

**ASUSTEK COMPUTER INC.  
AND SUBSIDIARIES  
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 consolidated balance sheets of ASUSTeK Computer Inc. and subsidiaries (the Company) as of December 31, 2007 and 2006, and the related 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. and subsidiaries, a consolidated subsidiary, which statements reflect total assets of \$12,160,631 thousand as of December 31, 2007, representing 3.15% of total consolidated assets, and total revenues of \$11,373,319 thousand, representing 1.51% of consolidated revenues for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Ability Enterprise Co., Ltd. and subsidiaries, is based solely on the report of the other auditors.

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 consolidated financial position of ASUSTeK Computer Inc. and subsidiaries as of December 31, 2007 and 2006, and the 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.

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.

English Translation of Consolidated Financial Statements Originally Issued in Chinese  
ASUSTEK COMPUTER INC. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
December 31, 2007 and 2006  
(In New Taiwan thousand dollars unless otherwise stated)

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. Overview of Consolidated Financial Statements

The Company has adopted the R.O.C. SFAS No. 7 “Accounting for Consolidated Financial Statements”. Both subsidiaries with more than 50% of voting rights held by the Company, directly and indirectly, and subsidiaries with less than 50% of voting rights held by the Company yet the Company has controlling power over which should be included in the consolidated entities.

Subsidiaries included in the consolidated financial statements consisted of the following:

Name of subsidiaries	Nature of business	Percentage of ownership (%)	
		12/31/2007	12/31/2006
Pegatron Corporation	Designing, manufacturing, maintaining and selling computer peripherals and audio-video product	100%	(Note 3)
Unihan Corporation	Designing, manufacturing, maintaining and selling computer peripherals and audio-video product	100%	(Note 3)

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Name of subsidiaries	Nature of business	Percentage of ownership (%)	
		12/31/2007	12/31/2006
ASUS Technology Inc.	Trading electronic appliances, communication appliances, data software, electronic material and office equipment	100%	100%
ASUSALPHA Computer Inc.	Manufacturing and selling computer peripherals and electronic information supply service	100%	100%
AXUS Microsystems Inc.	Designing, manufacturing, processing and selling storage products	85%	85%
ASMedia Technology Inc.	Designing products and data software, information processing and supply	82.13%	83.44%
Advansus Corporation	Manufacturing computer peripherals	50%	50%
		(Note 4)	(Note 4)
ASUSPOWER Computer Inc.	Developing and designing of computer parts	(Note 1)	100%
ASUS Computer International	Sales and service center in North America	100%	100%
ASUSCHANNEL Corporation	Investing and trading activities	100%	100%
ASUS Holland B.V.	Sales and service center in Europe	100%	100%
ASUSPOWER Investment Co., Ltd.	Investing activities	100%	100%
		(Note 7)	
ASUS Investment Co., Ltd.	Investing activities	100%	100%
		(Note 7)	
ASUSTEK Investment Co., Ltd.	Investing activities	100%	100%
		(Note 7)	
Starlink Electronics Corporation	Manufacturing electronic parts, wholesaling electronic components and plastic products	80.64%	80.64%
Strategy Technology Co., Ltd.	Investing and trading activities	80.64%	80.64%
Cotek Holdings Limited	Investing and trading activities	80.64%	80.64%
Cotek Electronics (Suzhou) Co., Ltd.	R&D, manufacturing and selling electronic components, Providing mold technology, and after-sales service	80.64%	80.64%
International United Technology Co., Ltd.	Database service, wired communication equipment, and ink-jet printing technology	56.33%	56.33%

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Name of subsidiaries	Nature of business	Percentage of ownership (%)	
		12/31/2007	12/31/2006
International United Technology Co., Ltd. (Samoa)	Trading activities	56.33%	56.33%
AsRock Inc.	Data storage and processing equipment, manufacturing wired and wireless communication equipment, computer equipment and electronic material wholesale	59.84%	68.61%
Asiarock Technology Limited	Database management service	59.84%	68.61%
Leader Insight Holdings Ltd.	Investing activities	59.84%	68.61%
ASRock Europe B.V.	Database service and trading electronic material	59.84%	68.61%
CalRock Holdings, LLC	Office building leasing	59.84%	68.61%
Firstplace International Ltd.	Investing in subsidiaries	59.84%	68.61%
ASRock America, Inc.	Database service and trading electronic material	59.84%	68.61%
Kinsus Interconnect Technology Corp.	Manufacturing and selling electronic parts, and providing business management consultant service	39.75%	40.44%
Kinsus Corp. (USA)	Developing and designing new technology and products; analyzing marketing strategy and developing new customers	39.75%	40.44%
Kinsus Holding (Samoa) Limited	Investing activities	39.75%	(Note 3)
Kinsus Holding (Cayman) Limited	Investing activities	39.75%	(Note 3)
Kinsus Interconnect Technology (Suzhou) Corp.	Sales and manufacturing circuit board and semiconductor material	39.75%	(Note 3)
ASUSPOWER Computer (HK) Ltd.	Trading activities	100%	100%
ASUS Technology Service Inc.	Sales and service center in North America	100%	100%
Asus Service Canada, Inc.	Maintenance service	100%	(Note 3)
ASUSPOWER Corporation	Investing and trading activities	100%	100%
ASUS Mexico, S.A. de C.V.	Sales and service center in Mexico	100%	100%
ASUS (UK) Limited	Sales and service center in UK	100%	100%
ASUS Japan Inc.	Sales and service center in Japan	97.55%	97.55%
Hua-Yuan Investment Limited	Investing activities	100%	(Note 3)
Asmobile Communication Inc.	Manufacturing, importing and selling telecommunication equipment	100%	100%

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Name of subsidiaries	Nature of business	Percentage of ownership (%)	
		12/31/2007	12/31/2006
Asfly Travel Service Limited	Travel agency	100%	100%
Shinewave International Inc.	Software R&D	51%	51%
eMES (Suzhou) Co., Ltd.	Computer security systems, messenger management systems, and automation systems R&D; providing related technology and after-sales service	51%	51%
Shinewave USA Inc.	Information processing service and consultant service	(Note 1)	51%
AMA Precision Inc.	Designing and developing computer parts	100%	100%
AMA Technology Corporation	Trading computer peripherals	100%	100%
AXIS Precision Inc.	Manufacturing and selling electronic parts	98%	(Note 3)
AMA Holdings Limited	Investing activities	100%	(Note 3)
Metal Tradings Ltd.	Trading activities	100%	(Note 3)
FengShuo Trading (TongZhou) Co., Ltd.	Trading activities	100%	(Note 3)
Extech Ltd.	Trading electronic parts	88.91%	(Note 3)
Grandtech Precision (TongZhou) Co., Ltd.	Manufacturing, developing and selling electronic parts	88.91%	(Note 3)
AMA Corporation	Investing activities	100%	100%
Toptek Precision Industry (Suzhou) Co., Ltd.	Manufacturing and selling new electronic parts and premium hardware	100%	100%
Enertronix, Inc.	Wireless and wired communication equipment wholesale	100%	100%
Enertronix International Limited	Investing and trading activities	100%	100%
ASUSTEK Holdings Limited	Investing activities	100%	100%
South Tec Asia Limited	Investing and trading activities	100%	100%
ASUS United Technology (Guang Zhou) Co., Ltd.	Selling main boards, servers, computer peripherals and software	100%	100%
East Tec Asia Limited	Investing and trading activities	100%	100%
ASUS United Technology (Shanghai) Co., Ltd.	Selling main boards, notebooks, server and computer peripherals	100%	100%
Central Tec Asia Limited	Investing and trading activities	100%	100%
ASUS Computer (Shanghai) Co., Ltd.	Repairing computers, electronic components and relevant products, after-sales service	100%	100%
Powtek Holdings Limited	Investing and trading activities	100%	100%

