



Acer Incorporated 2006 Annual Report Translation



*Continue Breaking
the Barriers*

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www.acer.com

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1. Business Report to Shareholders

Acer was faced with intense competition from the top PC players in 2006, yet in spite of this, Acer Inc. consolidated revenues reached NT\$ NT\$369.09B (US\$11.32B), up 16% from the previous year and reached 92.3% of the annual target; while our profit after tax (PAT) of NT\$10.22B (US\$313.47M) and earning per share (EPS) of NT\$4.45 both hit targets. In addition, operating income of NT\$7.81B (US\$239.66B) exceeded on the previous year and hit 72.5% of target.

Although the PC industry's intense price competition directly influenced Acer's revenue and operating income, we still achieved significantly higher growth rates than the industry's major players. Acer endured a tough period and has emerged winning, proving once again that our business model is adaptable to volatile market changes. Hence, we are confident in securing the No. 3 global PC ranking during the course of 2007.

In 2006, the Acer brand business achieved commendable growth around the world. For global PC unit shipment, Acer retained the No. 4 position for Total PCs, rose to become the No. 3 notebook, and grew significantly for desktop PCs to rank at No. 4; all with highest growth rates among the top five vendors. For LCD monitors, Acer also maintained the No. 4 position.

Regionally, in EMEA (Europe, Middle East and Africa) Acer ranked No. 3 for Total PCs and stood firmly as the No. 1 notebook brand. In Asia Pacific, Acer notebooks obtained No. 1 ranking across five countries. In the target growth markets, our growths in the U.S. for notebook, desktop and Total PCs were the highest among the top ten vendors; and in China we climbed to the top five for notebooks.

Over the recent years, Acer has established an effective business model; this sustainable and evolutionary channel business model has laid the foundation for our growth and profitability forward. In fact, the PC industry's channel model has gradually become mainstream practice to share equal presence with the direct model. We expect the channel model will continue to expand, with Acer staying committed to our channel partners.

Acer has set itself clear goals for 2007: aim for better balance of revenue contribution from our regional operations; establish distinct product differentiation to satisfy commercial and consumer customer needs; build closer ties with key component suppliers; lower operating expenditure percentage while company grows; and develop the LCD TV and new handheld PC devices. Acer shall persist in researching and developing **Empowering Technology** that

enables our customers to truly benefit from technology.

Year 2006 was the thirtieth anniversary of the company founding and represented a major accomplishment. In 2007, we are confident in setting another milestone by becoming a world top-three PC brand. On behalf of all Acer employees, I wish to thank all our shareholders for your unrelenting support and guidance. Together, Acer shall continue to advance in the global PC market.

A handwritten signature in black ink, appearing to read "J.T. Wang". The signature is written in a cursive, flowing style.

J.T. Wang

Chairman and CEO

1.1 2006 Operating Report

1.1.1 Operating results :

The 2006 consolidated revenue reached NT\$ 369.09B, with operating income of NT\$ 7.81B and profit after tax of NT\$ 10.22B. The earning per share was NT\$ 4.45 per share.

1.1.2 Hit Rate :

The hit rate of the 2006 revenue was 92.3%, while the hit rate of the operating income was 72.5% and the profit after tax exceeded the target by 2.2%.

1.1.3 Financial Income and Earning Abilities :

		Unit: Thousand NT\$	
Item		2006	2005
Financial Income	Operating Revenue	238,198,647	204,958,099
	Gross Profit	9,441,811	8,332,419
	Income After Tax	10,218,242	8,477,502
Earning Abilities	Return on Assets(%)	7.90%	7.55%
	Return on Equity(%)	14.62%	13.41%
	Net Profit Margin(%)	4.29%	4.14%
	EPS(NT\$)	4.45	3.69

Note : The ratio mentioned below is for AI single company.

1.1.4 R&D Accomplishments :

The Company has established a “Product Value Lab”, which is committed to develop the innovative products with the concept of “user friendly” and “reliability” to meet the various demands of customers. The “Product Value Lab” has developed a series of “Empowering Technology” which enables the customers to operate the frequent-use functions via the simplified interface. The “Product Value Lab” would continue to develop the products that could meet customers’ demands.

1.2 2007 Business Plan

1.2.1 Business Plan :

- A. To grow the revenues proportionally in every region of the world.
- B. To grow the revenues proportionally in every mainstream product lines.
- C. To differentiate the commercial and consumer products.
- D. To reinforce the relationship with key components suppliers.
- E. To continually reduce the operating costs.

1.2.2 Performance Targets :

- A. To grow toward to become the No. 3 PC global player.
- B. To expand the key markets such as US, China etc.
- C. To augment the contributions from segments of desktop and LCD TV.

1.2.3 Marketing Strategy :

- A. To collaborate with the first-tier suppliers and distributors.
- B. To fully utilize the resources of partners.
- C. To share the growth with partners and enjoy the win-win benefits.

1.2.4 Strategy :

The Company would make every endeavor to pursue the strategy of growth.

- A. To maintain the channel business model and continually to improve the efficiency.
- B. To contribute in satablizing the industry order of global PC market.
- C. To continually focus on the core business – branding business
- D. To bear the corporate social responsibility.

1.2.5 The impact to the Company due to industry competitiveness, governmental regulations and overall macro market :

- A. The declining trend of the average selling price of personal computer is unavoidable.
- B. The overall worldwide PC market is expected to grow modestly in 2007.

2. Company In General

2.1 Brief Account of the Company

2.1.1 Founded: August 1st, 1976

1976 – 1986: Commercialized microprocessor technology

1987 – 1995: Created a brand name and went global

1996 – 2000: Fresh technology for everyone, everywhere

2001 – beyond: Transformed from manufacturing to services

1976

- Acer was founded under the name *Multitech*, focusing on trade and product design

1978

- Acer established the Microprocessor Training Centre, training 3,000 engineers for Taiwan's information industry

1979

- Acer 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

- Acer was the 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

- Acer 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
- Acer initiated the Aspire Park project, based on the idea of providing housing for Acer employees

1991

- Acer introduced ChipUp™ technology — the world's first 386-to-486 single-chip CPU upgrade solution

1992

- Acer created the world's first 386SX-33 chipset
- Stan Shih introduced the Smiling Curve concept
- Acer initiated its first corporate re-engineering

1993

- Acer developed a 64-bit performance-enhanced I/O and CPU architecture to link MIPS RISC CPUs with Microsoft® Windows® NT

1994

- Acer introduced the world's first dual Intel® Pentium® PC

1995

- The popular Aspire multimedia PC brought Acer closer to the consumer electronics market

1996

- Acer announced its commitment to providing fresh technology to be enjoyed by everyone, everywhere

1997

- Official groundbreaking ceremony was held for Aspire Park, Acer's multifunction high-tech intelligence park

1998

- Acer was the official IT Sponsor of the 13th Asian Games in Bangkok, introducing 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

- Acer adopted a new corporate identity to reflect the company's commitment to enhancing people's lives through technology
- Acer revealed a new generation of e-business: MegaMicro e-Enabling Services

2002

- The new Acer Aspire was launched, bringing fresh standards to the global home-PC arena
- The Product Value Labs were inaugurated to enhance Acer's customer-centric focus, and integrated technologies that add value to customers' lives
- Launch of TravelMate C100 Convertible Tablet PC, the first convertible Tablet PC available in the worldwide market

2003

- The next-generation Empowering Technology platform was launched, integrating hardware, software and service to provide end-to-end technologies that are dependable and easy-to-use

2004

- Acer 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.

- Launch of Ferrari 4000, the first carbon-fiber notebook available in the worldwide market
- A series of Empowering Technology products were unveiled
- Acer became the worldwide No. 4 vendor for Total PCs and notebooks
- Acer became the No. 1 brand in EMEA and Western Europe for notebooks

2006

- Acer was the first-to-market with a full line of Intel® Centrino® Duo mobile technology notebooks
- Acer was voted *Reader's Digest* gold-medal Computer *TrustedBrand* in Asia for the eighth consecutive year
- Acer became a Sponsor of Scuderia Ferrari
- Acer became the No. 3 notebook and No. 4 desktop brand worldwide
- Acer celebrated its 30th anniversary
- Acer AT3705-MGW LCD TV became the world's first digital TV to pass Intel® Viiv™ technology verification

