Acer Incorporated Annual report

2010

WORLDWIDE PARTNER

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DISCLAIMER

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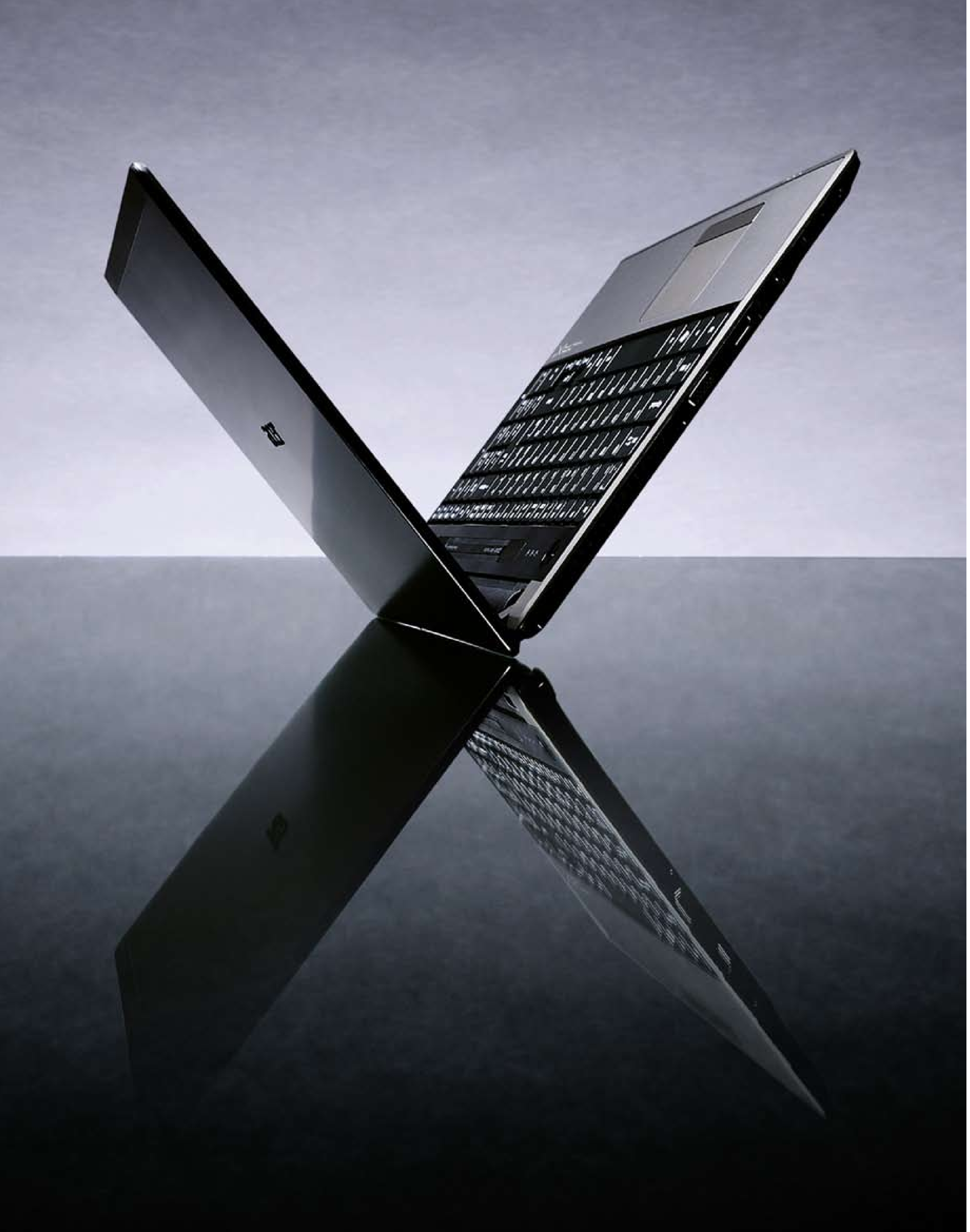

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01 Business Report

Business Report to Shareholders

Reflecting on our business performance in 2010, Acer Inc. achieved record highs in both consolidated revenues at NT$629.1B (US$19.9B), up 9.6% year-on-year (YOY), and operating income at NT$18.2B (US$ 575 M) with 18.7% YOY growth. Profit-after-tax (PAT) was NT$15.2B (US$478M) and earnings-per-share (EPS) was NT$5.71.

Acer's IT product shipments maintained stable growth in 2010. According to leading market research company, Gartner, Acer grew 14.3% in total PCs and 12.6% in notebooks YOY; both growth rates were higher than our major competitors.

Worldwide, Acer ranked No. 2 for both total PCs and notebook shipments. Regionally, Acer reigned the top position for notebooks in EMEA (Europe, Middle East and Africa), ranked No. 3 for total PCs in the USA, and continued our expansion among the emerging markets. In China, the integration of Founder's PC sales division and channel immediately expanded Acer's presence; in Q4 2010 Acer ranked No. 2 for total PCs and No. 3 for notebooks in China.

Looking ahead to 2011, Acer expects to maintain steady growth in the overall total PC market, with notebook products and emerging markets leading the way. As PCs become an indispensable commodity for everyday life, owning multiple PCs is quickly becoming a norm in households; hence, consumer PCs will play a key role. Another contributor shall come from the commercial market where our goal is to grow quickly and generate good returns, especially from the small and medium-size businesses by offering a full product line to meet the commercial market needs.

In view of rising consumer demand for IT applications, a new era of information communication technology (ICT) has dawned. The prevalence of new digital media and services is converging with the internet and influencing lifestyles. The PC industry landscape across the globe is changing according to new usage models, user requirements, form factors, and by the sharp rise in popularity of smartphones and tablet PCs. Similarly, acceptance of open operating systems is altering the environment. To conclude, the solution that offers quick access to internet, easy connection and media sharing, shall have a huge market potential to become the next hot-seller in the PC market.

Acer's key priorities in 2011 are to pursue for better operating income, enhance our position as a world-leading vendor of notebook PCs, further expand into key emerging markets, and boost our presence in the commercial PC space. Moreover, Acer aims to collaborate with more telcos in order to penetrate into the fast-growing smartphone market. In tablet PCs, we need to place solid footing in this space as soon as possible and become one of the leading players.

Additionally, we aim to expand market share among our regional operations and product lines, and aggressively develop new product innovations, focusing on helping users to easily enjoy the content and services available to them. We will continue pushing for higher efficiencies which, in turn, will lower operating expense and enhance our cost structure and overall competitiveness.

The new ICT market is expanding rapidly, bringing new competition as well as new prospects. Acer is preparing itself to seize the new business opportunity, and to create stable onward growth.

Finally, as a global citizen Acer shall fulfill its obligation to contribute towards corporate social responsibility and build a sustainable business. On behalf of Acer, I wish to thank each shareholder's long-term support and continuing guidance for a mutually winning future.

Sincerely,

J.T. Wang
Chairman & CEO

1.1 Acer's Core Values

Core Value	Rational Meaning	Emotional Meaning
Value-creating	· Generating profit for shareholders · Growing the business by achieving the challenging financial and strategic objectives · Leveraging our key assets: Brands, People, Customers and Channel	· Value for shareholders (good dividends and shares value) · Value for customers (good products, services, easy to do business) · Value for employees (good company, environment, opportunities)
Customer-centric	· Recognizing that customers are the essence of our business · Placing first priority on listening to and satisfying customer needs · Delivering first-class products and services	· Love and respect for our customers · Listen, learn and improve · Walk the talk (delivering on our promises)
Ethical	· Being a good corporate citizen by playing a role in social growth · Caring for the environment all across the business value chain · Building on trust and honesty internally and externally by respecting people, diversities and cultures	· Trust, respect and honesty · Care for the environment · An example to others
Caring	· Creating an attractive workplace and ensuring a proper work-life balance · Providing employees with development and professional growth opportunities · Fostering teamwork and collaboration	· Energetic and inspiring workplace · Growth potential · Teamwork
Innovative	· Challenging the way of doing things and adopting new ideas · Supporting continuous improvement in processes and products · Creating impact through original thinking	· Think big · Think smart · Think outside of the box (innovatively)
Fast	· Putting speed in execution at the heart of our operations · Being proactive in making decisions · Anticipating changes ahead of competition as key to success	· Think fast · Act quickly · Get there first
Effective	· Doing the right things right · Creating an empowered environment with clear responsibilities and targets · Recognizing the power of being simple and attentive to basics	· Clear objectives · Clear responsibilities · Keep it simple

Acer's Core Value

The challenge for all businesses is to be unique. Whether you're a customer, an employee or a shareholder, the only way any business will attract you is if it stands out from the crowd.

Being unique, however, isn't a quality you can simply switch on and off.

At Acer, we have built our reputation on creating value in every aspect of the company throughout our history. We create value for our:

- **customers** by offering a continuous stream of innovative and empowering solutions that anticipate and satisfy their needs.
- **investors** by consistently providing positive returns year after year.
- **employees**, allowing us to realize our full potential and achieve our goals.
- **business partners** with win-win solutions with our vendors and our valuable channel partners.

Creating value through brand recognition is the way forward rather than competitive pricing. There's no other way to win tomorrow's business than to believe in the power of our brands right now.

To be a successful global brand company, it is critical that employees have a consistent set of core values as a solid basis. The defined core values will bring to the Company both short-term benefits and long-term advantages.

The approaches that we must base our actions: Value-creating, Customer-centric, Ethical and Caring.
The way we must act: Innovative, Fast and Effective.

We encourage all employees to understand, practice and emphasize the core values in our respective roles.

1.2 2010 Operating Report

1.2.1 Consolidated Operating Results

Unit: NT$ Thousand

Item \ Period	Most Recent 5-Year Financial Information				
	2006	2007	2008	2009	2010
Operating revenue	350,816,353	462,066,080	546,274,115	573,982,544	629,058,973
Gross profit	38,171,313	47,418,310	57,285,660	58,327,860	64,481,268
Operating (loss) income	7,462,446	10,185,123	14,072,302	15,339,466	18,203,913
Non-operating income and gain	9,266,120	6,699,671	5,353,038	1,719,037	4,321,397
Non-operating expense and loss	3,180,259	1,776,157	4,618,613	2,075,520	3,195,923
Continuing operating income before tax	13,548,307	15,108,637	14,806,728	14,982,983	19,329,387
Income(loss) from discontinued segment	0	517,866	99,843	0	0
Extraordiniary items	0	0	0	0	0
Cumulative effect of changes in accounting principle	0	0	0	0	0
Income after income taxes	10,218,242	12,958,933	11,742,135	11,353,374	15,117,997
EPS	4.16	5.27	4.67	4.31	5.71

1.2.2 Budget Expenditure in 2010

Not applicable.

1.2.3 Financial Income and Earning Abilities

Unit: NT$ Thousand

Item		2010
Financial Income	Operating revenue	629,058,973
	Gross profit	64,481,268
	Income after tax	15,117,997
Earning Abilities	Return on assets(%)	5.59
	Return on equity(%)	16.17
	Net income ratio (%)	2.40
	EPS (NTD)	5.71

1.3 2011 Business Plan

1.3.1 Business Direction

A. The personal computer continues to be our core business.
B. Aggressively yet cautiously develop tablet PCs, with sufficient resource allocation.
C. Develop an effective winning strategy for smartphone.
D. Enhance commercial PC marketing and sales.
E. Significantly expand into key emerging markets.

1.3.2 Goals

A. Pursue for better operating income.
B. Enhance our position as a world-leading notebook PC vendor.
C. Enter the tablet PC space and quickly build up market share.
D. Make significant progress in the smartphone business.

1.3.3 Partner Strategy

A. Reinforce our cooperation with first-tier suppliers and channel partners.
B. Fully capitalize on partners' resources.
C. Share the success by rewarding our partners.

1.3.4 Future Strategy

A. Achieve a better balance of revenues from regional operations and product lines.
B. Enhance company speed, efficiency, product quality, while lowering operating expense ratio.
C. Create value for customers and enhance our brand positioning.
D. Ride on the ICT wave and seize the business opportunity; create a new competitive momentum.
E. Strengthen our innovation on mobile devices, by enabling users to enjoy digital contents and services with ease.

1.3.5 Impact on Company Due to Competition, Governmental Regulations and Overall Macro Market

A. The rise of tablet PCs and open operating systems has brought about a profound change on the global ICT industry.
B. The demand for mobile devices that offer easy access to internet shall impact on consumer notebook growth.
C. Year 2011 shall bring many challenges and also opportunities.

02 Company in General

2.1 Brief Account of the Company

2.1.1 Founded: August 1, 1976

1976 – 1986	Commercialized microprocessor technology
1987 – 2000	Created the Acer brand name and went global
2001 – 2007	Transformed from manufacturing to a marketing and sales company
2008 – beyond	Enhancing worldwide presence with a new multi-brand strategy

1976 • Acer was founded under the name *Multitech*, focusing on trade and product design.

1978 • Established the Microprocessor Training Centre, training 3,000 engineers for Taiwan's information industry.

1979 • Designed Taiwan's first mass-produced computer for export.

1981 • Acer manufacturing operations were established in the Hsinchu Science-based Industrial Park, Taiwan.
• MicroProfessor-I debuted as Acer's first branded product.

1982 • MicroProfessor-II was unveiled as Taiwan's first 8-bit home computer.

1983 • First company to promote 16-bit PC products in Taiwan.

1984 • Acer Peripherals, Inc. (now BenQ Corp.) and Multiventure Investments, Inc. were established.

1985 • AcerLand, Taiwan's first and largest franchised computer retail chain was founded.

1986 • Beat IBM with 32-bit PCs.

1987 • The Acer name was created.

1988 • Acer Inc. launched IPO.

1989 • TI-Acer DRAM joint venture with Texas Instruments was formed.

1991 • Introduced ChipUp™ technology – world's first 386-to-486 single-chip CPU upgrade solution.

1992 • Created the world's first 386SX-33 chipset.
• Stan Shih introduced the Smiling Curve concept.

1993 • Developed a 64-bit performance-enhanced I/O and CPU architecture to link MIPS RISC CPUs with Microsoft® Windows®NT.

1994 • Introduced the world's first dual Intel® Pentium® PC.

1995 • The popular Aspire multimedia PC brought Acer closer to the consumer electronics market.

1996 • Announced its commitment to providing fresh technology to be enjoyed by everyone, everywhere.

1998 • As official IT Sponsor of the 13th Asian Games in Bangkok, Acer introduced the world's first PC-based management system for a major international sporting event.

1999 • Aspire Academy was set up in Aspire Park to help managers of Asian firms and MNCs with offices in Asia to improve their organizational and leadership effectiveness.

2000 • As part of Acer's latest re-engineering, Acer split off its OEM business unit to create Wistron Corp., an independent design and IT manufacturing company.

2001 • Adopted a new corporate identity to reflect the company's commitment to enhancing people's lives through technology.

2002 • The Product Value Labs were inaugurated to enhance Acer's customer-centric focus, and integrated technologies that add value to customers' lives.
• TravelMate C100 was the first convertible Tablet PC available in the worldwide market.

2004 • Launched a new Folio design for notebooks, featuring pure functional simplicity, smooth curves and subtle elegance.
• BusinessWeek selected Stan Shih as one of the "25 Stars of Asia."
• Acer Founder Stan Shih retired from the Group.

2005 • J.T. Wang assumed the position of Chairman and Chief Executive Officer, while Gianfranco Lanci stepped into the role of President of Acer Inc.
• Launched Ferrari 4000, the first carbon-fiber notebook available in the worldwide market.
• A series of Empowering Technology products were unveiled.
• Became the worldwide No. 4 vendor for Total PCs and notebooks.
• Became the No. 1 brand in EMEA and Western Europe for notebooks.

2006 • First-to-market with a full line of Intel® Centrino® Duo mobile technology notebooks.
• Became a Sponsor of Scuderia Ferrari.
• Celebrated its 30th anniversary.
• Acer AT3705-MGW LCD TV became the world's first digital TV to pass Intel® Viiv™ technology verification.
• Became the No. 3 notebook and No. 4 desktop brand worldwide.

2007 • Acer readies for Windows Vista™ with full range of Vista-certified LCD monitors.
• Set the trend in product design with new Aspire Gemstone-design consumer notebooks.
• Completed the merger of Gateway, Inc.
• Announced its joining as an Olympic Worldwide Partner for the Winter Olympics in Vancouver 2010 and Summer Olympics in London 2012.
• Became the No. 2 notebook and No. 3 desktop PC vendor worldwide.

2008 • Announced the acquisition of E-ten and plan to enter the smart handheld market.
• Launched the new Aspire Gemstone Blue notebooks, the first to feature full HD widescreen 18.4" and 16" LCDs, Blue-Ray Disc™ drive, and latest generation Dolby® Surround sound.
• Aspire One was launched as Acer's first mobile internet device, and won the Japan Good Design award for quality design.
• Ranked No. 3 for Total PCs and No. 2 for notebooks worldwide.

2009 • Launched the Aspire Timeline notebooks – thin and light with all-day battery life.
• BusinessWeek named Acer among the "10 Hottest Tech Company of 2009."
• Voted Reader's Digest gold-medal Computer TrustedBrand in Asia for the 11th consecutive year.
• Announced its first netbook based on the Android operating system.
• Taiwan's Ministry of Economic Affairs presented Gianfranco Lanci with an Economic Medal for outstanding leadership, and building the Acer brand name worldwide.
• Launched the high-end and stylish Liquid smartphones.
• Became the world No. 2 company in Total PCs.

2010 • Launched the green Aspire Timeline notebook - free from PVC and BFR materials
• Provided and managed computing facilities to ensure the smooth running of sports events at the Vancouver 2010 Olympic Winter Games.
• Chairman J.T. Wang named in TIME magazine's annual list of 100 most influential people in the world.
• Acer launched clear.fi, a new entertainment experience allowing real-time sharing and playing of multi-format content over multi-platform devices.
• Integrated Founder Tech's PC sales team and channels in the China market.
• Successfully issued US$500 million in convertible bonds.
• Announced expansion to Chongqing in western China, creating a new global IT manufacturing center and Acer's second China base.
• Hosted the third annual CSR Forum with the ultimate goal of building a sustainable supply chain.

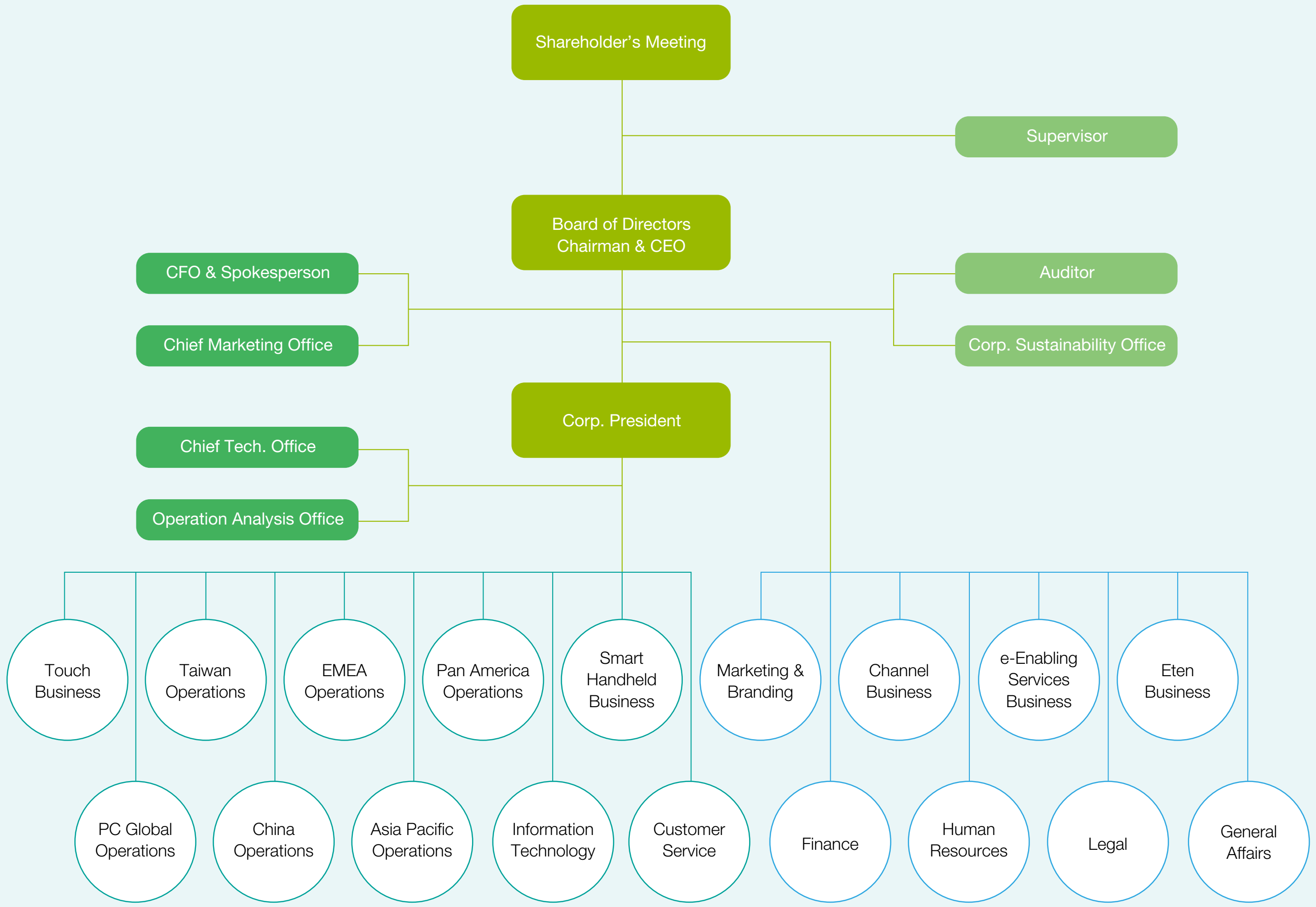
2011 • Emmanuel Fromont was appointed as the president of Acer Pan America Operations.
• ICONIA – Acer's dual-screen, multi-touch tablet won the "Last Gadget Standing" competition at Consumer Electronics Show in Las Vegas.
• Acer tablet PCs entered markets.
• CEO and President Gianfranco Lanci resigned and Chairman Wang resumed dual position as company CEO.
• Jim Wong, former corporate senior VP and president of IT Products Group was appointed corporate president.

03 Corporate Governance Principles

3.1 Organization of the Company

3.1.1 Department Functions

Acer Organization Chart



Corporate Functions

Auditor
- Evaluation, planning and improvement of Acer's internal operations

Corp. Sustainability Office
- Strategic planning and management in corporate sustainability, with the aim of fulfilling corporate social responsibilities.

CFO & Spokesperson
- Managing long-term finance, investments and corporate spokesperson

Chief Marketing Office
- Managing global brand positioning and marketing strategies

Chief Tech. Office
- Managing long and mid-term technology development planning, technology integration and collaboration

Operation Analysis Office
- Planning, analysis and improvement of business model and business management

Touch Business
- Product development, supply chain management, sales, after service of Acer's smart handheld and tablet PC business

Taiwan Operations
- Sales, marketing and after-sales service of Acer's multi-branded IT products in Taiwan

EMEA Operations
- Sales, marketing and after-sales service of Acer's multi-branded IT products in Europe, Middle East and Africa

Pan America Operations
- Sales, marketing and after-sales service of Acer's multi-branded IT products in Pan America

Smart Handheld Business
- Global marketing and business development of smart handheld business

PC Global Operations
- Product development and supply chain management of Acer's multi-branded PC products and services

China Operations
- Sales, marketing and after-sales service of Acer's multi-branded IT products in China

Asia Pacific Operations
- Sales, marketing and after-sales service of Acer's multi-branded IT products in Asia Pacific

Information Technology
- Corporate information infrastructure and information systems management

Customer Service
- Global services strategy and global service center management

Marketing & Branding
- Corporate brand management, consolidation and implementation of global marketing strategies

Channel Business
- Channel distribution of non-Acer branded 3C products in Taiwan

e-Enabling Services Business
- ICT solutions and services provider, including information security management, mobility applications, software systems development, systems integration, system operation services, value-added business solutions, and Internet data center services

Eten Business
- Development, sales, marketing and customer service of Finance PDA products

Finance
- Corporate finance, investment, treasury, credit and risk control and accounting services management

Human Resources
- Human resources and organizational strategy

Legal
- Corporate and legal affairs, intellectual property

General Affairs
- General affairs, transportation service, office facilities management

3.2 Information Regarding Board of Directors, Supervisors and Key Managers

(1) Board of Directors and Supervisors (April 17, 2011)

Title	Name	Date of Election	Term	Shares Held When Elected		Shares Held at Present		Shares Held by Spouse & Minors		Education	Current Position(s) in Other Companies	Spouse or Immediate Family Holding Managerial Position		
				Number	Percentage	Number	Percentage	Number	Percentage			Title	Name	Relationship
Chairman	J.T. Wang	06/13/2008	3	10,806,070	0.45	15,142,159	0.56	206,771	0.01	Bachelor	(Note)	-	-	-
Director	Stan Shih	06/13/2008	3	72,927,824	3.03	74,806,719	2.77	17,707,377	0.65	Master	• Director of Qisda Corp. • Director of Wistron Corp. • Independent director of TSMC Co, Ltd. • Director of Dragon Investment Co., Ltd. • Director of Acer SoftCapital	Supervisor	Carolyn Yeh	Wife
Director	Gianfranco Lanci	06/13/2008	3	406,925	0.02	461,661	0.02	0	0	Bachelor	(Note)	-	-	-
Director	Walter Deppeler	06/13/2008	3	0	0	0	0	0	0	Master	(Note)	-	-	-
Director	Hsin-I Lin	06/13/2008	3	0	0	0	0	0	0	Master	• Director of Yulon Motor Co, Ltd. • Director of China Motor Corp. Co • Independent director of E.Sun Financial Holdings Co Ltd. • Independent director of Sinyi Realty Inc.	-	-	-
Director	Smart Capital Corp.	06/13/2008	3	10,974	0.00	11,260	0.00	0	0	-	-	-	-	-
Legal Representative of Director	Philip Peng (Representative of Smart Capital Corp.)	06/13/2008	3	1,055,834	0.04	1,003,469	0.04	258,007	0.01	Master	• Director of Wistron Corp. • Director of iDSoftCapital Inc. • Supervisor of Dragon Investment Co., Ltd. • Others (Note)	-	-	-
Director	Hung Rouan Investment Corp.	06/13/2008	3	66,069,816	2.75	67,799,202	2.51	0	0	-	-	-	-	-
Supervisor	George Huang	06/13/2008	3	6,102,022	0.25	6,261,844	0.23	1,386,315	0.05	Bachelor	• Supervisor of Apacer Technology Inc. • Supervisor of Les Enphants Co., Ltd. • Supervisor of Motech Industries Inc • Independent director of PChome Online Inc • Director of China Productivity Center • Independent director of Golden Harvest Corp. • Independent director of Bio Net Corp. • Independent spervisor of InterServ International Inc.	-	-	-
Supervisor	Carolyn Yeh	06/13/2008	3	17,255,708	0.72	17,707,377	0.65	74,806,719	2.77	Bachelor	• Chairman of iDSoftCapital Inc. • Others (Note)	Director	Stan Shih	Husband

Note: Appointed by Company to be Director and/or President of certain subsidiaries.

Major Institutional Shareholders (April 17, 2011)

Name	Name of Major Shareholders	Percentage of Shares
Smart Capital Corp.	Philip Peng	66.67%
	Jill Ho	33.33%
Hung Rouan Investment Corp.	Carolyn Yeh	20.13%
	Shih Hsuen Rouan Charity Foundation	1.60%
	Shih Hsuen Rouan	17.25%
	Shih Hsuen Huei	26.09%
	Shih Hsuen Lin	17.16%
	Shih Fang Cheng	8.93%
	Yeh Ting Yu	8.84%

(2) Key Managers (April 17, 2011)

Title	Name	Date of Accession	Shares Held Directly		Shares Held by Spouse & Minors		Shares Held by the Other's		Education	Current Position(s) in Other Companies	Spouse or Immediate Family Holding Position as President or Vice President		
			Number	Percentage	Number	Percentage	Number	Percentage			Title	Name	Relationship
Chairman and CEO	J.T. Wang	04/20/2011	15,142,159	0.56	206,771	0.01	0	0	Bachelor	(Note3)	-	-	-
Corp. President	Jim Wong	04/20/2011	4,301,026	0.16	0	0	0	0	Master	(Note3)	-	-	-
CEO of Acer Inc. & Corp. President (Note1)	Gianfranco Lanci	01/01/2005	461,661	0.02	0	0	0	0	Bachelor	(Note3)	-	-	-
Sr. Corp. VP & EMEA President	Walter Deppeler	04/01/2011	0	0	0	0	0	0	Bachelor	(Note3)	-	-	-
Sr. Corp. VP & SHBG President	Aymar de Lencqueaing	01/01/2009	0	0	0	0	0	0	Bachelor	(Note3)	-	-	-
Corp. VP & PA President (Note1)	Rudi Schmidleithner	09/29/2007	0	0	0	0	0	0	Bachelor	-	-	-	-
Corp. VP & PA President (Note2)	Emmanuel Fromont	01/01/2011	0	0	0	0	0	0	Bachelor	(Note3)	-	-	-
Corp. VP & AP President	Steve Lin	11/01/2001	2,080,822	0.08	0	0	0	0	Bachelor	-	-	-	-
Corp. VP & ACCN President	Oliver Ahrens	04/01/2009	0	0	0	0	0	0	Bachelor	(Note3)	-	-	-
Corp. VP, Marketing & Branding	Gianpiero Morbello	05/01/2008	0	0	0	0	0	0	Bachelor	(Note3)	-	-	-
Corp. VP & Taiwan Operations President	Scott Lin	11/01/2001	1,155,001	0.04	7,593	0.00	0	0	Bachelor	(Note3)	-	-	-
Corp. VP & Channel BG President	James Chiang	01/01/2003	1,207,457	0.04	5,168	0.00	0	0	Bachelor	(Note3)	-	-	-
Corp. VP & Touch BG Deputy President	Simon Hwang	04/20/2011	5,588,107	0.21	3,437,866	0.13	0	0	Bachelor	(Note3)	-	-	-
e-Enabling Services BG President	Ben Wan	05/16/2002	26,000	0.00	0	0	0	0	Master	(Note3)	-	-	-
CFO	CheMin Tu	12/01/2009	210,829	0.01	0	0	0	0	Master	(Note3)	-	-	-
PC Global Operations President	Campbell Kan	04/20/2011	487,876	0.02	43,824	0.00	0	0	Master	-	-	-	-
Chief Technology Officer, VP	Jackson Lin	04/20/2011	383,083	0.01	7,329	0.00	0	0	Master	-	-	-	-
VP	Wayne Ma	11/01/2008	942,077	0.03	777,094	0.03	0	0	Bachelor	-	-	-	-

Title	Name	Date of Accession	Shares Held Directly		Shares Held by Spouse & Minors		Shares Held by the Other's		Education	Current Position(s) in Other Companies	Spouse or Immediate Family Holding Position as President or Vice President		
			Number	Percentage	Number	Percentage	Number	Percentage			Title	Name	Relationship
VP	Peter Shieh	11/01/2001	507,737	0.02	78,387	0.00	0	0	Bachelor	-	-	-	-
VP	Jafa Lin	07/01/1996	181,228	0.01	0	0	0	0	Bachelor	-	-	-	-
VP	Angelina Hwang	09/01/2002	106,289	0.00	8,987	0.00	0	0	Bachelor	-	-	-	-
VP	Michael Wang	11/01/2008	7,261	0.00	0	0	0	0	Bachelor	-	-	-	-
Director and Branch Office Head of Taiwan Operation	PH Wu	01/12/2006	20,457	0.00	0	0	0	0	Bachelor	-	-	-	-
Director and Branch Office Head of Taiwan Operation	TC Yang	01/12/2006	107,561	0.00	0	0	0	0	Bachelor	-	-	-	-
Director and Branch Office Head of Taiwan Operation	YS Shiau	01/12/2006	272,358	0.01	0	0	0	0	Bachelor	-	-	-	-

Note 1. Rudi Schmidleithner resigned on 2010.12.31
Gianfranco Lanci resigned on 2011.04.01
Note 2. Emmanuel Fromont assumed position on 2011.01.01
Note 3. Appointed by Company to be Director and/or President of certain subsidiaries.

