
Dividend income	122,459	9,595	33,502	957
Gain on disposal of investments, net	1,146,154	2,734,922	1,861,111	53,175
Foreign exchange gain, net	-	-	47,198	1,349
Other income	269,254	302,643	304,246	8,693
	1,862,925	3,850,718	2,397,068	68,489
Non-operating expenses:				
Interest expense	(505,851)	(696,451)	(785,905)	(22,455)
Investment loss recorded under the equity method, net	-	-	(1,753,902)	(50,112)
Foreign exchange loss, net	(3,789)	(39,843)	-	-
Other loss	(73,158)	(152,097)	(244,966)	(6,999)
	(582,798)	(888,391)	(2,784,773)	(79,566)
Income before income taxes and minority interest	2,095,327	4,215,788	2,954,680	84,420
Income tax benefit (expense)	62,515	409,486	(79,090)	(2,260)
Income before minority interest	2,157,842	4,625,274	2,875,590	82,160
Minority interest in net loss (income) of subsidiaries	11,763	(1,350)	155,773	4,450
Net income	**2,169,605**	**4,623,924**	**3,031,363**	**86,610**
Net income per share	**1.78**	**3.35**	**2.20**	**0.063**

BenQ Corporation and Subsidiaries

Consolidated Statements of Changes in Stockholders' Equity

Years ended December 31, 1999, 2000 and 2001

(expressed in thousands of New Taiwan dollars)

	Common Stock NT$	Convertible Bonds Applied for Conversion NT$	Capital Surplus NT$	Legal Reserve NT$	Retained Earnings NT$	Translation Adjustment NT$	Treasury Stock NT$	Total NT$
Balance at January 1, 1999	6,628,176	-	4,630,085	637,344	2,261,073	437,132	(74,734)	14,519,076
Net income for 1999	-	-	-	-	2,169,605	-	-	2,169,605
Appropriation of earnings and capital surplus:								
Retained earnings transferred to common stock	714,317	-	-	-	(714,317)	-	-	-
Capital surplus transferred to common stock	331,409	-	(331,409)	-	-	-	-	-
Cash dividends	-	-	-	-	(662,818)	-	-	(662,818)
Bonuses for directors and supervisors	-	-	-	-	(6,432)	-	-	(6,432)
Legal reserve	-	-	-	145,106	(145,106)	-	-	-
Issuance of new shares	1,000,000	-	4,500,000	-	-	-		5,500,000
Convertible bonds converted to common stock	207,854	34,281	706,120	-	-	-	-	948,255
Gains on disposal of property, plant and equipment transferred to capital surplus	-	-	520	-	(520)	-	-	-
