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BenQ Corporation 2006 Annual Report

Message to Our Shareholders

Dear Esteemed BenQ Shareholders

In 2006, BenQ went through its most challenging year since the company was established. BenQ faced enormous losses stemming from the acquisition of Siemens mobile device business and from discontinuing investment in the German mobile phone subsidiary. In 2006, the Company's core business recorded sales of NT\$198.5 billion, with after-tax loss at NT\$27.6 billion. After this acquisition, the management team reaffirmed its commitment to swiftly reorganize, streamline, and adjust operations to return to profitability.

The Mobile Communications Business Group continued to deal with acquisition-related matters while cutting operating expenses. We have been clearing the inventory, strengthening the confidence of retailers, and rebuilding relationships with crucial European partners with high-growth, profitable handsets. After negotiations, post-sale service arrangements are close to finalization. The related mobile phone warranty costs were recognized in 2006. Additionally, the Mobile Communications Business Group will make efficient use of resources by consolidating manufacturing in Shanghai.

The Company's other product lines performed well in 2006. BenQ's LCD displays were the first in the industry to receive Microsoft Windows Vista Certification by leveraging our advanced display technology and vertical integration of global resources. BenQ's outstanding performance in Europe has solidified our place as a top-five global manufacturer. In the projector industry, we outpaced rivals to secure third place worldwide, and first place in Europe with sophisticated, cutting-edge products and expanded channels.

Innovation has always been central to BenQ's strategy, and we continue to captivate consumers with well-designed products. BenQ received 35 prestigious design awards in 2006. In March of 2007, BenQ earned 8 iF and 6 Red Dot Design Awards for innovative design, excellent quality, and functionality. Receiving 176 awards in the last five years speaks for our outstanding design capability. This superiority provides tremendous momentum for BenQ's brand business as it continues its mission to become a global brand. BenQ will aggressively pursue markets where we have competitive advantages and further expand markets in China. To accomplish these goals, we will speed up the release time of innovative products and improve operational and channel efficiencies. To further strengthen the BenQ brand, we have been contributing 3% of sales to research & development over the past five years and currently hold more than 3,100 patents worldwide.

The integration of the 3C industry is accelerating and the industry structure is shifting from vertical manufacturing to vertical integration. In response to this trend, BenQ separated brand (DMG) and manufacturing (IMS) operations at the end of 2006 to allow each business to focus on its core strengths. Since then, IMS has progressively added new customers and DMG is actively seeking competitive manufacturing resources within the industry.

The goals of increasing profit and raising quality standards remain unchanged. BenQ has accelerated its internal reorganization and implemented cost-control measures in research, manufacturing, and service. To improve our financial structure, we unloaded non-core assets and certain long-term investments, such as shares on Airoha Technology Corp., Gallant Precision Machining Co., Philips & BenQ Digital Storage Corp., and AU Optronics Corp. Surrounded by challenges, we stand focused with an entrepreneurial spirit, anxious to exploit the opportunities created by the separation of the brand business and integrated manufacturing. We thank you for your continued support.

Yours sincerely,



K.Y. Lee – Chairman



Sheaffer Lee – President

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DOMESTIC STOCK EXCHANGE LISTING

BenQ Common shares
Taiwan Stock Exchange Corporation
<http://www.tse.com.tw/en/>

BenQ Exchangeable Corporate Bonds
GreTai Securities Market
ISIN:235201
<http://www.otc.org.tw/en>

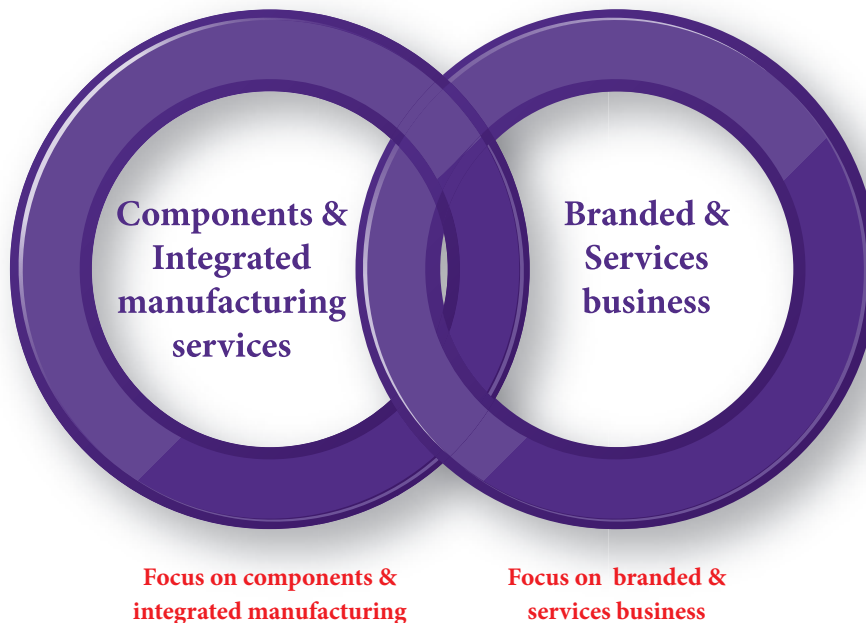
OVERSEAS SECURITY EXCHANGE LISTING

For further information, visit BenQ worldwide website and login at Investor Relations

BenQ Global Depositary Shares
Luxemburg Stock Exchange
ISIN: US0823012010
<http://www.bourse.lu>

BenQ's Dual Core Competency Strategy

Specialized competences to maximize shareholder's returns



BenQ intends to spin off and transfer its brand-related businesses (including assets and liabilities) to a 100% owned subsidiary, BenQ Asia Pacific Corp. ("BQP").

The spin-off plan is a continuation of BenQ Group's "Dual Core Competency Strategy", which is to focus on the core competencies of brand & services and manufacturing & technology to maximize competitiveness and efficiency. After the spin-off, BenQ Corporation will be renamed Jia Da Corporation (temporary name) and BQP is planned to succeed the name of BenQ Corporation. The change is expected to elevate the operating efficiency and strengthen business competence of the BenQ Group.

BenQ's branded business has achieved sufficient scale to sustain and grow its operation independently within a short five-year span; it operates and markets its diverse product portfolio through a strong global sales and marketing network. After the spin-off, the branded company will be positioned as a fabless company with strong integration of 3C technology in the fields of product design, mobile communications, mechanical & material engineering, and network convergence technologies. All BenQ brand related global sales and marketing departments and related R&D units as well as the Lifestyle Design Center and part of the Advanced Technology Center will be transferred to BQP.

Jia Da Corp. will be positioned as a dedicated 3C integrated manufacturing service provider with cutting edge technology and world-class manufacturing capability. It will further solidify its leadership position by taking advantage of the resources within the BenQ Group while focusing on its expertise in the fields of display, optoelectronic devices, mobile devices and infotainment solutions.



Minimizing the Digital Gap

To give people a chance to experience technology and benefit from the convenience of the information age, the BenQ Foundation has invested tremendous effort in removing the digital gap in our society. By bringing parents and children together, the BenQ Foundation allows technology to become part of life and help eMoms and eDads to move ahead through lively and fun digital application learning sessions.

■ BenQ eMoms Digital Learning Tours

151 schools participated in BenQ's eMoms Digital Learning Tours, with 4,112 eMoms and eDads participating. Digital learning tours covered central and northern Taiwan; including Taichung City, Taichung County, and Nantou County and in north, Taoyuan City, Taoyuan County, and Taipei County.

■ BenQ eFUN Winter Vacation

251 eMoms and their children participated in the eFUN Winter Vacation event in January, 2006. The participants came from eight schools in the Taipei area.



■ BenQ eFUN Summer Vacation

482 eMoms and their children from fifteen Taipei County schools participated in the eFUN Summer Vacation in July and August of 2006.

■ Digital Knowledge Survey Report

In cooperation with the Graduate Program of Radio & Television at National Chengchi University, an island-wide telephone survey targeting parents 25 years-old who have children in elementary and junior high schools was conducted (including parents listed in BenQ e-Mom Digital Learning Tours). The number of valid samples was 1,297, within 95% of confidence level and sampling error is $\pm 2.8\%$.



Cultivating an Honest and Clever Generation

The Digital age continues to grow rapidly, however, only morality and knowledge can fill the soul and spirit of an entire lifetime. We believe that the right values are the key to building the right competencies in younger generations. We believe the future needs a generation inspired by the values of ethics (honesty) and creativities (clever). It is the vision BenQ Foundation carries on and passes it on our new generation.

■ BenQ eKIDS LCD Future Camp

1,240 children from 31 schools signed up as BenQ eKIDS LCD little knights in the BenQ eKIDS LCD Future Camp, sponsored by AU Optronics in Taichung, Hsinchu and Taoyuan.

■ Honest and Clever Generation Summer Camp

Two groups with a total of 80 adorable little participants from Smangus, Shing Kuan, Tai Gang, Shi Lei, Jin Lu Yang Lou, West Town Castle Tribes of the Tayal Clan in Jianshih Township, and low income families of coastline schools from Taoyuan County participated in BenQ's Honest and Smart Generation Summer Camp.



■ Honest and Clever Generation Scholarship

There were 1,771 students of primary and junior high school from eight cities and counties applied for Honest and Clever Generation Scholarship on the first semester of school year 2006.

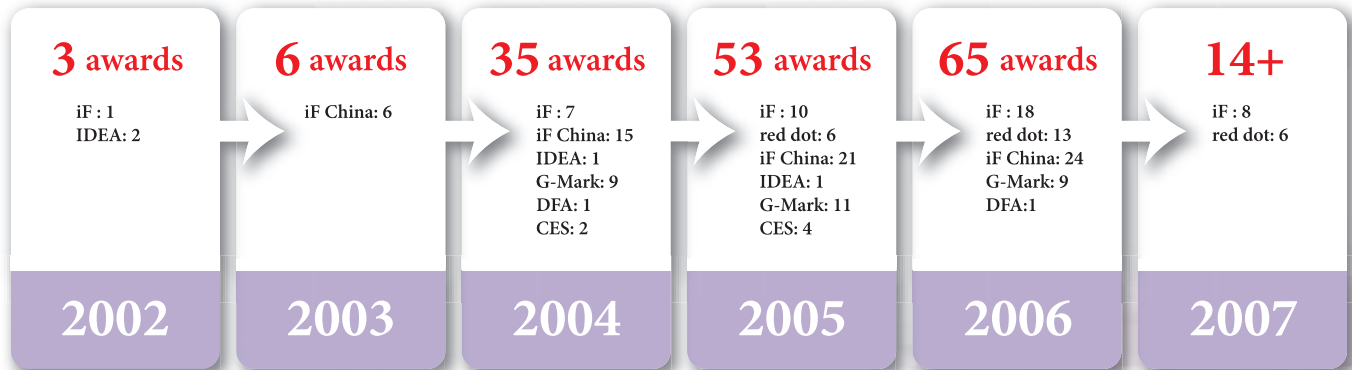
■ Read for Hope

On the first phase of adopting near San Ho Primary School around AU Optronics Long Tang Factory, volunteers led reading sessions to encourage reading as a lifetime learning habit.

■ Q Seed Volunteers

Q seed volunteer registration was filled six hours after the system went online. The volunteers experienced rich self-development from interactive learning in Read for Hope or BenQ eKIDS LCD Future Camp.

176 Dazzling International Design Awards



2007 iF Design Awards

BenQ continue to be awarded as the best in Taiwan

The prestigious 2007 iF Design Awards is held in Hannover, Germany, and BenQ continued to be awarded as the best in Taiwan with 8 BenQ products, including CP120 and CP220 projectors, X720, X730, and C740 digital cameras, PMV1000 mobile LCD TV, and HHB-100 and HHB-130 Blue-tooth. Furthermore, BenQ received 6 Red Dot design awards. Receiving 176 awards over the past five years assured our international design capacity.

BenQ PMV1000 mobile LCD TV Received the iF Gold Award

The iF Gold Award is given to 50 outstanding products, and BenQ PMV1000 was one of them. Its design concept originated from the idea of a china plate for its pure whiteness and rounded angels that give the untainted comfortable feelings only found at home, making it a suitable TV set to be placed anywhere at home. Who said TV set can only be enjoyed in the living rooms and bed rooms? BenQ TV set can also provide you a free, willful lifestyle at home.

The iF Design Award of Perfect Projector CP120/CP220

The characteristics of swiftness, lightness and convenience are the demands of today's traveling businessmen, and that's why eye-catching projectors-CP120/ CP220 won the prestigious iF International Design Awards. The design concept of information communication and exchange, and the strength of sophistication have driven BenQ projectors from a local brand to one of well-known brand worldwide within quite a few years.

Recognized by 4 International Design Awards – BenQ DC X720

BenQ's slim and stylish digital camera, DC X720, had attracted much attention on the stage of international design. It was recognized consecutively by 2007 iF Design Award, 2007 Red Dot Design Award, 2006 G-Mark Design Award of Japan, and 2006 iF China "Top Selection" Awards. Proudly supported by 4 international design awards, the X720 has become the champion of design awards in the line of BenQ digital cameras.