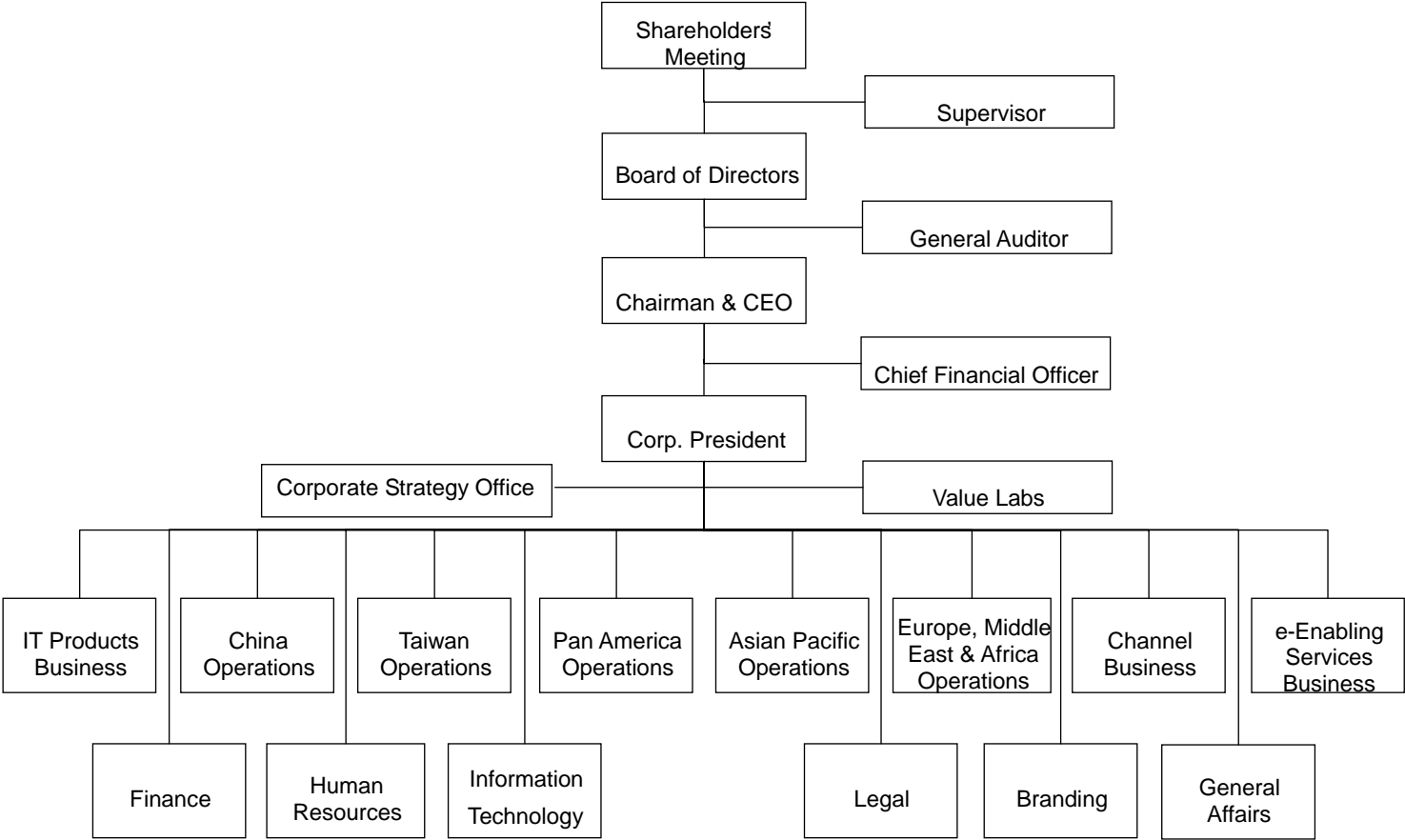
3. The Corporate Governance Reports

3.1 The Organization of the Company

3.1.1 Organization Chart and Department Function

(1) Acer Organization Chart

Acer Organization Chart



(2) Division Functions

Division	Main Functions
Chief Financial Officer	Manage Acer's long-term finance and investments.
General Auditor	Evaluate and execute plans to improve Acer's internal operations
Corporate Strategy Office	Consolidate, manage, design and implement of global key initiatives.
IT Products Business	Develop and manage Acer's brand name IT products and services.
Value Labs	Develop innovative, customer-oriented products and services with high market value, and profitable business models.
e-Enabling Services Business	Develop and manage Acer's e-Enabling services, marketing, sales and after-sales services.
Channel Business	Market and service multiple brands of IT products through non-Acer branded channels.
China Operations	Sales and market Acer's brand name IT products and services in China and H.K.
Taiwan Operations	Sales and market Acer's brand name IT products and services in Taiwan .
Pan America Operations	Sales and market Acer's brand name IT products and services in Pan America .
Europe, Middle East & Africa Operations	Sales and market Acer's brand name IT products and services in the Europe , Middle East and Africa .
Asian Pacific Operations	Sales and market Acer's brand name IT products and services in the Asia Pacific region.
Human Resources	Develop and manage human resources including recruitment, training, administration, career development, compensation and welfare, and employee relationship.
Finance	Financial planning, investment management, set and monitor budgets, accounting issues; cash flow, credit and cost control.
Branding	Promote Acer's brand name products through marketing communications, public relations and advertising.
Information Technology	Plan and integrate sales, accounting, inventory and asset information. Maintain Acer's internet and intranet infrastructure.
Legal	Draft and review contracts; provide legal consulting services and manage Acer's IP-related rights, including patent, trademark, licensing and copyright.
General Affairs	Manage public administration, safety and service related issues.

3.2 Information of Board of Directors, Supervisors and Key Managers

(1) Board of Directors and Supervisors (Mar. 31, 2007)

Title	Name	Date of Election	Term (yrs)	Shares Held When Elected		Shares Held by Current Shareholding		Shares Held by Spouse & Minors		Education	Main Curriculum Vitae	Whose Spouse or Kinship within 2 Degrees holds a position as the Key Managers, Directors or Supervisors		
				Number	Percentage	Number	Percentage	Number	Percentage			Title	Name	Relationship
Chairman	J.T. Wang	06/14/2005	3	5,212,666	0.25	9,175,932	0.29	198,521	-	Bachelor	Chairman of HiTRUST.COM Inc. Chairman of Lottery Technology Services Corp. Director of E-life Mall Corp. Director of TWP Corporation Chairman of Acer Cyber Center Services Ltd. Director of Digital Computer System Co., Ltd. Director of Minly Corp. Director of Weblink International Inc. Chairman of Acer Digital Service Co.,	-	-	-
Director	Stan Shih	06/14/2005	3	43,794,001	2.09	47,350,073	2.03	9,000,698	0.39	Master	Director of Dragon Investment Co., Ltd. Director of BenQ Corp. Director of Wistron Corp. Director of TSMC Co, LTD. Director of Acer SoftCapital Inc. Director of Acer Worldwide Inc.	Supervisor	Carolyn Yeh	Wife
Director	Gianfranco Lanci	06/14/2005	3	-	-	153,720	-	-	-	Bachelor	-	-	-	-
Director	Jim Wong	06/14/2005	3	1,712,318	0.08	2,682,957	0.11	-	-	Master	-	-	-	-
Director	Pier Carlo Falotti	06/14/2005	3	-	-	-	-	-	-	Bachelor	-	-	-	-
Director	Philip Peng (The representative of Smart Capital Corp.)	06/14/2005	3	10,000	-	10,812	-	-	-	Master	Supervisor of BenQ Corp Supervisor of Wistron Corp. Supervisor of Apacer Technology Inc. Director of Id SoftCapital Inc. Supervisor of Dragon Investment Co., Ltd.	-	-	-

Title	Name	Date of Election	Term (yrs)	Shares Held When Elected		Shares Held by Current Shareholding		Shares Held by Spouse & Minors		Education	Main Curriculum Vitae	Whose Spouse or Kinship within 2 Degrees holds a position as the Key Managers, Directors or Supervisors		
				Number	Percentage	Number	Percentage	Number	Percentage			Title	Name	Relationship
Director	Yen-Liang Yin (The representative of Hung Rouan Investment Corp.)	06/14/2005	3	60,204,788	2.88	65,093,415	2.79	-	-	PhD	Chairman of Anshin card Services	-	-	-
Supervisor	George Huang	06/14/2005	3	7,560,437	0.36	6,011,943	0.26	2,420,882	0.10	Bachelor	Director of Apacer Technology Inc. Director of Lottery Technology Services Corp. Chairman of EB-Easy Director of SYNQ Technology Inc. Chairman of CTS Digi-Tech Co.,Ltd Vice-Chairman of Taiwan Fixed Network Co., Ltd. Supervisor of TFN Investment Co.,Ltd Vice-Chairman of Taiwan Hong Yuan Investment Co.,Ltd	-	-	-
Supervisor	Carolyn Yeh	06/14/2005	3	8,324,731	0.41	9,000,698	0.39	47,350,073	2.03	Bachelor	Chairman of Id SoftCapital Inc. Supervisor of Acer Capital Corp.	Director	Stan Shih	Hasband

Major Institutional Shareholders (Mar. 31, 2007)

Name	Name of Major Shareholders
Hung Rouan Investment Corp.	Carolyn Yeh, Shih Hsuen Rong, Stans Fundation, Shih Hsuen Huei, Shih Hsuen Lin, Shih Fang Cheng, Yeh Ting Yu, Shih Hsuen Long.
Smart Capital Corp.	Philip Peng, Jill Ho.

