WORLDWIDE PARTNER

Acer Incorporated 2011 Annual Report

http://www.acer-group.com
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DISCLAIMER

This is a translation of the 2011 Annual Report of Acer Incorporated (the “Company”). The translation is intended for reference only and nothing else, the Company hereby disclaims any and all liabilities whatsoever for the translation. The Chinese text of the Annual Report shall govern any and all matters related to the interpretation of the subject matter stated herein.

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01 Business Report

1. Business Report to Shareholders

Looking back to our business performance on 2011, Acer Inc. encountered many difficulties. Mainly due to the high channel inventory in EMEA operations, complex products and brand strategy, high level personnel readjustment and reorganization, Europe and US economic slowdown, the business performance have been impacted significantly.

In 2011, Acer's consolidated revenue was NT475.3B (US15.7B), declining 24.4% year-on-year (YOY), and operating loss reached NT$6.4B (US$212M). Profit-after-tax (PAT) was -NT6.6B (-US$219M) and earnings-per-share (EPS) was -NT$2.52. For this result, we would like to express our sincere apology to all shareholders.

Shipments wise, according to leading market research company, Gartner Dataquest, last year Acer was ranked No.4 for total PCs and No. 2 for notebook worldwide. Regionally, Acer held No.2 position for total PCs in the Asia Pacific, No.3 in China, representing an obvious growth in the emerging markets in comparison with EMEA and US.

After the resignation of Mr. Gianfranco Lanci, Acer's former CEO and President, Acer soon discovered high channel inventory and disputed accounts receivable in EMEA operations. In order to solve the issue, the management team decided to write-off its operational loss one time. Together with the compensation for reorganization, Acer has suffered a huge loss for which we deeply feel sorry. Since the second half of last year, Acer has extended the inventory management to channel side so to accurately access to the channel sell-out information.

In the past few years, our corporate strategy is maximizing volume growth via multi-brands. However, front and back-end operation become too complicated to manage because of the redundant brands and product models. Hence, Acer has implemented a new policy - simplification. By following this principle, we are simplifying our brands, product models, and the entire operation in pursuit of better design, quality, performance, and operation speed and efficiency, which will restore our competitiveness.

Currently, PC is Acer's core business. Our strategy is to simplify multi-brands, yet to continue of seeking larger economies of scale. We need to ensure there must be a differentiation among product positioning and create value for our customers. With this mindset, we will plan the various product models for different brands. Concurrently, for the development of tablets PCs and mobile devices, Acer is focusing strategically on a limited selection of models to pursue business performance.

Looking towards 2012, although PCs have been impacted by the new challenges arise from the remarkable transformation of ICT industry, there are still promising opportunities to be seized. The two utmost are Ultrabook and Windows 8. Currently, Acer is leading in the Ultrabook trend, and we foresee that in the next few years, thin and light, instant on, instant connect, and long battery life will become standard on all notebooks. Windows 8, which will launch in the second half of the year, can be applied to Ultrabooks and mobile devices. We expect that it could bring about substantial business opportunity and will pose a favorable situation for us.

Last year, with the objective of mid-to long-term cloud deployment, Acer acquired a US-based iGware Inc. In early 2012, Acer already achieved a visible result. AcerCloud can connect all personal devices including different form factors, and supports across platforms. It allows users to securely transfer digital content in a safe personal space for anytime, anywhere access. We are shipping Acer's consumer PCs bundling with AcerCloud, which is expected to become a key element to create differentiation for Acer products and to enhance our brand value.

Acer's key priorities in the future are to strengthen product innovation from user's point of view, create value for our customers, and enhance brand positioning. By following these principles, we will naturally increase our market shares and profits. Moreover, we will solidify our position as a world-leading vendor of notebook PCs, operate the mobile devices business pragmatically, further expand into key emerging markets, boost our presence in the commercial PC, and continue to reinforce globalization.

After a significant reorganization and personnel readjustments, Acer's new management is ready with a clear set of strategies to grasp the new opportunities. Meanwhile, we will also continue strengthen corporate governance.

Acer's current business operation is becoming more stable and is back to the right track. With persistent hard work, 2012 will be the year of returning to growth and profitability again. Finally, on behalf of Acer, I'd like to thank each shareholder's long-term support and wish we can continue to build 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 2011 Operating Report

1.2.1 Consolidated Operating Results

Unit: NT$ Thousand

Item \ Period	Most Recent 5-Year Financial Information				
	2007	2008	2009	2010	2011
Operating revenue	462,066,080	546,274,115	573,982,544	629,058,973	475,341,991
Gross profit	47,418,310	57,285,660	58,327,860	64,481,268	38,606,598
Operating (loss) income	10,185,123	14,072,302	15,339,466	18,203,913	(6,396,199)
Non-operating income and gain	6,699,671	5,353,038	1,719,037	4,321,397	1,482,557
Non-operating expense and loss	1,776,157	4,618,613	2,075,520	3,195,923	2,510,688
Continuing operating income before tax	15,108,637	14,806,728	14,982,983	19,329,387	(7,424,330)
Income(loss) from discontinuned segment	517,866	99,843	0	0	0
Extraordiniary items	0	0	0	0	0
Cumulative effect of changes in accounting principle	0	0	0	0	0
Income(loss) after income taxes	12,958,933	11,742,135	11,353,374	15,117,997	(6,601,968)
EPS	5.27	4.67	4.31	5.71	(2.52)

1.2.2 Budget Expenditure in 2011

Not applicable.

1.2.3 Financial Income and Earning Abilities

Unit: NT$ Thousand

Item		2011
Financial Income	Operating revenue	475,341,991
	Gross profit	38,606,598
	Income after tax	(6,601,968)
Earning Abilities	Return on assets (%)	(2.18)
	Return on equity (%)	(7.77)
	Net income ratio (%)	(1.39)
	EPS (NTD)	(2.52)

1.3 2012 Business Plan

1.3.1 Business Direction

A. The personal computer continues to be our core business.
B. Strategically develop in the tablet PC and smartphone business.
C. Simplify the multi-brands, product models, process and operation; place main resources on strengthening innovation, design, quality and marketing.
D. Develop fast and efficient logistics capability.
E. Strengthen corporate governance.
F. Execute corporate social responsibility.

1.3.2 Goals

A. Enhance our position as a world-leading notebook PC vendor.
B. Pursue for better operating income.
C. Grasp the commercial product growth opportunities, and increate its proportion of revenues.
D. Expand into key emerging markets.

1.3.3 Partner Policy

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. Strengthen our innovation on products based upon the viewpoint of users.
B. Enhance our brand positioning and create value for customers.
C. Aggressively develop AcerCloud services.
D. Continue to reinforce company globalization.

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

A. ICT industry transformed from single to multiple operating system platforms and the market is very vigorous and volatile.
B. PCs have been impacted by new challenges in the drastically changing ICT industry.
C. The Ultrabook™ trend and launch of Windows® 8 are expected to create new business opportunities.
D. Year 2012 shall bring growth and opportunities.

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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.
- Announced key management reshuffle - Scott Lin to concurrently head China operations, and Oliver Ahrens to front EMEA 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.
- Acer products began to ship from China's Chongqing production base.
- Acer EMEA cleared its high channel inventory with a one-time US$150 million write-off.
- Sir Julian Horn-Smith and Dr. F.C. Tseng were elected as independent board directors.
- Debuted first Ultrabook™: Aspire S3.

2012

- Unveiled world's thinnest Ultrabook™: Aspire S5.
- Presented Aspire Timeline Ultra Series, extending mainstream notebook features with Ultrabook™ trend.
- Announced AcerCloud application results.
- Acquired US-based iGware with US$320 million for mid- to long-term investment in cloud technology.
- Recruited Eva Ho as the new CFO.
- Introduced new FULL HD tablet, the ICONIA TAB A700.
- Acer held its annual Corporate Social Responsibility (CSR) Forum, promoting green ICT and green economy.

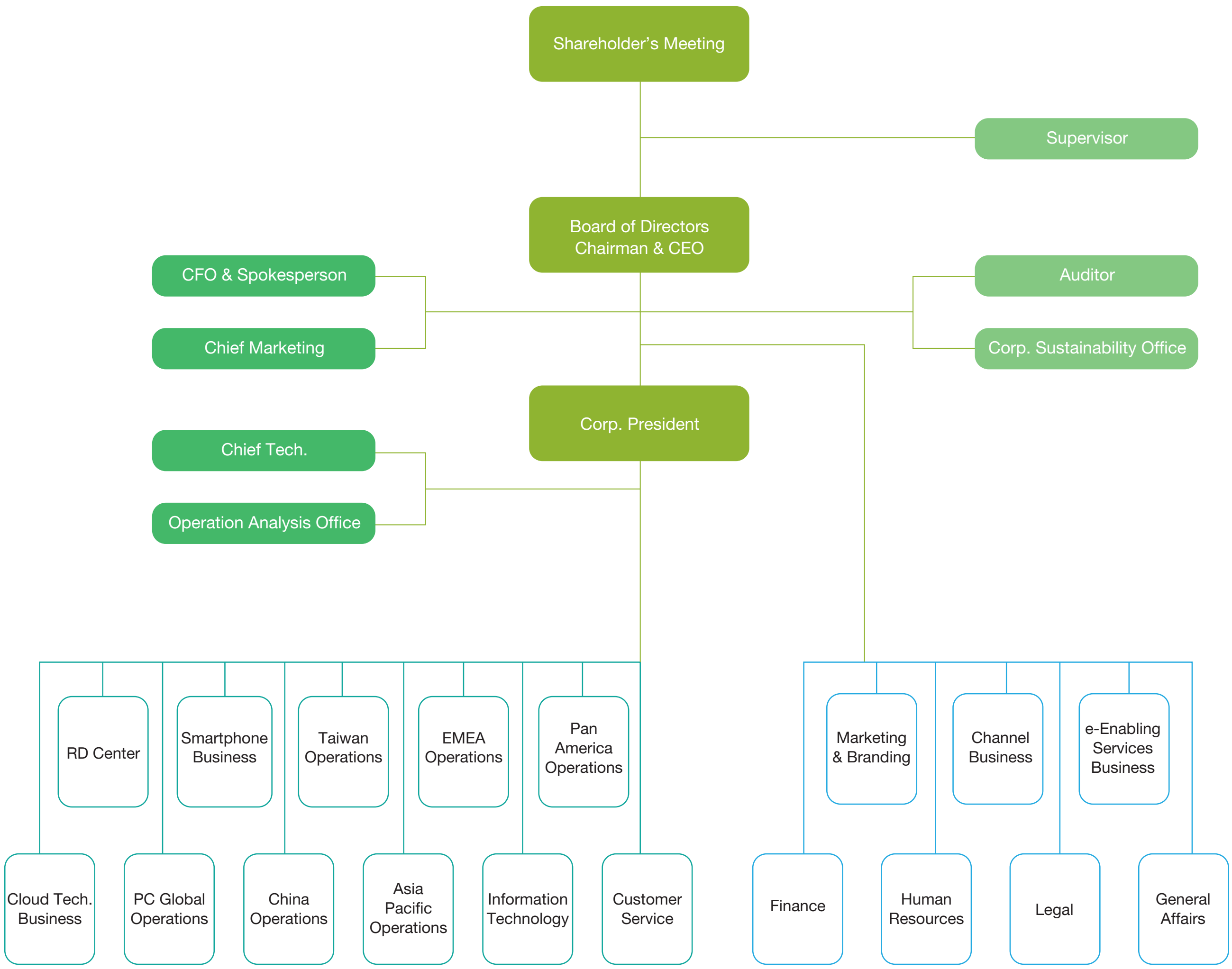

Explore Beyond Limits

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 mid-to long-term technology development planning, technology integration and collaboration

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

RD Center
- Research and development, design and patent of Acer's product.

Smartphone Business
- Product marketing and supply chain management of Acer's smartphone products and services

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

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

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

Cloue Technology Business
- Establishing Acer Cloud infrastructure and providing value-added cloud service to customer.

PC Global Operations
- Product marketing and supply chain management of Acer's PC products and services

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

Asia Pacific Operations
- Sales, marketing and after-sales service of Acer's 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

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, 2012)

Title	Name	Date of Election	Term	Shares Held When Elected		Shares Held at Present	
				Number	Percentage	Number	Percentage
Chairman	J.T. Wang	06/15/2011	3	15,142,159	0.53	15,142,159	0.53
Director (Note 2)	Gianfranco Lanci	06/13/2008	3	0	0	0	0
Director (Note 2)	Walter Deppeler	06/13/2008	3	0	0	0	0
Director	Stan Shih	06/15/2011	3	74,806,719	2.64	74,733,499	2.64
Director	Hsin-I Lin	06/15/2011	3	0	0	0	0
Director	Hung Rouan Investment Corp.	06/15/2011	3	67,799,202	2.39	67,799,202	2.39
Director	Smart Capital Corp.	06/15/2011	3	11,260	0	11,260	0
Legal Representative of Director	Philip Peng (Representative of Smart Capital Corp.)	06/15/2011	3	1,003,469	0.04	1,003,469	0.04
Independent Director	Julian Michael Horn-Smith	06/15/2011	3	0	0	0	0
Independent Director	F.C. Tseng	06/15/2011	3	0	0	0	0
Supervisor	Carolyn Yeh	06/15/2011	3	17,707,377	0.62	17,634,157	0.62
Supervisor	George Huang	06/15/2011	3	6,261,844	0.22	6,261,844	0.22

Note1: Appointed by Company to be Director and/or President of certain subsidiaries.
Note2: Gianfranco Lanci and Walter Deppeler's term of Director expired on 2011.06.15

Shares Held by Spouse & Minors		Education	Current Position(s) in Other Companies	Spouse or Immediate Family Holding Managerial Position		
Number	Percentage			Title	Name	Relation-ship
206,771	0.01	Bachelor	(Note 1)	None	-	-
0	0	Bachelor	(Note 1)	None	-	-
0	0	Master	(Note 1)	None	-	-
17,634,157	0.62	Master	1. Director of Qisda Corp. 2. Director of Wistron Corp. 3. Independent director of TSMC Co, Ltd. 4. Director of Dragon Investment Co., Ltd. 5. Director of Acer SoftCapital	Supervisor	Carolyn Yeh	Wife
0	0	Master	1. Director of Yulon Motor Co, Ltd. 2. Director of China Motor Corp. Co 3. Independent director of E.Sun Financial Holdings Co Ltd. 4. Independent director of Sinyi Realty Inc.	None	-	-
0	0	-	-	None	-	-
0	0	-	-	None	-	-
258,007	0.01	Master	1. Director of Wistron Corp. 2. Director of iDSoftCapital Inc. 3. Supervisor of Dragon Investment Co., Ltd. 4. Others (Note 1)	None	-	-
0	0	Bachelor	-	None	-	-
0	0	Ph. D.	1. Vice Chairman of TSMC Limited 2. Chairman of Global Unichip Corp. 3. Chairman of TSMC China Company Limited 4. Director of Digimax, Inc.	None	-	-
74,733,499	2.64	Bachelor	1. Chairman of iDSoftCapital Inc. 2. Others (Note 1)	Director	Stan Shih	Husband
1,386,315	0.05	Bachelor	1. Supervisor of Apacer Technology Inc. 2. Supervisor of Les Enphants Co., Ltd. 3. Supervisor of Motech Industries Inc 4. Independent director of PChome Online Inc 5. Independent director of Bio Net Corp. 6. Independent director of Taiwan Taxi Corp.	None	-	-

Major Institutional Shareholders (April 17, 2012)

Name of Acer's Institutional Shareholders	Major Shareholders of Acer's Institutional 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%

Professional qualifications and independence analysis of directors and supervisors

Criteria / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience		
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company
J.T. Wang			✓
Stan Shih			✓
Hsin-I Lin			✓
Hung Rouan Investment Corp.	Not applicable.		
Smart Capital Corp. Philip Peng (Representative of Smart Capital Corp.)	Not applicable.		
Julian Michael Horn-Smith			✓
F.C. Tseng			✓
Carolyn Yeh			✓
George Huang			✓

Note: Please tick the corresponding boxes if directors or supervisors have been any of the following during the two years prior to being elected or during the term of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any of the persons in the preceding three subparagraphs.

	Independence Criteria(Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	1	2	3	4	5	6	7	8	9	10	
				✓	✓		✓	✓	✓	✓	0
	✓				✓				✓	✓	1
	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
	✓								✓	✓	0
	✓			✓	✓		✓	✓	✓	✓	3

5. Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the share, of a specified company or institution that has a financial or business relationship with the Company.
7. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
9. Not been a person of any conditions defined in Article 30 of the Company Law.
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

(2) Key Managers (April 17, 2012)

Title	Name	Date of Accession	Shares Held Directly		Shares Held by Spouse & Minors	
			Number	Percentage	Number	Percentage
Chairman & CEO	J.T. Wang	04/20/2011	15,142,159	0.53	206,771	0.01
Corp. President	Jim Wong	11/01/2001	4,301,026	0.15	0	0
CEO & Corp. President (Note 1)	Gianfranco Lanci	01/01/2005	0	0	0	0
Sr. Corp.VP & CMO (Note 1)	Walter Deppeler	09/29/2007	0	0	0	0
Sr. Corp.VP & President	Scott Lin	11/01/2001	1,155,001	0.04	7,593	0
Sr. Corp. VP & President of AP	Steve Lin	11/01/2001	2,080,822	0.07	0	0
Sr. Corp. VP & President of EMEA	Oliver Ahrens	04/01/2009	0	0	0	0
Sr. Corp. VP & President of SHBG (Note 1)	Aymar de Lencqueaing	01/01/2009	0	0	0	0
Corp. VP & President of PA	Emmanuel Fromont	01/01/2011	0	0	0	0
Corp. VP, Marketing & Branding (Note 1)	Gianpiero Morbello	05/01/2008	0	0	0	0
Corp.VP & President	James Chiang	01/01/2003	1,207,457	0.04	5,168	0
Corp.VP & President (Note 1)	Simon Hwang	09/01/2008	0	0	0	0
President of EBBG	Ben Wan	05/16/2002	0	0	0	0
President of PCGO	Campbell Kan	03/28/2007	487,876	0.02	83,824	0
President of SPBG (Note 2)	ST Liew	01/01/2012	0	0	0	0
GM of SPBG (Note 2)	Dave Chan	01/01/2012	0	0	0	0
VP (Note 1)	Wayne Ma	11/01/2008	0	0	0	0
VP	Peter Shieh	11/01/2001	507,737	0.02	78,387	0
VP	Jafa Lin	07/01/1996	181,228	0.01	0	0
VP (Note 1)	Angelina Hwang	09/01/2002	0	0	0	0
VP	Michael Wang	11/01/2008	7,261	0	0	0
CTO, VP	Jackson Lin	02/16/2004	323,083	0.01	7,329	0
CFO (Note 2)	Eva Ho	03/01/2012	0	0	0	0
CFO(acting) (Note 1)	Lilia Wang	09/21/2011	218	0	0	0
CFO (Note 1)	CheMin Tu	12/01/2009	0	0	0	0
Director of Branch Office	PH Wu	01/12/2006	20,457	0	0	0
Director of Branch Office	TC Yang	01/12/2006	107,561	0	0	0
Director of Branch Office	YS Shiau	01/12/2006	272,358	0.01	0	0

Note 1: Gianfranco Lanci resigned on 2011.04.01
Aymar de Lencqueaing resigned on 2011.07.15
Gianpiero Morbello resigned on 2011.08.31
CheMin Tu released on 2011.09.21
Angelina Hwang resigned on 2011.12.31
Lilia Wang released on 2012.03.01
Simon Hwang released on 2012.03.29
Wayne Ma released on 2012.03.29

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			Title	Name	Relationship
0	0	Bachelor	(Note3)	None	-	-
0	0	Master	(Note3)	None	-	-
0	0	Bachelor	(Note3)	None	-	-
0	0	Bachelor	(Note3)	None	-	-
0	0	Bachelor	(Note3)	None	-	-
0	0	Bachelor	(Note3)	None	-	-
0	0	Bachelor	(Note3)	None	-	-
0	0	Bachelor	(Note3)	None	-	-
0	0	Bachelor	(Note3)	None	-	-
0	0	Bachelor	(Note3)	None	-	-
0	0	Bachelor	(Note3)	None	-	-
0	0	Bachelor	(Note3)	None	-	-
0	0	Master	(Note3)	None	-	-
0	0	Master	-	None	-	-
0	0	Bachelor	-	None	-	-
0	0	Master	-	None	-	-
0	0	Bachelor	-	None	-	-
0	0	Bachelor	-	None	-	-
0	0	Bachelor	-	None	-	-
0	0	Bachelor	-	None	-	-
0	0	Bachelor	-	None	-	-
0	0	Master	-	None	-	-
0	0	Master	-	None	-	-
0	0	Bachelor	(Note3)	None	-	-
0	0	Master	(Note3)	None	-	-
0	0	Bachelor	-	None	-	-
0	0	Bachelor	-	None	-	-
0	0	Bachelor	-	None	-	-

Note 2: ST Liew assumed position on 2012.01.01
Dave Chan assumed position on 2012.01.01
Eva Ho assumed position on 2012.03.01
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 five meetings from January 1, 2011 to June 14, 2011. 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	5	0	100%	
Director	Gianfranco Lanci	1	0	20%	
Director	Walter Deppeler	4	1	80%	
Director	Stan Shih	5	0	100%	
Director	Hsin-I Lin	4	1	80%	
Director	Hung Rouan Investment Corp.	5	0	100%	
Director	Philip Peng (Representative of Smart Capital Corp.)	5	0	100%	

The Board of Directors held six meetings from June 15, 2011 to December 31, 2011. 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	6	0	100%	
Director	Stan Shih	6	0	100%	
Director	Hsin-I Lin	4	2	66%	
Director	Hung Rouan Investment Corp.	6	0	100%	
Director	Philip Peng (Representative of Smart Capital Corp.)	6	0	100%	
Director	Julian Michael Horn-Smith	2	1	33%	
Director	F.C. Tseng	6	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 eleven meetings. The record of the supervisors' attendances is shown below:

Title	Name	No. of Meetings Attended	Meeting Attendance Rate (%)	Note
Supervisor	Carolyn Yeh	11	100%	
Supervisor	George Huang	7	63.6%	

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	The Company elected two independent directors in 2011 AGM.	No 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 Acer Group website (http://www.acer-group.com) 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	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 adjusted the establishment of Remuneration Committee, which approved by the BOD on August 31, 2011, and the initial meeting was convened on September 1, 2011. The duty of Remuneration Committee is to determine and regularly review the performance evaluation and remuneration strategies, policies, standard, structures of Board directors, supervisors, and Company officers, and determine and review their remuneration.	No discrepancy

<table>
<tr><th>Items</th><th>Enforcement Status</th><th>Discrepancy between the corporate governance principles implemented by the Company and the Principles, and the reason for the discrepancy</th></tr>
<tr><td colspan="3">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:
The Company follows the spirit inside of TSE Corporate Governance Best-Practice Principles even though Company did not enact the corporate governance principles.</td></tr>
<tr><td colspan="3">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.</td></tr>
</table>

3.3.5 The Establishment and Enforcement of Compensation Committee

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 adjusted the establishment of Remuneration Committee, which approved by the BOD on August 31, 2011, and the initial meeting was convened on September 1, 2011. The duty of Remuneration Committee is to determine and regularly review the performance evaluation and remuneration strategies, policies, standard, structures of Board directors, supervisors, and Company officers, and determine and review their remuneration.