The design team at BenQ's fashion center adopted an ever-extending traveling concept as the foundation of DC X720, in a hope to satisfy the inner desire of today's modern people. As one designer pointed out, "DC X720 expresses the desire for urban travelers to seek and to continuously expand their vision." The sleek, slim, and stylish design of DC X720 makes it easy to carry, and to record their traveling memories. Its simple design creatively combined the practical functions with the desires of its users to display the thoughtful interactions between the two aspects.



product design award

2007



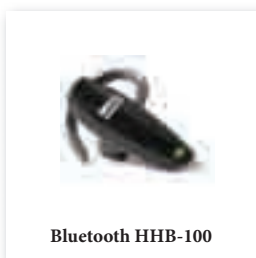
Projector CP120



Projector CP220



Mobile LCD TV PMV1000



Bluetooth HHB-100



Bluetooth HHB-130



Digital Camera X720

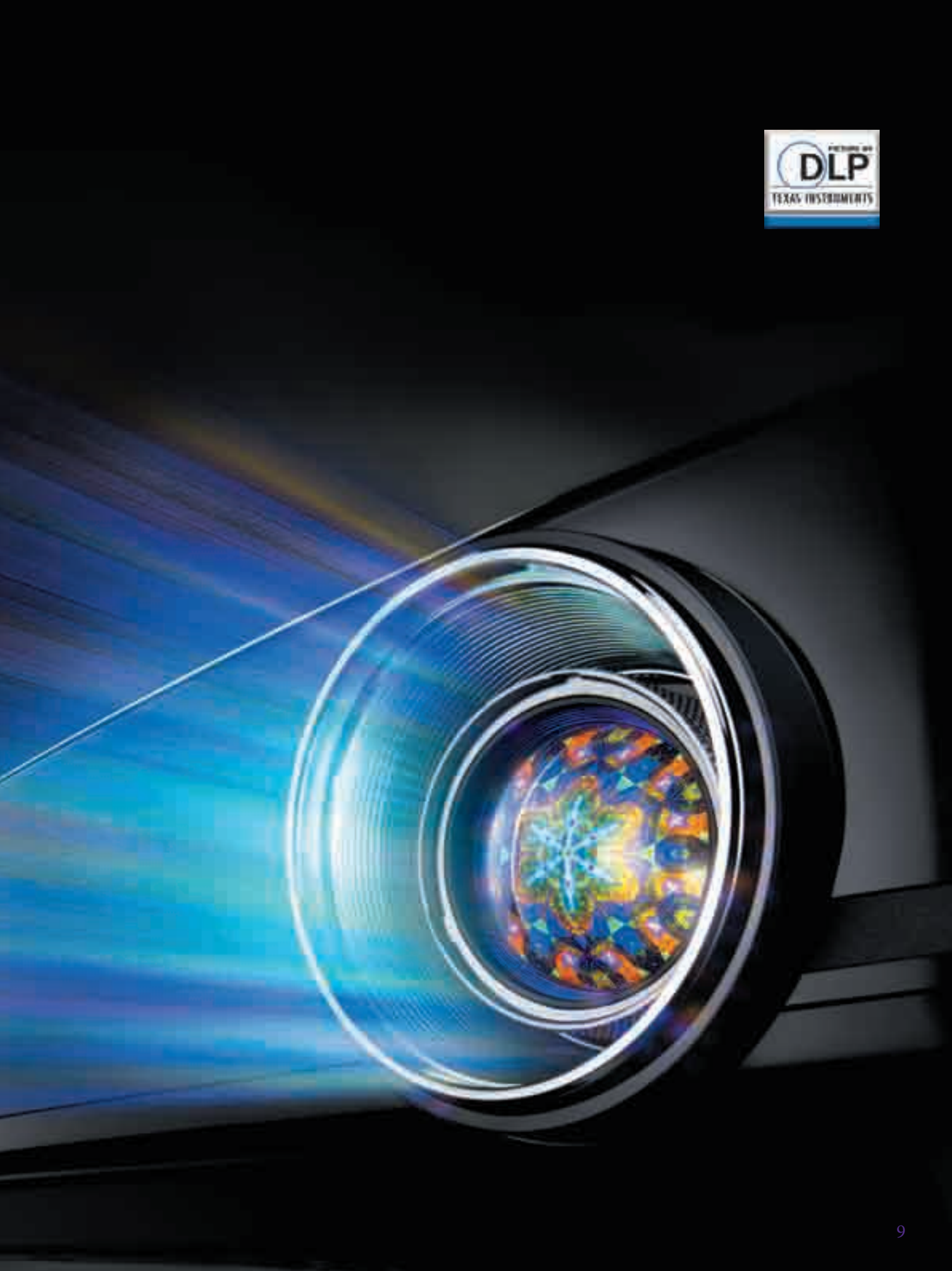


Digital Camera X730



Digital Camera C740

Review of Operations & Product Strategy



Computing Products

■ LCD Monitor

The primary objectives of the display business are to maintain a ranking in the top five manufacturers worldwide and to develop both ODM and brand-name product lines. In the brand-name product area, BenQ continuously develops new technologies and products while aggressively exploring emerging markets such as China, Eastern Europe, the Middle East, and South America to challenge the top five global brands.

■ Joybook

To better meet the needs changes in the notebook business, BenQ Joybooks focus on product development and marketing strategies. Joybooks emphasize original design, management of contract manufacturing, customer service, and quality improvement to further strengthen and upgrade its core competencies.

■ Optical Drive Disk

Now completely outsourced to Lite-on IT Corporation, the storage business is now focused on brand strategies and new product launches. In the future, BenQ will focus on the development of a new generation of multiple DVD optical rewritable drives and Blu-ray multiple drives. These moves will achieve the long-term, win-win relationship for both the brand and contract manufacturing.

■ SPC (scanner/MFP/printer)

In response to the growth trend of multi-function printers and color laser printers, BenQ strengthened ODM cooperation with leading market brands and utilized competencies in ink-jet systems to acquire design-weighted and high-profit contract manufacturing. BenQ brand business is focused on the scanner market.

Review of Operations

Business Results

■ LCD Monitor

An abundance of competitors have caused decreases in ASP and margins. Confronted with tough competition, BenQ established strong relationships with end customers and launched Perfect Motion technology, which eliminates ghosting and motion blurs with the introduction of the MPRT (Motion Picture Response Time) technology to enhance motion picture experience. Moreover, the entire LCD monitor series has been Windows Vista certified since November, 2006. In the future, BenQ will maintain the leading technology status, and invest more resources in industrial design and product development to bring high quality and value-added experiences to consumers. LCD monitor sales had an estimated growth rate of 33% in 2006, based on a 2005 gross sales volume of 13 million units. The performance maintained BenQ's position among the top five global manufacturers and achieved number one position in the 20" and above LCD monitor group, exceeding 30% market share.

BenQ also expanded in China and achieved outstanding results, with an annual growth rate of 109% to emerge as one of the top five brands in China. BenQ brand LCDs achieved an annual growth rate of 31% in 2006 and a record-breaking delivery volume of 500,000 units in a single month.

■ Joybook

Market growth for BenQ Joybooks reached 35% in 2006, with remarkable growth in China and Europe. In 2007, Joybooks will stress regional model configurations.

■ Optical Drive Disk

Because of the exponential growth of optical drives in China, the market share has reached 35% and ranked as the number one brand in China for 2006. In 2007, BenQ will continue to expand brand-new products in Asia-Pacific and South America.

■ SPC (scanner/MFP/printer)

In 2006, BenQ made progress with ODM/OEM color laser printers and multi-function printers, expanding technologies and increasing market share in Europe, America and Japan. BenQ will continue with this strategy in 2007.

Main Product

■ LCD Monitor

15" / 17" / 19" / 20.1" Household and Commercial LCDs, 19" / 20" / 22" / 24" widescreens and advanced LCDs

■ Joybook

Joybook 12.1", 13.3", 14.1", and 15.4"

■ Optical Drive Disk

High-Speed Read-Only optical drive (CD-ROM), High-Speed CD re-Writable optical drive (CD-RW), Digital versatile disc drive (DVD-ROM), Combo drive, Digital versatile disc drive (DVD-RW), Second-Generation Blu-Ray Multi-Function disc drive and Blu-Ray Combo drive.

■ SPC (scanner/MFP/printer)

Scanner, Multi-Function Printer, Color Laser Printer and Color Laser Multi-Function Printer



LCD Monitor FP241VW

Product Features and Awards



Professional LCD Monitor FP91R

- Highly function display for professional users
- Higher requirement than sRGB to ensure the color consistency
- Independent six-color adjustment for best accuracy
- Exclusively wired controller and Luminance calibrator
- Pivot/Height adjustment
- 2006 Taiwan Excellence Silver Award
- 2007 Germany red dot Design Award



Joybook T31

- 2006 G-mark winner
- Shares similar ID design with Joybook 7000, which received the G-Mark Award
- 1.3mega pixel QEye webcam
- The exclusive QShot hotkey lets you capture images instantly
- A wide-screen 13.3" display rated at an extra-bright 220 nits
- Advanced no-latch touchpad
- SRS TruSurround XT audio technology
- Full-sized ergonomic keyboard
- Optimized port arrangement for convenient use of peripherals
- Outstanding thermal system for superior system stability



18X DW1810 LightScribe/ DVD-rewritable Drive

- LightScribe Technology
- Support exclusive BenQ QSuite S/W, Multiple DVDRW application.
- High speed writing at 18X
- Support DVD-RAM
- Support DVD 8.5G Double-layer burning technology.
- Support exclusive BenQ dual cooling technology, (DCS, Dual Cooling System – ADCS, Anti-Dust Cooling System and AFCS, Air-Flow Cooling System.)
- Support Solid-Burn, Auto adjust writing technology.



LCD Monitor FP785+

- Super-Slim design boasting a width of less than 3.5cm; Base can also be converted into handle for easy carrying.
- With a ceramic texture and superb look and feel of the matt finish to create FP785+ a fine work of art.
- BenQ Senseye™ technology
- D-sub & DVI dual input support.
- 2007 Germany red dot Design Award

Research & Development

Technologies in deployment

■ LCD Monitor

BenQ developed and marketed leading displays, such as BFI (Black Frame Insertion), motion-blur-free models, and 24" HDMI Multimedia displays.

■ Joybook

BenQ developed an entire series with UltraVivid widescreen display, including the Joybook R55, with the world's fastest 16ms response time, Microsoft Vista-installed systems, Joybook R55V, S73V, S31V, and new-generation supreme model, Joybook P52, equipped with the AMD Turion™ 64 x 2.

■ Optical Drive Disk

2nd Generation Blu-Ray disc writer, 18x digital versatile disc drive, 20x Digital Versatile disc drive, Light Scribe Technology, Intelligent Solid-Burn Technology.

■ SPC (scanner/MFP/printer)

- Ink-Jet Chip for Micro electrical Application
- Pigment and Dyebase Ink
- Automatic Deficiency Feedback (ADF)
- 4800 dpi Scanner Model
- Bluetooth Interface Connected with Printer and Cell Phone
- Printer-Controlled LCD Panel Interface Technology
- Fax Modul for Multi-Function Printer
- Ink-Jet Printer Motor Control Technology
- Color Adjustment Technology

On-going efforts

■ LCD Monitor

BenQ continues to research color management, deepen and widen BFI, emphasizing the perfect presentation of motion pictures. Is launching a new series of widescreen HDMI displays and replacing CRT monitors with cost-effective LCDs.

■ Joybook

BenQ plans to launch the first UMPC in 13.3" and 14.1" sizes. The UMPC is positioned as a portable Internet Accessible device.

■ Optical Drive Disk

2nd generation Blu-Ray Multi-Function disc Writer, External Thin Multi-Function disc Writer, External Half-Height Multi-Function disc Writer.

■ SPC (scanner/MFP/printer)

- Printer WiFi Technology Interface
- Low-Cost Automatic Feedback Feature
- Low-Cost Printer Motor Development
- Double-Sided Paper Feed Feature
- New MFP Control Chip (SOC) Integration Technology

Product Development Trends

Current Market Outlook and Development Trends

In 2006, BenQ witnessed breakthroughs in product development, capitalizing on twenty years' experience in the displays to lead the industry with a complete line of LCD monitors with 6ms, 4ms and 2ms response time via the Advanced Motion Accelerator. BenQ's outstanding engineering and design shortens the gap between technology and lifestyle. Vertical integration and a strategic partnership with AUO strengthen BenQ's competitive advantage and fuel growth.

In 2006, BenQ maintained its status as one of the top five manufacturers and achieved the top position with market share of 30% in 20" (or above) LCD monitors worldwide.

The BenQ brand LCD monitors captured 3.5% of the global LCD monitor market share in 2006, ranking number nine worldwide.

Competition and Market Share

■ LCD Monitor

Global Regions

■ Joybook

China, Asia Pacific, Central and Eastern Europe, Russia, and Germany

■ Optical Drive Disk

China, Asia Pacific, South America, the Middle East, and India

■ SPC (scanner/MFP/printer)

Global Regions



Joybook A52E

Product Strategy in 2007

■ LCD Monitor

BenQ will increase market share to benefit from the economies of scale by following these strategic guidelines:

- Provide products with complete specifications, utilizing the existing advantages to continue the promotion of large-sized and advanced displays.
- In addition to closely collaborating with AUO, establish partnerships with other leading suppliers in the panel industry.
- Extend the added-value in the value supply chain, such as the establishment of the self-production capability in metals and plastic parts.

For own-brand products, expansion into emerging markets, such as China, Eastern Europe, and South America, will continue. Market share in mature markets in such as Europe and the United States will be further increased, while maintaining the brand image as the technology leader and expanding product applications to attract new users.