Adjustments of net equity of investee companies	-	-	58,359	-	-	-	-	58,359
Treasury stock acquired by consolidated subsidiaries, net	-	-	-	-	-	-	(4,211)	(4,211)
Translation adjustment	-	-	-	-	-	(71,171)	-	(71,171)
Balance at December 31, 1999	8,881,756	34,281	9,563,675	782,450	2,901,485	365,961	(78,945)	22,450,663
Net income for 2000	-	-	-	-	4,623,924	-	-	4,623,924
Appropriation of earnings and capital surplus:								
Retained earnings transferred to common stock	1,440,914	-	-	-	(1,440,914)	-	-	-
Capital surplus transferred to common stock	446,971	-	(446,971)	-	-	-	-	-
Cash dividends	-	-	-	-	(446,971)	-	-	(446,971)
Bonuses for directors and supervisors	-	-	-	-	(10,582)	-	-	(10,582)
Legal reserve	-	-	-	216,909	(216,909)	-	-	-
Convertible bonds converted to common stock	57,671	(34,281)	67,804	-	-	-	-	91,194
Gains on disposal of property, plant and equipment transferred to capital surplus	-	-	4,356	-	(4,356)	-	-	-
Adjustments of net equity of investee companies	-	-	78,621	-	-	-	-	78,621
Treasury stock acquired by consolidated subsidiaries, net	-	-	-	-	-	-	(87,175)	(87,175)
Translation adjustment	-	-	-	-	-	179,246	-	179,246
Balance at December 31, 2000	10,827,312	-	9,267,485	999,359	5,405,677	545,207	(166,120)	26,878,920
Net income for 2001	-	-	-	-	3,031,363	-	-	3,031,363
Appropriation of earnings and capital surplus:								
Retained earnings transferred to common stock	2,442,201	-	-	-	(2,442,201)	-	-	-
Capital surplus transferred to common stock	541,366	-	(541,366)	-	-	-	-	-
Cash dividends	-	-	-	-	(1,082,731)	-	-	(1,082,731)
Bonuses for directors and supervisors	-	-	-	-	(30,749)	-	-	(30,749)
Legal reserve	-	-	-	461,957	(461,957)	-	-	-
Treasury stock acquired by the Company	-	-	-	-	-	-	(529,449)	(529,449)
Adjustments of net equity of investee companies	-	-	(536,768)	-	(32,263)	-	-	(569,031)
Treasury stock sold by consolidated subsidiaries, net	-	-	-	-	-	-	85,169	85,169
Translation adjustment	-	-	-	-	-	276,610	-	276,610
Balance at December 31, 2001	13,810,879	-	8,189,351	1,461,316	4,387,139	821,817	(610,400)	28,060,102