3.3 Corporate Governance Status

3.3.1 Meetings Held by the Board of Directors

The Board of Directors held ten meetings. The record of their attendances is shown below:

Title	Name	No. of Meetings Attended	No. of Meetings Attended by Proxy	Meeting Attendance Rate (%)	Note
Chairman	J.T. Wang	10	0	100%	
Director	Stan Shih	9	1	90%	
Director	Gianfranco Lanci	10	0	100%	
Director	Walter Deppeler	6	0	60%	
Director	Hsin-I Lin	6	4	60%	
Director	Philip Peng (Representative of Smart Capital Corp.)	10	0	100%	
Director	Hung Rouan Investment Corp.	10	0	100%	

3.3.2 Operational Situation of the Audit Committee: Not applicable.

3.3.3 Supervisor's Participation of Meetings Held by the Board

The Board of Directors held ten meetings. The record of the supervisors' attendances is shown below:

Title	Name	No. of Meetings Attended	Meeting Attendance Rate (%)	Note
Supervisor	George Huang	8	80%	
Supervisor	Carolyn Yeh	9	90%	

3.3.4 Enforcement of Corporate Governance Implemented by the Company and Reasons for Discrepancy

Items	Enforcement Status	Discrepancy between the corporate governance principles implemented by the Company and the Principles, and the reason for the discrepancy
A. The ownership structure and shareholders' rights		
a. The handling of the shareholders' proposals and disputes	The Company has designated the Office of Shareholders' Affairs to handle the shareholders' proposals and disputes.	No discrepancy
b. Information held on the identities of major shareholders and their ultimate controlling persons	The Company holds information on the identities of major shareholders and their ultimate controlling persons.	No discrepancy
c. The establishment of risk control mechanism and firewalls with affiliates	The Company has established the appropriate risk control mechanism and firewalls according to internal rules such as rules of supervision over subsidiaries, rules governing endorsement and guarantee, and the rules governing acquisitions and dispositions of assets etc.	No discrepancy
B. The composition and duties of Board of Directors		
a. The election of independent directors	Acer's Articles of Incorporation has been amended to elect two independent directors which should be followed in the Board elections in 2011.	No discrepancy.

Items	Enforcement Status	Discrepancy between the corporate governance principles implemented by the Company and the Principles, and the reason for the discrepancy
b. The regular evaluation of the independence of CPA	The evaluation of the CPA is one of the main duties of the Financial Statement and Internal Control Review Committee	No discrepancy
C. The establishment of communication channels with stakeholders	The Company has established the appropriate communication channels with suppliers, buyers, banks, investors and other stakeholders.	No discrepancy
D. The disclosure of information		
a. The utilization of website to disclose the information on finance, operations and corporate governance	The Company has set up a website containing the information regarding its finance and operations. The Company also discloses the enforcement of corporate governance in the shareholders' meeting and other institutional investor meetings.	No discrepancy
b. Others means of disclosing information	The Company has one chief speaker, one acting speakers and designated team to be responsible for gathering and disclosing the information.	No discrepancy
E. The establishment and enforcement of Nomination and Compensation Committee or any other Functional Committees	The Company has established Remuneration Committee, comprising of Chairman and non-executive Directors, responsible for the performance assessment and compensation of CEO, the performance assessment of the executive team, the compensation and bonus of employees etc. Following the enactment of "Regulations Governing the Establishment of and Exercise of Powers by Remuneration Committee" by Financial Supervisory Commission on 18th March 2011, the Company will adjust the establishment of Remuneration Committee in accordance with these newest Regulations.	No discrepancy
F. If the Company has implemented the corporate governance principles according to TSE Corporate Governance Best-Practice Principles, please identify the discrepancy between your principles and their implementation: Not applicable.		
G. Other important information that may facilitate better understanding of the status of corporate governance (e.g. human rights, employee rights, investors relationships, supplier relationships, interested parties' rights, D&O liabilities insurance, etc.): · The Company has actively participated in community or charitable activities, the details please refer to "6. Corporate Social Responsibility." · The Company has set up an exclusive web site for the new labor pension system containing information for employees regarding the laws and regulations, and to offer assistance. · In additional to the training courses required by authorities, the Company also held related training courses for members of the Board. · The Company has clearly set forth in the rules for the proceedings of Board meetings, that a director shall voluntarily abstain from voting on a proposal involved with his/her own interests. · The Chairman of the Company does not act as the President, and both of them are not spouses or relatives within one degree of kinship. · The Company has purchased liability insurance for directors and officers.		

3.3.5 The Establishment and Enforcement of Compensation Committee

The Company has established Remuneration Committee, comprising of Chairman and non-executive Directors, responsible for the performance assessment and compensation of CEO, the performance assessment of the executive team, the compensation and bonus of employees etc. Following the enactment of "Regulations Governing the Establishment of and Exercise of Powers by Remuneration Committee" by Financial Supervisory Commission on 18th March 2011, the Company will adjust the establishment of Remuneration Committee in accordance with these newest Regulations.

3.3.6 Status and Measures of Ethical Practice

As good corporate citizens Acer Group respect human rights, local communities and compliance with laws, environment, ethics, safety standards, regulations and social norms. Based on our core values of "Serve with honor and work with pride", we have formulated a Standards of Business Conduct (SBC) document to guide us on how we interact with each other, our customers, our business partners, our shareholders and the communities where the Acer Group does business. This is done every day in every decision and every action by each one of us. We continue to build on our reputation for trust, integrity and honesty, both internally and externally, by appreciating people, their diversities and cultures.
You are welcome to visit Acer Group website (www.acer-group.com) for the details of our "Standards of Business Conduct."

3.3.7 Statement of Personnel Having Licenses Associated with Financial Information Transparency from Competent Authorities

Name of Licenses	Numbers	
	Internal Auditor	Financial Officer
Certified Public Accountants (CPA)	0	1
Certified Internal Auditor (CIA)	1	3
BS7799/ISO 27001 Lead Auditor	1	0
Certificated Business Valuator	0	1

3.3.8 Statement of Internal Control System

Date: March 28, 2011

Based on the findings of a self-assessment, Acer Incorporated (hereinafter, the "Company") states the following with regard to its internal control system during year 2010:

1. The Company is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and managers. The Company has established such a system aimed at providing reasonable assurance regarding the achievement of objectives in the following categories: (1) effectiveness and efficiency of operations (including profitability, performance, and safe-guarding of assets), (2) reliability of financial reporting, and (3) compliance with applicable laws and regulations.

2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three objectives mentioned above. Moreover, the effectiveness of an internal control system may be subject to changes of environment or circumstances. Nevertheless, the internal control system of the Company contains self-monitoring mechanisms, and the Company promptly takes corrective actions whenever a deficiency is identified.

3. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" promulgated by the Securities and Futures Bureau of the Financial Supervisory Commission (hereinafter, the "Regulations"). The criteria adopted by the Regulations identify five constituent elements of internal control based on the process of management control: (1) control environment, (2) risk assessment and response, (3) control activities, (4) information and communication, and (5) monitoring. Each constituent element further contains several items. Please refer to the Regulations for details.

4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.

5. Based on the findings of the evaluation mentioned in the preceding paragraph, the Company believes that, as of December 31, 2010, its internal control system (including its supervision of subsidiaries), as well as its internal controls to monitor the achievement of its objectives concerning operational effectiveness and efficiency, reliability of financial reporting, and compliance with applicable laws and regulations, were effective in design and operation, and reasonably assured the achievement of the achievement of the above-stated objectives.

6. This Statement will be an essential content of the Company's Annual Report for the year 2010 and Prospectus, and will be publicly disclosed. Any false-hood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchanged Act.

7. This Statement has been passed by the Board of Directors in their meeting held on March 28, 2011, with 0 of the 7 attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Acer Incorporated

Chairman of the Board of Directors   CEO of Acer Inc. & Corp. President

3.3.9 Resolutions of the Board of Directors' Meeting and the General Shareholders' Meeting

Resolutions of the Board of Directors' Meeting

Date	Meeting	Major Resolutions
March 31, 2010	First 2010 BOD Meeting	I. The FY2009 financial statements and business report II. Amendments to "Acer's Articles of Incorporation" III. The agenda and logistics of 2010 general shareholder's meeting IV. The appointment of the auditors of Acer Incorporated V. Acer's Statement of Internal Control System for 2009 VI. To decide the effective date of the newly issued shares for the execution of E-ten employee stock option.
April 29, 2010	Second 2010 BOD Meeting	I. The first quarter of FY2010 non-consolidated and consolidated financial statements reviewed by auditors II. The proposal for distribution of FY2009 retained earnings III. The new issuance of common shares through capital increases IV. To approve amendments to Acer's "Procedures Governing Lending of Capital to Others" V. To approve amendments to Acer's "Procedures Governing Endorsement and Guarantee" VI. To approve issuance of discounted employee stock options and "Acer Incorporated 2010 Discounted Employee Stock Option Plan" (ESOP) VII. To amend the convene issue of the company's 2010 general shareholder's meeting VIII. To approve selling common stock of Wistron Corporation up to 35,000,000 shares
May 27, 2010	First 2010 Special BOD Meeting	I. To approve MOU between Acer and Founder Group Ltd. for cooperation
May 31, 2010	Second 2010 Special BOD Meeting	I. To approve the year 2010 First Issuance of Unsecured Overseas Convertible Corporate Bonds II. To approve the year 2010 Second Issuance of Unsecured Overseas Convertible Corporate Bonds
June 18, 2010	Third 2010 Special BOD Meeting	I. To approve the dividend record date
August 4, 2010	Fourth 2010 Special BOD Meeting	I. To accept the public tender offer made by Yuan Cing Infocomm. Tech Co., Ltd.("Yuan Cing" hereafter) to acquire the common shares of New Century Infocomm Tech Co., Ltd. II. To approve the Founder Branded PC Business and competent agreements among Acer Inc., it's subsidiaries and PKU Founder Group Ltd., Founder Technology Group Corp. and their subsidiaries.
August 31, 2010	Third 2010 BOD Meeting	I. The first half of FY2010 financial statements II. To approve capital injection for setting up Acer Information Technology R&D (Shanghai) Co., Ltd through Acer Greater China (B.V.I.) Corp. III. To approve capital injection for Acer Information Technology R&D (Shanghai) Co., Ltd through Acer Greater China (B.V.I.) Corp. To support future business growth and finance structure; It is also proposed to authorize the chairman and president with full power to decide and approve the future capital injection for ARD subject to its future business and financial requirement IV. To approve the divestment of E-ten unused real estate V. To approve the purchase of parking spaces located in B3F, Hsi –Chih building D. VI. To decide the effective date of the newly issued shares for the execution E-ten employee stock option

Date	Meeting	Major Resolutions
October 29, 2010	Fourth 2010 BOD Meeting	I. The third quarter of FY2010 financial statements II. To decide the effective date of the newly issued shares for the execution of E-ten employee stock option III. To approve Acer's 2011 Annual Audit Plan IV. To confirm and approve the Chairman of Acer Inc. on behalf of the company to sign the competent legal documents for the transaction with the financial institutions V. To approve the change of the registered address of the company VI. To approve the year 2010 first issuance of employee stock option
November 22, 2010	Fifth 2010 Special BOD Meeting	I. It is proposed directly or indirectly to establish and invest Acer (Chong Qing), Ltd. ("ACCQ") in mainland china, as of the basis of Acer's second China base and creating new global IT manufacturing center. II. It is proposed adding Acer (Chong Qing), Ltd. ("ACCQ") as one of the parties under the project contracts, changing and adapting ACCQ to the main implement party among the cooperation with Founder.
December 13, 2010	Sixth 2010 Special BOD Meeting	I. It is proposed to adjust the restructure project of Acer EMEA operations for EMEA business and financial requirements. II. To approve release of Mr. Rudi Schmidleithner from Acer management team III. To appoint Mr. Emmanuel Fromont as the president of Pan America Operations, and to endow him with the title of Corp. VP IV. To proposed to dispose of the E-ten building at Nei-hu District V. To proposed the "Rules on Management and Authorization of Patent Transactions VI. To decide the effective date of the newly issued shares for the execution of Acer and E-ten employee stock option
March 28, 2011	First 2011 BOD Meeting	I. To Approve the FY2010 financial statements and business report II. To approve the agenda and logistics of 2011 general shareholder's meeting III. Election of directors and supervisors IV. To nominate the roster of independent director candidates V. To release the non-competition restriction of Acer's board of directors VI. To approve Acer's Statement of Internal Control System for 2010 VII. To approve the appointment of the auditors of Acer incorporated VIII. To set up overseas subsidiaries IX. To decide the effective date of the new issued shares for the execution of Acer and E-ten employee stock option
March 31, 2011	First 2011 Special BOD Meeting	I. To remove Mr. Gianfranco Lanci from Acer management team II. To endow Chairman J.T. Wang with the title of Acer Inc. CEO president concurrently III. To appoint Mr. Walter Deppeler with the Sr. Corp. VP& president of EMEA operations IV. To approve proposal to repurchase the company's shares as treasury stock in order to maintain the company's credit and shareholders equity
April 19, 2011	Second 2011 Special BOD Meeting	I. To approve the new organization and personnel adjustment
April 27, 2011	Second 2011 BOD Meeting	I. The first quarter of FY2011 financial statements II. To approve revises the 2011 business report III. The proposal for distribution of FY2010 retained earnings IV. To approve amendments the agenda and logistics of 2011 general shareholder's meeting V. To approve amendments of the 100 annual employee bonus adjustment VI. To decide the effective date of the newly issued shares for the execution of Acer employee stock option. VII. To approve the investment of Acer's subsidiary.

Implementation of Resolutions in 2010 General Shareholders' Meeting

Major Resolutions	Implementation
1. To accept 2009 Financial Statements and Business Report	The shareholder meeting resolution passes according to the document
2. To approve the Proposal for distribution of 2009 profits	Distributed stock and cash dividends to the shareholders on August 20, 2010
3. To approve the capitalization of 2009	Has handled the capital e's registration to the ministry of economic affairs
4. To approve the amendments to Acer's Articles of Incorporation	The shareholder meeting resolution passes according to the document
5. To approve amendments to Acer's "Procedures Governing Lending of Capital to Others"	The shareholder meeting resolution passes according to the document
6. To approve amendments to Acer's "Procedures Governing Endorsement and Guarantee"	The shareholder meeting resolution passes according to the document
7. To approve issuance of discounted employee stock option	The shareholder meeting resolution passes according to the document

04 Capital and Shares

4.1 Sources of Capital

4.1.1 Sources of Capital (April 17, 2011)

Unit: Share/NT$ Thousand

Date	Price of Issuance	Authorized Common stock		Paid-in Common stock		Notes
		Shares	Value	Shares	Value	
April, 2011	Share/NT$10	3,500,000,000	35,000,000	2,703,605,497	27,036,055	-

Unit: Share

Shares Category	Authorized capital			Notes
	Issued shares	Non-issued	Total	
Common shares	2,703,605,497	796,394,503	3,500,000,000	-

4.1.2 Shareholding Structure (April 17, 2011)

Unit: Share

Category/Number	Government Institution	Financial Institution	Other Institution	Individual	FINI and Foreign Investors	Total
No. of Shareholders	19	30	555	328,673	1,081	330,358
Shares	47,006,999	39,084,519	207,548,670	1,205,178,364	1,204,786,945	2,703,605,497
Percentage	1.74%	1.45%	7.67%	44.58%	44.56%	100.00%

4.1.3 Distribution of Shareholdings (April 17, 2011)

Category	No. of Shareholders	Shares	Percentage
1 ~ 999	144,144	42,166,700	1.560 %
1,000 ~ 5,000	143,587	303,682,849	11.233 %
5,001 ~ 10,000	23,860	175,831,816	6.504 %
10,001 ~ 15,000	7,243	87,979,315	3.254 %
15,001 ~ 20,000	3,844	69,080,114	2.555 %
20,001 ~ 30,000	3,095	76,398,165	2.826 %
30,001 ~ 50,000	2,127	82,445,975	3.050 %
50,001 ~ 100,000	1,280	90,137,668	3.334 %
100,001 ~ 200,000	521	71,833,601	2.657 %
200,001 ~ 400,000	239	68,350,793	2.528 %
400,001 ~ 600,000	101	49,169,932	1.819 %
600,001 ~ 800,000	54	38,143,135	1.411 %
800,001 ~ 1,000,000	43	38,446,912	1.422 %
1,000,001 and above	220	1,509,938,522	55.849 %
Total	330,358	2,703,605,497	100.000 %

4.1.4 List of Major Shareholders (April 17, 2011)

Item / Name	Shares	Percentage
JPMorgan Chase Bank N.A. Taipei Branch in custody for Capital World Growth and Income Fund Inc.	143,445,687	5.31 %
MAGELLAN	75,000,000	2.77 %
Stan Shih	74,806,719	2.77 %
Hung Rouan Investment Corp.	67,799,202	2.51 %
JPMorgan Chase Bank N.A. Taipei Branch in custody for Capital Income Builder	56,751,864	2.10 %
Acer GDR	47,143,325	1.74 %
COMGEST GROWTH PLC	47,050,940	1.74 %
JPMorgan Chase Bank N.A. Taipei Branch in custody for EuroPacific Growth Fund	41,706,024	1.54 %
VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	39,911,105	1.48 %
Labor Pension Fund Supervisory Committee	28,360,628	1.05 %

4.1.5 Market Price Per Share, Net Value, Earning& Dividend For Last Two Years

Unit: NT$

Item / Period			2009	2010	Until Mar. 31st, 2011
Market Price Per Share	Highest		96.20	103.00	90.00
	Lowest		39.65	73.50	60.00
	Average		65.58	86.47	75.63
Net Value Per Share	Before Distribution		34.98	35.32	36.30
	After Distribution		31.82	Un-appropriated	Un-appropriated
Earning Per Share	Weighted Average Share Numbers		2,635,011 Thousand shares	2,647,466 Thousand shares	2,655,826 Thousand shares
	Earning Per Share	Current	4.31	5.71	0.45
		Adjusted	4.31	Un-appropriated	Un-appropriated
Dividend Per Share	Cash Dividend (NT$)		3.1	3.6	Un-appropriated
	Stock Dividend	Retained Earning (%)	0.01	-	
		Capital Surplus (%)	-	-	
	Accumulated unpaid dividends		-	-	-
Return on Investment Analysis	P/E Ratio		15.22	15.14	-
	P/D Ratio		21.15	24.02	-
	Cash Dividend Yield		4.73%	4.16%	-

4.1.6 Dividend Distribution Plan Proposed To General Shareholders' Meeting

Acer has devised a long-term capital policy to ensure continuous development and steady growth; the Company has adopted the remainder appropriation method as its dividend policy, which was approved at the Shareholder's Meeting on May 23, 2000.

The proposed dividend distribution plan, agreed by the Company's Board of Directors, will be submitted to the Shareholders' Meeting on June 15, 2011 for approval:
The Company proposed to appropriate NT$9,678,043,789 from retained earnings for shareholders' dividend and bonus as cash dividend. The cash dividend will be distributed to the Company's listed shareholders on the ex-right day based on their holdings at NT$3.6 per share.

4.1.7 Analysis on Impact of Proposed Stock Dividends Appropriation in Terms of Operating Results, Earnings Per Share and Rate of Return of Shareholders' Investment

Description \ Year			Estimates for 2011
Paid-in capital at the beginning of the term (Unit: NT$ Thousand)			27,001,793
Stocks, Dividend Allocated in the Year	Cash dividend per share (Note 1)		3.6
	Stock allocated per share upon capital increase with earning		0 Share
	Stock allocated per share upon capital increase with capital reserve		0 Share
Change in Business Performance	Operating profit (Unit: NT$ Thousand)		N/A (Note 2)
	Increase (decrease) of operating profit compared with preceding year		
	Net profit after tax (Unit: NT$ Thousand)		
	Increase (decrease) of net profit after tax compared with preceding year		
	Earning per share (EPS) (NT$)		
	Increase (decrease) of EPS compared with preceding year		
	Annual average return rate of investment (on grounds of annual EPS)		
Presumed EPS and EPS Ratio	Assume earnings converted to capital increase are fully allocated as cash dividend	Presumed EPS	N/A (Note 2)
		Presumed annual average return rate of investment	
	If capital reserve was not converted to capital increase.	Presumed EPS	
		Presumed annual average return rate of investment	
	If capital reserve was not converted to capital increase but allocated as cash dividend.	Presumed EPS	
		Presumed annual average return rate of investment	

Note 1: Waiting to be approved by Shareholders' Meeting on June 15, 2011
Note 2: According to the "Regulations Governing the Publication of Financial Forecasts of Public Companies," the Company is not required to announce the Financial Forecasts information for year 2011.

4.1.8 Employees' Bonuses and Remunerations to Directors, Supervisors

1. Where this Company has earnings at the end of the business operational year, after paying all relevant taxes, making up losses of previous year, setting aside a legal reserve of ten percent (10%) and a special reserve as required by laws or competent authorities, the balance of the earnings shall be distributed as follows:
   (1) At least five percent (5%) as employee bonuses; Employees may include subsidiaries that meet certain criteria set by the board of directors.
   (2) One percent (1%) as remuneration of directors and supervisors; and
   (3) The remainder may be allocated to shareholders as bonuses.
2. The Board of Directors proposed a dividend distribution plan of year 2010 as follows:
   NT$1,500,000,000 as cash bonuses to employees, NT$89,469,221 as remuneration to directors and supervisors.
3. The Bonuses to Employees and Remunerations to Directors, Supervisors in 2010:

	2010			
	Dividend Distribution Approved by the Shareholders' Meeting	Dividend Distribution Proposed by the BOD	Different Value	Different Reason
The Dividend Distribution:				
1. Cash Bonuses to Employees (Unit: NT$ Thousand)	NT$800,000	NT$800,000	-	-
2. Stock Bonuses to Employees				
(1) Number of Shares	2,648,305 shares	NOTE		
(2) Value (Unit: NT$ Thousand)	200,000	200,000		
(3) Circulation Rate of Shares in Stock Market on Ex-right Day	0.10%	NOTE		
3. Remunerations to Directors, Supervisors (Unit: NT$ Thousand)	NT$122,096	NT$122,096		
Earning Per Share (EPS): Original EPS / Reset EPS	NT$4.31 / NT$4.31	NT$4.31 / NT$4.31	-	-

Note: The employee bonus of NT$200,000,000 in 2009 will be distributed by stocks with the price per share calculated in accordance with the closing price on the day prior to 2010 General Shareholder's Meeting.

4.1.9 Stock Buyback: None

4.2 Corporate Bonds:

Corporate Bonds	The 1st Overseas Unsecured Convertible Bonds	The 2nd Overseas Unsecured Convertible Bonds
Issuing Date	August 10,2010	August 10,2010
Denomination	US$100,000	US$100,000
Listing	Expected to be on the Singapore Stock Exchange	Expected to be on the Singapore Stock Exchange
Issue Price	US$100.0000	US$100.0000
Issue Size	US$300,000,000	US$200,000,000
Coupon Rate	0%	0%
Maturity Date	5 years from the Issuing Date	7 years from the Issuing Date
Cuarantor	None	None
Trustee	Citigroup International Limited	Citigroup International Limited
Underwriters	Lead Underwriters: J. P. Morgan Securities Ltd. Citigroup Global Markets Limited Local Lead Underwriter: Grand Cathay Securities Corporation	Lead Underwriters: J. P. Morgan Securities Ltd. Citigroup Global Markets Limited Local Lead Underwriter: Grand Cathay Securities Corporation
Legal Counsel	None	None
Auditor	Sonia Chang and Agnes Yang	Sonia Chang and Agnes Yang
Repayment	Unless previously redeemed, repurchased and cancelled or converted, the Bonds will be redeemed by the Issuer on the Maturity Date at the amount which represents for the holder of the Bonds the par value of the Bonds plus a gross yield of 0.43% per annum, calculated on a semi-annual basis.The actual gross yield shall be jointly determined by the Issuer and the Lead Underwriters based on the market conditions on the pricing date.	Unless previously redeemed, repurchased and cancelled or converted, the Bonds will be redeemed by the Issuer on the Maturity Date at the amount which represents for the holder of the Bonds the par value of the Bonds plus a gross yield of 2.5% per annum, calculated on a semi-annual basis.The actual gross yield shall be jointly determined by the Issuer and the Lead Underwriters based on the market conditions on the pricing date.
Outstanding	US$300,000,000	US$200,000,000

<table>
<tr><th colspan="2">Corporate Bonds</th><th>The 1st Overseas Unsecured Convertible Bonds</th><th>The 2nd Overseas Unsecured Convertible Bonds</th></tr>
<tr><td colspan="2">Redemption or Early Repayment Clause</td><td>A.The Issuer may early redeem the Bonds in whole or in part at any time after 3 years following the Issuing Date at the Bonds'applicable Early Redemption Amount, if the Closing Price of the common shares of Acer traded on TSE (using the price after conversion of such price into U.S. dollars at the then prevailing exchange rate on the relevant dates) reaches 130% or above of the applicable Early Redemption Amount divided by the Conversion Ratio, defined to be the principal amount of Bonds divided by the Conversion Price at that time (translated into U.S. dollars at a fixed exchange rate determined on the pricing date) for 20 consecutive trading days. The actual date from which the Issuer may early redeem the Bonds will be jointly determined by the Issuer and the Lead Underwriters based on the market conditions on the pricing date.
B. The Issuer may redeem all outstanding Bonds at the Bonds' applicable Early Redemption Amount, in the event that more than 90% of the Bonds have been redeemed, repurchased and cancelled or converted.
C. If as a result of changes to the relevant tax laws and regulations in the ROC, the Issuer becomes obligated to pay any additional costs, the Issuer may redeem all Bondsat the Bonds' applicable Early Redemption Amount. Bondholders may elect not to have their bonds redeemed but with no entitlement to any additional amounts or reimbursement of additional tax.</td><td>A.The Issuer may early redeem the Bonds in whole or in part at any time after 3 years following the Issuing Date at the Bonds'applicable Early Redemption Amount, if the Closing Price of the common shares of Acer traded on TSE (using the price after conversion of such price into U.S. dollars at the then prevailing exchange rate on the relevant dates) reaches 130% or above of the applicable Early Redemption Amount divided by the Conversion Ratio, defined to be the principal amount of Bonds divided by the Conversion Price at that time (translated into U.S. dollars at a fixed exchange rate determined on the pricing date) for 20 consecutive trading days. The actual date from which the Issuer may early redeem the Bonds will be jointly determined by the Issuer and the Lead Underwriters based on the market conditions on the pricing date.
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C. If as a result of changes to the relevant tax laws and regulations in the ROC, the Issuer becomes obligated to pay any additional costs, the Issuer may redeem all Bondsat the Bonds' applicable Early Redemption Amount. Bondholders may elect not to have their bonds redeemed but with no entitlement to any additional amounts or reimbursement of additional tax</td></tr>
<tr><td colspan="2">Covenants</td><td>None</td><td>None</td></tr>
<tr><td colspan="2">Credit Rating</td><td>None</td><td>None</td></tr>
<tr><td rowspan="2">Other rights of Bondholders</td><td>Amount of Converted or Exchanged Common Shares,GDRs or Other Securities</td><td>US$0</td><td>US$0</td></tr>
<tr><td>Conversion Right</td><td>In accordance with indicative Offering Plan for an Issue of Overseas Unsecured Convertible Bonds</td><td>In accordance with indicative Offering Plan for an Issue of Overseas Unsecured Convertible Bonds</td></tr>
<tr><td colspan="2">Diluyion Effect and Other Adverse Effects on Existing Shareholders</td><td colspan="2">When all The 1st and 2nd Overseas Unsecured Convertible Bonds convert into common shares, the maximum share dilution will be 6.14%. And this CB is issued at premium; therefore, it will not be a material adverse effect on the shareholders equity.</td></tr>
<tr><td colspan="2">Paying & Conversion Agent</td><td>Citibank N.A. London Branch</td><td>Citibank N.A. London Branch</td></tr>
</table>

4.2.1 The Data of Convertible Bonds

The 1st Overseas Unsecured Convertible Bonds:

Overseas Unsecured Convertible Bonds		The 1st Overseas Unsecured Convertible Bonds	
Item / Period		2010	As of March 31, 2011
Market Price	Highest	US$113.0330	US$112.7975
	Lowest	US$102.1480	US$100.6495
	Average	US$106.5742	US$107.2496
Conversion Price		US$110.76	US$110.76
Conversion Price in Issuing Date		August 10,2010 US$110.76	August 10,2010 US$110.76
Conversion Target		Common Shares of Acer	Common Shares of Acer

The 2nd Overseas Unsecured Convertible Bonds

Overseas Unsecured Convertible Bonds		The 2nd Overseas Unsecured Convertible Bonds	
Item / Period		2010	As of March 31, 2011
Market Price	Highest	US$118.2676	US$117.4400
	Lowest	US$103.3756	US$101.7975
	Average	US$108.6796	US$110.0652
Conversion Price		US$113.96	US$113.96
Conversion Price in Issuing Date		August 10,2010 US$113.96	August 10,2010 US$113.96
Conversion Target		Common Shares of Acer	Common Shares of Acer

4.3 Special Shares:

Not applicable.

4.4 Global Depository Receipts (GDRs) Issuance (March 31, 2011)

Description / Date of issuance			November 1,1995	July 23, 1997
Date of issuance			November 1,1995	July 23, 1997
Location of issuance and transaction			London	London
Total amount of issuance			US$220,830,000	US$160,600,000
Unit price of issuance			US$32.475	US$40.15
Total number of units issued			6,800,000units	4,000,000units
Sources of valuable securities demonstrated			Capital increased in cash	Capital increased in cash
Number of valuable securities demonstrated			Each unit stands for Acer's 5 common shares	Each unit stands for Acer's 5 common shares
Rights and obligations of GDR holders			Same as Acer's common shareholders	Same as Acer's common shareholders
Consignee			None	None
Depository organization			Citicorp	Citicorp
Custodian organization			Citibank Taipei Branch	Citibank Taipei Branch
Balance not retrieved			10,269,156 units of Global Deposit Receipt as representing 51,345,875 shares of common stocks	
Method to allocate fees incurred during the period of issuance and existence			The expenses incurred by issuance being taken to offset premium reserve. Expenses incurred during existence being taken as expenses of the current term.	The expenses incurred by issuance being taken to offset premium reserve. Expenses incurred during existence being taken as expenses of the current term.
Any key issue for the depository and custodian agreements			None	None
Market Price Per Share	**2010**	**Highest**	US$ 16.40	
		Lowest	US$ 11.05	
		Average	US$ 13.75	
	Until Mar. 31th, 2011	**Highest**	US$ 15.47	
		Lowest	US$ 10.20	
		Average	US$ 12.92	

4.5 Employee Stock Options (March 31, 2011)

Employee Stock Option Granted	E-ten First Grant of 2007	First Grant of 2008	First Grant of 2009	First Grant of 2010
Approval Date by the Authority	June 06,2007	September 15, 2008	July 07, 2009	July 27, 2010
Grant Date	August 22,2007	November 03, 2008	October 30, 2009	October 29, 2010
Number of Options Granted	9,345,794 units(Note1)	14,000 units(Note2)	14,000 units(Note2)	4,000 units(Note2)
Percentage of Shares Exercisable to Outstanding Common Shares (%)	0.3480	0.5297	0.5213	0.1484
Option Duration	6 years	3 years	3 years	3 years
Source of Option Shares	New common stocks			
Vesting Schedule	2nd Year: up to 50% 3rd Year: up to 75% 4th Year: up to 100%	From the second anniversary of the grant date, except that all or partial options revoked by the company, 100% vested options can be exercised without conditions		
Shares Exercised	4,191,510 shares	7,682,000 shares	0 shares	0 shares
Value of Shares Exercised	NT$177,901,257	NT$179,297,880	NT$ 0	NT$ 0
Shares Unexercised	1,240,265 shares	6,316,000 shares	14,000,000 shares	4,000,000 shares
Adjusted Exercise Price Per Share	NT$ 41.30	NT$ 23.34	NT$ 41.09	NT$ 48.90
Percentage of Shares Unexercised to Outstanding Common Shares (%)	0.1909	0.2340	0.5213	0.1484
Impact on Shareholders' Equity	Dilution to Shareholders' Equity is limited.			