■ Joybook

- Align Joybook products with the needs of the regional consumers and determine the external product features and specifications in accordance with the characteristics of the regional markets.
- Enhance interface integration in Joybook products with other BenQ product lines such as mobile phones and digital storage.
- Develop 3G integration plans and combine with 3C audio and visual functions to drive the growth of BenQ Joybooks.
- Enhance operational efficiency, expand marketing channels, and emphasize channel efficiency.

■ Optical Drive Disk

With the completion of digital storage products integration with Lite-on IT, top research and development capabilities, and competitive advantages, BenQ will continue to develop own-brand products to further enhance its global status and realize the synergies of our long-term cooperation with Lite-on IT.

■ SPC (scanner/MFP/printer)

- Continue to enhance added value and ability of the multi-function printer's software (F/W).
- Enhance internal production capabilities for injectors, stamps, and PCBA to meet the requirements for design and customer EMS.

Digital Media Products

Through the integration of product technology, BenQ provides customers with digital solutions for home, office, learning, networked applications.

■ Projector

For BenQ-branded projectors, the goal in 2007 is to exceed 10% market share and maintain a top three position in the world. In 2008, we plan on becoming the market leader. At the same time, we aim to reduce costs and improve quality to provide better customer services to boost the OEM growth rate.

■ LCD TV

BenQ brand LCD-TVs provide customer solutions for digital household and aim to promote Full HD and LCD TV sets (over 32 inches) with integration of overall product technology to elevate average selling price and market share.

Our goal in the OEM business is to become the main OEM supplier in the world for LCD TVs. In order to achieve this goal, we'll ensure stable supply and service for BenQ LCD TVs, develop new products with innovative functions and competitive prices, strengthen overall competitiveness by integrating strategic partner relationships from upper and lower streams, increase current OEM customers, develop a new top line of OEM sales, expand production capabilities and lower operational costs.

■ Digital Camera

BenQ brand digital cameras will continue to exploit the depths of our channels in European markets and aggressively raise the brand value in China and Taiwan. Meanwhile, development of technologically advanced, high-end products with current OEM capacity, explore profitable markets, and improve the attraction of brand name to cross integration techniques of platforms to promote price-competitive products. We'll also explore OEM opportunity in giant Japanese plants and open up European channels with generic models.

Review of Operations

Business Results

■ Projector

Shipments of BenQ brand projectors reached a record high in Q4 of 2006. BenQ brand projectors are rapidly gaining recognition worldwide due to BenQ's innovation, sleek product design and successful channel strategy. BenQ brand projector shipments ranked third in the world in 2006.

■ LCD TV

In the first half year of 2006, BenQ elevated shipment units of BenQ-branded TV set by continuing OEM operation of small size LCD TV set for Japanese brand, develop new products such as 37" and 42" LCD TV set, strengthening BenQ brand awareness in China, Taiwan and the Middle East. Confronted with the fierce competition in 2006, BenQ introduced its color improvement engine, Senseye™ technology, and cooperated closely with monitor suppliers to mitigate market impacts.

■ Digital Camera

In 2006, the shipping units of BenQ-branded digital camera grew 30% comparing with 2005 and the main growth areas are Europe and Mainland China. Many new digital cameras introduced in 2006 received iF Design Award and professional camera assessment award from extraordinary functions and attractive appearance. With the incorporation of the Japanese Pentax SMC lens, BenQ introduced world's thinnest 7M digital camera and 7M digital camera with 3" screen adopting Super Multi-Coating technology to provide more realistic color and became favorable to customers.

Main Product

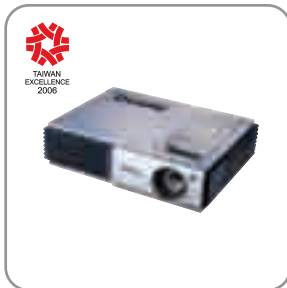
Projector, LCD TV, Digital Camera.

Product Features and Awards



LCD Projector W500

- Native 16:9 720P resolution
- Build in Dynamic IRIS system
- HQV picture quality
- Equipped with horizontal and vertical lens shift
- 2006 Taiwan Excellence Silver Award



DLP Projector CP120 / CP125

- XGA resolution
- 1.3 kg light weight
- Worldwide Smallest Wireless Projector
- Mg-Al material delivers vogue and stylish ID concept
- Enhanced by BenQ Color Matching Technology
- Carl Zeiss Optical Engine
- Pass NSTL sRGB certification
- 2006 Taiwan Excellence Silver Award
- Best Buy award (Sep. 2006)- China
- Best Product of the Year (Dec. 2006)-China
- Recommended by Editor from CHIP (Sep. 2006)-China
- PC Magazine Award-Middle East



LCD TV PH4281

- Full-HD Panel
- D2audio audio system/subwoofer output
- Senseye™ technology
- Concert ID concept
- HDMI/D-sub/Component/Composite connector
- All-in-One remote controller
- Swivel-stand
- Human-touch OSD interface
- DTV support
- Side AV connector
- Wall mount support



Digital Camera DSC X720

- 2006 Japan G-Mark
- 2006 iF China Award Top Selection
- World slimmest 7MP digital camera
- World slimmest cylinder-cam smc Pentax lens
- 230K pixel, 2.5"LTIPS LCD panel
- BenQ Super Shake-Free
- Supporting ISO1200 photos and ISO4000 videos
- 4 colors stainless steel chest

Research & Development

Technologies in deployment

■ Projector

The W10000 offers the super high contrast ratio (10000:1). The MP770 provides exquisite picture quality (Single DLP). The MP510 is the quietest data projector in the world (22dB).

■ LCD TV

BenQ TV developed technologies such as Full HD, Senseye™, D2audio and SRS TruSurroundXT and co-operated with AUO in the development of Smart Panel design structure.

■ Digital Camera

BenQ introduced the slimmest digital cameras that break through current technological limits by offering a unique shake-free technology.

On-going efforts

■ Projector

BenQ introduced business projectors featuring HQV, ultra-brightness technology, and market education features. Concentrating on technologies and practicality, BenQ continues to improve color management and resolution.

■ LCD TV

BenQ introduced LCD displays in larger sizes, integrated more solutions for digital signals worldwide, and continued to improve technology, resolution, and audio applications for home use.

■ Digital Camera

BenQ developed slim, focusable, color and image strengthened digital camera. The better image processing technology benefits users with more realistic colors without limiting the shooting environment and skill-level. Integrating multi-function digital cameras brings more convenience to customers.

Product Development Trends

Current Market Outlook and Development Trends

■ Projector

The projector market share worldwide is as follows: Europe 38%, America 37%, and Asia (including Japan and China) 25%. The main projector brands are located in North America, Japan, and Taiwan. Among top 10 brands, none of them are from Europe. BenQ holds high market share in Europe and Asia. Nevertheless, the sales distribution of outside OEM customers is similar to current projector markets worldwide.

■ LCD TV

The key markets for BenQ brand LCD TVs include: China, Taiwan, Hong Kong, the Middle East and Europe. The main market for Japanese brands is Europe.

■ Digital Camera

The main markets for BenQ digital cameras are in Europe and Asia Pacific. Sales continue to grow in South America and the Middle East.

Competition and Market Share

■ Projector

In 2006, the top three brand projectors in descending order are Epson with 15%, NEC with 7.7% and BenQ in third place with 7.6%.

2006	Market Share	Rank
Epson	15.00%	1
NEC	7.70%	2
BenQ	7.60%	3

(Source: DTC 2007 JAN)

According to the DTC market survey, BenQ projectors ranked the first place in 12 European nations including Germany, Italy, Czech, Poland, Russia etc.

■ LCD TV

BenQ drove LCD TVs in the home theatre market by emphasizing video and audio enjoyment with a connection to digital technology, and by expanding LCD TV applications to attract the “digital family” consumers. BenQ aims to exploit target countries’ network channels and utilize customer feedback to improve after-sale services. By incorporating full scale introduction of the color improvement engine, Senseye™ technology, with continuous improvement of technological development in key areas like component resources from upper and lower streams, BenQ is steadily expanding its future market share.

Product Strategy in 2007

■ Projector

- Expanding product range to home and personal multimedia entertainment market.
- Continuously improve BenQ brand market share in Europe and Asia, capitalize on opportunities in emerging markets such as China, and increase economies of scale to decrease costs and increase margin ratio.
- Continuously develop new LCD and DLP projector technology, and actively extend ODM/OEM business to maintain a growth rate above the industry average.

■ LCD TV

- BenQ leads LCD TVs to home theatre market by emphasizing on full HD, video and audio enjoyment with connection to digital technology, expand LCD TV applications for the digital family market.
- Enhance color improvement engine, Senseye™ technology, and improve competency in all levels of the multimedia industry.
- Development of OEM business: Harvest existing customers to expand OEM product lines, and explore new primary OEM customers to achieve economies of scale.

■ Digital Camera

- Continuously incorporate Pentax lenses and BenQ’s Shake-Free mode in cameras to increase the confidence of channel partners and customers to gain market share.
- Develop high-end cameras with slim and stylish designs with multi-function integration to boost sales of BenQ brand digital cameras.
- Development of OEM production: Besides expanding OEM customers in Japan, BenQ will supply channel brand customers with generic models.

Mobile Business Products

BenQ aims to bring maximum value to customers with customized products and services through its “Enjoyment together” concept, which couples innovation with emerging modern multi-media and communications technologies in every handset, BenQ is ready to compete in the era of digital convergence.

Review of Operations

Business Results

After discontinuing investment in the German subsidiary on Sep 28th 2006, BenQ aggressively reorganized its Mobile Division (OHG) and coordinated business development with customers and suppliers. BenQ’s abundant experience in global business and channel relationships allow it to efficiently exploit resources and select suitable customers to develop niche products while rebuilding consumer confidence in branded mobile products.

Main Product

- GSM/GPRS/EDGE mobile phones
- WCDMA/HSDPA/HSUPA mobile phones
- Integrated digital camera mobile phones
- EDGE/WCDMA/HSDPA smart phones
- EDGE/WiFi and GSM/TD-SCDMA dual mode phones
- Integrated GPS phones, Integrated digital TV Smartphones
- GSM/GPRS/WCDMA wireless modules
- HSDPA wireless LAN cards

Product Features

BenQ mobile phones maintain the consistency of versatility while continuing their devotion to aesthetics and consumer lifestyle needs. With leading mobile communication technology and powerful features, consumers can enjoy a pleasurable experience with innovative technology.



BenQ-Siemens SF71

- Trendy design
- slide cover
- Unique MP3 function key
- 3G Video calling
- 2", 262k color 320 x 240 TFT LCD
- 2.0 Mpx digital camera/ Video recording
- Multimedia entertainment
- Micro SD™ card slot
- Support Bluetooth and USB



BenQ-Siemens C31

- Small & compact size to fit your pocket and be your companion all the time
- Intuitive and ease of use interface
- 1.8" 262K color 176x220 TFT LCD
- 1.3 Mpx digital camera
- Video recording and playback
- microSD™ card slot



BenQ-Siemens EF71

- Slim and metal design
- Unique MP3 function key
- 2.2" 262K color 176x220 TFT LCD
- 2.0 Mpx digital camera
- Video recording and playback
- microSD™ card slot
- Support Bluetooth and USB



BenQ E72

- Slim and stylish Windows Mobile 6.0 Smartphone
- VoIP – enjoy low cost call (UMA/SIP convergence)
- 2.0 Mpx digital camera
- Video recording and playback
- Embedded 128MB memory
- microSD™ card slot



BenQ-Siemens E81

- Small and stylish round design
- The smallest 3G handset in the market
- Multimedia entertainment & high speed data rate by WCDMA
- 1.3 Mpx digital camera
- Video recording and playback
- Embedded MP3, AAC, eAAC+ & XMF format
- 1.8" 262K color 176x220 TFT LCD
- microSD™ card slot
- Support Bluetooth and USB



BenQ-Siemens E52

- Stylish business phone
- 1.3 Mpx digital camera
- Video recording and playback
- MP3 player and FM radio
- Support Bluetooth HID (controller of ppt and Windows Media on Notebook PC)
- Laser-pointer
- microSD™ card slot

Research & Development

Technologies in deployment

- GSM/GPRS/EDGE
- WCDMA/HSDPA/HSUPA
- GSM/ TD-SCDMA
- UMA
- GSM/ GPRS/ WCDMA
- HSDPA

On-going efforts

- Fixed Mobile Convergence
- Location Based Service
- Mobile TV
- WiMax (Mobile World interoperability for Microwave Access)
- Near Field Communication

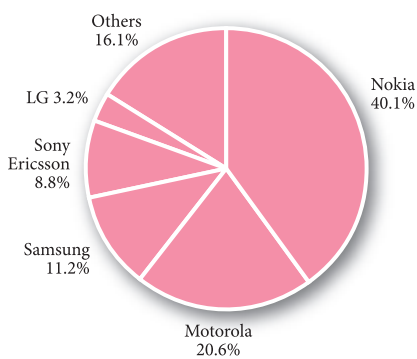
Product Development Trends

Current Market Outlook and Development Trends

The study of Strategy Analysis showed that global shipping units grew to 986 million units in 2006, increasing 18% compared to 2005. With growing shipments from emerging markets, units shipped will grow 10% to exceed 1 billion units worldwide in 2007. In 2006, Western Europe was the biggest market for WCDMA mobiles with 43 million units, accounting for more than half of WCDMA shipping units worldwide. In 2007, the sale units of WCDMA in Western Europe will grow 87%, with an anticipated 80 million units. Asia Pacific will be the second large market with a projected 50 million units. Sales volume in emerging markets is skyrocketing. In 2006, sales in India reached 72 million and are expected to grow to 96 million in 2008. Sales in China reached 104 million in 2006 and are expected to grow to 117 million in 2007.