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Name of subsidiaries	Nature of business	Percentage of ownership (%)	
		12/31/2007	12/31/2006
Powtek (Shanghai) Co., Ltd.	Selling main boards, computer peripherals, notebooks, servers and software, and after-sales service	100%	100%
NxNet Systems Holdings Corporation	Investing and trading activities	85.97%	85.97%
NxNet Systems, Inc. (China)	Manufacturing and selling software, integrated circuits, and network technology	85.97%	85.97%
NxNet Systems, Inc.	Designing, selling, service and consultation computer and communication equipment	85.97%	85.97%
NxNet Systems, Inc. (Taiwan)	Manufacturing and selling wired and wireless communication equipment	85.97%	85.97%
Enertronix Holding Limited	Investing and trading activities	100%	100%
Shandong Enertronix Co., Ltd.	Manufacturing and selling electronic parts	100%	100%
Huizhou Enertronix Co., Ltd.	Manufacturing and selling electronic parts	100%	100%
Pegatron Holding Ltd.	Investing activities	100%	(Note 3)
Boardtek Holdings Limited	Investing and trading activities	100%	100%
Boardtek Computer (Suzhou) Co., Ltd.	Developing, manufacturing and selling electronic components, circuit boards and relevant products, and after-sales service	100%	100%
Magnificent Brightness Limited	Investing and trading activities	100%	100%
Strong Choice Group Limited	Investing and trading activities	100%	100%
West Tec Asia Limited	Investing and trading activities	100%	100%
Maintek Computer (Suzhou) Co., Ltd.	Manufacturing, developing and selling power supply units, computer cases, computer systems, notebooks, main boards, computer peripherals and maintenance service	100%	100%
System Computer (Suzhou) Co., Ltd.	Manufacturing, developing and selling computer cases and relevant products, and after-sales service	(Note 6)	100%
ASUSTECH (Suzhou) Co., Ltd.	Selling and repairing computer systems, notebooks, main boards, power supply and computer peripherals	(Note 6)	100%
ASUSPRO (Suzhou) Co., Ltd.	Trading computer peripherals, PDA's, and media players, commission agent, and after-sales service	100%	(Note 3)

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Name of subsidiaries	Nature of business	Percentage of ownership (%)	
		12/31/2007	12/31/2006
Protek Global Holdings Limited	Investing and trading activities	100%	100%
Protek (Shanghai) Limited	Manufacturing, developing and selling computers, printers and electronic components, and after-sales service	100%	100%
North Tec Asia Limited	Investing and trading activities	100%	100%
North Tec Asia (Shanghai) Limited	Manufacturing, developing and selling mobile phones, computers, routers, DTV and electronic components, and after-sales service	100%	100%
Aslink Precision Co., Ltd. (Cayman)	Investing and trading activities	100%	79.80%
Aslink Precision Co., Ltd. (H.K.)	Investing and trading activities	100%	79.80%
Linktek Precision (Suzhou) Co., Ltd.	Manufacturing and selling earphone parts	100%	79.80%
Digitek Global Holdings Limited	Investing and trading activities	100%	(Note 3)
Unihan Holding Ltd.	Investing activities	100%	(Note 3)
Casetek Holdings Limited	Investing and trading activities	100%	100%
Casetek Computer (Suzhou) Co., Ltd.	Manufacturing, developing and selling computers, computer parts, and application systems, and after-sales service	100%	100%
Slitek Holdings Limited	Investing and trading activities	100%	(Note 3)
Askey Computer Corp.	Designing, manufacturing and selling modems, peripheral equipment, transportable equipment and related spare parts	100%	100%
Askey International Corp.	Merchandise trading	100%	100%
Dynalink International Corp.	Investment in overseas companies	100%	100%
Magic International Co., Ltd.	Investment in overseas companies	100%	100%
Wei Chun Investment Corp.	Investing activities	100%	100%
Wei Shen Investment Corp.	Investing activities	(Note 1)	100%
Askey (Vietnam) Company Limited	Manufacturing and exporting modem microprocessor sets	100%	100%
Double Tech Ltd.	Merchandise trading	100%	100%
Big Profit Limited	Merchandise trading	100%	100%
Famous Star Investments Limited	Investment in overseas companies	100%	100%
Askey Technology (Jiangsu) Ltd.	Merchandise trading	100%	100%
Ason Technology (Suzhou) Ltd.	Manufacturing and selling communication products	100%	(Note 3)

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		12/31/2007	12/31/2006
Magicom International Corp.	Investment in overseas companies	100%	100%
Askey Technology (Shanghai) Ltd.	Developing and selling communication products	100%	100%
Leading Profit Co., Ltd.	Merchandise trading	100%	100%
Uni Leader International Ltd.	Merchandise trading	100%	100%
Openbase Limited	Merchandise trading	100%	100%
Goodsmart International Ltd.	Merchandise trading	100%	100%
Ashine Technology (Suzhou) Ltd.	Manufacturing and selling communication products	100%	(Note 3)
Wujiang Will Star Investments Limited	Developing, constructing and selling real estate	100%	(Note 3)
ASUS International Limited	Investing activities	100%	100%
Deep Delight Limited	Investing and trading activities	100%	100%
Mobostar Technology Limited	Investing and trading activities	100%	100%
Channel Pilot Limited	Investing and trading activities	100%	100%
ASUS Technology Pte. Limited	Trading of IT products	100%	100%
ASUS Computer GmbH	Sales and service center in Germany	100%	100%
ASUS Computer Benelux B.V.	Sales and service center in Netherlands	100%	100%
ASUS France SARL	Sales and service center in France	100%	100%
ASUSTEK (UK) Limited	Sales and service center in UK	100%	100%
ASUS Technology (Hong Kong) Limited	Sales and service center in Hong Kong	100%	100%
ASUS Korea Corp.	Sales and service center in Korea	100%	100%
ASUSTEK Computer (Singapore) Pte. Ltd.	Sales and service center in Singapore	100%	100%
ASUS Polska Sp. z o.o.	Investing and trading activities	100%	100%
ASUS New Zealand Limited	Sales and service center in New Zealand	100%	100%
ASUS Technology Private Limited	Sales and service center in India	100%	100%
ASUS Technology Holland B.V.	Investing and trading activities	100%	(Note 3)
ASUS Technology (Vietnam) Co., Ltd.	Sales and service center in Vietnam	100%	(Note 3)
ASUSTEK Italy S.R.L.	Sales and service center in Italy	100%	(Note 3)
ASUS Iberica S.L.	Selling computers, main boards, and relevant computer parts, and providing service	100%	100%
Asus Middle East FZCO	Trading computers and relevant parts, and after-sales service	100%	(Note 3)
ASUS Hungary Services Limited Liability Company	Sales and repair center in Hungary	100%	(Note 3)