Note 1.One unit shall purchase one Acer common share

Note 2.One unit shall purchase one thousand Acer common shares

4.6 Issuance of New Shares Due to Company's Mergers and Acquisitions:

None

05 Acer's Winning Formula

5.1 Business Scope

5.1.1 Business Portfolio

Acer's core business comprises of the personal computer, liquid crystal display, projector, smartphone, tablet PC, and information communication devices (ICT). Starting from R&D, marketing and sales to services, our business strategy involves multiple brands and operations around the globe.

In 2010, notebook PCs – including netbooks – accounted for 70% or the largest share of our revenues from IT products, while desktops contributed to 17% share. Today, facing a new ICT landscape and market demand, the PC remains the core of Acer's business. With this solid PC foundation, we aim to quickly yet cautiously develop smartphones and such strategic products.

5.1.2 Industry Highlights

In 2011, the global PC market is expected to continue growth with notebooks taking the lion's share of the market. Demand from emerging markets will lead this global PC growth. As PCs become an indispensable companion for everyday life, consumer products will play a bigger role, while commercial products also have high growth potential, notably in the SMB market.

Looking at computing application trends, the prevalence of new digital media and services is converging with the internet and influencing lifestyles. Consumers demand convenient access to the internet and desire for new applications. As a result, tablet PCs, other mobile internet devices and open operating system platforms will see rapid growth, while consumer PCs will experience a slow-down. The ICT industry landscape will be greatly altered.

5.1.3 Technology and R&D

In 2010, Acer's spent NT$1.2 billion on R&D, focusing on the user interface, industrial design, and ICT-related hardware and software. Acer successfully launched the clear.fi solution in 2010, which enables real-time sharing of different formats of multimedia content over multi-platform devices. clear.fi is the home network by Acer that integrates technologies and devices intelligently to make digital content readily available anywhere in your home.

In the future, Acer will strengthen its R&D for tablet PCs and smartphones, especially those related to content and services, with the ultimate goal of creating more value for our customers.

5.1.4 Long and Short Term Business Plans

Based on the solid foundation of our core PC business, in the short term Acer will aggressively yet cautiously develop tablet PCs and smartphones. In addition, we aim to boost our sales in commercial PCs and make significant expansion in key emerging markets.

In the long run, we aim to achieve a better balance of revenues from our regional operations and various product lines. Moreover, we will strive to enhance our brand position, create customer value and pursue for better operating income.

5.2 Market Highlights

5.2.1 Market Study

Acer's key market is EMEA (Europe, Middle East, Africa) followed by the U.S. and Asia Pacific. According to research company, Gartner, in 2010 our market share and rank in EMEA for total PCs were 19.7% and No. 2, for notebooks they were 24.8% and No. 1 respectively. For total PCs in the U.S. we held 11% share and ranked No. 3, while in Asia Pacific we took 8.7% share and ranked No. 4.

We expect global PC sales to continue growth, with emerging markets leading the way. The consumer PC market will benefit as families demand more PCs, while commercial products in the SME market also have potential for growth. However, rise of tablet PCs will impair the notebook sales, especially on the consumer notebook segment.

5.3 Keys to a Sustainable Future

5.3.1 Sustainable and Profitable Business Model

Acer adheres to a channel business model that involves collaboration with first-class suppliers and distributors, leveraging their resources and ultimately, sharing the fruits of success among all partners. Besides, our low capital- and operating expense policy has been beneficial to the steady growth of our business operations.

5.3.2 Fast Response and Decision Making

With a solid, global management force and efficient internal communication, Acer has the advantage of being able to make key decisions within a short timeframe. Precise, follow-up implementation enables us to capture and gain from business opportunities as they arise.

5.3.3 Customer-Centric End-to-End Marketing Strengths

To begin with, our products are designed around customer needs – that means listening to and understanding exactly what our customers want, and using our knowledge and skills to exceed their expectations by making technology simple to use, stylish to own and accessible to everyone. Combined with Acer's fast decision making, call to action and timely release of products to market, they form an end-to-end marketing prowess that ensures continuing our business success ahead.

5.3.4 Efficient and Competitive Global Operations

Based upon the management philosophy of upholding a "simple" and "focused" approach, Acer is focused on building its brand name business, developing mainstream products and maintaining competitive operating costs. In addition, Acer has a flexible and dynamic global logistics network to ensure our products' time-to-market.

Appendix

1. Key Buyers and Suppliers Accounting Over 10% of Total Net Sales and Purchase:

(1) Key Buyers for Acer Inc. (Parent Company)

Unit: NT$ Thousand

Item	Year 2009				Year 2010				Current year as of Mar. 31 ,2011			
	From	Amount	Percentage of total net sales (%)	Relationship with Acer Inc.	From	Amount	Percentage of total net sales (%)	Relationship with Acer Inc.	From	Amount	Percentage of total net sales (%)	Relationship with Acer Inc.
1	AEG	194,250,207	39.98	(Note 1)	AEG	204,939,174	39.29	(Note 1)	AEG	30,980,726	30.32	(Note 1)
2	AAC	130,941,632	26.95	(Note 1)	AAC	122,612,577	23.51	(Note 1)	AAC	24,205,358	23.69	(Note 1)
3	AAPH	60,788,774	12.51	(Note 1)	AAPH	72,604,537	13.92	(Note 1)	AAPH	18,121,613	17.74	(Note 1)
4									ACCN	10,561,727	10.34	(Note 1)

Note 1: Subsidiary of the Company.

(2) Key Suppliers for Acer Inc. (Parent Company)

Unit: NT$ Thousand

Item	Year 2009				Year 2010				Current year as of Mar. 31 ,2011			
	From	Amount	Percentage of total net purchase (%)	Relationship with Acer Inc.	From	Amount	Percentage of total net purchase (%)	Relationship with Acer Inc.	From	Amount	Percentage of total net purchase (%)	Relationship with Acer Inc.
1	Supplier A	177,956,728	23.36	none	Supplier A	244,408,020	29.81	none	Supplier A	44,091,549	30.68	none
2	Supplier B	83,823,914	11.00	none								
	Others	500,081,566	65.64		Others	575,563,221	70.19		Others	99,637,662	69.32	
	Total	761,862,208	100.00		Total	819,971,241	100.00		Total	143,729,211	100.00	

2. Production Value in the Last Two Years:

Not applicable.

3. The Sales Value in the Last Two Years:

Unit: NT$ Thousand

Major production \ Year	2009		2010	
	Domestic Sales	Foreign Sales	Domestic Sales	Foreign Sales
Computer	13,414,825	392,305,898	12,444,876	409,993,432
Peripherals & Others	58,265,156	21,937,100	13,334,239	85,772,687
Total	71,679,981	414,242,998	25,779,115	495,766,119

5.4 Employees

5.4.1 Global Human Asset Management

Employees are the Company's key assets and the main driver of business growth. Acer has fostered a work environment that empowers employees by entrusting them with the tasks matched to their skill or qualification. There are clear objectives and reward for achievement, extensive communication and interaction among coworkers, constant encouragement for innovations, and an effective decision making process. On-the-job training provides the ideal platform for learning and development.

As a result of employees' joint effort, Acer has received numerous industry and media recognition. For example, Acer was voted by Reader's Digest readers as a "Trusted Brand" in Asia for 12 consecutive years from 1999~2010; in 2007 Forbes selected Acer as one of the "Fabulous 50" – a list of the best of Asia-Pacific's biggest listed companies. In 2009, Acer became the world's No. 2 total PC and notebook vendor.

Summary of Acer's Workforce:

-By Manpower, Age and Years of Service

Category \ Date	December 2009	December 2010	March 2011
Manpower	6,624	7,757	7,798
Average Age	35.6	36.3	36.3
Average Years of Employment	6.7	5.5	5.5
Male (%)	68.9%	68.0%	67.7%
Female (%)	31.1%	32.0%	32.3%

Remark: The manpower in December 2010 includes the newly-jointed entity, Founder China staff.

-By Job Function

Job Function \ Date	December 2009	December 2010	March 2011
General Management	164	168	173
Sales & Product Marketing	1,921	3,044	3,046
Customer Service	2,570	2,314	2,330
Research & Development	582	679	698
Sales Support	804	908	908
Administration	583	644	643
Total	6,624	7,757	7,798

- By Education Level

Education Level \ Date	December 2009	December 2010	March 2011
Doctor of Philosophy	0.3%	0.3%	0.3%
Master's Degree	22.1%	22.1%	22.2%
Bachelor's Degree	42.6%	43.7%	43.7%
Vocational Study	29.9%	29.7%	29.6%
Senior High School or below	5.1%	4.2%	4.2%
Total	100%	100%	100%

5.4.2 Recruitment

The Company abides to each country's labor laws and customs. We are committed to providing equal opportunities and prohibiting discrimination against candidates in regards to their ethnic origin, gender, age, religion or nationality, and we are sticking to the principle of putting the right people at the right position. Acer seeks high-potential candidates with multi-disciplinary backgrounds in order to build a strong global workforce. In 2010, Acer recruited more 446 new employees.

5.4.3 Training and Development

Acer formulates the training plans based on business strategies, core values, organization development, succession planning, and corporate social responsibilities. The training system consists of new employee training, general skill development, diversified professional expertise training, manager development training, and e-learning. In assuring the quality of the training delivery, it is requested that all trainings be conducted according to the regulations of Training Management Process and Internal Trainers Selection. In 2010, for Taiwan area, there have been 177 trainings held, with 2,682 employees participated, 40,578 hours (man hours) in total, and NT$12.20 million dollars spent.

Training Scheme and Implementation

- New Employee Training: Orientate the new employees by shaping essential mindset and providing essential knowledge, covering the overview of Acer's organization, culture, core values and standards of business conduct, policies and systems, Welfare Committee and Employee Representative Meeting, IP sense, etc. In 2010, 419 new employees have attended the training.

  There has been a new employee training specially designed for the new comers of IT Product Global Operation unit. The new employee training is composed of three phases: Basic Training, Core Profession Training, and Managers' Six-Week Job coaching, with an aim to assist the new employees to adapt to the culture, merge into the workforce, and deliver good performance.

- General Education: The training covers essential common knowledge and skills, e.g., business communication skills, teambuilding, presentation skills, cross-cultural collaboration, methodologies for bringing creativity training, office application software (advanced level), and required attitudes in workplaces. In 2010, we have 804 Taiwan employees who received the General Education training.

- Professional Training: The training is provided for advancing the professional knowledge and skills. For example, Android College, CMMI(SW) Agile, and specialized project management.

- Managerial Training: In order to develop the leaders at each managerial level for taking up the rigorous challenges in the future, it is essential to employ the methodology of training roadmap to specify the essential series of core and selective courses for each managerial level—senior, middle, and elementary (entry) levels respectively. The managerial training emphasizes on the skill enhancement in strategic thinking, teambuilding, problem analysis and solving, and strict execution, with an annual PME (People Management Effectiveness) Survey implemented to pinpoint the areas for improvement.

Multiple Ways of Learning and Development

Each employee is provided with multiple development paths to enhance the profession--- for example, from company within, such opportunities can be found as on-the-job training, coaching, job rotation, speech, online learning and reading seminar, etc. For the company outside, they include profession club seminars, short-term intensive training hosted by the prestigious universities or training institutions. In addition, we have the 'Regulations for Subsidizing GlobalEnglish On-line Learning' enacted to encourage the employees to advance English proficiency through the recommended online learning courseware. For enhancing staff professional skills, we have the 'Regulations of Acquiring Professional Certificates', regulating the subsidiary for test-taking fees, and further, the dedicated incentives for the staff who successfully get the essential professional certificates.

5.4.4 Compensation

Acer provides a competitive salary package to attract and retain high-potential human assets. The Company surveys global IT companies' salary levels annually, to ensure that our salary packages are adjusted accordingly and reasonably to reflect market conditions. On top of the monthly salary, the Company offers the bonuses that are differentiated from the performance of business unit and each individual. Taking Taiwan for example, in addition to the fixed monthly salary and festival bonuses, Acer offers incentives that reward new innovations, intellectual property rights, sales achievements, performance bonus and profit sharing.

5.4.5 Welfare

The Company abides to each country's labor laws and customs, and strives to provide a comfortable working environment, attractive welfare programs, candid communication ways to enhance productivity and creativity. Taking Taiwan for example, Acer has established a welfare committee that initiates activities for employees' welfare. Besides conforming to labor regulations, the Company provides group insurance, educational grants, Acer Family Days, internal social clubs, speeches on topics of arts appreciation, domestic and overseas holiday breaks, gift money for wedding or funeral, and emergency relief measures, etc. Besides, we have recreation and leisure facilities installed in office area to release employees' pressure from work, and provide health-promotion programs to keep the body and mind well-balanced.

5.4.6 Pension

The Company abides to each country's labor laws and customs. Taking Taiwan for example, Acer conforms to the Labor Standards Act and Labor Pension Act by contributing a portion of employees' salaries toward a pension scheme. Besides, employees who have served for 15 years and have reached 50 years of age can apply for early retirement.

5.4.7 Employee Relations

Acer respects employees' opinions and is dedicated to maintaining a harmonious relation between managers and their team members. In the past two years, Acer has not suffered any financial loss from employee conflict.

Taking Taiwan for example, Acer offers multiple channels for interaction in order to improve two-way communication:

- A Dedicated Hotline: A hotline for each supporting function has been set up for employees to call, in confidence, to express concerns or issues. Acer will provide counsel and/or resolve the issues in the most efficient way.
- Open and Candid Communication Channels: Employees can report areas of concern to their immediate supervisor or choose to convey to higher authorities for resolution. Meanwhile, the Company Chairman meets face-to-face with employee representatives from each office area on a quarterly basis, to discuss areas of improvement and respond to issues. The Chairman also assigns the relevant member(s) to aggressively follow up on change or improvement, and to report on progress at the next quarterly meeting to ensure the resolution effectiveness. The meeting minutes are published on the Company Intranet for all employees' attention.
- Employee Opinion Survey and People Management Effectiveness Survey: Both surveys aim to explore the various aspects of the experience working at Acer, and pinpoint where the attention is addressed, and thus guide to make

some essential improvements for the overall Company and immediate managers' people management skills, respectively.

5.4.8 Acer Employee Management

To ensure business growth on a healthy and comprehensive management system, the mutual rights and obligations between the Company and employees are explicitly specified as follows:

- **Authority Management**
  According to the levels of management responsibilities, "The Table of Authority Approval", "Regulations on Delegated Deputy", and the "Scheme of Job Categories and Titles" are regulated to assure well-functioned in all layers of directive operations, and furthermore, to provide staff with a sound roadmap for career development paths.

- **Standards of Business Conduct**
  For enhancing the overall corporate competitiveness and playing a responsible role in the social, economic, and environmental conduct of our operations, the Standards of Business Conduct of Acer are thus updated. By the guidance of the Standards of Business Conduct, we strengthen our corporate culture aiming to protect Acer's legitimate business interests around the world, and further assure the service quality of our customers, suppliers, and other business partners as well as the communities in which we operate.
  Following are the essences of the Acer's Standards of Business Conduct.
  1. Create work environment with care, respect, and fairness.
  2. Continue to promote technological innovation and provide high quality-assured products and service.
  3. Comply with the laws for maintaining free and fair competition.
  4. Promote research and development of advanced technologies and products that will benefit the environment.
  5. Comply with all intellectual property rights laws and regulations.
  6. Prohibit any employees from engaging in any activities that lead to illegal or improper business interactions.
  7. Employ a fair and objective evaluation process for selecting the business partners.
  8. Conduct corporate communication based on integrity and objective facts.
  9. Ensure the advertisements are truthful and accurate.
  10. Comply in full with all accounting laws and regulations
  11. Obey the laws regarding with lenders and export credit.
  12. Refrain employees from receiving improper personal benefits
  13. Forbid illegal or improper payments unaccepted by local business laws or sound business practices.
  14. Prohibit employees from accepting inappropriate value of gifts or customary business amenities beyond a reasonable level.
  15. Protect company assets (including physical assets, intellectual property rights, and information assets).
  16. Safeguard the confidential and proprietary information and avoid using such information for pursuing personal interests.
  17. Ban the use, sale, or possession of illegal drugs
  18. Undertake all activities in harmony with the community and provide voluntary services.
  19. No political contributions shall be made unless permitted by the applicable laws in locals

- **Sexual Harassment Prevention Measures**
  The Company is dedicated to ensuring sex equality and human dignity in workplace, securing work environment free from sexual harassment and discrimination. With the promise, the Prevention Measures and Disciplinary Actions on Sexual Harassment is enacted, which specifies the reporting channels, dealing procedures, and disciplines.

- **Declaration of Secrecy and Intellectual Property Rights**
  The Company places extreme importance on the protection of intellectual properties rights. All staff are required to have the Declaration on Non-Disclosure Agreement signed when onboard, which declares the obligations to protect confidential information and the restrictions on use of the confidential information during the employment period and employment termination.

5.5 Important Contracts

Nature of Contracts	Contracting Parties	Beginning and Ending Dates of Contracts	Major Content	Restrictive Clauses
Software License Agreement	Microsoft Inc.	The effective date is Aug 1 of each calendar year and renewed annually or periodically	Obtain license from Microsoft for using certain software	Confidential Non-assignable
Patent License Agreement	IBM Corporation	Oct. 29, 2003~Dec. 31, 2012/ Nov 22, 2006 until the expiration of related patents	Cross license arrangements for certain patents	Confidential Non-assignable
	Lucent Technologies GRL, LLC	Jul 31, 2010~Jul 30, 2013	Cross license arrangements for certain patents	Confidential Non-assignable
	MPEG LA, LLC	Jun 1, 1994 until the expiration of all MPEG-2 Patent Portfolio	Obtain license for MPEG-2 encoding/decoding patents	Confidential Non-assignable
	Hewlett-Packard Development L.P.	Jun 13, 2008~Jun 12 2014	Cross license arrangements for certain patents	Confidential Non-assignable
Consultant Service Agreement	ID SoftCapital Inc.	Feb 1, 2005~Jan 31, 2010	Obtain consulting services from IDS in investment management	Confidential Non-assignable
Credit Facility Agreement	Coordinating Arranger: Citibank N.A., Taipei Branch	Oct 11, 2007-Oct 11, 2012	The syndicated financing in the amount of up to NT$19.8 billion	Confidential Non-assignable
Sale Agreement	National Center for High-performance Computing	Oct 28,2010~ Mar 27, 2014	construct a high-performance computing system and provide competent after-service	Confidential, Non-assignable

06 Corporate Social Responsibility

As we expand our business horizons, so does our awareness of the heavy corporate responsibility that comes with the expectation for a multinational company. We aim to actively meet our Corporate Social Responsibility (CSR) within the context of stable profit and sustainable growth. Above all, we are dedicated to seeing the world grow as a whole by pursuing global economic growth, environmental protection and social progress. The vision of a sustainable Acer can be achieved through corporate responsibility, innovation, increasing profitability, operational efficiency and sustainability. We embedded Acer spirit of "Innovative Caring," in our business operation and dedicated to enhancing corporate performance, ensuring benefits for employees and shareholders, and providing consumers with state-of-the-art technology. To visualize Acer vision and spirit for a sustainable development, our CSR agendas have encompassed several important topics including environment, safety and health management, supply chain management, stakeholders communication and community involvement.

In spring 2008, the Board of Directors highlighted the milestones for embedding CSR within Acer, and designated Acer Inc. CEO as the Corporate Sustainability Officer of the Corporate Sustainability Office (CSO), which was set up to respond to challenges from the organizational level. We spent almost one year to complete an integrated strategy and set the 2008-2010 CSR action plans for a sustainable Acer.

In the last three years, our concrete works in the environment, safety and health management aspects comprised of data verification and inventory of Green House Gas (GHG) emission, introduction of Polyvinyl Chloride (PVC) and Brominated Flame Retardants (BFRs) free desktop computers and monitors products, implementation of office carbon reduction, and launch of several projects to improve the health and safety of our employees. For supply chain management, we conducted suppliers' Social and Environmental Responsibility (SER) on-site audits and held Acer CSR Forum and Sppiler's CSR Conference to enhance Acer suppliers' social and environmental performance. As for communication, we responded to stakeholder's concerns via different communication channels and used Acer CSR Forum as a platform of experience sharing for our suppliers and international stakeholders. To increase Acer's customer satisfaction, we had further strengthened our customer service quality and enhanced the protection of our customer's data privacy. Regarding community involvement, we continue to create digital opportunity and make contribution to the society through Acer Volunteer Team and Acer Foundation.

6.1 Environment, safety and health management

6.1.1 The Environmental Protection

1. Energy and Climate Change

Acer tackles the problems of energy and climate change as evidenced by our development and supply of low-carbon products and our concerted efforts to reduce operational emissions. In 2008, we established Acer Integrated Energy and Climate Change Policy, which addressed four main subjects in line with our corporate goal to become a friend of the Earth: inventorying greenhouse gas emissions, conserving energy consumption, increasing overall efficiency, and creating a low-carbon business model. We'll persist in the GHG emission inventorying and data verification and the reduction target of GHG emission will be decided thereupon once the confidence level of the data accuracy and consistency can be further increased.

2. Green Product Management

Acer is fully aware of the potential impact our products may have on the environment. Hence, our product design takes into consideration the ways to reduce environmental loading from the product development stage, in addition to the emphasis on the user needs, functionality and added value.

For legal compliance, we are working to meet legislation requirements for green in every country while at the same time we are trying to fulfill other international standards such as REACH and ErP. In the future, we will keep watching the development of Substance of Very High Concern (SVHC) of REACH and the ECO design requirements listed down in the implementing measures to ErP Directive.

We introduced Acer Aspire 3811TZ and Aspire 3811TZG to the market in 2009. These two notebook models not only comply with RoHS and other international standards but also contain no PVC and BFRs. In 2010, we also lunched PVC and BFRs free desktop computers and monitors products. Although international legislation has not prohibited the use of PVC and BFR chemicals yet, Acer has been striving in a proactive way to move towards Halogenated-free products with constant efforts.

Acer introduced thin and light based products to meet consumer demand as well as reduce the consumption of product materials. The idea of thin and light products emerged from the concept to conserve the natural resources on Earth, such as metals and oil.

Acer always commits to offer energy-saving products. The design of Desktop, Notebook computer and Monitors are aimed to meet or exceed the criteria for the Energy Star award.

3. Office Carbon Reduction

From 2010, we started to replace office illuminating system in the Acer headquarter main building by using energy saving lamp. Additionally, Acer headquarter main building has implemented Auto Switch Off Lighting System for more than one year and the energy saving from this measures continue in effect. From Q3 2010, both Acer headquarter building tower A and tower B office floors were also renovated to equip with energy-saving lamps and Auto Switch Off Lighting System All the renovated works had been completed and put in use at the beginning of 2011, which can further enhance the energy saving for the Company.

6.1.2 Safety and Health

1. Environmental Safety and Health Management

Acer introduced the ISO 14001 (Environmental Management System) and OHSAS 18001 (Occupational Safety and Health Management System) in the Taiwan headquarter. We believed these systems can help the Company to further minimize any negative impacts to the environment from its business operations while at the same time fostering the jobsite safety and health management.

2. Working Environment and Employee Safety

Acer cares the working environment where employee's safety and health would largely depend on. The escalator renovation project for Acer HQ building had been deployed since 2010 to accommodate employees with a safety, quality and energy saving office environment and is expected to start construction in Q2 2011.

3. Emergency Accident Operation

Acer has established its own emergency operation procedures in the events of fire, earthquake, typhoon, power failure, water supply failure, contagious disease and other major accidents. In the fire safety aspect, we have organized a self-protection fire fighting team by the employees and their main duties are to extinguish the fire at the initial stage, evacuate the rest of the employees when necessary and reduce possible damage from the accidents.

4. Employee Health

For Labor Safety and Health education program, new employees will receive three hours of training and the learning focus consists of the most common accidents in the offices, disaster types and preventive practices, health and safety-related policies and regulations of the Company, and health care for staff.

Employees are the most important assets to Acer. In addition to a series of physical and mental health seminars, an employee leisure zone has been set up at its Taiwan headquarter along with some other recreational facilities such as basketball courts, table tennis, shooting machine, video games, and electric massage chairs. Since 2008, we have introduced visually impaired masseurs to provide massage service for employees. These various activities help Acer's employees to enrich their leisure time and better balance their professional and personal lives.

We established Acer Sports Team to encourage employees to participate in various sports events, such as Taipei Marathon Racing Games, Million Swimming Across the Sun Moon Lake, 100K Cycling Sports etc., with a total of 245 employees participating in 2010. All these efforts help employees achieve work-life balance successfully, and further, improve the life quality and work production.

6.2 Supply Chain Management

Acer understands the impact that a brand company can make onto the society and environment from the supply chain perspective. To tackle the challenge for a sustainable environment, Acer has demanded all its suppliers to comply with the local regulations where they have business presence, Additionally, Acer requires its suppliers to follow the various requirement and guidance put forward by the Company to embed the environmental protection philosophy in the supply chain management. We aim to boost the supply chain as a whole regarding as the worldwide leaders in Social and Environmental Responsibility (SER).

Acer applied to the Electronic Industry Citizenship Coalition (EICC) in May 2008 basing on which developed Acer Supplier Code of Conduct. We believe the EICC Code of Conduct can unify the rules of compliances across the industry-wise, enhance suppliers' capacity of human rights, health, safety, environment, ethics, and social responsibility in the supply chain. Since 2009, Acer first tier suppliers had been requested to sign Acer Supplier Code of Conduct Declaration. Moreover, we collaborated with third-party auditors to launch on-site auditing to ensure the effectiveness of implementation in suppliers' SER.

In addition to our continuous efforts on suppliers' SER audit, we joined the "Validated Audit Process" of EICC in 2010 to further enhance our audit strategy by adopting different types of on-site audit. Besides, we held a CSR forum with the theme of "Building a Responsible Supply Chain" to encourage experiences sharing and initiate dialogue among Acer global stakeholders and suppliers. The forum had been set in four different workshops with topics including "Green Product", "Labor Rights", "Energy and Climate Change", and "Communication" in the hope of forming consensus and establish framework of sustainability in our supply chain.

6.3 Communication

6.3.1 Communication with Stakeholders

Acer is positioned to be a trustworthy and respectable company in the ICT industry among its stakeholders. With that in mind, we endeavor to collect stakeholder's opinions and recommendations, and build a good communication channel with them to ensure mutual understandings and respects. Stakeholders are defined as consumers, investors, suppliers, media, Non Government Organizations (NGOs), government, community, academia, trade organizations and others. In addition to persistent communication activities with stakeholders on all fronts via Acer's designated Acer Sustainability webpage, we also respond to concerns raised by stakeholders via eco@acer.com.tw and cr@acer.com.tw and fill out questionnaires formulated by academia, analysts, investors, customers and the NGOs.

6.3.2 CSR Forum

Acer understands that to practice CSR fully requires the cooperation among all stakeholders. Acer held its first CSR Forum at the end of 2008 to increase awareness on CSR and sustainable development among its suppliers and Taiwan's ICT industry. Using the forum as a platform of sharing, Acer invited international and domestic CSR stakeholders to share experiences with the Taiwan ICT industry in the hopes of improving the sustainability of Taiwan's ICT industry.

6.3.3 Consumer Relation

Acer has drawn up various surveys to understand customer satisfaction with Acer's products and services. Theses surveys are conducted by separate customer groups, such as direct customers, corporate customers, distributors and retailers and the results would serve as a guideline for improvement over Acer service quality on a regular basis. Citing Acer Europe region as instance, we have introduced several customer relationship management program to increase customer satisfaction such as Customer Complaint Case Management System, Customer Service Care System, Retailer Care System. Additionally, we conduct customer satisfaction surveys throughout the European countries from time to time to hear customers' comments. The same has been practiced in the Asia-Pacific countries as well.

Data security has come to the forefront of consumer concerns in light of a growing number of computer and internet users. Acer has taken various proactive measures to ease consumer's worries. Clients Data Privacy Protection policy is in place to ensure all the personal information provided by clients for entering Acer website or making purchases will be rigorously controlled against access by third-party organization for either marketing or sales purposes. At the same time, a dedicated e-mail account is set up to handle all privacy related complaints reported from worldwide. Engineers staffed at all the service centers are asked to sign a nondisclosure agreement and present a list of service items to buyers for verification to ensure watertight privacy protection for Acer's customers.
For product recall plan, Acer will focus on the product that may cause consumers' safety concerns to work out recall plan. Customers can find detailed information at "Alerts and Recall", "Support" section on our webpage and register model and serial number to obtain related technical support for impacted models. Acer does not have any safety concern events reported in 2010.

6.4 Community Involvement

6.4.1 Acer Volunteer Team

The Acer Volunteer Team was established in October 2004 for the purpose of giving employees a channel to contribute their spare time and energy to public welfare service. Apart from providing opportunities for interaction and friendship between employees from different departments and backgrounds, the volunteer service also bring Acer employees new life experiences and personal growth through the activities. At initial stage, the volunteer activities mainly revolved around Acer core business. Since 2007, the Acer Volunteer Teams gradually expand their scope of charity to cover various kinds of activities. In 2010, the activities organized including money and blood donations, carbon emission reductions and others.

6.4.2 Acer Foundation

In 2010, Acer Foundation participated in "Digital Feast—A Dream Come True" charity event by the Department of Social Welfare, Taipei City Government. This project sponsors the youths from underprivileged families, to buy quality computer facilities at an incredibly affordable price, so that schoolchildren from disadvantaged backgrounds are given a chance to learn, hence create for themselves a promising, digital future. To further enhance digital competitiveness of the underprivileged, the Foundation launched two Acer Digital Mobiles in Hualien. The mobiles were equipped with the notebooks and ICT technology and can go to the communities to deliver computer classes upon application. By this way, people can have more opportunities to learn computer and thus increase their digital competeveness which can better their lives.