Competition and Market Share

In the GSM mobile phone market, Nokia continued to lead with a 40.1% market share, surpassing the record it established in Q2 of 2003. Behind Nokia, market share split among other competitors: Motorola, 20.6%; Samsung 11.2%; Sony Ericsson, 8.8%; and LG, 3.2%. The main goals for BenQ mobile phones are to improve profitability and expand into niche markets.



Source : Strategy Analytics 2007

Product Strategy in 2007

Product Strategy:

- Focus on customized products with advanced know-how to provide customers with highly integrated products. With the primary goal of high gross margin, 3G / 3.5G mobile handsets, dual mode VoIP mobile phones and Smartphones are key trends in the mobile market.
- BenQ offers customers high-tech, innovative, and attractive products with cutting edge 3G, dual-mode mobile technology, and the strength of BenQ's world-renowned Lifestyle Design Center.

Market entry strategy:

- Re-establish a presence in Eastern and Western Europe. Select main operator markets, such as Italy, Spain, France, England and Eastern Europe, and provide local services with experienced sales and product management teams.
- BenQ strives to provide customized products and services in line with local operators' requirements and product development strategies.
- In APAC market, BenQ maintain close relationships with branch offices to provide high quality services to customers.
- BenQ selects strategic partners consistent with its product strategy and focus.

Marketing Strategy:

- In the first-half of 2007, BenQ will focus on maintaining relationships with operator customers and actively communicating with channel partners about BenQ's determination to realign its marketing strategy with its business objectives.

Business objectives:

- Objectives in 2007:
 - Reestablish the key mobile supplier status in the supply chain of global operator business in Western European.
 - Maintain focus on target markets in APAC region to increase operational efficiency and maximize synergies across product lines.
 - Concentrate on key countries and specific regional operators.
 - Seek strategic partners in Fixed Mobile Convergence (FMC) development, with collaborative effort on marketing and product development to provide integrated dual mode services to consumers.
- Objectives for next three years: Re-establish BenQ as a key handset supplier by providing highly integrated technology devices, such as FMC, GPS.

Corporate Governance



Board of Directors & Supervisors



Chairman - K. Y. Lee



Director - Stan Shih



Director - Sheaffer Lee



Director - HB Chen



Director - Jerry Wang



Director - Ronald Chwang



Director - Ding-Yuan Yang



Supervisor - Philip Peng



Supervisor - S.C. Hong

2007.04.17

Title/Name	Education & Experience	Current Positions
Chairman: K.Y. Lee	MBA, Switzerland IMD B.S., Electrical Engineering, National Taiwan University Vice President of Acer PC Product Marketing	Chairman: AU Optronics Corp., Darly Venture Inc. Darly2 Venture, Ltd. Darly Consulting Corp. Director: Darfon Electrics Corp., Daxon Technology Inc.
Director: Stan Shih	M.S., Electrical Engineering, National Chiao Tung University Chairman of Acer Group	Chairman: iD SoftCapital Inc. Director: Acer Inc., Wistron Corp., Taiwan Semiconductor Manufacturing Company
Director: Sheaffer Lee	B.S., Electrical Engineering, National Cheng Kung University Assistant Vice President of Acer America	Chairman: Darfon Electronic Corp. Director: AU Optronics Corp., BenQ Asia Pacific Corp., Darly Venture Inc. Darly2 Venture, Ltd.
Director: H.B. Chen	B.S., Communication Engineering, National Chiao Tung University General Manager of BenQ Malaysia	Chairman: Wellypower Optronics Co. Ltd. President: AU Optronics Corp.
Director: Jerry Wang	EMBA, Thunderbird International Management Institute Vice President, Corporate Brand Management, Acer	Chairman: BenQ Asia Pacific Corp.
Director: Ding-Yuan Yang	Ph.D., Princeton University M.S., Stanford University President of Winbond Electronics Corp. Vice Chairman of Winbond Electronics Corp.	Chairman: UniSVR Global Information Technology Corp., Radiantech Inc., Integrated System Solution Corp., FameG SOTA Design Technology Inc. Director: CheerTek Incorporation, Opnet Technologies Co., Ltd. Supervisor: Aimtron Technology Corp.
Director: Ronald Chwang	Ph.D. Electrical Engineering, University of Southern California, Los Angeles Acer Technologies Venture, President, Acer America, America CEO Acer Peripheral Business Unit, President	Chairman: iD Ventures America Director: Silicon Storage Technologies, Inc., iRobert Corp.
Supervisor: Philip Peng	M.S., Business of Administration, National ChengChi University Senior Vice President & CFO of Acer Inc.	Supervisor: Wistron Corp., President: iD SoftCapital Inc.
Supervisor: S.C. Hong	B.S., Economics, National Taiwan University Vice President of Far Eastern Textile Ltd. President of Hotung International Company Ltd. President of Hotung Venture Capital Corp.	Chairman: Giga Venture Partners & Co. President: Hotung Venture Capital Corp. Vice President: Far Eastern Textile Ltd.

Towards Better Corporate Governance

Creating Value for Shareholders and Giving Back to the Community is an Integral Part of BenQ Value

BenQ's board of directors (BOD) aims to continue acting in the best interest of our shareholders, in accordance with commonly accepted corporate governance principles. It's with the highest standard that our board members work closely with a dedicated team of supervisors and certificate public accountants in carrying out its supervisor duty.

The board members shall benchmark BenQ against best-in-class corporate governance practices in safeguarding shareholders' interests and making recommendations that will enhance return-on-investment to our shareholders.

- K.Y. Lee, Chairman

Maximizing Shareholder Value While Supervising the Board of Directors as an External Supervisor

"BenQ Supervisors need to review the integrity and accuracy of the company financial reporting by working closely with the management team, internal and external auditors a timely and efficient manner. In addition to adherence to accounting principles and assessment of risk control, by supporting the board of director, BenQ Supervisors can help ensure corporate governance and transparency which are faithfully followed to protect the shareholder value. Ultimately, the shareholder value can be enhanced through the teamwork of BenQ Supervisor and the board to assist the management in its persistent efforts to improve the company's overall performance and competitiveness."

- Philip Peng, Supervisor



LCD TV PH4281

Material Resolutions Approved by Shareholders at Annual General Meeting and Board of Directors

Date	Meeting	Approval Events
2006.03.14	2006 2 nd BOD Meeting	<ol style="list-style-type: none"> 1.Accepted BenQ 2005 business report and financial statements. Net sales of parent company for 2005 was NT\$125.4 billion and of consolidated entity was NT\$176.8 billion, and loss after tax was NT\$5.2 billion, with losses per share of NT\$2.12. 2.Approved to revise the Articles of Incorporation. 3.Approved to convene 2006 Annual General Meeting. 4.Approved to issue of 2006 1st Unsecured Corporation Bond within the amount of NT\$4 billion. 5.Approved to invest BenQ Logistic (Shanghai) Co., Ltd in Mainland China by BenQ (L) Corp within the amount of US\$ 0.8 million. 6.Approved to invest Gallant Preisions (Suzhou) Co., Ltd. in Mainland China by BenQ (L) Corp within the amount of US\$ 8.9 million. 7.Approved to invest BenQ Mobile Holding B.V. within the amount of US\$ 300 million. 8.Approved to invest BenQ (L) Corp within the amount of US\$ 20 million. 9.Approved to invest China-based BenQ subsidiaries by BenQ (L) Corp within the amount of US\$ 10.5 million.
2006.04.10	2006 3 rd BOD Meeting	<ol style="list-style-type: none"> 1.Approved Lite-On IT and BenQ to Form a Strategic Alliance through Manufacturing Integration in Optical Storage Products. 2.Approved to issue stock option of 100 million shares.
2006.04.24	2006 4 th BOD Meeting	<ol style="list-style-type: none"> 1.Accepted BenQ's financial statements for the three months ending on March 31,2006. 2.Approved to a NT \$10 billion Syndicated financing proposal. 3.Approved an issuance of private placement of Preferred Stock and Domestic unsecured convertible bond. 4.Re-election of a new director at 2006 Annual General Shareholders' Meeting. 5.Revised the agenda of 2006 Annual General Meeting.
2006.05.23	2006 5 th BOD Meeting	<ol style="list-style-type: none"> 1.Approved to sell Darfon Electronics Corp. common stock.
2006.06.14	2006 Annual General Meeting	<ol style="list-style-type: none"> 1.Approval of 2005 Results and Financial Statements. 2.Approved the Proposal of Supplementing 2005 Losses with Special Reserves and Legal Reverse. 3.Approved the proposed Private Placement of Preferred Shares and Domestic Unsecured Convertible Bonds (insuance at one time or at different times). 4.Approved the proposal of BOD to revised the Company's Articles Of Incorporation. 5.Approved the proposal of BOD to revised the Regulation relating to Electing Directors and Supervisors. 6.Approved the proposal of BOD to revised the Procedures of Governing Corporate Endorsements and Guarantees. 7.Approved the proposal of BOD to revised the amount the company may invest in mainland China. 8.Approved to release new Director from non-compete restrictions.
2006.07.19	2006 7 th BOD Meeting	<ol style="list-style-type: none"> 1.Approved the change of Chief Internal Auditor.
2006.08.24	2006 9 th BOD Meeting	<ol style="list-style-type: none"> 1.Accepted BenQ's financial statements for the six months ending on June 30,2006. 2.Approved the separation of BenQ's IMS business as a new profit center. 3.BenQ intends to file a arbitration to settle disputes regarding the net asset value of Siemens AG Mobile Device. 4.Approved to invest US\$400 million fund to BenQ's subsidiary, BenQ Mobile Holding B.V.. 5.Approved to sell Darfon Electronics Corp. common stock not exceeding 3,600,000 shares.
2006.09.28	2006 10 th BOD Meeting	<ol style="list-style-type: none"> 1.Resolved to discontinue capital injection into BenQ Mobile Holding B.V..
2006.10.24	2006 11 th BOD Meeting	<ol style="list-style-type: none"> 1.Accepted BenQ's financial statements for the nine months ending on September 30,2006. 2.Approved to sell Jiandong plant and land located in Gueishan Industrial Park. 3.Approved to dispose its investment in Gallant Precision Machining Co.,Ltd. Common stock.
2006.12.06	2006 12 th BOD Meeting	<ol style="list-style-type: none"> 1.Approved an amount of NT \$5 billion to 8 billion Syndicated financing proposal. 2.Approved an issuance of Domestic Unsecured Exchangeable Bond.
2006.12.25	2006 13 th BOD Meeting	<ol style="list-style-type: none"> 1.Approved to dispose Airoha Technology Corp shares.
2007.03.20	2007 1 st BOD Meeting	<ol style="list-style-type: none"> 1.Accepted BenQ 2006 business report and financial statements. Net sales of parent company for 2006 was NT\$130.2 billion, and loss after tax was NT\$27.6 billion, with losses per share of NT\$10.78. 2.Approved to revise the Rules of Transfer of Company's Shares Bought Back by the Company to its Employees and the record day of cancellation the registration of his appointment. 3.Reporting the loss incurred to one half of its paid-in capital. 4.Approved to remove the non-competition restrictions on the directors who have been appointed to act as the directors and managers of the enterprise invested by the Company in the Mainland China. 5.Approved to dispose Taiwan Fixed Network shares. 6.Approved to convene the 2007 Annual General Meeting.
2007.03.27	2007 3 rd Extraordinary BOD Meeting	<ol style="list-style-type: none"> 1.Approved to dispose AUO shares.
2007.04.25	2007 2 nd BOD Meeting	<ol style="list-style-type: none"> 1.Accepted BenQ's financial statements for the three months ending on March 31,2007. 2.Approved to proceed capital reduction. 3.Approved to the spin-off of the Company's brand-related businesses (including assets and liabilities) (the "Spin-Off Businesses") to its wholly-owned subsidiary, BenQ Asia Pacific Corp. ("BQP"). 4.Approved to an issuance of private placement of Preferred Stock and/or Common Stock. 5.Approved to revise the agenda of 2007 Annual General Meeting.

