ASUSTEK COMPUTER INC.

NON-CONSOLIDATED

FINANCIAL STATEMENTS

December 31, 2007 and 2006

With

Report of Independent Auditors

The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

English Translation of a Report Originally Issued in Chinese

Report of Independent Auditors

The Board of Directors and Stockholders
ASUSTeK Computer Inc.

We have audited the accompanying non-consolidated balance sheets of ASUSTeK Computer Inc. as of December 31, 2007 and 2006, and the related non-consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the investee, Ability Enterprise Co., Ltd., which is accounted for under the equity method. The financial statements of Ability Enterprise Co., Ltd. were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to long-term investments evaluated by equity method in Ability Enterprise Co., Ltd., is based solely on the report of the other auditors. The carrying values of the investment amounted to $2,669,779 thousand as of December 31, 2007. The related investment loss under equity method for 2007 amounted to $33,910 thousand.

We conducted our audits in accordance with "Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China on Taiwan. 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 and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the non-consolidated financial position of ASUSTeK Computer Inc. as of December 31, 2007 and 2006, and the non-consolidated results of its operations and its cash flows for the years then ended, in conformity with the requirements of "Business Accounting Law" and "Criteria for Handling Business Accounting" with respect to financial accounting standards, "Criteria Governing the Preparation of Financial Reports by Securities Issuers" and generally accepted accounting principles in the Republic of China on Taiwan.

As discussed in Note III to the financial statements, effective from January 1, 2006, the Company adopted the R.O.C. Statement of Financial Accounting Standards No. 34 "Accounting for Financial Instruments" and No. 36 "Disclosure and Presentation of Financial Instruments". As discussed in Note X to the financial statements, the Company issued new shares, on March 1, 2006, and adopted "pooling of interests" method to account for its acquisition of Askey Computer Corporation.

As discussed in Note IX.3 to the financial statements, the Company resolved to spin-off its OEM businesses and the date of the spin-off was on January 1, 2008. According to the Company's resolution, the Company transferred its computer and non-computer related OEM businesses to its spun-off subsidiaries Pegatron Corporation and Unihan Corporation, respectively.

We have also expressed a modified unqualified opinion, under separate cover, on the consolidated financial statements of ASUSTeK Computer Inc. and subsidiaries for the years ended December 31, 2007 and 2006, respectively.

Taipei, Taiwan
Republic of China

March 5, 2008

Notice to Readers

The accompanying financial statements are intended only to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China on Taiwan 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 on Taiwan.

I. ORGANIZATION AND OPERATIONS

ASUSTeK Computer Inc. was established on April 2, 1990. Its main activities are to produce, design and sell "Notebook PC, main board, CD-ROM and add-on cards".

The Company's headcounts amounted to 8,885 and 9,587, respectively, on December 31, 2007 and 2006.

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with "Business Accounting Law" and "Criteria for Handling Business Accounting" with respect to financial accounting standards, "Criteria Governing the Preparation of Financial Reports by Securities Issuers" and generally accepted accounting principles in the Republic of China on Taiwan. The significant accounting policies are as follows:

1. Foreign currency transactions

Foreign currency transactions are recorded in New Taiwan Dollars at the rates of exchange rates in effect when the transactions occurred. Gains or losses, caused by different foreign exchange rates applied when foreign currency assets and liabilities are settled, are credited to or charged against income in the year of actual settlement. The year-end balances of foreign currency assets and liabilities are stated on the basis of the year-end exchange rates and the resulting differences are credited to or charged against current income or stockholders' equity, depending on the classification of the asset or liability to which it relates.

2. Cash equivalents

The Company considers all highly liquid investments with an insignificant rate of risk and with original maturities of three months or less at date of acquisition to be cash equivalents.

3. Financial assets and financial liabilities

The Company adopted the R.O.C. SFAS No. 34 "Accounting for Financial Instruments" and the "Criteria Governing the Preparation of Financial Reports by Securities Issuers", where its financial assets are classified as either financial assets at fair value through profit or loss, financial assets evaluated by cost method, or available-for-sale financial assets, as appropriate. Financial liabilities are classified either as financial liabilities at fair value through profit or loss, or financial liabilities at amortized cost.

The Company's purchases and sales of financial assets and liabilities are recognized on the trade date, or the date on which the Company commits to purchase or sell the asset and liability. When financial assets and financial liabilities are recognized initially, they are measured at fair value, plus, in the case of investments that are not at fair value through profit or loss, directly attributable transaction costs.

(1) Financial assets at fair value through profit or loss:
Financial assets are subsequently measured at fair value and changes in fair value are recognized in profit and loss. Stocks of listed companies, convertible bonds and close-end funds are measured at closing prices at balance sheet date. Open-end funds are measured at the unit price of the net assets at the balance sheet date.

(2) Financial assets evaluated at cost:
Equity investments without reliable market prices, including unlisted and emerging stocks, are measured at cost. If objective evidence of impairment exists, the Company recognizes impairment loss, which shall not be reversed in subsequent periods.

(3) Available-for-sale financial assets:
Available-for-sale financial assets are non-derivative financial assets neither classified as financial assets held for trading, nor held-to-maturity financial assets, loans and receivables. Subsequent measurement is measured at fair value. The gain or loss arising from the change in fair value, excluding impairment loss and exchange gain or loss, is recognized as a separate component of stockholders' equity until such investment is reclassified or disposed of, upon which the cumulative gain or loss previously charged to stockholders' equity will be transferred to current gain or loss.

The fair value of investments is determined by references to the closing price at the balance sheet date for listed shares, or the net assets value for open-end funds.

After initial recognition, the Company measured all financial liabilities at amortized cost, except for financial liabilities at fair value through profit or loss which liabilities shall be measured at fair value.

4. Allowance for doubtful accounts

Allowance for doubtful accounts is provided based on estimated collectibility of notes receivable, accounts receivable, accounts receivable-affiliated companies, other receivables, and accounts receivable-overdue.

5. Inventories

Inventories are valued at the lower of cost or market under the gross method. Cost is determined by weighted-average method. Market price is determined by net realizable value; except for raw materials which is determined by replacement cost.

6. Long-term investments evaluated by equity method

(1) The difference between the acquisitions cost and the Company's share of net assets of the investee is analyzed and accounted for in the manner similar to acquisition cost allocation as provided in SFAS No. 25 "Business Combinations-Accounting Treatment under Purchase Method" under which goodwill is not amortized.

(2) When the Company holds more than 20% of a company's outstanding common shares or has significant influence on an investee, the Company accounts for such investment under the equity method.

(3) If certain long-term equity investments have incurred existing or probable loss, the Company shall recognize investment loss in proportion to the percentage owned. The investment loss shall first bring down the specific investment account to zero, then the remaining loss, if any, will be recorded as "Other liabilities-credit to long-term investments".

(4) Unrealized profits incurred as a result of transactions between affiliated companies shall be eliminated. Unrealized gross profits from downstream sales shall be debited to "unrealized gross profits" and credited to "deferred credits", whereas unrealized gross profits from upstream and side-stream sales shall be debited to "investment loss" and credited to "long-term investments".

(5) When the Company issues new shares to acquire another company's issued shares, the carrying amount of the investment should be the fair market value of the Company's shares or the fair market value of another company's issued shares, whichever is more objective. If the carrying amount will be over or under the par value of the Company's shares, the difference is credited to additional paid in capital or debited to retained earnings. The fair market value of the listed shares is based upon a certain period before or after the announcement of the acquisition contract.

7. Property, plant and equipment and assets held for lease

(1) Property, plant and equipment and assets held for lease are stated at cost. Expenditures for repairs and maintenance are charged against operating income. Improvements that materially extend the useful life of the assets are capitalized.

(2) Depreciation is provided on the straight-line basis over the following useful lives:

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

(3) Additional depreciation is provided on the remaining salvage value of fully depreciated property and equipment that are still in use over their remaining estimated economic lives.

(4) Gain on disposal of assets is credited to current income, and loss on disposal of assets is charged against current income.

8. Deferred charges

Deferred charges represent computer software, small tools, and office decorations, which are amortized by the straight-line method over 2 to 5 years.

9. Convertible bonds payable

(1) For bonds issued prior to December 31, 2005, the issuance costs are recorded as deferred charges and are amortized over the period from its issued date to maturity date. For bonds issued after January 1, 2006, the issuance costs are allocated to the related liability and equity components based on the proportion of the initially recognized amounts.

(2) The difference between the redemption price and the face value of the bond shall be amortized between the issued date and the last day of redemption period. The book value method is adopted when an investor exercises his/her conversion rights.

(3) The Company adopted the R.O.C. SFAS No. 36 "Disclosure and Presentation of Financial Instruments" to account for its convertible bonds issued after January 1, 2006. The fair value of financial liability component of convertible bonds is measured at issuance. Then the equity component is assigned with the residual amount after deducting the fair value of the liability component from the fair value as a whole. The liability component is classified as convertible bonds and derivatives with call (or put) options. The present value of convertible bonds is discounted by the market rate of non-convertible bonds with the equivalent terms. The Company subsequently measured convertible bonds at amortized cost. Derivatives with call (or put) options are recognized as "financial liabilities at fair value through profit or loss" and are subsequently measured by the fair value. The variation of the fair value of the options is recognized as "gain/(loss) on financial liabilities evaluated". Nevertheless, the variation of the fair value of the equity component would not be recognized as gain, loss or equity adjustments.