Remuneration Committee held five meetings from August 30, 2011 to April 30, 2012. The record of their attendances is shown below:

Title	Name	No. of Meetings Attended	No. of Meetings Attended by Proxy	Meeting Attendance Rate(%)	Note
Independent Director	Julian Michael Horn-Smith	5	0	100%	
Independent Director	F.C. Tseng	5	0	100%	
Director	Hsin-I Lin	5	0	100%	

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 (http://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 29, 2012

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 2011:

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, (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. While performing the internal control assessment, The Company found that the Spain subsidiary had encountered a possible business risk which arose from the high channel inventory level. It was the result of massive goods sold out to channels due to the judgment made by Spain subsidiary of The Company in optimizing the economy circumstance. The Company has taken quick actions to establish channel inventory management tools and enhance accounts receivable aging review mechanism to remedy the flaw. Through the continuing monitor and follow up, the channel inventory has decreased to a healthy level as of December 31, 2011. In addition, the company enhanced the communication between marketing and advertisement department to review and control the marketing expenses.

5. Based on the findings of the evaluation and the improvement mentioned in the preceding paragraph, the Company believes that, as of December 31, 2011, 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 2011 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 29, 2012, 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 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 2010 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 Group CEO President concurrently III. To Appoint Mr. Walter Deppeler with the Sr. Corp. VP& President of EMEA Operations IV. To Approve In Order to Maintain the Company's Credit and Shareholders Equity It is proposed to Repurchase the Company's shares as Treasury Stock
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 Amend the 2011 Business Report III. The Proposal for Distribution of FY2010 Retained Earnings IV. To Approve Amend the Agenda and Logistics of 2011 General Shareholder's Meeting V. To Approve the Accrual of Employee Bonus for 2011 VI. To Decide the Effective Date of the New Issued Shares for the Execution of Acer Employee Stock Option. VII. To Approve Execute Capital Injection in Boardwalk Capital Holdings Ltd ("Boardwalk") VIII. To Approve the Corporate Guarantees and its Subsidiaries IX. To Setup a Subsidiary with the Core Business of Key Strategic Technology Development
June 1, 2011	Third 2011 Special BOD Meeting	I. To Approve provide EMEA channels with additional sales allowance up to a total of USD$150 million. II. To Approve a provision of US$30 million for EMEA organization restructuring. III. To Approve for shareholders' general meeting to reduce employee bouns. IV. To Approve second Company share repurchase as treasury stock. V. To Approve dispose all or part of the shares of Olidata S.P.A.

Date	Meeting	Major Resolutions
June 15, 2011	Fourth 2011 Special BOD Meeting	I. To Elect the Chairman of Acer Incorporated II. To Approve the Cash Dividend Distribution Ratio and Approve The Dividend Record Date III. To Approve issue 10,000 Units of Acer 2010 ESOP IV. To Approve for "Special Retention Program (SRP) Guideline" Proposal V. To Approve Change the Purpose of Repurchase of Shares and Adopt "Rules on Transfer Repurchased Shares to Employees" VI. To Establish and Invest Acer Intellectual (Chongqing) Limited ("AICQ") VII. To Approve the Related Items for Disposal of the E-ten Nei-Hu Building VIII. To Change the Purchased Floor of Parking Spaces Located in Hsi-Chih Building D
July 21, 2011	Fifth 2011 Special BOD Meeting	I. To Acquire the Shares of iGware Inc. by Cash and New Shares Issuance II. To Approve issue New Common Shares as Consideration Payable of the Acquisition of iGware Inc. Shares III. To Restructure the Investment Framework of Acer Inc. for the Acquisition of iGware Inc. IV. To Negotiate a Syndicated Loan Arrangement With Selected Bank Group.
August,31,2011	Third 2011 BOD Meeting	I. The First Half of FY2011 Financial Statements II. To Enact "Remuneration Committee Charter" and Establish Remuneration Committee III. To Elect the Members of "Assets Management and Handling Committee" and "Financial Statement and Internal Control Review Committee" IV. To Approve Change the Purpose of Repurchase of Shares V. To Approve Release Mr.Gianpiero Morbello From Acer Management Team VI. To Approve Release Mr.Aymar de Lencquesaing From Acer Management Team
September 21,2011	Sixth 2011 Special BOD Meeting	I. To Remove Mr.Che-Min Tu from Acer Management Team and relieve all of his dedicated or concurrent duties II. To Approve Ms.Lilia Wang as the Acting CFO of Acer Inc III. Propose to Amend Article 6 clause 2 Of Acer's "Rules on Transfer Repurchased Shares to Employees" subject to Securities & Future Bureau's(SFB)Request
October 27,2011	Fourth 2011 BOD Meeting	I. The Third Quarter of FY2011 Financial Statements II. To Approve Acer's 2012 Annual Audit Plan III. To Approve the Disposal and Transfer of eDC Business Machinery and Equipment to Acer CyberCenter Services Inc. IV. To proposed Acer's 1st Tier Leaders' Adjustments
December 6,2011	Seventh 2011 Special BOD Meeting	I. To approve Acer Information Service Inc. II. To Decide the Effective Date of the New Issued Shares for the Execution of Acer and E-ten Employee Stock Option III. To Amend the Deposing Price Range of E-TEN Nei-Hu Building IV. To Amend Acer's "Procedures Governing Lending of Capital to Others
January 12,2012	First 2012 Special BOD Meeting	I. To Agree the "Application of Taiwan Bonus Guidelines" and "Bonus Payment Amount" for CEO, Corp. President, and TWN Employed 1ST Tier Executives and Officers. II. To Agree the 2012 Remuneration Proposal for CEO, Corp. President, and 1st Tier Executives and Officers. III. To Release Ms. Angelina Hwang From Acer Management Team IV. To Appoint Mr.S.T.Liew and Mr.Dave Chan as the Co-President of Smart Phone BG V. To Agree on The New Appointment and Remuneration Proposal of 1ST Tier Executive of The Company.

Date	Meeting	Major Resolutions
March 29,2012	First 2012 BOD Meeting	I. To Approve the 2011 Financial Statements and Business Report II. To Approve Acer's Statement of Internal Control System for 2011 III. To Approve the Appointment CPAs of KPMG as the Auditors of Acer Incorporated IV. To Approve the Agenda and Logistics of 2012 General Shareholder's Meetings V. To Approve Amendments to Acer's Articles of Incorporation, VI. To Approve Amendments to Acer Incorporated Regulations for the Conduct of Shareholders'Meeting. VII. To Approve Buying Back the Year 2010 First Issuance of Unsecured Overseas Convertible Corporate Bonds. VIII. To Approve the "Board of Directors and Supervisors Remuneration Guidelines" IX. To Propose the Name and Amount of Fixed Compensation for Board of Directors and Supervisors. X. To Agree on 2011 Bonus Result of Company 1st Tier Executives XI. To Release Mr. Wayne Ma and Mr. Simon Hwang from Acer Management Team XII. To Approve Amendments to Acer's "Procedures of Acquiring or Disposing of Assets" XIII. To Approve The Internal Control Procedure of "Management of the Adoption of International Financial Reporting Standards" and "Management of Accounting Professional Judgment Procedures, Accounting Policies and Changes in Accounting Estimates" XIV. To Approve the Amendment of Acer's Internal Control Policies and 2012 Annual Audit Plan XV. To Decide the Effective Date of the New Issued Shares for the Execution of Acer and E-ten Employee Stock Option XVI To Approve Acer's Corporate Guarantees Related Issues
April 25,2012	Second 2012 BOD Meeting	I. To Approve the First Quarter of 2012 Financial Statements II. To Approve the Related Items of Adoption IFRSs III. To Approve the Proposal for Loss off-setting of 2011 Retained Earnings IV. To Approve Buying Back the Year 2010 First Issuance of Unsecured Overseas Convertible Corporate Bonds V. To Decide the Effective Date of the New Issued Shares for the Execution of Acer Employee Stock Option VI. The Corporate Guarantees of Acer Incorporated and its Subsidiaries.

Implementation of Resolutions in 2011 General Shareholders' Meeting

Major Resolutions	Carries out the situation
1.To accept 2010 Financial Statements and Business Report	The shareholder meeting resolution passes according to the document
2.To approve the Proposal for distribution of 2010 profits	Distributed cash dividends to the shareholders on August 8, 2011
3.To release the non-competition restriction of a board of director elected as an individual or as a legal representative	7 directors (including independent directors) and 2 supervisors had been elected and approved to release the non-competition restriction of a board of director elected as an individual or as a legal representative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9:12

04 Capital and Shares

4.1 Sources of Capital

4.1.1 Sources of Capital (April 17, 2012)

Unit: Share/NT$ Thousand

Date	Price of Issuance	Authorized Common stock		Paid-in Common stock		Notes
		Shares	Value	Shares	Value	
April, 2012	Share/NT$10	3,500,000,000	35,000,000	2,834,726,828	28,347,268	-

Unit: Share

Shares Category	Authorized capital			Notes
	Issued shares	Non-issued	Total	
Common shares	2,834,726,828	665,273,172	3,500,000,000	-

4.1.2 Shareholding Structure (April 17, 2012)

Unit: Share

Category/ Number	Government Institution	Financial Institution	Other Institution	Individual	FINI and Foreign Investors	Total
No. of Shareholders	14	21	547	342,297	1,172	344,051
Shares	11,494,911	22,055,913	305,023,838	1,434,195,390	1,061,956,776	2,834,726,828
Percentage	0.41%	0.78%	10.76%	50.59%	37.46%	100.00%

4.1.3 Distribution of Shareholdings (April 17, 2012)

Category	The Number of Shareholders	Shares	Percentage
1 ~ 999	134,991	39,259,698.	1.385%
1,000 ~ 5,000	156,035	340,785,898.	12.022%
5,001 ~ 10,000	29,301	218,803,330.	7.718%
10,001 ~ 15,000	8,945	109,775,238.	3.872%
15,001 ~ 20,000	4,943	89,504,750.	3.157%
20,001 ~ 30,000	4,037	100,622,549.	3.550%
30,001 ~ 50,000	2,768	107,967,429.	3.809%
50,001 ~ 100,000	1,647	115,734,807.	4.083%
100,001 ~ 200,000	647	90,138,417.	3.180%
200,001 ~ 400,000	285	81,527,573.	2.876%
400,001 ~ 600,000	120	58,358,774.	2.059%
600,001 ~ 800,000	85	59,308,619.	2.092%
800,001 ~ 1,000,000	44	39,489,213.	1.393%
1,000,001 and above	203	1,383,450,533.	48.804%
Total	344,051	2,834,726,828	100.000%

4.1.4 List of Major Shareholders (April 17, 2012)

Name \ Item	Shares	Percentage
MAGELLAN	85,000,000	3.00%
Stan Shih	74,733,499	2.64%
Yen, Wei	74,687,775	2.63%
Hung Rouan Investment Corp.	67,799,202	2.39%
COMGEST GROWTH PLC	57,290,940	2.02%
VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	46,936,105	1.66%
Labor Insurance Fund	46,727,273	1.65%
Acer GDR	37,278,935	1.32%
Management Board of Public Service Pension Fund	31,776,175	1.12%
Government of Singapore	30,649,275	1.08%

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

Unit: NT$

Item \ Period			2010	2011	Until Mar. 31st, 2012
Market Price Per Share	Highest		105.50	91.00	46.15
	Lowest		71.40	27.30	34.30
	Average		86.47	49.01	41.21
Net Value Per Share	Before Distribution		35.32	29.05	29.23
	After Distribution		31.67	Un-appropriated	Un-appropriated
Earning Per Share	Weighted Average Share Numbers		2,647,466 Thousand shares	2,624,535 Thousand shares	2,710,331 Thousand shares
	Earning Per Share	Current	5.71	-2.52	0.12
		Adjusted	5.71	Un-appropriated	Un-appropriated
Dividend Per Share	Cash Dividend (NT$)		3.654	0	Un-appropriated
	Stock Dividend	Retained Earning (%)	-	-	
		Capital Surplus (%)	-	-	
	Accumulated unpaid dividends		-	-	-
Return on Investment Analysis	P/E Ratio		15.14	-19.45	-
	P/D Ratio		23.66	-	-
	Cash Dividend Yield		4.16%	0.00%	-

4.1.6 Dividend Distribution Plan Proposed To General Shareholders' Meeting

As the industry prosperity and the trends rapidly changed, the dividends strategy of the Company depends on yearly earnings and external environments, therefore, cash dividends of this Company shall be distributed at least ten percent of yearly dividends for complying with related regulations, which was approved at the Shareholder's Meeting on June 17, 2004.

The proposed dividend distribution plan, agreed by the Company's Board of Directors, will be submitted to the Shareholders' Meeting on June 15, 2012 for approval:
The Company proposed to The beginning balance of the un-appropriated retained earnings of the Company is NT$8,384,027,887 in 2011. After plus the net loss after tax of 2011, NT$6,601,967,725, to set aside NT$1,467,498,709 as special reserve, the ending balance of the un-appropriated retained earnings is NT$314,561,453, which is reserved for distribution in the future.

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

Year / Description			Estimates for 2012
Paid-in capital at the beginning of the term (Unit: NT$ Thousand)			27,098,915
Stocks, Dividend Allocated in the Year	Cash dividend per share		0
	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 1)
	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 1)
		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: 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 2012.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 that meet certain criteria set by the board of directors.
   (2) One percent (1%) as remuneration of directors and supervisors(Note); and
   (3) The remainder may be allocated to shareholders as bonuses.
   Note: the company's Board of Directors has submitted an amendment of "not more than one percent (1%) as remuneration of directors and supervisors" to 2012 General Shareholders' Meeting
2. The Board of Directors proposed a dividend distribution plan of year 2011 as follows:
   NT$0 as cash bonuses to employees, NT$0 as remuneration to directors and supervisors.
3. The Bonuses to Employees and Remunerations to Directors, Supervisors in 2011:

	2011			
	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$900,000	NT$1,500,000	NT$600,000	Resolved by the 2012 General Shareholders' Meeting to lower the bonus
2. Stock Bonuses to Employees				
(1) Number of Shares	0 shares	0 shares		
(2) Value (Unit: NT$ Thousand)	0	0		
(3) Circulation Rate of Shares in Stock Market on Ex-right Day	0%	0%		
3. Remunerations to Directors, Supervisors (Unit: NT$ Thousand)	NT$89,469	NT$89,469		
Earning Per Share (EPS): Original EPS Reset EPS	NT$5.71 NT$5.71	NT$5.71 NT$5.71	-	-

4.1.9 Buyback of Treasury Stock: (March 31, 2012)

Term of Buyback	The First Buyback in Year 2011	The Second Buyback in Year 2011
Purpose of Buyback	Shares Transferred to Employees	Shares Transferred to Employees
Period of Buyback	March 31, 2011 to May 30, 2011	June 2, 2011 to August 1, 2011
Price Range of Buyback	NT$55 to NT$100	NT$55 to NT$80
Class and Quality of Bought back	Common Shares: 28,619,000 shares	Common Shares: 27,000,000 shares
Amount of Shares Bought back	NT$1,526,797,373	NT$ 1,341,450,925
Number of Shares having been written off and Transferred	-	-
Number of the Company Shares Held in accumulation	28,619,000 shares	55,619,000 shares
Number of the Company Shares Held in accumulation out of the Total Number Shares issued (%)	1.011%	1.964%

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

Corporate Bonds		The 1st Overseas Unsecured Convertible Bonds	The 2nd Overseas Unsecured Convertible Bonds
Redemption or Early Repayment Clause		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.	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
Covenants		None	None
Credit Rating		None	None
Other rights of Bondholders	Amount of Converted or Exchanged Common Shares,GDRs or Other Securities	US$0	US$0
	Conversion Right	In accordance with indicative Offering Plan for an Issue of Overseas Unsecured Convertible Bonds	In accordance with indicative Offering Plan for an Issue of Overseas Unsecured Convertible Bonds
Diluyion Effect and Other Adverse Effects on Existing Shareholders		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.	
Paying & Conversion Agent		Citibank N.A. London Branch	Citibank N.A. London Branch

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		2011	As of March 31, 2012
Market Price	Highest	US$112.797	US$96.649
	Lowest	US$87.970	US$93.594
	Average	US$97.272	US$95.676
Conversion Price		NTD$102.01	NTD$102.01
Conversion Price in Issuing Date		August 10,2010 NTD$110.76	August 10,2010 NTD$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		2011	As of March 31, 2012
Market Price	Highest	US$117.440	US$97.668
	Lowest	US$79.577	US$86.959
	Average	US$95.505	US$94.208
Conversion Price		NTD$104.96	NTD$104.96
Conversion Price in Issuing Date		August 10,2010 NTD$113.96	August 10,2010 NTD$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, 2012)

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$40.15
Total number of units issued			6,800,000units	4,000,000units
Sources of valuable securities demonstrated			Capital increased in cash	Capital increased in cash
Number of valuable securities demonstrated			Each unit stands for Acer's 5 common shares	Each unit stands for Acer's 5 common shares
Rights and obligations of GDR holders			Same as Acer's common shareholders	Same as Acer's common shareholders
Consignee			None	None
Depository organization			Citicorp	Citicorp
Custodian organization			Citibank Taipei Branch	Citibank Taipei Branch
Balance not retrieved			7,466,768 units of Global Deposit Receipt as representing 37,333,935 shares of common stocks	
Method to allocate fees incurred during the period of issuance and existence			The expenses incurred by issuance being taken to offset premium reserve. Expenses incurred during existence being taken as expenses of the current term.	The expenses incurred by issuance being taken to offset premium reserve. Expenses incurred during existence being taken as expenses of the current term.
Any key issue for the depository and custodian agreements			None	None
Market Price Per Share	2011	Highest	US$ 15.25	
		Lowest	US$ 5.08	
		Average	US$ 8.48	
	Until March 31, 2012	Highest	US$ 7.46	
		Lowest	US$ 5.68	
		Average	US$ 6.87	

4.5 Employee Stock Options (March 31, 2012)

Employee Stock Option Granted	E-ten First Grant of 2007	First Grant of 2008	First Grant of 2009	First Grant of 2010	Second Grant of 2010
Approval Date by the Authority	June 06, 2007	September 15, 2008	July 27, 2009	July 20, 2010	July 20, 2010
Grant Date	August 22 ,2007	November 03, 2008	Octorber 30, 2009	Octorber 29, 2010	June 15, 2011
Number of Options Granted	9,345,794 units(Note1)	14,000 units(Note2)	14,000 units(Note2)	4,000 units(Note2)	10,000 units(Note2)
Percentage of Shares Exercisable to Outstanding Common Shares (%)	0.329	0.494	0.494	0.141	0.353
Option Duration	6 years	3 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	4,277,395 shares	13,958,000 shares	1,839,000 shares	0 shares	0 shares
Value of Shares Exercised	NT$ 181,190,618	NT$ 314,231,880	NT$ 69,587,760	NT$ 0	NT$ 0
Invalid Shares	2,546,347 shares	42,000 shares	120,000 shares	-	-
Shares Unexercised	2,522,052 shares	0 shares	12,041,000 shares	4,000,000 shares	10,000,000 shares
Adjusted Exercise Price Per Share	NT$ 38.30	NT$ 21.50	NT$ 37.84	NT$ 45.04	NT$ 25.99
Percentage of Shares Unexercised to Outstanding Common Shares (%)	0.089	0.001	0.425	0.141	0.353
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 Mergers, Acquisitions, and Issuance of New Shares Due to Company Acquisitions:

4.6.1 Underwriter's Opinion for the Mergers and Acquisitions.

1. Underwriter's Opinion of the Impact of Acer's Operating Business, Financial Aspect and Stock Holders' Equity

Acer Incorporated (thereafter "Acer") completed a capital raise by issuing 122,178,242 shares of common stock on 12nd January, 2012, then acquired 28,791,209 shares of iGware common stock by share-swap, and then completed the registration process of aforementioned transaction by 9th March, 2012. In accordance to Item 8, Paragraph 1, Article 9 of "Regulations Governing the Offering and Issuance of Securities by Securities Issuers", we, as the lead underwriter, provide evaluation regarding the impact of the aforementioned share-swap to Acer's business, financial performance and shareholders' equity in the first quarter of 2012:

(1) Impacts to Business

Acer is an international hi-tech company. Its main business is development, design, marketing and service of Acer-brand desktop computer, laptop computer, server, LCD screen, digital family and related products. Through the share-swap, Acer would acquire and utilize the cloud core technology and capacity of iGware in creation of Acer Cloud, in order to serve vast Acer product user at an open platform. Acer Cloud would enable users to consolidate all their Acer products, including personal computer, tablet computer and smart-phone; the users would be able to enjoy and effectively manage all individually-owned Acer information and communication equipment as well as contents under superior safety mechanism of Acer Cloud. As Acer and iGware shares R&D source and achievement, Acer is able to and expected to launch Acer Cloud service at June 2012 Computex Taipei. Acer Cloud will first be available at North America and Greater China region, and subsequently be available worldwide. The launch of Acer Cloud is a strong evidence that share-swap is beneficial to business of Acer.