Management Team

Management Resources



K.Y. Lee
Chairman



Sheaffer Lee
President



Eric ky Yu
Sr. Vice President



Jerry Wang
Chief Marketing Officer



Irwin Chen
MCG



Hemit Huang
IMS



Conway Lee
DMG

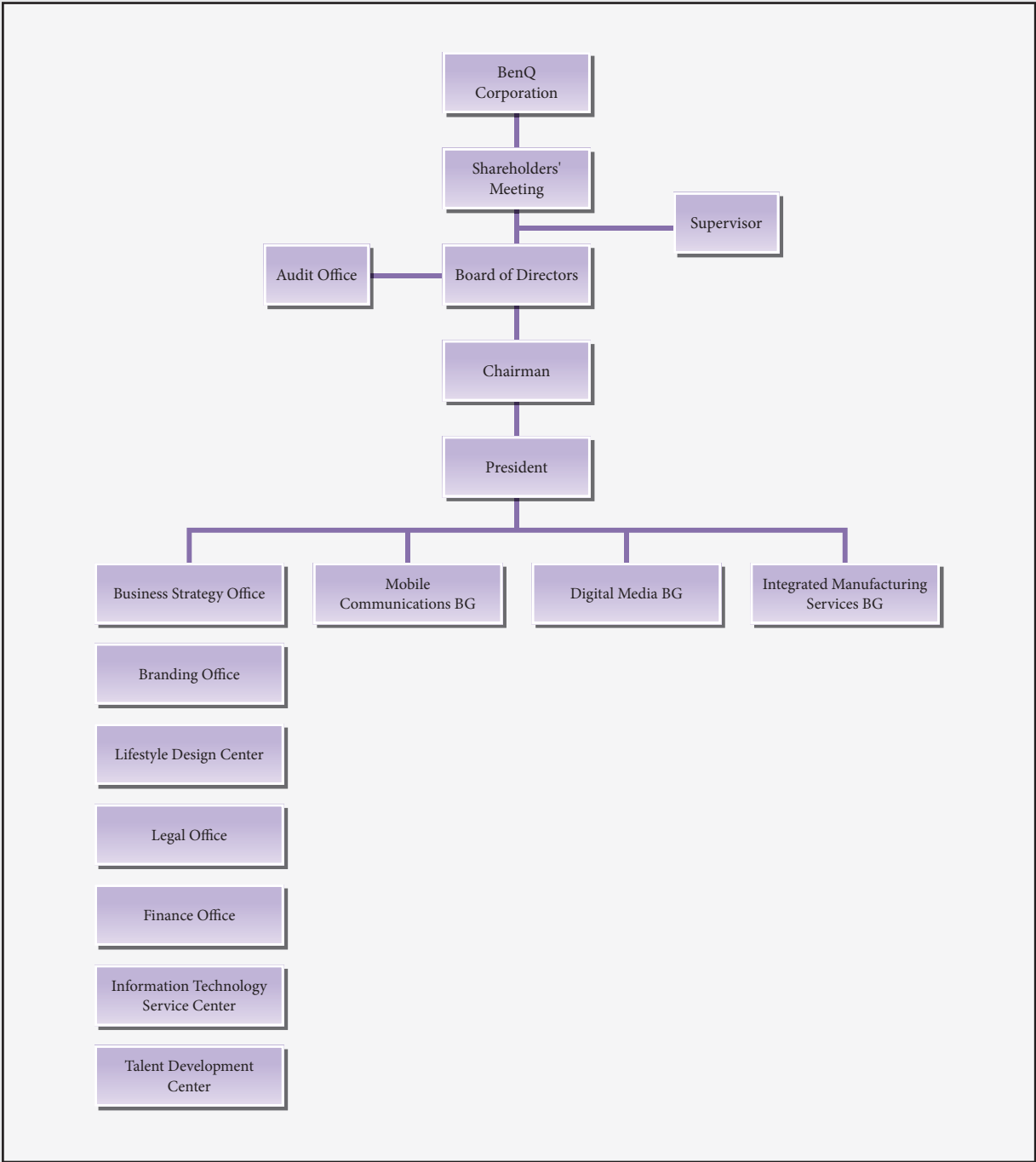
Corporate Executive Officers

2007.04.17

Title	Name	Personnel Education & Experience	Other Current Positions
Chairman	K.Y. Lee	MBA, Switzerland IMD B.S., Electrical Engineering, National Taiwan University Vice President of Acer PC Product Marketing	Chairman: AU Optronics Corp., Darly Venture Inc., Darly2 Venture, Ltd., Darly Consulting Corp. Director: Darfon Electronics Corp., Daxon Technology Inc.
President	Sheaffer Lee	B.S., Electrical Engineering, National Cheng Kung University Assistant Vice President of Acer America	Chairman: Darfon Electronic Corp. Director: AU Optronics Corp., BenQ Asia Pacific Corp., Darly Venture Inc., Darly2 Venture, Ltd.
Executive Vice President- Chief Marketing Officer	Jerry Wang	EMBA, Thunderbird International Management Institute	Chairman: BenQ Asia Pacific Corp.
Senior Vice President- Integrated Manufacturing Services Business Group	Hermit Huang	EMBA, National Taiwan University Electronics Engineering, National Taipei Institute of Technology	-
Senior Vice President- Mobile Communications Business Group	Irwin Chen	Ph.D., EE, University of Maryland Manager, Qualcomm Inc.	-
Senior Vice President- Finance center	Eric Ky Yu	MBA, Strathclyde Graduate business School, U.K. Controller, BenQ Malaysia	Chairman: Daxon Technology Inc., Darly3 Venture, Ltd. Supervisor: AU Optronics Corp., BenQ Asia Pacific Corp., Darly Venture Inc.
Vice President- Finance center	David Wang	M.S., University of Massachusetts-Amherst B.S., Finance, National Chung Hsing University CEO: Yageo - Ferroxcube CFO: Yageo - Europe	-
Vice President- Digital Media Business Group	Alpha Tsai	EMBA, National Cheng Chi University M.S., Electrical Engineering, New York University-Stony Brook B.S., Electrical Engineering, National Taiwan University.	-
Vice President- Global Manufacturing Operation Office	CM Wu	EMBA, Pacific Western University B.S., Electronics Engineering, Chung Yuan Christian University	-
Vice President- Advanced Technology Center	Kelvin Lee	Ph.D., Electrical Engineering, National Taiwan University M.S., Electrical Engineering, National Cheng Kung University	-
Vice President- Digital Media Business Group	Peter Chen	MBA, National ChengChi University EMBA, Thunderbird International Management Institute B.S., Electrical Engineering, National Cheng Kung University	Director: Darfon Electronics Corp.
Vice President- Information Technology Service	S.C. Chao	M.S., Electrical Engineering, Utah State University M.S., Control Engineering, National Chiao Tung University	Director: StarBex Corp.
Associate Vice President- Integrated Manufacturing Services Business Group	Vince Liaw	MBA, National ChengChi University B.S., ME, National Taiwan University	-
Associate Vice President- Integrated Manufacturing Services Business Group	April Huang	National Taiwan University Daxon Technology Inc.	-
Associate Vice President- Digital Media Business Group	Richard Hsu	M.S., ME, University of Oregon Acer Incorporated	-
Associate Vice President- Digital Media Business Group	JY Hu	MBA, National Taiwan University B.S., Applied Mathematics, National Cheng Chi University	-
Associate Vice President- Finance center	Jasmin Hung	MBA, California State University, Fullerton B.S., International Trade, Chung Yuan Christian University	Supervisor: Darly3 Venture, Ltd., BenQ GURU Software Corp.
Director- Integrated Manufacturing Services Business Group	Robert Chang	Dean of College of Commerce, National Cheng Chi University B.S., Mathematics, Soochow University	-

Group Organization

Company Organization Chart



Affiliated Companies

2006.12.31

Manufacturing, Sales, R&D and Logistics	
100%	BenQ Technologies Sdn. Bhd.(BQM)
100%	BenQ Mexicana S.A. De C.V. (BQX)
100%	BenQ Technologies Czech s.r.o. (BQZ)
100%	BenQ (Hong Kong) Ltd. (BQhk)
100%	BenQ Europe B.V. (BQE)
100%	BenQ UK Limited
100%	BenQ Benclux B.V.
100%	BenQ Deutschland Gmbh
100%	BenQ Austria Gmbh
100%	BenQ Iberica S.L. U.
100%	BenQ Switzerland
100%	BenQ Italy Srl
100%	MainTeq Europe BV
100%	BenQ France SAS
100%	BenQ Nordic AB
100%	BenQ Asia Pacific (BQP)
100%	BenQ India Private Ltd.
100%	BenQ Japan Co., Ltd
100%	BenQ Singapre Pte Ltd.
100%	BenQ Australia Pty Ltd.
100%	BenQ (M.E.) FZE
100%	BenQ Service & Marketing (Malaysia) Sdn
100%	BenQ (Thailand) Co., Ltd.
100%	BenQ Korea Co., Ltd.
BQlb 100%	BenQ America Corp. (BQA)
100%	Quality Service Inc.
99.97%	BenQ Mexico S. De R.L. De C.V.
100%	BenQ Canada Corp.
100%	BenQ Latin America Corp
100%	BenQ USA Corp
100%	BenQ do Brazil Ltda.
BQlb 100%	BenQ (IT) Co., Ltd. (BQS)
BQlb 100%	BenQ Electronics (Suzhou) co., Ltd. (BQes)
BQlb 100%	BenQ Optronics (Suzhou) co., Ltd. (BQos)
BQlb 100%	BenQ (Shanghai Pudong) Co. LTD (BMS)
BQlb 100%	BenQ (Shanghai) Co.,Ltd (BQhu)
BQhk 100%	BenQ Logistic (Shanghai) Co.,Ltd (BQls)
GRHK 100%	BenQ Guru Software Suzhou (GSS)
GPMH76.62%	Gallant Precisions (Suzhou) Co.,Ltd. (GPS)

Investemnt Holding Companies	
100%	Darly Venture, Inc.
100%	Darly 2 Venture, Ltd.
100%	Darly Consulting Corp.
56.01%	Darly 3 Venture, Ltd.
100%	BenQ (L) Corp. (BQlb)
100%	Darly Venture (L) Corp. (DVlb)
100%	BenQ BM Holding Corp. (BBM)
100%	BenQ Guru Holding Limited (GRHK)
BQlb76.62%	GPM Holding Corporation Ltd. (GPMH)

Other Investments	
53.37%	Daxon Technology Inc.
58.27%	Darfon Electronics Corp.
BQlb 100%	BenQ Guru Software Co., Ltd. (Taiwan)
BBM 70%	Nanjing Ming-Ji Hospital
BBM 70%	BenQ Medical Center Suzhou
BBM 100%	BenQ(Nanjing)Hospital Management Consultants Co.,Ltd.

Company Financials



Blu-Ray drive BW1000 / EW100G

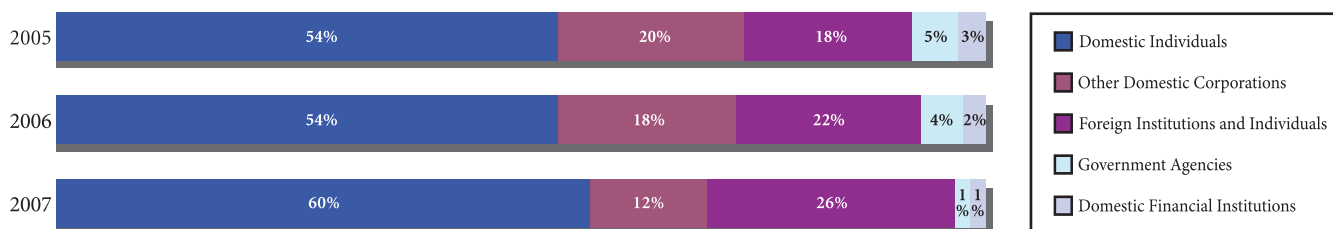
Capital and Shares

Shares Type and Shares Outstanding

Shares Type	Authorized Shares			Notes
	Outstanding shares	Un-issued shares	Total shares	
Common Shares	2,564,880,011	2,435,119,989	5,000,000,000	Listing Shares

Ownership and Distribution of Shares

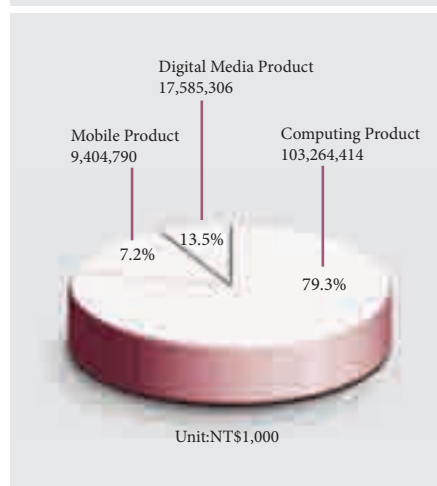
	As of March 20, 2005		As of April 16, 2006		As of April 17, 2007	
	Number of shares held	Number of shareholders	Number of shares held	Number of shareholders	Number of shares held	Number of shareholders
Domestic Individuals	1,243,416,470	159,595	1,405,324,738	180,396	1,554,923,645	165,563
Other Domestic Corporations	468,232,477	319	476,911,227	292	318,376,529	259
Foreign Institutions and Individuals	418,149,857	316	585,753,284	326	660,557,908	339
Government Agencies	113,568,260	9	94,742,480	9	17,056,761	5
Domestic Financial Institutions	73,189,767	28	62,148,282	42	13,965,168	12
Total	2,316,556,831	160,267	2,624,880,011	181,065	2,564,880,011	166,178