10. Accrued pension liability

The Company established a pension fund for its employees. The Company makes monthly contributions to the pension fund at 2% of the total monthly salaries and wages as required by the Labor Standards Laws. The fund is administrated by the Employees Retirement Fund Committee. Assets of the funds are deposited with Bank of Taiwan in the name of the Committee. Payments of retirement benefits are disbursed from the fund directly. Therefore, it is not reflected in the accompanying financial statements.

Effective from 1995, the Company adopted, on a prospective basis, the R.O.C. SFAS No. 18 "Accounting for Pensions". This Statement requires that the accumulated pension obligation and the pension expense be determined on an actuarial basis. However, except for few foreign employees, the Company has closed out all seniority of employees as of December 31, 2007. As a result, SFAS No. 18 is no longer applicable.

The funding status of the pension plan as of December 31, 1995 was measured based on the actuarial report. Because the accrued pension liability is equal to the funding status of pension plan, no unrecognized transitional net assets or net obligations should be amortized in the future. According to the Statement mentioned above, net pension cost was recognized from January 1, 1996.

The Labor Pension Act of the R.O.C. ("the Act"), which adopts a defined contribution scheme, takes effect from July 1, 2005. In accordance with the Act, employees of the Company may elect to be subject to either the Act, and maintain their seniority before the enforcement of the Act, or the pension mechanism of the Labor Standards Law. For employees subject to the Act, the Company makes monthly contributions to the employees' individual pension accounts on a basis no less than 6% of the employees' monthly wages.

11. Income tax

The Company adopted the R.O.C. SFAS No. 22 "Accounting for Income Taxes". This Statement requires inter-period as well as intra-period income tax allocation. Under the Statement, the tax effects of taxable temporary differences are recognized as deferred income tax liabilities while those of deductible temporary differences, net operating losses, and investment tax credit are recognized as deferred income tax assets. A valuation allowance is provided based on the probability of the deferred tax assets.

The Company adopted the R.O.C. SFAS No. 12 "Accounting for Income Tax Credits". This Statement requires all income tax credits resulting from the acquisition of equipment or technology, research and development, and employee trainings are recognized currently.

On the date of earnings distribution approved by the shareholders' meeting, an additional 10% income tax levied on the undistributed earnings is recognized currently.

The R.O.C. government enacted the Alternative Minimum Tax Act ("AMT Act") effective on January 1, 2006. The Company has considered the impact of the AMT in the determination of its current tax expense and its future impact when estimating the realizable value of the deferred tax assets.

12. Recognition of revenues

The Company adopted the R.O.C. SFAS No. 32 "Accounting for Revenue Recognitions" to account for its revenue recognitions. In accordance with regulations promulgated by the Securities and Futures Bureau (SFB), the Company does not recognize revenues at the time when it delivers such inventories to third parties for further re-processing if both parties agreed that such inventories will be delivered back to the Company upon completion of the re-processing or could be sold to third parties. Since the title and risk of such inventories have not been transferred, no revenue is recognized at the time of delivery.

13. Asset impairment

The Company adopted the R.O.C. SFAS No. 35 "Accounting for Asset Impairment" and assesses indication for impairment for all its assets at balance sheet date. If impairment indication exists, the Company then compares the carrying amount with the recoverable amount of the assets or the cash-generating unit ("CGU") and writes down the carrying amount to the recoverable amount where applicable. Recoverable amount is defined as the higher of net fair value and usable value.

For previously recognized losses, the Company assesses, at each balance sheet date, if any indication exists that the impairment loss may no longer exist or may have decreased, the Company recalculates the recoverable amount of the asset and reverses the impairment loss to the extent that the carrying amount after the reversal would not exceed the original carrying amount with no recognized impairment loss for the assets in prior years.

Impairment loss/(reversal) is classified as non-operating loss/(income).

14. Earnings per share (EPS)

Primary EPS is calculated by dividing net income by the weight-average number of shares outstanding during the period. In the event of capitalization of retained earnings or capital surplus, the share number is retroactively adjusted for additional shares issued.

Diluted EPS is calculated by dividing net income by the weighted-average number of common shares used in the primary EPS calculation plus the number of common shares that would be issued assuming conversion of all potentially dilutive common shares outstanding. Convertible bonds issued by the Company are potentially dilutive common shares. If a dilutive effect does not exist, only primary EPS is disclosed; otherwise, diluted EPS is disclosed in addition to primary EPS.

15. Preparation of consolidated financial statements and share swap

The Company adopted the R.O.C. SFAS No. 7 "Consolidated Financial Statements" for the preparation of its consolidated financial statements and adopted SFAS No. 25 "Business Combinations-Accounting Treatment under Purchase Method" to account for its share swap transactions, respectively.

III. REASONS AND EFFECTS OF ACCOUNTING CHANGES

Financial instruments:

The Company adopted the R.O.C. SFAS No. 34 “Accounting for Financial Instruments” and No. 36 “Disclosure and Presentation of Financial Instruments” to account for its transactions on financial instruments after January 1, 2006. Such a change in accounting principles increased the Company’s current assets and long-term investments by $8,903 thousand and $1,049,919 thousand, respectively, as of January 1, 2006 and resulted in an increase in cumulative effect of changes in accounting principles of $8,903 thousand, thereby increasing earnings per share by $0.00 for the year ended December 31, 2006. In addition, it increased the Company’s other adjustments of stockholders' equity by $1,049,919 thousand as of January 1, 2006.

IV. DETAILS OF SIGNIFICANT ACCOUNTS

1. CASH AND CASH EQUIVALENTS

(1) Cash and cash equivalents consist of the following:

	12/31/2007	12/31/2006
Cash on hand	$839	$2,369
Demand deposit accounts	2,421	11,120
Checking accounts	2,626	1,751
Foreign currency accounts	19,504	13,514
Time deposits	9,148,829	10,763,082
Total	$9,174,219	$10,791,836

(2) The time deposits pledged have been reclassified to refundable deposits. Please refer to Note VI for details.

2. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS-CURRENT

(1) Financial assets for trading purpose consist of the following:

	12/31/2007	12/31/2006
Beneficiary certificates	$7,257,169	$4,218,719

(2) Financial assets at fair value through profit or loss-current are not pledged as collateral.

3. NOTES RECEIVABLE-NET, ACCOUNTS RECEIVABLE-NET, AND ACCOUNTS RECEIVABLE-AFFILIATED COMPANIES-NET

(1) Notes receivable-net and accounts receivable-net consist of the following:

	12/31/2007	12/31/2006
Notes receivable	$37,009	$35
Less: Allowance for doubtful accounts	(452)	(0)
Notes receivable-net	36,557	35
Accounts receivable	62,492,236	81,771,386
Less: Allowance for doubtful accounts	(665,549)	(821,189)
Accounts receivable-net	61,826,687	80,950,197
Notes and accounts receivable-net	$61,863,244	$80,950,232

(2) Accounts receivable-affiliated companies-net consist of the following:

	12/31/2007	12/31/2006
Accounts receivable-affiliated companies	$46,426,708	$21,380,851
Less: Allowance for doubtful accounts	(679,590)	(227,951)
Accounts receivable-affiliated companies-net	45,747,118	21,152,900
Add: Long-term receivables-affiliated companies	4,998	2,465
Total	$45,752,116	$21,155,365

(3) Those receivables under legal proceedings have been reclassified as accounts receivable-overdue. Please refer to Note IV.10 for details.

4. INVENTORIES

Inventories consist of the following:

	12/31/2007	12/31/2006
Raw materials	$31,863,080	$43,626,529
Work in process	4,233,527	10,031,445
Finished goods	18,300,982	19,487,767
Merchandise	1,162,396	779,589
Raw materials in transit	27,943	61,657
Subtotal	55,587,928	73,986,987
Less: Valuation allowance	(1,944,063)	(1,359,026)
Total	$53,643,865	$72,627,961

5. AVAILABLE-FOR-SALE FINANCIAL ASSETS-NONCURRENT

(1) Available-for-sale financial assets-noncurrent consist of the following:

Stocks:	12/31/2007	12/31/2006
Advantech Co., Ltd.	$5,330,033	$8,036,260
United Microelectronics Corp.	79,872	115,135
Ene Technology, Inc.	165,750	-
Alcor Micro Corp.	107,500	-
Infortrend Technology, Inc.	-	102,094
Total	$5,683,155	$8,253,489

(2) The Company recognized the net variation in fair value of available-for-sale financial assets as Unrealized profit/(loss) of financial assets for $(2,628,689) and $2,841,373 thousand for the years ended December 31, 2007 and 2006, respectively.

(3) Available-for-sale financial assets-noncurrent are not pledged as collateral.

6. FINANCIAL ASSETS EVALUATED BY COST METHOD-NONCURRENT

(1) Financial assets evaluated by cost method-noncurrent consist of the following:

Stocks:	12/31/2007	12/31/2006
AmTrust Capital I Corp.	$100,000	$100,000
Investar Burgeon Venture Capital, Inc.	1	1
Wai-Gin Industrial Co., Ltd.	112,500	-
ASUSPOWER Computer Inc.	14,327	-
ASUSCOM Network Ink.	16,350	-
Total	$243,178	$100,001

(2) ASUSPOWER Computer Inc. and ASUSCOM Network Ink. were in the process of liquidation since March 30, 2007 and September 1, 2007, respectively. Thus, the Company evaluated its investment in ASUSPOWER Computer Inc. and ASUSCOM Network Ink. from equity method to cost method from March 30, 2007 and September 1, 2007, respectively.