(2) Impact to Financial Performance

As cloud technology development becomes the industrial major trend, the acquisition of iGware is a part of Acer's long-term development strategy, and has nothing to do with short-term performance. It is expected that in the future 10 years, Acer Cloud will be one of the major differentiation of all Acer products. Acer Cloud hopefully upgrade Acer brand, create brand equity, and becomes a positive factor of Acer's EPS and Book Value per Share in the long run.

(3) Impact to Shareholders' Equity

Acer expands its business segments through the share-swap, and the launch of Acer Cloud would generate revenue and profit, which consequently improves shareholders' equity. It is a proof that share-swap is beneficial to shareholders' equity.

(4) Synergy after Share-Swap

The share-swap reference date is 12nd January, 2012, and registration process of aforementioned transaction was completed by 9th March, 2012. Both Acer and iGware does its best effort on post-merger consolidation and cooperation in sales, back-up support, finance and other functions since completion of share-swap. It is expected that synergy of the consolidation will appear gradually.

2. Execution Update and Impact of Acer's Stock Holders' Equity of the Unachieved Goals: Not applicable.

4.6.2 Resolutions of Mergers and Acquisitions in the Meeting of the Board of Directors in the Previous Year:

To Report the Shares Acquirement of iGware Inc. by Receiving Assignment of Shares and Cash Investment

(1) In order to develop mid to long-term layout and build up unique Acer Cloud system to obviously promote Acer brand positioning and brand value. The Company acquired iGware Inc.("iGware") by receiving assignment of shares and cash investment with the result that iGware has become and been merged into Acer Cloud Technology Inc., a 100% owned subsidiary of the Company, which approved by the BOD on July 21, 2011 and with the approval of the Investment Commission, Ministry of Economic Affairs("MOEA"), and January 3, 2012 Order No. Financial-Supervisory-Securities- Issue 1000062734 of the Financial Supervisory Commission ("FSC"), Executive Yuan.

(2) According to the executed Agreements, the exchange ratio goes to 1 iGware common share for around every 4.24 existing Acer shares. Fractional share shall be substituted with cash, except the combination of shares by some iGware shareholders.

(3) The share exchange date was set on January 12, 2012, and the Company totally issued 122,178,242 new shares and USD 150 million to acquire 100% shares of iGware. The shares conversion and capital amendment registration were approved by March 9 2012 per Order No. Economic-Authorization-Commerce 10101035580 of the Department of Commerce, MOEA.

05 Acer's Business 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, design, marketing and sales to services, our business strategy involves multiple brands and operations around the globe.

Today, PC remains the core of Acer's business. In 2011, notebook PCs accounted for 65% or the largest share of our revenues from IT products, while desktops contributed to 17% share.

Currently, Acer is strategically developing tablet PCs and smart phones in a pragmatic manner. In addition, we are actively developing the AcerCloud technology.

5.1.2 Industry Highlights

As the ICT industry shifts from single to multiple operating system platforms, manufacturers are facing new challenges as well as new opportunities. Currently, the ICT industry has three major eco-systems: Mac's OS/iOS, Google's Android, and Microsoft's Windows®. In the past two years, the former two eco-systems had strong growth momentum; in the future, Windows® 8, which will be available in the second half of 2012, can be applied not only on the PCs, but also on emerging mobile devices, which consequently will help to create new business opportunities. Hence, it is expected that Microsoft Windows eco-system will have growth potential.

In addition, despite the great impacts of the changing ICT industry on PC manufacturers, the Ultrabook™ trend will surely vitalize the development of notebooks.

5.1.3 Technology and R&D

In 2011, Acer spent NT$1.2 billion on R&D, focusing on the user interface, industrial design, cloud technology, and ICT-related hardware and software. Last July, with the objective of mid- to long-term investment, Acer acquired US-based iGware Inc. in order to develop its own cloud technology. Soon after, Acer established its own AcerCloud R&D team, and has already achieved a visible result.

Moreover, Acer developed a unique power-saving technology called 'Acer Green Instant On', which is included in the world's first mass production Ultrabook™, showcased in September at the IFA consumer electronics show in Berlin, Germany.

5.1.4 Long and Short Term Business Plan

Based on the solid foundation of our core PC business, in the short term Acer will strategically develop tablet PCs and smartphones. Moreover, we will simplify the multi-brand and product models, enhance the leading position of notebook worldwide, pursue for better operating income, improve the proportion of revenues of commercial products, and further expand into key emerging markets

In the long run, we will strive to enhance our brand position, create customer value, develop AcerCloud services and reinforce globalization.

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. Last year, the revenue from EMEA accounted for 37% of Acer's total revenue, Pan America region held 27%, and Asia-Pacific took 20%.

Shipments wise, according to research company, Gartner Dataquest, last year Acer ranked No. 4 worldwide for total PCs, with a market share of 11.2%; No. 2 for notebook worldwide and held 14.3% of the share.

Regionally, our market share and rank in Asia-Pacific for total PCs were 11.1% and No. 2; while China accounted 8.8% of market share and ranked No. 3.

Looking towards 2012, the Ultrabook™ trend will surely vitalize the development of notebooks. While Windows® 8, which will launch in the second half of 2012, shall boost sales growth in PCs and emerging mobile devices. We expect that it will bring about business opportunity and pose a favorable situation for Acer.

5.3 Keys to a Sustainable Future

5.3.1 Sustainable and Mutually Beneficial 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. In addition, our low capital and operating expense policy has been beneficial to the steady growth of our business operations.

5.3.2 Simplify to Win

Focusing on our own brand as the core business, Acer operates on mainstream products. We streamline our multi-brands and models, and simplify operating procedures in order to avoid back-end and front-end operation complications. By placing the main resources on innovation, design, and quality, we can bring more values for the consumers.

5.3.3 Fast and Efficient Global Operations

Having a single global top management team, Acer makes decisions quickly on major issues, matched with good executions. Also, with a flexible and efficient global logistics capability, we can respond to market demand in a timely manner.

5.3.4 End-to-End Marketing Strengths

Thinking from the consumers' perspectives, Acer understands and develops innovative products to meet their real needs. We rapidly bring these products to market for consumers and achieve high performance sales.

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 2010				Year 2011				Current Year as of Mar.31,2012			
	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	204,939,174	39.29	(Note 1)	AEG	116,322,012	28.67	(Note 1)	AEG	28,352,870	29.38	(Note 1)
2	AAC	122,612,577	23.51	(Note 1)	AAC	104,884,601	25.85	(Note 1)	AAC	23,664,967	24.53	(Note 1)
3	AAPH	72,604,537	13.92	(Note 1)	AAPH	68,122,014	16.79	(Note 1)	AAPH	16,936,887	17.55	(Note 1)
4									ACCN	12,008,728	12.45	(Note 1)

Note 1: Subsidiary of the Company.

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

Unit: NT$ Thousand

Item	Year 2010				Year 2011				Current year as of Mar. 31 ,2012			
	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	244,408,020	29.81	none	Supplier A	155,339,713	27.05	none	Supplier A	31,507,299	21.58	none
2					Supplier B	60,206,144	10.48	none	Supplier C	19,665,259	13.47	none
	Others	575,563,221	70.19		Others	358,711,019	62.47		Others	94,824,603	64.95	
	Total	819,971,241	100.00		Total	574,256,876	100.00		Total	145,997,161	100.00	

2. Production Value in the Last Two Years:

Not applicable.

3. The Sales Value in the Last Two Years:

Unit: NT$ Thousand

Year / Major production	2010		2011	
	Domestic Sales	Foreign Sales	Domestic Sales	Foreign Sales
Computer	12,444,876	409,993,432	10,778,052	314,562,452
Peripherals & Others	13,334,239	85,772,687	7,330,797	73,042,567
Total	25,779,115	495,766,119	18,108,849	387,605,019

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. In 2011, Forbes selected Acer as one of "most popularity in 100 global companies " and as the world's No. 2 notebook vendor.

Summary of Acer's Workforce:

-By Manpower, Age and Years of Service

Date / Category	December 2010	December 2011	March 2012
Manpower	7,757	7,894	7,937
Average Age	36.3	37.2	37.8
Average Years of Employment	5.5	5.4	5.1
Male (%)	68.0%	66.1%	65.6%
Female (%)	32.0%	33.9%	34.4%

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

-By Job Function

Date / Job Function	December 2010	December 2011	March 2012
General Management	168	220	208
Sales & Product Marketing	3,044	2,841	2,965
Customer Service	2,314	2,239	2,073
Research & Development	679	922	881
Sales Support	908	1,015	1,122
Administration	644	657	688
Total	7,757	7,894	7,937

- By Education Level

Date / Education Level	December 2010	December 2011	March 2012
Doctor of Philosophy	0.3%	0.3%	0.3%
Master's Degree	22.1%	23.3%	23.2%
Bachelor's Degree	43.7%	43.7%	44.0%
Vocational Study	29.7%	28.7%	28.6%
Senior High School or below	4.2%	4.0%	3.9%
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. From 2011 to Mar. 2012, Acer recruited more 475 new employees.

5.4.3 Training and Development

In accordance with the transition of Acer in 2011, the training focus is fin-tuned for strategy deployment. We are more concerned about the workforce development, and ensure the strategies can be strictly enforced by enhancing people's core competencies. The training focus includes how to create values through innovation, how to get process management more streamlined and effective, how to strengthen brand value asset through quality enhancement, and how to transform the business model from push-oriented to pull-oriented.

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 2011, for Taiwan area, there have been 186 trainings held, with 4,865 employees participated, 19,574 hours (man hours) in total, and NT$6,67 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 2011, 469 new employees have attended the training.

There has been a new employee training specially designed for the new comers of PC 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., Quality Function Development (QFD), Tools for Systematic Innovation- Triz and InnoWorkBench, Project Management and Contingency Plans, and Selling Products in Customers' Perspectives. In 2011, we have 1,801 Taiwan employees who received the General Education training.

Professional Training: The training is provided for advancing the professional knowledge and skills. For example, Android Emerging Devices with Business Opportunities, Tablet Devices Product Trend and Application, Touch Device Tech Development Analysis, etc.

Managerial Training: In the course of Acer's transition efforts, the training focus at each managerial level will be leading changes, boosting morale, selecting and retaining talents. The typical managerial training for senior level is Change Leadership and Communication. Communication and Coaching, and High-Performance Team-working are held primarily for intermediate mangers. For supervisory level of mangers, the emphasis will be on the overall managerial competencies-plan, do, check, action and basic coordination and communication skills.

By abiding by the regulations of OHSAS 18001 requirements, we have General Safety, Health, and Hygiene Training for our staff. In 2011, there have been 8 sessions held, with 1,105 people receiving the well-designed training

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. 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. For example: Acer 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.	Aug 1, 2011~Jul 31, 2014	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 end of related patents period	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
	Microsoft Corp.	Sep 1, 2011~Aug 31, 2014	Cross license arrangements for certain patents	Confidential Non-assignable
Syndicated Loan Agreement	A bank group led by the arrangers, Citibank Taiwan(management), Taipei Fubon, Bank of Taiwan, Chinatrust, Taishin, Taiwan Cooperative, DBS, Landbank, Taiwan Business, Megabank, Chang Hwa and ANZ.	Nov 17, 2011-Nov 16, 2016	A maximum syndicated financing amount of NT$15 billion	Confidential, Non-assignable, Certain financial ratio covenants
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

Acer aims 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. Next phase, with Acer's CSR policy as foundation, we will take into account stakeholders' suggestions to establish longer-term CSR targets and strategies to internalize CSR programs throughout the whole global organization and suppliers.

In 2011, our concrete works in the environment, safety and health management aspects, we make Acer group's mid and long term carbon reduction target and keep data verification and inventory of greenhouse gases (GHG) emission, implementation of office carbon reduction program, enhance suppliers' capacity to greenhouse gases management, , and launch of several projects to improve the health and safety of our employees. For supply chain management, we expanded suppliers' Social and Environmental Responsibility (SER) on-site audits, investigated smelters in our supply chain for conflict minerals issue. Acer has taken multiple actions to comply with California Transparency in Supply Chains Act of 2010 (SB 657).

6.1. Environment, safety and health management

6.1.1 The Environmental Protection

1. **Energy and Climate Change**
   We continue to implement the Acer Integrated Energy and Climate Change Policy, which addressed four main subjects including inventorying greenhouse gas emissions, conserving energy consumption, increasing overall efficiency, and creating a low-carbon business model. We also have encouraged our suppliers to respond to CDP supply chain questionnaires on GHG emissions and response measures to climate change, and make this information openly available or disclose it to other members of the Supply Chain Program. And we held several training courses for some of our suppliers to improve their capacity to respond to the questionnaire and assisted suppliers to gradually enhance their overall capacity to the climate change, carbon reduction and energy efficiency. Acer has also set the carbon reduction target is to reduce absolute GHG emissions by 15% below 2009 levels by 2015 and 50% below 2009 by 2020, we will fulfill the goal by implement internal energy efficiency program and procure more renewable energy and green electricity.

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.

   In 2011, we continually to introduce also some lunched PVC and BFRs free laptop, desktop computers and monitors products. Acer has been striving in a proactive way to move towards Halogenated-free products with constant efforts.

Acer continually launched thin and light based products, like Ultrabook, 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.

Furthermore, Acer supports the sustainable approach to forestry practices and stop the business relationship with the manufacturers that are involved in deforestation and illegal logging. And we start to apply the sustainable forest certification paper into packaging of product. Acer evaluates packaging design and material use from life cycle perspective including reduce energy consumption by less packaging and use eco-friendly materials, including recyclable, reusable and renewable, to lower the environmental impact caused by packaging.

3. **Office Carbon Reduction**
   In Y2011, additional infrared sensor on escalator to detect the boot device to saving energy consumption in Acer headquarters building. For Acer Building top floor of Acer New Logo replacement project, the selection of LED lighting to save power consumption. For B5 underground parking light all change to T5 lamps, with the peak / off-peak hours to adjust the number of switches to further to save electricity and reduce greenhouse gases emissions.

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 has been completed in 2011 to accommodate employees with safety and low-carbon office

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. In Y2011, September to December more than 1,105 employees completed general labor safety and health three hours of training course. This training course will expand to cover all employees of the Taiwan from Y2012 gradually.

   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.

   In Y2011, organizing several movie theater appreciation, arts and cultural activities, Acer health lunch time lectures. Total of 2,571 colleagues and families participate two or three days of travel.

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. Acer first tier suppliers had been requested to sign Acer Supplier Code of Conduct Declaration. Moreover, we collaborated with third-party auditors and "Validated Audit Process" of EICC to launch on-site auditing.

We expanded supplier audit in social and environmental responsibility. On the issue of conflict minerals, we requested suppliers to identify the smelters in their supply chain that supply tantalum, tin, tungsten or gold. Acer suppliers must conduct their operations in a socially and environmentally responsible way. To comply with California Transparency in Supply Chains Act of 2010 (SB 657), Acer has taken multiple actions to verify the absence of forced labor, slavery and human trafficking in supply chain, including supplier risk assessment, declaration, on-site audit and training etc.

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. 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.

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. In 2011, the activities organized including money and blood donations, carbon emission reductions and others.

6.4.2 Acer Foundation

Acer Foundation is committed to promote digital opportunity since its establishment. In 2011, Acer Foundation continued to participate 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. The two Acer Digital Mobiles also continue to enhance digital competitiveness of the underprivileged 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 competiveness 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
(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

Item	Implementation Status	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
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 launch the new generation of thin and light based products, Ultrabook, to reduce the consumption of product materials as well as lower the packaging volume to reduce the GHG emission. Additionally, based on regional market demand to participate 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. In Y2011,for expanding the commercial business , desktop computers all in one desktop computer's Veriton series and notebook's TravelMate series registered some of them as EPEAT gold rated products. We also use the recycled materials as major sources of our packaging to lower the use of virgin tree fiber.	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 and external channels. We assisted suppliers to gradually enhance their overall capacity to the climate change, carbon reduction and energy efficiency and to reach our mid-term and long-term carbon reduction target.	No discrepancy
3. Preserving Public Welfare		
(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

Item	Implementation Status	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
(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. 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. In Y2011, September to December more than 1,105 employees completed general labor safety and health three hours of training course. This training course will expand to cover all employees of the Taiwan from Y2012 gradually. 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. In Y2011, organizing several movie theater appreciation, arts and cultural activities, Acer health lunch time lectures. Total of 2,571 colleagues and families participate two or three days of travel. Others In addition to these jobsite safety and fire protection measures, Acer conducts two CO2 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.	No discrepancy

Item	Implementation Status	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
(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.	We disclose our CSR information and CR report on the below website: Chinese http://www.acer-group.com/public/chinese/ English http://www.acer-group.com/public/	No discrepancy
(2) The company produces corporate social responsibility reports disclosing the status of their implementation of the corporate social responsibility policy.		

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: 1. Acer Sustainability website http://www.acer-group.com/public/ 2. 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, 2012
Unit: NT$ Thousand

Item \ Period		Most Recent 5-Year Financial Information 2007	2008	2009	2010	2011	Current year as of Mar. 31 ,2012
Current assets		191,626,201	186,390,592	232,107,877	225,760,825	195,729,745	190,558,034
Fund and Long-term equity investments		11,202,652	6,773,547	8,872,750	6,233,280	3,795,462	3,877,969
Net property, plant and equipment		8,636,441	9,336,221	8,676,173	6,939,774	6,763,316	7,004,292
Intangible assets		25,926,493	34,746,765	35,444,068	36,392,935	35,351,147	43,590,029
Other assets		5,891,555	6,195,100	5,923,820	6,293,260	6,667,858	6,978,540
Total assets		243,283,342	243,442,225	291,024,688	280,498,530	248,307,728	252,008,864
Current Liabilities	Before Distribution	142,842,574	149,315,158	179,846,517	162,558,924	146,039,649	145,401,463
	After Distribution	152,163,698	154,601,124	188,183,352	Un-appropriated	Un-appropriated	Un-appropriated
Long-term liabilities		16,790,876	4,134,920	12,371,856	20,666,296	24,404,677	24,204,703
Other liabilities		6,240,899	7,114,532	5,928,652	3,164,937	2,111,787	2,549,352
Total Liabilities	Before Distribution	165,874,348	160,564,610	198,147,026	186,390,156	172,556,113	172,155,518
	After Distribution	175,195,472	165,850,575	206,483,861	Un-appropriated	Un-appropriated	Un-appropriated
Common stock		24,054,904	26,428,560	26,882,283	27,023,449	27,098,915	28,393,191
Capital surplus		29,898,983	37,129,952	38,494,118	39,578,915	40,219,518	43,963,139
Retained Earnings	Before Distribution	21,041,713	22,771,901	28,575,011	35,329,280	19,049,268	19,380,295
	After Distribution	11,720,589	17,485,935	20,238,176	Un-appropriated	Un-appropriated	Un-appropriated
Unrealized Gain (loss) on Financial assets		2,524,499	(1,729,631)	1,014,317	460,600	(630,621)	(876,298)
Translation adjustments		2,733,899	1,241,058	959,621	(5,095,919)	(3,580,136)	(4,601,561)
Minimum Pension Liability adjustment		(173,364)	(283)	(7,908)	(23,957)	(16,993)	(16,977)
Treasury Stock		(3,270,920)	(3,522,598)	(3,522,598)	(3,522,598)	(6,390,846)	(6,390,846)
Minority Interest		599,280	558,656	482,818	358,604	2,510	2,403
Stockholders' Equity	Before Distribution	77,408,994	82,877,615	92,877,662	94,108,374	75,751,615	79,853,346
	After Distribution	68,087,869	77,591,648	84,540,827	Un-appropriated	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 ,2012
	2007	2008	2009	2010	2011	
Operating revenue	462,066,080	546,274,115	573,982,544	629,058,973	475,341,991	113,038,630
Gross profit	47,418,310	57,285,660	58,327,860	64,481,268	38,606,598	10,606,628
Operating (loss) income	10,185,123	14,072,302	15,339,466	18,203,913	(6,396,199)	137,940
Non-operating Income and Gain	6,699,671	5,353,038	1,719,037	4,321,397	1,482,557	1,012,943
Non-operating Expense and Loss	1,776,157	4,618,613	2,075,520	3,195,923	2,510,688	538,947
Continuing operating income before tax	15,108,637	14,806,728	14,982,983	19,329,387	(7,424,330)	611,936
Income(Loss) from Discontinued segment	517,866	99,843	0	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(Loss) after income taxes	12,958,933	11,742,135	11,353,374	15,117,997	(6,601,968)	331,027
EPS	5.27	4.67	4.31	5.71	(2.52)	0.12

7.1.3 CPAs' and Auditors' Opinions:

Year	Name of CPA(s)	Auditors' Opinion
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
2011	Sonia Chang, Steven Shih	Unreserved

7.2 Five-Year Financial Analysis

Item			Most Recent 5-Year Financial Information 2007	2008	2009	2010	2011	Current year as of Mar.31 ,2012
Financial Ratio (%)	Total liabilities to total assets		68.18	65.96	68.09	66.45	69.49	68.31
	Long-term debts to fixed assets		1,162.99	1,008.19	1,281.42	2,027.07	1,512.05	1,522.03
Ability to Payoff Debt	Current ratio(%)		134.15	124.83	129.06	138.88	134.03	131.06
	Quick Ratio(%)		106.32	95.47	98.43	110.22	102.13	98.48
	Interest protection		21	12	25	20	(6)	4
Ability to Operate	A/R turnover (times)		5.34	5.18	5.19	5.85	5.11	5.62
	A/R turnover days		68	70	70	62	71	65
	Inventory turnover (times)		13.88	13.24	11.31	12.22	10.75	9.83
	Inventory turnover days		26	28	32	30	34	37
	A/P turnover (times)		5.63	6.39	5.79	5.70	4.95	4.88
	Fixed assets turnover (times)		53.50	58.51	66.16	108.12	70.28	64.56
	Total assets turnover (times)		1.90	2.24	1.97	2.24	1.91	1.79
Earning Ability	Return on assets(%)		6.27	5.23	4.42	5.59	(2.18)	0.79
	Return on equity(%)		16.94	14.65	12.92	16.17	(7.77)	1.70
	To Pay-in Capital %	Operating income	42.34	53.25	57.06	67.36	(23.60)	1.94
		PBT	62.81	56.03	55.74	71.53	(27.40)	8.62
	Net income ratio (%)		2.80	2.15	1.98	2.40	(1.39)	0.29
	EPS (NTD)		5.27	4.67	4.31	5.71	(2.52)	0.12
Cash Flow (%)	Cash flow ratio		(4.59)	(3.46)	21.24	8.14	4.14	3.35
	Cash flow adequacy ratio		26.47	17.55	47.06	63.82	59.10	53.56
	Cash reinvestment ratio		(19.89)	(21.40)	40.47	5.76	(4.81)	7.07
Leverage	Operating leverage		2.99	3.14	3.12	2.99	(4.95)	61.21
	Financial leverage		1.08	1.10	1.04	1.06	0.87	(1.71)

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 2012 General Shareholders' Meeting

The Board of Directors of the Company has prepared the 2011 financial report, including balance sheet, statement of income, statements of changes in stockholders' equity, and statement of cash flows. Sonia Chang and Steven Shih 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 29, 2012

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

Please refer to page 84 to 154.