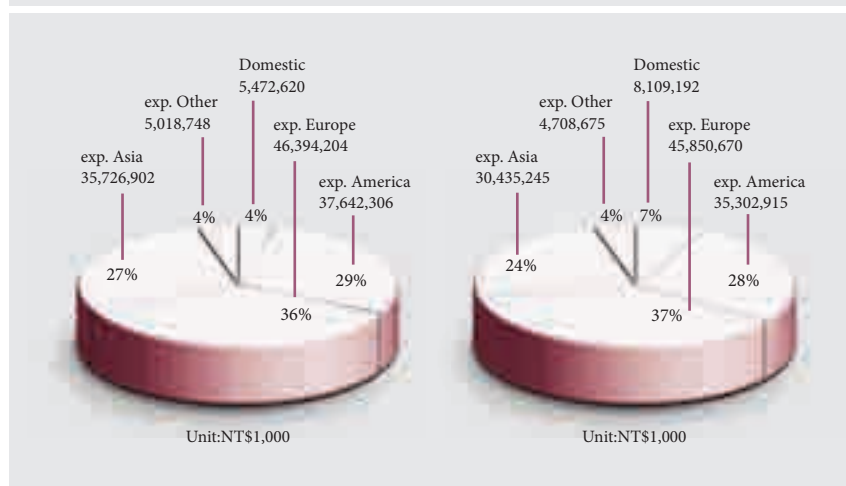
Market & Sales Status

Main product and Sales areas

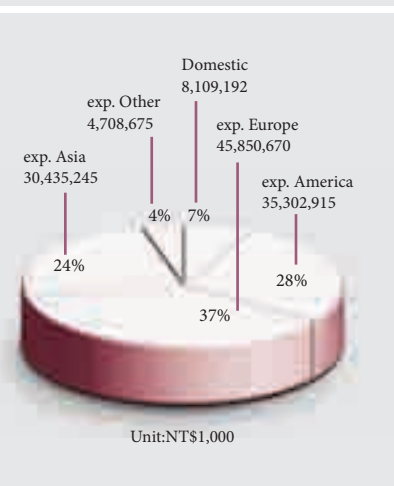
Net income 2006: 130,254,510



Net income(sales) 2006: 130,254,510



Net income(sales) 2005: 124,406,697



Production Status in the Last Two Years

Unit: Set;NT\$1,000

Main Products	2006			2005		
	Production Capacity	Production Quantity	Production Amount	Production Capacity	Production Quantity	Production Amount
Computing Product	63,374	57,613	308,616	0	0	0
Mobile Product	1,065,151	968,319	5,368,110	1,874,772	1,704,338	6,539,446
Digital Media Product	291,481	264,983	4,395,785	214,173	194,703	5,498,541
Total	1,420,007	1,290,915	10,072,512	2,088,945	1,899,041	12,037,987

Sales Status in the Last Two Years

Unit: Set;NT\$1,000

Main Products	2006				2005			
	Domestics Sales		Exports Sales		Domestics Sales		Exports Sales	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Computing Product	3,989	4,976,032	24,830	125,278,478	5,446	5,520,965	23,747	96,931,573
Mobile Product	243	897,039	3,761	8,507,752	329	1,377,426	2,439	7,784,499
Digital Media Product	99	1,085,428	1,873	16,499,878	165	1,215,826	1,207	11,576,408
Total	3,647	2,993,565	19,196	100,270,848	5,940	8,114,217	27,393	116,292,480

Net Worth, Earning, Dividends and Market Price Per Share

Unit: NT\$/per share

		Year 2005	Year 2006
Market Price Per Share	Highest Market Price	37.20	35.70
	Lowest Market Price	27.20	15.70
	Average Market Price	32.01	22.57
Net Worth Per Share (Note 1)	Before Distribution	17.38	7.42
	After Distribution	-	-
Earnings Per Share (EPS)	Weighted Average Shares (thousand)	2,459,298	2,560,736
	EPS	(2.12)	(10.78)
	EPS-adjusted (Note 2)	-	-
Dividends Per Share	Cash dividends	1.5	-
	Stock dividends- Earnings	0.5	-
	Stock dividends- Capital Surplus	-	-
	Accumulated Undistributed Dividend	-	-
Return On Investment	Price/Earning Ratio (Note 3)	-	-
	Price/Dividend Ratio (Note 4)	21.34	-
	Cash Dividend Yield Rate (Note 5)	4.69%	-

Note 1: Subject to change after shareholders' meeting resolution

Note 2: Retroactive adjustment for capitalization of bonus

Note 3: Price/Earning ratio = Average market price/Earnings per share

Note 4: Price/Dividend ratio = Average market price/Cash dividends per share

Note 5: Cash dividend yield rate = Cash dividends per share/ Average market price

Dividend Policy

According to BenQ's Article of Incorporation, the company's dividend policy is as follows:

If the company has surplus profits at the end of each business year, the profits are to be first used to pay taxes and make good of past losses and then set up 10% as legal reserve. The balance, if any, shall be used to pay dividends before being allocated as follows:

- a. Employee bonus: 5% to 10%;
- b. Remuneration of directors and supervisors: 1% or less; and
- c. The balance shall be distributed partially or totally as dividends.

Most Recent 5-year Financial Analysis

Item		Year				
		2006	2005	2004	2003	2002
Financial ratios	Total liabilities to total assets (%)	76	51	36	41	41
	Financial capital to fixed assets (%)	642	978	882	708	653
Liquidity ratios	Current ratios (%)	85	144	159	140	137
	Quick ratios (%)	78	121	138	116	121
	Time interest earned	-	-	33	42	24
Operating performance analysis	A/R turnover(times)	4.60	4.25	5.51	4.49	5.15
	A/R turnover days	79	86	66	81	71
	Inventory turnover(times)	29.24	25.02	29.15	22.63	22.12
	A/P turnover(times)	6.49	5.86	6.43	4.79	5.21
	Inventory turnover days	12	15	13	16	17
	Fixed assets turnover(times)	22.91	20.98	22.84	16.13	14.02
	Total assets turnover(times)	1.62	1.49	1.93	1.48	1.33
Activity ratios	Return on assets(%)	(32)	(6)	10	10	12
	Return on equity(%)	(86)	(11)	16	17	21
	Operating income to paid-in-capital(%)	(17)	(3)	16	16	38
	PBT to paid-in-capital(%)	(105)	(20)	33	37	51
	Net income ratio(%)	(21)	(4)	5	7	8
	EPS	(10.78)	(2.12)	3.10	3.03	3.08
Profitability ratios	Cash flow ratio(%)	-	-	17	-	41
	Cash flow adequacy(%)	4	55	98	78	128
	Cash reinvestment ratio(%)	-	-	-	-	22
Leverage	Operating leverage	-	-	2.42	2.40	1.72
	Financial Leverage	-	-	1.07	1.06	1.05

BenQ Corporation

Non-consolidated Balance Sheets

December 31, 2005 and 2006 (expressed in thousands of New Taiwan dollars and US dollars)

Assets	2005		2006	
	NT\$	NT\$	NT\$	US\$
Current assets:				
Cash and cash equivalents	161,789	3,319,981		101,852
Assigned financial asset measured at fair value – current	450,241	20,108		617
Notes and accounts receivable, net	6,498,786	3,554,835		109,057
Accounts receivables from related parties	25,211,100	21,331,087		654,408
Other receivables, net	7,178,101	3,418,370		104,871
Other receivables from related parties	911,636	534,302		16,392
Other financial assets-current	25,136	16,148		495
Inventories, net	5,581,355	3,086,319		94,684
Prepaid expenses and other current assets	1,642,433	265,193		8,136
Long-term investment for sale	-	543,240		16,666
Deferred income tax assets-current	463,010	143,004		4,387
Total current assets	48,123,587	36,232,587		1,111,565
Long-term equity investments:				
Available for-sale financial asset-noncurrent	-	3,439,266		105,512
Under equity method	31,670,537	31,481,000		965,793
Financial asset measured at holding cost-non current	1,435,406	1,085,447		33,300
	33,105,943	36,005,713		1,104,605
Property, plant and equipment:				
Land	2,135,410	2,137,718		65,582
Buildings	3,552,743	3,781,886		116,023
Machinery and equipment	2,436,393	2,261,867		69,391
Furniture and fixtures	146,528	172,611		5,295
Miscellaneous equipment	69,441	71,590		2,196
Prepayments for plant and equipment	283,095	228,388		7,007
	8,623,610	8,654,060		265,494
Less: accumulated depreciation	(2,830,831)	(2,968,630)		(91,073)
Net property, plant and equipment	5,792,779	5,685,430		174,421
Other assets :				
Assets for lease	997,171	56,734		1,741
Refundable deposits	8,584	8,820		271
Deferred assets	1,042,532	900,998		27,641
Deferred income tax assets-non current	973,344	1,293,350		39,678
Total other assets	3,021,631	2,259,902		69,331
Total assets	90,043,940	80,183,632		2,459,922
Liabilities and Stockholders' Equity				
	2005		2006	
	NT\$	NT\$		US\$
Current liabilities:				
Short-term borrowings	2,635,137	13,687,269		419,906
Assigned financial liabilities measured at fair value-current	9,358	42,423		1,301
Notes and accounts payable	4,706,044	3,320,344		101,864
Accounts payables to related parties	16,395,479	14,642,012		449,197
Accrued expenses	2,781,761	7,593,022		232,943
Other payables to related parties	4,787,710	430,371		13,203
Bonds payable	1,138,662	2,050,000		62,891
Other current liabilities	626,925	463,810		14,229
Deferred inter-company profit	332,702	181,980		5,583
Total current liabilities	33,413,778	42,411,231		1,301,117
Bonds payable	7,050,000	5,000,000		153,393
Long-term borrowings	-	12,000,000		368,143
Other liabilities	5,148,897	1,287,831		39,509
Total liabilities	45,612,675	60,699,062		1,862,162
Stockholders' equity:				
Common stock	26,186,722	26,248,800		805,277
Convertible bonds applied for conversion	13,063	-		-
	26,199,785	26,248,800		805,277
Capital surplus				
Additional paid-in capital in excess of the common stock's par value	8,295,561	8,295,561		254,496
Convertible bonds converted in excess of the common stock's par value	7,168,462	7,248,958		222,388
Capital surplus from treasury stock transactions	12,432	12,432		382
Capital surplus from long-term equity investments	3,097,893	4,967,496		152,396
	18,574,348	20,524,447		629,662
Legal reserve	4,016,353	1,059,698		32,510
Retained loss	(3,038,409)	(27,043,359)		(829,653)
Special reserve	81,754	-		-
Translation adjustment	434,760	591,349		18,142
Unrealized gain or loss on financial product	-	(59,267)		(1,818)
Treasury stock	(1,837,326)	(1,837,098)		(56,360)
Total stockholders' equity	44,431,265	19,484,570		597,760
Total liabilities and stockholders' equity	90,043,940	80,183,632		2,459,922

BenQ Corporation

Non-consolidated Statements of Income

Years ended December 31, 2005 and 2006

(expressed in thousands of New Taiwan dollars and US dollars, except earnings per share)

	2005		2006	
	NT\$	NT\$	NT\$	US\$
Net sales	124,406,697	130,254,510		3,996,027
Cost of goods sold	(117,800,512)	(126,710,637)		(3,887,306)
	6,606,185	3,543,873		108,721
Change in unrealized inter-company profits	(327,325)	150,721		4,624
Gross profit	6,278,860	3,694,594		113,345
Operating expenses:				
Selling	(2,970,757)	(3,582,806)		(109,916)
Administrative	(950,728)	(1,109,476)		(34,037)
Research and development	(3,273,284)	(3,490,485)		(107,083)
	(7,194,769)	(8,182,767)		(251,036)
Operating loss	(915,909)	(4,488,173)		(137,691)
Non-operating income:				
Interest income	33,317	65,768		2,018
Dividend income	98,243	47,831		1,467
Gain on disposal of property, plant and equipment	7,551	6,098		187
Gain on disposal of investments, net	1,787,359	1,814,285		55,660
Foreign exchange gain, net	-	196,834		6,039
Others	272,198	5,594,655		171,636
	2,198,668	7,725,471		237,007
Non-operating expenses:				
Interest expense	(488,901)	(1,195,919)		(36,689)
Investment loss recorded under the equity method, net	(5,515,181)	(29,289,996)		(898,576)
Permanent decline in the value of long-term equity investment	(149,307)	(314,466)		(9,647)
Loss on disposal of property, plant and equipment	(2,943)	-		-
Foreign exchange loss, net	(381,650)	-		-
Impairment loss	(18,598)	-		-
Financial products revaluation loss	-	(32,799)		(1,006)
Others	(32,306)	(13,982)		(429)
	(6,588,886)	(30,847,162)		(946,347)
Net loss before income tax expense	(5,306,127)	(27,609,864)		(847,031)
Income tax expense	80,556	(803)		(25)
Net loss	(5,225,571)	(27,610,667)		(847,056)
Earnings per share:				
Basic loss per share	(2.12)	(10.78)		(0.33)
Diluted earnings (loss) per share	-	-		-

BenQ Corporation

Non-consolidated Statements of Changes in Stockholders' Equity

Years ended December 31, 2005 and 2006 (expressed in thousands of New Taiwan dollars)