6.5 Enforcement of Corporate Social Responsibility by the Company

Item	Implementation Status	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
1. Exercising Corporate Governance		
(1) The company declares its corporate social responsibility policy and examines the results of the implementation.	Since 2008, Acer's social responsibility agenda has focused on the following five areas: energy and climate, green product, recycling, supply chain management, and reporting. Implementation result is shown on Acer Annual CR report.	No discrepancy
(2) The company establishes exclusively (or concurrently) dedicated units to be in charge of proposing and enforcing the corporate social responsibility policies.	In the spring of 2008, to materialize the implementation of our social responsibility, a various functions and positions had been set up across the Company, including the Executive Committee of CSR in the Board, Corporate Sustainability Officer and the Corporate Sustainability Office (CSO), the CSR Working Group and the regional headquarters of the CSR Executive Committee, etc. and their major roles and responsibilities are to carry out Acer CSR agendas and achieve our CSR promises in a systematic, feasible and organized way in accordance with Acer's core value. From the organizational level, we focus on the implementation and development of sustainability and CSR governance, the operation of the working group, the communication with stakeholders and the establishment of a smooth communication channel. We regularly update CSR information via our designated Acer Sustainability webpage and incorporate higher level communication with our suppliers and business partners in the CSR agendas.	No discrepancy

Item	Implementation Status	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
(3)The company organizes regular training on business ethics and promotion of matters prescribed in the preceding Article for directors, supervisors and employees, and should incorporate the foregoing into its employee performance appraisal system to establish a clear and effective reward and discipline system.	Acer promulgated the 'Standards of Business Conduct' (SBC) as the guidelines for all employees to follow in conducting the business operation and activities. It is every employee's responsibility to abide by the SBC. An appropriate training of SBC shall be arranged upon a new employee joining in the Company, which stresses the importance of sticking to the rules. The SBC is also built in the performance appraisal system with reward and punishment. For any staff violating the norms, the necessary disciplinary actions will be taken or even dismissal.	No discrepancy
2. Fostering a Sustainable Environment		
(1) The company endeavors to utilize all resources more efficiently and uses renewable materials which have a low impact on the environment.	We introduced thin and light based products to meet consumer demand as well as reduce the consumption of product materials. The idea of thin and light products emerged from the concept to conserve the finite natural resources on Earth, such as metals and oil. Additionally, In line with our participation in Electronic Product Environmental Assessment Tool (EPEAT), we have introduced a series of display products which contains 28% Post consumer recycled plastic and registered them as EPEAT gold rated products, comprising of B173 xK, V173 xK, B193 xK, V193 xK, B193W xK, V193W xK, B223W xK and V223W xK series display.	No discrepancy
(2)The company establishes proper environmental management systems based on the characteristics of their industries.	Basing on ISO 14001 (Environmental Management System) standards, we develop Acer environmental management systems, aiming to promote pollution prevention and management and minimize any negative impacts to the environment from our business operations for the purpose of a sustainable development of the Company. We assessed impacts on the environments from our business operations by adopting ISO 14001 standards, which cover the full product life cycle ranging from design and development, manufacturing, suppliers management, sales and marketing and after-sales services. Besides, Acer demands that its first-tier suppliers establish an environmental management system. Currently, all suppliers to Acer are ISO 14001 certified.	No discrepancy
(3) The company establishes dedicated units or assigns dedicated personnel for environment management to maintain the environment.	Acer organizes ISO 14001 Executive Committee to plan, implement and manage environment relating issues. The major responsibilities of the Committee are to ensure the compliance of environmental legislation through constant studies on the product and environment related laws and regulations, and timely control of the latest global movements on environmental protection issues. Both internal and external audits and management review have been implemented to ensure that ISO 14001 can be executed properly and the improvement over environment can continue in effect,	No discrepancy
(4) The company monitors the impact of climate change on its operations and should establish company strategies for energy conservation and carbon and greenhouse gas reduction.	Acer identifies and assesses the risk and opportunities coming along with the climate change through internal organizations such as Corporate Sustainability Office (CSO) and external channels such as World Business Council for Sustainable Development (WBCSD). We persist in the GHG emission inventorying and data verification and the limit of GHG emission will be decided thereupon once the confidence level of the data accuracy and consistency can be further increased.	No discrepancy
3. Preserving Public Welfare		

Item	Implementation Status	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
(1) The company complies with relevant labor laws and regulations, protects the legal rights and interests of employees, and has in place appropriate management methods and procedures.	Acer promulgated the "Standards of Business Conduct" (SBC) as the guidelines for all employees to follow in conducting business operation and activities. The SBC complies with local regulations, such as labor law where Acer has business presence. It embraces the diversity and culture of all employees and provides a work environment free from discrimination (based on race, color, age, gender, ethnicity, region, or nationality) in area such as employment, promotion, etc. Child labor is strictly prohibited. HR system such as employment contract, work rule, HR policy and regulations are in place to protect the legitimate interests of employees.	No discrepancy
(2) The company provides safe and healthy work environments for its employees, and organizes training on safety and health for its employees on a regular basis.	**Environmental Safety management** At the Acer headquarters in Taiwan, a security guard is stationed at the main entrance checking the credentials of all guests and authorizing permission of entry. Employees and guests must use an access card to enter the general office areas in normal office hours. Entry into laboratories and information management system facilities requires an additionally authorized access card. During holidays and evening, entry into the office area requires an additional personal identity number. In the interest of safety for female employees, entry into women's restrooms also requires card access; inside these restrooms emergency alarms and telephones have been installed to provide a double measure of protection.	No discrepancy
	Emergency Response Acer has organized its own firefighting unit set up for the initial line of self-defense in an emergency. The team's primary mission is to carry out initial fire extinguishing efforts and evacuate employees in the case of a fire emergency, thus reducing the impact of disaster. Acer coordinates with the Building Management Committee to conduct biannual fire safety drills and cooperates with the Fire Department to conduct updated training. Representatives are chosen from each department to set up a first-aid personnel team. The first-aid personnel are qualified after special training by the Red Cross and have received the first-aid personnel certificate. The fire protection personnel also receive updated training and examinations to ensure they are kept well informed.	
	Employee Safety and Health For Labor Safety and Health education program, new employees will receive a 3-hours training and the learning focus consists of the most common accidents in the offices, disaster types and preventive practices, health and safety-related policies and regulations of the Company, and health care for staff. Acer cooperates with professional medical institutions to perform health checkup for all employees on biannual basis. Based on the results of health examination, for any employee having significantly abnormal health condition, their health status will be monitored and tracked with the assistance of the medical entities. Besides, a series of physical and mental health seminars were organized for the employee. An employee leisure zone has been set up at its Taiwan headquarter along with some other recreational facilities such as basketball courts, table tennis, shooting machine, video games, and electric massage chairs. Since 2008, we have introduced visually impaired masseurs to provide massage service for employees. There are a variety of clubs for staff to choose to enrich leisure life quality and achieve work-life balance.	

Item	Implementation Status	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	We establish Acer Sports Team to encourage employees to participate in various sports events, such as Taipei Marathon Racing Games, Million Swimming Across the Sun Moon Lake, 100K Cycling Sports etc., with a total of 245 employees participating in 2010. All these efforts help employees achieve work-life balance successfully, and further, improve the life quality and work production.	
	Others In addition to these jobsite safety and fire protection measures, Acer conducts two CO_2 level inspections and one electromagnetic wave inspection of the office area annually. These checks go to ensure a healthy and safe office environment and to provide employees with a peace-of-mind.	
(3) The company establishes and discloses policies on consumer rights and interests and provides a clear and effective procedure for accepting consumer complaints.	Acer is a celebrated multinational brand company with business presence around the world. Service centers are established in our major operating countries, featuring a variety of service programs according to the nature of different customer groups and sales channels in hopes of building a robust global service network. Acer's private and corporate customers can conveniently contact Acer via multiple conduits for communication: (1) Acer Global Download (2) Call Center/Help Center and Technical Support (3) Depot/Repair Center (4) Acer Service Partner and the Third Party Maintainer: (5) International Traveler Warranty (ITW) Repair Center:	No discrepancy
(4) The company cooperates with its suppliers to jointly foster a stronger sense of corporate social responsibility.	Acer regards our suppliers as part of our greater corporate family. We give clear directives to our suppliers regarding social and environmental issues such as green manufacturing and labor rights to keep them on the cutting edge, and hold regular audits and meetings to support their capacity building and ensure that our directives are being followed. In the future we expect to work even more closely together with our suppliers to solve social and environmental problems and create a sustainable supply chain.	No discrepancy
(5) The company, through commercial activities, non-cash property endowments, volunteer service or other free professional services, participates in community development and charities events.	The Acer Volunteer Team was established in October 2004 for the purpose of giving employees a channel to contribute their spare time and energy to public welfare service. . The Volunteer Team organizes a variety of charity activities including blood donation, monetary donation, after-class education for privileged children, community service, environmental outreach, etc. To encourage employee contribution to our society and community, Acer added a new category of staff leave "Volunteer Service Leave", providing a maximum of two days paid volunteering service leave per year to any of Acer's employees..	No discrepancy
4. Enhancing Information Disclosure		
(1) The measures of disclosing relevant and reliable information relating to their corporate social responsibility. (2) The company produces corporate social responsibility reports disclosing the status of their implementation of the corporate social responsibility policy.	We disclose our CSR information in two ways: Acer Sustainability website http://www.acer-group.com/public/Sustainability/sustainability01.htm Publish Acer Corporate Responsibility Report every year since 2008 http://www.acer-group.com/public/Sustainability/sustainability08.htm	No discrepancy

Item	Implementation Status	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons

5. If the Company has established corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies", please describe any discrepancy between the principles and their implementation:

To boost Acer's overall competitiveness, fulfill its corporate responsibility in the social, economical and environmental aspects, and make Acer a leading brand-name in the history, the Standards of Business Conduct (SBC) were revised and promulgated in 2009 that serve as behavioral guidelines to Acer global employees providing them principles of conducting business at worldwide These guidelines no only protect Acer's global business interest in a legitimate manner but also help to enhance its service quality for customers, partners, and the communities.

See the following for a summary of the Standards of Business Conduct (SBC):

1. A continuous commitment to creating a caring workplace.
2. Dedication to promoting technological innovations and providing customers with quality products and services.
3. Comply with regulations governing liberal, fair competition.
4. Endeavoring to develop advanced, environmentally-forward products.
5. Staying in compliance with laws governing intellectual property rights.
6. Prohibiting trade activities that promise illicit gains.
7. Abiding by a fair and objective evaluation and screening system of partners.
8. Acting in accordance with objective truths and conducting communication in integrity
9. Ensuring truths and accuracy in all promotional campaigns, and abiding by regulations governing advertisements.
10. Acting in compliance with all regulations governing accounting activities.
11. Acting in compliance with statutes governing loaners' activities and export credit guarantees.
12. Grafting is strictly prohibited among staff.
13. Improper or illicit disbursement is strictly prohibited.
14. The taking of questionable gifts and reception is strictly prohibited among staff.
15. Discreet handling of corporate assets (including actual assets, IPRs and information assets).
16. No improper gains via the disclosure of information not yet made public.
17. Trafficking, possession or taking of illegal substances is strictly prohibited among staff.
18. Active participation in social and community activities and volunteer services.

6. Other important information to facilitate better understanding of the Company's corporate social responsibility practices (e.g., systems and measures that the company has adopted with respect to environmental protection, community participation, contribution to society, service to society, social and public interests, consumer rights and interests, human rights, safety and health, other corporate social responsibilities and activities, and the status of implementation.) :

More information can be found at:
Acer Sustainability website
http://www.acer-group.com/public/Sustainability/sustainability01.htm
Acer Foundation website
http://www.acerfoundation.org.tw/english/index.php

7. If the products or corporate social responsibility reports have received assurance from external institutions, they should state so below:

No plan to get certification.

07 Financial Standing

7.1 Five-Year Consolidated Financial Information

7.1.1 Five-Year Balance Sheet

As of March 31, 2011
Unit: NT$ Thousand

Item \ Period		Most Recent 5-Year Financial Information					Current year as of Mar. 31 ,2011
		2006	2007	2008	2009	2010	
Current assets		161,267,661	191,626,201	186,390,592	232,107,877	225,760,825	213,484,707
Fund and Long-term equity investments		13,835,538	11,202,652	6,773,547	8,872,750	6,233,280	6,196,104
Net property, plant and equipment		6,190,501	8,636,441	9,336,221	8,676,173	6,939,774	6,943,373
Intangible assets		396,682	25,926,493	34,746,765	35,444,068	36,392,935	36,301,861
Other assets		6,809,916	5,891,555	6,195,100	5,923,820	5,171,716	5,383,549
Total assets		188,500,298	243,283,342	243,442,225	291,024,688	280,498,530	268,309,595
Current Liabilities	Before Distribution	109,970,460	142,842,574	149,315,158	179,846,517	162,558,924	146,967,400
	After Distribution	119,487,678	152,163,698	154,601,124	188,183,352	Un-appropriated	Un-appropriated
Long-term liabilities		168,627	16,790,876	4,134,920	12,371,856	20,666,296	21,071,651
Other liabilities		2,805,428	6,240,899	7,114,532	5,928,652	3,164,937	3,460,831
Total Liabilities	Before Distribution	112,944,515	165,874,348	160,564,610	198,147,026	186,390,156	171,499,882
	After Distribution	122,461,733	175,195,472	165,850,575	206,483,861	Un-appropriated	Un-appropriated
Common stock		23,370,637	24,054,904	26,428,560	26,882,283	27,023,449	27,085,679
Capital surplus		29,947,020	29,898,982	37,129,952	38,494,118	39,578,915	39,673,304
Retained Earnings	Before Distribution	18,284,265	21,041,713	22,771,901	28,575,011	35,329,280	36,514,170
	After Distribution	8,767,047	11,720,589	17,485,935	20,238,176	Un-appropriated	Un-appropriated
Unrealized Gain (loss) on Financial assets		4,361,608	2,524,500	(1,729,631)	1,014,317	460,600	95,600
Translation adjustments		1,335,500	2,733,899	1,241,058	959,621	(5,095,919)	(3,380,767)
Minimum Pension Liability adjustment		0	(173,364)	(283)	(7,908)	(23,957)	(17,926)
Treasury Stock		(3,270,920)	(3,270,920)	(3,522,598)	(3,522,598)	(3,522,598)	(3,522,598)
Minority Interest		1,527,674	599,280	558,656	482,818	358,604	362,251
Stockholders' Equity	Before Distribution	75,555,783	77,408,994	82,877,615	92,877,662	94,108,374	96,809,713
	After Distribution	66,038,565	68,087,869	77,591,648	84,540,827	Un-appropriated	Un-appropriated

7.1.2 Five-Year Consolidated Income Statement

Unit: NT$ Thousand

Item \ Period	Most Recent 5-Year Financial Information					Current year as of Mar. 31 ,2011
	2006	2007	2008	2009	2010	
Operating revenue	350,816,353	462,066,080	546,274,115	573,982,544	629,058,973	127,798,935
Gross profit	38,171,313	47,418,310	57,285,660	58,327,860	64,481,268	13,212,704
Operating (loss) income	7,462,446	10,185,123	14,072,302	15,339,466	18,203,913	1,928,852
Non-operating Income and Gain	9,266,120	6,699,671	5,353,038	1,719,037	4,321,397	345,524
Non-operating Expense and Loss	3,180,259	1,776,157	4,618,613	2,075,520	3,195,923	780,755
Continuing operating income before tax	13,548,307	15,108,637	14,806,728	14,982,983	19,329,387	1,493,621
Income(Loss) from Discontinued segment	0	517,866	99,843	0	0	0
Extraordiniary Items	0	0	0	0	0	0
Cumulative Effect of changes in accounting principle	0	0	0	0	0	0
Income after income taxes	10,218,242	12,958,933	11,742,135	11,353,374	15,117,997	1,184,890
EPS	4.16	5.27	4.67	4.31	5.71	0.45

7.1.3 CPAs' and Auditors' Opinions:

Year	Name of CPA(s)	Auditors' Opinion
2006	Winston Yu, Albert Lou	Modified unreserved
2007	Sonia Chang, Winston Yu	Unreserved
2008	Sonia Chang, Agnes Yang	Modified unreserved
2009	Sonia Chang, Agnes Yang	Unreserved
2010	Sonia Chang, Agnes Yang	Unreserved

7.2 Five-Year Financial Analysis

Item		Period	Most Recent 5-Year Financial Information 2006	2007	2008	2009	2010	Current year as of Mar.31 ,2011
Financial Ratio (%)	Total liabilities to total assets		59.92	68.18	65.96	68.09	66.45	63.92
	Long-term debts to fixed assets		1,268.55	1,162.99	1,008.19	1,281.42	1,699.47	1,747.60
Ability to Payoff Debt	Current ratio(%)		146.65	134.15	124.83	129.06	138.88	145.26
	Quick Ratio(%)		121.20	106.32	95.47	98.43	110.22	115.30
	Interest protection		33	21	12	25	20	6
Ability to Operate	A/R turnover (times)		5.26	5.34	5.18	5.19	5.85	4.83
	A/R turnover days		69	68	70	70	62	76
	Inventory turnover (times)		12.01	13.88	13.24	11.31	12.22	11.55
	Inventory turnover days		30	26	28	32	30	32
	A/P turnover (times)		4.72	5.63	6.39	5.79	5.70	5.48
	Fixed assets turnover (times)		56.67	53.50	58.51	66.16	90.65	73.62
	Total assets turnover (times)		1.86	1.90	2.24	1.97	2.24	1.91
Earning Ability	Return on assets(%)		5.85	6.27	5.23	4.42	5.59	2.04
	Return on equity(%)		14.31	16.94	14.65	12.92	16.17	4.97
	To Pay-in Capital (%)	Operating income	31.93	42.34	53.25	57.06	67.36	28.49
		PBT	57.97	62.81	56.03	55.74	71.53	22.06
	Net income ratio (%)		2.91	2.80	2.15	1.98	2.40	0.93
	EPS (NTD)		4.16	5.27	4.67	4.31	5.71	0.45
Cash Flow (%)	Cash flow ratio		12.03	(4.59)	(3.46)	21.24	8.14	(12.63)
	Cash flow adequacy ratio		61.02	26.47	17.55	47.06	63.82	37.61
	Cash reinvestment ratio		7.89	(19.89)	(21.40)	40.47	5.6	(20.35)
Leverage	Operating leverage		3.45	2.99	3.14	3.12	2.99	5.65
	Financial leverage		1.06	1.08	1.10	1.04	1.06	1.17

1. Financial Ratio

(1) Total liabilities to total assets=Total liabilities/Total assets

(2) Long-term funds to fixed assets=(Net equity+Long term debts)/Net fixed assets

2. Ability to Pay off debt

(1) Current ratio=Current Assets/Current liability

(2) Quick ratio=(Current assets−Inventory−Prepaid expenses)/Current liability

(3) Interest protection=Net income before income tax and interest expense/Interest expense

3. Ability to Operate

(1) Account receivable (including account receivable and notes receivable from operation) turnover=Net sales/the average of account receivable (including account receivable and notes receivable from operation) balance

(2) A/R turnover day=365/account receivable turnover

(3) Inventory turnover=Cost of goods sold/the average of inventory

(4) Account payable (including account payable and notes payable from operation)turnover=Cost of goods sold/the average of account payable (including account payable and notes payable from operation) balance

(5) Inventory turnover day=365/Inventory turnover

(6) Fixed assets turnover=Net sales/Net Fixed Assets

(7) Total assets turnover=Net sales/Total assets

4. Earning Ability

(1) Return on assets=〔PAT+Interest expense×(1−Tax rate)〕/the average of total assets

(2) Return on equity=PAT/the average of net equity

(3) Operating income on pay-in capital ratio=Operating income/pay-in capital

(4) PBT on pay-in capital ratio=PBT/pay-in capital

(5) Net income ratio=PAT/Net sales

(6) EPS=(PAT−Dividend from prefer stock)/weighted average outstanding shares

5. Cash Flow

(1) Cash flow ratio=Cash flow from operating activities/Current liability

(2) Cash flow adequacy ratio=Most recent 5-year Cash flow from operating activities/Most recent 5-year (Capital expenditure+the increase of inventory+cash dividend)

(3) Cash reinvestment ratio=(Cash flow from operating activities−cash dividend)/(Gross fixed assets+long-term investment+other assets+working capital)

6. Leverage

(1) Operating leverage=(Net revenue−variable cost of goods sold and operating expense)/operating income

(2) Financial leverage=Operating income/(Operating income−interest expenses)

7.3 Supervisors' Review Report

To: The 2011 General Shareholders' Meeting

The Board of Directors of the Company has prepared the 2010 financial report, including balance sheet, statement of income, statements of changes in stockholders' equity, and statement of cash flows. Sonia Chang and Agnes Yang at KPMG have been retained by the Board of Directors of the Company to issue an audit report. The undersigned supervisors have reviewed the audit report and the aforesaid documents, which made by the Board of Directors in compliance with Article 228 of the Company Law, and did not find any incompliance. In accordance with Article 219 of the Company Law, it is hereby submitted for your review and perusal.

Supervisor: George Huang

Supervisor: Carolyn Yeh

Dated: March 28, 2011

7.4 Financial Statements Consolidated Subsidiaries Audited by CPAs of the Past Year

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2009 and 2010
(With Independent Auditors' Report Thereon)

Independent Auditors' Report

The Board of Directors
Acer Incorporated:

We have audited the accompanying consolidated balance sheets of Acer Incorporated (the "Company") and subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Acer Incorporated and subsidiaries as of December 31, 2010 and 2009, and the results of their consolidated operations and their consolidated cash flows for the years then ended, in conformity with accounting principles generally accepted in the Republic of China.

The consolidated financial statements as of and for the year ended December 31, 2010, have been translated into United States dollars solely for the convenience of the readers. We have audited the translation, and in our opinion, the consolidated financial statements expressed in New Taiwan dollars have been translated into United States dollars on the basis set forth in note 2(27) to the consolidated financial statements.

Taipei, Taiwan (the Republic of China)
March 11, 2011

Note to Readers

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

ACER INCORPORATED AND SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2009 and 2010
(Expressed in thousands of New Taiwan dollars and US dollars)

Assets	2009	2010	
	NT$	NT$	US$
Current assets:			
Cash and cash equivalents (note 4(1))	53,616,067	68,456,386	2,350,030
Notes and accounts receivable, net of allowance for doubtful accounts of NT$1,681,844 and NT$1,159,472 as of December 31, 2009 and 2010, respectively (note 4(2))	111,858,366	101,730,888	3,492,306
Notes and accounts receivables from related parties (note 5)	600,306	719,024	24,683
Other receivables from related parties (note 5)	21,507	46,914	1,611
Other receivables (note 4(3))	9,263,152	7,860,935	269,857
Financial assets at fair value through profit or loss – current (notes 4(5) and (25))	157,659	38,895	1,335
Available-for-sale financial assets – current (notes 4(4) and (25))	223,437	225,710	7,748
Hedging purpose derivative financial assets – current (notes 4(6) and (25))	1,275,157	88,372	3,034
Inventories (note 4(7))	51,184,953	41,240,053	1,415,724
Prepayments and other current assets	1,694,058	1,845,878	63,367
Non-current assets held for sale (note 4(8))	-	1,827,855	62,748
Deferred income tax assets – current (note 4(20))	2,213,215	1,655,718	56,839
Restricted deposits (note 6)	-	24,197	831
Total current assets	232,107,877	225,760,825	7,750,113
Long-term investments:			
Investments accounted for using equity method (note 4(10))	3,314,950	2,235,701	76,749
Available-for-sale financial assets – noncurrent (notes 4(11) and (25))	3,306,742	2,274,902	78,095
Financial assets carried at cost – noncurrent (notes 4(9) and (25))	2,251,058	1,722,677	59,138
Total long-term investments	8,872,750	6,233,280	213,982
Property, plant and equipment (note 4(12)):			
Land	2,509,029	1,927,170	66,158
Buildings and improvements	5,386,921	4,629,090	158,911
Computer equipment and machinery	3,059,222	3,102,280	106,498
Other equipment	3,219,265	3,152,324	108,216
Construction in progress and advance payments for purchases of property and equipment	83,680	50,993	1,751
	14,258,117	12,861,857	441,534
Less: accumulated depreciation	(4,904,235)	(5,040,515)	(173,035)
accumulated impairment	(677,709)	(881,568)	(30,263)
Net property, plant and equipment	8,676,173	6,939,774	238,236
Intangible assets (note 4(14))			
Trademark	7,862,465	10,043,300	344,775
Goodwill	21,977,454	20,477,471	702,968
Other intangible assets	5,604,149	5,872,164	201,585
Total intangible assets	35,444,068	36,392,935	1,249,328
Other financial assets (notes 4(15), (25) and 6)	789,711	1,038,501	35,651
Property not used in operation (note 4(13))	2,971,542	2,355,522	80,862
Deferred charges and other assets (notes 4(19) and (20))	2,162,567	1,777,693	61,026
Total assets	**291,024,688**	**280,498,530**	**9,629,198**

Liabilities and Stockholders' Equity	2009 NT$	2010 NT$	2010 US$
Current liabilities:			
Short-term borrowings (note 4(16))	548,059	1,651,630	56,699
Current portion of long-term debt (note 4(18))	-	6,100,000	209,406
Notes and accounts payable	95,831,720	84,234,625	2,891,680
Notes and accounts payable to related parties (note 5)	10,232,364	7,766,098	266,602
Financial liabilities at fair value through profit or loss – current (notes 4(5) and (25))	162,539	298,998	10,264
Other payables to related parties (note 5)	92,187	537,267	18,444
Hedging purpose derivative financial liabilities – current (notes 4(6) and (25))	196,714	759,866	26,085
Royalties payable	16,337,817	10,501,921	360,519
Accrued expenses and other current liabilities	55,764,403	50,129,779	1,720,899
Deferred income tax liabilities – current 4(20))	680,714	578,740	19,867
Total current liabilities	179,846,517	162,558,924	5,580,465
Long-term liabilities:			
Bonds payable (notes 4(17) and, (25))	-	13,103,887	449,842
Financial liabilities at fair value through profit or loss – noncurrent (notes 4(17) and (25))	-	1,338,524	45,950
Long-term debt, excluding current portion (notes 4(18) and (25))	12,371,856	6,221,933	213,592
Other liabilities (note 4(19))	384,706	330,662	11,351
Deferred income tax liabilities – noncurrent (note 4(20))	5,543,947	2,836,226	97,364
Total long-term liabilities	18,300,509	23,831,232	818,099
Total liabilities	198,147,026	186,390,156	6,398,564
Stockholders' equity and minority interest:			
Common stock (notes 4(21) and (22))	26,882,283	27,001,793	926,941
Common stock subscribed	-	21,656	743
Capital surplus (notes 4(10) and (21))	38,494,118	39,578,915	1,358,699
Retained earnings (note 4(21)):			
Legal reserve	9,960,796	11,096,134	380,918
Special reserve	1,991,615	-	-
Unappropriated earnings	16,622,600	24,233,146	831,897
Other equity components:			
Foreign currency translation adjustment	959,621	(5,095,919)	(174,937)
Minimum pension liability adjustment	(7,908)	(23,957)	(822)
Unrealized gain on financial instruments (notes 4(4), (6) and (11))	1,014,317	460,600	15,812
Treasury stock (note 4(21))	(3,522,598)	(3,522,598)	(120,927)
Total stockholders' equity	92,394,844	93,749,770	3,218,324
Minority interest	482,818	358,604	12,310
Total stockholders' equity and minority interest	92,877,662	94,108,374	3,230,634
Commitments and contingencies (note 7)			
Total liabilities and stockholders' equity	**291,024,688**	**280,498,530**	**9,629,198**

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Income

Years ended December 31, 2009 and 2010

(Expressed in thousands of New Taiwan dollars and US dollars, except for per share data)

	2009 NT$	2010 NT$	2010 US$
Net sales (note 5)	573,982,544	629,058,973	21,594,884
Cost of sales (notes 4(7) and 5)	(515,654,684)	(564,577,705)	(19,381,315)
Gross profit	58,327,860	64,481,268	2,213,569
Operating expenses (notes 4(14), (19), (21), (22), 5 and 10):			
Selling	(35,729,296)	(38,982,174)	(1,338,214)
Administrative	(6,372,585)	(6,084,942)	(208,889)
Research and development	(886,513)	(1,210,239)	(41,546)
Total operating expenses	(42,988,394)	(46,277,355)	(1,588,649)
Operating income	15,339,466	18,203,913	624,920
Non-operating income and gains:			
Interest income	361,656	308,036	10,574
Investment gain recognized using equity method, net (note 4(10))	400,098	375,948	12,906
Other investment income	-	30,085	1,033
Gain on disposal of property and equipment, net	-	82,974	2,848
Gain on disposal of investments, net (notes 4(4), (9), (10), (11))	79,162	2,376,407	81,579
Foreign currency exchange gain and valuation gain on financial instruments, net (notes 4(5), (6) and (25))	473,648	-	-
Other income	404,473	1,147,947	39,408
	1,719,037	4,321,397	148,348
Non-operating expenses and loss:			
Interest expense (note 4(17))	(622,080)	(1,032,786)	(35,455)
Other investment loss (note 4(9))	(231,934)	-	-
Loss on disposal of property and equipment, net (note 4(12))	(103,055)	-	-
Restructuring cost (note 4(23))	(164,595)	-	-
Foreign currency exchange loss and valuation loss on financial instruments, net (notes 4(5), (6), (17) and (25))	-	(1,311,734)	(45,030)
Impairment loss of non-financial assets, net of reversal gain (notes 4(12) and (13))	(395,109)	(378,178)	(12,982)
Other loss	(558,747)	(473,225)	(16,245)
	(2,075,520)	(3,195,923)	(109,712)
Income before income taxes	14,982,983	19,329,387	663,556
Income tax expense (note 4(20))	(3,630,123)	(4,211,247)	(144,567)
Consolidated net income	**11,352,860**	**15,118,140**	**518,989**
Net income attributable to:			
Shareholders of the Company	11,353,374	15,117,997	518,984
Minority interest	(514)	143	5
	11,352,860	**15,118,140**	**518,989**

Earnings per common share (in New Taiwan dollars) (note 4(24)):	**NT$**	**NT$**	**US$**
Basic earnings per common share – retroactively adjusted	**4.31**	**5.71**	**0.20**
Diluted earnings per common share – retroactively adjusted	**4.25**	**5.57**	**0.19**

ACER INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Changes in Stockholders' Equity
Years ended December 31, 2009 and 2010
(Expressed in thousands of New Taiwan dollars and US dollars)

				Retained earnings									
	Common stock	Common stock subscribed	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Foreign currency translation adjustment	Minimum Pension liability adjustment	Unrealized gain (loss) on financial Instruments	Treasury stock	Total stockholders' equity	Minority interest	Total stockholders' equity and minority interest
	NT$	NT$	NT$	NT$	NT$	NT$	NT$	NT$		NT$	NT$	NT$	NT$
Balance at January 1, 2009	26,428,560	-	37,129,952	8,786,583	-	13,985,318	1,241,058	(283)	(1,729,631)	(3,522,598)	82,318,959	558,656	82,877,615
Issuance of stock under option plans	27,087	-	76,503	-	-	-	-	-	-	-	103,590	-	103,590
Cash dividends distributed to subsidiaries	-	-	70,510	-	-	-	-	-	-	-	70,510	-	70,510
Stock-based compensation cost	-	-	298,592	-	-	-	-	-	-	-	298,592	-	298,592
2009 net income	-	-	-	-	-	11,353,374	-	-	-	-	11,353,374	(514)	11,352,860
Appropriation approved by the stockholders (note 1):													
Legal reserve	-	-	-	1,174,213	-	(1,174,213)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	1,991,615	(1,991,615)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(5,285,966)	-	-	-	-	(5,285,966)	-	(5,285,966)
Stock dividends to shareholders	264,298	-	-	-	-	(264,298)	-	-	-	-	-	-	-
Employees' bonuses in stock	162,338	-	737,662	-	-	-	-	-	-	-	900,000	-	900,000
Unrealized valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	1,817,027	-	1,817,027	-	1,817,027
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	-	-	-	-	353,174	-	353,174	-	353,174
Minimum pension liability adjustment	-	-	-	-	-	-	-	(7,625)	-	-	(7,625)	-	(7,625)
Foreign currency translation adjustment	-	-	-	-	-	-	(281,437)	-	-	-	(281,437)	-	(281,437)
Decrease in minority interest	-	-	-	-	-	-	-	-	-	-	-	(75,324)	(75,324)
Adjustments from investments accounted for using equity method	-	-	180,899	-	-	-	-	-	573,747	-	754,646	-	754,646
Balance at December 31, 2009	26,882,283	-	38,494,118	9,960,796	1,991,615	16,622,600	959,621	(7,908)	1,014,317	(3,522,598)	92,394,844	482,818	92,877,662
Issuance of stock under option plans	66,134	21,656	118,022	-	-	-	-	-	-	-	205,812	-	205,812
Cash dividends distributed to subsidiaries	-	-	118,419	-	-	-	-	-	-	-	118,419	-	118,419
Stock-based compensation cost	-	-	458,736	-	-	-	-	-	-	-	458,736	-	458,736
2010 net income	-	-	-	-	-	15,117,997	-	-	-	-	15,117,997	143	15,118,140
Conversion right from issuance of convertible bonds	-	-	295,494	-	-	-	-	-	-	-	295,494	-	295,494
Appropriation approved by the stockholders (note 2):													
Legal reserve	-	-	-	1,135,338	-	(1,135,338)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(1,991,615)	1,991,615	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(8,336,835)	-	-	-	-	(8,336,835)	-	(8,336,835)
Stock dividends to shareholders	26,893	-	-	-	-	(26,893)	-	-	-	-	-	-	-
Employees' bonuses in stock	26,483	-	173,517	-	-	-	-	-	-	-	200,000	-	200,000
Unrealized valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	(179,096)	-	(179,096)	-	(179,096)
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	-	-	-	-	30,507	-	30,507	-	30,507
Minimum pension liability adjustment	-	-	-	-	-	-	-	(16,049)	-	-	(16,049)	-	(16,049)
Foreign currency translation adjustment	-	-	-	-	-	-	(6,055,540)	-	-	-	(6,055,540)	-	(6,055,540)
Decrease in minority interest	-	-	-	-	-	-	-	-	-	-	-	(124,357)	(124,357)
Adjustments from investments accounted for using equity method	-	-	(79,391)	-	-	-	-	-	(405,128)	-	(484,519)	-	(484,519)
Balance at December 31, 2010	**27,001,793**	**21,656**	**39,578,915**	**11,096,134**	**-**	**24,233,146**	**(5,095,919)**	**(23,957)**	**460,600**	**(3,522,598)**	**93,749,770**	**358,604**	**94,108,374**
Balance at December 31, 2010 (in US$)	**926,941**	**743**	**1,358,699**	**380,918**	**-**	**831,897**	**(174,937)**	**(822)**	**15,812**	**(120,927)**	**3,218,324**	**12,310**	**3,230,634**

Note 1: Directors' and supervisors' remuneration of $122,096 and employee bonuses of $1,000,000 for 2009 have been deducted in the 2009 net income.
Note 2: Directors' and supervisors' remuneration of $89,469 and employee bonuses of $1,500,000 for 2010 have been deducted in the 2010 net income.