(2)Key Managers (Mar. 31, 2007)

Title	Name	Date of Assuming Office	Shares Held Directly		Shares Held by Spouse & Minor		Degree	Main Curriculum Vitae	Other President or VP who is the Spouse or Kinship Within 2 Degrees		
			Number	Percentage	Number	Percentage			Title	Name	Relationship
President	Gianfranco Lanci	01/01/2005	153,720	-	-	-	Bachelor	-	-	-	-
Vice President	T.Y Lay	11/01/2001	2,331,948	0.10	15,569	-	Bachelor	-	-	-	-
Vice President	Scott Lin	11/01/2001	705,884	0.03	7,291	-	Bachelor	Chairman of Minly Corp. Director of Digital Computer System Co, LTD.	-	-	-
Vice President	Ben Wan	05/16/2002	175,173	-	-	-	Master	Director of Acer Cyber Center Services Inc. Chairman of TWP Corp.	-	-	-
Vice President	Jim Wong	11/01/2001	2,682,957	0.11	-	-	Master	-	-	-	-
Vice President	James Chiang	01/01/2002	1,730,065	0.07	21,301	-	Bachelor	Chairman of Weblink International Inc. Director of TWP Corp. Director of Lottery Technology Services Corp. Chairman of Sertek Inc. Chairman of Digital Computer System Co., Ltd. Director of Minly Corp.	-	-	-
Vice President	Steve Lin	11/01/2001	2,118,584	0.09	-	-	Bachelor	-	-	-	-
Vice President	Peter Shieh	11/01/2001	760,679	0.03	75,261	-	Bachelor	-	-	-	-
Vice President	Winston Fong	09/01/2002	-	-	-	-	Master	-	-	-	-
Vice President	Angelina Hwang	09/01/2001	282,257	0.01	8,631	-	Bachelor	-	-	-	-
Vice President	Jackson Lin	16/02/2004	468,005	0.02	2,185	-	Bachelor	-	-	-	-

Title	Name	Date of Assuming Office	Shares Held Directly		Shares Held by Spouse & Minor		Degree	Main Curriculum Vitae	Other President or VP who is the Spouse or Kinship Within 2 Degrees		
			Number	Percentage	Number	Percentage			Title	Name	Relationship
Vice President	Dennis Chiang	11/04/2002	-	-	-	-	Master	-	-	-	-
Vice President V.P CFO	Howard Chan	01/19/2000	656,398	0.03	20,604	-	Master	Director of Acer Digital Service Co., Director of Cross Centry Investment Limited. Director of Multiventure Investment Inc.	-	-	-
Vice President	Calvin Chang	11/01/2001	141,332	-	-	-	Bachelor	-	-	-	-
Vice President	Jafa Lin	07/01/1996	254,290	0.01	-	-	Bachelor	-	-	-	-
Head of Corporate Finance	Grace Lung	05/01/2004	51,250	-	-	-	Bachelor	Supervisor of Acer Property Development Inc. Supervisor of Acer Digital Service Co., Supervisor of Multiventure Investment Inc. Supervisor of EB EASY (TWN) Corp.	-	-	-

Note. Winston Fong and Dennis Chiang had resigned.

3.3 The Enforcement of Corporate Governance/Deficiency between the Corporate Governance Principles Implemented by the Company and the Principles, and the Reasons for the Discrepancy

Items	Enforcement Status	Discrepancy between the corporate governance principles implemented by the company and the Principles, and the reason for the discrepancy
<p>A. The ownership structure and shareholders' rights</p> <p>a. The handling of the shareholders' proposals and disputes</p> <p>b. The hold of information on the identities of major shareholders and their ultimate controlling persons</p> <p>c. The establishment of risk control mechanism and firewalls with affiliates</p>	<p>The Company has designated the Office of Shareholders' Affairs to handle the shareholders' proposals and disputes.</p> <p>The Company holds information on the identities of major shareholders and their ultimate controlling persons.</p> <p>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, rules governing lending of capital to others and the rules governing acquisitions and dispositions of assets etc.</p>	<p>No discrepancy</p> <p>No discrepancy</p> <p>No discrepancy</p>
<p>B. The composition and duties of Board of Directors</p> <p>a. The election of independent directors</p> <p>b. The regular evaluation of independence of CPA</p>	<p>None</p> <p>The evaluation of CPA is one of the main duties of Financial Statement and Internal Control Review Committee</p>	<p>The composition of Board is taken into considerations of the business needs and operations of the Board.</p> <p>No discrepancy</p>

Items	Enforcement Status	Discrepancy between the corporate governance principles implemented by the company and the Principles, and the reason for the discrepancy
<p>C. The composition and duties of supervisors</p> <p>a. The election of independent supervisors</p> <p>b. The communication between supervisors and employees and shareholders</p>	<p>None</p> <p>The Company has established an appropriate channel for supervisors to communicate with executives, key managers and shareholders.</p>	<p>The composition of supervisors is taken into considerations of business needs and practice.</p> <p>No discrepancy</p>
<p>D. The establishment of communication channels with stakeholders</p>	<p>The Company has established the appropriate communication channels with suppliers, buyers, banks, investors and other stakeholders.</p>	<p>No discrepancy</p>
<p>E. The disclosure of information</p> <p>a. The utilization of website to disclose the information of finance, operations and corporate governance</p> <p>b. The others means of disclosing information</p>	<p>The Company has set up a website containing the information regarding the finance and operations. The Company also discloses the enforcement of corporate governance in the shareholders' meeting and other institutional investor meetings.</p> <p>The Company has one chief speaker and other two acting speakers and also designated a team to be responsible for gathering and disclosing the information. The Company has awarded as the A-grade company in information disclosure by S. F. I.</p>	<p>No discrepancy</p> <p>No discrepancy</p>
<p>F. The establishment and enforcement of Nomination and Compensation Committee and other Functional Committees</p>	<p>The Company has established Compensation Committee</p>	<p>No discrepancy</p>

Items	Enforcement Status	Discrepancy between the corporate governance principles implemented by the company and the Principles, and the reason for the discrepancy
G. If the Company has implemented the corporate governance principles according to TSE Corporate Governance Best-Practice Principles, please identify the discrepancy between your principles and their implementation: Not applicable		
<p>H. The systems, action plans and implementation of the Company's social responsibility(e.g. human rights, employees' rights, environmental protection, community supports and involvements, social responsibility, the relationship with supplies, and interested parties' rights):</p> <ul style="list-style-type: none"> ● The Company has actively participated community activities or charitable such as: <ol style="list-style-type: none"> 1. sponsoring the sport and literature/arts events, 2. sponsoring Council of Agriculture for Production Resume Scheme in order to assist with using IT products in the remote districts. 3. organizing Acer Volunteer to take good care of the disadvantaged children. ● The BVQI has awarded the Company with the ISO 14001 registration, further, Acer's Eco organization was adjusted to be responsible for overseeing the Company worldwide Eco strategy, and monitoring the results of the Eco management system. The Company has also set up an exclusive e-mail box (eco@acer.com.tw), environmental web, and published Corporate Environmental Report. ● The Company has set up an exclusive web site for new labor pension system in order to offer employees related laws, regulations, and assistance. 		
<p>I. Other important information that may facilitate to better understand the status of corporate governance :</p> <ul style="list-style-type: none"> ● In additional to the training courses required by authority, the Company also arranged related training courses for members of the board to participate.. ● The Company clearly sets forth in the rules for the proceedings of board meetings that a director shall voluntarily abstain from voting on a proposal involved with his/her own interests. ● The chairman of the Company does not act as the President, and both of them are not spouses or relatives within one degree of kinship. ● The Company has purchased liability insurance for directors and officers. 		