	Common Stock	Convertible Bonds Applied for Conversion	Capital Surplus	Legal Reserve	Special reserve	Retained Earnings (Loss)	Unrealized Gain/Loss on Financial Products	Translation Adjustment	Treasury Stock	Total
	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$
Balance at January 1, 2005	23,150,141	-	14,688,280	3,254,424	-	8,144,108	-	(81,754)	(77,336)	49,077,863
Net loss for 2005	-	-	-	-	-	(5,225,571)	-	-	-	(5,225,571)
Appropriation of earnings and capital surplus:										
Legal reserve	-	-	-	761,929	-	(761,929)	-	-	-	-
Special reserve	-	-	-	-	81,754	(81,754)	-	-	-	-
Retained earnings transferred to common stock	1,513,755	-	-	-	-	(1,513,755)	-	-	-	-
Cash dividends	-	-	-	-	-	(3,473,263)	-	-	-	(3,473,263)
Employee bonus paid in cash	-	-	-	-	-	(152,170)	-	-	-	(152,170)
Directors' and supervisors' remuneration	-	-	-	-	-	(54,205)	-	-	-	(54,205)
Convertible bonds converted to common stock and capital surplus	22,826	13,063	61,598	-	-	-	-	-	-	97,487
Issuance of common stock by GDR	1,500,000	-	3,142,713	-	-	-	-	-	(1,759,157)	2,883,556
Treasury stock acquired by the Company	-	-	-	-	-	-	-	-	(833)	(833)
Change in treasury stock held by subsidiaries	-	-	-	-	-	-	-	-	-	-
Cash dividends paid to subsidiaries which hold the Company's shares	-	-	5,620	-	-	-	-	-	-	5,620
Adjustments in net equity of investee companies	-	-	676,137	-	-	80,130	-	-	-	756,267
Change in foreign currency translation adjustment	-	-	-	-	-	-	-	516,514	-	516,514
Balance at December 31, 2005	26,186,722	13,063	18,574,348	4,016,353	81,754	(3,038,409)	-	434,760	(1,837,326)	44,431,265
Net loss for 2006	-	-	-	-	-	(27,610,667)	-	-	-	(27,610,667)
Appropriation of earnings and capital surplus:										
Supplementing 2005 losses with special reserve and legal reserve	-	-	-	(2,956,655)	(81,754)	3,038,409	-	-	-	-
Convertible bonds applied for conversion change to common stock	13,063	(13,063)	-	-	-	-	-	-	-	-
Convertible bonds converted to common stock and capital surplus	49,015	-	80,495	-	-	-	-	-	-	129,510
Change in treasury stock held by subsidiaries	-	-	-	-	-	-	-	-	228	228
Adjustments in net equity of investee companies	-	-	1,869,604	-	-	567,308	-	-	-	2,436,912
Change in foreign currency translation adjustment	-	-	-	-	-	-	-	156,589	-	156,589
Change in unrealized loss on available-for-sale financial asset-noncurrent	-	-	-	-	-	-	(836,265)	-	-	(836,265)
Change in unrealized gain on financial asset resulting from long-term equity investments	-	-	-	-	-	-	776,998	-	-	776,998
Balance at December 31, 2006	26,248,800	-	20,524,447	1,059,698	-	(27,043,359)	(59,267)	591,349	(1,837,098)	19,484,570

BenQ Corporation

Non-consolidated Statements of Cash Flows

Years ended December 31, 2005 and 2006 (expressed in thousands of New Taiwan dollars and US dollars)

	2005		2006	
	NT\$	NT\$	NT\$	US\$
Cash flows from operating activities:				
Net loss	(5,225,571)	(27,610,667)		(847,057)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation	490,069	425,773		13,062
Amortization	185,156	550,162		16,878
Change in provision for bad debt and sales allowance	239,277	(204,886)		(6,286)
Change in provision for inventory obsolescence	(65,263)	23,449		719
Investment loss on long-term equity investments, net	5,490,018	29,289,996		898,576
Cash dividends received from investees accounted for equity method	1,167,779	932,134		28,597
Gain on disposal of Financial asset measured at fair value, net	(1,779,304)	(528)		(16)
Loss on disposal of financial asset measured at holding cost	-	90		3
Gain on disposal of long-term equity investments, net	(8,055)	(1,813,847)		(55,646)
Other long-term investment loss	149,307	314,466		9,647
Gain on disposal of property, plant and equipment	(4,608)	(6,098)		(187)
Unrealized foreign exchange loss (gain) on overseas convertible bonds	5,026	(2,431)		(75)
Reversal for redemption of overseas convertible bonds	(6,733)	(250)		(8)
Other revenue	-	(4,275,531)		(131,167)
Impairment loss	18,598	-		-
Amortization of bond issuance cost	1,767	4,968		152
Differences in accounts in the accompanying balance sheets:				
Notes and accounts receivable	(1,274,700)	(706,607)		(21,678)
Receivables from related parties	(5,927,352)	3,925,489		120,429
Other receivables	(171,910)	(282,742)		(8,674)
Inventories	(1,656,197)	2,020,067		61,973
Other financial assets-current	(263,728)	8,988		276
Prepaid expenses and other current assets	(255,358)	221,380		6,792
Deferred income tax assets	(96,788)	-		-
Notes and accounts payable	(1,169,613)	(1,385,700)		(42,511)
Payables to related parties	3,392,714	(6,110,806)		(187,471)
Deferred inter-company profit	327,325	(150,722)		(4,624)
Accrued expenses and other current liabilities	(272,527)	(787,260)		(24,152)
Income tax payables	(251,707)	-		-
Deferred credits	(19,105)	(19,105)		(586)
Net cash used in operating activities	(6,981,483)	(5,640,218)		(173,034)
Cash flows from investing activities:				
Additions to long-term investments	(1,323,151)	(16,591,205)		(508,995)
Differences in Financial asset measured at fair value	7,105,766	430,661		13,212
Differences in Financial liability measured at fair value	-	33,066		1,014
Additions to property, plant and equipment	(221,289)	(351,689)		(10,789)
Proceeds from disposal of long-term equity investments	22,433	2,232,432		68,488
Proceeds from disposal of property, plant and equipment	28,136	1,007,822		30,919
Increase in refundable deposits and deferred assets	(1,003,886)	(413,832)		(12,696)
Receipt from investees' capital reduction	64,751	405,493		12,440
Cash paid for acquisition of Siemens' mobile division	(3,966,600)	-		-
Net cash provided by (used in) investing activities	706,160	(13,247,252)		(406,407)
Cash flows from financing activities:				
Increase in short-term borrowings	2,635,137	11,052,132		339,064
Redemption of bonds	(1,400)	(1,006,470)		(30,877)
Increase in long-term borrowings	-	12,000,000		368,143
Acquisition treasury stock	(1,759,157)	-		-
Issuance of GDR	4,642,713	-		-
Issuance of bonds	4,000,000	-		-
Remuneration of directors and supervisors	(54,205)	-		-
Payment of cash dividends	(3,473,263)	-		-
Payment of employee bonuses	(152,170)	-		-
Net cash provided by financing activities	5,837,655	22,045,662		676,330
Net increase (decrease) in cash and cash equivalents	(437,668)	3,158,192		96,889
Cash and cash equivalents at beginning of period	599,457	161,789		4,963
Cash and cash equivalents at end of period	161,789	3,319,981		101,852
Additional disclosure of cash flow information:				
Cash paid during the period for:				
Interest, excluding capitalized interest	404,752	1,414,764		43,403
Income taxes	272,511	3,269		100
Supplemental disclosure of non-cash investing and financial activities:				
Increase (decrease) in capital surplus from long-term equity investments	(756,267)	2,437,083		74,766
Increase in translation adjustment	516,514	156,589		4,804
Convertible bonds converted to common stock and capital surplus	97,487	129,510		3,973



BenQ Corporation and Subsidiaries Consolidated Balance Sheets

December 31, 2005 and 2006 (expressed in thousands of New Taiwan dollars and US dollars)

Assets	2005		2006	
	NT\$	NT\$	NT\$	US\$
Current assets:				
Cash and cash equivalents	12,551,610	10,613,099		325,595
Assigned financial asset measured at fair value—current	759,282	76,897		2,359
Available for-sale financial asset-current	26,024	111,448		3,419
Notes and accounts receivable, net	37,490,396	18,761,034		575,563
Accounts receivables from related parties	1,179,304	415,678		12,752
Other receivables from related parties	18,373	6,566		201
Other financial assets-current	21,572,124	6,404,002		196,466
Inventories, net	33,620,461	21,229,591		651,294
Prepaid expenses and other current assets	4,412,643	1,330,503		40,818
Long-term investment for sale	-	549,532		16,859
Deferred income tax assets-current	970,617	476,894		14,631
Total current assets	112,600,834	59,975,244		1,839,957
Long-term equity investments:				
Available for-sale financial asset-noncurrent	20,726	4,315,878		132,406
Under equity method	20,982,173	23,444,324		719,239
Financial asset measured at holding cost-non current	2,483,935	1,573,314		48,267
	23,486,834	29,333,516		899,912
Property, plant and equipment:				
Land	3,139,301	3,558,537		109,171
Buildings	9,898,775	12,169,211		373,334
Machinery and equipment	18,735,104	21,534,411		660,646
Furniture and fixtures	629,047	812,680		24,932
Leasehold improvements	639,573	228,811		7,020
Miscellaneous equipment	1,071,598	1,406,847		43,160
Prepayments for plant and equipment	3,083,393	2,401,573		73,677
	37,196,791	42,112,070		1,291,940
Less: allowance for impairment of fixed assets	(89,685)	(349,481)		(10,722)
Less: accumulated depreciation	(11,811,762)	(14,897,318)		(457,029)
Net property, plant and equipment	25,295,344	26,865,271		824,189
Other assets :				
Refundable deposits	76,993	196,291		6,022
Deferred assets	3,842,093	3,135,506		96,193
Deferred income tax assets-non current	1,108,336	1,342,126		41,174
Total other assets	5,027,422	4,673,923		143,389
Total assets	166,410,434	120,847,954		3,707,447
Liabilities and Stockholders' Equity				
	2005		2006	
	NT\$	NT\$		US\$
Current liabilities:				
Short-term borrowings	10,034,593	24,358,001		747,270
Assigned financial liabilities measured at fair value-current	291,008	46,455		1,426
Notes and accounts payable	53,161,431	20,443,570		627,180
Accounts payables to related parties	6,585,218	9,657,548		296,280
Other payables to related parties	47,451	19,530		599
Long-term debt	1,378,529	1,170,636		35,913
Bonds payable	1,338,662	2,050,000		62,891
Accrued expenses and other current liabilities	31,936,146	15,095,430		463,107
Total current liabilities	104,773,038	72,841,170		2,234,666
Bonds payable	7,050,000	5,000,000		153,393
Long-term debt	5,199,618	18,938,884		581,019
Other liabilities	2,106,531	647,078		19,851
Total liabilities	119,129,187	97,427,132		2,988,929
Stockholders' equity:				
Common stock	26,186,722	26,248,800		805,277
Convertible bonds applied for conversion	13,063	-		-
	26,199,785	26,248,800		805,277
Capital surplus	18,574,348	20,524,447		629,662
Legal reserve	4,016,353	1,059,698		32,510
Retained loss	(3,038,409)	(27,043,359)		(829,653)
Special reserve	81,754	-		-
Translation adjustment	434,760	591,349		18,142
Unrealized gain or loss on financial product	-	(59,267)		(1,818)
Treasury stock	(1,837,326)	(1,837,098)		(56,360)
Minority interest	2,849,982	3,936,252		120,758
Total stockholders' equity	47,281,247	23,420,822		718,518
Total liabilities and stockholders' equity	166,410,434	120,847,954		3,707,447

BenQ Corporation

Consolidated Statements of Income

Years ended December 31, 2005 and 2006 (expressed in thousands of New Taiwan dollars and US dollars, except earnings per share)

	2005		2006	
	NT\$	NT\$	NT\$	US\$
Net sales	176,778,165	227,239,426	6,971,390	
Cost of goods sold	(161,950,053)	(208,704,782)	(6,402,773)	
Gross profit	14,828,112	18,534,644	568,617	
Operating expenses:				
Selling	(14,641,728)	(27,017,302)	(828,853)	
Administrative	(2,865,335)	(4,320,806)	(132,556)	
Research and development	(7,705,559)	(15,019,690)	(460,783)	
	(25,212,622)	(46,357,798)	(1,422,192)	
Operating loss	(10,384,510)	(27,823,154)	(853,575)	
Non-operating income:				
Interest income	241,227	642,288	19,705	
Investment income recorded under the equity method, net	2,011,643	1,294,362	39,709	
Gain on disposal of investments, net	1,987,464	2,661,055	81,637	
Foreign exchange gain, net	-	1,029,510	31,584	
Others	2,334,718	6,260,143	192,052	
	6,575,052	11,887,358	364,687	
Non-operating expenses:				
Interest expense	(856,482)	(2,388,616)	(73,279)	
Investment loss recorded under the equity method, net	(235,201)	(814,854)	(24,999)	
Foreign exchange loss, net	(285,812)	-	-	
Impairment loss	(158,598)	-	-	
Financial products revaluation loss	-	(30,918)	(949)	
Others	(271,015)	(7,171,184)	(220,002)	
	(1,807,108)	(10,405,572)	(319,229)	
Income loss before income tax and minority interest	(5,616,566)	(26,341,368)	(808,117)	
Income tax expense	(241,669)	(734,325)	(22,528)	
loss before minority interest	(5,858,235)	(27,075,693)	(830,645)	
Net loss	(5,225,571)	(27,610,667)	(847,057)	
Minority interest in net loss	(632,664)	534,974	16,412	
	(5,858,235)	(27,075,693)	(830,645)	
Earnings per share:				
Basic loss per share	(2.12)	(10.78)	(0.33)	
Diluted earnings (loss) per share	-	-	-	

BenQ Corporation

Consolidated Statements of Changes in Stockholders' Equity

Years ended December 31, 2005 and 2006 (expressed in thousands of New Taiwan dollars)

