Independent Auditors' Report

The Board of Directors Acer Incorporated:

We have audited the non-consolidated balance sheets of Acer Incorporated (the "Company") as of June 30, 2007 and 2006, and the related non-consolidated statements of income, changes in stockholders' equity, and cash flows for the six-month periods 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.

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

The Company's long-term equity investments of NT\$ 44,595,697thousand and NT\$38,619,850 thousand, long-term equity investment credits of NT\$451,329 thousand and NT\$412,348 thousand, deferred inter-company profits of NT\$ 13,115 thousand and NT\$28,263 thousand and foreign currency translation adjustment of NT\$1,986,905 thousand and NT\$532,862 thousand as of June 30, 2007 and 2006, respectively, and related net investment income of NT\$4,772,102 thousand and NT\$4,195,527 thousand and change in realized inter-company profits of NT\$14,948 and NT\$25,236 thousand for the six-month periods ended June 30, 2007 and 2006, respectively, were accounted for under the equity method based on the unaudited financial statements of the related investees of the Company. Therefore, we are unable to evaluate the effect on the Company's financial statements referred to in the first paragraph if such investees' financial statements were audited by independent auditors. In addition, the information related to investee companies and investments in Mainland China as stated in note 11(2)(3) is provided by investee companies and is not audited using the audit procedures as stated in the second paragraph.

In our opinion, except for the effect of possible adjustments, if any, that might have been determined to be necessary had the investees' financial statements been audited by independent auditors, the non-consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Acer Incorporated as of June 30, 2007 and 2006, and the results of its operations and its cash flows for the six-month periods then ended, in conformity with the related financial accounting standards of the "Business Entity Accounting Act" and of the "Regulation on Business Entity Accounting Handling", and accounting principles generally accepted in the Republic of China.

Starting from January 1, 2007, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 38 "Non-current Assets Held for sale and Discountinued Operations". In addition, the Company adopted SFAS No.34 "Financial Instruments: Recognition and Measurement", SFAS No.36 "Financial Instruments: Disclosure and Presentation" and the newly amended SFAS No.1 "Conceptual Framework for Financial Accounting and Preparation of Financial Statements", and SFAS No. 5 "Long-term Investment under Equity Method" commencing from January 1, 2006. The effects of those accounting changes are discussed in note 3 to the non-consolidated financial statements.

We have reviewed the consolidated financial statements as of and for the six-month periods ended June 30 2007 and 2006 prepared by the Company. Based on our reviews, we express an unqualified review report with an explanatory paragraph related to a change in accounting principles on the consolidated financial statements.

KPMG Certified Public Accountants August 17, 2007

This document is an English translation of a report originally issued in Chinese. In the event of a conflict between the English translation and the original Chinese version, the Chinese language auditors' report shall prevail.

Non-Consolidated Balance Sheets June 30, 2007 and 2006

(Expressed in thousands of New Taiwan dollars)