BenQ Corporation and Subsidiaries

Consolidated Statements of Cash Flows

Years ended December 31, 1999, 2000 and 2001
(expressed in thousands of New Taiwan dollars and US dollars)

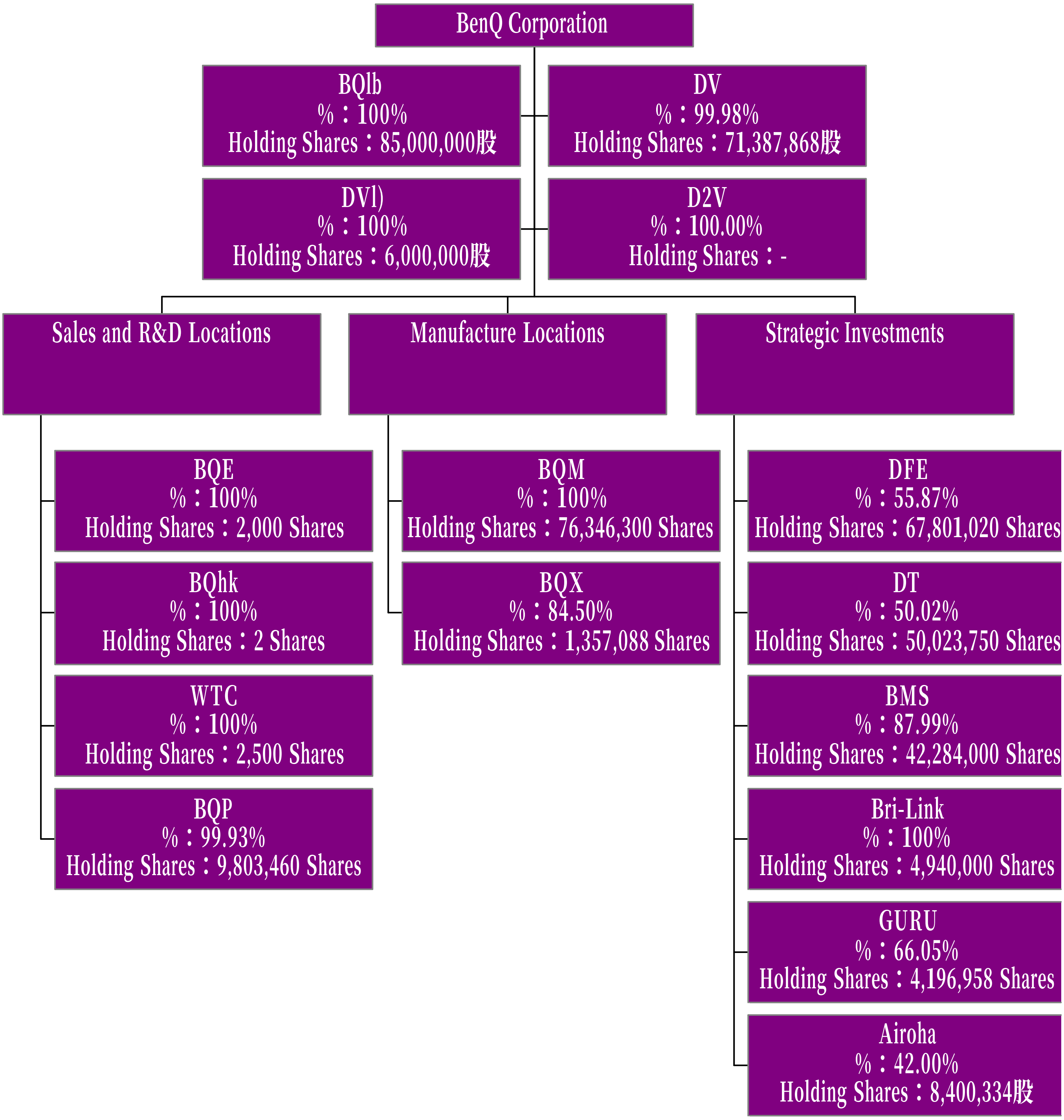
	1999	2000	2001	
	NT$	NT$	NT$	US$
Cash flows from operating activities:				
Net income	2,169,605	4,623,924	3,031,363	86,610
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Minority interest in net loss (income) of subsidiaries	(11,763)	1,350	(155,773)	(4,450)
Depreciation	838,615	1,242,615	1,735,365	49,582
Amortization	133,721	200,472	226,891	6,482
Loss (gain) on disposal of property, plant and equipment	(14,517)	70,537	50,607	1,446
Fixed assets transferred to expenses	-	-	36,922	1,055
Net investment loss (income) on long-term equity method investments	(293,476)	(747,529)	1,753,902	50,112
Cash dividends received from investees accounted for by equity method	-	-	3,499	100
Gain on disposal of short-term investments	(599,993)	(889,515)	(1,591,091)	(45,460)
Gain on disposal of long-term equity investments	(547,580)	(1,808,890)	(268,979)	(7,685)
Gain on disposal of common stock of subsidiaries	(2,799)	(36,516)	(1,041)	(30)
Increase in notes and accounts receivable	(1,704,700)	(3,441,528)	(4,790,383)	(136,868)
Decrease (increase) in receivables from related parties	(1,339,879)	1,040,717	129,223	3,692
Increase in inventories	(4,636,909)	(1,289,947)	(622,133)	(17,775)
Increase in prepaid expenses and other current assets	(262,979)	(383,307)	(519,987)	(14,857)
Increase in deferred income tax assets	(280,143)	(690,873)	(601,763)	(17,193)
Increase (decrease) in notes and accounts payable	3,564,894	(269,160)	7,431,058	212,316
Increase (decrease) in payables to related parties	909,081	(544,837)	1,656,621	47,332
Increase in accrued expenses and other current liabilities	954,154	1,253,566	1,676,657	47,905
Provision for redemption of convertible bonds	39,725	-	254,627	7,275
Amortization of bond issuance costs	3,589	3,548	91,571	2,616
Unrealized foreign exchange loss on convertible bonds	3,800	-	467,250	13,350
Provision for the diminution in the value of short-term investments	(1,725)	-	-	-
Net cash provided by (used in) operating activities	(1,079,279)	(1,665,373)	9,994,406	285,555
Cash flows from investing activities:				