(3) The Company recognized impairment loss for the investment in Wai-Gin Industrial Co., Ltd. for $37,500 thousand in 2007.

(4) Financial assets evaluated by cost method-noncurrent are not pledged as collateral.

7. LONG-TERM INVESTMENTS EVALUATED BY EUITY METHOD

(1) Long-term investments evaluated by equity method consist of the following:

	12/31/2007		12/31/2006	
Investee Companies	Amount	Interest Owned	Amount	Interest Owned
ASUS Computer International	$-	100%	$-	100%
AXUS Microsystems Inc.	140,091	85%	118,669	70%
ASUSPOWER Investment Co., Ltd.	11,433,429	100%	12,896,038	100%
ASUS Investment Co., Ltd.	14,184,982	100%	14,554,625	100%
ASUSTEK Investment Co., Ltd.	12,993,543	100%	14,274,389	100%
Shinewave International Inc.	53,420	51%	7,467	6%
ASUSTEK Holdings Limited	1,149,556	100%	18,000,005	100%
ASUS Holland B.V.	79,809	100%	78,255	100%
ASUS International Limited	15,006,676	100%	13,138,844	100%
ASUSALPHA Computer Inc.	5,477,818	100%	5,389,747	100%
ASUSchannel Corporation	1,232	100%	1,313	100%
ASUS Holland Holding B.V.	1,153,501	92.44%	1,204,040	92.44%
AMA Corporation	102,616	100%	178,748	100%
AMA Precision Inc.	408,394	100%	254,030	100%
Enertronix, Inc.	100,142	100%	111,141	100%
Advansus Corporation	486,364	50%	477,963	50%
Askey Computer Corporation	8,896,469	100%	7,552,456	100%
Pegatron Corporation	211,670	100%	-	-
Unihan Corporation	950	100%	-	-
Ability Enterprise Co., Ltd.	2,669,779	13.03%	-	-
Pegatron Holding Ltd.	21,037,383	100%	-	-
Unihan Holding Ltd.	3,869,536	100%	-	-
ASUS Technology Inc.	344,088	100%	-	-
ASMedia Technology Inc.	177,075	82.13%	-	-
ASINT Technology Corporation	49,881	28.57%	-	-
ASUSPOWER Computer Inc.	-	-	14,305	100%
ASUSCOM Network Inc.	-	-	16,559	51%
Total	$100,028,404		$88,268,594	

(2) The Company issued 29,824,561 new shares to Ability Investment Co., Ltd. in order to acquire 51,000,000 common shares of Ability Enterprise Co., Ltd. The date for the share swap was September 13, 2007. Please refer to Note IV.13.(7). After the share swap, the Company gained significant influence and accounted for this investment under equity method.

(3) The Company returned a portion of its holding of ASUSTEK Holdings Limited to ASUSTEK Holdings Limited. Please refer to Note V.2 (9).

(4) For the spin-off of its OEM business, the Company purchased the ownership interests of its subsidiaries from related parties. Please refer to Note V.2 (10).

(5) The Company recognized its investment income in accordance with its equity investees' current financial statements. The investment income for the years ended December 31, 2007 and 2006 amounted to $13,457,553 thousand and $10,937,943 thousand, respectively.

(6) According to the R.O.C. SFAS No. 7 "Consolidated Financial Statements", those investees where the Company maintains controlling interest have been included in the consolidated financial statements for the years ended December 31, 2007, and 2006.

(7) Long-term investments evaluated by equity method are not pledged as collateral.

8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	12/31/2007	12/31/2006
Land	$3,238,133	$3,238,133
Buildings and equipment	4,332,167	4,467,377
Machinery and equipment	909,371	1,930,084
Instrument equipment	1,473,393	1,317,820
Transportation equipment	36,303	38,159
Office equipment	6,460	18,480
Miscellaneous equipment	582,309	515,483
Warehousing equipment	28,239	34,932
Total costs	10,606,375	11,560,468

	12/31/2007	12/31/2006
Less: Accumulated Depreciation		
Buildings and equipment	561,529	513,856
Machinery and equipment	487,952	1,225,021
Instrument equipment	887,453	714,394
Transportation equipment	16,813	15,096
Office equipment	3,856	15,450
Miscellaneous equipment	262,042	283,584
Warehousing equipment	25,753	28,991
Total accumulated depreciation	2,245,398	2,796,392
Add: Prepayments on purchase of equipment	221,176	194,483
Property, plant and equipment-net	$8,582,153	$8,958,559

9. ASSETS HELD FOR LEASE

(1) Assets held for lease consist of the following:

	12/31/2007	12/31/2006
Land	$14,323	$14,323
Buildings and equipment	231,308	7,984
Total costs	245,631	22,307
Less: Accumulated depreciation	(52,594)	(2,230)
Assets held for lease-net	$193,037	$20,077

(2) Assets held for lease-net are those assets leased to related parties and reclassified to other assets-assets held for lease-net, are recognized as property, plant and equipment originally.

10. ACCOUNTS RECEIVABLE-OVERDUE

Accounts receivable-overdue consist of the following:

	12/31/2007	12/31/2006
Accounts receivable-overdue	$96,527	$124,420
Less: Allowance for doubtful accounts	(96,527)	(124,396)
Accounts receivable-overdue-net	$-	$24

11. BONDS PAYABLE

(1) Bonds payable consist of the following:

	12/31/2007	12/31/2006
Euro convertible bonds due 2009 (ECB I)	$3,136,921	$6,764,897
Add: Premium on bonds payable	3,268	13,811
Less: Compensatory interest receivable	(107,120)	(165,331)
Subtotal	3,033,069	6,613,377
Domestic convertible bonds	11,993,000	12,000,000
Less: Discount on bonds payable	(914,570)	(1,152,793)
Subtotal	11,078,430	10,847,207
Less: Bonds payable-current portion (Note)	-	(6,613,377)
Corporate bonds payable-net	$14,111,499	$10,847,207

Note: According to Regulation No. 290 issued by the R.O.C. Accounting Research and Development Foundation on December 8, 2006, convertible bonds are classified as current liabilities or long-term liabilities according to the redemption clauses. If the bondholders can execute their redemption rights within one year, the convertible bonds will be reclassified as current liabilities. If the redemption rights expire, and the convertible bonds fulfill the conditions of a long-term liability, the convertible bonds will be reclassified as long-term liabilities. Thus, the Company classified the Euro convertible bonds (ECB I) as a current liability in December 2006, and reclassified the same bond as long-term liabilities in January 2007.

(2) The Company issued the first Euro convertible bonds (ECB I) on the Luxembourg Stock Exchange on January 15, 2004 with a coupon rate of 0%. The main issuance terms of ECB I are as follows:

A. The offering amount: US$320,000,000

B. Issue price: 100.50% of principal amount

C. Main terms of repurchase:

(a) The Company has the right to redeem the ECB I in whole or in part (in the principal amount of US$1,000 or any integral multiple thereof) at any time on or after January 15, 2006 at a price equal to 100% of the unpaid principal amount thereof if the Closing Price of the Common Shares (translated into US dollars at the Prevailing Rate) on each of 20 consecutive Trading Days reach at least 120% of the Conversion Price.

(b) The Company has the right to redeem the ECB I at any time at a price equal to 100% of the unpaid principal amount thereof if at least 95% in principal amount of the ECB I has been redeemed, repurchased and cancelled, or converted.

(c) If, as a result of certain changes relating to the tax laws in the R.O.C. or such other jurisdiction in which the Company has to pay extra interest expenditure, the Company has the right to redeem the ECB I at any time at a price equal to 100% of the unpaid principal amount thereof.

(d) Each Holder has the right to require the Company to repurchase all or a portion (in the principal amount of US$1,000 or any integral multiple thereof) of his/her ECB I on January 15, 2006 and January 15, 2007 at a price equal to 98.5001% and 97.5150%, respectively, of the unpaid principal amount thereof.

(e) If the Common Shares cease to be listed or admitted to trading on the Taiwan Stock Exchange (TSE) for a period of at least five consecutive Trading Days, then each Holder will have the right to require the Company to repurchase all of such Holder's ECB I at a price equal to 100% of the unpaid principal amount thereof.

D. Main terms of conversion:

(a) Each Holder has the right to convert all or from time to time any portion (in principal amount of US$1,000 or any integral multiple thereof) of his/her ECB I into Common Shares during the Conversion Period (up to 31 days after the Original issued date to 10 days before the Maturity date).

(b) The Conversion Price will initially be NT$100.86 per Common Share, and the Fixed Rate will apply to the conversion of the ECB I. The Conversion Price will be adjusted upon the occurrence of certain events set out in the indenture, including but not confined to (1) Common Shares as a dividend (2) subdivision, reclassification or combination of Common Shares (3) granting the shareholders with rights of subscribing for Common Shares with price lower than the market price defined in the indenture (4) the value of cash dividend per share is greater than 5% of the market price in the indenture (5) purchase price of the Company's (including subsidiaries') shares is higher than the market price (6) issuance of the Company's (including subsidiaries') convertible (exchangeable) securities with the Conversion Price lower than 95% of the market price and (7) the value of newly issued Common Shares is lower than 95% of the market price (other than (1), (2), (3) or (6)). Such events will not include, among other things, the issue of the Common Shares to the Company's employees as employee bonuses.

In consideration of capital increasing from retained earnings, which excluded the issuance of common shares to employees as employee bonuses, the conversion price was diluted to NT$72.2 per common share.