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Name of subsidiaries	Nature of business	Percentage of ownership (%)	
		12/31/2007	12/31/2006
ASUS Technology Italy S.R.L.	Sales and service center in Italy	(Note 1)	100%
ASUS Computer Czech Republic s.r.o.	Investing and trading activities	100%	100%
Azurewave (Cayman) Holding Inc.	Investing and trading activities	60.49%	63.84%
AzureWave Technologies, Inc.	Selling of office machinery, electronic parts, computer peripherals, precise equipment, and digital cameras	60.49%	63.84% (Note 5)
EZWave Technologies, Inc.	Selling computer peripherals	60.49%	63.84%
Azurewave Holding (Samoa) Inc.	Investing activities	60.49%	(Note 3)
AzureWave Technologies (Shanghai) Inc.	Manufacturing electronic parts	60.49%	(Note 3)
TwinHan Technology Co., Ltd.	Designing, manufacturing and selling computer peripherals	56.38%	59.50%
Eminent Star Company Limited	Investing activities	56.38%	59.50%
Jade Technologies Limited	Investing activities	56.38%	59.50%
Hannex International Limited	Investing activities	56.38%	59.50%
Scientek Nanjing Co., Ltd.	Designing and selling computer products	56.38%	59.50%
Azurewave Technology (Shenzhen) Co., Ltd.	Designing and selling computer products	56.38% (Note 2)	59.50%
Unimax Holdings Limited	Investing and trading activities	100%	(Note 3)
Unimax Electronics Inc.	Manufacturing and selling electronic appliances and telecommunication products	100%	(Note 3)
ASUSCOM Network Inc.	Designing and selling computer communication products	(Note 1)	100%
ASUS Computer Corporation	Investing and trading activities	100%	100%
ASUS Holland Holding B.V.	Investing activities	100%	100%
Asus Czech s.r.o.	Installing, repairing and selling electronic products	100%	100%
Ability Enterprise Co., Ltd.	Selling computer peripherals, office automation equipment, digital cameras and food products retail and wholesale, and rental	13.03%	(Note 3)
Ability Enterprise (BVI) Co., Ltd.	Investing activities	13.03%	(Note 3)
Action Pioneer International Ltd.	Trading activities	13.03%	(Note 3)
Viewquest Technologies International Inc.	Selling computer peripherals, digital cameras and electronic components	13.03%	(Note 3)
Viewquest Technologies (BVI) Inc.	Manufacturing and selling computer peripherals, digital cameras and electronic components	13.03%	(Note 3)
Association International Ltd.	Investing activities	13.03%	(Note 3)

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Name of subsidiaries	Nature of business	Percentage of ownership (%)	
		12/31/2007	12/31/2006
Ability International Investment Co., Ltd.	Investing activities	13.03%	(Note 3)
Ability Technology (Dongguan) Co., Ltd.	Manufacturing and selling digital cameras	13.03%	(Note 3)

Note 1: These companies were liquidated in 2007.

Note 2: Azurewave Technology (Shenzhen) Co., Ltd. changed its name on May 24, 2007.

Note 3: These companies were established or acquired in 2007.

Note 4: Advansus Corporation is a joint-venture. The consolidated financial statements recognize only the proportion of joint venture owned by the Company.

Note 5: The Company transferred its 66.97% holding shares of AzureWave Technologies, Inc. to Azurewave (Cayman) Holding Inc. on August 31, 2006. Azurewave (Cayman) Holding Inc. acquired the remaining 33.03% minority interest of AzureWave Technologies, Inc. in 2006.

Note 6: Systek Computer (Suzhou) Co., Ltd. (a liquidated company) and ASUSTECH (Suzhou) Co., Ltd. (a liquidated company) were merged into Maintek Computer (Suzhou) Co., Ltd. in 2007, thus the liquidated companies were not included in the consolidated financial statements. The merger was approved by the relevant authority.

Note 7: Approved the change from limited company to limited-by-share company by Ministry of Economic Affairs in November 2007.

## 2. Policy of Preparing Consolidated Financial Statements

- (1) The consolidated financial statements were prepared in accordance with Statement of Financial Accounting Standards (SFAS) No. 7 "Accounting for Consolidated Financial Statements". Transactions between consolidated entities are eliminated when the consolidated financial statements are prepared.
- (2) When the Company holds more than 50% of voting rights of investees (including directly owned by itself and indirectly owned through its subsidiaries, either with available voting rights or potential voting rights arising from convertible securities), or when any one of the criteria listed below is met, the investees are deemed as controlled by the Company. Both the Company and the investees are deemed as having the parent-subsidary relationship. The Company adopts the equity method to evaluate such investment and prepares the consolidated financial statements to include such investees.

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- A. Ability to have more than half of investee's voting rights with agreement of other investors.
- B. Ability to control the financial, operating and human resources functions of investee according to regulations or agreements.
- C. Authority to appoint more than half of the directors of the board (or its equivalent) to control the board.
- D. Authority to secure more than half of the voting right of the board (or its equivalent) to control the board.
- E. Other circumstances that prove the controlling power.

3. Foreign currency transactions

Foreign currency transactions are recorded in the functional currency at the 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.

4. 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.

5. 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, held-to-maturity financial assets, financial assets evaluated by cost method, available-for-sale financial assets, or bond portfolios with no active market, as appropriate. Financial liabilities are classified either as financial liabilities at fair value through profit or loss, or financial liabilities at amortized cost.

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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) Held-to-maturity financial assets

Debt securities for which the Company has a positive intention and ability to hold to maturity are categorized as held-to-maturity financial assets and are carried at amortized cost under the effective interest method.

If objective evidence exists that indicates that a financial asset is impaired, a loss is recognized. If, in a subsequent period, the amount of the impairment loss decreases and the decrease is clearly attributable to an event which occurred after the impairment loss was recognized, the previously recognized impairment loss is reversed to the extent of the decrease. The reversal may not result in a carrying amount that exceeds the amortized cost that would have been determined as if no impairment loss had been recognized.

(3) 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 shall recognize impairment loss, which shall not be reversed in subsequent periods.

(4) 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.

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(5) Bond portfolios with no active market

Bond portfolios with fixed or determinable payments that are not quoted in an active market are carried at amortized cost using the effective interest method. These bond portfolios are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition or the issuance of the financial asset. Profit or loss is recognized at the time of derecognizing, impairment or amortization.

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

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

6. Allowance for doubtful accounts

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

7. 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.

8. Noncurrent assets held for sale

The carrying value of noncurrent assets held for sale (disposal group) is valued at the either lower of carrying amount or fair values less costs to sell.

9. 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 material influence on an investee, the Company accounts for such investment under the equity method.

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- (3) 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.

10. 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
Warehousing equipment	8 years
Instrument equipment	3 - 8 years
Transportation equipment	5 years
Office equipment	5 years
Miscellaneous equipment	3 - 15 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.

11. 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.

12. Intangible assets

Intangible assets represent trademark, technological know-how, computer software, and land employment right, which are amortized by the straight-line method over their estimated economic lives. Impairment of goodwill, once recognized, shall never be reversed subsequently.

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13. 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.

14. Accrued pension liability

The Company and its domestic subsidiaries established a pension fund for its employees. The Company makes monthly contributions to the pension fund at certain ratio 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 fund 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 consolidated financial statements.

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The Company and its domestic subsidiaries 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 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 and its domestic subsidiaries make monthly contributions to the employees’ individual pension accounts on a basis no less than 6% of the employees’ monthly wages.

15. 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 credits 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.

The income tax for each consolidated entities shall be filed to each individual country and shall not be reported on consolidated basis. The consolidated income tax expense is the total of income tax expenses for all consolidated entities.

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16. Derivative financial instruments of non-trading purpose

Gains or losses on derivative financial instruments for hedging on assets or liabilities is recognized as current income and adjusted toward the book value of those hedged assets and liabilities. If the purpose of derivative financial instrument is to hedge commitment or future transaction, the gain or loss from hedging is deferred to the actual transaction date and recorded as an adjustment to the book value or as either income or loss. Gains or losses resulting from early cancellation of the contracts is deferred and amortized to current income or loss over the hedged assets or liabilities' remaining periods.

If any of the interest related derivatives meets the definition of a hedge, the resulting receivables or payables shall be adjusted toward interest income or expense.

Premiums received on options issued or paid on options purchased are recorded as liabilities and assets, respectively. Amortization of premiums is recorded as income or expense over the length of contracts by adopting the weighted-average method. Gains or losses from the execution of the option contracts are credited to or charged against current income. If the option could be exercised any time before maturity, the option is measured in market value at the balance sheet date and gains or losses are recorded.

17. 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.

18. 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

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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).

19. 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 additional paid-in capital, 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.

III. REASONS AND EFFECTS OF ACCOUNTING CHANGES

1. 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 \$34,029 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 \$34,029 thousand, thereby increasing earnings per share by \$0.01 dollar 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.