3.4 Internal Control System Statement

Acer Incorporated

Date: March 28, 2007

Based on the findings of a self-assessment, Acer Incorporated (hereinafter, the “Company”) states the following with regard to its internal control system during the period from January 1, 2006 to December 31, 2006:

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 Shih Hsuen Huei 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.
5. Based on the findings of the evaluation mentioned in the preceding paragraph, the Company believes that, during the year 2006, 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 2006 and Prospectus, and will be publicly disclosed. Any false-hood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchanged Act.
7. This Statement has been passed by the Board of Directors in their meeting held on March 28, 2007, 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

President

4. Capital and Shares

4.1 Sources of the Capital

4.1.1 Sources of the Capital

Unit: Share/Thousand NT\$

Date	Price of Issuance	Authorized Common stock		Paid-in Common stock		Notes
		Shares	Value	Shares	Value	Source of the capital
August, 2006	Share/NT\$ 10	2,800,000,000	28,000,000	2,337,063,681	23,370,636	

Unit: Shares

Shares Category	Authorized capital			Notes
	Issued shares	Non-issued	Total	
Common shares	2,337,063,681	462,936,319	2,800,000,000	

4.1.2 Shareholding Structure (April 16, 2007)

Category/Number	Government Institution	Financial Institution	Other Institution	Individual	QFII and Foreign Investors	Total
No. Of Shareholders	18	14	395	303,047	693	304,167
Number	112,074,573	36,394,678	184,052,367	890,507,129	1,114,034,934	2,337,063,681
Percentage	4.796%	1.557%	7.875%	38.104%	47.668%	100.00%

4.1.3 The Distribution of Shareholdings (April 16, 2007)

Category	No. of Shareholders	Number	Percentage
1 ~ 999	167,514	59,417,295	2.540%
1,000 ~ 5,000	104,069	225,476,638	9.648%
5,001 ~ 10,000	18,475	127,572,077	5.459%
10,001 ~ 15,000	5,911	70,469,849	3.015%
15,001 ~ 20,000	2,645	45,308,315	1.939%
20,001 ~ 30,000	2,252	53,794,259	2.302%
30,001 ~ 50,000	1,502	57,049,333	2.441%
50,001 ~ 100,000	901	61,509,119	2.632%
100,001 ~ 200,000	379	52,505,505	2.247%
200,001 ~ 400,000	184	51,899,331	2.221%
400,001 ~ 600,000	71	34,330,860	1.469%
600,001 ~ 800,000	55	38,667,843	1.655%
800,001 ~ 1,000,000	18	15,909,222	0.681%
1,000,001 and above	191	1,443,154,029	61.751%
Total	304,167	2,337,063,681	100.000%

4.1.4 The List of Major Shareholders

Name	Shares	Number	Percentage
JPMorgan Chase Bank N.A. Taipei Branch in custody for EuroPacific Growth Fund		151,845,420	6.50%
JPMorgan Chase Bank N.A. Taipei Branch in custody for Capital World Growth and Income Fund Inc.		85,494,000	3.66%
JPMorgan Chase Bank N.A. Taipei Branch in custody for The Income Fund of America, Inc.		74,250,000	3.18%
Hong Rong Investment Corp.		65,093,415	2.79%
Stan Shih		47,350,073	2.03%
Acer Incorporated Global Depositary Receipt		46,770,054	2.00%
Management Board of Public Service Pension Fund		44,160,005	1.89%
National Financial Stabilization Fund		43,705,833	1.87%
GIC-GOS		26,113,860	1.12%
SinoPac Bank Trust Department Account		24,500,000	1.05%

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

Item		Period	2005	2006	Until Mar. 31st, 2007
Market Price Per Share	Highest		82.37	84.5	68.6
	Lowest		41.60	41.3	60.5
	Average		58.82	60.64	62.82
Net Value Per Share	Before Distribution		25.17	32.24	33.82
	After Distribution		24.25	Un-appropriated	Un-appropriated
Earning Per Share	Weighted Average Share Numbers		2,294,957 thousand shares	2,296,317 thousand shares	2,296,317 thousand shares
	Earning Per Share	Current	3.83	4.45	2.47
		Adjusted	3.69	Un-appropriated	Un-appropriated
Dividend Per Share	Cash Dividend (NT\$)		3	3.85	Un-appropriated
	Stock Dividend	Retained Earning (%)	0.2	0.15	
		Capital Surplus (%)	-	-	
	Accumulated unpaid dividends		-	-	-
Return on Investment Analysis	P/E Ratio		15.94	13.63	-
	P/D Ratio		20.35	15.75	-
	Cash Dividend Yield		4.91%	6.35%	-

4.1.6 Dividend Distribution Plan that is Proposed to be Resolved in This General

Shareholders' Meeting

Since the Company, a technology and capital-intensive enterprise, is in its growing phases, in order to devise a long-term capital policy, and thereby maintain continuous development and steady growth, this Company hereby adopts the remainder appropriation method as its dividend policy. If cash dividend would be distributed to shareholders, it will be at least 10% of all dividend distributed in that year. This dividend policy was approved by Shareholders' Meeting on May 23, 2000.

The proposed dividend distribution plan, resolved the Company's Board of Directors, will be submitted to Shareholders' Meeting on June 14, 2007 for approval:

The Company proposed to appropriate NT\$ 8,997,695,171 from retained earnings for shareholders' dividend and bonus as cash dividend. The cash dividend will be distributed to shareholders listed in the Company's shareholders' list on the ex-right day based on their holdings at NT\$ 3.85 per share.

Another NT\$ 350,559,550 from retained earnings will be distributed to shareholders through issuance of shares. The stock dividend will be distributed to shareholders listed in the shareholders' list with their respective holdings at the ratio of 15 shares for every one thousand shares held.

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

Description		Year	Estimates for 2007
Paid-in capital at the beginning of the term (Expressed in Thousand NT\$)			23,370,637
Stocks, dividend allocated in the year	Cash dividend per share (Expressed in Thousand NT\$)		3.85
	Stock allocated per share upon capital increase with earning		0.015
	Stock allocated per share upon capital increase with capital reserve		0
Change in business performance	Operating income (Expressed in Thousand NT\$)		N/A
	Increase (decrease) of operating income compared with preceding year		N/A
	Net profit after tax (Expressed in Thousand NT\$)		N/A
	Increase (decrease) of net profit after tax compared with preceding year		N/A
	Earning per share (EPS) (NT\$)		N/A
	Increase (decrease) of EPS compared with preceding year		N/A
	Annual average return rate of investment (on grounds of reverse annual P/E ratio)		N/A
Presumed EPS and P/E ratio	If earnings converted to capital increase being totally allocated as cash dividend	Presumed EPS	N/A
		Presumed annual average return rate of investment	N/A
	If capital reserve was not converted to capital increase	Presumed EPS	N/A
		Presumed annual average return rate of investment	N/A
	If there is no capital reserve and earning converted to capital being allocated in cash dividend	Presumed EPS	N/A
		Presumed annual average return rate of investment	N/A

4.1.8 Bonuses to Employees 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) Five to ten percent (5 to 10%) as bonuses to employees;
 - (2) One percent (1%) as remuneration of directors and supervisors; and
 - (3) The remainder may be allocated to shareholders as bonuses.
2. The Board of Directors proposed a dividend distribution plan of year 2006 as follows:
 - A. NT\$424,719,165 as cash bonuses to employees, NT\$333,707,900 as stock bonuses to employees, NT\$94,803,383 as remuneration to directors and supervisors.
 - B. 33,370,790 shares to be distributed as employees' stock bonuses account for 48.77% of earnings converted to capital increase, 1.45% of shares circulated in stock market.
 - C. The estimated EPS is NT\$4.08, after taking consideration of the bonuses or remuneration distributed to employees and directors and supervisors respectively.
3. The Bonuses to Employees and Remunerations to Directors, Supervisors in 2006:

	2006			
	Dividend Distribution approved by the Shareholders' Meeting	Dividend Distribution proposed by the BOD	Different value	Different reason
(1) The dividend distribution :				
1. Cash bonuses to employees	NT\$374,546,020	NT\$374,546,020	-	-
2. Stock Bonuses to employees				
(1) Number of Shares	(1) 37,454,602 shares	(1) 37,454,602 shares	-	-
(2) Value	(2) NT\$374,546,020	(2) NT\$374,546,020	-	-
(3) The rate of the circulation of shares in stock market on the ex-right day	(3) 1.69%	(3) 1.69%	-	-
3. Remunerations to directors, supervisors	NT\$93,636,505	NT\$93,636,505	-	-
(2) The information of Earning Per Share :				
1. Earning Per Share	NT\$3.83	NT\$3.83	-	-
2. Set Earning Per Share	NT\$3.45	NT\$3.45	-	-

4.1.9 Stock Buyback: None

4.2 Corporate Bonds: Not applicable

4.3 Special Shares: Not applicable

4.4 GDR Issuance

Date: March 31, 2007

Date of issuance		November 1,1995	July 23, 1997
		November 1,1995	July 23, 1997
Description		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		9,354,000 units of Global Deposit Receipt as representing 46,770,054 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	2006	Highest	US\$12.94
		Lowest	US\$6.30
		Average	US\$9.28
	Until Mar. 31th, 2007	Highest	US\$10.59
		Lowest	US\$9.16
		Average	US\$9.54

4.5 Employee Stock Options:

Not Applicable

4.6 Mergers, Acquisitions, and Issuance of New Shares Due to Acquisition of Shares of Other Companies:

None

5. Business Description

5.1 Business Contents

5.1.1 Business Scope

(1) Business Scope

1. To engage in general import and export trade (except for other government-permitted business)
2. To distribute, enter bids for, make offers for merchandise of domestic and overseas manufacturers (except for futures)
3. To research and develop, design, assemble, process, manufacture, inspect, test, sell, lease or rent, provide maintenance services, integrate, and technical support, or to commission others to assemble, process, or manufacture, mechanical products, electrical appliances and products, instruments, electronic products, electronic communication equipment and office machinery, etc.
4. To manage distribution centers, bonded warehouses, and other storage facilities.
5. To conduct international trade.
6. To install computer equipment.
7. To engage in leasing and renting industry.
8. To engage in the wholesale purchase and sale of electric appliances.
9. To engage in the wholesale purchase and sale of office machinery and equipment.
10. To engage in the wholesale purchase and sale of telecommunications equipment.
11. To engage in the wholesale purchase and sale of electronic materials.
12. To engage in the retail of electric appliances.
13. To engage in the retail of office machinery and equipment.
14. To engage in the retail of telecommunications equipment.
15. To engage in the retail of electronic materials.
16. To design products.
17. To provide information management services.
18. To provide electronic information services.
19. Computer System Plan, Develop and sell Business.
20. Sever Plan, Develop and sell Business.
21. Data storage equipment Plan, Develop and sell Business.
22. CRT/LCD Monitor Plan, Develop and sell Business.
23. Peripherals 、 DVD 、 Projector Plan, Develop and sell Business.
24. Electronic IT Product supply services.
25. IA & personal multimedia Plan, Develop and sell Business
26. LCD TV Plan, Develop and sell Business.
27. Digital Home Application Plan, Develop and sell Business.
28. Except for other government-permitted business, may engage in business not prohibited or stipulated by laws or regulations.