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended December 31, 2009 and 2010

(Expressed in thousands of New Taiwan dollars and US dollars)

	2009 NT$	2010 NT$	2010 US$
Cash flows from operating activities:			
Consolidated net income	11,352,860	15,118,140	518,989
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation	846,303	704,486	24,184
Amortization	1,860,284	1,891,118	64,920
Stock-based compensation cost	298,592	458,736	15,748
Unrealized exchange gain on bonds payable	-	(1,239,955)	(42,566)
Amortization of bond discount and transaction costs	-	171,597	5,891
Investment gain recognized using equity method, net	(463,810)	(414,351)	(14,224)
Cash dividends received from equity method investments	143,037	280,117	9,616
Loss (gain) on disposal of property and equipment, net	103,055	(82,974)	(2,849)
Gain on disposal of investments, net	(79,162)	(2,376,407)	(81,579)
Valuation loss (gain) on financial assets and liabilities	(1,293,844)	1,899,825	65,219
Impairment loss of non-financial assets, net of reversal gain	395,109	378,178	12,982
Deferred income tax expense (benefit)	(951,327)	826,484	28,372
Other investment loss (gain), net	227,698	(30,085)	(1,033)
Gain on disposal of intangible assets	(46,037)	-	-
Restructuring cost	164,595	-	-
Changes in operating assets and liabilities:			
Notes and accounts receivable	(4,032,056)	10,127,478	347,665
Receivables from related parties	241,158	(118,718)	(4,076)
Inventories	(11,173,624)	9,882,344	339,250
Other receivable, prepayments and other current assets	(951,160)	1,007,844	34,598
Non-current receivable (under other financial assets – non-current)	69,926	(64,506)	(2,214)
Notes and accounts payable	31,466,106	(11,597,095)	(398,115)
Payables to related parties	2,384,367	(2,021,186)	(69,385)
Royalties payable, accrued expenses and other current liabilities	8,088,125	(11,509,119)	(395,095)
Other liabilities	(458,091)	(54,044)	(1,855)
Cash provided by operating activities	38,192,104	13,237,907	454,443
Cash flows from investing activities:			
Proceeds from disposal of investments	1,042,680	4,069,972	139,718
Acquisition of long-term investments	(259,905)	(149,289)	(5,125)
Proceeds from capital return or liquidation of investees	231,897	480,100	16,481
Additions to property, plant and equipment and property not used in operation	(771,575)	(1,113,394)	(38,222)
Proceeds from disposal of property and equipment and property not used in operation	75,067	527,724	18,116
Decrease (increase) in advances to related parties	23,666	(25,407)	(872)
Decrease (increase) in restricted deposits	922,794	(24,197)	(831)
Additions to intangible assets	(2,785,947)	(6,211,750)	(213,242)
Proceeds from disposal of intangible assets	25,000	-	-
Increase in refundable deposits, deferred charges, and other assets	(291,932)	(186,000)	(6,385)
Cash used in by investing activities	(1,788,255)	(2,632,241)	(90,362)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings	(538,792)	1,103,571	37,884
Issuance of convertible bonds	-	15,865,788	544,655
Repayment of long-term debt	(10,702)	(49,923)	(1,714)
Distribution of cash dividends	(5,215,456)	(8,218,416)	(282,129)
Proceeds from exercise of employee stock option	103,590	205,812	7,065
Decrease in minority interests	(63,768)	(81,273)	(2,790)
Cash provided by (used in) financing activities	(5,725,128)	8,825,559	302,971
Effects of exchange rate changes	795,621	(4,590,906)	(157,601)
Net increase in cash and cash equivalents	31,474,342	14,840,319	509,451
Cash and cash equivalents at beginning of period	22,141,725	53,616,067	1,840,579
Cash and cash equivalents at end of period	**53,616,067**	**68,456,386**	**2,350,030**
Supplemental disclosures of cash flow information:			
Interest paid	**444,067**	**839,977**	**28,835**
Income taxes paid	**3,196,014**	**5,794,408**	**198,915**
Supplementary disclosures of non-cash investing and financing activities:			
Change in unrealized valuation gain (loss) on financial instruments	**2,743,948**	**(553,717)**	**(19,008)**
Current portion of long-term debt	**-**	**6,100,000**	**209,406**
Additions to property and equipment included in other current liabilities	**-**	**99,670**	**3,422**
Decrease in valuation allowance of deferred income tax assets against goodwill	**-**	**1,770,123**	**60,766**

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

As of and for the years ended December 31, 2009 and 2010

(amounts expressed in thousands of New Taiwan dollars and US dollars, except for earnings per share information and unless otherwise noted)

1. Reporting Entities of the Consolidated Financial Statements and Their Business Scopes

Acer Sertek Inc. (the "Company") was incorporated on August 1, 1976, as a company limited by shares under the laws of the Republic of China ("ROC"). The Company merged with Acer Incorporated ("AI") on March 27, 2002, with the Company as the surviving entity from the merger but renaming itself as Acer Incorporated. After the merger, the principal activities of the Company focus on globally marketing its brand-name IT products, and promoting E-commerce solutions to clients.

The Company completed the acquisition of 100% equity ownership of Gateway, Inc. (including eMachines brand), a personal computer company in the U.S., through its indirectly wholly owned subsidiary on October 15, 2007. The Company also acquired the 100% equity ownership of Packard Bell B.V., a personal computer company in Europe, through its indirectly wholly owned subsidiary on March 14, 2008 and June 30, 2008. Following the acquisitions of Gateway and Packard Bell, the Company has defined a clear path for its multi-brand strategy. Additionally, on September 1, 2008, the Company entered the smart phone market following the acquisition of E-Ten Information Systems Co., Ltd. In October 2010, in order to expand into the market in China, the Company acquired the PC business, management team and employees, regional sales and marketing channels of Founder Technology Group Corporation, through its indirectly wholly owned subsidiary.

The reporting entities of the consolidated financial statements include the Company and its subsidiaries (hereinafter referred to collectively as the "Consolidated Companies"). On December 31, 2009 and 2010, the number of employees of the Consolidated Companies was 7,757 and 6,624, respectively. The Consolidated Companies are summarized below according to their primary business activity.

(1) Sale of "Acer", "Gateway", "eMachines", "Packard Bell" and "Founder" brand-name information technology products:

		Percentage of Ownership At December 31,	
	Investor	2009	2010
(a) Acer Incorporated			
(b) Acer Greater China (B.V.I.) Corp. ("AGC", British Virgin Islands) and subsidiaries	The Company	100.00	100.00
· Acer Market Services Limited ("AMS", Hong Kong)	AGC	100.00	100.00
· Acer Computer (Far East) Limited ("AFE", Hong Kong)	AGC	100.00	100.00
· Acer Information (Zhong Shan) Co., Ltd. ("AIZS", China)	AMS	100.00	100.00
· Beijing Acer Information Co., Ltd. ("BJAI", China)	AMS	100.00	100.00
· Acer Computer (Shanghai) Ltd. ("ACCN", China)	AMS	100.00	100.00
· Acer (Chongqing) Ltd. ("ACCQ", China)	AMS	-	100.00
(c) Acer European Holding B.V. ("AEH", Netherlands Antilles) and subsidiaries	The Company	100.00	100.00
· Acer Europe B.V. ("AHN", the Netherlands)	AEH	100.00	100.00
· Acer Computer B.V. ("ACH", the Netherlands)	AEH	100.00	100.00

		Percentage of Ownership	
		At December 31,	
	Investor	2009	2010
‧ Acer CIS Incorporated (“ACR”, British Virgin Islands)	AEH	100.00	100.00
‧ Acer BSEC Inc. (“AUA”, British Virgin Islands)	AEH	100.00	100.00
‧ Acer Computer (M.E.) Limited (“AME”, British Virgin Islands)	AEH	100.00	100.00
‧ Acer Africa (Proprietary) Limited (“AAF”, South Africa)	AEH	100.00	100.00
‧ Acer Computer France S.A.S.U. (“ACF”, France)	AHN	100.00	100.00
‧ Acer U.K. Limited (“AUK”, the United Kingdom)	AHN	100.00	100.00
‧ Acer Italy S.R.L. (“AIT”, Italy)	AHN	100.00	100.00
‧ Acer Computer GmbH (“ACG”, Germany)	AHN	100.00	100.00
‧ Acer Austria GmbH (“ACV”, Austria)	AHN	100.00	100.00
‧ Acer Europe Services S.R.L. (“AES”, Italy)	AHN	100.00	100.00
‧ Acer Europe SA (“AEG”, Switzerland)	AHN	100.00	100.00
‧ Acer Czech Republic S.R.O. (“ACZ”, Czech Republic)	AHN	100.00	100.00
‧ Esplex Limited (“AEX”, the United Kingdom)	AHN	100.00	100.00
‧ Acer Computer Iberica, S.A. (“AIB”, Spain)	AHN	100.00	100.00
‧ Acer Computer (Switzerland) AG (“ASZ”, Switzerland)	AHN	100.00	100.00
‧ Acer Slovakia s.r.o. (“ASK”, Slovakia)	AHN	100.00	100.00
‧ Acer International Services GmbH (“AIS”, Switzerland)	AHN	100.00	100.00
‧ Asplex Sp. z.o.o. (“APX”, Poland)	AHN	100.00	100.00
‧ Acer Marketing Services LLC (“ARU”, Russia)	AHN	100.00	100.00
‧ Acer Hellas Limited Liability Company of Marketing and Sales Services (“AGR”, Greece)	AHN	-	100.00
‧ Acer Computer Norway AS (“ACN”, Norway)	ACH	100.00	100.00
‧ Acer Computer Finland Oy (“AFN”, Finland)	ACH	100.00	100.00
‧ Acer Computer Sweden AB (“ACW”, Sweden)	ACH	100.00	100.00
‧ Acer Denmark A/S (“ACD”, Denmark)	ACH	100.00	100.00
‧ PB Holding Company S.A.R.L. (“PBLU”, Luxembourg)	AHN	100.00	100.00
‧ Packard Bell B.V. (“PBHO”, the Netherlands)	PBLU	100.00	100.00
‧ Packard Bell Finance B.V. (“PBFN”, the Netherlands)	PBHO	100.00	100.00
‧ Packard Bell Netherland B.V. (“PBNL”, the Netherlands)	PBHO	100.00	100.00
‧ Packard Bell Services s.a.r.l (“PBSV”, France)	PBHO	100.00	100.00
‧ Packard Bell Angers s.a.r.l (“PBAN”, France)	PBHO	100.00	100.00
‧ Packard Bell France s.a.s (“PBFR”, France)	PBHO	100.00	100.00
‧ Packard Bell (UK) Ltd.(“PBUK”, the United Kingdom)	PBHO	100.00	100.00
‧ Packard Bell Scotland Ltd. (“PBSC”, the United Kingdom)	PBHO	100.00	-
‧ Packard Bell Iberica s.l (“PBES”, Spain)	AIB	100.00	100.00
‧ Infonove s.r.l a Socio Unico in Liquidazione (formerly Packard Bell Italia s.r.l) (“PBIT”, Italy)	PBHO	100.00	100.00
‧ Packard Bell Deutschland GmbH (“PBDE”, Germany)	PBHO	100.00	100.00
‧ Packard Bell Belgium BVBA (“PBBE”, Belgium)	PBHO	100.00	100.00
‧ Packard Bell Norden AS (“PBNO”, Norway)	PBHO	100.00	100.00

		Percentage of Ownership	
		At December 31,	
	Investor	2009	2010
‧ Packard Bell Schweiz GmbH (“PBCH”, Switzerland)	PBHO	100.00	100.00
‧ NEC Computers South Africa (Pty) Ltd. (“PBZA”, South Africa)	PBHO	50.81	50.81
(d) Boardwalk Capital Holding Limited (“Boardwalk”, British Virgin Islands) and subsidiaries	The Company	100.00	100.00
‧ Acer Computer Mexico, S.A. de C.V. (“AMEX”, Mexico)	Boardwalk	99.92	99.92
‧ Acer Latin America, Inc. (“ALA”, U.S.A.)	Boardwalk	100.00	100.00
‧ Acer American Holding Corp. (“AAH”, USA)	Boardwalk	100.00	100.00
‧ AGP Tecnologia em Informatica do Brasil Ltda. (“ATB”, Brazil)	Boardwalk	100.00	100.00
‧ Aurion Tecnologia, S.A. de C.V. (“Aurion”, Mexico)	AMEX	99.92	99.92
‧ Gateway, Inc. (“GWI”, U.S.A.)	AAH	100.00	100.00
‧ Acer America Corporation. (“AAC”, U.S.A.)	GWI	99.92	99.92
‧ Acer Service Corporation (“ASC”, U.S.A.)	GWI	100.00	100.00
‧ Gateway US Retail, Inc. (“GRA”, U.S.A.)	GWI	100.00	100.00
‧ Gateway Diect, Inc. (“GDA”, U.S.A.)	GWI	100.00	100.00
‧ Gateway Manufacturing LLC (“GMA”, U.S.A.)	GWI	100.00	100.00
‧ Gateway International Holdings, Inc. (“GIH”, U.S.A.)	GWI	100.00	100.00
‧ Gateway de Mexico S. de R.L. de C.V. (“GMX”, Mexico)	GWI	100.00	100.00
‧ Gateway Hong Kong Ltd. (“GHK”, Hong Kong)	GWI	100.00	100.00
‧ Gateway Asia, Inc. (“GAI”, U.S.A.)	GWI	100.00	100.00
‧ Gateway KK (“GJP”, Japan)	GRA	100.00	100.00
‧ Gateway Ltd. (“GUK”, the United Kingdom)	GRA	100.00	100.00
‧ eMachines Internet Group (“EMA”, U.S.A.)	GRA	100.00	100.00
‧ Gateway Europe B.V. (“GEBV”, U.S.A.)	GRA	100.00	100.00
‧ Gateway Computers Ireland Ltd. (“GCI”, the United Kingdom)	GRA	100.00	100.00
‧ Gateway International Computers Limited (“GIC”, the United Kingdom)	GIH	100.00	100.00
‧ Gateway Canada Corporation (“GCA”, Canada)	GIC	100.00	100.00
‧ Servicio Profesionales de Aceso S. de R.L. (“GSMX”, Mexico)	EMA	100.00	100.00
(e) Acer Holding International, Incorporated (“AHI”, British Virgin Islands) and subsidiaries	The Company	100.00	100.00
‧ Acer Computer Co., Ltd. (“ATH”, Thailand)	AHI	100.00	100.00
‧ Acer Japan Corp. (“AJC”, Japan)	AHI	100.00	100.00
‧ Acer Computer Australia Pty. Limited (“ACA”, Australia)	AHI	100.00	100.00
‧ Acer Sales and Service Sdn Bhd (“ASSB”, Malaysia)	AHI	100.00	100.00
‧ Acer Asia Pacific Sdn Bhd (“AAPH, Malaysia”)	AHI	100.00	100.00
‧ Acer Computer (Singapore) Pte. Ltd. (“ACS”, Singapore)	AHI	100.00	100.00
‧ Acer Computer New Zealand Ltd. (“ACNZ”, New Zealand)	AHI	100.00	100.00
‧ PT Acer Indonesia (“AIN”, Indonesia)	AHI	100.00	100.00
‧ Acer India Private Limited (“AIL”, India)	AHI	100.00	100.00
‧ Acer Vietnam Co., Ltd. (“AVN”, Vietnam)	AHI	100.00	100.00
‧ Acer Philippines, Inc. (“APHI”, Philippines)	AHI	100.00	100.00

	Investor	Percentage of Ownership At December 31, 2009	2010
・Highpoint Australia Pty. Ltd. (“HPA”, Australia)	ACA	100.00	100.00
・Highpoint Service Network Sdn Bhd (“HSN”, Malaysia)	ASSB	100.00	100.00
・Logistron Service Pte Ltd. (LGS, Singapore)	ACS	100.00	100.00
(f) Acer Computer International Ltd. (“ACI”, Singapore)	The Company	100.00	100.00
(g) Acer Sales & Distribution Ltd. (“ASD”, Hong Kong)	The Company	100.00	100.00

(2) Sale and distribution of computer products and electronic communication products:

	Investor	Percentage of Ownership At December 31, 2009	2010
(a) Weblink International Inc. (“WII”, Taiwan)	The Company	99.79	99.79
(b) Weblink (H.K.) International Ltd. (“WHI”, Hong Kong)	WII	99.79	99.79
(c) Servex (Malaysia) Sdn Bhd (“SMA”, Malaysia)	ASSB	100.00	100.00
(d) Megabuy Sdn Bhd (“MGB”, Malaysia)	ASSB	100.00	100.00
(e) Servex International (Thailand) Co., Ltd. (“STH”, Thailand)	ATH	100.00	-

(3) Investing, holding and financial companies:

	Investor	Percentage of Ownership At December 31, 2009	2010
(a) Multiventure Investment Inc. (“MVI”, Taiwan)	ADSC	100.00	100.00
(b) Acer Digital Service Co. (“ADSC”, Taiwan)	The Company	100.00	100.00
(c) Acer Worldwide Incorporated (“AWI”, British Virgin Islands)	The Company	100.00	100.00
(d) Cross Century Investment Limited (“CCI”, Taiwan)	The Company	100.00	100.00
(e) Acer SoftCapital Incorporated (“ASCBVI”, British Virgin Islands)	The Company	100.00	100.00
(f) Acer Capital Corporation (“ACT”, Taiwan)	The Company	100.00	100.00
(g) Aspire Incubation Venture Capital (“AIVC”, Taiwan)	The Company	100.00	100.00
(h) Acer Digital Services (B.V.I.) Holding Corp. (“ADSBH”, British Virgin Islands)	The Company	100.00	100.00
(i) Acer Digital Services (Cayman Islands) Corp.(“ADSCC”, Cayman Islands)	ADSBH	100.00	100.00
(j) Nicholas Insurance Company Ltd. (“NIC”, Bermuda)	GWI	100.00	100.00
(k) ASC Cayman, Limited (“ASCCAM”, Cayman Islands)	ASCBVI	100.00	100.00
(l) Acer Technology Venture Asia Pacific Ltd.(“ATVAP”, Cayman Islands)	ASCBVI	100.00	100.00
(m) AGP Insurance (Guernsey) Limited. (“AGU”, British Guernsey Island)	AEH	100.00	100.00
(n) Acer EMEA Holdings B.V. (AHB, the Netherlands)	The Company	100.00	100.00
(o) Eten International Holdings Ltd. (“EIH”, British Virgin Islands)	ETEN	100.00	-

(4) Research, design, and sale of smart handheld products:

	Investor	Percentage of Ownership At December 31, 2009	2010
(a) Eten Information System Co., Ltd. (“ETEN”, Taiwan)	The Company	100.00	100.00
(b) Eten China Information System Co., Ltd. (“CETEN”, China)	EIH	100.00	-
(c) AGP Technology AG (“AGP”, Switzerland)	AHN	100.00	-
(d) Acer Information Technology R&D (Shanghai) Co., Ltd. (“ARD”, China)	AGC	100.00	100.00

(5) Property development:

	Investor	Percentage of Ownership At December 31, 2009	2010
(a) Acer Property Development Inc. (“APDI”, Taiwan)	ADSC	100.00	100.00
(b) Aspire Service & Development Inc. (“ASDI”, Taiwan)	ADSC	100.00	100.00

(6) Electronic data supply or processing service, data storage and processing:

	Investor	Percentage of Ownership At December 31, 2009	2010
(a) Acer Cyber Center Services Ltd. (“ACCSI”, Taiwan)	The Company	100.00	100.00
(b) Lottery Technology Service Corp. (“LTS”, Taiwan)	The Company	100.00	100.00
(c) Minly Corp. (“MINLY”, Taiwan)	The Company	100.00	100.00

(7) Software research, development, design, trading and consultation:

	Investor	Percentage of Ownership At December 31, 2009	2010
(a) TWP International Inc. (“TWP BVI”, British Virgin Islands)	ACCSI	100.00	100.00
(b) Acer Third Wave Software (Beijing) Co., Ltd. (“TWPBJ”, China)	TWPBVI	100.00	100.00

In 2009, the subsidiaries namely PBSC, AGP, STH, EIH and CETEN were liquidated or dissolved, and were excluded from consolidation since the Company ceased control thereof. Additionally, the Company established new subsidiaries namely ACCQ and AGR in 2010.

2. Summary of Significant Accounting Policies

(1) Accounting principles and consolidation policy

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the Republic of China. These consolidated financial statements are not intended to present the financial position and the related results of operations and cash flows of the Consolidated Companies based on accounting principles and practices generally accepted in countries and jurisdictions other than the ROC.

The consolidated financial statements include the accounts of the Company and subsidiaries in which the Company is able to exercise control over the subsidiary's operations and financial policies. The operating activity of the subsidiary is included in the consolidated statements of income from the date that control commences until the date that control ceases. All significant inter-company balances and transactions are eliminated in consolidation.

(2) Use of estimates

The preparation of the accompanying consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting periods. Economic conditions and events could cause actual results to differ significantly from such estimates.

(3) Foreign currency transactions and translations

The Company's reporting currency is the New Taiwan dollar. The Consolidated Companies record transactions in their respective local currencies of the primary economic environment in which these entities operate. Non-derivative foreign currency transactions are recorded at the exchange rates prevailing at the transaction date. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated into New Taiwan dollars using the exchange rates on that date. The resulting unrealized exchange gains or losses from such translations are reflected in the accompanying statements of income. Non-monetary assets and liabilities denominated in foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are reported at the rate that was in effect when the fair values were determined. Subsequent adjustments to carrying values of such non-monetary assets and liabilities, including the effects of changes in exchange rates, are reported in profit or loss for the period, except that if movement in fair value of a non-monetary item is recognized directly in equity, any foreign exchange component of that adjustment is also recognized directly in equity.

In preparing the consolidated financial statements, the foreign subsidiaries' financial statements are initially remeasured into the functional currency and the remeasuring differences are accounted for as exchange gains or losses in the accompanying statements of income. Translation adjustments resulting from the translation of foreign currency financial statements into the Company's reporting currency and a monetary item that forms part of the Company's net investment in a foreign operation are accounted for as cumulative translation adjustment, a separate component of stockholders' equity.

(4) Classification of current and non-current assets and liabilities

Cash or cash equivalents, and assets that will be held primarily for the purpose of being traded or are expected to be realized within 12 months after the balance sheet date are classified as current assets; all other assets are classified as non-current.
Liabilities that will be held primarily for the purpose of being traded or are expected to be settled within 12 months after the balance sheet date are classified as current liabilities; all other liabilities are classified as non-current.

(5) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash in banks, miscellaneous petty cash, and other highly liquid investments which do not have a significant level of market or credit risk from potential interest rate changes.

(6) Allowance for doubtful accounts

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

(7) Inventories

Effective January 1, 2009, the Consolidated Companies adopted the revised Republic of China Statement of Financial Accounting Standards (SFAS) No. 10 "Accounting for Inventories". The cost of inventories comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Inventories are measured individually at the lower of cost and net realizable value. Cost of inventory is determined using the weighted-average method. Net realizable value is determined based on the estimated selling price in the ordinary course of business, less all estimated costs of completion and selling expenses at the balance sheet date.

(8) Financial instruments

The Consolidated Companies adopted trade date accounting for financial instrument transactions. At initial recognition, financial instruments are accounted for at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument. Subsequent to initial recognition, financial instruments are classified into the following categories in accordance with the purpose of holding or issuing of such financial instruments:

(a) Financial assets/liabilities at fair value through profit or loss

An instrument is classified as financial asset/liability reported at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Derivatives that do not meet the criteria for hedge accounting are classified as financial assets or liabilities at fair value through profit or loss. Financial instruments reported at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

(b) Hedging derivative financial assets / liabilities

Hedging derivative financial assets / liabilities represent derivatives that are intended to hedge the risk of changes in exchange rates resulting from operating activity transactions denominated in foreign currencies and conform to the criteria for hedge accounting.

(c) Available-for-sale financial assets

Available-for-sale financial assets are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on available-for-sale monetary items, are recognized as a separate line item of stockholders' equity. When an investment is derecognized, the cumulative unrealized gain or loss recognized in equity is transferred to profit or loss. If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized in profit or loss. If, in a subsequent period, events or changes in circumstances indicate that the amount of impairment loss decreases, reversal of a previously recognized impairment loss for equity securities is charged to equity; while for debt securities, the reversal is allowed through profit or loss provided that the decrease is clearly attributable to an event which occurred after the impairment loss was recognized.

(d) Financial assets carried at cost

Equity investments whose fair value cannot be reliably measured are carried at original cost. If there is objective evidence which indicates that an equity investment is impaired, a loss is recognized.

(e) Financial liabilities measured at amortized cost

Financial liabilities not measured at fair value through profit or loss and not designated as hedging instruments are measured at amortized cost.

(9) Derivative financial instruments and hedging activities

Hedge accounting recognizes the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item. The designated hedging instruments that conform to the criteria for hedge accounting are accounted for as follows:

(a) Fair value hedges

Changes in the fair value of a hedging instrument designated as a fair value hedge are recognized in profit or loss. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss thereon recognized in profit or loss.

(b) Cash flow hedges

Changes in the fair value of a hedging instrument designated as a cash flow hedge are recognized directly in equity. If a hedge of a forecasted transaction subsequently results in the recognition of an asset or a liability, then the amount recognized in equity is reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss.

(10) Non-current assets held for sale

Non-current assets and groups of assets and liabilities which comprise disposal groups are classified as held for sale when the assets are available for immediate sale in their present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups), and their sale within one year is highly probable. Non-current assets or disposal groups classified as held for sale are measured at the lower of their book value or fair value less costs to sell, and ceased to be depreciated or amortized. Non-current assets or disposal groups classified as held for sale are presented separately on the consolidated balance sheets. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are continued to be recognized until the related assets are disposed.

An impairment loss is recognized for any initial or subsequent write-down of the assets (or disposal groups) to fair value less costs to sell in the consolidated statements of income. A gain from any subsequent increase in fair value less costs to sell of an asset (or a disposal group) is recognized, but not in excess of the cumulative impairment loss that has been recognized.

(11) Equity method investments

Long-term equity investments in which the Consolidated Companies, directly or indirectly, own 20% or more of the investee's voting shares, or less than 20% of the investee's voting shares but are able to exercise significant influence over the investee's operating and financial policies, are accounted for using the equity method.

Effective January 1, 2006, under the amended ROC SFAS No. 5, "Long-term Investments under Equity Method," the difference between acquisition cost and carrying amount of net equity of the investee as of the acquisition date is allocated proportionately based on the excess of fair value over the carrying value of noncurrent assets on the investee's books. Allocated amounts are amortized based on the method used for the related assets. Any unallocated difference is treated as investor-level goodwill. If the allocation reduces non-current assets to zero value, the remaining excess over acquisition cost is recognized as an extraordinary gain. Prior to January 1, 2006, investor-level goodwill was amortized over five years on a straight-line basis. Commencing January 1, 2006, as required by the amended ROC SFAS No. 5, investor-level goodwill is no longer amortized but tested for impairment.

Upon the sale of equity-method investment, the difference between the selling price and carrying amount of the investment at the date of sale is recognized as a disposal gain or loss. In proportion to the percentage disposed of, capital surplus and other equity adjustment items arising from the long-term investment are debited against disposal gain or loss.

If an investee company issues new shares and the Company does not acquire new shares in proportion to its original ownership percentage, the Company's equity in the investee's net assets will be changed. The change in the equity interest is adjusted through the capital surplus and long-term investment accounts. If the Company's capital surplus is insufficient to offset the adjustment to long-term investment, the difference is charged as a reduction of retained earnings.

Unrealized inter-company profits and losses resulting from transactions between the Consolidated Companies and investees accounted for under the equity method are deferred to the extent of the Company's ownership. The profits and losses resulting from transactions relating to depreciable or amortizable assets are recognized over the estimated useful lives of such assets. Profits and losses arising from transactions relating to other assets are recognized when realized.

(12) Capital leases

For capital leases, where the Consolidated Companies act as the lessor, all periodic rental payments plus bargain purchase price or estimated residual value are accounted for as lease payment receivables. The present value of all lease payment receivables, discounted at the implicit interest rate, is recorded as revenue. The difference between the lease payment receivables and the revenue is the unearned interest revenue, which is recognized over the lease term using the effective interest method.

(13) Property, plant and equipment, property leased to others, and property not in use

Property, plant and equipment are stated at acquisition cost. Interest expense related to the purchase and construction of property, plant and equipment is capitalized and included in the cost of the related asset. Significant renewals, improvements and replacements are capitalized. Maintenance and repair costs are charged to expense as incurred. Gains and losses on the disposal of property, plant and equipment are recorded in the non-operating section in the accompanying consolidated statements of income.

Commencing from November 20, 2008, the Company capitalizes retirement or recovery obligation for property and equipment in accordance with Interpretation (2008) 340 issued by the Accounting Research and Development Foundation. A component which is significant in relation to the total cost of the property and equipment and for which a different depreciation method or rate is appropriate is depreciated separately.

Depreciation is provided for property, plant and equipment, property leased to others, and property not used in operation over the estimated useful life using the straight-line method. The range of the estimated useful lives of the respective classes of assets is as follows: buildings and improvements - 30 to 50 years; computer equipment and machinery - 3 to 10 years; and other equipment - 3 to 20 years.

The estimated useful lives, depreciation method and residual value are evaluated at the end of each year and any changes thereof are accounted for as changes in accounting estimates.

Property leased to others and property not used in operation is classified to other assets and continue to be depreciated and are subject to an impairment test.

(14) Intangible assets

Goodwill is recognized when the purchase price exceeds the fair value of identifiable net assets acquired in a business combination. In accordance with the SFAS No. 25 "Accounting for Business Combinations", goodwill is not amortized but is tested for impairment annually.

Other intangible assets, including patents, trademarks and trade names, customer relationships, developed technology, sales and marketing channels and purchased software, are initially stated at cost. Intangible assets with finite useful lives are amortized over the following estimated useful life using the straight-line method from the date that the asset is available for use: patents - 4 to 16 years; acquired software - 1 to 3 years; customer relationships - 7 to 10 years; developed technology - 10 years; channel resource - 8.8 years; and trademarks and trade names - 7 to 20 years.