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2. Intangible assets and assets held for sale

The Company adopted the R.O.C. SFAS No. 37 “Accounting for Intangible Assets” and No. 38 “Non-Current Assets Held for Sale and Discontinued Operations” to recognize its transactions after January 1, 2007. Such a change in accounting principle has no significant influence on the consolidated assets as of December 31, 2007, or the consolidated net income or earnings per share for the year ended December 31, 2007.

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	\$33,306	\$152,823
Bank deposits	11,324,027	7,562,249
Time deposits	32,228,450	26,976,341
Total	\$43,585,783	\$34,691,413

(2) The time deposits pledged have been reclassified to other current assets and other assets.

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	\$13,077,002	\$9,222,714
Forward exchange contracts	6,553	-
Credit linked notes	141,071	-
Depository receipts	46,839	-
Corporate bonds	15,485	-
Total	\$13,286,950	\$9,222,714

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

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3. AVAILABLE-FOR-SALE FINANCIAL ASSETS-CURRENT

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

	<u>12/31/2007</u>	<u>12/31/2006</u>
Stocks of listed companies	<u>\$17,761</u>	<u>\$-</u>

(2) Available-for-sale financial assets-current are not pledged for collateral.

4. HELD-TO-MATURITY FINANCIAL ASSETS - CURRENT

(1) Held-to-maturity financial assets-current consist of the following:

	<u>12/31/2007</u>	<u>12/31/2006</u>
Credit Lyonnais Taiwan Branch collateralized loan obligation	<u>\$47,000</u>	<u>\$-</u>

(2) Held-to-maturity financial assets-current are not pledged as collateral.

5. BOND PORTFOLIOS WITH NO ACTIVE MARKET-CURRENT

(1) Bond portfolios with no active market-current consist of the following:

	<u>12/31/2007</u>	<u>12/31/2006</u>
Ageia Technology Inc.-Convertible Note	<u>\$60,204</u>	<u>\$-</u>

(2) Bond portfolios with no active market-current are not pledged as collateral.

6. NOTES RECEIVABLE-NET, ACCOUNTS RECEIVABLE-NET

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

	<u>12/31/2007</u>	<u>12/31/2006</u>
Notes receivable	\$1,693,016	\$957,290
Less: Allowance for doubtful accounts	(464)	-
Notes receivable-net	<u>1,692,552</u>	<u>957,290</u>
Accounts receivable	129,209,715	132,787,986
Less: Allowance for doubtful accounts	(1,767,744)	(1,352,907)
Accounts receivable-net	<u>127,441,971</u>	<u>131,435,079</u>
Notes and accounts receivable-Net	<u>\$129,134,523</u>	<u>\$132,392,369</u>

(2) Those receivables under legal proceedings have been reclassified as accounts receivable-overdue. Please refer to Note IV.15 for details.

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7. INVENTORIES

Inventories consist of the following:

	<u>12/31/2007</u>	<u>12/31/2006</u>
Raw materials	\$51,815,511	\$57,707,070
Work in process	7,574,344	14,487,752
Finished goods	27,257,517	27,370,145
Merchandise	18,300,387	12,527,599
Raw materials in transit	1,588,644	1,306,238
Subtotal	<u>106,536,403</u>	<u>113,398,804</u>
Less: Valuation allowance	<u>(3,112,648)</u>	<u>(3,310,819)</u>
Total	<u><u>\$103,423,755</u></u>	<u><u>\$110,087,985</u></u>

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS-NONCURRENT

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

	<u>12/31/2007</u>	<u>12/31/2006</u>
Stocks of listed companies	\$7,234,719	\$9,023,690
Beneficiary certificates	197,371	6,608
Total	<u><u>\$7,432,090</u></u>	<u><u>\$9,030,298</u></u>

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

9. HELD-TO-MATURITY FINANCIAL ASSETS-NONCURRENT

(1) Held-to-maturity financial assets consist of the following:

	<u>12/31/2007</u>	<u>12/31/2006</u>
Credit Lyonnais Taiwan Branch collateralized loan obligation	\$-	\$47,000
Principal guaranteed notes	<u>16,425</u>	<u>16,425</u>
Total	<u><u>\$16,425</u></u>	<u><u>\$63,425</u></u>

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- (2) Askey Computer Corp. subscribed collateralized loan obligation (“CLO”) of \$47,000 thousand issued by Credit Lyonnais Taiwan Branch on September 29, 2003. The CLO is a registered and subordinate beneficiary certificate with five-year term and expected return of 4.13%, 4.71%, 5.35%, 4.08%, and 5.94% for the first to the fifth year, respectively. The certificate was recorded under held-to-maturity financial assets account-noncurrent on December 31, 2006 since the Company intends to hold to maturity and the certificate has no market price. Because the maturity date is in 2008, the certificate was reclassified to held-to-maturity financial assets-current on December 31, 2007. Please refer to Note IV.4.
- (3) International United Technology Co., Ltd. subscribed principal guaranteed notes of US\$500,000 issued by bank on April 19, 2004. The maturity date is April 19, 2010.
- (4) Held-to-maturity financial assets are not pledged as collateral.

10. FINANCIAL ASSETS EVALUATED BY COST METHOD-NONCURRENT

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

	<u>12/31/2007</u>	<u>12/31/2006</u>
Non-listed stocks	\$1,305,062	\$773,316
Fund	421,590	358,546
Total	<u>\$1,726,652</u>	<u>\$1,131,862</u>

- (2) The Company evaluated the carrying value of financial assets evaluated by cost method-noncurrent was in excess of the expected recoverable amount, and recognized losses on the impairment of the assets amounted to \$253,148 thousand and \$33,543 thousand for the years ended December 31, 2007 and 2006, respectively.
- (3) Financial assets evaluated by cost method-noncurrent are not pledged as collateral.

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11. LONG-TERM INVESTMENTS EVALUATED BY EQUITY METHOD

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

Investee Companies	12/31/2007		12/31/2006	
	Amount	Interest Owned	Amount	Interest Owned
Wise Investment Limited	\$192,329	48.78%	\$204,612	48.78%
Yofree Technology Co., Ltd.	-	33.33%	1,345	33.33%
Wilson Holdings Limited	155,583	49.00%	140,576	49.00%
Potix Corporation (Cayman)	31,279	22.22%	-	-
Indeed Holdings Limited	487,486	49.00%	-	-
ZhangJiaGang Dongbu High Technology Metal Products Co., Ltd.	38,342	20.00%	-	-
Asint Technology Corporation	49,881	28.57%	-	-
Ever Pine International Ltd. (BVI)	176,072	34.65%	-	-
Shin-Ei Yorkey International Ltd. (BVI)	35,725	50.00%	-	-
Yorkey Optical International Ltd. (Cayman)	1,155,617	20.69%	-	-
Pentax VQ Co., Ltd.	108,930	40.00%	-	-
Avy Precision Technology Inc.	295,648	20.13%	-	-
Ashine Precision Co., Ltd.	59,609	44.16%	-	-
Lumens Digital Optics Inc.	-	-	157,318	20.52%
Subtotal	2,786,501		503,851	
Allocation of consolidated debit	237,330		-	
Total	<u>\$3,023,831</u>		<u>\$503,851</u>	

(2) 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 \$113,340 thousand and \$54,371 thousand, respectively.

(3) The Company gained control on Ability Enterprise Co., Ltd. from a share swap and adopted SFAS No. 25 to adjust the difference between the acquisitions cost and the Company's share of net assets to long-term investments Yorkey Optical International Ltd. (Cayman) and Avy Precision Technology Inc., amounted to \$43,940 thousand and \$193,390 thousand, respectively, on December 31, 2007.