(2) Percentage of Operating Revenues

Unit: Thousand NT\$

Description	Year 2005		Year 2006	
	Revenues	Percentage	Revenues	Percentage
PC	151,952,212	74.14	194,910,803	81.83
Computer Peripherals and Others	53,005,887	25.86	43,287,844	18.17
Total	204,958,009	100.00	238,198,647	100.00

(3) Current Product (Service) Items

Company's major business is to engage in the distribution of IT products, software, and provision of repair services.

Product line	Product coverage	Service coverage
Information Technology Product	Computer Information System (Desktops 、 Notebooks 、 Handhelds 、 Tablets 、 Servers) 、 CRT Monitors 、 LCD Monitors 、 Peripherals 、 DVD Players 、 Projectors 、 IA & Personal Multimedia 、 LCD TV 、 DSC 、 Digital Home Products	Provide open computer architecture consultation services; integrity information network planning and set up.
Software and Repair Service	Enterprise information system integration services, enterprise specified network services for corporations, data centers, SmartCards and smart terminal related services, industrial information enabled services, enterprise e-service solutions, and e-ticketing services.	IT services, hardware and software consulting; computer installation, repair and maintenance, equipment expansion and upgrade; distribution of IT products.

(4) New Products (Services) Plan to Develop:

The Company belongs to high information technology service field, it does not only distribute high-tech products but also conducts researches and developments. The new research and development plans for year 2007 are listed below:

- A. Develop Acer Empowering Technology in order to simplify the user's interface;
- B. Develop Acer Video Conference Technology in order to provide better user experience for video conference.
- C. Develop Acer eCare service technology in order to provide better customer service.
- D. Develop ultra mobile device and its applications (UMD)
- E. Develop an Interactive platform LCD TV to cater to application of future digital Home product diversification;
- F. Develop LCD TV color/video and audio quality tuning technologies.

5.1.2 Research Development Status

(1) Expenditures on Research and Development in the Most Recent Two Years

Year	R&D Expenditures (Thousand NT\$)	As Out of the Total Revenue (%)
2005	162,906	0.08
2006	323,657	0.14

(2) Major Project Result until April 30, 2007

Product Category	Technology, Product or Service Successfully Developed
Desktop Computers	Develop Viiv-compliant, HDMI enabled digital home PC: Aspire 5 series and 3 series.
Desktop Computers	Develop vPro-compliant commercial PC: Veriton 5 series
Desktop Computers	Develop digital home PC and media server for living room : Aspire iDEA series
Notebook Computers	<ol style="list-style-type: none"> Utilize IMD (In-Mode-Decoration) technology and Acer's unique ID design for next generation Consumer Notebooks Utilize "Dolby Digital Surround Sound" technology and Acer's unique design on speakers to create virtual surround sound effect for next generation notebooks. Launch under US\$1200 High-definition notebooks in US retailers from Q3/'07
Handheld device	Develop 1 st PDA phone to offer mobile e-mail services for information workers
Acer VCM V2 and V2.2	Acer VCM want to bring cell phone user scenario into Instant Messenger client. It manages different IM clients in a single OS session for voice chat session. When user initiates an action to pickup the incoming voice chat session, it automatically checks all IM for incoming voice and initiates the voice chat session. It also integrates on Bluetooth headsets. Providing easier setting and one-click features of Bluetooth device to users. User can use Acer Bluetooth VoIP phone, computer keyboard or external USB peripherals to initiate the IM voice chat session.
Acer ePower Management V2.5 Program	Acer ePower Management program is to provide a straightforward interface for mobile users to manage power control over their notebook computers. Intellectually designed for extended battery life, it automatically adjusts power state accordingly by option of pre-configured power usage profiles, or to users' own customized power management profiles.
Acer eNet Management V2.5 Program	Acer eNet Management provide the network management including all wireless cards and LAN cards based on profile management on Windows Vista.
Acer ePresentation Management V2.5 Program	Acer ePresentation Management provides the clone mode projection with fixed resolution on Windows Vista.
Acer Empowering Framework v2.5	Acer empowering framework provides a plugin architecture to unify different Acer utility under advanced UI components.

Product Category	Technology, Product or Service Successfully Developed
	Widget mode enable users to change settings on a fly. Transparent/dynamic UI provides professional look to Acer empowering family.
ePerformance Management Program v2.5	Acer ePerformance management adjusts various registry settings to optimize system performance. ePerformance also monitor memory usage to reduce working set when memory low and will suggest user to upgrade their memory.
eLock Management v2.5/v2.6 Program	eLock Management prevents data theft by blocking/read-only usb/1394/BT/various interface traffic. Users could configure setting from a simple interface.
eRecovery Management v2.5 Program	Acer eRecovery Management provides user a tool to restore to factory default image in case system is corrupted. Users could also do their own backup and restore to this state later.
LCD TVs	Develop 20", 26", 32", 37", and 42" LCD TVs with full HD, vivid color, live audio and excellent scene depth.
LCD TVs	Develop iDTV to integrate the analog/digital TV, Digital Home, Media Gateway and PVR technology
Digital Home	Personal content sharing solution among desktop, notebook and TV
Acer Mobile E-Mail	Acer mobile email is for PDA phone user to automatically retrieve their important emails from email servers. It supports most types of popular and enterprise email servers in the market. The email access protocols developed in this project are optimized based on small bandwidth and low power consumption requirements.

5.2 Market and Continuous Growth

5.2.1 Market Analysis

(1) Analyze sales (provision) regions of the company's main products (and services)

Unit: Thousands NT\$

Year Regions	2005		2006	
	Sales revenues	Percentage	Sales revenues	Percentage
Export	183,952,125	89.75	222,176,500	93.27
Import	21,005,974	10.25	16,022,147	6.73
Total	204,958,099	100.00	238,198,647	100.00

(2) Market Share

Global Top10 Brand PC marketing share:

Brand company	Y2005	Y2006
Dell	16.8%	15.9%
HPQ	14.6%	15.9%
Lenovo	6.9%	7.0%
Acer	4.6%	5.9%
Toshiba	3.3%	3.8%
Fujitsu Siemens	3.8%	3.5%
Apple	2.2%	2.4%
NEC	2.8%	2.1%
Gateway	2.0%	2.1%
Sony	1.5%	1.6%
Total(Top 10)	58.6%	60.1%
Total(Others)	41.4%	39.9%

Original source : Gartner

(3) Competitiveness

The Company has completely transformed to a brand selling of the IT products and a professional electronic service company and actively adjusts the organization and supply chains. In year 2007, the Company will not only keep the PC business growing but also focus on the simplification of the organization following the successful models implemented in the EMEA. The successful models include simplified process, target focus, individual abilities and creativities boost...etc. When implementing such models, the Company will continue to grow and generate more profits. The Company will continuously to adopt the “3-One, 3-Multiple” strategy, enhance “One-Company, One-Brand, One-Team” policy and to implement “Multiple-Suppliers, Multiple-Products, Multiple-Channels” business models in order to setup the ”self- furnish, good- recycling, endless” mechanism of Acer brand. Furthermore, the Company receives a prominent result in brand management through outsourcing to increase Acer brand competition. The Company has fulfilled its commitment by adopting the principles such as “Advertisement is only part of the brand not the core of brand. Brand means the entirely commitment in all aspects, from product quality, customer services, channels to advertisements. The essential of the brand is to let end- consumers to experience the whole process.” The Company believes that “Asian companies are more competitive, in certain ways, than US companies to develop brand business. Due to the small size of local markets, Asian companies need to expand businesses outside of their home countries; hence, they are more adept and sensitive to the changes of the foreign markets and cultures. US companies, on the other hand, are comparatively region-minded and lack of such “local touch” because of the size of US markets”. The Company will continue to become a world leader in the non-direct sale business of IT products.