(c) Conversion Price Reset at the Company's option:

The Company may (but is not obligated to), within 30 days prior to each of the Holders' Put Dates and the Maturity Date, by giving notice thereof to the holders of the ECB I, offer such holders the option to convert their ECB I for a period of seven Trading Days, which period shall start on a day determined by the Company, at the "Special Conversion Price Reset" specified in the indenture. The "Special Conversion Price Reset" equals to 92.30%, 93.23% or 95.12% of market price which is determined by using the lowest average Closing Prices of the Common Shares of the Company for 10, 15 and 20 Trading Days immediately preceding special reset day.

(3) ECB I that have been repurchased or converted into the Company's capital stocks from the issued date to December 31, 2007 and 2006, respectively, are as follows:

	2007		2006	
	Converted shares	Converted amount	Converted shares	Converted amount
1/1	45,602,571 Shares	USD112,456,000	3,722,620 shares	USD9,180,000
1/1~12/31	50,787,481 Shares	110,815,000	41,879,951 shares	103,276,000
Total	96,390,052 Shares	USD223,271,000	45,602,571 shares	USD112,456,000

(4) On November 7, 2006, the Company issued zero coupon rate domestic non-collateral convertible bonds with a total face value of $12,000,000 thousand. According to the R.O.C. SFAS No. 36 "Disclosure and Presentation of Financial Instruments", the Company separated the equity component from the liability component. The equity component is recognized as "Additional paid-in capital-stock option". The liability component recognized as "Financial liabilities at fair value through profit or loss-noncurrent," contains a derivative attribute and is measured at fair value totaling $91,147 thousand and $147,600 thousand for the years ended December 31, 2007 and 2006, respectively. The liability component recognized as "Bonds payable," simply contains bond attribute and is measured by amortized cost, totaling $11,078,430 thousand and $10,847,207 thousand on December 31, 2007 and 2006, respectively.

The main issuance terms of the domestic non-collateral convertible bonds are as follows:

A. Duration of issuance: from November 7, 2006, to November 7, 2011.

B. Conversion period: Each bondholder has the right to convert all or from time to time any portion of its convertible bonds into common shares during the conversion period (up to 31 days after the original issued date to 10 days before the maturity date).

C. Conversion price and adjustment: The conversion price is NT$105.4 per common share initially. The conversion price will be adjusted upon the occurrence of increasing shares of common stock. Also, the conversion price will be reset in accordance with certain conversion terms. The conversion price was subsequently diluted to NT$96.4 per common share.

D. Call option: The Company could redeem the convertible bonds at its par value at any time during the period from December 8, 2006 to September 28, 2011, under the following conditions: (i) the closing price of the common shares on each of 30 consecutive trading days is exceeding in (or above) 50% of the conversion price, or (ii) the outstanding balance is less than 10% of the original issuance.

E. Put option: Each bondholder has the right to put the convertible bonds at par value ahead of time while the convertible bonds have been issued for more than 3 or 4 years.

(5) The Company adopted the R.O.C. SFAS No. 34 "Accounting for Financial Instruments" and No. 36 "Disclosure and Presentation of Financial Instruments" to account for its convertible bonds issued after January 1, 2006. Such an adoption resulted in an increase in interest expense due to amortization of discount on bonds payable amounted to $237,678 thousand and $35,653 thousand, and gain on financial liabilities evaluated amounted to $56,408 thousand and $14,321 thousand for the years ended December 31, 2007 and 2006, respectively.

(6) Domestic non-collateral convertible bonds that have been repurchased or converted into the Company's capital stock from the issuance date to December 31, 2007 and 2006 are as follows:

	2007		2006	
	Converted shares	Converted amount	Converted shares	Converted amount
1/1	- shares	-	- shares	-
1/1~12/31	72,614 shares	7,000	- shares	-
Total	72,614 shares	7,000	- shares	-

12. PENSION PLAN

(1) Because of the spin-off, except for very few foreign employees, the Company has closed out all the seniority of employees as of December 31, 2007.

(2) Based on the actuarial report which measures the pension assets and liabilities on December 31, 2007 and 2006, the reconciliation between the funding status of pension plan and accrued pension liability as of December 31, 2007 and 2006 are as follows:

	12/31/2007	12/31/2006
Benefit Obligations:		
Vested Benefit Obligation	$(1,407,286)	$(493)
Non-vested Benefits Obligation	-	(357,242)
Accumulated Benefit Obligation	(1,407,286)	(357,735)
Effect of Projected Future Salary Increase	-	(152,380)
Projected Benefit Obligation	(1,407,286)	(510,115)
Fair Value of Plan Assets	492,464	424,528
Status of Pension Plan	(914,822)	(85,587)
Unamortized Actuarial Loss / (Benefit)	-	18,611
Accrued Pension Liability		
-Defined Benefit Pension Plan	(914,822)	(66,976)
-Defined Contribution Pension Plan	(30,246)	(27,297)
Accrued Pension Liability	$(945,068)	$(94,273)

(3) The Company has adopted Statement of Financial Accounting Standards No. 18 "Accounting for Pensions".

The net pension costs for 2006 are as follows:

	2006
Service cost	$14,044
Interest cost	13,244
Actual return on plan assets	(12,465)
Net amortization and deferral	(5,391)
Net pension cost	$9,432

(4) As of December 31, 2007 and 2006, vested benefits of the Company's pension plan were $1,407,286 thousand and $493 thousand, respectively.

(5) The main assumptions for determining the actuarial present value are as follows:

	12/31/2007	12/31/2006
Discount rate	-	2.75%
Rate of increase in future compensation level	-	2.00%
Expected long-term rate of return on plan assets	-	2.75%

(6) The balances of the retirement pension account amounted to $492,464 thousand and $424,528 thousand on December 31, 2007 and 2006, respectively.

13. CAPITAL STOCK

(1) On April 10, 1997, the Company's stockholders resolved to increase capital $1,820,000 thousand by transferring from retained earnings. The meeting also resolved to increase capital for cash for $210,000 thousand, or 21,000 thousand shares at $10 per share, to facilitate the issuance of 21,000 thousand units of Global Depositary Receipts (GDRs). The above increase in capital has been approved by the Ministry of Economic Affairs. The GDRs were offered on May 30, 1997. Commencing three months after completion of the offering, a holder of the GDRs may withdraw and hold the shares represented by such GDRs or request depositary to sell or cause to be sold on behalf of such holder of the shares represented by such GDRs.

(2) On January 1, 2006, the Company's authorized capital amounted to $33,800,000 thousand and the outstanding capital amounted to $29,245,209 thousand, divided into 2,924,520,855 shares at $10 par value.

(3) The board of the Company resolved, on October 5, 2005, to acquire shares of Askey Computer Corp. by issuing new shares of the Company. On February 20, 2006, the board of directors of the Company decided to issue additional shares to acquire the newly issued shares of Askey Computer Corp. from the conversion of its convertible bonds (the share swap date was on March 1, 2006 with a swap ratio of seven shares of Askey Computer Corp. for one share of the Company's). Because of the above transaction, the total shares for the share swap has been increased to 73,662,961 shares (the Company's capital increased $736,629 thousand).

(4) During 2006, the holders of ECB I converted the bonds to 41,879,951 common shares and increased the issued and outstanding capital for $418,800 thousand.

(5) On June 13, 2006, the stockholders resolved to increase capital for 367,006,377 shares by transferring from retained earnings for $3,670,064 thousand. The record date of the above increase in capital has been set on August 27, 2006.

(6) On June 13, 2007, the stockholders resolved to increase capital for 240,604,146 shares by transferring from retained earnings for $2,406,041 thousand. The record date of the above increase in capital has been set on August 22, 2007.

(7) The Company's board resolved, on July 24, 2007, to acquire shares of Ability Enterprise Co., Ltd. by issuing new shares of the Company to Ability Investment Co., Ltd. The share swap date was on September 13, 2007 with a swap ratio of 1.71 shares of Ability Enterprise Co., Ltd. for one share of the Company's. Because of the above transaction, the shares of the Company for the share swap increased for 29,824,561 shares. In addition, the Company's capital and premium on capital stock increased by $298,245 thousand and $2,400,281 thousand, respectively.

(8) In 2007, the holders of ECB I and domestic convertible bond converted the bonds to 50,787,481 and 72,614 common shares, and increased the issued and outstanding capital for $507,875 and $726 thousand, respectively.

(9) As of December 31, 2007, the authorized capital of the Company was $42,500,000 thousand, of which $37,283,589 thousand were issued and outstanding, divided into 3,728,358,946 shares at $10 par value.

14. ADDITIONAL PAID-IN CAPITAL

(1) Additional paid-in capital consist of the following:

	12/31/2007	12/31/2006
Premium on capital stock	$20,213,812	$17,813,532
Premium on conversion of bonds	6,112,241	3,110,728
Treasury stock transactions	617	617
Stock option for issuance of convertible bonds	1,020,109	1,020,705
Effect of changes of the investee companies' equity	2,053,583	805,876
Total	$29,400,362	$22,751,458

(2) The R.O.C. Company Law states that additional paid-in capital, other than premium on capital stock and donated capital, shall not be used to increase capital, nor can cash dividends be declared from such additional paid-in capital.

15. LEGAL RESERVE

The R.O.C. Company Law stipulates that, after paying all taxes, companies must retain at least 10% of their annual earnings, as defined in the Law, until such retention equals the amount of capital stock. This retention shall be made up prior years' losses. Once the legal reserve equals one-half of capital stock, 50% of the reserve may be transferred to common stock.