Assets	2007.6.30 NT\$	2006.6.30 NT\$	Liabilities and Stockholders' Equity	2007.6.30 NT\$	2006.6.30 NT\$
Current assets:			Current liabilities:		
Cash and cash equivalents	23,522,654	15,417,423	Notes and accounts payable	44,671,359	24,035,126
Notes and accounts receivable, net of allowance for doubtful accounts of NT\$34,075			Notes and accounts payable to related parties	1,851,318	7,232,408
and NT\$49,485 as of June 30, 2007 and 2006, respectively	9,723,401	5,362,614	Other payables to related parties	1,135,622	1,385,420
Notes and accounts receivables from related parties	34,285,803	33,122,475	Financial liabilities at fair value through profit or loss—current	237,468	269,386
Other receivables from related parties	242,483	196,779	Hedging purpose derivative financial liabilities	39,381	33,212
Other receivables	1,107,907	848,870	Royalties payable	4,744,943	3,455,940
Financial assets at fair value through profit or loss—current	15,762	24,719	Accrued cash dividends, employees' bonuses and directors' and supervisors'		
Available-for-sale financial assets-current	3,976,603	5,195,064	remuneration	9,517,218	7,231,739
Hedging purpose derivative financial assets-current	6,584	6,393	Accrued expenses and other current liabilities	11,568,331	5,199,764
Inventories	16,930,987	5,413,946	Deferred inter-company profits	13,115	28,263
Deferred income tax assets-current	1,033,334	475,805	Total current liabilities	73,778,755	48,871,258
Noncurrent assets held for sale	1,237,153	-			
Prepaid expenses and other current assets	217,104	257,815	Long-term liabilities:		
Total current assets	<u>92,299,775</u>	<u>66,321,903</u>	Other liabilities	225,702	94,935
			Deferred income tax liabilities-noncurrent	2,579,308	1,727,807
Funds and investments:			Long-term equity investment credits	451,329	412,348
Long-term equity investments under equity method	44,595,697	38,619,850	Total long-term liabilities	3,256,339	2,235,090
Financial assets carried at cost-noncurrent	899,418	3,311,102	Total liabilities	77,035,094	51,106,348
Available-for-sale financial assets-noncurrent	1,539,164	2,623,578			
Total funds and investments	47,034,279	44,554,530	Stockholders' equity:	22 250 625	22 5 4 5 4 2 5
			Common stock	23,370,637	22,545,187
Property, plant and equipment:			Stock dividend to be distributed	684,267	825,450
Land	376,842	476,159	Capital surplus	29,855,419	29,911,909
Buildings and improvements	578,892	658,733	Retained earnings:	7 400 600	C 460 065
Machinery and computer equipment	427,271	536,622	Legal reserve	7,490,689	6,468,865
Transportation equipment	25,439	30,936	Special reserve	9 227 244	283,921
Office equipment	15,901	18,431	Unappropriated earnings	8,237,244 15,727,022	8,415,766
Other equipment	203,336	16,335	Total retained earnings	15,727,933	15,168,552
Leasehold improvement	26,053	26,053	Other steelshelders' equity components:		
Construction in progress and advance payments for purchases of property and	200 (24	265 214	Other stockholders' equity components: Foreign currency translation adjustment	1,986,905	532,862
equipment	399,624	365,314	Unrealized gain on available-for-sale financial assets	2,376,562	3,486,384
Lacer consumulated demonstration	2,053,358	2,128,583	Hedging reserve	(134,437)	(87,851)
Less: accumulated depreciation	(526,372)	<u>(680,287)</u>	Amounts recognized directly in equity relating to noncurrent assets held for sale	4,791	(87,831)
Net property, plant and equipment	1,526,986	1,448,296	Treasury stock	(3,270,920)	(3,270,920)
Intangible assets	409,077	282,114	Total stockholders' equity	· · · · · · · · · · · · · · · · · · ·	·
Property not used in operations	5,142,328	6,332,228	Tour brochhouces equity	70,601,157	69,111,573
Refundable deposits	350,775	406,230	Commitments and contingencies		
Noncurrent receivable	380,852	584,916	Communicates and contingencies		
Deferred expenses and other assets	492,179	287,704			
Deterred expenses and other assets	<u> </u>	201,104			
Total assets	147,636,251	120,217,921	Total liabilities and stockholders' equity	147,636,251	120,217,921

Non-Consolidated Statements of Income

For the six-month periods ended June 30, 2007 and 2006 (Expressed in thousands of New Taiwan dollars, except earnings per share data)