Proceeds from disposal of property, plant and equipment	86,440	119,888	466,068	13,316
Additions to property, plant and equipment	(2,958,340)	(6,214,026)	(4,887,665)	(139,648)
Increase in deferred expenses and other assets	(102,909)	(377,808)	(420,576)	(12,016)
Increase in long-term equity investments	(4,785,390)	(3,820,976)	(1,697,125)	(48,489)
Proceeds from disposal of long-term equity investments	916,660	2,728,376	541,962	15,485
Proceeds from disposal of common stock of subsidiaries	10,271	131,326	72,921	2,083
Decrease (increase) in short-term investments	829,231	623,132	(1,408,909)	(40,255)
Net cash used in investing activities	(6,004,037)	(6,810,088)	(7,333,324)	(209,524)
Cash flows from financing activities:				
Issuance of common stock	5,500,000	-	-	-
Cash dividends	(662,818)	(446,971)	(1,082,731)	(30,935)
Increase (decrease) in short-term borrowings	151,727	3,661,734	(3,231,790)	(92,337)
Increase in long-term debt	2,497,234	675,811	315,654	9,019
Increase (decrease) in other liabilities	500	(2,119)	28,960	828
Bonuses for directors and supervisors	(6,432)	(10,582)	(30,749)	(879)
Issuance of bonds	-	4,000,000	6,161,250	176,036
Redemption of bonds	-	-	(3,787,200)	(108,206)
Issuance cost of bonds	-	-	(140,043)	(4,001)
Increase (decrease) in minority interest	228,292	1,478,044	(44,508)	(1,272)
Increase in treasury stock	(4,211)	(87,175)	(444,280)	(12,694)
Net cash provided by (used in) financing activities	7,704,292	9,268,742	(2,255,437)	(64,441)
Effect of exchange rate changes on cash and cash equivalents	(10,995)	(27,971)	(100,282)	(2,865)
Net increase in cash and cash equivalents	609,981	765,310	305,363	8,725
Cash and cash equivalents at beginning of year	1,099,970	1,709,951	2,475,261	70,722
Cash and cash equivalents at end of year	**1,709,951**	**2,475,261**	**2,780,624**	**79,447**
Supplemental disclosure of cash flow information:				
Cash paid during the year for:				
Interest, excluding capitalized interest	**166,285**	**552,870**	**364,905**	**10,426**
Income taxes	**14,252**	**168,045**	**283,041**	**8,087**
Supplemental disclosure of non-cash investing and financial activities:				
Convertible bonds converted to common stock and capital surplus	**948,255**	**91,194**	**-**	**-**