16. DISTRIBUTION OF EARNINGS

As provided by the Company's Articles of Incorporation, annual net income after making up prior years' losses, if any, should be distributed as follows: (1) To appropriate 10% as legal reserve, with its remainder, (2) To appropriate 10% of capital stock as interest, with its remainder, (3) To appropriate 10% as employees' bonus, and (4) To appropriate 1% as directors' and supervisors' bonus. (5) After the distribution of earnings, the remained earnings, if any, may be appropriated according to a resolution adopted in a stockholders' meeting. (6) The cash dividends should be no less than 10% of the total amount of capital interest, cash dividends and stock dividends.

The distribution of annual net income of 2006: (in thousand dollars/thousand shares)

	Distribution of 2006 annual net income			
Items	Resolved by the stockholders' meeting on June 13, 2007	Resolved by the Board of Directors on April 24, 2007	Deviation	Reasons for the deviation
Directors and supervisors' bonus	$138,871	$138,871	-	-
Employee bonus-cash	688,712	688,712	-	-
Employee bonus-stock				
Amounts	700,000	700,000	-	-
Shares ($10 per share)	70,000	70,000	-	-
Percentage to total shares issued and outstanding	2.05%	2.05%	-	-
Stockholders' bonus				
Cash dividends	5,118,124	5,118,124	-	-
Stock dividends				
Amounts	1,706,041	1,706,041	-	-
Shares ($10 per share)	170,604	170,604	-	-
Percentage to total shares issued and outstanding	5.01%	5.01%	-	-
EPS (in NT dollars) after diluted by employees, directors and supervisors' bonuses (Note)	$5.20	$5.20	-	-

Note: Formula for the calculation of the pro forma EPS is as follows:

$$\frac{\text{Net income of 2006 - Employee cash bonus - Employee stock bonus - Directors and supervisors' bonus}}{\text{Average weighted number of shares of 2006}}$$

The distribution of annual net income of 2005: (in thousand dollars/thousand shares)

Items	Distribution of 2005 annual net income: Resolved by the stockholders' meeting on June 13, 2006	Distribution of 2005 annual net income: Resolved by the Board of Directors on May 3, 2006	Deviation	Reasons for the deviation
Directors and supervisors' bonus	$125,074	$125,074	-	-
Employee bonus-cash	$620,740	$620,740	-	-
Employee bonus-stock				
Amounts	$630,000	$630,000	-	-
Shares ($10 per share)	63,000	63,000	-	-
Percentage to total shares issued and outstanding	2.15%	2.15%	-	-
Stockholders' bonus				
Cash dividends	$3,040,064	$3,040,064	-	-
Stock dividends				
Amounts	$3,040,064	$3,040,064	-	-
Shares ($10 per share)	304,006	304,006	-	-
Percentage to total shares issued and outstanding	10.40%	10.40%	-	-
EPS (in NT dollars) after diluted by employees, directors and supervisors' bonuses (Note)	$5.55	$5.55	-	-

Note: Formula for the calculation of the pro forma EPS is as follows: (the pooling of interest method is not considered)

$$\frac{\text{Net income of 2005 - Employee cash bonus - Employee stock bonus - Directors and supervisors' bonus}}{\text{Average weighted number of shares of 2005}}$$

As required by the government, if the Company's stockholders' equity has any debit balances such as unrealized loss for long-term equity investments and translation adjustments, an equal amount of such shall be appropriated as a special reserve before any distribution of earnings. The appropriation shall comply with the following rules:

(1) For debit balances incurred during the year, the amount of the special reserve shall not exceed the summation of current income after tax and accumulated earnings.

(2) For debit balances incurred in prior years, the amount of the special reserve set aside shall not exceed the accumulated earnings minus the appropriated special reserve as per (1) above.

If there is any reversal of the debit balances subsequently, the amount of the reversal shall be eligible for earnings distributions.

17. SALES REVENUES

	2007	2006
Computer system	$207,524,826	$181,355,644
Computer, Consumer and Communication	370,747,563	192,991,818
Others	11,633,443	11,691,722
Total	$589,905,832	$386,039,184

18. OPERATING COST/EXPENSES

The costs and expenses of personnel, depreciation and amortization for 2007 and 2006 were as follows:

	2007			2006		
Nature	Cost	Expense	Total	Cost	Expense	Total
Personnel:						
Salary	1,128,689	3,872,172	5,000,861	1,881,228	3,285,089	5,166,317
Labor and health insurance	76,653	267,144	343,797	121,341	231,463	352,804
Pension	343,212	749,067	1,092,279	49,504	144,823	194,327
Other personnel	93,815	206,790	300,605	109,298	137,189	246,487
Depreciation	225,283	397,964	623,247	331,177	326,896	658,073
Amortization	20,038	683,889	703,927	18,886	498,189	517,075

19. INCOME TAX AND DEFFERED INCOME TAX

(1) Deferred income tax liabilities and assets as of December 31, 2007 and 2006 were as follows:

	12/31/2007	12/31/2006
Total deferred income tax liabilities	$(1,957,107)	$(1,687,527)
Total deferred income tax assets	$1,181,656	$626,795
Temporary differences of deferred income tax assets or (liabilities):		
Unrealized gross profit	$327,093	$205,617
Unrealized exchange (gain)	$(147,436)	$(152,034)
Allowance for doubtful accounts	$88,872	$35,047
Employee welfare	$16,925	$22,111
Unrealized loss on inventory valuation	$486,016	$313,935
Depreciation and amortization	$(34)	$(266)
Foreign investment income of equity method	$(1,809,637)	$(1,535,227)
Unrealized accrued expense	$261,712	$48,789
Deferred bond issuance costs	$1,038	$1,296

	12/31/2007	12/31/2006
(2) Deferred income tax assets-current	$1,170,650	$610,289
Valuation allowance for deferred income tax assets-current	-	-
Deferred income tax assets-current (net)	1,170,650	610,289
Deferred income tax liabilities-current	(147,470)	(152,269)
Total net deferred income tax assets/(liabilities)-current	$1,023,180	$458,020

	12/31/2007	12/31/2006
(3) Deferred income tax assets-noncurrent	$11,006	$16,506
Valuation allowance for deferred income tax assets-noncurrent	-	-
Deferred income tax assets-noncurrent (net)	11,006	16,506
Deferred income tax liabilities-noncurrent	(1,809,637)	(1,535,258)
Total net deferred income tax assets/(liabilities)-noncurrent	$(1,798,631)	$(1,518,752)

	2007	2006
(4) Current income tax expense	$6,052,947	$3,887,213
Deferred income tax (benefit)/expense	(285,281)	839,318
Income tax expense	$5,767,666	$4,726,531

(5) The reconciliation of income tax and income tax payable for 2007 and 2006 are as follows:

	2007	2006
Income before income tax	$33,390,946	$23,938,963
Taxation adjustments	(11,531,508)	(10,346,656)
Taxable income	21,859,438	13,592,307
Less: Tax exemption	(366,312)	(1,032,516)
Estimated taxable income	$21,493,126	$12,559,791

	12/31/2007	12/31/2006
Estimated income tax payable	$5,373,271	$3,139,938
Add/(Deduct):Additional 10% income tax levied on the undistributed earnings of 2006 and 2005	1,000,943	1,000,664
Deferred income tax (benefit)/expense	(285,281)	839,318
Investment tax credits and others	(321,267)	(253,389)
Estimated income tax	5,767,666	4,726,531
Add/(Deduct): Prepaid income tax	(1,617,092)	(1,142,731)
Deferred income tax benefit/(expense)	285,281	(839,318)
Income separately taxed	(1)	(5)
Others	1,359,618	814,303
Income tax payable	$5,795,472	$3,558,780

(6) Because of increasing the following investment in new equipment, the Company enjoyed several tax exemptions for its manufacturing and sales on "main board" out of the new equipment purchased from the proceeds of such capital increase. The exemption periods are as follows:

Description	Exemption Periods
Ninth increase in new equipment investment	01/31/05-01/30/10
Tenth increase in new equipment investment	07/31/06-07/30/11
Eleventh increase in new equipment investment	04/30/07-04/29/12

(7) The Company's income tax returns for the years prior to 2005 have been assessed by the Tax Bureau. The 2005 and all subsequent years' income tax returns are being examined by the Tax Bureau.

(8) The Tax Bureau assessed the Company's income tax returns from 1996 to 2003, and the total assessed amount exceeded the total amount filed for $2,927,620 thousand. Conservatively, the Company has accrued the difference of the assessed amount but disagreed with the assessment and has petitioned for re-assessment.