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 2012:

Not applicable.

08 Risk Management

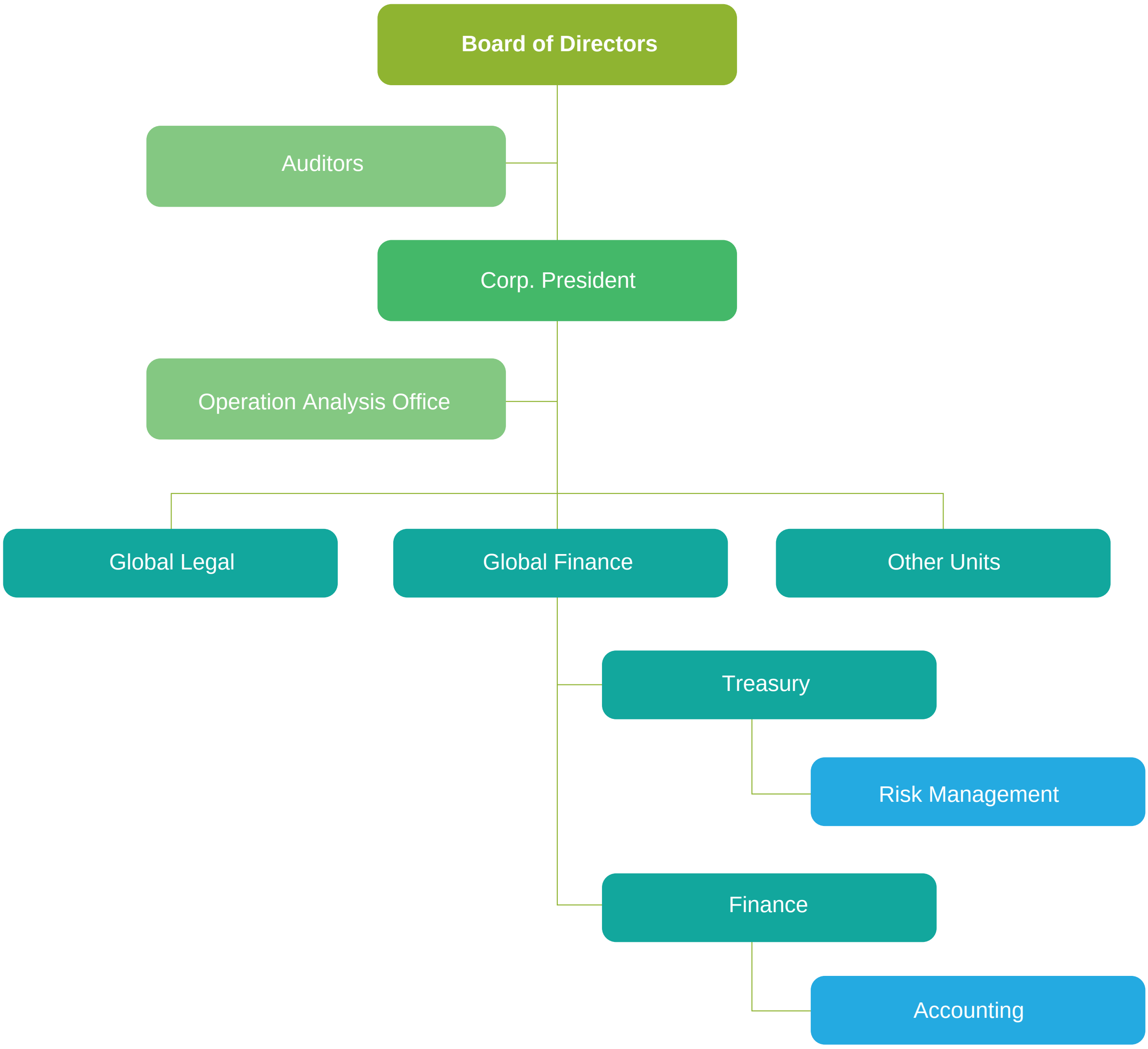
8.1 Recent Annual Investment Policy and Main Reasons of Gain or Loss and Improvement Plan

Unit: NT$ Thousand

Description / Item	Amount (Note)	Business Type	Year 2011 P&L	Main reason of Gain or Loss	The Plan for Improvement	Investment Plan for Next Year
Acer European Holdings N.V.	20,177,262	Sales and Maintenance of "Acer" brand-name information technology products	(11,094,803)	Due to the double impact for Euro Bond and iPad lunch, the market of EMEA deciline terribilely	N/A	No material investment plan for next year
Acer Holdings International, Incorporated	13,307,817	Sales and Maintenance of "Acer" brand-name information technology products	1,933,741	Growth Stably in Asia Pacific		
Boardwalk Capital Holding Limited	22,305,798	Sales and Maintenance of "Acer" brand-name information technology products	(60,888)	Due to iPad lunch, the market of PA deciline terribilely		
Acer Worldwide Incorporated	2,927,959	Investing and Holding company	146	Recognized operating expense		
E-TEN INFORMATION SYSTEMS CO., LTD.	6,422,672	PDA manufacturing and sale	(5,803)	Recognized other investment loss and impairement loss of Fixed-assets		
Cross Century Investment Limited	1,136,855	Investing and Holding company	17,477	Recognized operating expense and interest income		
Acer CyberCenter Services Ltd.	1,819,713	Data storage and processing company	82,557	Gain on operating activity		
Acer Greater China (B.V.I.) Corp.	7,215,901	Sales and Maintenance of "Acer" brand-name information technology products	610,111	Recognized interest income and foreign exchange gain		
Acer Softcapital Incorporated	935,071	Investing and Holding company	(6,489)	Recognized other investment loss		
Wistron Corporation	1,453,539	Investing on industry of manufacturing computer and information technology products	202,559	Gain on operating activity		
Multiventure Investment Inc.	5,428	Investing and holding companies	1	Recognized operating expense and interest income		
Acer Digital Services (B.V.I) Holding Corp.	645,410	Investing and holding companies	49,044	Recognized divident income		
Bluechip	86,739	Sales of software	9,451	Gain on operating activity		
Weblink International Inc.	1,314,634	Sales and distribution of computer products and electronic communication products	98,051	Gain on operating activity		
Aegis Semiconductor Technology Inc.	72,397	Semi-conductor test service	0	-		
BenQ Corporation	509,887	Investing on industry of sales computer and information technology products	0	-		
WPG Holding Limited	152,177	Sale of Spare-parts of Semi-conductor	0	-		
Apacer	90,993	R&D, design, manufactoring and sales of flash memory, small storage card and consumer electonic product	0	-		

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
- Operation Analysis Office – take responsibility of planning, analysis and improvement of business model and business 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

U.S. FED implied to keep USD interest rate at a lower level this year. Weak European economic outlook makes ECB has no intension to hike interest rate. Due to slow GDP estimation than last year, China central bank might cut down the deposit reserve ratio and loan interest rate. The R.O.C. central bank is expected to maintain interest rates at a low level. 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

Although ECB has continuously injected funding into market by processing Quantitative Easing Monetary Policy, the EUR appreciation trend is still not clear. RMB long-term trend is appreciated, but will have wide fluctuation daily. The economic outlooks of Emerging markets are better than Europe and U.S., NTD is expected to continue to appreciate steadily. 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 lower economic recovery and European debts issues, the inflation problem might not be very serious 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%, 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. (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) Ericsson Inc. and Telefonaktiebolaget LM Ericsson filed patent infringement lawsuits against Acer Inc. and its US subsidiaries, Acer America Corporation and Gateway Inc., which pending before the United States District Court for the Eastern District of Texas; and in August 2011, Telefonaktiebolaget LM Ericsson filed patent infringement lawsuits against Acer's subsidiary, Acer Computer GmbH, which pending before the German Regional Court of Mannheim. US and German law firms have been retained to consult for and represent Acer on those matters. At this moment, it is not realistic to reasonably estimate the relative financial impact toward Acer; however, up to date there foresee no immediately material adverse effect toward Acer's business operations.

   (3) In February 2012, Acer Inc. and its Italian subsidiary, Acer Europe Services S.r.l. filed petition before the Court of Milan, Italy, for the ascertainment of Mr. Gianfranco Lanci's violation of non-compete covenant under the Separation Agreement executed between Acer Inc. and him, Acer also has claimed for damages. An Italian law firm has been retained to represent Acer on these matters. At this moment, it is not realistic to accurately estimate the monetary amount of the financial and business impact toward Acer. Acer will decide to take any further legal actions subject to the development of this case.

2. In year 2011 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 2011 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

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, 2011 and 2010, and the related consolidated statements of operations, 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, 2011 and 2010, and the results of their consolidated operations and their consolidated cash flows for the years then ended, in conformity with the accounting principles generally accepted in the Republic of China.

The consolidated financial statements as of and for the year ended December 31, 2011, 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(32) to the consolidated financial statements.

Taipei, Taiwan (the Republic of China)
March 29, 2012

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, 2011 and 2010
(in thousands of New Taiwan dollars and US dollars)

Assets	2011 NT$	2011 US$	2010 NT$
Current assets:			
Cash and cash equivalents (note 4(1))	58,092,581	1,917,880	68,456,386
Financial assets at fair value through profit or loss – current (notes 4(2) and (24))	305,903	10,099	38,895
Available-for-sale financial assets – current (notes 4(4) and (24))	109,721	3,622	225,710
Derivative financial assets held for hedging – current (notes 4(3) and (24))	804,532	26,561	88,372
Notes and accounts receivable, net of allowance for impairment of NT$819,339 and NT$1,159,472 as of December 31, 2011 and 2010, respectively (note 4(5))	83,539,250	2,757,981	101,730,888
Notes and accounts receivables from related parties (note 5)	88,625	2,926	719,024
Other receivables (note 4(6))	6,196,493	204,572	7,860,935
Other receivables from related parties (note 5)	15,359	507	46,914
Inventories (note 4(7))	39,993,644	1,320,358	41,240,053
Prepayments and other current assets	2,552,496	84,269	1,845,878
Noncurrent assets held for sale (notes 4(8) and 9)	1,827,855	60,345	1,827,855
Deferred income tax assets – current (note 4(19))	2,174,144	71,778	1,655,718
Restricted deposits (note 6)	29,142	962	24,197
Total current assets	195,729,745	6,461,860	225,760,825
Long-term investments:			
Investments accounted for using equity method (note 4(10))	1,861,987	61,472	2,235,701
Available-for-sale financial assets – noncurrent (notes 4(11) and (24))	775,702	25,609	2,274,902
Financial assets carried at cost – noncurrent (notes 4(9) and (24))	1,157,773	38,223	1,722,677
Total long-term investments	3,795,462	125,304	6,233,280
Property, plant and equipment:			
Land	1,400,953	46,251	1,376,009
Buildings and improvements	3,741,963	123,538	3,750,663
Computer equipment and machinery	4,173,233	137,776	3,102,280
Other equipment	2,657,984	87,751	3,152,324
Construction in progress and advance payments for purchases of equipment	435,917	14,392	50,993
	12,410,050	409,708	11,432,269
Less: accumulated depreciation	(4,817,597)	(159,049)	(4,796,286)
accumulated impairment	(828,937)	(27,367)	(817,753)
Net property, plant and equipment	6,763,516	223,292	5,818,230
Intangible assets (note 4(13))			
Trademark	9,882,666	326,269	10,043,300
Goodwill	20,710,372	683,736	20,477,471
Other intangible assets	4,758,109	157,085	5,872,164
Total intangible assets	35,351,147	1,167,090	36,392,935
Other financial assets – noncurrent (notes 4(14), (24) and 6)	1,632,327	53,890	1,038,501
Property not used in operation (note 4(12))	3,343,193	110,373	3,477,066
Deferred charges and other assets (notes 4(18) and (19))	1,692,338	55,871	1,777,693
Total assets	248,307,728	8,197,680	280,498,530

Liabilities and Stockholders' Equity	2011 NT$	2011 US$	2010 NT$
Current liabilities:			
Short-term borrowings (note 4(15))	358,120	11,823	1,651,630
Financial liabilities at fair value through profit or loss – current (notes 4(2) and (24))	56,212	1,856	298,998
Derivative financial liabilities held for hedging – current (notes 4(3) and (24))	179,685	5,932	759,866
Notes and accounts payable	77,096,776	2,545,288	84,234,625
Notes and accounts payable to related parties (note 5)	7,256,885	239,580	7,766,098
Other payables to related parties (note 5)	184,975	6,107	537,267
Royalties payable	10,266,709	338,947	10,501,921
Accrued expenses and other current liabilities (note 5)	50,637,250	1,671,748	50,129,779
Current portion of long-term debt (note 4(17))	-	-	6,100,000
Deferred income tax liabilities – current (note 4(19))	3,037	100	578,740
Total current liabilities	146,039,649	4,821,381	162,558,924
Long-term liabilities:			
Financial liabilities at fair value through profit or loss – noncurrent (notes 4(16) and (24))	1,216,586	40,165	1,338,524
Bonds payable (notes 4(16) and (24))	14,064,997	464,344	13,103,887
Long-term debt, excluding current portion (notes 4(17) and (24))	9,123,094	301,192	6,221,933
Other liabilities (note 4(18))	332,057	10,963	330,662
Deferred income tax liabilities – noncurrent (note 4(19))	1,779,730	58,756	2,836,226
Total long-term liabilities	26,516,464	875,420	23,831,232
Total liabilities	172,556,113	5,696,801	186,390,156
Stockholders' equity and minority interest:			
Common stock (note 4(20))	27,098,915	894,649	27,001,793
Common stock subscription	-	-	21,656
Capital surplus (notes 4(10), (16), (20) and (21))	40,219,518	1,327,815	39,578,915
Retained earnings (note 4(20)):			
Legal reserve	12,607,933	416,241	11,096,134
Special reserve	4,659,275	153,822	-
Unappropriated earnings	1,782,060	58,833	24,233,146
Other equity components:			
Foreign currency translation adjustment	(3,580,136)	(118,195)	(5,095,919)
Minimum pension liability adjustment	(16,993)	(561)	(23,957)
Unrealized gain (loss) on financial instruments (notes 4(3), (4) and (11))	(630,621)	(20,819)	460,600
Treasury stock (note 4(20)):	(6,390,846)	(210,989)	(3,522,598)
Total stockholders' equity	75,749,105	2,500,796	93,749,770
Minority interest	2,510	83	358,604
Total stockholders' equity and minority interest	75,751,615	2,500,879	94,108,374
Commitments and contingencies (note 7)			
Total liabilities and stockholders' equity	248,307,728	8,197,680	280,498,530

See accompanying notes to consolidated financial statements.

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Operations

For the years ended December 31, 2011 and 2010

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

	2011 NT$	2011 US$	2010 NT$
Net sales (note 5)	475,341,991	15,693,034	629,058,973
Cost of sales (notes 4(7) and 5)	(436,735,393)	(14,418,468)	(564,577,705)
Gross profit	38,606,598	1,274,566	64,481,268
Operating expenses (notes 4(13), (18), (20), (21), 5 and 10):			
Selling	(36,503,867)	(1,205,146)	(39,098,282)
Administrative	(7,334,375)	(242,138)	(5,968,834)
Research and development	(1,164,555)	(38,447)	(1,210,239)
Total operating expenses	(45,002,797)	(1,485,731)	(46,277,355)
Operating income (loss)	(6,396,199)	(211,165)	18,203,913
Non-operating income and gains:			
Interest income	449,826	14,851	308,036
Investment gain recognized using equity method, net (note 4(10))	-	-	375,948
Foreign currency exchange gain and valuation gain on financial instruments, net (notes 4(2), (3), (16) and (24))	247,352	8,166	-
Gain on disposal of investments, net (notes 4(4), (9), (10) and (11))	345,836	11,417	2,376,407
Gain on disposal of property and equipment, net	-	-	82,974
Other investment income	-	-	30,085
Other income	439,543	14,511	1,147,947
	1,482,557	48,945	4,321,397
Non-operating expenses and loss:			
Interest expense (note 4(16))	(997,761)	(32,940)	(1,032,786)
Investment loss recognized using equity method, net (note 4(10))	(5,284)	(175)	-
Other investment loss, net (note 4(9))	(38,138)	(1,259)	-
Foreign currency exchange loss and valuation loss on financial instruments, net (notes 4(2), (3), (16) and (24))	-	-	(1,311,734)
Impairment loss of non-financial assets, net of reversal gain (note 4(12))	-	-	(378,178)
Restructuring cost (note 4(22))	(1,247,653)	(41,190)	-
Other loss (note 4(13))	(221,852)	(7,324)	(473,225)
	(2,510,688)	(82,888)	(3,195,923)
Income (loss) before income taxes	(7,424,330)	(245,108)	19,329,387
Income tax benefit (expense) (note 4(19))	822,423	27,151	(4,211,247)
Consolidated net income (loss)	(6,601,907)	(217,957)	15,118,140
Net income (loss) attributable to:			
Shareholders of the Company	(6,601,968)	(217,959)	15,117,997
Minority interest	61	2	143
	(6,601,907)	(217,957)	15,118,140

Earnings per common share (in New Taiwan dollars) (note 4(23)):

	NT$	US$	NT$
Basic earnings per common share－retroactively adjusted	(2.52)	(0.08)	5.71
Diluted earnings per common share－retroactively adjusted	(2.52)	(0.08)	5.57

See accompanying notes to consolidated financial statements.

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2011 and 2010
(Expressed in thousands of New Taiwan dollars and US dollars)

	Common stock NT$	Common stock subscription NT$	Capital surplus NT$	Retained earnings: Legal reserve NT$	Retained earnings: Special reserve NT$	Retained earnings: Unappropriated earnings NT$	Foreign currency translation adjustment NT$	Minimum pension liability adjustment NT$	Unrealized gain (loss) on financial instruments	Treasury stock NT$	Total stockholders' equity NT$	Minority interest NT$	Total stockholders' equity and minority interest NT$
Balance at January 1, 2010	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
Appropriation approved by the stockholders (note 1):													
Legal reserve	-	-	-	1,135,338	-	(1,135,338)	-	-	-	-	-	-	-
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 shares of stock	26,483	-	173,517	-	-	-	-	-	-	-	200,000	-	200,000
2010 net income	-	-	-	-	-	15,117,997	-	-	-	-	15,117,997	143	15,118,140
Common stock subscription 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
Conversion right from issuance of convertible bonds	-	-	295,494	-	-	-	-	-	-	-	295,494	-	295,494
Unrealized valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	(501,064)	-	(501,064)	-	(501,064)
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	-	-	-	-	(45,810)	-	(45,810)	-	(45,810)
Minimum pension liability adjustment	-	-	-	-	-	-	-	(16,049)	-	-	(16,049)	-	(16,049)
Foreign currency translation adjustment	-	-	-	-	-	-	(6,055,540)	-	-	-	(6,055,540)	-	(6,055,540)
Adjustments from investments accounted for using equity method	-	-	(79,391)	-	-	-	-	-	(6,843)	-	(86,234)	-	(86,234)
Proceeds from capital return of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(124,357)	(124,357)
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
Appropriation approved by the stockholders (note 2):													
Legal reserve	-	-	-	1,511,799	-	(1,511,799)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	4,659,275	(4,659,275)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(9,678,044)	-	-	-	-	(9,678,044)	-	(9,678,044)
2011 net loss	-	-	-	-	-	(6,601,968)	-	-	-	-	(6,601,968)	61	(6,601,907)
Common stock subscription under option plans	97,122	(21,656)	122,081	-	-	-	-	-	-	-	197,547	-	197,547
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	(2,868,248)	(2,868,248)	-	(2,868,248)
Cash dividends distributed to subsidiaries	-	-	140,358	-	-	-	-	-	-	-	140,358	-	140,358
Stock-based compensation cost	-	-	400,044	-	-	-	-	-	-	-	400,044	-	400,044
Unrealized valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	(1,357,501)	-	(1,357,501)	-	(1,357,501)
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	-	-	-	-	268,353	-	268,353	-	268,353
Minimum pension liability adjustment	-	-	-	-	-	-	-	6,964	-	-	6,964	-	6,964
Foreign currency translation adjustment	-	-	-	-	-	-	1,515,783	-	-	-	1,515,783	-	1,515,783
Adjustments from investments accounted for using equity method	-	-	(21,880)	-	-	-	-	-	(2,073)	-	(23,953)	-	(23,953)
Proceeds from capital return of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(8,678)	(8,678)
Distribution in-kind to minority interest	-	-	-	-	-	-	-	-	-	-	-	(347,477)	(347,477)
Balance at December 31, 2011	27,098,915	-	40,219,518	12,607,933	4,659,275	1,782,060	(3,580,136)	(16,993)	(630,621)	(6,390,846)	75,749,105	2,510	75,751,615
Balance at December 31, 2011 (in US$)	894,649	-	1,327,815	416,241	153,822	58,833	(118,195)	(561)	(20,819)	(210,989)	2,500,796	83	2,500,879

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.