Additional Information

1.The Information of the Related Parties

(1) Investment Structure for Related Parties

2002/04/20



(2) **Basic Information for Related Parties**

2002.04.20 Unit: NT$1,000

Corporation	Founded Date	Address	Capital	Main Items of Operation or Production
BenQ Technologies Sdn.Bhd.	1989.11.15	2686 Jalan Todak, Seberang Jaya 13700 Prai Penang, Malaysia	835,800	Manufacturing PC Peripherals
BenQ (Hong Kong) Limited	1991.10.31	Linciln House Taikoo Place 979 King's Road, Quarry Bay, Hong Kong	-	Manufacturing PC Peripherals
BenQ Wireless Technology Center	1992.01.17	5960 Cornerstone Ct. West Suite 200 San Diego, CA 92121	20,160	Developing Communication Products
BenQ Europe B.V.	1994.09.26	Ekkersrijt 4130, 5692 DC Son, The Netherlands	3,336	Sales and Services of PC Peripherals
Darly Venture	1996.05.02	3Fl., No. 68, Sec. 1, Jungyang N. Rd., Beitou Chiu, Taipei, Taiwan	714,000	Investment Business
BenQ Mexicana, S.A. DE C.V.	1996.09.20	Calzada Venustiano Carranza #88 Col. Plutorco Elias Calles Mexicali B.C. Mexico C.P.21376	278,538	Manufacturing PC Peripherals
Darfon Electronics Corp.	1997.05.08	6 Feng-shu Tsuen, Gueishan, Taoyuan 333, TAIWAN	1,213,460	Manufacturing, Sales and Service Keyboards, FBT and MLCC
BenQ (L) Corp.	1997.01.23	Level 15(B), Main Office Tower, Financial Park Labuan, Jalan Merdeka, 87000 Federal Territory of Labuan, Malaysia	2,975,000	Holding Company
Darly Venture (L) Ltd.	1997.01.23	Level 15(B), Main Office Tower, Financial Park Labuan, Jalan Merdeka, 87000 Federal Territory of Labuan, Malaysia	165,000	Holding Company
DT	1998.07.16	29 Jian-Guo E. Road, Gueishan, Taoyuan 333, Taiwan, R.O.C.	1,000,000	Manufacturing Optical Media Product
GURU	1998.07.17	3Fl., No. 68, Sec. 1, Jungyang N. Rd., Beitou Chiu, Taipei, Taiwan	63,540	Investment Business for Website
D2V	2000.01.19	3Fl.-1, No. 1, Lane 69, Boai Rd., Taoyuan City, Taoyuan, Taiwan	629,300	Investment Business
BQP	2000.03.13	3Fl.-1, No. 1, Lane 69, Boai Rd., Taoyuan City, Taoyuan, Taiwan	98,100	Sales and Services in Asia Pacific
Bri-Link	2000.05.26	3Fl., No. 61 and 63, Joutz St., Neihu Chiu, Taipei, Taiwan	49,400	-
BMS	2000.09.02	4Fl., No. 23, Lishing Rd., Hsinchu, Taiwan	500,000	第三代行動通訊設備基地台系統相關產品之研發設計製造與銷售
Airoha	2001.08.14	157 Shan-Ying Road, Gueishan, Taoyuan 333, Taiwan, R.O.C.	200,000	Wireless Communication IC Design and Sales

（3）**Basic Information for Each Related Company Director; President or Supervisor**

2002.04.20 Unit：Shares；%

Corporation	Position	Name or Representative	Holding Shares	
			Shares	%
BenQ Technologies Sdn.Bhd.	Director	Representative of BenQ Corporation： K.Y. Lee Joseph Hung Sheaffer lee CY Ho Jason Tseng	76,346,300	100%
	President	CY Ho	-	-
BenQ (Hong Kong) Limited	Director	Representative of BenQ Corporation： KY. Lee Eric Ky Yu	2	100%
BenQ Wireless Technology Center	Chairman	Irwin S Chen	-	-
BenQ Europe B.V.	President	Conway Lee	-	-
Darly Venture	Director	Representative of BenQ Corporation： K.Y. Lee Joseph Hung Jeff Lee Sheaffer Lee Alex Liou	71,387,868	99.98%
	President	Jeff Lee	2,022	-
	Supervisor	Representative of BenQ Corporation： Eric Ky Yu	71,387,868	99.98%
BenQ Mexicana, S.A. DE C.V.	Sole Administrator	Representative of BenQ Corporation： Joseph Hung	1,357,088	84.5%
	President	David Peng	-	-
Darfon Electronics Corp.	Director	Andy Su Z.C. Chen J.S. Pan Representative of BenQ Corporation： K. Y. Lee Sheaffer Lee Peter Chen	1,205,750 608,880 363,360 67,801,020	0.99% 0.50% 0.30% 55.87%
	Supervisor	T. C. Yang Representative of BenQ Corporation： Eric Ky Yu	96,000 67,801,020	0.08% 55.87%
	President	Andy Su	1,205,760	0.99%