(9) Information for integrated income tax system:

	12/31/2007	12/31/2006
Imputation income tax credit account balance	$6,329,495	$3,494,465

	2007 (Expected)	2006 (Actual)
Creditable ratio for earnings distribution to the R.O.C. resident shareholders	13.56%	9.98%

(10) Information for unappropriated retained earnings:

	12/31/2007	12/31/2006
1997 and prior	$3,298,939	$3,298,939
1998 and beyond	74,828,961	56,864,992
Total	$78,127,900	$60,163,931

20. EARNINGS PER SHARE

Weighted average number of shares (in thousand shares):

	2007	2006
Outstanding share, beginning of the year	3,407,070	2,924,521
Add: Adjustment of acquisition of Askey Computer Corp. by pooling of interests method	-	73,516
Stock dividends-2006	-	366,449
Stock dividends-2007	239,914	238,665
Weighted average number of shares-Convertible bonds	17,137	37,412
Shares issued in exchange of a long-term investment	8,907	-
Weighted average number of shares-Primary earnings per share	3,673,028	3,640,563
Fully diluted shares on euro convertible bonds	79,203	100,725
Fully diluted shares on domestic convertible bonds	124,472	18,416
Weighted average number of shares-Fully diluted earnings per share	3,876,703	3,759,704

	2007	2006
Income before income tax	$33,390,946	$23,938,963
Income tax expense	(5,767,666)	(4,726,531)
Effect of changes in accounting principles	-	8,903
Net income	$27,623,280	$19,221,335
Primary earnings per share: (NT dollars)		
Income before income tax	$9.09	$6.58
Income tax expense	(1.57)	(1.30)
Effect of changes in accounting principles	-	0.00
Net income	$7.52	$5.28

	2007	2006
If convertible bonds were converted into the Company's capital stocks:		
Income before income tax	$33,510,215	$23,776,712
Income tax expense	(5,752,166)	(4,680,635)
Effect of changes in accounting principles	-	8,903
Net income	$27,758,049	$19,104,980
Fully diluted earnings per share: (NT dollars)		
Income before income tax	$8.64	$6.33
Income tax expense	(1.48)	(1.25)
Effect of changes in accounting principles	-	0.00
Net income	$7.16	$5.08

V. RELATED PARTY TRANSACTIONS

1. Names and relationships of related parties

Related Parties	Relationships
ASUS Computer International	Investee evaluated under equity method
ASUSTEK Holdings Limited	Investee evaluated under equity method
ASUS Holland B.V.	Investee evaluated under equity method
Pegatron Corporation	Investee evaluated under equity method
Unihan Corporation	Investee evaluated under equity method
ASUSTEK Investment Co., Ltd.	Investee evaluated under equity method
ASUS Investment Co., Ltd.	Investee evaluated under equity method
ASUSPOWER Investment Co., Ltd.	Investee evaluated under equity method
Enertronix, Inc.	Investee evaluated under equity method
Askey Computer Corporation	Investee evaluated under equity method
ASUSALPHA Computer Inc.	Investee evaluated under equity method
Advansus Corporation	Investee evaluated under equity method
Shinewave International Inc.	Investee evaluated under equity method
AMA Precision Inc.	Investee evaluated under equity method
ASMedia Technology Inc.	Investee evaluated under equity method (before November 2007, the subsidiary was the investee evaluated under equity method by another subsidiary)
ASUS Technology Inc.	Investee evaluated under equity method (before November 2007, the subsidiary was the investee evaluated under equity method by another subsidiary)
AzureWave Technologies, Inc.	Investee evaluated under equity method by a subsidiary (before August 2006, the subsidiary was the investee evaluated under equity method)

Related Parties	Relationships
International United Technology Co., Ltd.	Investee evaluated under equity method by a subsidiary
Kinsus Interconnect Technology Corp.	Investee evaluated under equity method by a subsidiary
Starlink Electronics Corporation	Investee evaluated under equity method by a subsidiary
ASFLY Travel Service Limited	Investee evaluated under equity method by a subsidiary
AsRock Inc.	Investee evaluated under equity method by a subsidiary
Asusdesign Limited	Investee evaluated under equity method by a subsidiary
Unimax Electronics Inc.	Investee evaluated under equity method by a subsidiary
Asmobile Communication Inc.	Investee evaluated under equity method by a subsidiary
Askey Technology (Jiangsu) Ltd.	Investee evaluated under equity method by a subsidiary
Hong Hua Technology (Suzhou) Co., Ltd.	Investee evaluated under equity method by a subsidiary
Protek (Shanghai) Limited	Investee evaluated under equity method by a subsidiary
ASUS United Technology (Shanghai) Co., Ltd.	Investee evaluated under equity method by a subsidiary
ASUS Computer (Shanghai) Co., Ltd.	Investee evaluated under equity method by a subsidiary
North Tec Asia (Shanghai) Limited	Investee evaluated under equity method by a subsidiary
Powtek (Shanghai) Co., Ltd.	Investee evaluated under equity method by a subsidiary
AMA Technology Corporation	Investee evaluated under equity method by a subsidiary
ASIAROCK Technology Limited	Investee evaluated under equity method by a subsidiary
Aslink Precision Co., Ltd. (Cayman)	Investee evaluated under equity method by a subsidiary
Aslink Precision Co., Ltd. (H.K.)	Investee evaluated under equity method by a subsidiary
ASUS Computer GmbH	Investee evaluated under equity method by a subsidiary
ASUS Czech s.r.o.	Investee evaluated under equity method by a subsidiary
ASUS France SARL	Investee evaluated under equity method by a subsidiary
ASUS Iberica S.L.	Investee evaluated under equity method by a subsidiary
ASUS Japan Inc.	Investee evaluated under equity method by a subsidiary
ASUS Mexico, S.A. de C.V.	Investee evaluated under equity method by a subsidiary
ASUS Technology Italy S.R.L.	Investee evaluated under equity method by a subsidiary
ASUS Technology Pte. Limited	Investee evaluated under equity method by a subsidiary
ASUS Technology Service Inc.	Investee evaluated under equity method by a subsidiary
ASUS UK Limited	Investee evaluated under equity method by a subsidiary
Asuspower Corporation	Investee evaluated under equity method by a subsidiary
Deep Delight Limited	Investee evaluated under equity method by a subsidiary
Digitek Global Holdings Limited	Investee evaluated under equity method by a subsidiary
Double Tech Ltd.	Investee evaluated under equity method by a subsidiary
International United Technology Co., Ltd. (Samoa)	Investee evaluated under equity method by a subsidiary

Related Parties	Relationships
NxNet Systems, Inc.	Investee evaluated under equity method by a subsidiary
Openbase Limited	Investee evaluated under equity method by a subsidiary
Strategy Technology Co., Ltd.	Investee evaluated under equity method by a subsidiary
Wilson Holdings Limited	Investee evaluated under equity method by a subsidiary
Attansic Technology Corp.	Investee evaluated under equity method by a subsidiary (before December 18, 2006)
ATTANSIC Technology Corp. (Samoa)	Investee evaluated under equity method by a subsidiary (before December 18, 2006)
Mr. Jerry Shen	One of the Company's directors
Mr. Henry Yeh	One of the Company‘s senior managers
Mr. Eric Chang	One of the Company‘s senior managers
Mr. Tony Chen	One of the Company‘s senior managers
Mr. Johnson Teng	One of the Company‘s senior managers
Mr. Wilson Wei	One of the Company‘s senior managers

2. Significant related party transactions:

(1) Purchases

Related parties	2007	2006
Protek (Shanghai) Limited	$15,378,062	$13,802,009
AMA Precision Inc.	1,291,693	484,887
Aslink Precision Co., Ltd. (H.K.)	864,737	186,424
Askey Computer Corporation	303,911	1,339,906
AzureWave Technologies, Inc.	300,807	165,460
Strategy Technology Co., Ltd.	298,639	166,670
ASMedia Technology Inc.	212,721	108,529
ASUS Czech s.r.o.	204,323	98,147
Enertronix, Inc.	121,714	653
Hong Hua Technology (Suzhou) Co., Ltd.	113,316	-
ASUSALPHA Computer Inc.	107,122	171,650
ASIAROCK Technology Limited	70,528	441,278
Openbase Limited	10,766	1,731,887
Asuspower Corporation	8,421	657,369
ATTANSIC Technology Corp. (Samoa)	-	144,546
Others	53,909	222,922
Total	$19,340,669	$19,722,337

The terms of the above transactions are not different from those of third-parties. The terms of the transactions with third-parties are O/A 90 days or Open Account 30-90 days in 2007 and 2006, respectively.

(2) Sales revenues

Related parties	2007	2006
ASUS Technology Pte. Limited	$169,342,250	$120,373,814
ASUS Technology Inc.	19,104,071	19,363,161
Powtek (Shanghai) Co., Ltd.	2,487,819	1,753,032
ASUS Czech s.r.o.	1,476,165	845,643
ASIAROCK Technology Limited	637,778	2,123,045
ASUSALPHA Computer Inc.	625,870	1,156,305
Double Tech Ltd.	232,707	1,720,029
Asmobile Communication Inc.	26,483	838,357
Advansus Corporation	19,126	125,832
Others	119,437	56,889
Total	$194,071,706	$148,356,107

The terms of the above transactions are not different from those of third-parties. The terms of the transactions with third-parties are L/C at sight, T/T, or within 7-120 days of Goods Acceptance in 2007 and 2006, respectively. In addition, the terms of transactions derived from the sales between wholly-owned subsidiaries could be rescheduled and reclassified to “long-term receivables” if sales transactions with these subsidiaries continue.