The Gateway, Packard Bell and Eten trademarks and trade names are intangible assets with indefinite useful lives. Such intangible assets are not amortized, but are tested for impairment annually. The useful life of an intangible asset not subject to amortization is reviewed annually at each fiscal year-end to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. Any change in the useful life assessment from indefinite to finite is accounted for as a change in accounting estimate.

(15) Non-financial asset impairment

The Consolidated Companies assess at each balance sheet date whether there is any indication that an asset (an individual asset or cash-generating unit associated with the asset, other than goodwill) may have been impaired. If any such indication exists, the Consolidated Companies estimate the recoverable amount of the assets. An impairment loss is recognized for an asset whose carrying amount is higher than the recoverable amount. If there is any evidence that the accumulated impairment loss of an asset other than goodwill no longer exists or has decreased, the amount previously recognized as impairment is reversed and the carrying amount of the asset is increased to the recoverable amount. The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized in prior periods.

Goodwill, assets that have an indefinite useful life and intangible assets not yet available for use are tested annually for impairment. An impairment loss is recognized for the excess of the asset's carrying amount over its recoverable amount. A subsequent reversal of the impairment loss is prohibited.

(16) Deferred charges

Deferred charges are stated at cost and primarily consist of improvements to office buildings and other deferred charges. These costs are amortized using the straight-line method over their estimated useful lives.

(17) Convertible bonds

Convertible bonds issued by the Company contain both a financial liability and an equity component. The equity component grants an option to the bondholder to convert a fixed number of bonds into a fixed number of the Company's common shares. On initial recognition, the carrying amount of the liability component is measured at the fair value of a similar liability that does not have an associated equity component. The carrying amount of the equity component is then determined by deducting the fair value of the financial liability from the proceeds of the issuance of convertible bonds. Transaction costs directly attributable to the issuance of the bonds are allocated to the liability and equity components in proportion to the allocation of the proceeds.

The difference between the initial carrying amount of the liability component and the redeemable amount that is payable on maturity is amortized and charged to interest expense using the effective interest rate method over the life of the bond. The embedded financial instruments (redemption options) are accounted for as financial liabilities at fair value through profit and loss and measured at fair value. The equity component of the convertible bonds is recognized in capital surplus upon initial recognition and is not subject to valuation in subsequent periods.

(18) Treasury stock

Common stock repurchased by the Company that is treated as treasury stock is accounted for at acquisition cost. Upon disposal of the treasury stock, the sale proceeds in excess of cost are accounted for as capital surplus－treasury stock. If the sale proceeds are less than cost, the deficiency is accounted for as a reduction of the remaining balance of capital surplus－treasury stock. If the remaining balance of capital surplus－treasury stock is insufficient to cover the deficiency, the remainder is recorded as a reduction of retained earnings. The cost of treasury stock is computed using the weighted-average method.

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

The Company's common stock held by its subsidiaries is accounted for as treasury stock. Cash dividends paid by the Company to its consolidated subsidiaries that hold the treasury stock are accounted for as capital surplus－treasury stock.

(19) Revenue recognition

Revenue from sales of products is recognized at the time products are delivered and the significant risks and rewards of ownership are transferred to customers. Revenue generated from service is recognized when the service is provided and the amount becomes billable.

(20) Employee bonuses and directors' and supervisors' remuneration

Effective January 1, 2008, employee bonuses and remuneration to directors and supervisors which are appropriated from earnings are estimated and charged to operating expense according to Interpretation (2007) 052 issued by the Accounting Research and Development Foundation. Differences between the amounts of these bonuses and remuneration approved by the shareholders in the subsequent year and those recognized in the year when such earnings are incurred and services are rendered, if any, are accounted for as changes in accounting estimates and charged to profit or loss in the period during which stockholders' approval is obtained.

(21) Share-based payment transactions

The Consolidated Companies adopted SFAS No. 39 "Accounting for Share-based Payment" for share-based payment arrangements granted on or after January 1, 2008.

Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at grant date is expensed over the vesting period, with a corresponding increase in equity. The vesting period is the period during which all the specified vesting conditions of the share-based payment arrangement are to be satisfied. Vesting conditions include service conditions and performance conditions (including market conditions). When estimating the fair value of an equity-settled share-based award, only the effect of market conditions is taken into account.

For cash-settled share-based payments, a liability equal to the portion of the services received is recognized at its current fair value determined at each balance sheet date and at the date of settlement, with any changes in the fair value recognized in profit or loss of the period.

Fair value of share-based award is measured using the Black-Scholes option-pricing model or the binomial option pricing-model, taking into account management's best estimate of the exercise price, expected term, underlying share price, expected volatility, expected dividends, and risk-free interest rate.

(22) Administrative expenses

The administrative expenses include direct expenses incurred for the business unit within the Consolidated Companies and expenses incurred for managing the investee companies. To properly present the operating income of the Consolidated Companies, administrative expenses are categorized as direct expenses incurred for the Consolidated Companies, which are included as administrative expenses in the accompanying consolidated statements of income and expenses incurred for managing the investee companies, which are presented as a reduction of net investment income (loss) in the consolidated statements of income.

(23) Retirement plans

(a) Defined benefit retirement plans

Pursuant to the ROC Labor Standards Law, the Company and subsidiaries located in the Republic of China established noncontributory defined benefit employee retirement plans (the "Plans") and retirement fund administration committees. These Plans provide for lump-sum retirement benefits to retiring employees based on length of service, age, and certain other factors. The funding of these retirement plans by the Company and subsidiaries located in the Republic of China is based on certain percentage of employees' total salaries. The funds are deposited with Bank of Taiwan or other banks.

For the defined benefit retirement plan, the Consolidated Companies recognize a minimum pension liability equal to the excess of the actuarial present value of the accumulated benefit obligation over the fair value of the retirement plan's assets. The Consolidated Companies also recognize the net periodic pension cost based on an actuarial calculation.

(b) Defined contribution retirement plans

Starting from July 1, 2005, pursuant to the ROC Labor Pension Act (the "New System"), employees who elected to participate in the New System or commenced working after July 1, 2005, are subject to a defined contribution plan under the New System. For the defined contribution plan, the Company and subsidiaries located in the Republic of China contribute monthly an amount equal to 6% of each employee's monthly salary to the employee's individual pension fund account at the ROC Bureau of Labor Insurance.

Most of the Company's foreign subsidiaries adopt defined contribution retirement plans. These plans are funded in accordance with the regulations of their respective country of establishment.

Contributions for the defined contribution retirement plans are expensed as incurred.

(24) Income taxes

Income taxes are accounted for under the asset and liability method. Deferred income tax is determined based on differences between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect during the years in which the differences are expected to reverse. The income tax effects resulting from taxable temporary differences are recognized as deferred income tax liabilities. The income tax effects resulting from deductible temporary differences, net operating loss carryforwards, and income tax credits are recognized as deferred income tax assets. The realization of the deferred income tax assets is evaluated, and if it is considered more likely than not that the asset will not be realized, a valuation allowance is recognized accordingly. When a change in the tax rate is enacted, the Consolidated Companies recalculate the deferred tax assets and liabilities using the new tax rate in the year of change and any resulting variances are recognized as income tax expense or benefit of continuing operations accordingly.

Classification of the deferred income tax assets or liabilities as current or noncurrent is based on the classification of the related asset or liability. If the deferred income tax asset or liability is not directly related to a specific asset or liability, then the classification is based on the asset's or liability's expected realization date.

If a valuation allowance is recognized at the acquisition date for deferred tax assets acquired through business combination accounted for using the purchase method of accounting, the income tax benefit recognized as a result of the elimination of valuation allowance subsequent to the acquisition is to be applied first to reduce goodwill related to the acquisition. The remaining tax benefit, if any, is applied to reduce income tax expense attributable to continuing operations.

The investment tax credits granted for purchases of equipment, research and development expenses, and employee training expenses are recognized using the flow-through method.

According to the ROC Income Tax Act, undistributed earnings, if any, earned after June 30, 1997, are subject to an additional 10% retained earnings tax. The surtax is charged to income tax expense in the following year when the stockholders decide not to distribute the earnings.

(25) Earnings per common share ("EPS")

Basic EPS are computed by dividing net income by the weighted-average number of common shares outstanding during the year. The Company's employee stock options, convertible bonds and employee stock bonuses to be issued after January 1, 2010 are potential common stock. In computing diluted EPS, net income and the weighted-average number of common shares outstanding during the year are adjusted for the effects of dilutive potential common stock, assuming dilutive shares equivalents had been issued. The weighted-average outstanding shares are retroactively adjusted for the effects of stock dividends transferred from retained earnings and capital surplus to common stock and for those stock dividends issued for the period between the balance sheet date and the release date of financial statements.

(26) Business combination

Business combinations are accounted for in accordance with SFAS No. 25 "Business Combinations". Under SFAS No. 25, acquisition costs represent the amount of cash or cash equivalents paid and the fair value of the other purchase consideration given, plus any costs directly attributable to the acquisition. The excess of acquisition cost over the fair value of the net identifiable tangible and intangible assets acquired is recognized as goodwill.

(27) Convenience translation into U.S. dollars

The consolidated financial statements are stated in New Taiwan dollars. Translation of the 2010 New Taiwan dollar amounts into U.S. dollar amounts, using the spot rate of Bank of Taiwan on December 31, 2010, of NT$29.13 to US$1, is included solely for the convenience of the readers. The convenience translations should not be construed as representations that the New Taiwan dollar amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

3. Accounting Changes

Effective January 1, 2009, the Consolidated Companies adopted the revised SFAS No. 10, "Accounting for Inventories." The adoption of this new accounting principle did not have significant effect on the Company's consolidated financial statements as of and for the year ended December 31, 2009.

4. Significant Account Disclosures

(1) Cash and cash equivalents

	December 31, 2009	December 31, 2010	
	NT$	NT$	US$
Cash on hand	8,217	18,805	646
Bank deposits	34,278,393	48,641,345	1,669,802
Time deposits	19,329,457	19,796,236	679,582
	53,616,067	68,456,386	2,350,030

(2) Notes and accounts receivable

The Consolidated Companies entered into factoring contracts with several banks to sell part of accounts receivable without recourse. As of December 31, 2009 and 2010, details of these contracts were as follows:

December 31, 2009					
Underwriting bank	Factoring credit limit	Amount sold	Amount advanced (derecognized)	Interest rate	Collateral
	NT$	NT$	NT$		
Ifitalia Factor S.p.A.	11,219,842	6,877,785	2,091,300		Nil
ABN AMRO Bank	7,881,189	3,480,028	3,227,242		Nil
China Trust Bank	1,750,000	218,706	218,706		note 7(4)
Taipei Fubon Bank	968,500	442,145	442,145		note 7(4)
La Caixa Bank	3,724,657	3,200,041	3,200,041		Nil
Emirates Bank International	960,900	-	-		Nil
	26,505,088	14,218,705	9,179,434	0.83%~5%	

December 31, 2010					
Underwriting bank	Factoring credit limit	Amount sold	Amount advanced (derecognized)	Interest rate	Collateral
	NT$	NT$	NT$		
Ifitalia Factor S.p.A.	10,650,633	3,615,597	3,461,056		Nil
China Trust Bank	1,000,000	227,217	227,217		note 7(4)
Taipei Fubon Bank	600,000	398,989	398,989		note 7(4)
La Caixa Bank	5,698,038	5,569,479	5,049,844		Nil
Taishin Bank	22,261,932	8,184,158	8,168,602		Nil
	40,210,603	17,995,440	17,305,708	0.84%~5%	

(3) Other receivable

	December 31, 2009	December 31, 2010	
	NT$	NT$	US$
Refundable income tax and VAT	1,690,263	2,465,753	84,647
Receivables of reimbursement of advertisement expense	917,452	1,553,181	53,319
Receivables of patent royalty allocated to others	1,164,992	422,769	14,513
Other receivables	5,490,445	3,419,232	117,378
	9,263,152	7,860,935	269,857

(4) Available-for-sale financial assets－current

	December 31, 2009	December 31, 2010	
	NT$	NT$	US$
Publicly traded equity securities	223,437	225,710	7,748

In 2009 and 2010, the Consolidated Companies disposed of portions of these investments and recognized gains on disposal thereof of NT$24,022 and NT$16,545, respectively. These gains were recorded as “gain on disposal of investments” in the accompanying consolidated statements of income.

As of December 31, 2009 and 2010, the unrealized gain resulting from re-measuring available-for-sale financial assets to fair value amounted to NT$92,843 and NT$96,717, respectively, which was recognized as a separate component of stockholders’ equity.

(5) Financial assets and liabilities at fair value through profit or loss－current

	December 31, 2009	December 31, 2010	
	NT$	NT$	US$
Financial assets at fair value through profit or loss－current:			
Foreign currency forward contracts	139,515	30,381	1,043
Foreign currency options	18,144	8,514	292
	157,659	38,895	1,335

	December 31, 2009	December 31, 2010	
	NT$	NT$	US$
Financial liability at fair value through profit or loss－current:			
Foreign currency forward contracts	(157,848)	(289,276)	(9,931)
Foreign currency options	(4,691)	(9,722)	(333)
	(162,539)	(298,998)	(10,264)

For the years ended December 31, 2009 and 2010, unrealized gains (losses) resulting from the changes in fair value of these derivative contracts amounted to NT$652,108 and NT$(255,223), respectively.

The Consolidated Companies entered into derivative contracts to manage foreign currency exchange risk arising from operating activities. As of December 31, 2009 and 2010, the derivative financial instruments that did not conform to the criteria for hedge accounting and were classified as financial assets and liabilities at fair value through profit or loss consisted of the following:

(a) Foreign currency forward contracts

			December 31,2009		
Buy		Sell	Contract amount (in thousands)		Maturity period
USD	/	SGD	USD	12,600	2010/01~2010/03
USD	/	MXN	USD	96,100	2010/01~2010/03
USD	/	EUR	EUR	47,000	2010/02
USD	/	INR	USD	55,992	2010/01~2010/03
USD	/	MYR	USD	15,400	2010/01~2010/03
USD	/	THB	USD	20,670	2010/01~2010/02
USD	/	JPY	USD	68,300	2010/01~2010/04
USD	/	RUB	USD	124,000	2010/01~2010/04
USD	/	PHP	USD	100	2010/01
USD	/	ZAR	USD	21,500	2010/01~2010/03
USD	/	NTD	USD	5,000	2010/01~2010/02
EUR	/	NOK	EUR	17,403	2010/01~2010/04
EUR	/	SEK	EUR	48,400	2010/01~2010/04
EUR	/	PLN	EUR	23,000	2010/01
RUB	/	USD	USD	36,689	2010/01
MXN	/	USD	USD	2,900	2010/01

			December 31,2010		
Buy		Sell	Contract amount (in thousands)		Maturity period
USD	/	SGD	USD	15,000	2011/01~2011/03
USD	/	MYR	USD	26,300	2011/01~2011/02
USD	/	THB	USD	29,200	2011/01~2011/02
USD	/	INR	USD	67,417	2011/01~2011/03
USD	/	JPY	USD	68,000	2011/01~2011/04
USD	/	MXN	USD	81,500	2011/01~2011/04
USD	/	RUB	USD	258,821	2011/01~2011/04
USD	/	ZAR	USD	36,000	2011/01~2011/04
USD	/	EUR	EUR	45,685	2011/01~2011/02
AUD	/	USD	USD	21	2011/01
RUB	/	USD	USD	38,546	2011/01

(b) Options contracts

(i) Long position

	December 31, 2009		
	Contract amount (in thousands)		Maturity period
USD Call/EUR Put	USD	22,500	2010/01~2010/02
USD Call/RUB Put	USD	5,000	2010/02

	December 31, 2010		
	Contract amount (in thousands)		Maturity period
EUR Call/GBP Put	EUR	23,325	2011/01

(ii) Short position

	December 31, 2009		
	Contract amount (in thousands)		Maturity period
EUR Call/USD Put	USD	22,500	2010/01~2010/02
RUB Call/USD Put	USD	7,500	2010/02

	December 31, 2010		
	Contract amount (in thousands)		Maturity period
GBP Call/EUR Put	EUR	28,528	2011/01

(6) Hedging purpose derivative financial assets and liabilities

	December 31, 2009	December 31, 2010	
	NT$	NT$	US$
Hedging purpose derivative financial assets – current:			
Foreign currency forward contracts	1,275,157	88,372	3,034
Hedging purpose derivative financial liabilities – current			
Foreign currency forward contracts	(196,714)	(759,866)	(26,085)

The Consolidated Companies entered into derivative contracts to hedge foreign currency exchange risk associated with a recognized asset or liability or with a highly probable forecast transaction. As of December 31, 2009 and 2010, hedged items designated as fair value hedges and fair value of their respective hedging derivative financial instruments were as follows:

Hedged Items	Hedging instruments	Fair value of hedging instruments December 31, 2009 NT$	Fair value of hedging instruments December 31, 2010 NT$
Accounts receivable/ payable denominated in foreign currencies	Foreign currency forward contracts	1,066,045	(638,082)

For the years ended December 31, 2009 and 2010, the unrealized gains (losses) resulting from the changes in fair value of hedging instruments amounted to NT$641,736 and NT$(1,704,127), respectively.

As of December 31, 2009 and 2010, hedged items designated as cash flow hedges and the fair value of their respective hedging derivative financial instruments were as follows:

December 31, 2009

Hedged items	Hedging instruments	Fair value of hedging instruments NT$	Expected period of cash flow	Expected period of recognition in earnings
Accounts receivable/payable denominated in foreign currencies	Foreign currency forward contracts	12,398	Jan.~ Mar 2010	Jan.~ Mar 2010

December 31, 2010

Hedged items	Hedging instruments	Fair value of hedging instruments NT$	Expected period of cash flow	Expected period of recognition in earnings
Accounts receivable/payable denominated in foreign currencies	Foreign currency forward contracts	(33,412)	Jan.~ May 2011	Jan.~ May 2011

As of December 31, 2009 and 2010, unrealized gains (losses) on derivative financial instruments effective as cash flow hedges, amounted to NT$12,398 and NT$(33,412), respectively, which were accounted for as "unrealized gain (loss) on financial instruments", a separate component of stockholder's equity.

The details of outstanding hedging derivative financial instruments described above as of December 31, 2009 and 2010 were as follows:

(a) Foreign currency forward contracts

December 31, 2009

Buy		Sell	Contract amount (in thousands)		Maturity period
USD	/	AUD	USD	51,000	2010/01~2010/02
USD	/	CAD	USD	58,265	2010/01~2010/02
USD	/	EUR	EUR	870,918	2010/01~2010/03
EUR	/	GBP	EUR	237,105	2010/01~2010/03
USD	/	NZD	USD	3,900	2010/01~2010/03
AUD	/	NZD	AUD	2,150	2010/01~2010/02
USD	/	CNY	USD	160,000	2010/01~2010/04
USD	/	NTD	USD	25,000	2010/01

December 31, 2010

Buy		Sell	Contract amount (in thousands)		Maturity period
AUD	/	NZD	AUD	4,750	2011/01~2011/05
EUR	/	GBP	EUR	93,133	2011/01~2011/04
EUR	/	NOK	EUR	5,000	2011/01
EUR	/	SEK	EUR	26,646	2011/01
EUR	/	CHF	EUR	11,193	2011/01~2011/02
EUR	/	PLN	EUR	34,832	2011/01~2011/04
USD	/	CAD	USD	133,858	2011/01~2011/03
USD	/	AUD	USD	121,000	2011/01~2011/05
USD	/	NZD	USD	5,250	2011/01~2011/05
USD	/	NTD	USD	21,000	2011/01
USD	/	EUR	EUR	1,024,805	2011/01~2011/03
USD	/	CNY	USD	5,000	2011/01
NOK	/	EUR	EUR	1,023	2011/01

(7) Inventories

(a) Inventories (net of provision for obsolescence and slow-moving inventories) as of December 31, 2009 and 2010, were as follows:

	December 31, 2009 NT$	December 31, 2010 NT$	December 31, 2010 US$
Raw materials	18,489,941	16,422,852	563,778
Work in process	45,089	17,353	595
Finished goods and merchandise	15,471,217	12,150,905	417,127
Spare parts	2,477,522	1,759,398	60,398
Inventories in transit	14,701,184	10,889,545	373,826
	51,184,953	41,240,053	1,415,724

(b) The details of inventory write downs for the years ended December 31, 2009 and 2010 were as follows:

	December 31, 2009	December 31, 2010	
	NT$	NT$	US$
Write-down of inventories to net realizable value	3,278,468	5,305,618	182,136
Net loss on physical inventory	83,177	20,500	704
Scrap loss	45,329	698,201	23,968
	3,406,974	6,024,319	206,808

(8) Non-current assets held for sale

In December 2010, the Company's board of directors resolved to sell ETEN's office building located in Taipei. As of December 31, 2010, the carrying value of this building was NT$1,827,855. The Company is expecting to complete the sale thereof in 2011.

(9) Financial assets carried at cost－non-current

	December 31, 2009	December 31, 2010	
	NT$	NT$	US$
Investment in non-publicly traded equity securities:			
Prosperity Venture Capital Corp.	21,000	-	-
Sheng-Hua Venture Capital Corp.	11,900	-	-
Legend Technology	11,235	8,435	290
W.I. Harper International Corp.	14,359	14,359	493
InCOMM Technologies Co., Ltd.	2,360	2,360	81
IP Fund II	32,400	16,592	570
Dragon Investment Co. Ltd.	217,000	217,000	7,449
World Venture, Inc.	262,000	262,000	8,994
iD Reengineering Inc.	174,900	174,900	6,004
DYNA Fund II	23,166	-	-
IP Fund III	128,696	117,044	4,018
iD5 Fund L.P.	72,956	62,681	2,152
IP Cathay One, L.P.	258,558	235,148	8,072
IP Fund One L.P.	736,379	394,218	13,533
ID5 Annex I Fund		22,308	766
Apacer Technology Inc.	45,340	-	-
New Century Infocomm Tech Co., Ltd.	131,340	-	-
Trimode Technology Inc.	11,038	11,038	379
FuHu Inc.	-	111,895	3,841
Others	96,431	72,699	2,496
	2,251,058	1,722,677	59,138

In 2010, the Consolidated Companies increased its equity investments in ID5 Annex I Fund by NT$24,529. In 2009, IP Cathay One, L.P., IP Fund One, L.P., Legend Technology, W.I. Harper International, and Sheng-Hua Venture capital and other investees returned capital of NT$170,716 to the Consolidated Companies. In 2010, IP Fund One, L.P., iD5 Fund, L.P., Prosperity Venture Capital Corp., Sheng-Hua Venture Capital Corp., IP Fund II and other investees distributed or returned capital for an aggregate amount of NT$433,470 to the Consolidated Companies.

In 2010, the Consolidated Companies sold their investments in New Century Infocomm Tech Co., Ltd. and the common shares of iRobot distributed by iD5 Fund L.P., which resulted in an aggregate disposal gain of NT$238,687.

Commencing from December 29, 2010, the investments in Apacer Technology Inc. were reclassified as "available-for-sale financial assets – noncurrent" when Apacer's common shares were publicly listed on the Taiwan Stock Exchange.

For the year ended December 31, 2009, the Consolidated Companies recognized impairment losses of NT$231,934 on the investments in New Century Infocomm Tech Co., Ltd. and other investees.

(10) Long-term equity investments accounted for using equity method

	December 31, 2009		2009
	Percentage of ownership	Carrying amount	Investment income (loss)
	%	NT$	NT$
Wistron Corporation ("Wistron")	4.40	2,334,164	424,441
E-Life Mall Corp. ("e-Life")	14.27	434,174	55,976
Aegis Semiconductor Technology Inc.	44.04	165,235	-
ECOM Software Inc.	33.93	36,310	3,791
Bluechip Infotech Pty Ltd.	33.41	72,303	4,605
FuHu Inc. ("FuHu")	25.00	172,982	(26,740)
Olidata S.p.A ("Olidata")	29.90	116,579	-
Others		(16,797)	1,737
		3,314,950	463,810
Less: Allocation of corporate expenses			(63,712)
			400,098

	December 31, 2010			2010	
	Percentage of ownership	Carrying amount		Investment income (loss)	
	%	NT$	US$	NT$	US$
Wistron Corporation	2.60	1,485,662	51,001	489,525	16,805
E-Life Mall Corp.	12.84	355,648	12,209	59,248	2,034
Aegis Semiconductor Technology Inc.	44.04	165,235	5,672	-	-
ECOM Software Inc.	33.93	39,002	1,339	5,000	172
Bluechip Infotech Pty Ltd.	33.41	79,310	2,723	7,875	270
FuHu Inc.	18.63	-	-	(49,754)	(1,708)
Fizzle Investment Limited	20.00	124,760	4,283	-	-
Olidata S.p.A	29.90	-	-	(100,271)	(3,442)
Others	-	(13,916)	(478)	2,728	93
		2,235,701	76,749	414,351	14,224
Less: Allocation of corporate expenses				(38,403)	(1,318)
				375,948	12,906

In 2009, the Consolidated Companies invested in Olidata and increased investment in FuHu for an aggregate amount of NT$244,702. In 2010, the Consolidated Companies invested NT$124,760 in Fizzle Investment Limited.

Commencing on December 17, 2010, the Consolidated Companies lost the ability to exercise significant influence over FuHu's operating and financial policies. Therefore, the investments in FuHu were reclassified as "financial assets carried at cost－non-current".

In 2009, Taiyi DAB Taipei Rodio liquidated and returned capital of NT$17,277 to the Consolidated Companies. In 2010, E-Life returned capital of NT$46,630 to the Consolidated Companies.

In 2009, the Consolidated Companies sold all of their investments in The Eslite Bookstore and recognized an aggregate loss thereon of NT$5,455. In 2010, the Consolidated Company sold portion of their investment in Wistron and E-Life, and recognized an aggregate gain thereon of NT$1,153,788.

The Consolidated Companies' capital surplus was increased (reduced) by NT$180,899 and NT$(79,391) in 2009 and 2010, respectively, as the Consolidated Companies did not make additional investments proportionally to the issuance of new shares by the investee companies or the Consolidated Companies recognized changes in investees' equity accounts in proportion to their ownership percentage or the Consolidated Companies disposed the ownership of investees.

(11) Available-for-sale financial assets－non-current

	December 31, 2009	December 31, 2010	
	NT$	NT$	US$
Investment in publicly traded equity securities:			
Qisda Corporation	1,606,215	1,594,199	54,727
Silicon Storage Technology Inc. ("Silicon Storage")	8,938	-	-
Yosun Industrial Corp. ("Yosun")	844,416	-	-
WPG Holdings Limited ("WPG")	-	242,954	8,340
RoyalTek Co., Ltd. ("RoyalTek")	539,319	64,700	2,221
Quanta Computer Inc. ("Quanta")	307,854	223,390	7,669
Apacer Technology Inc.	-	149,659	5,138
	3,306,742	2,274,902	78,095

In 2009, the Consolidated Companies sold portion of their investments in Yosun and recognized a gain thereon of NT$57,894. In 2010, the Consolidated Companies sold portion of their investments in RoyalTek and Quauta and all their investments in Yosun and Silicon Storage, and realized an aggregate disposal gain thereon of NT$827,400.

Additionally, WPG acquired Yosun on November 15, 2010. As a result, the common shares of Yosun were exchanged for common shares of WPG and a disposal gain of NT$139,987 was recognized thereon.

As of December 31, 2009 and 2010, the unrealized gains from re-measuring available-for-sale financial assets to fair value amounted to NT$909,076 and NT$397,295, respectively, which were recognized as a separate component of stockholders' equity.

(12) Property, plant and equipment

The Company's subsidiary, Gateway Inc., disposed of computer equipment and machinery in 2009, and recognized disposal loss thereon of NT$102,532. The loss was recorded under "loss on disposal of property and equipment, net" in the accompanying consolidated statements of income. Additionally, in 2009, the Consolidated Companies recognized an impairment loss of NT$395,109 for the buildings and improvements of E-Ten and Gateway Inc., as the recoverable amount was less than the carrying amount of such assets.

(13) Property not used in operation

	December 31, 2009	December 31, 2010	
	NT$	NT$	US$
Leased assets－land	807,538	807,538	27,722
Leased assets－buildings	2,827,810	2,827,700	97,072
Damaged office premises	463,181	-	-
Property held for sale and development	1,415,014	1,167,052	40,063
Less: Accumulated depreciation	(595,606)	(599,549)	(20,582)
Accumulated impairment	(1,946,395)	(1,847,219)	(63,413)
	2,971,542	2,355,522	80,862

Damaged office premises are office premises damaged by fire and an impairment provision was fully provided as of December 31, 2009. The office premises were repaired and ready for use by the end of 2010. Therefore, the Consolidated Companies performed an impairment evaluation and reclassified the damaged office premises to property, plant and equipment based on fair value as of December 31, 2010, and recognized a reversal gain of NT$183,998 in 2010.

The Consolidated Companies recognized an impairment loss of NT$562,176 on the property held for sale and development in 2010. The Consolidated Companies used the estimated fair value as the recoverable amount.

For certain land acquired, the ownership registration has not been transferred yet to the land acquirer, APDI, a subsidiary of the Company. To protect APDI's interests, APDI has obtained signed deeds of assignment from the titleholders assigning all rights and obligations related to the land to APDI. Additionally, the land title certificates are held by APDI, and APDI has registered its liens thereon.

(14) Intangible assets

	Goodwill	Trademarks and trade names	Patents	Customer Relationships	Channel Resources	Others	Total
	NT$	NT$	NT$	NT$	NT$	NT$	NT$
Balance at January 1, 2009	22,574,040	8,067,556	692,838	1,517,349	-	1,894,982	34,746,765
Additions	-	-	369,000	-	-	2,536,507	2,905,507
Adjustments made subsequent to business acquisition	(138,067)	-	-	-	-	-	(138,067)
Disposals	(9,624)	-	(39,275)	-	-	(9,759)	(58,658)
Reclassification	-	-	-	-	-	16,867	16,867
Effect of exchange rate changes	(448,895)	(161,298)	(3,073)	(28,110)	-	(6,842)	(648,218)
Amortization	-	(43,793)	(217,701)	(178,933)	-	(939,701)	(1,380,128)
Balance at December 31, 2009	21,977,454	7,862,465	801,789	1,310,306	-	3,492,054	35,444,068
Additions	-	-	272	-	-	264,162	264,434
Acquisitions from business combination	2,143,875	2,386,473	-	-	1,342,391	74,577	5,947,316
Disposals	(1,770,123)	-	-	-	-	(5,892)	(1,776,015)
Reclassification	-	-	351,500	-	-	21,389	372,889
Effect of exchange rate changes	(1,873,735)	(95,741)	(6,752)	(95,530)	(81,953)	(255,057)	(2,408,768)
Amortization	-	(109,897)	(272,594)	(172,263)	(36,156)	(860,079)	(1,450,989)
Balance at December 31, 2010	20,477,471	10,043,300	874,215	1,042,513	1,224,282	2,731,154	36,392,935

(a) On December 6, 2007, the Consolidated Companies entered into a Basic Term Agreement with the International Olympic Committee regarding participation in the Olympic Partners Program (the "Top Programme"). Pursuant to such agreement, the Consolidated Companies have agreed to pay a certain amount of money in cash, merchandise and service to obtain marketing rights and become one of the partners in the "Top Programme" for the period from January 1, 2009 to December 31, 2012. Such expenditure on sponsorship was capitalized as "Intangible Assets" in the accompanying consolidated financial statements, and amortized using the straight-line method during the aforementioned four-year period.

(b) Purchase of Founder Technology Group Corp.'s PC business in China and the related assets

The Company, together with its subsidiaries Acer Greater China (B.V.I.) Corp., Acer Computer (Shanghai) Ltd. and Acer (Chongqing) Ltd. (collectively as "Acer") formally contracted with Founder Group, Founder Technology Group Corp., and their subsidiaries (collectively as "Founder") to purchase for NT$5,946,316 the PC business and the related assets, and transfer the related employees of Founder Technology Group Corp. in China, which include the following:

(1) Seven-year exclusive license in Founder PC business and products related trademarks owned by Founder Group;
(2) Founder PC business and IT systems, trade names, copyrights, and domain names of Founder's products;
(3) Intangible assets such as customer lists and distribution channel resources of Founder Technology Group's PC business;
(4) Intangible assets such as customer lists and distribution channel resources of Founder Group and its non-related partners; and
(5) Product warranties.