See accompanying notes to consolidated financial statements.

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2011 and 2010
(in thousands of New Taiwan dollars and US dollars)

	2011 NT$	2011 US$	2010 NT$
Cash flows from operating activities:			
Consolidated net income (loss)	(6,601,907)	(217,957)	15,118,140
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation	725,562	23,954	704,486
Amortization	2,145,100	70,819	1,891,118
Stock-based compensation cost	400,044	13,207	458,736
Valuation loss (gain) on financial assets and liabilities	(1,659,720)	(54,794)	1,899,825
Investment gain recognized using equity method, net	(29,201)	(964)	(414,351)
Cash dividends received from equity method investments	175,418	5,791	280,117
Gain on disposal of investments, net	(345,836)	(11,417)	(2,376,407)
Amortization of bonds discount and transaction costs	426,830	14,091	171,597
Unrealized exchange loss (gain) on bonds payable	534,280	17,639	(1,239,955)
Loss (gain) on disposal of property and equipment, net	4,569	151	(82,974)
Impairment loss of non-financial assets, net of reversal gain	-	-	378,178
Deferred income tax expense (benefit)	(2,838,402)	(93,708)	826,484
Other investment loss (gain), net	38,138	1,259	(30,085)
Changes in operating assets and liabilities:			
Notes and accounts receivable	18,191,638	600,582	10,127,478
Receivables from related parties	630,399	20,812	(118,718)
Inventories	1,142,931	37,733	9,882,344
Other receivable, prepayments and other current assets	785,101	25,920	1,007,844
Noncurrent receivable (under other financial assets — noncurrent)	32,546	1,075	(64,506)
Notes and accounts payable	(7,137,849)	(235,650)	(11,597,095)
Payables to related parties	(861,505)	(28,442)	(2,021,186)
Royalties payable, accrued expenses and other current liabilities	289,157	9,546	(11,509,119)
Other liabilities	1,395	46	(54,044)
Net cash provided by operating activities	6,048,688	199,693	13,237,907
Cash flows from investing activities:			
Proceeds from disposal of investments	950,101	31,367	4,069,972
Increase in long-term investments	(119,261)	(3,937)	(149,289)
Proceeds from capital return or liquidation of investees	204,021	6,735	480,100
Additions to property, plant and equipment and property not used in operation	(947,390)	(31,277)	(1,113,394)
Proceeds from disposal of property and equipment and property not used in operation	113,316	3,741	527,724
Decrease (increase) in advances to related parties	31,555	1,041	(25,407)
Increase in restricted deposits	(4,945)	(163)	(24,197)
Additions to intangible assets	(282,003)	(9,310)	(6,211,750)
Increase in refundable deposits, deferred charges and other assets	(1,192,268)	(39,362)	(186,000)
Net cash used in by investing activities	(1,246,874)	(41,165)	(2,632,241)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings	(1,293,510)	(42,704)	1,103,571
Issuance of convertible bonds	-	-	15,865,788
Increase in long-term debt	9,001,161	297,166	-
Repayment of long-term debt	(12,200,000)	(402,773)	(49,923)
Distribution of cash dividends	(9,537,686)	(314,879)	(8,218,416)
Proceeds from exercise of employee stock option	197,547	6,522	205,812
Purchase of treaseury stock	(2,868,248)	(94,693)	-
Decrease in minority interests	(8,678)	(287)	(81,273)
Net cash provided by (used in) financing activities	(16,709,414)	(551,648)	8,825,559
Effects of exchange rate changes	1,543,795	50,967	(4,590,906)
Net increase (decrease) in cash and cash equivalents	(10,363,805)	(342,153)	14,840,319
Cash and cash equivalents at beginning of year	68,456,386	2,260,033	53,616,067
Cash and cash equivalents at end of year	58,092,581	1,917,880	68,456,386
Supplemental disclosures of cash flow information:			
Interest paid	609,593	20,125	839,977
Income taxes paid	2,338,433	77,201	5,794,408
Supplementary disclosures of non-cash investing and financing activities:			
Reclassification of current portion of long-term debt	-	-	6,100,000
Change in unrealized valuation loss on financial instruments	1,091,221	36,026	553,717
Additions to property and equipment included in other current liabilities	-	-	99,670
Decrease in valuation allowance of deferred income tax assets against goodwill	563,871	18,616	1,770,123
Distribution in-kind to minority interest	347,477	11,472	-

See accompanying notes to consolidated financial statements.

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

As of and for the years ended December 31, 2011 and 2010
(amounts expressed in thousands of New Taiwan dollars and US dollars, except for earnings per share information and unless otherwise noted)

1. Organization and Business

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"). On March 27, 2002, the Company merged with Acer Incorporated ("AI"), with the Company as the surviving entity from the merger but renaming itself as Acer Incorporated. After the merger, the Company's principal activities are aimed at globally marketing its brand-name IT products, and promoting E-commerce solutions to clients.

On October 15, 2007, the Company completed its 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. 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, 2011 and 2010, the Consolidated Companies had 7,894 and 7,757 employees, respectively.

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 the accounting principles and practices generally accepted in countries and jurisdictions other than the ROC.

(Continued)

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 operations from the date that control commences until the date that control ceases. All significant inter-company balances and transactions are eliminated in consolidation. The Consolidated Companies consisted of the following:

Investor	Investee	Main business	Percentage of Ownership At December 31, 2011	2010
The Company	Acer Greater China (B.V.I.) Corp. ("AGC", British Virgin Islands)	Investing and holding company	100.00	100.00
AGC	Acer Market Services Limited ("AMS", Hong Kong)	Sale of brand-name information technology products	100.00	100.00
AGC	Acer Computer (Far East) Limited ("AFE", Hong Kong)	Sale of brand-name information technology products	100.00	100.00
AGC	Acer Intellectual (Chongqing) Limited ("AICQ", China)	Sale of smart hand held products	100.00	-
AGC	Acer Information Technology R&D (Shanghai) Co., Ltd. ("ARD", China)	Research, design and sale of smart hand held products	100.00	100.00
AMS	Acer Information (Zhong Shan) Co., Ltd. ("AIZS", China)	Sale of brand-name information technology products	100.00	100.00
AMS	Beijing Acer Information Co., Ltd. ("BJAI", China)	Sale of brand-name information technology products	100.00	100.00
AMS	Acer Computer (Shanghai) Ltd. ("ACCN", China)	Sale of brand-name information technology products	100.00	100.00
AMS	Acer (Chongqing) Ltd. ("ACCQ", China)	Sale of brand-name information technology products	100.00	100.00
The Company	Acer European Holding B.V. ("AEH", Netherlands Antilles)	Investing and holding company	100.00	100.00
AEH	Acer Europe B.V. ("AHN", the Netherlands)	Investing and holding company	100.00	100.00
AEH	Acer Computer B.V. ("ACH", the Netherlands)	Sale of brand-name information technology products	100.00	100.00
AEH	Acer CIS Incorporated ("ACR", British Virgin Islands)	Sale of brand-name information technology products	100.00	100.00
AEH	Acer BSEC Inc. ("AUA", British Virgin Islands)	Sale of brand-name information technology products	100.00	100.00
AEH	Acer Computer (M.E.) Ltd. ("AME", British Virgin Islands)	Sale of brand-name information technology products	100.00	100.00

(Continued)

Investor	Investee	Main business	Percentage of Ownership At December 31, 2011	2010
AEH	Acer Africa (Proprietary) Limited ("AAF", South Africa)	Sale of brand-name information technology products	100.00	100.00
AEH	AGP Insurance (Guernsey) Limited. ("AGU", British Guernsey Island)	Financial company	100.00	100.00
AHN	Acer Computer France S.A.S.U. ("ACF", France)	Sale of brand-name information technology products	100.00	100.00
AHN	Acer U.K. Limited ("AUK", the United Kingdom)	Sale of brand-name information technology products	100.00	100.00
AHN	Acer Italy S.R.L. ("AIT", Italy)	Sale of brand-name information technology products	100.00	100.00
AHN	Acer Computer GmbH ("ACG", Germany)	Sale of brand-name information technology products	100.00	100.00
AHN	Acer Austria GmbH ("ACV", Austria)	Sale of brand-name information technology products	100.00	100.00
AHN	Acer Europe Services S.R.L. ("AES", Italy)	Sale of brand-name information technology products	100.00	100.00
AHN	Acer Europe SA ("AEG", Switzerland)	Sale of brand-name information technology products	100.00	100.00
AHN	Acer Czech Republic S.R.O. ("ACZ", Czech Republic)	Sale of brand-name information technology products	100.00	100.00
AHN	Esplex Limited ("AEX", the United Kingdom)	Sale of brand-name information technology products	100.00	100.00
AHN	Acer Computer Iberica, S.A. ("AIB", Spain)	Sale of brand-name information technology products	100.00	100.00
AHN	Acer Computer (Switzerland) AG ("ASZ", Switzerland)	Sale of brand-name information technology products	100.00	100.00
AHN	Acer Slovakia s.r.o. ("ASK", Slovakia)	Sale of brand-name information technology products	100.00	100.00
AHN	Acer International Services GmbH ("AIS", Switzerland)	Sale of brand-name information technology products	100.00	100.00
AHN	Asplex Sp. z.o.o. ("APX", Poland)	Repair and maintenance of information technology products	100.00	100.00
AHN	Acer Marketing Services LLC ("ARU", Russia)	Sale of brand-name information technology products	100.00	100.00

(Continued)

Notes to Consolidated Financial Statements (continued)

Investor	Investee	Main business	Percentage of Ownership At December 31, 2011	2010
AHN	Acer Hellas Limited Liability Company of Marketing and Sales Services ("AGR", Greece)	Sale of brand-name information technology products	100.00	100.00
AHN	PB Holding Company S.A.R.L. ("PBLU", Luxembourg)	Investing and holding company	100.00	100.00
AHN	Acer Poland Sp. z.o.o. ("APL", Poland)	Sale of brand-name information technology products	100.00	-
ACH	Acer Computer Norway AS ("ACN", Norway)	Sale of brand-name information technology products	100.00	100.00
ACH	Acer Computer Finland Oy ("AFN", Finland)	Sale of brand-name information technology products	100.00	100.00
ACH	Acer Computer Sweden AB ("ACW", Sweden)	Sale of brand-name information technology products	100.00	100.00
ACH	Acer Denmark A/S ("ACD", Denmark)	Sale of brand-name information technology products	100.00	100.00
PBLU	Packard Bell B.V. ("PBHO", the Netherlands)	Investing and holding company	100.00	100.00
PBHO	Packard Bell Finance B.V. ("PBFN", the Netherlands)	Investing and holding company	100.00	100.00
PBHO	Packard Bell Netherland B.V. ("PBNL", the Netherlands)	Sale of brand-name information technology products	100.00	100.00
PBHO	Packard Bell Services s.a.r.l ("PBSV", France)	Sale of brand-name information technology products	-	100.00
PBHO	Packard Bell Angers s.a.r.l ("PBAN", France)	Sale of brand-name information technology products	-	100.00
PBHO	Packard Bell France s.a.s ("PBFR", France)	Sale of brand-name information technology products	-	100.00
PBHO	Packard Bell (UK) Ltd.("PBUK", the United Kingdom)	Sale of brand-name information technology products	100.00	100.00
PBHO	Infonove S.r.l a Socio Unico in Liquidazione ("PBIT", Italy)	Sale of brand-name information technology products	-	100.00
AIB	Packard Bell Iberica s.l. ("PBES", Spain)	Sale of brand-name information technology products	-	100.00
PBHO	Packard Bell Deutschland GmbH ("PBDE", Germany)	Sale of brand-name information technology products	100.00	100.00

(Continued)

Investor	Investee	Main business	Percentage of Ownership At December 31, 2011	2010
PBHO	Packard Bell Belgium BVBA ("PBBE", Belgium)	Sale of brand-name information technology products	100.00	100.00
PBHO	Packard Bell Norden AS ("PBNO", Norway)	Sale of brand-name information technology products	100.00	100.00
PBHO	Packard Bell Schweiz GmbH ("PBCH", Switzerland)	Sale of brand-name information technology products	100.00	100.00
PBHO	NEC Computers South Africa (Pty) Ltd. ("PBZA", South Africa)	Sale of brand-name information technology products	50.81	50.81
PBHO	Packard Bell Sverige AB ("PBSE", Sewden)	Sale of brand-name information technology products	100.00	100.00
The Company	Boardwalk Capital Holdings Limited ("Boardwalk", British Virgin Islands)	Investing and holding company	100.00	100.00
Boardwalk	Acer Computer Mexico, S.A. de C.V. ("AMEX", Mexico)	Sale of brand-name information technology products	99.92	99.92
Boardwalk	Acer American Holding Corp. ("AAH", USA)	Investing and holding company	100.00	100.00
Boardwalk	AGP Tecnologia em Informatica do Brasil Ltda. ("ATB", Brazil)	Sale of brand-name information technology products	100.00	100.00
Boardwalk	Boarkwalk Cooperatief Holding U.A ("BCH", the Netherlands)	Investing and holding company	100.00	100.00
AMEX	Aurion Tecnologia, S.A. de C.V. ("Aurion", Mexico)	Sale of brand-name information technology products	99.92	99.92
AAH	Gateway, Inc. ("GWI", U.S.A.)	Sale of brand-name information technology products	100.00	100.00
GWI (Note)	Acer Latin America, Inc. ("ALA", U.S.A.)	Sale of brand-name information technology products	100.00	100.00
GWI	Acer America Corporation. ("AAC", U.S.A.)	Sale of brand-name information technology products	99.92	99.92
GWI	Acer Service Corporation ("ASC", U.S.A.)	Repair and maintenance of information technology products	100.00	100.00
GWI	Gateway US Retail, Inc. ("GRA", U.S.A.)	Investing and holding company	100.00	100.00
GWI	Gateway Direct, Inc. ("GDA", U.S.A.)	Sale of brand-name information technology products	100.00	100.00

(Continued)

Investor	Investee	Main business	Percentage of Ownership At December 31, 2011	2010
GWI	Gateway Manufacturing LLC ("GMA", U.S.A.)	Sale of brand-name information technology products	100.00	100.00
GWI	Gateway International Holdings, Inc. ("GIH", U.S.A.)	Investing and holding company	100.00	100.00
GWI	Gateway de Mexico S. de R.L. de C.V. ("GMX", Mexico)	Sale of brand-name information technology products	100.00	100.00
GWI	Gateway Hong Kong Ltd. ("GHK", Hong Kong)	Sale of brand-name information technology products	100.00	100.00
GWI	Gateway Asia, Inc. ("GAI", U.S.A.)	Sale of brand-name information technology products	-	100.00
GRA	Gateway KK ("GJP", Japan)	Sale of brand-name information technology products	100.00	100.00
GRA	Gateway Ltd. ("GUK", the United Kingdom)	Sale of brand-name information technology products	100.00	100.00
GRA	eMachines Internet Group ("EMA", U.S.A.)	Sale of brand-name information technology products	100.00	100.00
GRA	Gateway Europe B.V. ("GEBV", U.S.A.)	Sale of brand-name information technology products	-	100.00
GRA	Gateway Computers Ireland Ltd. ("GCI", the United Kingdom)	Sale of brand-name information technology products	100.00	100.00
GIH	Gateway International Computers Limited ("GIC", the United Kingdom)	Sale of brand-name information technology products	100.00	100.00
GIC	Gateway Canada Corporation ("GCA", Canada)	Sale of brand-name information technology products	-	100.00
EMA	Servicio Profesionales de Aceso S. de R.L. ("GSMX", Mexico)	Repair and maintenance of information technology products	-	100.00
BCH	Boardwalk International BV (BIB, the Netherlands)	Investing and holding company	100.00	100.00
The Company	Acer Holding International, Inc.("AHI", British Virgin Islands)	Investing and holding company	100.00	100.00
AHI	Acer Computer Co., Ltd. ("ATH", Thailand)	Sale of brand-name information technology products	100.00	100.00
AHI	Acer Japan Corp. ("AJC", Japan)	Sale of brand-name information technology products	100.00	100.00

(Continued)

Investor	Investee	Main business	Percentage of Ownership At December 31, 2011	2010
AHI	Acer Computer Australia Pty. Limited ("ACA", Australia)	Sale of brand-name information technology products	100.00	100.00
AHI	Acer Sales and Service Sdn Bhd ("ASSB", Malaysia)	Sale of brand-name information technology products	100.00	100.00
AHI	Acer Asia Pacific Sdn Bhd ("AAPH, Malaysia")	Sale of brand-name information technology products	100.00	100.00
AHI	Acer Computer (Singapore) Pte. Ltd. ("ACS", Singapore)	Sale of brand-name information technology products	100.00	100.00
AHI	Acer Computer New Zealand Limited ("ACNZ", New Zealand)	Sale of brand-name information technology products	100.00	100.00
AHI	PT Acer Indonesia ("AIN", Indonesia)	Sale of brand-name information technology products	100.00	100.00
AHI	Acer India Private Limited ("AIL", India)	Sale of brand-name information technology products	100.00	100.00
AHI	Acer Vietnam Co., Ltd. ("AVN", Vietnam)	Sale of brand-name information technology products	100.00	100.00
AHI	Acer Philippines, Inc. ("APHI", Philippines)	Sale of brand-name information technology products	100.00	100.00
ACA	Highpoint Australia Pty. Ltd. ("HPA", Australia)	Sale of brand-name information technology products	100.00	100.00
ASSB	Highpoint Service Network Sdn Bhd ("HSN", Malaysia)	Sale of brand-name information technology products	100.00	100.00
ASSB	Servex (Malaysia) Sdn Bhd ("SMA", Malaysia)	Sale of computers and communication products	100.00	100.00
ASSB	Megabuy Sdn Bhd ("MGB", Malaysia)	Sale of computers and communication products	100.00	100.00
ACS	Logistron Service Pte Ltd. (LGS, Singapore)	Sale of brand-name information technology products	100.00	100.00
The Company	Acer Computer International Ltd. ("ACI", Singapore)	Sale of brand-name information technology products	-	100.00
The Company	Acer Sales & Distribution Ltd. ("ASD", Hong Kong)	Sale of brand-name information technology products	100.00	100.00
The Company	Weblink International Inc. ("WII", Taiwan)	Sale of computers and communication products	99.79	99.79
WII	Weblink (H.K.) International Ltd. ("WHI", Hong Kong)	Sale of information technology products	99.79	99.79

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

Investor	Investee	Main business	Percentage of Ownership At December 31, 2011	2010
The Company	Acer Digital Service Co. ("ADSC", Taiwan)	Investing and holding company	100.00	100.00
ADSC	Multiventure Investment Inc. ("MVI", Taiwan)	Investing and holding company	100.00	100.00
ADSC	Acer Property Development Inc. ("APDI", Taiwan)	Property development	100.00	100.00
ADSC	Aspire Service & Development Inc. ("ASDI", Taiwan)	Property development	100.00	100.00
The Company	Acer Worldwide Incorporated ("AWI", British Virgin Islands)	Investing and holding company	100.00	100.00
The Company	Cross Century Investment Limited ("CCI", Taiwan)	Investing and holding company	100.00	100.00
The Company	Acer Capital Corporation ("ACT", Taiwan)	Investing and holding company	100.00	100.00
The Company	Aspire Incubation Venture Capital ("AIVC", Taiwan)	Investing and holding company	100.00	100.00
The Company	Acer Digital Services (B.V.I.) Holding Corp. ("ADSBH", British Virgin Islands)	Investing and holding company	100.00	100.00
ADSBH	Acer Digital Services (Cayman Islands) Corp. ("ADSCC", Cayman Islands)	Investing and holding company	100.00	100.00
ADSCC	Longwick Enterprises Inc. ("LONG", Seychelles)	Investing and holding company	100.00	-
LONG	Excel. Co., Ltd. ("SURE", Samoa)	Investing and holding company	100.00	-
GWI	Nicholas Insurance Company Ltd. ("NIC", Bermuda)	Investing and holding company	-	100.00
The Company	Acer SoftCapital Incorporated ("ASCBVI", British Virgin Islands)	Investing and holding company	100.00	100.00
ASCBVI	ASC Cayman, Limited ("ASCCAM", Cayman Islands)	Investing and holding company	100.00	100.00
ASCBVI	Acer Technology Venture Asia Pacific Ltd. ("ATVAP", Cayman Islands)	Investing and holding company	100.00	100.00
The Company	Acer EMEA Holdings B.V. (AHB, the Netherlands)	Investing and holding company	100.00	100.00
The Company	Eten Information System Co., Ltd. ("ETEN", Taiwan)	Research, design and sale of smart hand held products	100.00	100.00
The Company	Acer Cyber Center Services Ltd. ("ACCSI", Taiwan)	Electronic data supply processing and storage services	100.00	100.00
ACCSI	TWP International Inc. ("TWP BVI", British Virgin Islands)	Software research, development, design, trading and consultation	100.00	100.00
TWPBVI	Acer Third Wave Software (Beijing) Co., Ltd. ("TWPBJ", China)	Software research, development, design, trading and consultation	100.00	100.00
The Company	Lottery Technology Service Corp. ("LTS", Taiwan)	Electronic data supply or processing service	100.00	100.00
The Company	Minly Corp. ("MINLY", Taiwan)	Electronic data supply or processing service	100.00	100.00

(Continued)

(Note) On December 31, 2010, ALA was owned by Broadwalk. In 2011, the ownership of ALA was transferred to GWI after the organization restructuring in the Pan America region.