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

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12. PROPERTY, PLANT AND EQUIPMENT

(1) Property, plant and equipment consist of the following:

	<u>12/31/2007</u>	<u>12/31/2006</u>
Land	\$4,826,677	\$4,765,816
Buildings and equipment	20,630,901	14,331,801
Machinery and equipment	41,247,375	33,458,824
Warehousing equipment	74,127	36,266
Instrument equipment	3,972,488	3,150,552
Transportation equipment	221,366	166,777
Office equipment	1,638,500	1,159,293
Miscellaneous equipment	4,114,309	3,876,044
Total costs	<u>76,725,743</u>	<u>60,945,373</u>
Less: Accumulated Depreciation		
Buildings and equipment	(2,338,130)	(1,418,553)
Machinery and equipment	(14,874,396)	(9,622,538)
Warehousing equipment	(31,925)	(29,689)
Instrument equipment	(1,609,978)	(1,402,404)
Transportation equipment	(100,092)	(63,613)
Office equipment	(754,628)	(500,957)
Miscellaneous equipment	(571,817)	(1,272,276)
Total accumulated depreciation	<u>(20,280,966)</u>	<u>(14,310,030)</u>
Add: Prepayments on purchase of equipment	7,176,013	5,809,746
Less: Accumulated impairment	<u>(444,135)</u>	<u>(246,388)</u>
Property, plant and equipment-net	<u><u>\$63,176,655</u></u>	<u><u>\$52,198,701</u></u>

(2) The Company evaluated the carrying value of property, plant, and equipment was in excess of the expected recoverable amount, thus recognized losses on impairment of assets amounted to \$45,640 thousand and \$160,844 thousand for the years ended December 31, 2007 and 2006, respectively.

(3) Please refer to Note VI for a list of property, plant and equipment pledged as collateral.

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13. ASSETS HELD FOR LEASE

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

	<u>12/31/2007</u>	<u>12/31/2006</u>
Assets held for lease	\$1,197,524	\$291,152
Less: Accumulated depreciation	(111,153)	(9,184)
Accumulated impairment	<u>(69,061)</u>	<u>-</u>
Assets held for lease-net	<u><u>\$1,017,310</u></u>	<u><u>\$281,968</u></u>

(2) The Company evaluated the carrying value of assets held for lease was in excess of the expected recoverable amount, thus recognized loss on impairment of assets amounted to \$60,003 thousand for the year ended December 31, 2007.

(3) Please refer to Note VI for a list of assets held for lease pledged as collateral.

14. IDLE ASSETS

(1) Idle assets consist of the following:

	<u>12/31/2007</u>	<u>12/31/2006</u>
Idle assets	\$118,082	\$594,126
Less: Accumulated depreciation	(87,399)	(100,563)
Accumulated impairment	<u>(30,683)</u>	<u>(188,438)</u>
Idle assets-net	<u><u>\$-</u></u>	<u><u>\$305,125</u></u>

(2) The idle assets are not used in operation, indicating no cash flow will be generated in future years; therefore, the Company recognized the net fair value as the recoverable amount. The Company determined the carrying value of these assets was in excess of the expected recoverable amount, thus recognized losses on impairment of assets amounted to \$2,964 thousand and \$172,169 thousand for the years ended December 31, 2007 and 2006, respectively.

(3) Please refer to Note VI for a list of idle assets pledged as collateral.

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15. ACCOUNTS RECEIVABLE-OVERDUE

Accounts receivable-overdue consist of the following:

	12/31/2007	12/31/2006
Accounts receivable-overdue	\$97,388	\$125,281
Less: Allowance for doubtful accounts	(97,388)	(125,257)
Accounts receivable-overdue-net	\$-	\$24

16. OTHER ASSETS

Due to restriction imposed by local government, Kinsus, a consolidated subsidiary, purchased farmland in the name of Kinsus' chairman instead of Kinsus. Before Kinsus may take over the title of farmland, as well as completing registration procedures, the land is recorded as other assets. As of December 31, 2007 and 2006, the book value of the farmland is \$30,784 thousand.

17. SHORT-TERM LOANS

(1) Short-term loans consist of the following:

	12/31/2007	12/31/2006
Letter of credit	\$124,881	\$1,699,654
Unsecured loans	6,981,055	3,012,147
Secured loans	60,000	35,000
Total	\$7,165,936	\$4,746,801
Interest rate range	1.55%~6.57%	2.00%~6.02%

(2) Please refer to Note VI for a list of assets pledged as collateral for short-term loans.

18. 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

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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.

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- (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.

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(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 totalling \$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, totalling \$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).

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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	-

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19. LONG-TERM LOANS

(1) Long-term loans are summarized as follows:

Creditor	12/31/2007	12/31/2006	Repayment Schedule
Credit Agricole Indosuez	\$500,000	\$500,000	09.29.2003-09.29.2008, repay outstanding amount at the maturity date.
Taiwan Business Bank	35,000	55,000	10.15.2006-07.15.2009, payable in quarterly installments, commencing in October 2007.
Taipei Fubon Bank -syndicated loan	324,300	325,950	11.01.2006-05.01.2009, repay total outstanding amount at maturity date.
Taipei Fubon Bank -syndicated loan	324,300	325,950	11.14.2006-05.01.2009, repay total outstanding amount at maturity date.
Taipei Fubon Bank-syndicated loan	324,300	-	04.02.2007-11.01.2009, repay USD5,000 thousand each on 05.01.2009 and at maturity date.
Taipei Fubon Bank-syndicated loan	376,188	-	12.05.2007-11.01.2009, repay total outstanding amount at maturity date.
Taipei Fubon Bank-syndicated loan	272,412	-	12.10.2007-11.01.2009, repay total outstanding amount at maturity date.
Industrial and Commercial Bank of China	310,777	-	11.23.2007-11.22.2011, demand loan, repay total outstanding amount at maturity date.
Chang Hwa Bank	-	100,000	12.04.2006-01.04.2008, repay total outstanding amount at maturity date.
Industrial Bank of Taiwan	-	50,000	11.11.2003-11.11.2007, payable in the first to sixth semi-annually installments of \$30,000 thousand each, and seventh installment of \$20,000 thousand, commencing in November 2004.
Standard Chartered Bank (Taiwan)	-	88,239	11.09.2001-11.09.2016, payable in 168 monthly installments of \$690 thousand each, commencing in December 2002.

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Creditor	12/31/2007	12/31/2006	Repayment Schedule
Taiwan Business Bank	-	57,816	07.05.2000-07.05.2015, payable in 169 monthly installments, commencing in July 2001.
Mega International Commercial Bank	87,750	158,250	04.30.2002-07.30.2009, payable in 20 quarterly installments, commencing in July 2002.
Mega International Commercial Bank	327,698	402,214	12.31.2004-01.31.2012, payable in 20 quarterly installments, commencing in March 2007.
The Shanghai Commercial & Savings Bank, Ltd.	35,000	35,000	12.08.2006-10.15.2013, repay interest monthly and quarterly installments from the thirteenth month, commencing in December 2006.
The Shanghai Commercial & Savings Bank, Ltd.	32,450	33,112	12.08.2006-10.15.2013, repay interest monthly and quarterly installments from the thirteenth month, commencing in December 2006.
Subtotal	<u>2,950,175</u>	<u>2,131,531</u>	
Less: Current portion	<u>(672,655)</u>	<u>(228,517)</u>	
Total	<u>\$2,277,520</u>	<u>\$1,903,014</u>	
Annual interest rate	1%~6.89%	1%~5.95%	

(2) Since Askey Computer Corporation was the guarantor for the USD50,000 syndicated loan of Double Tech Ltd. and Leading Profit Co., Ltd. during 2007 and 2006, Askey Computer Corporation must comply with the following financial covenants throughout the term of the above syndicated loan agreement managed by Taipei Fubon Bank.

- ① Debt ratio ((total liabilities+contingent liabilities)/tangible net asset): should not be higher than 300%;
- ② Interest coverage ratio (EBITDA/interest expenses): should not be less than 100% in 2006 and no less than 150% from 2007.
- ③ Tangible net assets: should not be less than \$5 billion.