The purchase of Founder's PC business in China was accounted for in accordance with ROC SFAS No. 25 "Accounting for Business Combination", under which, the excess of the purchase price and direct transaction costs over the fair value of net identifiable assets was recognized as goodwill.

The following represents the allocation of the purchase price to the assets acquired and goodwill at the date of purchase:

	NT$	NT$
Purchase cost		5,947,316
The identifiable assets purchased:		
Intangible assets – Trademark	2,386,473	
Intangible assets – Channel resources	1,342,391	
Other intangible assets	74,577	3,803,441
Goodwill		2,143,875

Pro forma information

The following unaudited pro forma financial information of 2009 and 2010 presents the combined results of operations as if the purchase of Founder's PC business and related assets had occurred as of the beginning of each of the fiscal years presented:

	2009	2010
	NT$	NT$
Revenue	605,540,935	648,713,091
Income from continuing operations before income tax	14,226,101	19,032,363
Income from continuing operations after income tax	10,582,693	14,800,672
Basic earnings per common share (in New Taiwan dollars)	4.02	5.59

(c) Adjustment to goodwill

In 2009, the Consolidated Companies made adjustments to decrease deferred charges by NT$33,768 and to decrease current liabilities by NT$174,307 resulted from the acquisition of Packard Bell B.V., which also decreased goodwill by NT$140,539. Additionally, the Consolidated Companies made adjustments to increase the fair value of outstanding employee stock options assumed through the acquisition of ETEN in 2009, which increased goodwill by NT$2,472.

In 2010, the Consolidated Companies utilized the net operating loss carryforwards (NOLs) acquired from the acquisition of Gateway Inc., and consequently eliminated the valuation allowance of deferred tax assets related to NOLs recognized on the acquisition date against goodwill by NT$1,770,123.

(d) Impairment test

For the purpose of impairment testing, goodwill and trademarks and trade names with indefinite useful lives are allocated to the Consolidated Companies' cash-generating units (CGUs) that are expected to benefit from the synergies of the business combination. The carrying amounts of significant goodwill and trademarks and trade names with indefinite useful lives and the respective CGUs to which they are allocated as of December 31, 2009 and 2010, were as follows:

	December 31, 2009						
	ITRO-EMEA	ITRO-PA	ITRO-AAP	ITRO-China	ITRO-TWN	E-Ten	SHBG
	NT$	NT$	NT$	NT$	NT$	NT$	NT$
Goodwill	12,061,458	4,698,297	2,511,387	137,919	646,380	221,424	1,682,869
Trademarks							
& trade names	3,328,857	2,308,646	1,149,623	45,180	62,867	450,900	-

	December 31, 2010						
	ITRO-EMEA	ITRO-PA	ITRO-AAP	ITRO-China	ITRO-TWN	E-Ten	SHBG
	NT$	NT$	NT$	NT$	NT$	NT$	NT$
Goodwill	9,956,021	3,855,027	2,062,580	2,121,561	560,268	221,424	1,682,869
Trademarks							
& trade names	3,341,867	2,331,711	1,161,109	45,632	63,495	450,900	-

Each CGU to which the goodwill is allocated represents the lowest level within the Consolidated Companies at which the goodwill is monitored for internal management purposes. Based on the results of impairment tests conducted by the Company's management, there was no evidence of impairment of goodwill and trademarks and trade names as of December 31, 2009 and 2010. The recoverable amount of a CGU was determined based on the value in use, and the related key assumptions were as follows:

(i) The cash flow projections based on historical operating performance, future financial budgets approved by management covering a 5-year period.

(ii) Discounted rates used to determine the value in use for each of the CGUs were as follows:

	ITRO-EMEA	ITRO-PA	ITRO-AAP	ITRO-China	ITRO-TWN	E-Ten	SHBG
2009	12.9%	10.9%	16.9%	20.4%	15.7%	19.7%	16.0%
2010	15.2%	12.1%	19.1%	21.2%	17.6%	21.2%	17.6%

(15) Other financial assets－non-current

	December 31, 2009	December 31, 2010	
	NT$	NT$	US$
Refundable deposits	771,957	956,241	32,827
Non-current receivables	17,754	82,260	2,824
	789,711	1,038,501	35,651

(16) Short-term borrowings

	December 31, 2009	December 31, 2010	
	NT$	NT$	US$
Bank loans	548,059	1,651,630	56,699

For the years ended December 31, 2009 and 2010, the interest rate on the above bank loans ranged from 0.9% to 1.95% and from 0.69% to 15.5%, respectively. As of December 31, 2009 and 2010, the unused credit facilities were NT$29,125,833 and NT$39,584,674, respectively.

(17) Bonds Payable

	December 31, 2009	December 31, 2010	
	NT$	NT$	US$
Convertible Bonds Payable	-	13,103,887	449,842

On August 10, 2010, the Company issued US$300,000 of zero coupon overseas convertible bonds due 2015 (the "2015 Bond") and US$200,000 of zero coupon overseas convertible bonds due 2017 (the "2017 Bond") at the Singapore Exchange Securities Trading Limited, for the purpose of purchasing merchandise in line with business growth. The significant terms and conditions of convertible bonds are as follows:

(a) The 2015 Bonds

i	Par value	US$300,000
ii	Issue date	August 10, 2010
iii	Maturity date	August 10, 2015
iv	Coupon rate	0%

v Conversion
Bondholders may convert bonds into the Company's common shares at any time starting the 41th day from the issue date until 10 days prior to the maturity date. The conversion price will initially be NT$110.76 per common share, with a fixed exchange rate of NT$31.83 = US$ 1.00, subject to adjustment by the formula provided in the issue terms if the Company's outstanding common shares are increased.

vi Redemption at the option of the bondholders
A. Bondholders shall have the right, at such holder's option, to require the Company to redeem, in whole or in part, the 2015 Bonds held by such holder at a redemption price of 101.297% of their principal amount in US dollars on August 10, 2013.
B. In the event that the Company's common shares are officially delisted from the Taiwan Securities Exchange, each bondholder shall have the right, at such holder's option, to require the Company to redeem the 2015 Bonds, in whole or in part, at 2015 Early Redemption Amount. The 2015 Early Redemption Amount represents an amount equal to 100% of the principal amount of the 2015 Bonds plus a gross yield of 0.43% per annum (calculated on a semi-annual basis) at the relevant date.
C. If a change of control (as defined in the issue terms) occurs, each bondholder shall have the right, at such holder's option, to require the Company to redeem the 2015 Bonds, in whole or in part, at 2015 Early Redemption Amount.

vii Redemption at the option of the Company
The Company shall redeem the 2015 Bonds, in whole or in part, at the 2015 Early Redemption Amount, in the following cases:

A. At any time on or after August 10, 2013 and prior to the maturity date, the closing price (translated into US dollars at the prevailing rate) of its common shares on the Taiwan Stock Exchange is at least 130% of the 2015 Early Redemption Amount for 20 consecutive trading days.
B. If more than 90% of 2015 Bond has been redeemed, repurchased and cancelled, or converted;
C. The change in the tax regulations of ROC causes the Company become obliged to pay additional amounts in respect of taxes or expenses.

viii Redemption at maturity
Unless previously redeemed, repurchased and cancelled, or converted, the Company shall redeem the 2015 Bonds at a redemption price of their principal amount plus a gross yield of 0.43% per annum (calculated on a semi-annual basis) on August 10, 2015.

(b) The 2017 Bonds

i.	Par value	US$200,000
ii.	Issue date	August 10, 2010
iii.	Maturity date	August 10, 2017
iv.	Coupon rate	0%

v. Conversion
Bondholders may convert bonds into the Company's common shares at any time starting the 41th day from the issue date until 10 days prior to the maturity date. The conversion price will initially be NT$113.96 per common share, with a fixed exchange rate of NT$31.83 = US$ 1.00, subject to adjustment by the formula provided in the issue terms if the Company's outstanding common shares are increased

vi Redemption at the option of the bondholders
A. Bondholders shall have the right, at such holder's option, to require the Company to redeem, in whole or in part, the 2017 Bonds held by such holder at a redemption price of 113.227% of their principal amount in US dollars on August 10, 2015.
B. In the event that the Company's common shares are officially delisted from the Taiwan Securities Exchange, each bondholder shall have the right, at such holder's option, to require the Company to redeem the 2017 Bonds, in whole or in part, at 2017 Early Redemption Amount. The 2017 Early Redemption Amount represents an amount equal to 100% of the principal amount of the 2017 Bonds plus a gross yield of 2.5% per annum (calculated on a semi-annual basis) at the relevant date.
C. If a change of control (as defined in the issue terms) occurs, each bondholder shall have the right, at such holder's option, to require the Company to redeem the 2017 Bonds, in whole or in part, at 2017 Early Redemption Amount.

vii. Redemption at the option of the Company
The Company shall redeem the 2017 Bonds, in whole or in part, at the 2017 Early Redemption Amount, in the following cases:
A. At any time on or after August 10, 2013 and prior to the maturity date, the closing price (translated into US dollars at the prevailing rate) of its common shares on the Taiwan Stock Exchange is at least 130% of the 2017 Early Redemption Amount for 20 consecutive trading days.
B. If more than 90% of 2017 Bond has been redeemed, repurchased and cancelled, or converted;
C. The change in the tax regulations of ROC causes the Company become obliged to pay additional amounts in respect of taxes or expenses.

viii. Redemption Amount at Maturity
Unless previously redeemed, repurchased and cancelled, or converted, the Company shall redeem the 2017 Bonds at a redemption price of their principal amount plus a gross yield of 2.5% per annum (calculated on a semi-annual basis) on August 10, 2017.

As of December 31, 2010, the liability and equity components of the aforementioned convertible bonds were as follows:

		NT$
Proceeds of issuance	$	15,950,000
Transaction cost		(84,212)
Net proceeds of issuance		15,865,788
Amortization of bonds payable discount and transaction cost (recognized as interest expense)		171,597
Unrealized exchange gain on bonds payable		(1,239,955)
Evaluation gain on redemption options of the convertible bonds		(59,525)
Recognized as capital surplus－conversion right		(295,494)
Recognized as financial liabilities at fair value through profit and loss (redemption options of the convertible bonds)		(1,338,524)
Carrying amount of bonds payable (straight bond value)	$	13,103,887

(18) Long-term debts

	December 31, 2009	December 31, 2010	
	NT$	NT$	US$
Citibank syndicated loan	12,200,000	12,200,000	418,812
Other bank loans	171,856	121,933	4,186
Less: current installments	-	(6,100,000)	(209,406)
	12,371,856	6,221,933	213,592

The Company entered into a syndicated loan agreement with Citibank, the managing bank of the syndicated loan, on October 11, 2007, and the terms of this loan agreement were as follows:

Type of Loan	Creditor	Credit Line	Term	December 31, 2009 NT$	December 31, 2010 NT$
Unsecured loan	Citibank and other banks	Term tranche of NT$16.5 billion; five-year limit during which revolving credits disallowed	The original loan amounted to NT$16.5 billion; an advance repayment of NT$4.3 billion was made in the first quarter of 2008. The loan is repayable in 4 semi-annual installments starting from April 2011.	12,200,000	12,200,000
		Revolving tranche of NT$3.3 billion; three-year limit	One-time repayment in full in October 2010. The Company did not use this credit facility.	-	-
Less: current installment				-	(6,100,000)
				12,200,000	6,100,000

The above syndicated loan bore interest at an average rate of 1.67% in 2009 and 1.55% in 2010. According to the loan agreement, the Company is required to maintain certain financial ratios calculated based on annual and semi-annual audited consolidated financial statements. If the Company fails to meet any of the financial ratios, the managing bank will request the Company in writing to take action to improve within agreed days. No assertion of breach of contract will be tenable if the financial ratios are met within agreed days. As of December 31, 2009 and 2010, the Company was in compliance with all such financial covenants.

(19) Retirement plans

The following table sets forth the actuarial information related to the Consolidated Companies' defined benefit retirement plans:

(a) Reconciliation of funded status of the retirement plans to prepaid pension cost (accrued pension liabilities):

	2009	
	Plan assets in excess of accumulated benefit obligation	Accumulated benefit obligation in excess of plan assets
	NT$	NT$
Benefit obligation:		
Vested benefit obligation	(180,819)	(22,077)
Non-vested benefit obligation	(392,082)	(38,627)
Accumulated benefit obligation	(572,901)	(60,704)
Projected compensation increases	(389,885)	(44,955)
Projected benefit obligation	(962,786)	(105,659)
Plan assets at fair value	724,116	21,861
Funded status	(238,670)	(83,798)
Unrecognized pension loss	433,063	45,370
Unrecognized transition obligation	15,891	3,316
Minimum pension liability adjustment	-	(3,731)
Prepaid pension cost (accrued pension liabilities)	**210,284**	**(38,843)**

	2010			
	Plan assets in excess of accumulated benefit obligation		Accumulated benefit obligation in excess of plan assets	
	NT$	US$	NT$	US$
Benefit obligation:				
Vested benefit obligation	(156,087)	(5,358)	(15,463)	(531)
Non-vested benefit obligation	(551,322)	(18,926)	(48,745)	(1,673)
Accumulated benefit obligation	(707,409)	(24,284)	(64,208)	(2,204)
Projected compensation increases	(843,628)	(28,961)	(50,197)	(1,723)
Projected benefit obligation	(1,551,037)	(53,245)	(114,405)	(3,927)
Plan assets at fair value	860,013	29,523	23,268	799
Funded status	(691,024)	(23,722)	(91,137)	(3,128)
Unrecognized pension loss	978,940	33,606	62,732	2,154
Unrecognized transition obligation	20,672	709	2,947	101
Minimum pension liability adjustment	-	-	(15,482)	(532)
Prepaid pension cost (accrued pension liabilities)	**308,588**	**10,593**	**(40,940)**	**(1,405)**

Accrued pension liabilities are included in "other liabilities" in the accompanying consolidated balance sheets. Prepaid pension cost is included in "deferred charges and other assets" in the accompanying consolidated balance sheets.

(b) The components of the net periodic pension cost were as follows:

	2009	2010	
	NT$	NT$	US$
Service cost	51,634	44,870	1,540
Interest cost	26,954	26,801	920
Actual return on plan assets	(6,087)	(9,856)	(338)
Amortization and deferral	7,222	7,134	245
Effect of pension plan curtailments	52,502	-	-
Net periodic pension cost	**132,225**	**68,949**	**2,367**

(c) The principal actuarial assumptions used were as follows:

	2009	2010
Discount rate	2.25%	1.75%
Rate of increase in future compensation	3.00%	3.00%~5.00%
Expected rate of return on plan assets	2.25%	1.75%

In 2009 and 2010, pension cost under the defined contribution retirement plans amounted to NT$331,469 and NT$439,411, respectively.

(20) Income taxes

(a) Income tax returns of the Consolidated Companies are filed individually by each entity and not on a combined basis. The components of income tax expense from continuing operations were as follows:

	2009	2010	
	NT$	NT$	US$
Current income tax expense	4,581,450	5,154,886	176,961
Deferred income tax benefit	(951,327)	(943,639)	(32,394)
	3,630,123	**4,211,247**	**144,567**

(b) The 2010 statutory corporate income tax rate for profit-seeking enterprises was reduced from 25% to 20% according to the amended ROC Income Tax Act announced issued on May 27, 2009, and was further reduced from 20% to 17%, according to the amended ROC Income Tax Act announced on June 15, 2010. Therefore, the statutory income tax rates applicable to the Company and its domestic subsidiaries which are subject to the ROC Income Tax Act for the years ended December 31, 2009 and 2010 were 25% and 17%, respectively. In addition, an alternative minimum tax ("AMT") in accordance with the Income Basic Tax Act is calculated. Other foreign subsidiaries calculated income tax in accordance with tax laws and regulations of the countries and jurisdictions where the respective subsidiaries were incorporated.

The income tax calculated on the pre-tax income at the Company's statutory income tax rate was reconciled with the income tax expense reported in the accompanying consolidated statements of income as follows.

	2009	2010	
	NT$	NT$	US$
Expected income tax	3,745,746	3,285,996	112,805
Effect of different tax rates applied to the Company's subsidiaries	1,032,938	2,517,974	86,439
Tax-exempt investment income from domestic investees and unremitted earnings of certain foreign subsidiaries	(1,038,244)	(1,065,017)	(36,561)
Prior-year adjustments	523,617	200,692	6,890
Loss (gain) on disposal of marketable securities not subject to income tax	124,873	(421,454)	(14,468)
Investment tax credits	198,804	(7,534)	(259)
Change in valuation allowance	(350,794)	(985,262)	(33,823)
Tax-exempt investment income from operational headquarters	(1,604,989)	-	-
Surtax on unappropriated retained earnings	17,646	384,593	13,203
Impairment loss of land	-	69,997	2,403
Deferred tax assets resulting from spin off adjustment (see note 5(2) (c))	(72,449)	-	-
Alternative minimum tax	1,417	61,344	2,105
Effect of change in income tax rate	438,368	260,478	8,942
Others	613,190	(90,560)	(3,109)
Income tax expense	**3,630,123**	**4,211,247**	**144,567**

(c) The components of deferred income tax assets (liabilities) as of December 31, 2009 and 2010, were as follows:

	December 31,		
	2009	2010	
	NT$	NT$	US$
Deferred income tax assets – current:			
Inventory provisions	1,058,032	909,065	31,207
Unrealized loss (gain) on valuation of financial instruments	(279,622)	77,521	2,661
Accrued advertising expense	87,747	10,679	367
Unrealized cost of sales	902,570	445,770	15,303
Warranty provision	778,287	910,516	31,257
Allowance for doubtful accounts	118,924	81,667	2,804
Accrued non-recurring engineering cost	58,825	53,277	1,829
Accrued sales allowance	149,501	244,756	8,402
Unused net operating loss carryforwards	143,674	32,024	1,099
Unused investment tax credits	64,027	-	-
Unrealized foreign exchange (gains) losses	299,738	(429,652)	(14,750)
Others	402,678	496,048	17,029
	3,784,381	2,831,671	97,208
Valuation allowance	(1,571,166)	(1,175,953)	(40,369)
	2,213,215	**1,655,718**	**56,839**

	December 31,		
	2009	2010	
	NT$	NT$	US$
Deferred income tax liabilities – current:			
Inventory provisions	(84,598)	(86,247)	(2,961)
Allowance for doubtful accounts	(559,274)	(436,658)	(14,990)
Unrealized exchange gains	(15,078)	(2,393)	(82)
Others	(21,764)	(53,442)	(1,834)
	(680,714)	**(578,740)**	**(19,867)**

	December 31,		
	2009	2010	
	NT$	NT$	US$
Deferred income tax assets – non-current:			
Unrealized investment loss under the equity method	66,861	67,251	2,309
Difference in depreciation for tax and financial purposes	16,462	478,326	16,420
Unused investment tax credits	-	61,876	2,124
Unused net operating loss carryforwards	410,104	7,450,395	255,764
Difference in amortization of intangible assets for tax and financial purposes	-	511,712	17,566
Unrealized investment loss	-	200,993	6,900
Litigation provisions	-	54,738	1,879
Others	101,897	155,117	5,325
	595,324	8,980,408	308,287
Valuation allowance	(387,735)	(8,815,824)	(302,637)
	207,589	**164,584**	**5,650**

	December 31,		
	2009	2010	
	NT$	NT$	US$
Deferred income tax liabilities – non-current:			
Difference in amortization of intangible assets for tax and financial purposes	(3,507,908)	-	-
Unrealized investment loss under the equity method	740,138	526,069	18,059
Unrealized foreign investment gain under the equity method	(3,607,977)	(4,062,822)	(139,472)
Unused net operating loss carryforwards	13,313,903	-	-
Difference in depreciation for tax and financial purposes	811,822	-	-
Accumulated asset impairment loss	245,347	198,443	6,812
Litigation provisions	87,619	-	-
Unrealized investment loss	239,877	-	-
Foreign currency translation adjustment	(237,330)	1,028,224	35,298
Other	257,884	12,951	445
	8,343,375	(2,297,135)	(78,858)
Valuation allowance	(13,887,322)	(539,091)	(18,506)
	(5,543,947)	**(2,836,226)**	**(97,364)**

(d) According to the Statue for Industrial Innovation, the domestic Consolidated Companies may apply for investment tax credits from research and development expenditures, which are deductible from income tax payable only in the year when these expenditures are incurred. The amount of the tax credit is limited to 30% of the income tax payable for that year. Additionally, according to the Statue for Upgrading Industries, which has been repealed on December 31, 2009, the domestic Consolidated Companies were granted investment tax credits for the purchase of automatic machinery and equipment, for research and development expenditures, and for employee training expenditures. These tax credits may be applied over a period of five years. The amount of the credit that may be applied in any year is limited to 50% of the income tax payable for that year, except for the final year when such tax credit expires.

As of December 31, 2010, investment tax credits available to the Consolidated Companies were as follows:

Expiration date	NT$	US$
December 31, 2012	49,412	1,696
December 31, 2013	12,464	428
	61,876	**2,124**

(e) The tax effects of net operating loss carryforwards available to the Consolidated Companies as of December 31, 2010, were as follows:

Expiration date	NT$	US$
December 31, 2011	21,296	731
December 31, 2012	20,805	714
December 31, 2013	151,978	5,217
December 31, 2014	99,713	3,423
Thereafter	7,188,627	246,778
	7,482,419	**256,863**

(f) Information about the integrated income tax system

Beginning in 1998, an integrated income tax system was implemented in the Republic of China. Under the new tax system, the income tax paid at the corporate level can be used to offset Republic of China resident stockholders' individual income tax. The Company is required to establish an imputation credit account (ICA) so that a record shall be maintained for corporate income taxes paid and imputation credit that can be allocated to each stockholder. The credit available to Republic of China resident stockholders is calculated by multiplying the dividend by the creditable ratio. The creditable ratio is calculated based on the balance of the ICA divided by earnings retained by the Company since January 1, 1998.

Information related to the ICA was as follows:

	December 31, 2009	December 31, 2010	
	NT$	NT$	US$
Unappropriated earnings:			
Earned before January 1, 1998	6,776	6,776	233
Earned commencing from January 1, 1998	16,615,824	24,226,370	831,664
	16,622,600	**24,233,146**	**831,897**
Balance of ICA	**611,323**	**2,214,361**	**76,016**

The estimated creditable ratio for the 2010 earnings distribution to ROC resident stockholders is approximately 8.64%; and the actual creditable ratio for the 2009 earnings distribution was 12.40%.

The imputation credit allocated to stockholders is based on the ICA balance as of the date of earnings distribution. The estimated creditable ratio for 2010 may differ when the actual distribution of imputation credit is made.

(g) The ROC income tax authorities have completed the examination of income tax returns of the Company for all fiscal years through 2008.

(21) Stockholders' equity

(a) Common stock

As of December 31, 2009 and 2010, the Company's authorized shares of common stock consisted of 3,500,000,000 shares, of which 2,688,228,278 shares and 2,700,179,258 shares, respectively, were issued and outstanding. The par value of the Company's common stock is NT$10 per share.

As of December 31, 2009 and 2010, the Company had issued 18,284 thousand units and 10,323 thousand units, respectively, of global depository receipts (GDRs). The GDRs were listed on the London Stock Exchange, and each GDR represents five shares of common stock.

In 2009 and 2010, the Company issued 2,709 thousand and 6,613 thousand common shares, respectively, upon the exercise of employee stock options.

The Company's shareholders in the meeting on June 19, 2009, resolved to distribute stock dividends of NT$264,298 to shareholders. Additionally, the shareholders approved the distribution of bonuses to employees in stock of NT$900,000 with an issuance of 16,234 thousand new shares. The stock issuance was authorized by and registered with the governmental authorities.

The Company's shareholders in the meeting on June 18, 2010, resolved to distribute stock dividends of NT$26,893 to stockholders. Additionally, the shareholders approved the distribution of bonuses to employees in stock of NT$200,000 with an issuance of 2,648 thousand new shares. The stock issuance was authorized by and registered with the governmental authorities.

(b) Treasury stock

As of December 31, 2009 and 2010, details of the GDRs (for the implementation of an overseas employee stock option plan) held by AWI and the common stock held by the Company's subsidiaries namely CCI and E-Ten were as follows (expressed in thousands of shares and New Taiwan dollars):

	December 31, 2009			December 31, 2010		
	Number of Shares	Book Value	Market Price	Number of Shares	Book Value	Market Price
		NT$	NT$		NT$	NT$
Common stock	21,787	1,050,341	2,095,930	21,809	1,050,341	1,964,990
GDRs	4,982	2,472,257	2,393,831	4,987	2,472,257	2,266,441
		3,522,598	4,489,761		3,522,598	4,231,431

Movements of the Company's treasury stock were as follows (expressed in thousands of shares or units):

2009				
Description	Beginning Balance	Additions	Disposal	Ending Balance
Common Stock	21,571	216	-	21,787
GDRs	4,933	49	-	4,982

2010				
Description	Beginning Balance	Additions	Disposal	Ending Balance
Common Stock	21,787	22	-	21,809
GDRs	4,982	5	-	4,987

(c) Capital surplus

	December 31, 2009	December 31, 2010	
	NT$	NT$	US$
Share premium:			
Paid-in capital in excess of par value	1,784,258	2,262,989	77,686
Surplus from merger	29,800,881	29,800,881	1,023,030
Premium on common stock issued from conversion of convertible bonds	4,552,585	4,552,585	156,285
Forfeited interest from conversion of convertible bonds	1,006,210	1,006,210	34,542
Surplus related to treasury stock transactions by subsidiary companies	501,671	620,089	21,287
Others:			
Employee stock options	360,630	632,175	21,702
Conversion right of convertible bonds	-	295,494	10,144
Surplus from equity-method investments	487,883	408,492	14,023
	38,494,118	39,578,915	1,358,699

According to the ROC Company Act, any realized capital surplus could be transferred to common stock as stock dividends after deducting accumulated deficit, if any. Realized capital surplus includes share premium and donations from shareholders. Distribution of stock dividends from realized capital surplus is subject to certain restrictions imposed by the governmental authorities.

(d) Legal reserve, unappropriated earnings, and dividend policy

The Company's articles of incorporation stipulate that at least 10% of annual net income after deducting accumulated deficit, if any, must be retained as legal reserve until such retention equals the amount of authorized common stock. In addition, a special reserve in accordance with applicable laws and regulations shall be set aside. The remaining balance of annual net income, if any, can be distributed as follows:

- at least 5% as employee bonuses; employees entitled to stock bonus may include subsidiaries' employees that meet certain criteria set by the board of directors;
- 1% as remuneration to directors and supervisors; and
- the remainder, after retaining a certain portion for business considerations, as dividends to stockholders.

Since the Company operates in an industry experiencing rapid change and development, distribution of earnings shall be made in view of the year's earnings, the overall economic environment, the related laws and decrees, and the Company's long-term development and steady financial position. The Company has adopted a steady dividend policy, in which a cash dividend comprises at least 10% of the total dividend distribution.

According to the ROC Company Act, the legal reserve can be used to offset an accumulated deficit and may be distributed in the following manner: (i) when it reaches an amount equal to one-half of the paid-in capital, it can be transferred to common stock at the amount of one-half of legal reserve; and (ii) when it reaches an amount exceeding one-half of the authorized common stock, dividends and bonuses can be distributed from the excess portion of the legal reserve.

Pursuant to regulations promulgated by the Financial Supervisory Commission, and effective from the distribution of earnings for fiscal year 1999 onwards, a special reserve equivalent to the total amount of items that are accounted for as deductions to the stockholders' equity shall be set aside from current earnings, and not distributed. This special reserve shall be made available for appropriation to the extent of reversal of deductions to stockholders' equity in subsequent periods. As of December 31, 2009 and 2010, the Company appropriated a special reserve of NT$1,991,615 and NT$0, respectively, that is equal to the sum of excess of the book value over the market price of the treasury stock and other deduction items of shareholder's equity.

The appropriation of 2008 and 2009 earnings was approved by the shareholders at meetings on June 18, 2009, and June 18, 2010, respectively. The resolved appropriations of employee bonus and remuneration to directors and supervisors and dividends per share were as follows:

		2008	2009
		NT$	NT$
Dividends per share			
Cash dividends	$	2.00	3.10
Stock Dividends		0.10	0.01
	$	2.10	3.11
Employee bonus – stock	$	900,000	200,000
Employee bonus – cash		600,000	800,000
Remuneration to directors and supervisors		85,763	122,096
	$	1,585,763	1,122,096

The above appropriations of employee bonus and remuneration to directors and supervisors were consistent with the resolutions approved by the Company's directors and same amounts have been charged against earnings of 2008 and 2009, respectively. The related information is available at the Market Observation Post System website.

The Company accrued employee bonus of NT$1,500,000 and directors' and supervisors' remuneration of NT$89,469 for the year ended December 31, 2010 based on the total amount of bonus expected to be distributed to employees and the Company's article of incorporation, under which, remuneration for directors and supervisors is distributed at 1% of the remainder of annual net income. If the actual amounts subsequently resolved by the stockholders differ from the estimated amounts, the differences are treated as a change in accounting estimate and are recorded as income or expense in the year of stockholders' resolution. If bonus to employees is resolved to be distributed in stock, the number of shares is determined by dividing the amount of stock bonus by the closing price (after considering the effect of dividends) of the shares on the day preceding the shareholder's meeting.

Distribution of 2010 earnings has not been proposed yet by the board of directors and is still subject to approval by the stockholders. After the resolutions, related information can be obtained from the public information website.

(22) Stock-based compensation plans

Information on the employee stock option plans ("ESOPs") granted in 2009 and 2010 was as follows:

	2009	2010
Grant date	2009/10/30	2010/10/29
Granted shares (in thousands)	14,000	4,000
Contractual life (in years)	3	3
Vesting period	2 years of service subsequent to grant date	2 years of service subsequent to grant date
Qualified employees	(note 1)	(note 1)

Note 1: The options are granted to eligible employees of the Company and its subsidiaries, in which the Company directly or indirectly, owns 50% or more of the subsidiary's voting shares.

The Consolidated Companies utilized the Black-Scholes pricing model to value the stock options granted, and the fair value of the option and main inputs to the valuation models were as follows:

	2009	2010
Exercise price (NT$)	42.90	48.90
Expected remaining contractual life (in years)	3	3
Fair market value for underlying securities－Acer common shares (NT$)	78.00	88.90
Fair value of options granted (NT$)	40.356	44.657
Expected volatility	40.74%	34.97%
Expected dividend yield	note 2	note 2
Risk-free interest rate	1.03%	1.22%

Note 2: According to the employee stock option plan, option prices are adjusted to take into account dividends paid on the underlying security. As a result, the expected dividend yield is excluded from the calculation.

Movements in number of ESOPs outstanding:

	2009			
	The Company's ESOPs		ETEN's ESOPs	
	Number of options (in thousands)	Weighted-average exercise price (NT$)	Number of options (in thousands)	Weighted-average exercise price (NT$)
Outstanding, beginning of year	14,000	25.28	9,093	41.90
Granted	14,000	42.90	-	-
Forfeited	-	-	(890)	-
Exercised	-	-	(3,083)	38.12
Outstanding, end of year	28,000	33.62	5,120	41.52
Exercisable, end of year	-		1,541	37.89

	2010			
	The Company's ESOPs		ETEN's ESOPs	
	Number of options (in thousands)	Weighted-average exercise price (NT$)	Number of options (in thousands)	Weighted-average exercise price (NT$)
Outstanding, beginning of year	28,000	33.62	5,120	41.52
Granted	4,000	48.90	-	-
Forfeited	(2)	-	(400)	-
Exercised	(5,364)	23.34	(1,737)	37.89
Outstanding, end of year	26,634	36.51	2,983	41.30
Exercisable, end of year	8,634	23.34	1,437	41.30

Note 3: The Company assumed ETEN's ESOPs through the acquisition of ETEN on September 1, 2008.