The Company established new subsidiaries namely AICQ, APL, LONG and SURE in 2011.

In 2011, the subsidiaries namely PBSV, PBAN, PBFR, PBIT, PBES, GAI, GEBV, GCA, GSMX, ACI and NIC were liquidated, and were excluded from consolidation since the Company ceased control thereof.

(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 expressed in 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 operations. 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 operations. 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 are 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.

(Continued)

Liabilities that are 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) Financial assets/liabilities at fair value through profit or loss

A financial asset/liability is classified 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. Upon initial recognition, any directly attributable transaction costs are recognized in profit or loss as incurred. Financial assets/liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Trade date accounting is applied for the purchase or sale of such financial assets/liabilities.

(7) Available-for-sale financial assets

A financial instrument is classified as an available-for-sale financial asset when it is designated as such upon initial recognition. Available-for-sale financial assets are initially recognized at fair value plus transaction cost that are directly attributable to the acquisition. Subsequent changes in fair value therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized as a separate line item of stockholders' equity. When an available-for-sale financial asset is derecognized, the cumulative gain or loss recognized in equity is transferred to profit or loss. Trade date accounting is applied for the purchase or sale of such financial assets.

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.

(8) Hedging purpose derivative financial instruments and hedge accounting

Derivative financial assets/liabilities held for hedging are financial instruments that are intended to hedge the risk of changes in exchange rates resulting from transactions denominated in foreign currencies and conform to the criteria for hedge accounting.

(Continued)

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 in which the asset acquired or liability assumed affects profit or loss.

(9) Financial assets carried at cost

Equity investments in which the Consolidated Companies cannot exercise significant influence and 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. A subsequent reversal of such impairment loss is not allowed.

(10) Notes and accounts receivable and other receivables

Receivables arising from sale of goods or rendering of services are classified as “notes and accounts receivable”, and those arising from non-operating activities are classified as “other receivables”. Accordingly, receivables arising from sale of goods or services rendered to related parties are classified as “notes and accounts receivable from related parties”, and those arising from loans or advances to related parties are classified as “other receivables from related parties.”

(11) Impairment for receivables

Effective January 1, 2011, the Consolidated Companies adopted the third revision of Republic of China Statement of Financial Accounting Standards (“SFAS”) No. 34 “Financial Instruments: Recognition and Measurement”. Under this standard, the Consolidated Companies consider evidence of impairment for receivables at both individual and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit and loss.

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(12) 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.

(13) 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 operations. 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.

(14) 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, unless there are evidences that indicate the Consolidated Companies have no significant influence over the investees.

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.

(Continued)

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 Consolidated Companies' 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.

(15) 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 then recognized as realized interest income over the lease term using the effective interest method.

(16) 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 operations.

Commencing from November 20, 2008, the Consolidated Companies capitalize 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 deemed significant in relation to the total cost of the property and equipment and for which a different depreciation method or rate is adopted is depreciated separately.

Depreciation is provided for property, plant and equipment, property leased to others, and property not in use over the estimated useful lives 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.

Property leased to others and property not in use are classified to other assets, which are depreciated continuously and are subject to an impairment test.

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.

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(17) 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 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 made 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.

(18) Impairment of non-financial assets

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 on goodwill is prohibited.

(19) Deferred charges

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

(Continued)

(20) 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 fair value of the liability component is determined by reference to the fair value of a similar stand-alone debt instrument (including any embedded non-equity derivatives). The amount initially allocated to the equity component is the residual after deducting the fair value of the financial liability component from the fair value of the entire compound instrument. Transaction costs directly attributable to the issuance of the bonds are allocated to the liability and equity components in proportion to their initial carrying amounts.

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 accounted for as capital surplus—conversion right on initial recognition and is not subject to valuation in subsequent periods.

When bonds are converted into common stock, the liability components are measured at fair value on the conversion date, and changes in fair value are recognized immediately in profit or loss. Shares of stock to be issued are recorded based on the adjusted carrying amount of the liability and equity components of convertible bonds. No gain or loss is recognized.

When the Company redeems the bonds from market, the redemption payment is allocated to the liability and equity components using a method consistent with the method used initially to allocate the bond between its debt and equity components. The fair value of the liability component at redemption date is compared to its carrying amount, any gain or loss arising from redemption is recognized in profit or loss. The difference between the carrying amount of equity component and the redemption payment allocated to the equity component is accounted for as 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.

When the bondholders require the Company to redeem the bonds, the redemption payment is deemed to fully redeem the liability component. The difference between the carrying amount of the liability component and the redemption payment is recognized in profit or loss. The capital surplus of carrying amount of the equity component is transferred to other capital surplus item.

The liability component of the bonds is classified as a current liability where the bondholders have the right to require the Company to redeem the bonds within one year. It can be reclassified to long-term liability once the redemption option period expires and the liability component qualifies as a long-term liability.

(21) Treasury stock

Common stock repurchased by the Company that is treated as treasury stock is reported at acquisition cost. When treasury stock is sold, the sales proceeds in excess of cost are accounted for as capital

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surplus—treasury stock. If the sales 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 against 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.

(22) 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. Provisions for estimated sales returns and allowances are recorded in the year the related revenue is recognized, based on historical experiences and management's judgment. Revenue generated from service rendered is recognized when the service is provided and the amount becomes billable.

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

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.

(24) 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 satisfied. Vesting conditions include service conditions and performance

(Continued)

conditions (including market conditions). When estimating the fair value of an equity-settled share-based award, only the effect of market conditions is considered.
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, which considers management's best estimate of the exercise price, expected term, underlying share price, expected volatility, expected dividends, and risk-free interest rate.

(25) Administrative expenses

The Company's administrative expenses include direct expenses incurred for the business unit within the Consolidated Companies and expenses incurred for managing the investee companies. To reflect the operating income of the Consolidated Companies, administrative expenses are divided into two parts. The first part, representing the direct expenses incurred for the Consolidated Companies, is included as administrative expenses in the accompanying consolidated statements of operations. The second part, representing expenses incurred for managing the investee companies, is presented as a reduction of net investment income (loss) in the consolidated statements of operations.

(26) 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 opted 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.

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Contributions for the defined contribution retirement plans are expensed during the year in which employees render services.

(27) Government grants

Government grants are recognized as other income or deduction of related costs or expenses when there is reasonable assurance that the conditions attached to the grants are met, and the grants will be received.

Government grants conforming to the conditions attached to the grants are recognized in profit or loss over the periods in which the related costs or expenses for which the grants are intended to compensate are incurred. Recognition of government grants in profit or loss on a receipt basis would be acceptable only if no basis existed for allocating a grant to periods other than one in which it was received.

(28) 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 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 expected realization date of the asset or liability.

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.

According to the ROC Income Tax Act, undistributed earnings, if any, are subject to 10% retained earnings surtax. This surtax is charged to income tax expense in the following year when the stockholders decide not to distribute the earnings.

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(29) 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 appropriated in the following year are potentially dilutive common stock. In computing for the diluted EPS, the net income and weighted-average number of common shares outstanding during the year are adjusted for the effects of dilutive potential common stock, assuming these potentially dilutive shares 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.

(30) 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.

(31) Operating segments

Effective January 1, 2011, the Consolidated Companies adopted SFAS No. 41, "Operating Segment." Under this standard, an operating segment is defined as a component of the Consolidated Companies that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Consolidated Companies). The segment's operating results are reviewed regularly by the Company's chief operating decision maker who decides on the allocation of resources to the segment and assesses its performance for which discrete financial information is available.

(32) Convenience translation into U.S. dollars

The consolidated financial statements are stated in New Taiwan dollars. Translation of the 2011 New Taiwan dollar amounts into U.S. dollar amounts, using the spot rate quoted by Bank of Taiwan on December 31, 2011, of NT$30.29 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.

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ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

3. Accounting Changes

Effective January 1, 2011, the Consolidated Companies adopted the third revision of SFAS No. 34 "Financial Instruments: Recognition and Measurement". Under this revised standard, the Consolidated Companies consider evidence of impairment for receivables at both individual and collective level. Losses are recognized in profit or loss and reflected in an allowance account against receivables. The adoption of this revised standard did not have a significant effect on the Company's consolidated financial statements as of and for the year ended December 31, 2011.

Effective January 1, 2011, the Consolidated Companies adopted SFAS No. 41 "Operating Segments". In accordance with SFAS No. 41, information is disclosed to enable users of the Company's consolidated financial statements to evaluate the nature and financial effects of the business activities in which they engage and the economic environment in which they operate. Accordingly, the Consolidated Companies determine and present operating segments based on the information that is internally provided to the chief operating decision maker. This new accounting standard superseded SFAS No. 20 "Segment Reporting". The adoption of this accounting standard did not have any cumulative effect to the consolidated financial statements as of and for the year ended December 31, 2011. However, the segment information as of and for the year ended December 31, 2010 has been restated to conform to the disclosures as of and for the year ended December 31, 2011.

4. Significant Account Disclosures

(1) Cash and cash equivalents

	December 31, 2011		December 31, 2010
	NT$	US$	NT$
Cash on hand	16,469	544	18,805
Bank deposits	36,094,064	1,191,616	48,641,345
Time deposits	21,982,048	725,720	19,796,236
	58,092,581	1,917,880	68,456,386

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

	December 31, 2011		December 31, 2010
	NT$	US$	NT$
Financial assets at fair value through profit or loss－current:			
Foreign currency forward contracts	305,903	10,099	30,381
Foreign currency options	-	-	8,514
	305,903	10,099	38,895

(Continued)

	December 31, 2011 NT$	December 31, 2011 US$	December 31, 2010 NT$
Financial liability at fair value through profit or loss－current:			
Foreign currency forward contracts	(56,212)	(1,856)	(289,276)
Foreign currency options	-	-	(9,722)
	(56,212)	(1,856)	(298,998)

For the years ended December 31, 2011 and 2010, unrealized gains (losses) resulting from the changes in fair value of these derivative contracts amounted to NT$509,794 and NT$(255,223), respectively.

The Consolidated Companies entered into derivative contracts to manage foreign currency exchange risk arising from operating activities. As of December 31, 2011 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 31,2011

Buy		Sell	Notional amount (in thousands)		Maturity period
USD	/	SGD	USD	6,000	2012/01
USD	/	MYR	USD	18,600	2012/01~2012/02
USD	/	THB	USD	32,000	2012/01~2012/02
USD	/	INR	USD	99,570	2012/01~2012/05
USD	/	JPY	USD	66,000	2012/01~2012/05
USD	/	RUB	USD	189,296	2012/01~2012/03
USD	/	EUR	EUR	46,140	2012/02

December 31,2010

Buy		Sell	Notional 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	2011/01~2011/03
USD	/	EUR	EUR	45,685	2011/01~2011/02
AUD	/	USD	USD	21	2011/01
RUB	/	USD	USD	38,546	2011/01

(Continued)

(b)Options contracts

(i) Long position

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

(ii) Short position

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

(3) Derivative financial assets and liabilities held for hedging－current

	December 31, 2011		December 31, 2010
	NT$	US$	NT$
Derivative financial assets held for hedging– current:			
Foreign currency forward contracts	804,532	26,561	88,372
Derivative financial liabilities held for hedging– current:			
Foreign currency forward contracts	(179,685)	(5,932)	(759,866)

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, 2011 and 2010, hedged items designated as fair value hedges and fair value of their respective hedging derivative financial instruments were as follows:

		Fair value of hedging instruments	
Hedged Items	Hedging instruments	December 31, 2011 NT$	December 31, 2010 NT$
Accounts receivable/ payable denominated in foreign currencies	Foreign currency forward contracts	389,906	(638,082)

(Continued)

For the years ended December 31, 2011 and 2010, the unrealized gains (losses) resulting from the changes in fair value of hedging instruments amounted to NT$1,027,988 and NT$(1,704,127), respectively.

As of December 31, 2011 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, 2011

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	$ 234,941	Jan.~ May 2012	Jan.~ May 2012

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

For the years ended December 31, 2011 and 2010, unrealized gains (losses) on derivative financial instruments effective as cash flow hedges, amounted to NT$268,353 and NT$(45,810), 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, 2011 and 2010 were as follows:

Foreign currency forward contracts

December 31, 2011

Buy		Sell	Notional amount (in thousands)		Maturity period
AUD	/	NZD	AUD	3,750	2012/01~2012/03
CHF	/	EUR	EUR	8,631	2012/01
MXN	/	USD	USD	6,750	2012/01
EUR	/	SEK	EUR	13,520	2012/01~2012/02
EUR	/	CHF	EUR	11,458	2012/01~2012/03
EUR	/	PLN	EUR	16,314	2012/01~2012/02

(Continued)

December 31, 2011					
Buy		**Sell**	**Notional amount (in thousands)**		**Maturity period**
USD	/	CAD	USD	53,049	2012/01
USD	/	AUD	USD	88,151	2012/01~2012/03
USD	/	NZD	USD	5,500	2012/01~2012/04
USD	/	NTD	USD	574,000	2012/01
USD	/	EUR	EUR	597,276	2012/01~2012/03
USD	/	GBP	USD	133,151	2012/01~2012/03
USD	/	CNY	USD	280,000	2012/01~2012/03
USD	/	MXN	USD	104,620	2012/01~2012/05

December 31, 2010					
Buy		**Sell**	**Notional 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

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

	December 31, 2011 NT$	December 31, 2011 US$	December 31, 2010 NT$
Publicly traded equity securities	109,721	3,622	225,710

In 2011 and 2010, the Consolidated Companies disposed of portions of these investments and recognized gains on disposal thereof of NT$8,120 and NT$16,545, respectively. These gains were recorded as "gain on disposal of investments" in the accompanying consolidated statements of operations.

For the years ended December 31, 2011 and 2010, the unrealized gains (losses) resulting from the changes in fair value amounted to NT$(52,418) and NT$3,874, respectively, which were recognized as a separate component of stockholders' equity.

(Continued)

(5) Notes and accounts receivable

The Consolidated Companies entered into factoring contracts with several banks to sell part of their accounts receivable without recourse. As of December 31, 2011 and 2010, details of these contracts were as follows:

	December 31, 2011				
Underwriting bank	Factoring credit limit NT$	Amount sold NT$	Amount advanced (derecognized) NT$	Interest rate	Collateral
Ifitalia Factor S.p.A.	6,013,674	3,152,555	416,047		Nil
China Trust Bank	950,000	221,164	221,164		note 7(5)
Taipei Fubon Bank	750,000	341,192	341,192		note 7(5)
Commonwealth Bank	1,610,593	898,016	898,016		Nil
	9,324,267	4,612,927	1,876,419	1.02%~8.10%	

	December 31, 2010				
Underwriting bank	Factoring credit limit NT$	Amount sold NT$	Amount advanced (derecognized) NT$	Interest rate	Collateral
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(5)
Taipei Fubon Bank	600,000	398,989	398,989		note 7(5)
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%~8.8%	

(6) Other receivable

	December 31, 2011 NT$	December 31, 2011 US$	December 31, 2010 NT$
Refundable income tax and VAT	2,466,542	81,431	2,465,753
Receivables from reimbursement of advertising expense	1,529,548	50,497	1,553,181
Receivables from allocation of patent royalty to others	140,424	4,636	422,769
Receivables from purchase discount	409,858	13,531	149,949
Other receivables	1,650,121	54,477	3,269,283
	6,196,493	204,572	7,860,935

(Continued)

(7) Inventories

	December 31, 2011 NT$	December 31, 2011 US$	December 31, 2010 NT$
Raw materials	14,936,535	493,118	16,422,852
Work in process	29,604	977	17,353
Finished goods and merchandise	12,320,414	406,749	12,150,905
Spare parts	2,102,047	69,397	1,759,398
Inventories in transit	10,605,044	350,117	10,889,545
	39,993,644	1,320,358	41,240,053

The details of inventory write-downs were as follows:

	December 31, 2011 NT$	December 31, 2011 US$	December 31, 2010 NT$
Write-down of inventories to net realizable value	3,350,924	110,628	5,305,618
Net loss (gain) on physical inventory	(37,756)	(1,246)	20,500
Scrap loss	238,001	7,857	698,201
	3,551,169	117,239	6,024,319

(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, 2011 and 2010, the carrying value of the building was NT$1,827,855. This building was finally sold in January 2012.

(Continued)

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

	December 31, 2011 NT$	December 31, 2011 US$	December 31, 2010 NT$
Investment in non-publicly traded equity securities:			
Legend Technology	6,835	226	8,435
W.I. Harper International Corp.	7,099	234	14,359
InCOMM Technologies Co., Ltd.	2,360	78	2,360
IP Fund II	16,592	548	16,592
Dragon Investment Co. Ltd.	184,700	6,098	217,000
World Venture, Inc.	202,000	6,669	262,000
iD Reengineering Inc.	174,900	5,774	174,900
IP Fund III, L.P.	79,320	2,619	117,044
iD5 Fund, L.P.	65,177	2,152	62,681
IP Cathay One, L.P.	240,521	7,940	235,148
IP Fund One L.P.	9,452	312	394,218
ID5 Annex I Fund	23,197	766	22,308
Trimode Technology Inc.	-	-	11,038
FuHu Inc.	71,480	2,360	111,895
Others	74,140	2,447	72,699
	1,157,773	38,223	1,722,677

In 2011, the Consolidated Companies increased its equity investments in IP Cathay One, L.P. by NT$4,370; in 2010, the Consolidated Companies increased its equity investments in iD5 Annex I Fund by NT$24,529. In 2011, IP Fund One, L.P., IP Cathay One, L.P., IP Fund III, L.P., distributed capital, and Dragon Investment Co., Ltd., Legend Technology, World Venture, Inc., returned capital, and Darly 3 Venture, Limited and Trimode Technology Inc. liquidated and distributed the remaining net assets of NT$187,056 to the Consolidated Companies. In 2010, IP Fund One, L.P., iD5 Fund, L.P., distributed capital, and Prosperity Venture Capital Corp., Sheng-Hua Venture Capital Corp. and IP Fund II and other investees returned capital 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.

In 2011, the Consolidated Companies recognized impairment losses of NT$50,944 on the investments in W.I. Harper International Corp. and FuHu Inc.

(Continued)

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

	December 31, 2011			2011	
	Percentage of ownership %	Carrying amount NT$	US$	Investment income (loss) NT$	US$
Wistron Corporation ("Wistron")	2.57	1,602,334	52,900	233,950	7,724
E-Life Mall Corp. ("E-Life")	-	-	-	17,140	566
Aegis Semiconductor Technology Inc.	44.04	165,235	5,455	-	-
ECOM Software Inc. ("ECOM")	33.93	22,132	731	4,652	153
Bluechip Infotech Pty Ltd.	34.05	86,739	2,863	9,451	312
Fizzle Investment Limited ("Fizzle")	40.00	-	-	(238,828)	(7,885)
Others		(14,453)	(477)	2,836	94
		1,861,987	61,472	29,201	964
Less: Allocation of corporate expenses				(34,485)	(1,139)
				(5,284)	(175)

	December 31, 2010		2010
	Percentage of ownership %	Carrying amount NT$	Investment income (loss) NT$
Wistron Corporation	2.60	1,485,662	489,525
E-Life Mall Corp.	12.84	355,648	59,248
Aegis Semiconductor Technology Inc.	44.04	165,235	-
ECOM Software Inc.	33.93	39,002	5,000
Bluechip Infotech Pty Ltd.	33.41	79,310	7,875
FuHu Inc. ("FuHu")	18.63	-	(49,754)
Fizzle Investment Limited	20.00	124,760	-
Olidata S.p.A ("Olidata")	29.90	-	(100,271)
Others		(13,916)	2,728
		2,235,701	414,351
Less: Allocation of corporate expenses			(38,403)
			375,948

In 2011 and 2010, the Consolidated Companies increased investments in Fizzle by NT$ 114,891 and NT$124,760, respectively. As the investments in Fizzle were assessed to be impaired, such investments were fully written off in 2011.

Commencing from April 1, 2011, the Consolidated Companies were unable to exercise significant influence over E-life's operating and financial policies. Therefore, the investments in E-life were reclassified as "available-for-sale financial assets—non-current".

(Continued)

Commencing from December 17, 2010, the Consolidated Companies were unable 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 2010, the Consolidated Companies sold portion of their investments in Wistron and E-Life, and recognized an aggregate gain thereon of NT$1,153,788. In addition, ECOM returned capital of NT$16,965 to the Consolidated Companies in 2011; E-Life returned capital of NT$46,630 to the Consolidated Companies in 2010.

The Consolidated Companies' capital surplus was reduced by NT$21,880 and NT$79,391 in 2011 and 2010, respectively, as a result of proportional recognition of changes in investees' equity accounts and disposal of equity ownership of investees.

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

	December 31, 2011		December 31, 2010
	NT$	US$	NT$
Investment in publicly traded equity securities:			
Qisda Corporation ("Qisda")	509,887	16,833	1,594,199
WPG Holdings Limited ("WPG")	152,177	5,024	242,954
RoyalTek Co., Ltd. ("RoyalTek")	22,645	748	64,700
Quanta Computer Inc. ("Quanta")	-	-	223,390
Apacer Technology Inc. ("Apacer")	90,993	3,004	149,659
	775,702	25,609	2,274,902

In 2011, the Consolidated Companies sold portion of their investments in WPG and sold all their investments in E-Life and Quanta, and realized an aggregate disposal gain thereon of 337,716. 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.

For the years ended December 31, 2011 and 2010, the unrealized losses resulting from the changes in fair value of available-for-sale financial assets amounted to NT$1,305,053 and NT$504,938, respectively, which were recognized as a separate component of stockholders' equity. In addition, for the years ended December 31, 2011 and 2010, the unrealized loss resulting from the changes in fair value of available-for-sale financial assets held by the investees accounted for using equity method amounted to NT$2,073 and NT$6,843, respectively, which were recognized as a separate component of stockholders' equity.