The above financial covenants are examined every six-month based on the consolidated semi-annual and annual financial statements of Askey Computer Corp.

(3) Please refer to Note VI for a list of assets pledged as collaterals.

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20. 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:

	<u>12/31/2007</u>	<u>12/31/2006</u>
Benefit Obligations:		
Vested Benefit Obligation	\$(1,412,975)	\$(5,337)
Non-vested Benefits Obligation	(160,838)	(498,829)
Accumulated Benefit Obligation	(1,573,813)	(504,166)
Effect of Projected Future Salary Increase	(90,473)	(228,247)
Projected Benefit Obligation	(1,664,286)	(732,413)
Fair Value of Plan Assets	722,307	648,673
Status of Pension Plan	(941,979)	(83,740)
Unrecognized net transition obligation	17,737	18,736
Unamortized Actuarial Loss / (Benefit)	(40,247)	(69,178)
Additional minimum pension liability	(26,417)	(4,647)
Accrued Pension Liability	<u>\$(990,906)</u>	<u>\$(138,829)</u>
Accrued Pension Liability-Defined Benefit Pension Plan	\$(990,906)	\$(138,829)
Prepaid pension cost	-	(6,631)
Accrued Pension Liability-Current	914,935	69,115
Accrued Pension Liability-Noncurrent	<u>\$(75,971)</u>	<u>\$(76,345)</u>

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

The net pension costs of domestic subsidiaries for 2007 and 2006 are as follows:

	<u>12/31/2007</u>	<u>12/31/2006</u>
Service cost	\$7,332	\$22,698
Interest cost	7,183	20,414
Actual return on plan assets	(5,340)	(19,041)
Net amortization and deferral	5,173	(7,101)
Gain or loss on curtailment or settlement	(21,489)	(24,441)
Net pension cost	<u>\$(7,141)</u>	<u>\$(7,471)</u>

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(4) As of December 31, 2007 and 2006, vested benefits of the Company and its domestic subsidiaries pension plan were \$1,413,066 thousand and \$5,568 thousand, respectively.

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

	<u>12/31/2007</u>	<u>12/31/2006</u>
Discount rate	2.75%~3.00%	2.50%~2.75%
Rate of increase in future compensation level	2.50%~3.00%	2.00%~4.00%
Expected long-term rate of return on plan assets	2.75%~3.00%	2.50%~2.75%

## 21. CAPITAL STOCK

(1) On April 10, 1997, the Company's stockholders resolved to increase capital for \$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 for \$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.

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- (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, and 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.

**22. ADDITIONAL PAID-IN CAPITAL**

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

	<u>12/31/2007</u>	<u>12/31/2006</u>
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	<u>\$29,400,362</u>	<u>\$22,751,458</u>

- (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.

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23. 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.

24. 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)

Items	Distribution of 2006 annual net income			Reasons for the deviation
	Resolved by the stockholders' meeting on June 13, 2007	Resolved by the Board of Directors on April 24, 2007	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	-	-

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

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

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

Items	Distribution of 2005 annual net income		Deviation	Reasons for the deviation
	Resolved by the stockholders' meeting on June 13, 2006	Resolved by the Board of Directors on May 3, 2006		
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)

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

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:

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- (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.

25. OPERATING COST/EXPENSES

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

Nature	2007			2006		
	Cost	Expense	Total	Cost	Expense	Total
Personnel:						
Salary	13,706,781	8,983,434	22,690,215	10,330,039	6,615,459	16,945,498
Labor and health insurance	444,117	727,756	1,171,873	497,786	467,473	965,259
Pension	432,691	888,763	1,321,454	147,357	204,872	352,229
Other personnel	314,951	337,367	652,318	292,334	861,300	1,153,634
Depreciation	4,483,288	1,934,097	6,417,385	3,799,017	888,313	4,687,330
Amortization	553,987	1,129,120	1,683,107	424,096	810,755	1,234,851

26. INCOME TAX AND DEFERRED INCOME TAX

	12/31/2007	12/31/2006
(1) Deferred income tax assets-current	\$1,487,411	\$841,292
Valuation allowance for deferred income tax assets-current	-	-
Deferred income tax assets-current (net)	1,487,411	841,292
Deferred income tax liabilities-current	(8,459)	(25,196)
Total net deferred income tax assets/(liabilities)-current	<u>\$1,478,952</u>	<u>\$816,096</u>

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	<u>12/31/2007</u>	<u>12/31/2006</u>
(2) Deferred income tax assets-noncurrent	\$377,150	\$432,297
Valuation allowance for deferred income tax assets-noncurrent	-	-
Deferred income tax assets-noncurrent (net)	<u>377,150</u>	<u>432,297</u>
Deferred income tax liabilities-noncurrent	<u>(1,993,566)</u>	<u>(1,714,620)</u>
Total net deferred income tax assets/(liabilities)-noncurrent	<u><u>\$(1,616,416)</u></u>	<u><u>\$(1,282,323)</u></u>

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

	<u>2007</u>	<u>2006</u>
Income tax expense	\$7,828,405	\$6,611,111
Add/(Deduct): Income separately taxed	1,634	5
Investment tax credits and others	<u>(420,437)</u>	<u>(1,708,779)</u>
Income tax payable	<u><u>\$7,409,602</u></u>	<u><u>\$4,902,337</u></u>

- (4) 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:

<u>Description</u>	<u>Exemption Periods</u>
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

- (5) 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.
- (6) The Tax Bureau assessed the Company's income tax returns from 1996 to 2003, the total assessed amount exceeded the total amount filed for \$2,927,620 thousand. The Company has accrued the difference of the assessed amount to be conservative yet disagreed with the assessment and has petitioned for re-assessment.

- (7) Information for integrated income tax system:

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

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

(8) Information for unappropriated retained earnings:

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

27. CONSOLIDATED EARNINGS PER SHARE

Weighted average number of shares (in thousand shares):

	<u>2007</u>	<u>2006</u>
Outstanding share, beginning of the year	<u>3,407,070</u>	<u>2,924,521</u>
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	<u>3,673,028</u>	<u>3,640,563</u>
Fully diluted shares on euro convertible bonds	79,203	100,725
Fully diluted shares on domestic convertible bonds	<u>124,472</u>	<u>18,416</u>
Weighted average number of shares-Fully diluted earnings per share	<u>3,876,703</u>	<u>3,759,704</u>
Income from continuing operations	\$30,755,649	\$21,681,393
Effect of changes in accounting principles	-	34,029
Consolidated net income	<u>\$30,755,649</u>	<u>\$21,715,422</u>
Represented by:		
Available for common shareholders	\$27,623,280	\$19,221,335
Available for minority shareholders	<u>3,132,369</u>	<u>2,494,087</u>
Consolidated net income	<u>\$30,755,649</u>	<u>\$21,715,422</u>
Primary earnings per share: (NT dollars)		
Income from continuing operations	\$8.37	\$5.95
Effect of changes in accounting principles	-	0.01
Consolidated net income	<u>\$8.37</u>	<u>\$5.96</u>

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	2007	2006
Represented by:		
Available for common shareholders	\$7.52	\$5.28
Available for minority shareholders	0.85	0.68
Consolidated net income	\$8.37	\$5.96
If convertible bonds were converted into the Company's capital stocks:		
Income from continuing operations	\$30,890,418	\$21,565,038
Effect of changes in accounting principles	-	34,029
Consolidated net income	\$30,890,418	\$21,599,067
Represented by:		
Available for common shareholders	\$27,758,049	\$19,104,980
Available for minority shareholders	3,132,369	2,494,087
Consolidated net income	\$30,890,418	\$21,599,067
Primary earnings per share: (NT dollars)		
Income from continuing operations	\$7.97	\$5.73
Effect of changes in accounting principles	-	0.01
Consolidated net income	\$7.97	\$5.74
Represented by:		
Available for common shareholders	\$7.16	\$5.08
Available for minority shareholders	0.81	0.66
Consolidated net income	\$7.97	\$5.74