(3) Receivables from affiliated companies

Related parties	12/31/2007	12/31/2006
ASUS Technology Pte. Limited	$28,546,834	$15,143,847
Protek (Shanghai) Limited	9,788,930	-
ASUS Technology Inc.	4,725,130	3,152,258
ASUS Czech s.r.o.	1,585,553	579,543
Double Tech Ltd.	861,491	1,720,883
Powtek (Shanghai) Co., Ltd.	615,433	261,379
ASUSALPHA Computer Inc.	256,102	382,562
Others	52,233	142,844
Total	$46,431,706	$21,383,316

(4) Other receivables-affiliated companies

Related parties	12/31/2007	12/31/2006
ASUS Czech s.r.o.	$70,704	$-
Protek (Shanghai) Limited	62,931	-
Asuspower Corporation	-	4,814
Others	26,714	15,648
Total	$160,349	$20,462

(5) Other receivables-affiliated companies (loan to affiliated companies)

	2006			
Related party	Maximum Amount	Ending Balance	Interest Rate	Interest Revenue
ASUS Czech s.r.o.	$2,086,080	$-	4.37%	$43,802

(6) Notes payable and accounts payable-affiliated companies

Related parties	12/31/2007	12/31/2006
AMA Precision Inc.	$231,438	$81,396
Aslink Precision Co., Ltd. (H.K.)	206,275	43,362
Openbase Limited	60,754	934,803
Asuspower Corporation	14,134	5,010,189
Askey Computer Corporation	11,013	523,473
Protek (Shanghai) Limited	-	2,162,891
Others	314,055	251,003
Total	$837,669	$9,007,117

(7) Accrued expenses

Related parties	12/31/2007	12/31/2006
Asuspower Corporation	$22,932,086	$15,980,783
ASUS Mexico, S.A. de C.V.	112,429	301,693
Others	270,244	69,723
Total	$23,314,759	$16,352,199

(8) Gain/(loss) on disposal of property and equipment

	2007		
Related parties	Sale	Book value	Disposal gain/(loss)
Asuspower Corporation	$18,500	$16,913	$1,587
Advansus Corporation	13,000	11,045	1,955
Others	5,864	3,012	2,852
Total	$37,364	$30,970	$6,394

	2006		
Related parties	Sale	Book value	Disposal gain/(loss)
Asuspower Corporation	$39,477	$34,934	$4,543
Advansus Corporation	20,944	18,571	2,373
Others	3,159	910	2,249
Total	$63,580	$54,415	$9,165

(9) ASUSTEK Holdings Limited transferred its ownership interest in Pegatron Holding Ltd. and Unihan Holding Ltd., for 561,666,472 shares and 111,171,997 shares, respectively, to the Company on September 29, 2007. In consideration for the ownership interest of Pegatron Holding Ltd. and Unihan Holding Ltd., the Company returned a portion of its holding of ASUSTEK Holdings Limited, for 532,239,081 shares, amounted to USD672,838,469, to ASUSTEK Holdings Limited.

(10) The Company purchased the ownership interest of AXUS Microsystems Inc., Shinewave International Inc., ASUS Technology Inc. and ASMedia Technology Inc., for 1,772,996 shares, 9,652,500 shares, 19,000,000 shares and 24,487,850 shares, respectively, amounted to $24,444 thousand, $48,745 thousand, $204,244 thousand and $161,233 thousand, respectively, from ASUSPOWER Investment Co., Ltd., ASUS Investment Co., Ltd. and ASUSTEK Investment Co., Ltd.

(11) Manufacturing processing charge

Related parties	2007	2006
Asuspower Corporation	$19,810,646	$13,535,166
ASUS Mexico, S.A. de C.V.	977,726	678,067
Digitek Global Holdings Limited	65,759	-
Total	$20,854,131	$14,213,233

(12) Repair and maintenance expenses

Related parties	2007	2006
ASUS Technology Service Inc.	$365,903	$318,975
Others	100,619	74,439
Total	$466,522	$393,414

(13) Royalty expenses

Related parties	2007	2006
ASMedia Technology Inc.	$75,653	$8,440
Asmobile Communication Inc.	10,422	15,881
Others	569	321
Total	$86,644	$24,642

(14) Service charges

Related parties	2007	2006
ASUS United Technology (Shanghai) Co., Ltd.	$140,252	$-
ASUS Japan Inc.	20,021	11,848
Others	6,713	267
Total	$166,986	$12,115

(15) Other income

Related parties	2007	2006
ASUSALPHA Computer Inc.	$105,453	$140,239
ASUS Technology Pte. Limited	70,073	27,121
Advansus Corporation	37,020	47,742
Others	21,784	22,688
Total	$234,330	$237,790

(16) The Company incurred other related party transactions and included under other expenses such as rental expense, inspection expense, sundry purchase and miscellaneous expense, during 2007 and 2006, amounted to $68,091 thousand and $52,953 thousand, respectively.

The Company incurred other related party transactions and included under non-operating incomes/(expenses) and gains/(losses) such as rental revenue, interest income and other expenses during 2007 and 2006, amounted to $20,265 thousand and $58,228 thousand, respectively.

(17) As of December 31, 2007, the amount of related party transactions recorded as other assets and liabilities such as prepayments, refundable deposits, other payables, receipts in advance and deposits received amounted to $6,465 thousand, $990 thousand, $77,328 thousand, $86,100 thousand and $1,075 thousand, respectively.

As of December 31, 2006, the amount of related party transactions recorded as other assets and liabilities such as temporary payments, prepayments, refundable deposits, receipts in advance, temporary receipts and deposits received amounted to $100 thousand, $4,601 thousand, $1,140 thousand, $99,197 thousand, $175 thousand and $1,075 thousand, respectively.

(18) The Company provided guarantee to its related parties during 2007 and 2006. The outstanding guarantee amounts as of December 31, 2007 and 2006 were as follows:

Related parties	12/31/2007	12/31/2006
ASUSPOWER Investment Co., Ltd.; ASUS Investment Co., Ltd.; ASUSTEK Investment Co., Ltd.	$6,000,000	$-
Pegatron Corporation; Unihan Corporation	3,000,000	-
Asuspower Corporation	972,900	4,400,325
AzureWave Technologies, Inc.	194,580	-
Protek (Shanghai) Limited	-	3,259,500
Total	$10,167,480	$7,659,825

VI. ASSETS PLEDGED OR MORTGAGED

As of December 31, 2007 and 2006, the following assets were pledged as collateral:

	12/31/2007	12/31/2006
Refundable deposits-pledged time deposits	$249,223	$255,275

VII COMMITMENTS AND CONTINGENT LIABILITIES

1. As of December 31, 2007, the Company had the following unused letters of credit (in dollars):

Names of the Banks	Currencies	Total Amounts
Mega International Commercial Bank	USD	$57,200

2. The Company's income tax returns assessed by the Tax Bureau from 1996 to 2003 exceeded the total amount filed for $2,927,620 thousand. The Company disagreed with the assessment and has petitioned for re-assessment.

3. The Company provided guarantee to its related parties during 2007. The outstanding guarantee amounts as of December 31, 2007 were as follows:

Name of the related parties	Relationship with the Company	Outstanding guarantee as of December 31, 2007
AzureWave Technologies, Inc.	Investee evaluated under equity method by a subsidiary	$194,580
Asuspower Corporation	Investee evaluated under equity method by a subsidiary	972,900
Protek (Shanghai) Limited	Investee evaluated under equity method by a subsidiary	-
ASUSPOWER Investment Co., Ltd.; ASUS Investment Co., Ltd.; ASUSTEK Investment Co., Ltd.	Investee evaluated under equity method	6,000,000
Pegatron Corporation; Unihan Corporation	Investee evaluated under equity method	3,000,000

4. A certain overseas company filed a suit against the Company alleging that the Company used certain specific materials from certain specific supplier. Taiwan Supreme Court has declared that the legal action would be effective if this certain overseas company provides NT$46,000 thousand as collateral. Nevertheless, the Company had ceased to use the certain specific materials; therefore, the decision will not damage the Company. In addition, this certain overseas company filed a suit against the Company, in Taipei District Court, for NT$10,000 thousand as compensation for damage, and also filed a suit against the Company, in the USA, for compensation of damage. The suits are currently under investigation in Taipei District Court and a US Court.

5. In Aug., 2006, an American company filed a suit against the Company alleging that the Company was engaged in patent infringement. The suit is currently under investigation in East Texas Court in the US.

6. In Jan., 2007, an Australian organization filed a suit against the Company's USA subsidiary alleging that the Company's USA subsidiary was engaged in patent infringement. The suit is currently under investigation in East Texas Court in the US.

7. In Jan., 2007, a Japanese company filed a suit against the Company and USA subsidiary for infringement of intellectual property rights. In May and Sep., 2007, another plaintiff, an American company, also filed a suit against the Company and USA subsidiary for patent infringement and violation of trade secrets. These suits are currently under investigation in Utah Court in the US.

8. In Sep., 2007, an American company filed a suit against the Company's USA subsidiary alleging that the Company's USA subsidiary was engaged in patent infringement. The suit is currently under investigation in East Texas Court in the US.

9. In Dec., 2007, an American company filed a suit against the Company alleging that the Company was engaged in patent infringement. The suit is currently under investigation in United States International Trade Commission.

VIII SIGNIFICANT DISASTER LOSS

None.

IX. SUBSEQUENT EVENTS

1. On January 4, 2008, the board of the Company resolved on the investment in Avy Precision Electroplating (Suzhou) Co., Ltd. indirectly through its subsidiary, ASUSTEK Holdings Limited, but the resolution has not yet been approved by Investment Commission, MOEA.

2. On January 4, 2008, the board of the Company resolved on the investment in AzureWave Technologies (Shanghai) Inc. indirectly through its subsidiary, ASUS International Limited, but the resolution has not yet been approved by Investment Commission, MOEA.