(Continued)

(12) Property not used in operation

	December 31, 2011 NT$	December 31, 2011 US$	December 31, 2010 NT$
Leased assets—land	1,505,822	49,714	1,540,179
Leased assets—buildings	3,544,101	117,006	3,524,647
Property held for sale and development	1,060,754	35,020	1,144,045
Computer equipment and other equipment	21,309	703	23,007
Less: Accumulated depreciation	(878,885)	(29,016)	(843,778)
Accumulated impairment	(1,909,908)	(63,054)	(1,911,034)
	3,343,193	110,373	3,477,066

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The office premises damaged by fire and fully written off in 2008 were repaired and made available for use by the end of 2010. Therefore, the Consolidated Companies have re-evaluated the fair value of the office premises as of December 31, 2010 and reclassified the office premises to property, plant and equipment. A reversal gain of the office premises of NT$183,998 was recognized in 2010.

In 2010, the Consolidated Companies recognized an impairment loss of NT$562,176 on the property not used in operation, based on the result of their evaluation of the estimated fair value as the recoverable amount.

For certain land acquired, the ownership registration has not been transferred to the land acquirer, APDI, a subsidiary of the Company. To protect its 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.

(13) Intangible assets

	Trademarks and trade names NT$	Goodwill NT$	Others NT$	Total NT$
Balance at January 1, 2011	10,043,300	20,477,471	5,872,164	36,392,935
Additions	-	-	282,003	282,003
Adjustments made subsequent to business acquisition	-	(16,724)	-	(16,724)
Disposals	-	(563,871)	-	(563,871)
Reclassification	-	-	43,533	43,533
Effect of exchange rate changes	204,428	813,496	194,846	1,212,770
Amortization	(365,062)	-	(1,634,437)	(1,999,499)
Balance at December 31, 2011	9,882,666	20,710,372	4,758,109	35,351,147
Balance at January 1, 2010	7,862,465	21,977,454	5,604,149	35,444,068
Additions	-	-	264,434	264,434
Acquisitions from business combination	2,386,473	2,143,875	1,416,968	5,947,316
Disposals	-	(1,770,123)	(5,892)	(1,776,015)
Reclassification	-	-	372,889	372,889
Effect of exchange rate changes	(95,741)	(1,873,735)	(439,292)	(2,408,768)
Amortization	(109,897)	-	(1,341,092)	(1,450,989)
Balance at December 31, 2010	10,043,300	20,477,471	5,872,164	36,392,935

(Continued)

(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 Founder PC business and the related assets for NT$5,946,317, and to transfer the related employees of Founder Technology Group Corp. to Acer entities in China. Major transactions 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$
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**

(Continued)

As of December 31, 2011, the Consolidated Companies made adjustments to the aforementioned purchase cost by NT$16,724, which also decreased goodwill by NT$16,724.

In accordance with the acquisition agreement entered by Acer and Founder, Acer shall compensate Founder for any deficiency in procurement orders that Acer places to Founder Technology Group SuZhou Manufactory Co., Ltd. for the period from October 11, 2010 to December 31, 2012. Accordingly, the Consolidated Companies recognized a compensation cost of NT$55,840 as non-operation loss in 2011, for the expected deficiency in orders.

Pro forma information

The following unaudited pro forma financial information of 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 2010:

	NT$
Revenue	648,713,091
Income from continuing operations before income tax	19,032,363
Income from continuing operations after income tax	14,800,672
Basic earnings per common share (in New Taiwan dollars)	5.59

(c) Adjustment to goodwill

In 2011 and 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$563,871 and NT$1,770,123, respectively.

(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, 2011 and 2010, were as follows:

	December 31, 2011						
	ITRO-EMEA	ITRO-PA	ITRO-AAP	ITRO-China	ITRO-TWN	E-Ten	SHBG
	NT$	NT$	NT$	NT$	NT$	NT$	NT$
Goodwill	9,980,226	3,859,892	2,065,225	2,322,250	560,765	221,424	1,682,869
Trademarks & trade names	3,341,867	2,331,711	1,161,109	45,632	63,495	450,900	-

(Continued)

	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, 2011 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 were based on historical operating performance and future financial budgets, covering a period of 5 years, approved by management and estimated terminal values at the end of the 5-year period.

(ii) Discounting 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
2011	11.0%	14.0%	13.7%	17.9%	12.5%	14.1%	14.5%
2010	15.2%	12.1%	19.1%	21.2%	17.6%	21.2%	17.6%

(14) Other financial assets－non-current

	December 31, 2011		December 31, 2010
	NT$	US$	NT$
Refundable deposits	1,582,613	52,249	956,241
Non-current receivables	49,714	1,641	82,260
	1,632,327	53,890	1,038,501

(15) Short-term borrowings

	December 31, 2011		December 31, 2010
	NT$	US$	NT$
Unsecured bank loans	358,120	11,823	1,651,630

For the years ended December 31, 2011 and 2010, the interest rate on the above bank loans ranged from 0.78% to 8.10% and from 0.69% to 15.5%, respectively. As of December 31, 2011 and 2010, the unused credit facilities were NT$34,662,601 and NT$39,584,674, respectively.

(Continued)

(16) Bonds Payable

The movements of the liability and equity components of the convertible bonds were as follows:

	2011		2010
	NT$	US$	NT$
Bonds payable:			
Beginning balance (balance at the issuance date)	13,103,887	432,614	14,172,245
Amortization of bonds payable discount and transaction cost (recognized as interest expense)	426,830	14,091	171,597
Unrealized exchange loss (gain) on bonds payable	534,280	17,639	(1,239,955)
Ending balance	14,064,997	464,344	13,103,887
Financial liabilities at fair value through profit and loss (redemption options of the convertible bonds):			
Beginning balance (at the issuance day)	1,338,524	44,190	1,398,049
Evaluation gain on redemption options of the convertible bonds	(121,938)	(4,025)	(59,525)
Ending balance	1,216,586	40,165	1,338,524

	December 31, 2011		December 31, 2010
Capital surplus - conversion right (note 4(20))	295,494	9,755	295,494

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. As of December 31, 2011, the conversion price was NT$102.01 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.

(Continued)

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. On December 31, 2011, the conversion price was NT$104.96 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.

(Continued)

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.

(17) Long-term debts

	December 31, 2011		December 31, 2010
	NT$	US$	NT$
Citibank syndicated loan	9,000,000	297,128	12,200,000
Other bank loans	123,094	4,064	121,933
Less: current installments	-	-	(6,100,000)
	9,123,094	301,192	6,221,933

(Continued)

The Company entered into two syndicated loan agreements with Citibank, the managing bank of the syndicated loan, in November, 2011 and October 2007, respectively, and the terms of the loan agreements were as follows:

Type of Loan	Creditor	Credit Line	Term	December 31, 2011		December 31, 2010
				NT$	NT$	NT$
Unsecured loan	Citibank and other banks	Term tranche of NT$9 billion; five-year limit during which revolving credits disallowed	The loan is repayable in 5 semi-annual installments starting from November 2014.	9,000,000	297,128	-
		Revolving tranche of NT$6 billion; five-year limit	One-time repayment in full in November 2016. The Company has not used this credit facility.	-	-	-
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 remaining balance was repaid in November 2011.	-	-	12,200,000
Less: current installment				-	-	(6,100,000)
				9,000,000	297,128	6,100,000

The above syndicated loans bore interest at an average rate of 1.33% in 2011 and 1.55% in 2010. According to the loan agreements, the Company is required to maintain certain financial ratios calculated based on its annual and semi-annual audited consolidated financial statements. As of December 31, 2011 and 2010, the Company was in compliance with all such financial covenants.

(Continued)

(18) 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):

	2011			
	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	(245,279)	(8,097)	(25,341)	(836)
Non-vested benefit obligation	(516,255)	(17,044)	(56,214)	(1,856)
Accumulated benefit obligation	(761,534)	(25,141)	(81,555)	(2,692)
Projected compensation increases	(595,564)	(19,662)	(54,996)	(1,816)
Projected benefit obligation	(1,357,098)	(44,803)	(136,551)	(4,508)
Plan assets at fair value	901,649	29,767	48,158	1,590
Funded status	(455,449)	(15,036)	(88,393)	(2,918)
Unrecognized prior service cost	1	-	-	-
Unrecognized actuarial losses	771,005	25,454	60,597	2,000
Unrecognized transition obligation	4,697	155	2,578	85
Minimum pension liability adjustment	-	-	(13,638)	(450)
Prepaid pension cost (accrued pension liabilities)	320,254	10,573	(38,856)	(1,283)

	2010	
	Plan assets in excess of accumulated benefit obligation	Accumulated benefit obligation in excess of plan assets
	NT$	NT$
Benefit obligation:		
Vested benefit obligation	(156,087)	(15,463)
Non-vested benefit obligation	(551,322)	(48,745)
Accumulated benefit obligation	(707,409)	(64,208)
Projected compensation increases	(843,628)	(50,197)
Projected benefit obligation	(1,551,037)	(114,405)
Plan assets at fair value	860,013	23,268
Funded status	(691,024)	(91,137)
Unrecognized actuarial losses	978,940	62,732
Unrecognized transition obligation	20,672	2,947
Minimum pension liability adjustment	-	(15,482)
Prepaid pension cost (accrued pension liabilities)	308,588	(40,940)

(Continued)

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:

	2011		2010
	NT$	US$	NT$
Service cost	59,484	1,964	44,870
Interest cost	30,015	991	26,801
Actual return on plan assets	(9,051)	(299)	(9,856)
Amortization and deferral	39,878	1,316	7,134
Effect of pension plan curtailments	(3,186)	(105)	-
Net periodic pension cost	117,140	3,867	68,949

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

	2011.12.31	2010.12.31
Discount rate	2.00%~2.6%	1.75%
Rate of increase in future compensation	3.50%~4.0%	3.00%~5.00%
Expected rate of return on plan assets	2.00%~4.1%	1.75%

In 2011 and 2010, pension cost under the defined contribution retirement plans amounted to NT$530,013 and NT$439,411, respectively.

(19) 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 (benefit) from continuing operations were as follows:

	2011		2010
	NT$	US$	NT$
Current income tax expense	2,015,979	66,556	3,384,763
Deferred income tax expense (benefit)	(2,838,402)	(93,707)	826,484
	(822,423)	(27,151)	4,211,247

(Continued)

(b) The 2010 statutory corporate income tax rate for the Company and its domestic subsidiaries was reduced from 25% to 20% according to the amended ROC Income Tax Act announced 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. 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 (loss) at the Company's statutory income tax rate was reconciled with the income tax expense (benefit) reported in the accompanying consolidated statements of operation as follows.

	2011		2010
	NT$	US$	NT$
Expected income tax	(1,262,136)	(41,668)	3,285,996
Income tax effect from subsidiaries	(644,737)	(21,285)	1,541,057
Prior-year adjustments	183,248	6,050	268,579
Tax-exempt income	(279,717)	(9,235)	(415,156)
Gain on disposal of marketable securities not subject to income tax	(62,538)	(2,065)	(421,454)
Change in valuation allowance	394,682	13,030	(985,262)
Surtax on unappropriated retained earnings	50	2	384,593
Impairment loss on land	-	-	69,997
Adjustment on sales allowance	734,400	24,245	-
Alternative minimum tax	604	20	61,344
Effect of change in income tax rate	-	-	260,478
Others	113,721	3,755	161,075
Income tax expense (benefit)	(822,423)	(27,151)	4,211,247

(Continued)

(c) The components of deferred income tax assets (liabilities) as of December 31, 2011 and 2010, were as follows:

	December 31, 2011 NT$	December 31, 2011 US$	December 31, 2010 NT$
Deferred income tax assets – current:			
Inventory provisions	987,324	32,596	909,065
Unrealized foreign exchange gain and unrealized gain on valuation of financial instruments	(106,927)	(3,530)	(352,131)
Accrued advertising expense	34,886	1,152	10,679
Adjustments on cost of sales	354,976	11,719	445,770
Warranty provisions	1,136,012	37,505	910,516
Allowance for doubtful accounts	76,781	2,535	81,667
Accrued non-recurring engineering cost	-	-	53,277
Accrued sales allowance	465,583	15,371	244,756
Net operating loss carryforwards	144,730	4,778	32,024
Others	429,680	14,185	496,048
	3,523,045	116,311	2,831,671
Valuation allowance	(1,348,901)	(44,533)	(1,175,953)
	2,174,144	71,778	1,655,718
Deferred income tax liabilities – current:			
Inventory provisions	-	-	(86,247)
Allowance for doubtful accounts	-	-	(436,658)
Unrealized foreign exchange gains	-	-	(2,393)
Others	(3,037)	(100)	(53,442)
	(3,037)	(100)	(578,740)

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

	December 31, 2011 NT$	December 31, 2011 US$	2010 NT$
Deferred income tax assets – non-current:			
Unrealized investment loss under the equity method	65,166	2,151	67,251
Difference in depreciation for tax and financial purposes	444,665	14,680	478,326
Investment tax credits	46,831	1,546	61,876
Net operating loss carryforwards	7,448,700	245,913	7,591,612
Difference in amortization of intangible assets for tax and financial purposes	224,749	7,420	511,712
Unrealized investment loss	211,198	6,973	200,993
Litigation provisions	45,414	1,499	54,738
Others	173,531	5,729	155,117
	8,660,254	285,911	9,121,625
Valuation allowance	(8,348,011)	(275,603)	(8,957,041)
	312,243	10,308	164,584

Deferred income tax assets—non-current are included in "deferred charges and other assets" in the accompanying consolidated balance sheets.

	December 31, 2011 NT$	December 31, 2011 US$	2010 NT$
Deferred income tax liabilities – non-current:			
Unrealized investment loss	333,622	11,014	526,069
Unrealized foreign investment gain	(1,933,948)	(63,847)	(4,062,822)
Accumulated asset impairment loss	231,781	7,652	198,443
Foreign currency translation adjustment	(75,765)	(2,501)	1,028,224
Others	9,271	306	12,951
	(1,435,039)	(47,376)	(2,297,135)
Valuation allowance	(344,691)	(11,380)	(539,091)
	(1,779,730)	(58,756)	(2,836,226)

(Continued)

(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, 2011, investment tax credits available to the Consolidated Companies were as follows:

Expiration date	NT$	US$
December 31, 2012	34,367	1,135
December 31, 2013	12,464	411
	46,831	1,546

(e) The tax effects of net operating loss carryforwards available to the Consolidated Companies as of December 31, 2011, were as follows:

Expiration date	NT$	US$
December 31, 2012	4,877	161
December 31, 2013	34,959	1,154
December 31, 2014	182,653	6,030
December 31, 2015	50,339	1,662
Thereafter	7,320,602	241,684
	7,593,430	250,691

(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 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.

(Continued)

Information related to the ICA was as follows:

	December 31, 2011		December 31, 2010
	NT$	US$	NT$
Unappropriated earnings:			
Earned before January 1, 1998	6,776	224	6,776
Earned commencing from January 1, 1998	1,775,284	58,609	24,226,370
	1,782,060	58,833	24,233,146
Balance of ICA	1,090,125	35,990	2,214,361

The estimated creditable ratio for the 2011 earnings distribution to ROC resident stockholders is approximately 34.3%, and the actual creditable ratio for the 2010 earnings distribution to ROC resident stockholders was 10.52%.

The imputation credit allocated to stockholders is based on the ICA balance as of the date of earnings distribution. The estimated creditable ratio for 2011 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 2009. However, the Company disagreed with the assessment by the tax authorities of its income tax return for 2009 regarding the adjustments of certain expenses and investment credits and has filed a formal application for its reexamination with the tax authorities. Nevertheless, the Company has accrued additional liabilities related to the disallowed expenses and investment tax credits.

The Italian tax authorities had examined the income tax returns of Acer Italy S.R.L. (“AIT”) for the fiscal years from 2005 to 2009. However, AIT disagreed with the assessment of its income tax return for 2006 regarding the adjustments of certain cost of sales so that AIT has filed a request with the tax authorities for further discussion.

(20) Stockholders’ equity

(a) Common stock

As of December 31, 2011 and 2010, the Company’s authorized shares of common stock consisted of 3,500,000,000 shares, of which 2,709,891,497 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, 2011 and 2010, the Company had issued 7,822 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 common shares.

In 2011 and 2010, the Company issued 9,712 thousand and 6,613 thousand common shares, respectively, upon the exercise of employee stock options.

(Continued)

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

(b) Treasury stock

According to Article 28-2 of the Securities and Exchange Act, the Company purchased its own common shares of 55,619,000 shares for an aggregate amount of NT$ 2,868,248 from April to June 2011 in order to maintain its shareholders' equity. In addition, the Company's directors in a meeting on August 31, 2011, resolved to change the purpose of treasury stock from maintaining shareholders' equity to transferring to employees.

According to the Securities and Exchange Act, treasury stock cannot be collateralized. In addition, treasury shares do not bear shareholder rights prior to being sold to third parties. Moreover, the number of treasury shares shall not exceed 10% of the number of shares of stock issued. The total amount of treasury stock shall not exceed the sum of retained earnings, paid-in capital in excess of par value, and other realized capital surplus.

As of December 31, 2011 and 2010, details of the GDRs (for the implementation of an overseas employee stock option plan) held by AWI and the Company's common stock held by subsidiaries namely CCI and E-Ten were as follows (expressed in thousands of shares and New Taiwan dollars):

	December 31, 2011			December 31, 2010		
	Number of Shares	Carrying Amount NT$	Market Price NT$	Number of Shares	Carrying Amount NT$	Market Price NT$
Common stock	21,809	1,050,341	765,496	21,809	1,050,341	1,964,990
GDRs	4,987	2,472,257	858,078	4,987	2,472,257	2,266,441
		3,522,598	1,623,574		3,522,598	4,231,431

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

2011				
Description	**Beginning Balance**	**Additions**	**Disposal**	**Ending Balance**
Common Stock	21,809	55,619	-	77,428
GDRs	4,987	-	-	4,987

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

(Continued)

(c) Capital surplus

	December 31, 2011 NT$	December 31, 2011 US$	December 31, 2010 NT$
Share premium:			
Paid-in capital in excess of par value	2,613,288	86,276	2,262,989
Surplus from merger	29,800,881	983,852	29,800,881
Premium on common stock issued from conversion of convertible bonds	4,552,585	150,300	4,552,585
Forfeited interest from conversion of convertible bonds	1,006,210	33,219	1,006,210
Surplus related to treasury stock transactions by subsidiary companies	760,447	25,106	620,089
Others:			
Employee stock options	804,001	26,543	632,175
Conversion right of convertible bonds (note 4(16))	295,494	9,755	295,494
Surplus from equity-method investments	386,612	12,764	408,492
	40,219,518	1,327,815	39,578,915

Pursuant to the amended Company Law, which was announced in January 2012, any realized capital surplus is initially used to cover accumulated deficit and the balance, if any, could be transferred to common stock as stock dividends or distributed by cash based on a resolution approved by the stockholders. Realized capital surplus includes the premium derived from the issuance of shares of stock in excess of par value and endowments received by the Company. In accordance with the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, distribution of stock dividend from capital reserve in any one year cannot exceed 10% of paid-in capital.

(d) Legal reserve, special 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 shall be set aside in accordance with applicable laws and regulations. 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.

(Continued)

Since the Company operates in an industry experiencing rapid change and development, distribution of earnings shall be made in view of the current 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.

Additionally, according to the amended Company Law, which was announced in January 2012, if a company has no accumulated deficit, it may, pursuant to a resolution approved by the stockholders, distribute its legal reserve by issuing new shares or cash for the portion in excess of 25% of the paid-in capital.

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 reverted to retained earnings and made available for distribution when the items that are accounted for as deductions to the stockholders' equity are reversed in subsequent periods. As of December 31, 2011, the Company appropriated a special reserve of NT$4,659,275, which is equal to the sum of foreign currency translation adjustment and other deduction items of shareholders' equity.

The appropriation of 2010 and 2009 earnings was approved by the shareholders at meetings on June 15, 2011, and June 18, 2010, respectively. The approved appropriations for employee bonus and remuneration to directors and supervisors and dividends per share were as follows:

		2010 NT$	2009 NT$
Dividends per share:			
Cash dividends	$	3.654	3.10
Stock Dividends		-	0.01
	$	3.654	3.11
Employee bonus – stock	$	-	200,000
Employee bonus – cash		900,000	800,000
Remuneration to directors and supervisors		89,469	122,096
	$	989,469	1,122,096

The employee bonus of NT$1,500,000 for the year ended December 31, 2010 was estimated and accrued based on the total amount of bonus expected to be distributed to employees. However, the actual amount of this bonus was reduced to NT$900,000 pursuant to the proposal raised by a special board meeting on June 1, 2011 and the resolution approved in the shareholder meeting on June 15, 2011. The difference of NT$600,000 was charged to profit and loss in 2011 considering that there was no significant impact to the financial statements for the year ended December 31, 2010. Additionally, the directors' and supervisors' remuneration of NT$89,469 for the year ended December 31, 2010 was estimated and accrued at the rate of 1% of the annual net income, in accordance with the Company's articles of incorporation. However, the Company's directors and

(Continued)

supervisors had voluntarily surrendered their 2010 remunerations of NT$53,682 in 2011. The difference was treated as a change in accounting estimate and charged to profit and loss in 2011. The amounts of 2009 employee bonus and remuneration to directors and supervisors, which were accrued and recognized in 2009, were the same as those approved by the Company's directors for the year 2009. The related information is available at the Market Observation Post System website.

No employee bonus and remuneration to directors and supervisors were accrued and recognized for the year ended December 31, 2011, as the Company had incurred a net loss in 2011.