	<u>200</u> NT		<u>200</u> NT		
Revenues	133,202	2,981	100,374	4,248	
Sales return and allowances	(1,559		(1,739		
Net Revenue	131,643		98,634		
Cost of revenues	(126,72	7,732)	(94,711,912)		
Gross profit	4,91	5,381	3,922,732		
Changes in unrealized inter-company profits	1	<u>4,948</u>	2:	25,236	
Realized gross profit	4,930	0,329	3,94	7,968	
Operating expenses:					
Selling	(1,27)	2,544)	(1,231,091)		
Administrative	(82	2,463)	(91,216)		
Research and development	(50	0,638)	(51,758)		
Total operating expenses	(1,40)	5,64 <u>5</u>)	(1,374,065)		
Operating income	3,52	<u>4,684</u>	2,573	2,573,903	
Non-operating income and gains:					
Interest income	214	4,999	166,484		
Investment gain recognized by equity method	918	8,191	1,958,138		
Gain on disposal of assets, net		7,927	-		
Gain on disposal of investments, net	3,168	8,330	4,526,314		
Foreign exchange gain, net	-		484,378		
Financial assets revaluation gain	89.	3,005	-		
Other income	63,473		300,429		
	5,375,925		7,435,743		
Non-operating expenses and loss:					
Interest expense	(2'	7,197)	(91,959)		
Foreign exchange loss, net	(91.	3,601)	-		
Financial liabilities revaluation loss	-		(799,083)		
Assets impairment loss		-	(995,000)		
Other loss		<u>(39</u>)	(32,341)		
	(940,837)		(1,918,383)		
Income before income taxes		9,772	8,091,263		
Income tax expense		<u>4,619</u>)	<u>(988,734</u>)		
Net income	<u>7,645,153</u>		<u>7,102,529</u>		
Earnings per common share (in New Taiwan dollars):	Before income taxes NT\$	After income taxes NT\$	Before income taxes NT\$	After income taxes NT\$	
Basic earnings per common share	<u>3.37</u>	<u>3.23</u>	<u>3.42</u>	<u>3.01</u>	

Non-Consolidated Statements of Changes in Stockholders' Equity

For the six-month periods ended June 30, 2007 and 2006

(Expressed in thousands of New Taiwan dollars)