BenQ (L) Corp.	Director	Representative of BenQ Corporation： K. Y. Lee Eric Ky Yu	85,000,000	100%
Darly Venture (L) Ltd.	Director	Representative of BenQ Corporation： K. Y. Lee Eric Ky Yu Jeff Lee	6,000,000	100%
Daxon Technology, Inc	Director	H.P. Shieh Dean Lin Ted TT Huang Representative of BenQ Corporation： K.Y. Lee Jerry WT Wang William Wang	2,126,000 237,875 950,000 50,023,750	2.13% 0.23% 0.95% 50.02%
	Supervisor	Louis Lu Max Cheng Representative of BenQ Corporation： Eric Ky Yu	725,000 87,875 50,023,750	0.73% 0.01% 50.02%
	President	Ted TT Huang	950,000	0.95%
GURU	Director	Representative of BenQ Corporation： K. Y. Lee Jeff Lee Joseph Hung Bishop Chen Eric Ky Yu	4,196,958	66.05%
	Supervisor	Representative of BenQ Corporation： Alex Liou	4,196,958	66.05%
	President	Bishop Chen	58,881	0.93%
D2V	Director	Representative of BenQ Corporation： K. Y. Lee Joseph Hung Jeff Lee	-	100%
	President	Jeff Lee	-	-
BQP	Director	Representative of BenQ Corporation： K.Y. Lee Joseph Hung Sheaffer Lee	9,803,460	99.93%
	Supervisor	Representative of BenQ Corporation： Eric Ky Yu	9,803,460	99.93%
	President	Y.S. Hong	-	-

Bri-Link	Director	Representative of BenQ Corporation： K. Y. Lee Joseph Hung Sheaffer Lee	49,400	100.00%
	Supervisor	Representative of BenQ Corporation： Eric Ky Yu	49,400	100.00%
BMS	Director	Representative of BenQ Corporation： K Y. Lee Joseph Hung Stan Shih Eric Ky Yu CY Wang	43,994,000	87.99%
	Supervisor	Representative of BenQ Corporation： Alex Liou	43,994,000	87.99%
	President	Rick Lei	-	-
Airoha	Director	Representative of BenQ Corporation： K.Y. Lee Irwin S Chen Representative of Darly Venture ： Joseph Hung Representative of BMS： Rick Lei	8,400,334 802,000 3,947,646	42.00% 4.01% 19.74%
	Supervisor	Representative of BenQ Corporation： Eric Ky Yu	8,400,334	42.00%
	President	Rick Lei	-	-

(4) The Operating Status of the Related Parties

2002.04.20 Unit：NT$1,000

Corporation	Capital	Total Asset	Total Liability	Net Worth	Sales	Operating Income	Net Income (After Tax)	EPS (NT$) (After Tax)
BenQ Technologies Sdn.Bhd.	835,800	5,968,038	4,443,809	1,524,229	13,156,770	40,964	(49,532)	-
BenQ (Hong Kong) Limited	-	81,002	20,388	60,614	-	(6,784)	(6,133)	-
BenQ Wireless Technology Center	20,160	75,478	13,909	61,569	143,779	8,872	9,183	-
BenQ Europe B.V.	3,336	2,753,103	2,713,464	39,639	7,489,661	102,217	64,146	-
Darly Venture	714,000	1,177,199	150,504	1,026,695	-	(5,203)	141,565	-
BenQ Mexicana, S.A. DE C.V.	278,538	600,770	398,715	202,055	468,947	(19,565)	(14,372)	-
Darfon Electronics Corp.	1,213,460	6,537,455	4,250,287	2,287,167	4,077,714	(433,588)	(552,337)	(4.55)
BenQ (L) Corp.	2,975,000	19,286,039	16,265,061	3,020,778	35,619,779	414,634	430,359	-
Darly Venture (L) Ltd.	165,000	311,968	601	311,368	-	(565,598)	80,301	-
Daxon Technology, Inc	1,000,000	3,388,245	1,219,360	2,168,885	1,264,020	10,631	157,663	1.58
GURU	63,540	39,945	1,041	38,904	9,799	(5,166)	(34,150)	-
D2V	629,300	600,066	12,816	587,250	-	(1,053)	(45,370)	-
BQP	98,100	2,583,349	2,378,207	205,142	6,220,011	125,408	101,804	-
Bri-Link	49,400	18,646	-	18,646	45,485	(8,752)	(9,047)	-
BMS	500,000	480,619	29,636	450,983	-	(102,720)	(9,047)	-
Airoha	600,000	595,765	5,414	590,351	-	(13,987)	(9,649)	-