In 2009 and 2010, the Consolidated Companies recognized the compensation costs from the ESOPs of NT$298,592 and NT$458,736, respectively, which were accounted for under operating expenses.

As of December 31, 2010, information of outstanding ESOPs was as follows:

Year of grant	Number outstanding (in thousands)	Weighted-average remaining contractual life (in years)	Weighted-average exercise price (NT$)	Number exercisable (in thousands)
2008	8,634	0.83	23.34	8,634
2008	2,983	2.67	41.30	1,437
2009	14,000	1.83	41.09	-
2010	4,000	2.83	48.90	-
	29,617			10,071

(23) Restructuring charges

In 2009, due to the acquisition of Gateway Inc. and Packard Bell B.V., the Consolidated Companies recognized restructuring charges of NT$164,595, which were accounted for under "restructuring cost" of non-operating expenses and loss in the accompanying statements of income. These restructuring charges were associated with severance payments to employees and integration of the information technology system.

(24) Earnings per common share ("EPS")

	2009		
	Amount (in thousands)	**Weighted-average number of outstanding shares of common stock (in thousands)**	**EPS (in dollars)**
	NT$		**NT$**
Basic EPS－after retroactive adjustments			
Net income attributable to common shareholders of parent company	11,353,374	2,635,011	4.31
Diluted EPS			
Effect of dilutive potential common shares:			
Employee bonus	-	23,175	
Employee stock option plan	-	10,953	
Net income attributable to common shareholders of parent company	11,353,374	2,669,139	4.25

	2010				
	Amount (in thousands)		**Weighted-average number of outstanding shares of common stock (in thousands)**	**EPS (in dollars)**	
	NT$	**US$**		**NT$**	**US$**
Basic EPS－after retroactive adjustments					
Net income attributable to common shareholders of parent company	15,117,997	518,984	2,647,466	5.71	0.20
Diluted EPS					
Effect of dilutive potential common shares:					
Employee bonus	-	-	23,328		
Employee stock option plan	-	-	17,153		
Convertible bonds	171,597	5,891	56,052		
Net income attributable to common shareholders of parent company	15,289,594	524,875	2,743,999	5.57	0.19

(25) Disclosure of financial instruments

(a) Fair values of financial instruments

The book value of short-term financial instruments is considered to be the fair value because of the short-term maturity of these instruments. Such method is applied to cash and cash equivalents, notes and accounts receivable (including receivables from related parties), other receivables (including receivables from related parties), restricted deposits, short-term borrowings, current portion of long-term debt, notes and accounts payables (including payables to related parties), other payables to related parties and royalties payable.

The estimated fair values and carrying amounts of all other financial assets and liabilities as of December 31, 2009 and 2010 were as follows:

	2009			2010		
		Fair value			Fair value	
	Carrying amount	**Public quoted price**	**Valuation amount**	**Carrying amount**	**Public quoted price**	**Valuation amount**
	NT$	**NT$**	**NT$**	**NT$**	**NT$**	**NT$**
Non-derivative financial instruments						
Financial assets:						
Available-for-sale financial assets－current	223,437	223,437	-	225,710	225,710	-
Available-for-sale financial assets－noncurrent	3,306,742	3,306,742	-	2,274,902	2,274,902	-
Financial assets carried at cost－noncurrent	2,251,058	-	see below (b)	1,722,677	-	see below (b)
Refundable deposits (classified as "other financial assets")	771,957	-	771,957	956,241	-	956,241
Noncurrent receivables (classified as "other financial assets")	17,754	-	17,754	82,260	-	82,260
Financial liabilities:						
Bonds payable	-	-	-	13,103,887	-	13,668,171
Long-term debt	12,371,856	-	12,371,856	6,221,933		6,221,933
Derivative financial instruments						
Financial assets:						
Foreign currency forward contracts	1,414,672	-	1,414,672	118,753	-	118,753
Foreign currency options	18,144	-	18,144	8,514	-	8,514
Financial liabilities:						
Foreign currency forward contracts	354,562	-	354,562	1,049,142	-	1,049,142
Foreign currency options	4,691	-	4,691	9,722	-	9,722
Redemption option of convertible bonds	-	-	-	1,338,524	-	1,338,524

(b) The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

(i) Available-for-sale financial assets

The fair value of publicly traded stocks is based on the closing quotation price at the balance sheet date. The fair value of open-end mutual funds is based on the net asset value of the mutual funds at balance sheet date.

(ii) Financial assets carried at cost

Financial assets carried at cost represent investments in privately held stock. It is not practicable to estimate the fair value of privately held stock as it is not traded in an active public market.

(iii) Refundable deposits

The fair values of refundable deposits with no fixed maturities are based on carrying amounts.

(iv) Non-current receivables

The fair values of non-current receivables are their present value discounted at the market interest rate.

(v) Derivative financial instruments

The fair value of derivative financial instruments is based on quoted market prices, if available, in active markets. If market price is unavailable, fair value is determined using a valuation technique, with estimates and assumptions consistent with those used by market participants and are readily available to the Consolidated Companies.

The fair value of foreign currency forward and option contracts is computed individually based on the maturity date, the spot rate, and the swap points provided by Bloomberg quotes.

(vi) Long-term debt and bonds payable

The carrying value of long-term debt with floating interest rates approximates the market value. The fair value of fixed-rate long-term debt is estimated based on the present value of future discounted cash flows based on the prevailing market interest rates for similar debt instruments of comparable maturities and credit standing of the borrower. The Consolidated Companies used a discount rate of 2.11% to 5.09%.

(c) For the years ended December 31, 2009 and 2010, gain (loss) on valuation financial assets and liabilities using a valuation technique amounted to NT$1,293,844 and NT$(1,899,825), respectively.

(d) Disclosure of financial risks

(i) Market risk

Open-end mutual funds and publicly traded stocks held by the Consolidated Companies classified as "available-for-sale financial assets" are valued at fair value. Therefore, the Consolidated Companies were exposed to the risk of price fluctuation in the securities market.

The Consolidated Companies are engaged in purchase and sale transactions which are principally denominated in US dollars and Euros. The Consolidated Companies entered into foreign currency forward contracts and other derivate instrument contracts to manage the market exchange rate fluctuations of foreign-currency assets and liabilities. The length and amounts of aforementioned derivative transactions were in line with the settlement date of the Consolidated Companies' recorded foreign currency assets and liabilities and future cash flows. Gains or losses from these hedging derivatives are expected to substantially offset those from the hedged assets or liabilities.

(ii) Credit risk

The Consolidated Companies' credit risk is mainly from potential breach of contract by the counter-party associated with cash, equity investment, and derivative transactions. In order to control its exposure to the credit risk of each financial institution, the Consolidated Companies maintain cash with various financial institutions and hold equity investments in the form of mutual funds and stocks issued by companies with high credit quality. As a result, the concentration of credit risks related to cash and equity investments is not significant. Furthermore, the banks undertaking the derivative transactions are reputable financial institutions; therefore, the exposure related to the potential default by those counter-parties is not considered significant.

The Consolidated Companies primarily sell and market the multi-branded IT products to a large number of customers in different geographic areas. As a result, management believes that there is no significant concentrations of credit risk, and in order to lower the credit risk, management of the Consolidated Companies continuously evaluate the credit quality of their customers.

(iii) Liquidity risk

The Consolidated Companies' capital and operating funds are sufficient to fulfill their contract payment obligations. Therefore, management believes that there is no significant liquidity risk.

The available-for-sale financial assets held by the Consolidated Companies are equity securities which are publicly traded and can be liquidated quickly at a price close to the fair market value. In contrast, the financial assets carried at cost are not publicly traded and are exposed to liquidity risk.

Derivative financial instruments are intended to hedge the exchange rate risk resulting from assets and liabilities denominated in foreign currency and cash flows resulting from anticipated transactions in foreign currency. The length of the contracts are in line with the payment date of the Consolidated Companies' assets and liabilities denominated in foreign currency and the anticipated cash flows. At the maturity date of the derivative contract, the Consolidated Companies will settle these contracts using the foreign currencies arising from the hedged assets and liabilities denominated in foreign currency, and therefore, the liquidity risk is not significant.

(iv) Cash flow risk related to the fluctuation of interest rates

The Consolidated Companies' short-term borrowings and long-term debt carried floating interest rates. As a result, the effective rate changes along with the fluctuation of the market interest rates and thereby influences the Consolidated Companies' future cash flow. If the market interest rate increases by 1%, cash outflows in respect of these interest payments would increase by approximately NT$139,736 per annum.

5. Transactions with Related Parties

(1) Names and relationships of related parties with the Consolidated Companies

Name	Relationship with the Company
Wistron Corporation ("Wistron")	Investee of the Company accounted for by equity method
Cowin Worldwide Corporation ("COWIN")	Subsidiary of Wistron
Bluechip Infotech Pty Ltd. ("SAL")	Investee of the Company accounted for by equity method
E-Life Mall Corp. ("E-Life")	Investee of the Company accounted for by equity method
iDSoftCapital Inc.	Its chairman is one of the Company's supervisors
Directors, supervisors, chief executive officers and vice presidents	The Consolidated Companies' executive officers

(2) Significant transactions with related parties as of and for the years ended December 31, 2009 and 2010 were as follows:

(a) Net sales and related notes and accounts receivable

(i) Net sales to:

	2009	2010	
	NT$	NT$	US$
SAL	768,379	904,917	31,065
E-Life	690,738	680,814	23,371
Other (individually less than 5%)	77,605	97,149	3,335
	1,536,722	1,682,880	57,771

The sales prices and payment terms to related parties were not significantly different from those of sales to non-related parties.

(ii) Notes and accounts receivable from:

	December 31, 2009	December 31, 2010	
	NT$	NT$	US$
COWIN	315,929	411,850	14,138
SAL	116,156	104,956	3,603
E-Life	109,090	137,077	4,706
Others (individually less than 5%)	59,131	65,141	2,236
	600,306	719,024	24,683

(b) Purchases and related notes and accounts payable

(i) Purchases from:

	2009	2010	
	NT$	NT$	US$
Wistron	32,351,566	19,993,042	686,339
Others	214	109,302	3,752
	32,351,780	20,102,344	690,091

The trading terms with related parties are not comparable to the trading terms with third parties as the specifications of products are different.

The Consolidated Companies sold raw material to Wistron and its subsidiaries and purchased back the finished goods after being manufactured. To avoid double-counting, the revenues from sales of raw materials to Wistron and its subsidiaries amounting to NT$142,542,535 and NT$122,256,130 for the years ended December 31, 2009 and 2010, respectively, were excluded from the consolidated revenues and cost of goods sold. Having enforceable rights, the Consolidated Companies offset the outstanding receivables and payables resulting from the above-mentioned transactions. The offset resulted in a net payable balance.

(ii) Notes and accounts payable to:

	December 31, 2009	December 31, 2010	
	NT$	NT$	US$
Wistron	10,172,553	7,733,546	265,484
Others	59,811	32,552	1,118
	10,232,364	7,766,098	266,602

(c) Spin-off of assets

On February 28, 2002, the Company spun off its design, manufacturing and services business from its brand business and transferred the related operating assets and liabilities to Wistron. The Company agreed with Wistron that Wistron is obligated to pay for the deferred income tax assets being transferred only when they are actually utilized. In 2006, the ROC income tax authorities examined and rejected Wistron's claim of investment credits transferred from the spin-off in the income tax returns for the years from 2002 to 2004. Wistron disagreed with the assessment and filed a request with the tax authorities for a reexamination of the aforementioned income tax returns. The Company recognized income tax expense of NT$875,802 based on the tax exposure estimated in 2006 and provided a valuation allowance against the receivables from Wistron.

In 2008 and 2009, the tax authorities subsequently concluded that Wistron could utilize portions of the aforementioned deferred tax assets resulting from the spin-off. As a result, the valuation allowance was reversed to current income tax benefit in the amount of NT$72,449 for the year ended December 31, 2009.

(d) Management service fee

The Consolidated Companies paid iDSoftCapital Inc. management service fees amounting to NT$49,333 and NT$31,542 for the years ended December 31, 2009 and 2010, respectively.

(e) Advances to/from related parties

The Consolidated Companies paid certain expenses on behalf of related parties. Additionally, related parties paid non-recurring engineering and other operating expenses, and accounts payable on behalf of the Consolidated Companies. As of December 31, 2009 and 2010, the Consolidated Companies had aggregate receivables from related parties of NT$21,507 and NT$46,914, respectively, and payables to related parties of NT$92,187 and NT$537,267, respectively, resulting from these transactions.

(3) Compensation to executive officers

For the years ended December 31, 2009 and 2010, compensation paid to the Consolidated Companies' executive officers including directors, supervisors, president and vice-presidents was as follows:

	2009	2010	
	Amount	Amount	
	NT$	NT$	US$
Salaries	339,997	279,974	9,611
Cash awards and special allowances	175,655	356,201	12,228
Business service charges	1,080	1,080	37
Employee bonuses	443,855	690,920	23,719
	960,587	1,328,175	45,595

The aforementioned compensation included the accruals for employee bonus and remuneration to directors and supervisors as discussed in note 4(21).

6. Pledged Assets

Pledged assets	Pledged to secure	Carrying amount at December 31, 2009	2010	
		NT$	NT$	US$
Cash in bank and time deposits	Contract bidding, project fulfillment, security for letter of credit, and others	61,939	61,937	2,126

As of December 31, 2009 and 2010, the above pledged cash in bank and time deposits were classified as "restricted deposits" and "other financial assets" in the accompanying consolidated balance sheets.

7. Commitments and Contingencies

(1) Royalties

(a) The Consolidated Companies have entered into a patent cross license agreement with International Business Machines Corporation ("IBM"). According to the agreement, the Consolidated Companies made fixed payments periodically to IBM.

(b) The Consolidated Companies and Lucent Technologies Inc. ("Lucent") entered into a Patent Cross License agreement. This license agreement in essence authorizes both parties to use each other's worldwide computer-related patents for manufacturing and selling personal computer products. The Consolidated Companies agree to make fixed payments periodically to Lucent, and the Consolidated Companies will not have any additional obligation for the use of Lucent patents other than the agreed upon fixed amounts of payments.

(c) On June 6, 2008, the Consolidated Companies entered into a Patent Cross License agreement with Hewlett Packard Development Company ("HP"). The previous patent infringement was settled out of court, and the Consolidated Companies agreed to make fixed amounts of payments periodically to HP. The Consolidated Companies will not have any additional obligation for the use of HP patents other than the agreed upon fixed amounts of payments.

(d) The Consolidated Companies have entered into software and royalty license agreements with Microsoft, MPEG-LA and other companies. The Consolidated Companies have fulfilled their obligations according to the contracts.

(2) As of December 31, 2009 and 2010, the Company's outstanding stand-by letters of credit totaling NT$269,987 and NT$195,563, respectively, for purposes of bids and contracts.

(3) The Consolidated Companies have entered into several operating lease agreements for warehouses, land and office buildings. Future minimum lease payments were as follows:

Year	NT$	US$
2011	457,182	15,694
2012	324,196	11,129
2013	264,341	9,075
2014	170,519	5,854
2015 and thereafter	516,388	17,727
	1,732,626	59,479

(4) As of December 31, 2009 and 2010, the Company had provided promissory notes amounting to NT$28,552,820 and NT$39,931,666, respectively, as collaterals for factored accounts receivable and for obtaining credit facilities from financial institutions.

8. Significant Loss from Casualty: None

9. Subsequent Events: None

10. Others

(1) Labor cost, depreciation and amortization categorized by function

	2009			2010		
	Operating expense	Cost of sales	Total	Operating expense	Cost of sales	Total
	NT$	NT$	NT$	NT$	NT$	NT$
Labor cost:						
Salaries	10,691,422	2,203,906	12,895,328	13,133,144	2,073,441	15,206,585
Insurance	1,103,299	202,810	1,306,109	1,191,827	165,214	1,357,041
Pension	438,401	25,293	463,694	483,702	24,658	508,360
Other	927,649	104,031	1,031,680	755,314	134,868	890,182
Depreciation	797,215	49,088	846,303	648,953	55,533	704,486
Amortization	1,847,624	12,660	1,860,284	1,609,831	281,287	1,891,118

(2) The significant financial assets and liabilities denominated in foreign currencies were as follows:

	2009.12.31			2010.12.31		
Financial assets	Foreign Currency (in thousands)	Exchange Rate	New Taiwan dollars (in thousands)	Foreign Currency (in thousands)	Exchange Rate	New Taiwan dollars (in thousands)
Monetary assets						
USD	$ 2,165,436	32.03	69,358,915	2,552,262	29.13	74,347,392
EUR	1,557,832	45.87	71,457,754	1,833,495	38.9876	71,483,570
RMB	983,054	4.69	4,610,523	3,014,289	4.41	13,293,014
Non-monetary assets						
USD	83,450	32.03	2,672,904	33,658	29.13	980,458
Financial liabilities						
Monetary liabilities						
USD	2,967,829	32.03	95,059,563	3,817,104	29.13	111,192,240
EUR	394,341	45.87	18,088,422	403,863	38.9876	15,745,649
RMB	337,244	4.69	1,581,674	810,156	4.41	3,572,788

11. Segment Information

(1) Industry segment

The main business of the Consolidated Companies is to sell brand-name computers and other related IT products, which represents a single reportable operating segment.

(2) Geographic information

	2009					
	Taiwan	North America	Europe	Asia	Eliminations	Consolidated
	NT$	NT$	NT$	NT$	NT$	NT$
Area income:						
Customers	32,460,389	149,934,829	287,063,526	106,047,556	-	575,506,300
Inter-company	404,809,061	187,495	6,404,956	7,297	(411,408,809)	-
	437,269,450	**150,122,324**	**293,468,482**	**106,054,853**	**(411,408,809)**	**575,506,300**
Area profit (loss) before income taxes	**415,341,104**	**(3,051,275)**	**10,755,265**	**3,489,518**	**(411,408,809)**	15,125,803
Net investment income by the equity method						400,098
Gain on disposal of investments, net						79,162
Interest expense						(622,080)
Consolidated income before income taxes						**14,982,983**
Area identifiable assets	**154,584,475**	**68,774,280**	**106,947,852**	**32,809,119**	**(97,383,442)**	265,732,284
Equity method investments						3,314,950
Goodwill						21,977,454
Total assets						**291,024,688**
Depreciation and amortization	**1,064,578**	**667,269**	**847,796**	**126,944**	**-**	**2,706,587**
Capital expenditures	**413,968**	**30,381**	**243,081**	**84,145**	**-**	**771,575**

	2010					
	Taiwan	**North America**	**Europe**	**Asia**	**Eliminations**	**Consolidated**
	NT$	**NT$**	**NT$**	**NT$**	**NT$**	**NT$**
Area income:						
Customers	41,343,033	151,314,401	296,425,417	142,619,456	-	631,702,307
Inter-company	433,752,764	9,028	8,994,859	83,553	(442,840,204)	-
	475,095,797	**151,323,429**	**305,420,276**	**142,703,009**	**(442,840,204)**	**631,702,307**
Area profit (loss) before income taxes	**446,907,391**	**(2,853,206)**	**12,897,125**	**3,498,712**	**(442,840,204)**	17,609,818
Net investment income by the equity method						375,948
Gain on disposal of investments, net						2,376,407
Interest expense						(1,032,786)
Consolidated income before income taxes						**19,329,387**
Area identifiable assets	**146,909,644**	**47,590,583**	**85,557,881**	**42,071,003**	**(64,343,753)**	257,785,358
Equity method investments						2,235,701
Goodwill						20,477,471
Total assets						**280,498,530**
Depreciation and amortization	**1,109,796**	**469,272**	**754,494**	**262,042**	**-**	**2,595,604**
Capital expenditures	**692,911**	**41,684**	**316,665**	**62,134**	**-**	**1,113,394**

(3) Export sales

Export sales of the domestic operating segments do not exceed 10% of the consolidated revenues, hence no disclosure is required.

(4) Major customers

No sales to individual customers accounting for more than 10% of the consolidated revenues in 2009 and 2010.

7.5 Disclosure of the Impact on Company's Financial Status Due to Financial Difficulties

Not applicable.

7.6 Financial Prediction and Achievements

7.6.1 Financial Forecast of Year 2011:

Not applicable.

08 Risk Management

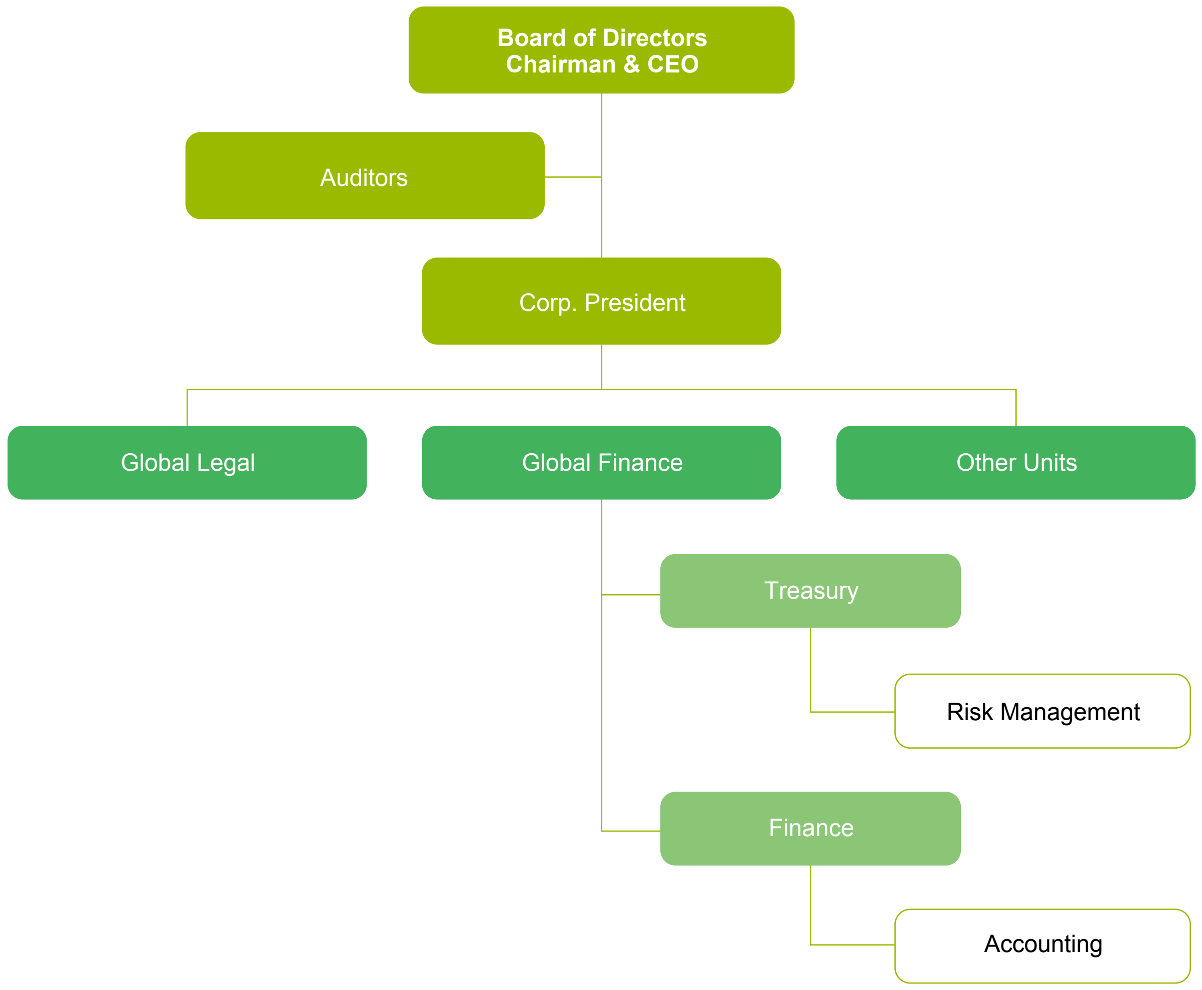
8.1 Recent Annual Investment Policy and Main Reasons of Gain or Loss and Improvement Plan

Unit: NT$ Thousand

Item \ Description	Amount (Note)	Business Type	Year 2010 P&L	Main reason of Gain or Loss	The Plan for Improvement	Investment Plan for Next Year
Acer European Holdings N.V.	30,466,509	Sales and Maintenance of "Acer" brand-name information technology products	3,845,275	Growth Stably in Europe	N/A	No material investment plan for next year
Acer Holdings International, Incorporated	11,023,307	Sales and Maintenance of "Acer" brand-name information technology products	2,808,685	Growth Stably in Asia Pacific		
Boardwalk Capital Holding Limited	20,273,091	Sales and Maintenance of "Acer" brand-name information technology products	1,306,560	Recognized the impairement loss of Fixed-assets		
Acer Worldwide Incorporated	2,708,026	Investing and Holding company	(4,623)	Recognized operating expense		
E-TEN INFORMATION SYSTEMS CO., LTD.	7,089,365	PDA manufacturing and sale	265,035	Recognized other investment loss and impairement loss of Fixed-assets		
Cross Century Investment Limited	1,253,923	Investing and Holding company	15,707	Recognized operating expense and interest income		
Acer CyberCenter Services Ltd.	1,812,397	Data storage and processing company	84,009	Gain on operating activity		
Acer Greater China (B.V.I.) Corp.	5,965,878	Sales and Maintenance of "Acer" brand-name information technology products	90,578	Recognized interest income and foreign exchange gain		
Acer Softcapital Incorporated	905,483	Investing and Holding company	(230,712)	Recognized other investment loss		
Wistron Corporation	1,336,868	Investing on industry of manufacturing computer and information technology products	464,106	Gain on operating activity		
Acer Digital Services (B.V.I) Holding Corp.	717,252	Investing and holding companies	38,255	Recognized divident income		
Weblink International Inc.	1,305,220	Sales and distribution of computer products and electronic communication products	102,438	Gain on operating activity		
ELIFE MALL Corp.	302,704	Sales and distribution of computer products and electronic communication products	54,129	Gain on operating activity		
BenQ Corporation	1,594,199	Investing on industry of sales computer and information technology products	-	-		
WPG Holding Limited	242,954	Sale of Spare-parts of Semi-conductor	-	-		
Apacer Technology Inc.	149,659	R&D, design, manufactoring and sales of flash memory, small storage card and consumer electonic product	-	-		

8.2 Important Notices for Risk Management and Evaluation

Risk Management Organization



- Board of Directors – review and approve the risk management policy and the authority for decision
- The head and top management of Business Units – oversee risk management activities with periodic monitoring and evaluation
- Auditors – provide annual auditing plan; review the Company's internal execution and control of risk management
- Global Legal – review legal contracts and agreements; manage lawsuit and litigation affairs
- Treasury – manage financial hedging and deals
- Accounting – oversee monetary transactions, ensure consistency with booking keeping and accuracy of financial reporting

8.2.1 Impact of Interest Rate, Exchange Rate and Inflation on Company's P&L and Future Strategy

Interest Rate Fluctuation

The U.S. unemployment rate is still high, unless the economy significantly improve the Fed will not raise U.S. interest rates. Due to the economic recovery and the government's intention to suppress the real estate market, the central bank is expected to raise interest rates 12.5bps every quarter.
Our funding cost of liability will not increase due to the low interest rate. We usually use the New Taiwan Dollar (NT$) and short-term foreign currency deposits to optimize return at low risk level.

Exchange Rate

Because of RMB appreciation and the strong recovery of emerging markets, NTD is expected to continue to appreciate steadily. The euro zone may stop easing monetary policy and start to raise interest rates due to the threat of inflation. Also, the weak U.S. dollar with low interest rates and the interest rate differentials will help to stimulate the euro. Consistent execution of a conservative hedging strategy will continue to be maintained in order to minimize the impact of foreign exchange rate fluctuation on the company's earnings.

Inflation

Due to the economic recovery and high oil price, each country is likely to face inflation problems this year. However, if the rise in commodity prices causes an increase in production cost, appropriate measures will be taken accordingly to avoid loss.

8.2.2 How Corporate Image Change Affects Company's Risk Management Mechanism

The Company split off its manufacturing division at the end of year 2000 in order to focus on the design and marketing of IT products and services. The potential crises within manufacturing and marketing companies are very different, and the Company's crisis management now focuses on our global supply-chain and logistics. By outsourcing our manufacturing sector to multiple vendors and suppliers, the Company gained greater flexibility in inventory control and lowered risks compared to a single-vendor policy. With the ever-changing global economy, it is essential to be prepared for risks and challenges at all times. The Company's risk management team has a clear sense of crisis management and has taken the precautions where necessary. We have set up a crisis mechanism that will minimize potential damages to ensure the Company's sustainable management.

8.2.3 Predicted Benefits and Potential Risk to Company with Factory/Office Expansion

Not applicable.

8.2.4 Potential Risks to Company from Procurement and Sales

None

8.2.5 Affect on Company from Shares Transfers by Directors, Supervisors or Shareholders Holding More Than 10% Shares

Not applicable.

8.2.6 Impact and Potential Risks to Company Management Team Change

Not applicable.

8.2.7 The major litigious, non-litigious or administrative disputes that: (1) involve Acer and/or any Acer director, any Acer supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by Acer; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the company's securities, the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of printing of this annual report shall be disclosed as follows:

1. Similar to other IT companies, Acer receives notices from third parties asserting that Acer has infringed certain patents or demands Acer obtain certain patents licenses. Acer takes these matters seriously and may take appropriate counter actions.
2. In year 2010 and as of the date of printing of this annual report, any Acer director, supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10% were not involved in any material litigious, non-litigious or administrative disputes.
3. In year 2010 and as of the date of printing of this annual report, any company or companies controlled by Acer were not involved in any material litigious, non-litigious or administrative disputes.

8.2.8 Other Risks:

None

APPENDIX

1. Name, Title and Contact Details of Company's Spokespersons:

Principal	CheMin Tu	CFO	+886-2-2696-3131	CheMinTu@acer-euro.com
Deputy	Henry Wang	Senior Manager	+886-2-2696-3131	HenryWang@acer.com.tw

2. Address and Telephone Numbers of Company's Headquarter and Branches

Office	Address	Tel
Acer Inc. Registered Address	7F.-5, No.369, Fuxing N. Rd., Songshan Dist., Taipei City 105, Taiwan	+886-2-2719-5000
Acer Inc. (Hsichih Office)	8F, 88, Sec.1, Hsin Tai Wu Road, Hsichih, Taipei Hsien, Taiwan	+886-2-2696-1234
Acer Inc. (Hsinchu Branch)	3F, 139 Min Tsu Road, Hsinchu, Taiwan	+886-3-533-9141
Acer Inc. (Taichung Branch)	3F, 371, Sec.1, Wen-Hsin Road, Taichung, Taiwan	+886-4-2250-3355
Acer Inc. (Kaohsiung Branch)	4F-2, 38, Shin Guang Road, Kaohsiung, Taiwan	+886-7-338-8386
Acer Inc. (Shipping & Warehouse Management Center)	1F, 138, Nan-Gong Road, Lu Chu Tsuan, Lu Chu, Taoyuan Hsiang, Taiwan	+886-3-322-2421

3. Address and Contact Details of Acer Shareholders' Services

Address: 7F.-5, No.369, Fuxing N. Rd., Songshan Dist., Taipei City 105, Taiwan
Tel: +886-2-2719-5000
E-mail: stockaffairs@acer.com.tw

4. Address and Contact Details of Auditing CPAs in the Most Recent Year

Name: Sonia Chang and Agnes Yang at KPMG
Address: 68F, Taipei 101 Tower, 7, Sec.5, Xinyi Road, Taipei, 11049, Taiwan
Tel: +886-2-8101-6666
Website: www.kpmg.com.tw

5. Listed Market for GDRs: London Stock Exchange Market

For further information, please refer to Website: www.Londonstockexchange.com

6. Acer Group Website: www.acer-group.com

Acer Group

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