(4) Long Term Advantages, Disadvantages and Solutions of Company

A. Advantages

- a. Continuously adopt the “3-One, 3-Multiple” strategy, enhance “One-company, One-brand, One-Team” policy and “Multiple-Suppliers, Multiple-Products, Multiple-Channels” business models, with the global competitive experiences, possess empowering technology, speed, quality controls and have flexible supply chain management, risk management, win-win strategy, and implement corporate governance.
- b. Fully leverage Chinese culture advantages, implement the workable “New Channel Business Model” in Chinese market, also enhance the efficiency of inventory and expense management, brand advertisement, and offer the competitive prices of digital life services.
- c. The worldwide PC market expects a 10.7% growth.
- d. Fully leverage Taiwan advantages in research, design and innovation to ensure the abundance of raw material resources and the competitiveness of product cost.
- e. Invest IT management and security. Due to the improvement of world economy and investment environments, enterprises will invest more and more on IT related areas.
- f. Continuously invest the projects conducted by Product Value Lab. Product Value Lab has gained a prominent achievement in “Empowering Technology” and other products and services innovation.
- g. The more popularity and low cost of broadband and wireless helps the long distance IT service. Company will make use of this opportunity to achieve the IT service business.
- h. The introduction of LCD TV will generate another growth of IA business industry.

B. Disadvantages and Solutions of Company

According to the More Rule, consumers have no desires to purchase new PC products because the speed of phasing out is too fast to catch up with.

Solution: The keys to sell H/W are to provide consumers S/W and total solution. To enhance “Empowering Technology” created by Product Value Lab and provide “easy” and “reliable” products, and integrate H/W, S/W and services will be able to meet consumers’ need (one-stop service) and insert the new elements to PC and IT industry.

5.2.2. Key Accounts which Account for over 10% of Total Net Sales or Stock in Either One of the Past Two Years:

(1) Key Buyers (Expressed in Thousand NTD)

Unit: Thousand NT\$

ITEM	Year 2005				Year 2006			
	name	amount	Percentage of total net sales (%)	Relationship with AI	name	amount	Percentage of total net sales (%)	Relationship with AI
1	AEG	102,556,592	52	(NOTE1)	AEG	122,919,107	50	(NOTE1)
2	AAC	32,468,666	18	(NOTE1)	AAC	42,364,362	16	(NOTE1)

NOTE1: Subsidiary of the Company.
Central billing to AEG for Europe region since 2005.
AAC (PA region) increased retailer model since 2005.

(2) Key Suppliers (Expressed in Thousand NTD)

Unit: Thousand NT\$

	Year 2005				Year 2006			
	from	amount	Percentage of total net sales (%)	Relationship with AI	from	amount	Percentage of total net sales (%)	Relationship with AI
1	Supplier A	88,356,319	30	none	Supplier a	74,930,987	21	none
2	Supplier B	34,793,087	12	none	Supplier b	73,416,724	20	none
3	Supplier C	30,055,207	10	none	Supplier c	46,245,728	13	(NOTE1)
	Supplier D	28,080,221	10	(NOTE1)	Supplier d	39,049,635	11	none

NOTE1 : Investee of the Company valued by the equity method

5.2.3 Production Value in the Most Recent Two Years:

Not Applicable

5.2.4 The Sales Value in the Most Recent Two Years:

Unit: Thousand NT\$

Year	2005		2006	
	Domestic Sales	Foreign Sales	Domestic Sales	Foreign Sales
Major production				
Computer	4,205,080	147,747,132	6,211,901	188,698,902
Peripherals & Others	16,800,894	36,204,993	9,810,246	33,477,598
Total	21,005,974	183,952,125	16,022,147	222,176,500

5.3 Employee data, Year 2005~2007.03.31

Year		2005.12.31	2006.12.31	2007.03.31
H / C	Research & Development	161	181	182
	Engineering	667	602	549
	Marcom & Sales	415	338	349
	Sales Supporting	250	228	220
	Administration & Supporting	207	177	173
	Total	1700	1526	1473
Average Age		34.77	35.42	35.65
Average Seniority		6.41	6.82	6.98
Distribution of Education	Ph. D.	0.82%	0.79%	0.81%
	Master	21.77%	25.16%	26.48%
	College	70.82%	69.13%	68.09%
	Senior High School	6.47%	4.85%	4.55%
	Below Senior High School	0.12%	0.07%	0.07%

5.4 Environmental Protection Measures

1. The Company's total amount of losses (including compensation) and disposals arising out of pollution of environment, the future solutions (including improvement measures) and predicted expenditures (including the potential losses, disposals, compensation incurred due to no-action, reasons and facts must be provided if not able to predict the expenditures): None

2. IT Products Business Group of the Company had received ISO 9001:2000 certified by BVQI in November of 2002 and received ISO 14001:1996 certified by BVQI in February of 2003. We follow the new product development procedures and adopt green design to increase our competitiveness. The Company had carried out the task of three-year renewing the certification of ISO9001:2000 and ISO14001:2004 from January 2005, and received ISO14001:2004 certification at the end of November, 2005.
3. In order to reduce the hazardous substances and meet the requirements set forth in the RoHS Directive of the EU, we released the green product requirements to supplier in November of 2004 and timely audit and educate the suppliers afterwards. The Company has requested suppliers to improve the products quality in order to have all products to meet the requirements set forth in RoHS Directive on July 1st, 2006.
4. In order to reduce the impact to the environment and provide a recycling system for end-of-life products, the Company had started to implement a global recycling program, and executed recycling program in compliance with local competent laws and regulations.
5. In order to receive updated worldwide environmental protection information, the Company and IER have continued coordinating closely and planning an environmental strategy for promoting the Company's management system. The plans include environmental communication, environmental trainings and writing a sustainable environmental report.

6. Financial Standing

6.1 Most Recent 5-Year Concise Financial Information

6.1.1 Most Recent 5-Year Balance Sheet

As of March 31, 2007

Unit: Thousand NTD

Period Item	Most recent 5-Year Financial Information					Current year as of Mar. 31, 2007	
	2002	2003	2004	2005	2006		
Current assets	26,737,022	31,012,523	46,306,417	76,275,326	77,143,122	83,186,685	
Fund and Long-term equity investments	51,231,148	51,681,937	43,692,146	42,445,814	48,394,265	45,918,391	
Net property, plant and equipment	6,163,250	5,809,884	4,664,043	4,108,829	1,139,871	1,115,168	
Intangible assets	687,080	536,898	465,632	319,106	271,373	257,977	
Other assets	4,918,658	5,344,123	4,908,476	5,231,649	7,496,170	6,415,251	
Total assets	89,737,158	94,385,365	100,036,714	128,380,724	134,444,801	136,893,472	
Current Liabilities	Before Distribution	15,756,891	22,872,968	38,067,574	60,416,979	57,612,595	56,234,015
	After Distribution	19,582,548	27,980,042	43,026,737	67,648,718	Un-appropriated	Un-appropriated
Long-term liabilities	7,494,311	6,678,481	-	-	-	-	
Other liabilities	98,424	1,825,688	1,292,117	2,175,331	2,804,096	2,997,920	
Total Liabilities	Before Distribution	23,349,626	31,377,137	39,359,691	62,592,310	60,416,691	59,231,935
	After Distribution	27,175,283	36,484,211	44,318,854	69,824,049	Un-appropriated	Un-appropriated
Common stock	20,195,081	20,736,998	20,933,677	22,545,187	23,370,637	23,370,637	
Capital surplus	36,884,792	33,347,630	30,541,968	30,552,133	29,947,020	29,854,175	
Retained Earnings	Before Distribution	17,386,385	15,372,713	13,211,567	16,123,212	18,284,265	23,946,830
	After Distribution	11,206,010	9,325,631	7,645,710	8,891,473	Un-appropriated	Un-appropriated
Unrealized Gain (loss) on Financial assets	(69,264)	(186,122)	(731,425)	65,608	4,361,608	1,726,307	
Translation adjustments	695,037	491,763	132,516	(226,806)	1,335,500	2,032,468	
Minimum Pension Liability adjustment	(3,801)	0	0	0	0	2,040	
Treasury Stock	(8,700,698)	(6,730,384)	(3,411,280)	(3,270,920)	(3,270,920)	(3,270,920)	
Stockholders' Equity	Before Distribution	66,387,532	63,032,598	60,677,023	65,788,414	74,028,110	77,661,537
	After Distribution	60,207,157	56,985,516	55,111,166	58,556,675	Un-appropriated	Un-appropriated