(21) Stock-based compensation plans

Information on the employee stock option plans ("ESOPs") granted in 2011 and 2010 was as follows:

	2011	2010
Grant date	2011/06/15	2010/10/29
Granted shares (in thousands)	10,000	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. The fair value of the option and main inputs to the valuation models were as follows:

	2011	2010
Exercise price (NT$)	$ 28.22	48.90
Expected remaining contractual life (in years)	3	3
Fair market value for underlying securities—Acer common shares (NT$)	$ 51.30	88.90
Fair value of options granted (NT$)	$ 25.777	44.657
Expected volatility	34.46%	34.97%
Expected dividend yield	note 2	note 2
Risk-free interest rate	1.345%	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.

(Continued)

Movements in number of ESOPs outstanding:

	2011			
	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	26,634	36.51	2,983	41.30
Granted	10,000	25.99	-	-
Forfeited	(150)	-	(93)	-
Exercised	(8,594)	22.00	(207)	41.16
Outstanding, end of year	27,890	34.62	2,683	38.30
Exercisable, end of year	13,890	37.84	2,683	38.30

	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

In 2011 and 2010, the Consolidated Companies recognized the compensation costs from the ESOPs of NT$400,044 and NT$458,736, respectively, which were accounted for under operating expenses.

As of December 31, 2011, information on 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	2,683	1.64	38.30	2,683
2009	13,890	0.83	37.84	13,890
2010	4,000	1.83	45.04	-
2011	10,000	2.46	25.99	-
	30,573			16,573

(Continued)

(22) Restructuring cost

Due to the integration of PC business and management team in China and the implementation of a restructuring plan in EMEA, the Consolidated Companies recognized restructuring charges of NT$1,247,653 in 2011, which were accounted for under "restructuring cost" of non-operating expenses and losses in the accompanying statements of operation. The restructuring plan was mainly for the integration of personnel and operating information system.

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

	2011				
	Amount (in thousands)		Weighted-average number of outstanding shares of common stock (in thousands)	EPS (in dollars)	
	NT$	US$		NT$	US$
Basic EPS					
Net loss attributable to common shareholders of parent company	(6,601,968)	(217,959)	2,624,535	(2.52)	(0.08)

The Company had incurred a net loss for the year 2011. As a result, diluted EPS was not calculated.

	2010		
	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	15,117,997	2,647,466	5.71
Diluted EPS			
Effect of dilutive potential common shares:			
Employee bonus	-	23,328	
Employee stock option plan	-	17,153	
Convertible bonds	171,597	56,052	
Net income attributable to common shareholders of parent company	15,289,594	2,743,999	5.57

(24) Disclosure of financial instruments

(a) Fair values of financial instruments

The book value of short-term financial instruments is deemed to approximate 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

(Continued)

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, 2011 and 2010 were as follows:

	2011			2010		
		Fair value			Fair value	
	Carrying amount NT$	Public quoted price NT$	Valuation amount NT$	Carrying amount NT$	Public quoted price NT$	Valuation amount NT$
Non-derivative financial instruments						
Financial assets:						
Available-for-sale financial assets—current	109,721	109,721	-	225,710	225,710	-
Available-for-sale financial assets—noncurrent	775,702	775,702	-	2,274,902	2,274,902	-
Financial assets carried at cost—noncurrent	1,157,773	-	see below (b)	1,722,677	-	see below (b)
Refundable deposits (classified as "other financial assets—noncurrent")	1,582,613	-	1,582,613	956,241	-	956,241
Noncurrent receivables (classified as "other financial assets—noncurrent")	49,714	-	49,714	82,260	-	82,260
Financial liabilities:						
Bonds payable	14,064,997	-	15,584,854	13,103,887	-	13,668,171
Long-term debt	9,123,094	-	9,123,094	6,221,933		6,221,933
Derivative financial instruments						
Financial assets:						
Foreign currency forward contracts	1,110,435	-	1,110,435	118,753	-	118,753
Foreign currency options	-	-	-	8,514	-	8,514
Financial liabilities:						
Foreign currency forward contracts	235,897	-	235,897	1,049,142	-	1,049,142
Foreign currency options	-	-	-	9,722	-	9,722
Redemption option of convertible bonds	1,216,586	-	1,216,586	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.

(ii) Financial assets carried at cost—noncurrent

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.

(Continued)

(v) Derivative financial instruments

The 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 contracts is computed individually based on the maturity date, the spot rate, and the swap points based on quotes provided by Bloomberg.

The fair value of option contracts is estimated based on market price provided by financial institutions. Financial institutions use the evaluation models and assumptions to estimate the market price of the individual contract.

(vi) Long-term debt

The carrying value of long-term debt with floating interest rates approximates the market value.

(vii) Bonds payable

The fair value of convertible bonds payable is estimated based on the 2-Factor Quad Tree Approach, which considered the expected volatility and risk-free interest rate.

(c) For the years ended December 31, 2011 and 2010, gain (loss) on valuation financial assets and liabilities using a valuation technique amounted to NT$1,659,720 and NT$(1,899,825), respectively.

(d) Disclosure of financial risks

(i) Market risk

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 financial derivatives are expected to substantially offset those from the hedged assets or liabilities.

(Continued)

(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 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 through distributors in different geographic areas. Also, management of the Consolidated Companies continuously evaluates the credit quality of their customers in order to minimize credit risk. As a result, management believes that there is no significant concentration of credit risk.

(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 is 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$94,812 per annum.

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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. ("Bluechip")	Investee of the Company accounted for by equity method
E-Life Mall Corp. ("E-Life")	Investee of the Company accounted for by equity method prior to April 1, 2011 Since April 1, 2011, it was not a related party of the Consolidated Companies.
iDSoftCapital Inc.	Its chairman is one of the Company's supervisors
Fizzle Investment Limited ('Fizzle")	Investee of the Consolidated Companies accounted for by equity method
Circle Line Marketing & Communication S.R.L. ("Circle Line")	Subsidiary of Fizzle
Breakout S.R.L. ("Breakout")	Subsidiary of Fizzle
Prime Media LLC ("Prime Media")	Subsidiary of Fizzle
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, 2011 and 2010 were as follows:

(a) Net sales and related notes and accounts receivable

(i) Net sales to:

	2011		2010
	NT$	US$	NT$
Bluechip	619,907	20,465	904,917
E-Life	192,552	6,357	680,814
Other	38,069	1,257	97,149
	850,528	28,079	1,682,880

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

(Continued)

(ii) Notes and accounts receivable from:

	December 31, 2011 NT$	December 31, 2011 US$	December 31, 2010 NT$
COWIN	-	-	411,850
Bluechip	70,361	2,323	104,956
E-Life	-	-	137,077
Wistron	11,767	388	-
Others	6,497	215	65,141
	88,625	2,926	719,024

(b) Purchases and related notes and accounts payable

(i) Purchases from:

	2011 NT$	2011 US$	2010 NT$
Wistron	21,948,884	724,625	32,257,144
Others	161,614	5,335	109,302
	22,110,498	729,960	32,366,446

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$60,197,894 and NT$109,888,754 for the years ended December 31, 2011 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, 2011 NT$	December 31, 2011 US$	December 31, 2010 NT$
Wistron	7,229,227	238,667	7,733,546
Others	27,658	913	32,552
	7,256,885	239,580	7,766,098

(Continued)

(c) Management service fee

The Consolidated Companies paid iDSoftCapital Inc. management service fees amounting to NT$30,000 and NT$31,542 for the years ended December 31, 2011 and 2010, respectively.

(d) Advertising and service fee

The Consolidated Companies paid Circle Line, Breakout and Prime Media advertising and service fee amounting to NT$1,517,633 and NT$1,273,341 for the years ended December 31, 2011 and 2010, respectively. As of December 31, 2011 and 2010, the net payables (after deduction of related receivables) was NT$133,116 and NT$5,162, respectively, which was accounted for as "accrued expenses and other current liabilities" in the accompanying consolidated balance sheets.

(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 on behalf of the Consolidated Companies. As of December 31, 2011 and 2010, the Consolidated Companies had aggregate receivables from related parties of NT$15,359 and NT$46,914, respectively, and payables to related parties of NT$184,975 and NT$537,267, respectively, resulting from these transactions.

(3) Compensation to executive officers

For the years ended December 31, 2011 and 2010, compensation paid to the Consolidated Companies' executive officers including directors, supervisors, president and vice-presidents was as follows:

	2011 Amount		2010 Amount
	NT$	US$	NT$
Salaries	1,438,268	47,483	279,974
Cash awards and special allowances	320,292	10,574	356,201
Business service charges	1,080	36	1,080
Employee bonuses	-	-	690,920
	1,759,640	58,093	1,328,175

The aforementioned compensation included the accruals for employee bonus and remuneration to directors and supervisors as discussed in note 4(20).

(Continued)

6. Pledged Assets

Pledged assets	Pledged to secure	Carrying amount at December 31, 2011 NT$	2011 US$	2010 NT$
Cash in bank and time deposits	Contract bidding, project fulfillment, security for letter of credit, and others	82,308	2,717	61,937

As of December 31, 2011 and 2010, the above pledged cash in bank and time deposits were classified as "restricted deposits" and "other financial assets—noncurrent" 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 make 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) 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) Ericsson Inc. and Telefonaktiebolaget LM Ericsson filed patent infringement lawsuits against the Company and its US subsidiaries, Acer America Corporation and Gateway Inc., which are pending before the United States District Court for the Eastern District of Texas; and Telefonaktiebolaget LM Ericsson filed patent infringement lawsuits against the Company's subsidiary, Acer Computer GmbH, which are pending before the German Regional Court of Mannheim. US and German law firms have been retained to consult for and represent the Consolidated Companies on those matters. At this moment, it is not realistic to reasonably estimate the relative financial impact toward the Company; however, up to date management foresees no immediately material adverse effect toward the Consolidated Companies' business operations.

(3) As of December 31, 2011 and 2010, the Company had outstanding stand-by letters of credit totaling NT$144,683 and NT$195,563, respectively, for purposes of bids and contracts.

(Continued)

(4) 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$
2012	709,319	23,417
2013	419,154	13,838
2014	248,442	8,202
2015	141,170	4,661
2016 and thereafter	656,960	21,689
	2,175,045	71,807

(5) As of December 31, 2011 and 2010, the Company had provided promissory notes amounting to NT$47,435,962 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:

10. Others

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

	2011			2010		
	Operating expense	Cost of sales	Total	Operating expense	Cost of sales	Total
	NT$	NT$	NT$	NT$	NT$	NT$
Labor cost:						
Salaries	12,689,951	1,793,982	14,483,933	13,133,144	2,073,441	15,206,585
Insurance	1,281,016	178,317	1,459,333	1,191,827	165,214	1,357,041
Pension	620,642	26,511	647,153	483,702	24,658	508,360
Other	917,598	137,228	1,054,826	755,314	134,868	890,182
Depreciation	665,689	59,873	725,562	648,953	55,533	704,486
Amortization	1,982,823	162,277	2,145,100	1,609,831	281,287	1,891,118

(2) Reclassifications

Certain amounts in the 2010 consolidated financial statements have been reclassified to conform to the 2011 presentation for comparison purpose. The reclassifications did not have significant impact on the financial statements.

(Continued)

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

	2011.12.31			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	$ 2,216,332	30.29	67,132,706	2,552,262	29.13	74,347,392
EUR	932,474	39.26	36,616,942	1,833,495	38.9876	71,483,570
RMB	2,758,749	4.81	13,274,637	3,014,289	4.41	13,293,014
Non-monetary assets						
USD	46,851	30.29	1,419,115	33,658	29.13	980,458
Financial liabilities						
Monetary liabilities						
USD	3,107,031	30.29	94,111,982	3,817,104	29.13	111,192,240
EUR	224,257	39.26	8,919,687	403,863	38.9876	15,745,649
RMB	115,150	4.81	554,085	810,156	4.41	3,572,788
Non-monetary assets						
USD	41,348	30.29	1,252,417	67,062	29.13	1,953,515

(4) According to the Rule No. 0990004943 issued by the Financial Supervisory Commission ("FSC") dated February 2, 2010, staring from 2013, companies with shares listed on the Taiwan Stock Exchange Corporation or traded on the Taiwan GreTai Securities Market or Emerging Stock Market should prepare their consolidated financial statements in accordance with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") translated by the Accounting Research and Development Foundation ("ARDF") and issued by FSC (hereinafter referred to collectively as the "IFRSs"). As a result, the Company has established a taskforce to monitor and execute the IFRSs adoption plan. Leading the implementation of this plan is Eva Ho, the chief financial officer. The main contents of the plan, schedule and status of execution as of December 31, 2011 are listed below.

Contents of plan	Responsible Division	Status of execution
1) Assessment phase (2010/1/1~2011/12/31)		
◎ Develop the implementation plan and set up a project team	Finance Division	Completed
◎ Compare and analyze the difference between R.O.C. GAAP and IFRSs	IFRS project team	Completed
◎ Evaluate the potential adjustments to the existing accounting polices	IFRS project team	Completed
◎ Evaluate the applicability of the IFRS 1 "First-time Adoption of International Financial Reporting Standards"	IFRS project team	Completed
◎ Evaluate the potential adjustments to the information technology systems and internal controls	IFRS project team	Completed
2) Preparation phase (2011/1/1~2012/12/31)		
◎ Determine how to adjust the existing accounting policies to conform with IFRSs	IFRS project team	Completed
◎ Determine how to apply the IFRS 1"First-time Adoption of International Financial Reporting Standards"	IFRS project team	Completed

(Continued)

Contents of plan	Responsible Division	Status of execution
◎ Modify the information technology systems and internal controls	IFRS project team	Completed
◎ Internal training for the employees within the group	IFRS project team	Completed
3) Implementation phase (2012/1/1~2013/12/31)		
◎ Test run the related adjusted information technology systems	IFRS project team	In progress
◎ Collect related information for the preparation of opening balance sheet and comparative financial statements in accordance with IFRSs	IFRS project team	In progress
◎ Prepare financial statements in accordance with IFRSs	Finance Division	In progress

(5) As of December 31, 2011, based on the Company's assessment, the major differences between R.O.C. GAAP and IFRSs to be adopted by the Company are as follows:

Employee Benefits-defined benefit plans	Under R.O.C. GAAP, actuarial gains and losses from defined benefit plans are not recognized directly to equity; instead, actuarial gains and losses should be accounted for under the corridor approach which requires the deferral of gains and losses. Under the corridor approach, actuarial gains and losses are amortized over the expected average remaining working lives of the participating employees. Under IAS No. 19, "Employee Benefits," the Company elects to recognize actuarial gains and losses immediately in full in the period in which they occur, as other comprehensive income (loss). Therefore, the Company recognizes the cumulative actuarial gains and losses at the date of transition to IFRS as an adjustment to opening retained earnings.
Employee Benefits-accumulated compensated absences	There is no specific guidance on accumulated compensated absences under R.O.C. GAAP. However, under IFRSs, an entity shall recognize the expected cost of accumulated compensated absences when employees render service that increases their entitlement to future compensated absences.
Functional Currency	Under R.O.C. GAAP, the Company does not need to determine its functional currency since it is not a foreign operation. Under IFRSs, all entities included in the consolidated financial statements should determine their functional currency in accordance with IAS 21.
Property, Plant and Equipment (PP&E)	Under R.O.C. GAAP, a component which is significant in relation to the total cost of PP&E acquired after November 2008 and for which a different depreciation method or rate is appropriate is depreciated separately. Under IFRSs, when an item of PP&E comprises individual components for which different depreciation methods or useful lives are appropriate, each component is depreciated separately.

(Continued)

Investment Property	Under IFRSs, the Company should apply IAS 40 "Investment Property" for a property held to earn rental income or for capital appreciation. However, under R.O.C. GAAP, there is no specific guidance on investment property.
Classifications of deferred income tax asset/liability and valuation allowance	1. Under R.O.C. GAAP, a deferred tax asset or liability is classified as current or non-current in accordance with the classification of its 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. Under IFRSs, a deferred tax asset or liability is classified as non-current asset or liability. 2. Under R.O.C. GAAP, valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. Under IFRSs, deferred tax assets are only recognized to the extent that it is probable that there will be sufficient taxable profits and the valuation allowance account is no longer used.
Overseas Convertible Bonds (ECB)	The ECB denominated in foreign currency grants an option to the bondholder to convert a fixed number of bonds into a fixed number of the Company's common shares, using a conversion price set at New Taiwan Dollars at a fixed exchange rate. Accordingly, the conversion option is accounted for as an equity under ROC GAAP. However, in accordance with FAS 32, the conversion option is accounted for as a liability as the Company has a contractual obligation to deliver a fixed number of common shares in exchange for a variable amount of cash (fixed foreign currency but translated to variable functional currency of the Company).
Investment in Associates	1. Changes in ownership percentage Under R.O.C. GAAP, 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 change. The change in the equity interest is adjusted through the capital surplus or retained earnings. However, under IFRSs, the change in the equity interest is recognized in the profit of loss in the case of decrease of ownership percentage while the partial step-up approach is applied in the case of increase of ownership percentage. 2. Loss of significant influence In accordance with R.O.C. GAAP, when an entity loses significant influence over the investees, the adoption of equity method is discontinued and the carrying amount of the investment is deemed as the new cost of the investment. However, under IFRSs, the loss of significant influence is deemed as disposal of the investment and therefore the disposal gain or loss is recognized thereon.

(Continued)

3. The Company's associates accounted for using the equity method have also assessed the significant differences between their respective existing accounting policies and IFRSs.

(6) The Company's aforementioned assessment may not result in an adjustment due to the exemption elected by the Company according to IFRS 1 "First-time Adoption of International Financial Reporting Standards". In addition, those preliminary assessments are evaluated based on the IFRSs translated by ARDF and issued by FSC. The significant GAAP differences between the existing accounting policies and those of IFRSs were identified based on the current economic conditions and events. These differences may change depending on the changes in the economic conditions and events which may occur in the future.

11. Operating Segment information

(1) Industry financial information

The Consolidated Companies' reportable segments are the device business group (Device BG) and other business group. The Device BG engages mainly in the research, design, marketing and service activities of personal computers, IT products and tablet computers. Other business group which does not meet the quantitative threshold mainly engages in the activities of E-commerce, distribution of IT products, and the sale of smart handheld and financial PDA products.

Non-operating income and loss, income tax expense and non-recurring gain or loss are not allocated to reportable segments. The Consolidated Companies use the operating profit as the measurement for segment profit and the basis of performance assessment. The reporting amount is consistent with the report used by chief operating decision maker. There was no material inconsistency between the accounting policies adopted for the operating segment and the accounting policies described in Note 2.

	2011			
	Device BG NT$	Others NT$	Adjustments and eliminations NT$	Total NT$
External revenue	464,565,678	15,282,357	(4,506,044)	475,341,991
Intra-group revenue	2,217,893	1,548,695	(3,766,588)	-
Total segment revenue	466,783,571	16,831,052	(8,272,632)	475,341,991
Segment profit (loss)	551,517	461,055	(7,408,771)	(6,396,199)
Segment assets	-	-	-	-

(Continued)

	2010			
	Device BG NT$	Others NT$	Adjustments and eliminations NT$	Total NT$
External revenue	614,293,772	15,473,005	(707,804)	629,058,973
Intra-group revenue	2,005,923	1,499,239	(3,505,162)	-
Total segment revenue	616,299,695	16,972,244	(4,212,966)	629,058,973
Segment profit	20,730,796	484,999	(3,011,882)	18,203,913
Segment assets	-	-	-	-

(note 1) On June 1, 2011, the Company's board of directors resolved to provide one-time sales allowance of NT$4,320,000 (approximately US$ 150,000) to EMEA distributors. This sales allowance was not allocated to the reportable segments.

(note 2) The measure of segment assets is not provided to the chief operating decision maker. As a result, no disclosure was made for such purpose.

(2) General information

(a) Product information

Products	2011 NT$	2011 US$	2010 NT$
Personal computers	402,454,705	13,286,719	540,327,709
Peripherals and others	72,887,286	2,406,315	88,731,264
	475,341,991	15,693,034	629,058,973

(b) Geographic information

External sales

Region	2011 NT$	2011 US$	2010 NT$
Europe, Middle East and Africa	168,135,981	5,550,874	296,864,914
Pan America	123,579,577	4,079,880	155,467,872
Asia	157,276,477	5,192,357	141,883,545
Taiwan	26,349,956	869,923	34,842,642
	475,341,991	15,693,034	629,058,973

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Non-current assets:

Region	2011.12.31 NT$	2011.12.31 US$	2010.12.31 NT$
Europe, Middle East and Africa	3,086,714	101,905	3,492,521
Pan America	16,375,159	540,613	16,707,478
Asia	6,311,921	208,383	6,108,535
Taiwan	20,526,344	677,661	20,700,291
Others	261,111	8,620	-
	46,561,249	1,537,182	47,008,825

(c) Major customers' information

No sales to individual customers accounting for more than 10% of the consolidated revenues in 2011 and 2010.

APPENDIX

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

Principal	Eva Ho	CFO	+886-2-2696-3131	Eva_Ho@acer.com.tw
Deputy	Henry Wang	Director	+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. (Xizhi Office)	8F., No.88, Sec. 1, Xintai 5th Rd., Xizhi Dist., New Taipei City 221, Taiwan	+886-2-2696-1234
Acer Inc. (Hsinchu Branch)	3F., No.139, Minzu Rd., East Dist., Hsinchu City 300, Taiwan	+886-3-533-9141
Acer Inc. (Taichung Branch)	3F., No.371, Sec. 1, Wenxin Rd., Nantun Dist., Taichung City 408, Taiwan	+886-4-2250-3355
Acer Inc. (Kaohsiung Branch)	4F.-2, No.38, Xinguang Rd., Lingya Dist., Kaohsiung City 802, Taiwan	+886-7-338-8386
Acer Inc. (Shipping & Warehouse Management Center)	No.138, Nangong Rd., Luzhu Township, Taoyuan County 338, 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 Steven Shih at KPMG
Address:	68F., No.7, Sec. 5, Xinyi Rd., Xinyi Dist., Taipei City 110, 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

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