3. In order to enhance competitiveness and boost productivity, the Company's shareholders resolved, on October 30, 2007, to restructure the Company's business into own-brand and OEM. The date for the spin-off is set to commence on January 1, 2008. According to the resolution, the Company transfers its computer OEM business, with estimated value of $70,000,000 thousand to its newly established subsidiary, Pegatron Corporation, by subscribing 1,600,000,000 newly issued shares at $43.75 dollars per share of Pegatron Corporation. In addition, the Company transfers its non-computer related OEM business and machine hull and molding tool R&D business with estimated value of $12,000,000 thousand to its newly established subsidiary, Unihan Corporation, by subscribing 800,000,000 newly issued shares at $15 dollars per share of Unihan Corporation. The plan has been approved by the relevant authorities. The registration of changes was completed in January 2008. The following is a list of assets and liabilities for the spin-off:

	Pegatron Corporation	Unihan Corporation	Total
Assets			
Current assets	$21,999,830	$12,555,287	$34,555,117
Long-term investments	66,867,161	7,060,209	73,927,370
Property, plant and equipment	4,761,981	127,143	4,889,124
Other assets	353,066	126,822	479,888
Total	93,982,038	19,869,461	113,851,499
Liabilities			
Current liabilities	(23,982,038)	(7,869,461)	(31,851,499)
Total	(23,982,038)	(7,869,461)	(31,851,499)
Net Assets	$70,000,000	$12,000,000	$82,000,000

X. OTHER SIGNIFICANT MATTERS

1. RISKS MANAGEMENT OBJECTIVE AND POLICIES

The Company's principal financial instruments, other than derivatives, comprise of cash and cash equivalents, financial assets at fair value through profit or loss and available-for-sale financial asset-noncurrent. The main purpose of these financial instruments is to manage financing for the Company's operations. The Company also holds various other financial assets and liabilities such as accounts receivable and accounts payable, which derived directly from its operations.

The main risks arising from the Company's financial instruments are foreign currency risk, commodity price risk, credit risk, and liquidity risk.

(1) Foreign currency risk

The Company exposes to foreign currency risks arising from purchases or sales. The Company adopts spot or forward contracts to avoid foreign currency risk. The Company has to buy or sell the same amount of foreign currency with hedging items for forward contracts. In principle, the Company does not carry out any forward hedge for commitments of uncertain nature. The Company enters into the forward currency contracts to hedge the exchange rate risk of foreign currency assets, liabilities and commitments. The Company’s strategy on risk is to avoid most price risks. The Company uses the derivatives that have highest negative trend toward the hedged items as the hedging device and evaluate such periodically.

(2) Commodity price risk

The Company's exposure to price risk is minimal.

(3) Credit risk

The Company trades only with established and creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis, which consequently minimizes the Company's exposure to bad debts.

With respect to credit risk arising from the other financial assets of the Company, which comprise of cash and cash equivalents, available-for-sale financial assets and certain derivative instruments, the Company's exposure to credit risk arising from the default of counter-parties is limited to the carrying amount of these instruments.

Although the Company trades only with established third parties, it will request collateral to be provided by third parties with less favorable financial positions.

(4) Liquidity risk

The Company's objective is to maintain a stable and flexible source of capital through the use of financial instruments such as cash and cash equivalents, bank loans and bonds.

2. FINANCIAL INSTRUMENTS

(1) Financial instruments consist of the following:

Financial instruments	December 31, 2007	
	Book value	Fair value
Non-derivative financial instruments		
Assets		
Cash and cash equivalents	$9,174,219	$9,174,219
Financial assets at fair value through profit or loss-current	7,257,169	7,257,169
Receivables-net	112,679,996	112,679,996
Available-for-sale financial assets-noncurrent	5,683,155	5,683,155
Financial assets evaluated by cost method-noncurrent	243,178	(Note)
Refundable deposits	254,340	254,340
Long-term accounts receivable	4,998	4,998
Liabilities		
Payables	119,548,677	119,548,677
Bonds payable	14,111,499	14,111,499
Deposits received	16,703	16,703
Derivative financial instruments		
Liabilities		
Financial liabilities at fair value through profit or loss	91,147	91,147

Financial instruments	December 31, 2006	
	Book value	Fair value
Non-derivative financial instruments		
Assets		
Cash and cash equivalents	$10,791,836	$10,791,836
Financial assets at fair value through profit or loss-current	4,218,719	4,218,719
Receivables-net	103,730,239	103,730,239
Available-for-sale financial assets-noncurrent	8,253,489	8,253,489
Financial assets evaluated by cost method-noncurrent	100,001	(Note)
Refundable deposits	267,351	267,351
Accounts receivable-overdue	24	24
Long-term accounts receivable	2,465	2,465

	December 31, 2006	
Financial instruments	Book value	Fair value
Liabilities		
Payables	143,819,040	143,837,651
Bonds payable	17,460,584	17,460,584
Deposits received	15,368	15,368
Derivative financial instruments		
Liabilities		
Financial liabilities at fair value through profit or loss	147,600	147,600

Note: Due to cost and the limitations of obtaining information, the estimation of the market value of the financial instruments is not feasible.

(2) The following methods and assumptions were used for estimating the fair value of financial instruments:

① The fair value of short-term financial instruments was estimated to approximate their book value because of the short maturity. This method is used to evaluate cash and cash equivalents, receivables and payables.

② The fair value of financial assets at fair value through profit or loss-current and available-for-sale financial assets-noncurrent was based on their quoted market price.

③ The fair value of accrued pension liabilities was based on the funding status of such pension plan (projected benefit obligation less fair value of plan assets).

④ The fair value of refundable deposits and deposits received was based on their book value due to such received date or return date is uncertain.

⑤ The fair value of financial liabilities at fair value through profit or loss was based on the value of call and put option. The fair value of bonds payable was discounted by its expected future cash flow and the current interest rate.

(3) Fair value of financial instruments based on the quoted market price and other valuation models are as follows:

	Evaluated by quoted market price		Estimated by other valuation models	
	12/31/2007	12/31/2006	12/31/2007	12/31/2006
Financial Assets				
Cash and cash equivalents	$9,174,219	$10,791,836	$-	$-
Financial assets at fair value through profit or loss-current	7,257,169	4,218,719	-	-
Receivables-net	-	-	112,679,996	103,730,239
Available-for-sale financial assets -noncurrent	5,683,155	8,253,489	-	-
Refundable deposits	-	-	254,340	267,351
Accounts receivable-overdue	-	-	-	24
Long-term accounts receivable	-	-	4,998	2,465
Financial Liabilities				
Payables	-	-	119,548,677	143,837,651
Bonds payable	-	-	14,111,499	17,460,584
Financial liabilities at fair value through profit or loss-noncurrent	-	-	91,147	147,600
Deposits received	-	-	16,703	15,368

3. DERIVATIVES FINANCIAL INSTRUMENT

(1) Information regarding embedded derivatives arise from non-collateral convertible bond issued by the Company is in Note IV.11 (4) and (5).

(2) The Company's subsidiaries engaged in the following derivative financial instruments:

① Ability Enterprise Co., Ltd.

	12/31/2007	
Derivative Financial Instruments	Notional (in thousand dollars)	Periods
Trading purpose:		
Forward exchange contract	USD1,472/ EUR1,000	12.2007~01.2008
Forward exchange contract	USD720	12.2007~01.2008

Presented as follows:

	12/31/2007	
	Book value	Fair value
Derivative Financial Instruments		
Liabilities		
Forward exchange contract (Financial liabilities at fair value through profit or loss-current)	$2	$2

② Askey Computer Corporation and its subsidiaries

	12/31/2007	
Derivative Financial Instruments	Notional (in thousand dollars)	Periods
Trading purpose:		
Forward exchange contract	USD10,573	11.26.2007~11.26.2008

Presented as follows:

	12/31/2007	
	Book value	Fair value
Derivative Financial Instruments		
Assets		
Forward exchange contract (Financial assets at fair value through profit or loss-current)	$6,553	$6,553

Askey Computer Corporation and its subsidiaries recognized net profit from fair value evaluation of forward currency contract for $6,349 thousand in 2007.

4. OTHERS

(1) The Company's significant agreement as of December 31, 2007 is as follows:

Names of Contracts	Parties	Contents
Marketing Agreement	Microsoft Corporation	Project planning

(2) Share swap:
The Company issued new shares to acquire 100% of shares of Askey Computer Corp. with a swap ratio of seven shares of Askey Computer Corp. for one share of the Company's on March 1, 2006 (the share swap date) and Askey Computer Corp. became a subsidiary company of the Company. The Company adopted regulation No. 080 issued by the R.O.C. Accounting Research and Development Foundation on March 13, 2006 to account for the share swap and adopted the "pooling of interests" method to account for its acquisition of Askey Computer Corporation.

(3) Certain reclassifications have been made to 2006 non-consolidated financial statements to conform with current year's presentation.

XI. SEGMENTAL INFORMATION

1. Industry information: the Company engaged mainly in the design, production and selling of main boards and is within a single industry.

2. Geographical information: the Company has no overseas branches.

3. Export information: the export amounts for 2007 and 2006 were as follows:

Geographical area	2007	2006
US & Canada	$105,139,237	$101,996,821
Asia Pacific	425,254,253	228,917,597
Europe	31,620,991	29,985,965
Africa	135,429	115,991
Total	$562,149,910	$361,016,374

4. Significant customer information: the sales revenues of significant customers that have exceeded 10% of the Company's sales revenues for 2007 and 2006 were as follows:

Name of customer	2007	2006
Company B	$224,768,479	$75,377,296
Company A	169,342,250	120,373,814
Company C	63,322,534	71,741,363
Total	$457,433,263	$267,492,473