					Retained ea	rnings							
	Common stock	Stock dividend to be <u>distributed</u>	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Foreign currency translation adjustment	Unrealized loss on long-term equity investments	Unrealized gain on available-for- sale financial assets	Hedging reserve	Amounts recognized directly in equity relating to noncurrent assets held for sale	Treasury stock	Total stockholders' equity
	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$		NT\$	NT\$	NT\$	NT\$
Balance at January 1, 2006 Effect of adoption of Statement of Financial Accounting Standard No.34 "Accounting for Financial Instruments" starting from January 1, 2006.	22,545,187	-	30,552,133	5,621,115	2,017,819	8,484,278	(226,806)	(454) -	- 4,503,791	66,062	-	(3,270,920)	65,788,414 4,503,791
2006 net income	_	_	_	-	_	7,102,529	_	-	_	_	-	_	7,102,529
Change in fair values of financial instruments	_	-	_	-	_	-	759,668	-	-	_	_	_	759,668
Hedge revaluation loss	_	-	_	-	_	_	-	-	-	(153,913)	_		(153,913)
Appropriation approved by the stockholders:										(100,510)			(100,510)
Legal reserve				847,750		(847,750)							
Stock dividends and employees' bonuses in stock	-	825,450	-	047,730	-	(825,450)	-	-	-	-	-	-	-
Special reserve	-	623,430	-	-	(1,733,898)	1,733,898	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(1,733,696)	(6,763,556)	-	-	-	-	-	-	(6,763,556)
Directors' and supervisors' remuneration	-	-	-	-	-	(93,637)	-	-	-	-	-	-	(93,637)
Employees' bonuses in cash	-	-	-	-	-	(374,546)	-	-	-	-	-	-	(374,546)
Change in unrealized loss on long-term equity investments	-	-	-	-	-	(374,340)	-	454	-	-	-	-	(374,340) 454
Decrease in capital surplus resulting from long-term equity	-	-	-	-	-	-	-	434	-	-	-	-	434
investments accounted for by the equity method			(640,224)										(640,224)
Unrealized loss on available-for sale financial assets	-	-	(040,224)	-	-	-	-	-	(1,017,407)	-	-	-	(1,017,407)
Balance at June 30, 2006	22.545.187	825,450	29.911.909	6,468,865	283,921	8,415,766	522.962		3,486,384	(87,851)		$\frac{-}{(3,270,920)}$	<u>(1,017,407)</u> 69.111.573
		025,450					<u>532,862</u>						
Balance at January 1, 2007	23,370,637		29,947,020	6,468,865	283,921	11,531,479	1,335,500	-	4,374,388	(12,780)	-	(3,270,920)	74,028,110
2007 net income	-	-	-	-	-	7,645,153	-	-	-	-	-	-	7,645,153
Foreign currency translation adjustment	-	-	-	-	-	-	651,405	-	-	-	-	-	651,405
Change in fair values of financial instruments	-	-	-	-	-	-	-	-	-	(121,657)	-		(121,657)
Appropriation approved by the stockholders:													
Legal reserve	-	-	-	1,021,824	-	(1,021,824)	-	-	-	-	-	-	-
Stock dividends and employees' bonuses in stock	-	684,267	-	-	-	(684,267)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	(283,921)	283,921	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(8,997,695)	-	-	-	-	-	-	(8,997,695)
Directors' and supervisors' remuneration	-	-	-	-	-	(94,804)	-	-	-	-	-	-	(94,804)
Employees' bonuses in cash	-	-	-	-	-	(424,719)	-	-	-	-	-	-	(424,719)
Translation adjustment of noncurrent assets held for sale	-	-	-	-	-	-	-	-	-	-	4,791	-	4,791
Decrease in capital surplus resulting from long-term equity													
investments accounted for by the equity method	-	-	(91,601)	-	-	-	-	-	-	-	-	-	(91,601)
Unrealized loss on available-for sale financial assets									(1,997,826)				(1,997,826)
Balance at June 30, 2007	23,370,637	<u>684,267</u>	29,855,419	<u>7,490,689</u>		8,237,244	<u>1,986,905</u>		<u>2,376,562</u>	(134,437)	<u>4,791</u>	(3,270,920)	<u>70,601,157</u>

Non-Consolidated Statements of Cash Flows

For the six-month periods ended June 30, 2007 and 2006 (Expressed in thousands of New Taiwan dollars)

Relitation 7,645,153 7,102,529 Adjustments to reconcile net income to cash provided by (used in) operating activities: 7,645,153 7,102,529 Adjustments to reconcile net income to cash provided by (used in) operating activities: 89,115 89,115 Amortization (10,36,30) 85,498 Loss (gain) on disposal of insests, net (117,927) 652 Other expenses 2,150 - Gain on disposal of investments, net (3,768,432) (4,028,181) Method, net of cash dividends received 3,768,432 (4,028,181) Assets impairment loss 3,343 2,520,314 Realized forcing exchange gain on long-term investments (3,300) 108,489 Changes in operating assets and taibilities - 95,000 Realized forcing exchange gain on long-term investments (10,800,422) 1997,268 Other financial assets, prepaid expenses and other current assets (10,800,422) 1997,268 Recivables from related parties (10,800,422) 1997,268 Notes and accounts payable (30,533) (2,792,011) Net and accounts payable applications of the payable, accrued expenses		<u>2007</u> NT\$	<u>2006</u> NT\$
Notes and accounts perable parties 1,000,000,000,000,000,000,000,000,000,0	Cash flows from operating activities:	111ψ	111ψ
Page		7.645.153	7.102.529
Peperciation		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	.,,
Section 103,630 58,498 103,630 103,6		65.765	89.115
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	Change in unrealized gain on available-for-sale financial assets	<u>2,226,063</u>	<u>3,223,940</u>