	Common Stock	Convertible Bonds Applied for Conversion	Capital Surplus	Legal Reserve	Special reserve	Retained Earnings (Loss)	Unrealized Gain/Loss on Financial Products	Translation Adjustment	Treasury Stock	Minority interest	Total
	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$
Balance at January 1, 2005	23,150,141	-	14,688,280	3,254,424	-	8,144,108	-	(81,754)	(77,336)	2,532,751	51,610,614
Net loss for 2005	-	-	-	-	-	(5,225,571)	-	-	-	(632,664)	(5,858,235)
Appropriation of earnings and capital surplus:											
Legal reserve	-	-	-	761,929	-	(761,929)	-	-	-	-	-
Special reserve	-	-	-	-	81,754	(81,754)	-	-	-	-	-
Retained earnings transferred to common stock	1,513,755	-	-	-	-	(1,513,755)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(3,473,263)	-	-	-	-	(3,473,263)
Employee bonus paid in cash	-	-	-	-	-	(152,170)	-	-	-	-	(152,170)
Directors' and supervisors' remuneration	-	-	-	-	-	(54,205)	-	-	-	-	(54,205)
Convertible bonds converted to common stock and capital surplus	22,826	13,063	61,598	-	-	-	-	-	-	-	97,487
Change in Minority equity	-	-	-	-	-	-	-	-	-	58,272	58,272
Issuance of common stock by GDR	1,500,000	-	3,142,713	-	-	-	-	-	-	-	4,642,713
Treasury stock held by the Company	-	-	-	-	-	-	-	-	(1,759,157)	-	(1,759,157)
Change in treasury stock held by subsidiaries	-	-	-	-	-	-	-	-	(833)	-	(833)
Cash dividends paid to subsidiaries which hold the Company's shares	-	-	5,620	-	-	-	-	-	-	-	5,620
Adjustments in net equity of investee companies	-	-	676,137	-	-	80,130	-	-	-	16,381	772,648
Change in foreign currency translation adjustment	-	-	-	-	-	-	-	516,514	-	45,175	561,689
Adjustments in net equity of investee companies	-	-	-	-	-	-	-	-	-	830,067	830,067
Balance at December 31, 2005	26,186,722	13,063	18,574,348	4,016,353	81,754	(3,038,409)	-	434,760	(1,837,326)	2,849,982	47,281,247
Net loss for 2006	-	-	-	-	-	(27,610,667)	-	-	-	534,974	(27,075,693)
Appropriation of earnings and capital surplus:											
Supplementing 2005 losses with special reserve and legal reserve	-	-	-	(2,956,655)	(81,754)	3,038,409	-	-	-	-	-
Convertible bonds applied for conversion change to common stock	13,063	(13,063)	-	-	-	-	-	-	-	-	-
Convertible bonds converted to common stock and capital surplus	49,015	-	80,495	-	-	-	-	-	-	-	129,510
Change in Minority equity	-	-	-	-	-	-	-	-	-	176,474	176,474
Change in treasury stock held by subsidiaries	-	-	-	-	-	-	-	-	228	-	228
Adjustments in net equity of investee companies	-	-	1,869,604	-	-	567,308	-	-	-	38,309	2,475,221
Change in foreign currency translation adjustment	-	-	-	-	-	-	-	156,589	-	22,858	179,447
Change in unrealized loss on available-for-sale financial asset-noncurrent	-	-	-	-	-	-	(836,265)	-	-	-	(836,265)
Change in unrealized gain on financial asset resulting from long-term equity investments	-	-	-	-	-	-	776,998	-	-	27,199	804,197
Adjustments in net equity of investee companies	-	-	-	-	-	-	-	-	-	286,456	286,456
Balance at December 31, 2006	26,248,800	-	20,524,447	1,059,698	-	(27,043,359)	(59,267)	591,349	(1,837,098)	3,936,252	23,420,822

BenQ Corporation

Consolidated Statements of Cash Flows

Years ended December 31, 2005 and 2006 (expressed in thousands of New Taiwan dollars and US dollars)

	2005		2006	
	NT\$	NT\$	NT\$	US\$
Cash flows from operating activities:				
Net loss	(5,858,235)	(27,075,693)		(830,645)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation	3,023,577	3,566,436		109,413
Amortization	449,294	699,463		21,459
Amortization of negative goodwill by merger	(1,407,000)	-		-
Impairment loss	158,598	-		-
The valuation loss of financial assets	-	30,918		949
Investment gain on long-term equity investments, net	(2,011,643)	(1,294,362)		(39,709)
Cash dividends received from investees accounted for equity method	1,148,856	517,195		15,867
Gain on disposal of financial asset measured at fair value, net	(1,789,927)	(6,278)		(193)
Gain on disposal of long-term equity investments, net	(151,758)	(1,666,839)		(51,136)
Loss on disposal of other asset	-	102		3
Impairment loss on long-term investment	235,201	814,854		24,999
Loss on disposal of property, plant and equipment	38,522	5,363		165
Fixed assets transferred to expenses	87,550	-		-
Unrealized foreign exchange loss(gain) on overseas convertible bonds	5,026	(2,431)		(75)
The disposing gain of consolidated subsidiaries equity	-	(987,938)		(30,309)
Reversal for redemption of overseas convertible bonds	(6,733)	(250)		(8)
Other revenue	-	(4,275,531)		(131,167)
Amortization of bond issuance cost	2,933	5,842		179
Differences in accounts in the accompanying balance sheets:				
Notes and accounts receivable	(18,339,135)	18,729,362		574,591
Receivables from related parties	1,756,797	775,433		23,788
Inventories	(16,144,728)	12,390,870		380,135
Other financial assets-current	(4,142,815)	15,147,503		464,704
Prepaid expenses and other current assets	(2,341,268)	2,513,663		77,116
Deferred income tax assets	(160,200)	259,933		7,974
Notes and accounts payable	32,529,785	(32,717,861)		(1,003,738)
Payables to related parties	449,441	3,044,409		93,398
Accrued expenses and other current liabilities	8,570,890	(15,425,060)		(473,219)
Other current liabilities	1,967,157	(1,512,079)		(46,388)
Net cash used in operating activities	(1,929,815)	(26,462,976)		(811,847)
Cash flows from investing activities:				
Additions to long-term investments	(547,827)	(225,334)		(6,913)
Differences in financial asset measured at fair value	7,950,556	(22,952)		(704)
Differences in financial liability measured at fair value	-	(244,953)		(7,515)
Additions to property, plant and equipment	(6,534,704)	(8,390,040)		(257,395)
Proceeds from disposal of long-term equity investments	281,472	2,195,637		67,359
Proceeds from disposal of property, plant and equipment	216,778	1,825,036		55,990
Additions to other asset	(2,945,945)	987,642		30,300
Receipt from investees' capital reduction	15,298	46,195		1,417
Receipt from disposal of consolidated investees' common stock	-	1,138,221		34,919
Net cash used in investing activities	(1,564,372)	(2,690,548)		(82,542)
Cash flows from financing activities:				
Increase in short-term borrowings	6,624,276	14,323,408		439,422
Redemption of bonds	(101,400)	(1,206,470)		(37,013)
Increase in long-term borrowings	1,307,303	13,531,372		415,124
Acquisition treasury stock	(1,759,157)	-		-
Issurance of GDR	4,642,713	-		-
Issurance of bonds	4,000,000	-		-
Remuneration of directors and supervisors	(54,205)	-		-
Payment of cash dividends	(3,473,263)	-		-
Payment of employee bonuses	(152,170)	-		-
Increase in minority interest	58,272	26,191		804
Net cash provided by financing activities	11,092,369	26,674,501		818,337
Effect of exchange rate changes on cash and cash equivalents	123,423	254,056		7,794
Effect of new consolidated subsidiaries	1,611,864	286,456		8,788
Net increase (decrease) in cash and cash equivalents	9,333,469	(1,938,511)		(59,470)
Cash and cash equivalents at beginning of period	3,218,141	12,551,610		385,066
Cash and cash equivalents at end of period	12,551,610	10,613,099		325,596
Additional disclosure of cash flow information:				
Cash paid during the period for:				
Interest, excluding capitalized interest	765,560	2,337,530		71,712
Income taxes	418,001	413,071		12,672
Supplemental disclosure of non-cash investing and financial activities:				
Convertible bonds converted to common stock and capital surplus	97,487	129,510		3,973

BenQ Fact Sheet

Founded	April 21, 1984					
Paid-In Capital	USD 767 Million					
Revenue	2005: USD 5.04 Billion 2006: USD 6.2 Billion					
Chairman	K.Y. Lee					
Management Team	Executive Management: K.Y. Lee, Sheaffer Lee, Jerry Wang, Eric KY Yu, Jeff CH Li, Rick Lei Business Management: Hermit Huang, Irwin Chen, Peter Chen, Conway Lee Regional Operations Management: Conway Lee, Adrian Chang, Michael Tseng, Ben Chu, Peter Tan, Hank Horng					
Corporate Vision	Bringing Enjoyment and Quality to Life					
Product Focus	Networked Digital Lifestyle Devices					
Product Lines	Mobile Communications Business Group: ■ Mobile phone: GSM/GPRS mobile phones, CDMA/CDMA 2000 mobile phones, Smart Phones, PDA phones, 3.5G mobile phones ■ Wireless Communications: GPRS+WiFi combo products, wireless modules Digital Media Business Group: ■ LCD Monitor: 15", 17", 19", 20.1", 22", 24" wide screen ■ Joybook wide screen series laptop PC: 12", 13", 14", 15.4" wide screen ■ Optical storage product: CD-ROM, CD-RW, DVD-ROM, Combi, DVD+RW, Blu-Ray RW ■ Imaging products: multi-function peripheral and scanners ■ Digital Projector: Digital Projector (data & video) ■ LCD TV: 15", 20", 26", 30", 32", 37", 42", 46" LCD TV ■ Digital Camera: 2 ~10 Mega Pixels digital cameras Integrated Manufacturing Service Business Group: ■ LCD Monitor: 15", 17", 19", 20.1", 22", 24" wide screen ■ Imaging products: multi-function peripheral, multi-function printers (MFP) and scanners ■ Digital Projector: Digital Projector (data & video) ■ LCD TV: 15", 20", 26", 30", 32", 37", 42", 46" LCD TV ■ Digital Camera: 2 ~10 Mega Pixels digital cameras ■ Car Entertainment					
Sales Offices	5 Regional Operations ■ Europe Regional HQ Sales Office Spain, Benelux, Germany, UK(Ireland), Italy, Russia, France, Sweden, Austria, Switzerland ■ North and Central America Regional HQ Sales Office USA, Canada ■ The Latin America Regional HQ Sales Office Brazil, Mexico ■ China Regional HQ Sales Office Beijing, Shanghai, Chengdu, Guangzhou, Wuhan, Shenyang, Xian, Hong Kong, Shenzhen, Fuzhou, Hefei, Hangzhou Nanking, Tianjin, Jinan ■ AMEA (Asia Pacific, Middle East, Africa) Sales Region Taiwan, Malaysia, India, Thailand, Singapore, Japan, Korea, UAE (Dubai), Australia (New Zealand), Turkey					
Manufacturing Operations	■ China, Suzhou ■ Mexico, Mexicali ■ Taiwan, Taoyuan ■ China, Shanghai ■ Brazil, Manaus ■ Brno, Czech Republic					
Patents	3,650 global patents, 2,685 patents pending (2007/4)					
Quality Certifications	■ Taoyuan Plant (Taiwan): ISO-9001, ISO-14001, ODC, OHSAS 18001, TL-9000, SA8000 ■ Suzhou Plant (China): ISO-9001, ISO-14001, ODC, TL-9000, OHSAS 18001 ■ Mexicali Plant (Mexico): ISO-9001, ISO-14001, OHSAS 18001 ■ Czech Plant(Czech): ISO-9001, ISO-14001					
No. of Employees	14,000+ employees over 40 countries (2007/4)					
Main Sales Areas		China	The Americas	Europe	APAM*	Total
	2006 (%)	18	38	24	20	100
	2005 (%)	18	35	28	19	100
	2004 (%)	15	30	31	24	100
Market Share	Products	LCD Monitor	Projector	Scanner	Mobile Phone	
	Market Shares (%) in 2006	3.5 %	7.6 %	16 %	2.1 %	
BenQ Group	BenQ Corporation, AU Optronics Corporation, Darfon Electronics Corporation, Daxon Technology Inc., BenQ Guru Software Co., BenQ Hospital, Raydium Semiconductor Corporation, Cando Corporation and Wellypower Co., Ltd.					
Recognition	■ 6 Red Dot Design Award 2007 (March 2007) ■ 8 iF Design Awards 2007 (including 1 much-coveted Gold Award) (March 2007) ■ 7350CT scanner wins the "Design for Asia" award's "DFA Best Design from Greater China" (Nov. 2006) ■ Voted by a panel of judges, consumers and channel distributors as "Top 10 Brands From China" (Nov. 2006) ■ Asian Wall Street Journal's 2006 Asia 200 Report: Ranking 14 th overall and No. 1 in terms of "innovativeness in responding to consumer demands" (Oct. 2006) ■ 9 Good Design Awards 2005 (Oct. 2006) ■ Interbrand's Top 10 Global Taiwan Brands Survey: Ranking 5 th ; recognized as the "Rising Star" brand for the greatest compound growth rate (2003~2005) (September 2006) ■ 24 iF China Design Award 2006 (Sept. 2006) ■ BenQ has become EU's #1 and world's #2 projector brand in Q2/2006 with 8.1% global market share (source: DTC) (July, 2006) ■ PE7700 projector wins Korea's "2006 GD Award" (May 2006) ■ 13 Red Dot Design Award 2006, including 1 Red Dot Communication Design Award (March 2006) ■ 18 iF Design Awards 2006 (including 1 much-coveted Gold Award, and 1 iF Communication Design Award) (March 2006)					

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