V. RELATED PARTY TRANSACTIONS

1. Names and relationships of related parties

Related Parties	Relationships
Asusdesign Limited	Investee evaluated under equity method by a subsidiary
Wilson Holdings Limited	Investee evaluated under equity method by a subsidiary
Hong Hua Technology (Suzhou) Co., Ltd.	Investee evaluated under equity method by a subsidiary
Avy Precision Technology Inc.	Investee evaluated under equity method by a subsidiary
Ashine Precision Co., Ltd.	Investee evaluated under equity method by a subsidiary

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Related Parties	Relationships
Pentax VQ Co., Ltd.	Investee evaluated under equity method by a subsidiary
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
Pentax VQ Co., Ltd.	\$646,966	\$- (Note)
Hong Hua Technology (Suzhou) Co., Ltd.	113,316	-
Ashine Precision Co., Ltd.	66,033	- (Note)
Avy Precision Technology Inc.	43,984	- (Note)
Total	<u>\$870,299</u>	<u>\$-</u>

Note: Ability Enterprise Co., Ltd. and its subsidiaries were not yet the Company's related parties in 2006.

(2) Sales revenues

Related parties	2007	2006
Pentax VQ Co., Ltd.	<u>\$82,538</u>	<u>\$- (Note)</u>

Note: Ability Enterprise Co., Ltd. and its subsidiaries were not yet the Company's related parties in 2006.

(3) Gain/(loss) on disposal of assets

Related parties	2007		
	Sale	Book value	Gain/(Loss)
Total	<u>\$1,133</u>	<u>\$1,430</u>	<u>\$(297)</u>
Related parties	2006		
	Sale	Book value	Gain/(Loss)
Total	<u>\$3,159</u>	<u>\$910</u>	<u>\$2,249</u>

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- (4) Ability Enterprise Co., Ltd. and its subsidiaries purchased property, plant and equipment from related parties amounted to \$9,708 thousand.
- (5) As of December 31, 2007, the amount of related party transactions recorded as accounts receivable, accounts payable, accrued expenses and other expenses amounted to \$17,792 thousand, \$289,686 thousand, \$296 thousand, and \$3,845 thousand, respectively.
- (6) As of December 31, 2006, the amount of related party transactions recorded as accounts payable and other expenses amounted to \$28,633 thousand and \$5,599 thousand, respectively.
- (7) Other receivable-affiliated company (loan to affiliated company)

Related party	Maximum Amount	Ending Balance	Interest Income	Interest Rate	Pledged
Ashine Precision Co., Ltd.	\$30,000	\$-	\$111	3.4%~4.4%	-

VI. ASSETS PLEDGED OR MORTGAGED

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

Assets	Items	Carrying Value		Purposes
		12/31/2007	12/31/2006	
Other current assets and other assets	Time deposits	\$449,199	\$358,119	Bank loans, duty deposits, rents, the imported labor guarantee, and others
Other assets	Refundable deposits	373,980	87,392	Duty deposits
Property, plant and equipment and assets held for lease	Land and buildings	1,127,447	1,140,322	Bank loans
Property, plant and equipment	Machinery and equipment	730,266	969,209	Bank loans
Idle assets (Note)	Machinery and equipment	-	-	Bank loans
Intangible assets	Land employment right	51,819	-	Bank loans
Total		\$2,732,711	\$2,555,042	

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Note: As of December 31, 2007 and 2006, the net worth of idle assets amounted to \$141 thousand and \$32,339 thousand, respectively. After recognizing the impairment losses, the net book value was \$0.

VII COMMITMENTS AND CONTINGENT LIABILITIES

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

Names of the Companies	Currencies	Total Amounts
ASUSTeK Computer Inc.	USD	\$57
Askey Computer Corporation	USD	\$2,748
Kinsus Interconnect Technology Corp.	NTD	\$34,338
Kinsus Interconnect Technology Corp.	USD	\$4,338
Kinsus Interconnect Technology Corp.	EUR	\$89
Kinsus Interconnect Technology Corp.	JPY	\$1,541,261
Advansus Corporation	NTD	\$2,378

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 and its subsidiaries provided guarantees for related parties during 2007. The amounts as of December 31, 2007 were as follows:

Name of the related parties	Relationship with the Company	Outstanding guarantee
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	-
ASUSTEK Investment Co., Ltd., ASUS Investment Co., Ltd., ASUSPOWER Investment Co., Ltd.	Investee evaluated under equity method	6,000,000
Pegatron Corporation, Unihan Corporation	Investee evaluated under equity method	3,000,000

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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.
10. On December 31, 2007, the details of operating lease over the significant property used by International United Technology Co., Ltd. is as follows:

Lessor	Leased Asset	Period	Payment Schedule	Refundable Deposits
Jin Ru Co., Ltd.	No. 921, Bo-Ai Street, Jhubei City, Hsinchu County	09.01.2000 ~ 08.31.2010	\$735 thousand (net of tax) monthly. From 9.1.2007, \$800 thousand monthly. From 9.1.2008, the rate will increase 5% each year.	\$6,480 thousand

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Rental expenses for each year are as follows:

<u>Year</u>	<u>Amount</u>
2008	\$9,760
2009	10,248
01/01/2010~8/31/2010	7,056

11. Askey Technology (Jiangsu) Ltd. entered into irrevocable contracts amounted to \$193,701 thousand.
12. ASUSPOWER Investment Co., Ltd. acquired 4,289,830 shares and 15,120,185 shares of Attansic Technology Corp. for \$196,865 thousand and \$698,515 thousand, respectively, then sold entirely to Atheros Network Ltd. in 2007 and 2006. As a result of the transaction, ASUSPOWER Investment Co., Ltd. recognized gain on disposal of investments for \$7,380 thousand and \$597,548 thousand in 2007 and 2006, respectively. However, confined to the agreement signed by both companies, partial gain on disposal investments will be recognized after certain terms are met within three years. Due to the restriction mentioned above, there are still US\$21,500,000 and US\$18,856,926 included in the other current liabilities account as of December 31, 2007 and 2006 (approximately \$699,467 thousand and \$614,170 thousand), respectively.
13. Twinhan Technology Co., Ltd., the subsidiary of Azurewave (Cayman) Holding Inc., terminated the agency contract with ENMIC in 2005, but ENMIC filed a suit against Twinhan Technology Co., Ltd. alleging that the termination of contract was invalid, and requested EUR\$500,000 in compensation plus interest accrued. The suit was under investigation as of December 31, 2007 in German District Court.

#### 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.

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3. In order to enhance competitiveness and increase 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 was set to commence on January 1, 2008. According to the resolution, the Company transferred 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 per share of Pegatron Corporation. In addition, the Company transferred 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 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
<b>Assets</b>			
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
<b>Total</b>	<b>93,982,038</b>	<b>19,869,461</b>	<b>113,851,499</b>
<b>Liabilities</b>			
Current liabilities	(23,982,038)	(7,869,461)	(31,851,499)
<b>Total</b>	<b>(23,982,038)</b>	<b>(7,869,461)</b>	<b>(31,851,499)</b>
<b>Net assets</b>	<b>\$70,000,000</b>	<b>\$12,000,000</b>	<b>\$82,000,000</b>

4. On January 4, 2008, the board of Pegatron Corporation resolved to invest 100 % owned subsidiaries, ASUSPOWER Investment Co., Ltd., ASUSTEK Investment Co., Ltd. and ASUS Investment Co., Ltd., for \$1,600,000 thousand, \$1,600,000 thousand, and \$2,000,000 thousand, respectively.
5. On January 25, 2008, the board of Pegatron Corporation resolved to invest US\$26,800 thousand in Changchun Jida DM Co., Ltd. (tentative name) indirectly by investing in a third party in advance. The investment is pending approval from the Investment Commission, MOEA.
6. On January 25, 2008, the board of Pegatron Corporation resolved to merge ASUSALPHA Computer Inc., provisional on April 1, 2008. ASUSALPHA Computer Inc. will be the dissolved party.