6.1.2 Most Recent 5-Year Concise Income Statement of Income

As of March 31, 2007

Unit: Thousand NTD

Item \ Period	Most recent 5-Year Financial Information					Current year as of Mar. 31, 2007
	2002	2003	2004	2005	2006	
Operating revenue	42,137,284	81,717,814	129,108,697	204,958,099	238,198,647	64,446,254
Gross profit	2,192,663	4,282,869	5,659,766	8,332,419	9,467,248	2,518,602
Operating (loss) income	789,581	2,053,998	3,211,168	5,836,512	6,736,605	1,897,789
Non-operating Income and Gain	9,134,645	6,490,275	6,448,902	6,163,532	7,818,967	4,294,759
Non-operating Expense and Loss	1,040,081	783,116	1,900,652	2,349,888	2,780,825	285,924
Continuing operating income before tax	8,884,178	7,761,157	7,759,418	9,650,156	11,774,747	5,906,624
Income(Loss) from Discontinued segment	51,460	0	0	0	0	0
Income after income taxes	8,596,464	7,313,809	7,011,661	8,477,502	10,218,242	5,662,565
EPS	3.31	3.02	3.03	3.69	4.45	2.47

6.1.3 CPAs and Their Opinions for Most Recent 5-Year :

Year	Name of CPA	Auditor's Opinion
2002	James Wu and Sonia Chang	Unreserved
2003	James Wu and Sonia Chang	Unreserved
2004	Sonia Chang and Winston Yu	Unreserved
2005	Sonia Chang and Winston Yu	Unreserved
2006	Winston Yu and Albert Lou	Modified unreserved

6.2 Most Recent 5-Year Financial Analysis

Item		Period	Most Recent 5-Year Financial Information					Current year as of Mar. 31, 2007	
			2002NT\$	2003NT\$	2004NT\$	2005NT\$	2006NT\$		
Financial Ratio (%)	Total liabilities to total assets		26.02	33.24	39.35	48.76	44.94	43.27	
	Long-term funds to fixed assets		1,200.35	1,230.87	1,328.66	1,654.09	6,740.43	7,232.94	
Ability to payoff debt	Current ratio(%)		169.68	135.59	121.64	126.47	133.90	147.93	
	Quick Ratio(%)		155.14	128.37	113.97	113.79	121.39	125.13	
	Interest protection		18	19	22	53	53.37	235.65	
Ability to operate	A/R turnover (times)		3.27	5.07	5.3	4.94	4.37	5.38	
	A/R turnover days		112	72	69	74	83.58	67.89	
	Inventory turnover (times)		20.73	49.43	55.19	37.62	33.29	33.07	
	Inventory turnover days		18	7	7	10	10.96	11.04	
	A/P turnover (times)		4.95	6.75	6.80	5.58	5.33	6.28	
	Fixed assets turnover (times)		7.99	14.07	27.68	49.88	208.97	1.16	
	Total assets turnover (times)		0.55	0.87	1.29	1.6	1.77	1.88	
Earning ability	Return on assets(%)		10.26	8.31	7.50	7.55	7.90	16.76	
	Return on equity(%)		13.77	11.3	11.34	13.41	14.62	29.86	
	To pay-in capital %	Operating income		4.31	9.9	15.34	25.89	28.83	2.48
		PBT		44.37	37.43	37.07	42.8	50.38	101.09
	Net income ratio (%)		17.56	8.95	5.43	4.14	4.29	8.79	
	EPS (NTD)		3.31	3.02	3.03	3.69	4.45	2.47	
Cash flow (%)	Cash flow ratio		31.44	14.17	1.79	4.84	(18.93)	34.31	
	Cash flow adequacy ratio		86.98	80.9	69.62	80.78	1.64	50.69	
	Cash reinvestment ratio		4.16	-	-	-	-	23.72	
Leverage	Operating leverage		1.84	0.76	0.63	0.45	0.62	0.42	
	Financial leverage		2.51	1.27	1.13	1.03	1.03	1.01	

The reason of financial indicator changed over 20%

1. Long-term debts to fixed assets and Fixed assets turnover (times) : changed over 307% and 318.95% is due to the company decided to gradually dispose of real estate property and business managed by the Construction Business Unit and as a result, the related property was reclassified from “property, plant and equipment” to “property not used in operations”.
2. Cash flow ratio, Cash flow adequacy ratio and Cash reinvestment ratio changed over 20% is mainly due to the cash outflow from operation activities for year 2006 is amount to NTD 10,906,202K.
3. Operating leverage changed over 38% is due to the Growth of gross profit is 14% but the growth of variable expense is -7%.

1. Financial Ratio

- (1) Total liabilities to Total assets = $\frac{\text{Total liabilities}}{\text{Total assets}}$
- (2) Long-term funds to fixed assets = $\frac{(\text{Net equity} + \text{Long term debts})}{\text{Net fixed assets}}$

2. Ability to Pay off Debt

- (1) Current ratio = $\frac{\text{Current Assets}}{\text{Current liability}}$
- (2) Quick ratio = $\frac{(\text{Current assets} - \text{Inventory} - \text{Prepaid expenses})}{\text{Current liability}}$
- (3) Interest protection = $\frac{\text{Net income before income tax and interest expense}}{\text{Interest expense}}$

3. Ability to Operate

- (1) Account receivable (including account receivable and notes receivable from operation) turnover = $\frac{\text{Net sales}}{\text{the Average of account receivable (including account receivable and notes receivable from operation) balance}}$
- (2) A/R turnover day = $\frac{365}{\text{account receivable turnover}}$
- (3) Inventory turnover = $\frac{\text{Cost of goods sold}}{\text{the average of inventory}}$
- (4) Account payable (including account payable and notes payable from operation) turnover = $\frac{\text{Cost of goods sold}}{\text{the average of account payable (including account payable and notes payable from operation) balance}}$
- (5) Inventory turnover day = $\frac{365}{\text{Inventory turnover}}$
- (6) Fixed assets turnover = $\frac{\text{Net sales}}{\text{Net Fixed Assets}}$
- (7) Total assets turnover = $\frac{\text{Net sales}}{\text{Total assets}}$

4. Earning Ability

- (1) Return on assets = $\frac{[\text{PAT} + \text{Interest expense} \times (1 - \text{tax rate})]}{\text{the average of total assets}}$
- (2) Return on equity = $\frac{\text{PAT}}{\text{the average of net equity}}$
- (3) Net income ratio = $\frac{\text{PAT}}{\text{Net sales}}$
- (4) EPS = $\frac{(\text{PAT} - \text{Dividend from prefer stock})}{\text{weighted average outstanding shares}}$

5. Cash Flow

- (1) Cash flow ratio = $\frac{\text{Cash flow from operating activities}}{\text{Current liability}}$
- (2) Cash flow adequacy ratio = $\frac{\text{Most recent 5-year Cash flow from operating activities}}{\text{Most recent 5-year (Capital expenditure} + \text{the increase of inventory} + \text{cash dividend})}$
- (3) Cash reinvestment ratio = $\frac{(\text{Cash flow from operating activities} - \text{cash dividend})}{(\text{Gross fixed assets} + \text{long-term investment} + \text{other assets} + \text{working capital})}$

6. Leverage

- (1) Operating leverage = $\frac{(\text{Net revenue} - \text{variable cost of goods sold and operating expense})}{\text{operating income}}$
- (2) Financial leverage = $\frac{\text{Operating income}}{(\text{Operating income} - \text{interest expenses})}$

6.3 Audit Report of Supervisor

To: The 2007 General Shareholders Meeting

The Board of Directors of the Company has prepared the 2006 financial report, including balance sheet, statement of income, statements of changes in stockholders' equity, and statement of cash flows, and Winston Yu and Albert Lou at KPMG has 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: April 26, 2007

6.5 Disclosure the impact in the company's financial status if the company or affiliates have financial difficulties in recent year and cut off by the published date of the annual report:

Not Applicable

6.6 The Achievement of the Financial Prediction in the Most Recent Two Years

6.6.1 Financial Forecast of Year 2005

Unit: Thousand NTD

Item	Financial Forecast of Year 2005	Audit Report of Year 2005	
	Original	Achievement	Hit Rate (%)
Revenue	165,001,509	204,958,099	124%
C.O.G.S	157,921,717	196,625,680	125%
Gross margin	7,079,792	8,332,419	118%
Operating Expense	4,491,422	2,495,907	56%
Operating Income	1,027,292	5,836,512	568%
Non-operating Income	3,656,790	6,163,532	169%
Non-operating Expense	615,649	2,349,888	382%
Profit Before Tax	7,850,361	9,650,156	123%
Profit After Tax	7,200,361	8,477,502	118%

6.6.2 Financial Forecast of Year 2006

Unit: Thousand NTD

Item	Financial Forecast of Year 2006	Audit Report of Year 2005	
	Original	Achievement	Hit Rate (%)
Revenue	321,050,486	238,198,647	74%
C.O.G.S	309,719,552	228,731,399	74%
Gross margin	11,330,934	9,467,248	84%
Operating Expense	3,027,407	2,730,643	90%
Operating Income	8,303,527	6,736,605	81%
Non-operating Income	5,360,998	7,818,967	146%
Non-operating Expense	2,216,161	2,780,825	125%
Profit Before Tax	11,448,364	11,774,747	103%
Profit After Tax	10,018,364	10,218,242	102%

(1) Achievement Status

Revenue of year 2006 amounted to 238,198,647k, which were 74% of the financial forecast. And Gross margin, operating income and profit before tax of year 2006 amounted to 9,467,248K, 6,736,605K and 11,774,747K respectively which were 84%, 81% and 103% of the whole year financial forecast respectively. The achievement status was good.