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7. On February 15, 2008, the board of Unihan Corporation resolved to invest US\$20,000 thousand in Shanghai Indeed Technology Co., Ltd. indirectly by investing in a third party in advance. The investment is pending approval from the Investment Commission, MOEA.
8. On January 4, 2008, the board of ASUSPOWER Investment Co., Ltd. resolved to increase registered capital up to \$8,200,000 thousand, divided into 820,000 thousand shares at \$10 par value. ASUSPOWER Investment Co., Ltd. also increased capital in cash for \$1,600,000 thousand, divided into 160,000 thousand shares at \$10 par value. The investment was completed and registered in January 2008.
9. On January 4, 2008, the board of ASUS Investment Co., Ltd. resolved to increase registered capital up to \$9,000,000 thousand, divided into 900,000 thousand shares at \$10 par value. ASUS Investment Co., Ltd. also increased capital in cash for \$2,000,000 thousand, divided into 200,000 thousand shares at \$10 par value. The investment was completed and registered in January 2008.
10. On January 4, 2008, the board of ASUSTEK Investment Co., Ltd. resolved to increase registered capital up to \$8,250,000 thousand, divided into 825,000 thousand shares at \$10 par value. ASUSTEK Investment Co., Ltd. also increased capital in cash for \$1,600,000 thousand, divided into 160,000 thousand shares at \$10 par value. The investment was completed and registered in January 2008.
11. On February 29, 2008, the board of Asmobile Communication Inc. resolved to dissolve.
12. For the integration of group resources and promotion of management performances, Ability Enterprise Co., Ltd. and its subsidiaries sold DongGuan Avy Precision Metal Components Co., Ltd. in February 2008.

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.

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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 require 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.

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2. FINANCIAL INSTRUMENTS

(1) Financial instruments consist of the following:

Financial instruments	December 31, 2007	
	Book value	Fair value
<u>Non-derivative financial instruments</u>		
Assets		
Cash and cash equivalents	\$43,585,783	\$43,585,783
Financial assets at fair value through profit or loss-current	13,280,397	13,280,397
Available-for-sale financial assets-current	17,761	17,761
Held-to-maturity financial assets-current	47,000	(Note)
Bond portfolios with no active market-current	60,204	(Note)
Receivables-net	136,171,691	136,171,691
Available-for-sale financial assets-noncurrent	7,432,090	7,432,090
Held-to-maturity financial assets-noncurrent	16,425	(Note)
Financial assets evaluated by cost method-noncurrent	1,726,652	(Note)
Refundable deposits	780,368	780,368
Liabilities		
Short-term loans	7,165,936	7,165,936
Payables	169,269,680	169,269,680
Bonds payable	14,111,499	14,111,499
Long-term loans	2,950,175	2,950,175
Deposits received	227,264	227,264
<u>Derivative financial instruments</u>		
Assets		
Financial assets at fair value through profit or loss-current	6,553	6,553
Liabilities		
Financial liabilities at fair value through profit or loss-current	2	2
Financial liabilities at fair value through profit or loss-noncurrent	91,147	91,147

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Financial instruments	December 31, 2006	
	Book value	Fair value
<u>Non-derivative financial instruments</u>		
Assets		
Cash and cash equivalents	\$34,691,413	\$34,691,413
Financial assets at fair value through profit or loss-current	9,222,714	9,222,714
Receivables-net	137,594,813	137,594,813
Available-for-sale financial assets-noncurrent	9,030,298	9,030,298
Held-to-maturity financial assets-noncurrent	63,425	(Note)
Financial assets evaluated by cost method-noncurrent	1,131,862	(Note)
Refundable deposits	419,637	419,637
Accounts receivable-overdue	24	24
Liabilities		
Short-term loans	4,746,801	4,746,801
Payables	186,313,976	186,258,887
Bonds payable	10,847,207	10,847,207
Long-term loans	8,744,908	8,744,908
Deposits received	176,148	176,148
<u>Derivative financial instruments</u>		
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 and available-for-sale financial assets was based on their quoted market price.

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- 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.
- ⑥ The fair value of long-term loans was estimated by the discount value of expected cash flows. The discount rate was based on the interest rate near the expiration date of such long-term loans.
- (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
<u>Financial Assets</u>				
Cash and cash equivalents	\$43,585,783	\$34,691,413	\$-	\$-
Financial assets at fair value through profit or loss-current	13,286,950	9,222,714	-	-
Available-for-sale financial assets-current	17,761	-	-	-
Receivables-net	-	-	136,171,691	137,594,813
Available-for-sale financial assets-noncurrent	7,432,088	9,030,298	-	-
Refundable deposits	-	-	780,368	419,637
Accounts receivable-overdue	-	-	-	24
<u>Financial Liabilities</u>				
Short-term loans	-	-	7,165,936	4,746,801
Financial liabilities at fair value through profit or loss-current	2	-	-	-
Payable	-	-	169,269,680	186,258,887
Financial liabilities at fair value through profit or loss-noncurrent	-	-	91,147	147,600
Bonds payable	-	-	14,111,499	10,847,207
Long-term loans (including current portion)	-	-	2,950,175	8,744,908
Deposits received	-	-	227,264	176,148

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3. DERIVATIVE FINANCIAL INSTRUMENT

- (1) Information regarding embedded derivatives arise from non-collateral convertible bond issued by the Company is in Note IV.18 (4) and (5).
- (2) As of December, 31, 2007, the derivative financial instruments of the subsidiaries of the Company are as follows:

① Ability Enterprise Co., Ltd.

	12/31/2007	
Derivative Financial Instruments	Notional (in thousand dollars)	Periods
<u>Trading purpose:</u>		
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
<u>Liabilities</u>		
Forward exchange contract (Financial liabilities at fair value through profit or loss-current)	\$2	\$2

② Askey Computer Corporation and subsidiaries

	12/31/2007	
Derivative Financial Instruments	Notional (in thousand dollars)	Period
<u>Trading purpose:</u>		
Forward exchange contract	USD10,573	11/26/2007~ 11/26/2008

Presented as follows:

	12/31/2007	
	Book value	Fair value
<u>Assets</u>		
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.

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4. OTHERS

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

Names of Contract	Party	Content
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.

5. For the integration of group resources and promotion of management performances, the board of Ability Enterprise Co., Ltd. resolved, on December 21, 2007, to dispose of DongGuan Avy Precision Metal Components Co., Ltd., the transaction adopted the R.O.C. SFAS No. 38 "Non-Current Assets Held for Sale and Discontinued Operations" and reclassified relevant assets and liabilities to non-current assets held for sale and liabilities associated with noncurrent assets held for sale.

Assets and liabilities held for sale	Carrying Amounts 12/31/2007
Assets:	
Cash and bank deposits	\$92,876
Property, plant and equipment	103,472
Others	1,935
Total	<u>\$198,283</u>
Liabilities:	
Equipment payable	\$43,983
Others	5,913
Total	<u>\$49,896</u>

6. Certain reclassifications have been made to 2006 consolidated financial statements to conform with current year's presentation.

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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	\$145,064,306	\$180,216,453
Asia Pacific	357,289,897	183,664,624
Europe	227,262,277	172,050,735
Africa	1,370,232	3,162,554
Total	\$730,986,712	\$539,094,366

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	\$224,790,281	\$75,543,926
Company E	- (Note)	79,427,401
Company C	- (Note)	75,474,905
Total	\$224,790,281	\$230,446,232

Note: The customer's sales revenues that had not exceeded 10% of the Company's sales revenues in that year.