7. Risk Management

7.1 Recent Yearly Investment Policy and Main Reasons of Gain or Loss and Plan of Improvement for the Next Year

Unit: Thousand NT\$

Item	Description	Amount	Policy	Year 2006 P&L	Main reason of Gain or Loss	The Plan for Improvement	Investment Plan for Next Year
Acer Digital Service Co.		3,395,004	Investing and Holding company	960,904	Recognized Disposal gain for Stock		None
Acer European Holdings N.V.		16,087,035	Sales and Maintenance of "Acer" brand-name information technology products	3,822,279	Growth Stably in Europe		
Acer Holdings International, Incorporated		4,110,069	Sales and Maintenance of "Acer" brand-name information technology products	870,899	Growth Stably in Asia Pacific		
Acer Worldwide Incorporated		3,765,968	Investing and Holding company	109,172	Recognized Dividend Income		
Acer SoftCapital Incorporated		2,222,767	Investing and Holding company and fund management business	10,628	Recognized Dividend Income		
Acer Computer International Ltd.		927,365	Sales and Maintenance of "Acer" brand-name information technology products	1,370	Business Activities		
Cross Century Investment Limited		4,149,365	Investing and Holding company	127,205	Recognized Disposal Stock Gain		
Acer CyberCenter Services Ltd.		1,827,109	Data storage and processing company	8,265	Business Activities		
Acer Greater China (B.V.I.) Corp.		1,589,203	Sales and Maintenance of "Acer" brand-name information technology products	287,004	Great China Market gain		
Weblink International Inc		1,267,859	Selling channels of electronic components and communication products	76,327	Gain on operating activity		
Wistron Corporation		3,851,062	Investing on industry of manufacturing computer and information technology products	872,551	Focus on profitable OEM business		
Taiwan Fixed Network Co., Ltd.		1,731,380	Investing on communication industry	(291,620)	Investment Loss		
BenQ Corporation		2,273,775	Investing on industry of sales computer peripherals and communication products	(480,304)	Recognized Investment Loss		

7.2 Items to be Noticed for Risk Management & Evaluation

7.2.1 How does interest rate, exchange rate, or inflation influence Company's profit and loss, and how to manage such risks?

Interest Rate:

US Fed hiked the USD interest rate from 4.25% to 5.25% last year and keep the rate unchanged. There is not much impact since we don't have medium or long term USD liability but only temporary gap on the payment date. No much movement for NTD interest rate last year and we don't have any NTD liability too. Our short-term investment instruments include NTD time deposit, NTD money market fund, and USD time deposit. The higher interest rate caused more interest income.

Fed may cut USD interest rate this year and we think there is still not much movement for NTD interest rate. The company has adjusted the gap between collection and payment day to reduce the shortage of USD. We don't have any NTD liability and the total interest expense will drop this year.

Foreign exchange rate:

The major foreign currency position of the company is Euro and USD receipt. Euro and USDNTD fluctuated a lot last year. Even we adopt conservative hedging strategy, the fluctuation and uncertain forecast create FX loss.

Euro is close to the highest level now and it is good for our cost. The company will keep the consistent steady strategy and hedge the foreign exchange position aggressively to reduce the impact to the profit and loss of the company caused by currency fluctuation.

Inflation:

The oil and material price went up and down last year. The company increased the stock and adjusted prices accordingly so it didn't hurt our business.

The inflation will be stable this year and the impact to the company is also limited. But if the material price rise then increase the cost, and the company will also react it elastically in accordance to avoid any loss.

7.2.2 What is the Company's policy to make high risk or leverage investment, make a loan, make a guarantee or buy derivatives? And what are the reasons of gain or loss and what are the future plans?

Our Company does not make any high risk/leverage investment. The short-term idle capital is used to purchase the government bond and high raking bond fund or corporate bond. The long-term idle capital is used for investing company that has synergy with our core business.

Aside from the 100% owned subsidiary, our Company preferably does not loan and provide corporate guarantee to others. The Company complies all the internal procedures whenever it is necessary to make loan or grant corporate guarantee to other third parties. Until Dec. 31, 2006, our Company had granted corporate guarantees of NT \$7,467 million and the usage was NT \$2,844 million. LTSC is the mainly firm that the Company grants guarantee for the entity that is not 100% owned. Until the Dec. 31, 2006, the usage of corporate guarantee granting LTSC was NT \$308 million. The Company ideally does not engage any derivatives trading except for hedging. The Company complies all the internal procedures whenever it is necessary to engage such trading.

7.2.3 What are Company's Future Plans and Estimated R&D Expenditures?

Future Plan	Current Status	Expenditure	Estimated Completion Date	Key Success Factor
Acer VCM v2.5	Product design & test stage	USD\$200K	Aug./2007	High resolution & high frame rate video chat program
Empower Power Management 3rd program	Product design and planning	USD\$150K	Dec./2007	2nd advanced power management program
Empower Security Management 1st generation	Product design and planning	USD\$150K	Dec./2007	Integration for security devices
Empower Scenario Management 1st generation	Product design and planning	USD\$150K	Dec./2007	3rd advanced power management program and 2nd advanced network management program
Empowering Framework V3	Product design	USD\$150K	Dec./2007	Dynamic 3D UI programming
Acer eSettings Management V3	Product design	USD\$200K	Dec./2007	More generic data acquisition architecture.
Acer eLock Management V3	Product design	USD\$150K	Dec./2007	Driver development and system stability
Acer eCare Management V3	Product design	USD\$300K	Oct./2007	Security, authentication transport component design.
Acer eRecovery Management V3	Product design	USD\$200K	Dec./2007	Backup/restore efficiency and robustness.
UMD Project – The next generation of Ultra Mobile Device	Product design stage	US\$5M	Dec./2007	1. The maturity of the network infrastructures including Wifi, WiMax and 3G. 2. The proficiency of user's behavior.
Develop Nice TV Technology	Product design & test stage	US\$2M	May./2008	1. The benefits of enhancing customers' visual/auditory experiences and the acceptance levels 2. More video/audio caring interactive features with adaptive tuning.

7.2.4 Will the changes of domestic and international policies or legislation have an impact on the Company's finance or business, and how will the Company react to such changes?

Investment in Mainland China :

The business opportunities exist in mainland Chinese market with high risk. The Company follows the government's policy whenever it considers investing in China in order to reduce the risk and protect shareholders' interests. To be in line with the Company's strategy, its investment in China is mainly for working capital.

Corporate Governance :

The financial scandals happened past few years have had serious impact to the financial markets and investors as well. The Company has accordingly followed the government's requirements to facilitate the corporate governance in order to protect the shareholders' interests.

7.2.5 What are the financial impact and action plan of technology innovation and industry development?

The Company is a branding company with a main mission to empower technology for people. The products are developed to be in line with the mainstream technology and high added value concept.

The Company has outsourced the manufacturing to other suppliers to focus on branding/marketing, and its competitiveness is also improving due to the increasing size of economic scale. The Company also cooperates with first tier distributors to boost sales and profits.

7.2.6 How corporate image change affects the Company's risk management mechanism? What are the Company's action plans?

The Company had 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 when necessary. We have set up a crisis mechanism that will minimize potential damages when running into crises and ensure the Company's sustainable management.

7.2.7 What are the predicted benefits and potential risks to the Company during the mergers?

Not applicable.

7.2.8 What are the predicted benefits and potential risk to the Company when it expands its factories and offices?

Not applicable.

7.2.9 What are the potential risks to the Company during buy and sales?

NONE

7.2.10 How shares transfer made by directors, supervisors or shareholders with 10% or more shareholdings affect the Company?

Not applicable.

7.2.11 What are the impact and potential risks when the Company changes management team?

Not applicable.

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

1. Hewlett-Packard Development Company filed patent infringement lawsuits against Acer Inc. and its US subsidiary, Acer America Corporation, with pending before the United States District Court for the Eastern District of Texas and United States

International Trade Commission. An US law firm has been retained to conductconsult with and represent Acer on the matters. At this moment, it is not realistic to reasonably estimate the relative financial impact toward Acer; however, there is no immediately material adverse effect toward Acer's business operations.

2. In annual 2006 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 percent were not involved in any material litigious, non-litigious or administrative disputes.
3. In annual 2006 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.

7.2.13 Other Risks:

NONE

Note: The English version of this document had been prepare for the convenience of the readers, and in the event of any discrepancy between the Chinese and English versions hereof, the Chinese version shall govern.