ACER INCORPORATED 2009 ANNUAL REPORT

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DISCLAIMER

This is a translation of the 2009 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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Acer Incorporated 2009 Annual Report

1. Business Report

Business Report to Shareholders

I am very pleased to inform that in 2009 Acer became the world No. 2 ranking company for total PC shipments with 28.9% annual growth, according to the leading research company, Gartner. Acer also ranked No. 2 for notebook PCs for the third consecutive year with 36.9% on-year growth.

Acer endured the global economic downturn in 2009 to emerge in healthy form. Not only that, we achieved record highs in annual consolidated revenues of NT$573.98B (US$17.9B) with 5% annual growth, and operating income of NT$15.34B (US$478M) with 9% annual growth. Profits-after-tax reached NT$11.35B (US$354M) and comprised almost entirely of core business income; excluding investment disposal gains, profits-after-tax grew 29% on year. Meanwhile, earnings-per-share was at NT$4.3. These results reflect on Acer's sustainable business model, fast decision-making process, and end-to-end marketing strength.

With the global economy on the path to recovery in 2010, the prevalence of the personal computer means this market is expected to recover at a faster pace. Acer has already received high demand from the European and Asia Pacific markets, and expects double-digit shipment growth this year.

In addition, the emergence of a new ICT industry that encompasses the '4Cs' – Computer, Communication, Consumer electronics and Content – opens up a new era of computing with innovative devices, software and content. Acer is aggressively researching and developing in this field to offer a total mobile solution, capitalize on new opportunities, and in addition, further expand market share in the BRIIC (Brazil, Russia, India, Indonesia, China) markets.

Within Acer's consumer and commercial market strategies, the focus for our consumer market are ultra-mobility notebooks with thin-and-light forms with all-day battery life, new netbook designs, and 3D desktops and notebooks. In the commercial arena, we will have a comprehensive product lineup targeting the specific needs of small and medium-size enterprises.

Acer's objective in 2010 is clear – to become the world's No. 1 mobile PC company! The key to reaching this goal is our multi-brand strategy that pursues different customer segments globally with differentiated product designs from the four brands. At the same time, an effective and lean business model enables us to minimize operating costs as we grow, and ultimately increase operating income and profit, and raise overall competitiveness. As a global citizen, Acer is collaborating with suppliers to design environmentally-friendly products and establish a green PC supply chain.

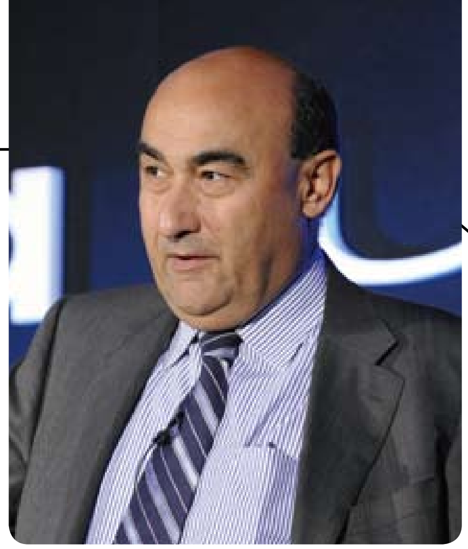
Once again, on behalf of Acer, I wish to thank all our shareholders for their support and guidance.

Sincerely,

J.T. Wang
Acer Inc. Chairman and Group 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 Values

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 realized 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.

Sincerely,

Gianfranco Lanci
CEO & Corp. President

1.2 2009 Operating Report

1.2.1 Consolidated Operating Results

Unit: NT$ Thousand

Item \ Period	Most Recent 5-Year Financial Information				
	2005	2006	2007	2008	2009
Operating Revenue	318,087,679	350,816,353	462,066,080	546,274,115	573,982,544
Gross Profit	34,121,461	38,171,313	47,418,310	57,285,660	58,327,860
Operating Income	7,648,961	7,462,446	10,185,123	14,072,302	15,339,466
Non-operating Income and Gain	7,176,374	9,266,120	6,699,671	5,353,038	1,719,037
Non-operating Expense and Loss	4,172,803	3,180,259	1,776,157	4,618,613	2,075,520
Continuing Operating Income before Tax	10,652,532	13,548,307	15,108,637	14,806,727	14,982,983
Income(Loss) from Discontinued Segment	0	0	517,866	99,843	0
Income after Income Taxes	8,477,502	10,218,242	12,958,933	11,742,135	11,353,374
EPS	3.45	4.16	5.27	4.67	4.31

1.2.2 Budget Expenditure in 2009:

Not applicable.

1.2.3 Financial Income and Earning Abilities

Unit: NT$ Thousand

Item		2009
Financial Income	Operating Revenue	573,982,544
	Gross Profit	58,327,860
	Income After Tax	11,353,374
Earning Abilities	Return on Assets (%)	4.42
	Return on Equity (%)	12.92
	Net Income ratio (%)	1.98
	EPS (NT$)	4.31

1.3 2010 Business Plan

1.3.1 Business Direction

A. Implement the multi-brand strategy worldwide, with differentiated products to satisfy diverse customer needs and market segments.
B. Attain a better balance of consumer and commercial PC businesses.
C. Capture opportunities in China and other emerging markets.
D. Accelerate the smartphone and mobile solution offering.
E. Continue to minimize operating expenses.

1.3.2 Goals

A. Expand worldwide mobile PC presence.
B. Expand global market share.
C. Increase operating margin.
D. Seize opportunities arising from new mobile communication devices and emerging markets.

1.3.3 Partner Strategy

A. Reinforce 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

Make every endeavor to pursue the strategy for growth:
A. Enhance the channel business model to further improve efficiency.
B. Generate more proportionate revenues from the geographies.
C. Enter the new ICT (Information and Communication Technology) market, grasp the business opportunity and improve service offerings.
D. Increase efforts on corporate social responsibility.

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

A. The global economy, notably the PC industry, is back on the recovery track after the financial crisis; we expect a good year in 2010.
B. The maturing PC market has yet to reach saturation, while new emerging markets will have stronger demand.
C. The decline of ASPs of PCs will decelerate as demand rises.
D. The emergence of a new ICT industry creates new opportunities in the form of products and services.

2. 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
- 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.

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.

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.

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.

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

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.
- Acer launched the 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 became a Sponsor of Scuderia Ferrari.
- Acer celebrated its 30th anniversary.
- Acer AT3705-MGW LCD TV became the world's first digital TV to pass Intel® Viiv™ technology verification.
- Acer became the No. 3 notebook and No. 4 desktop brand worldwide.

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

2008
- Acer announced the acquisition of E-ten and plan to enter the smart handheld market.
- Acer 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.
- The Aspire *One* launched as the company's first mobile internet device, and won the Japan Good Design award for quality design.
- Acer ranked No. 3 for Total PCs and No. 2 for notebooks worldwide.

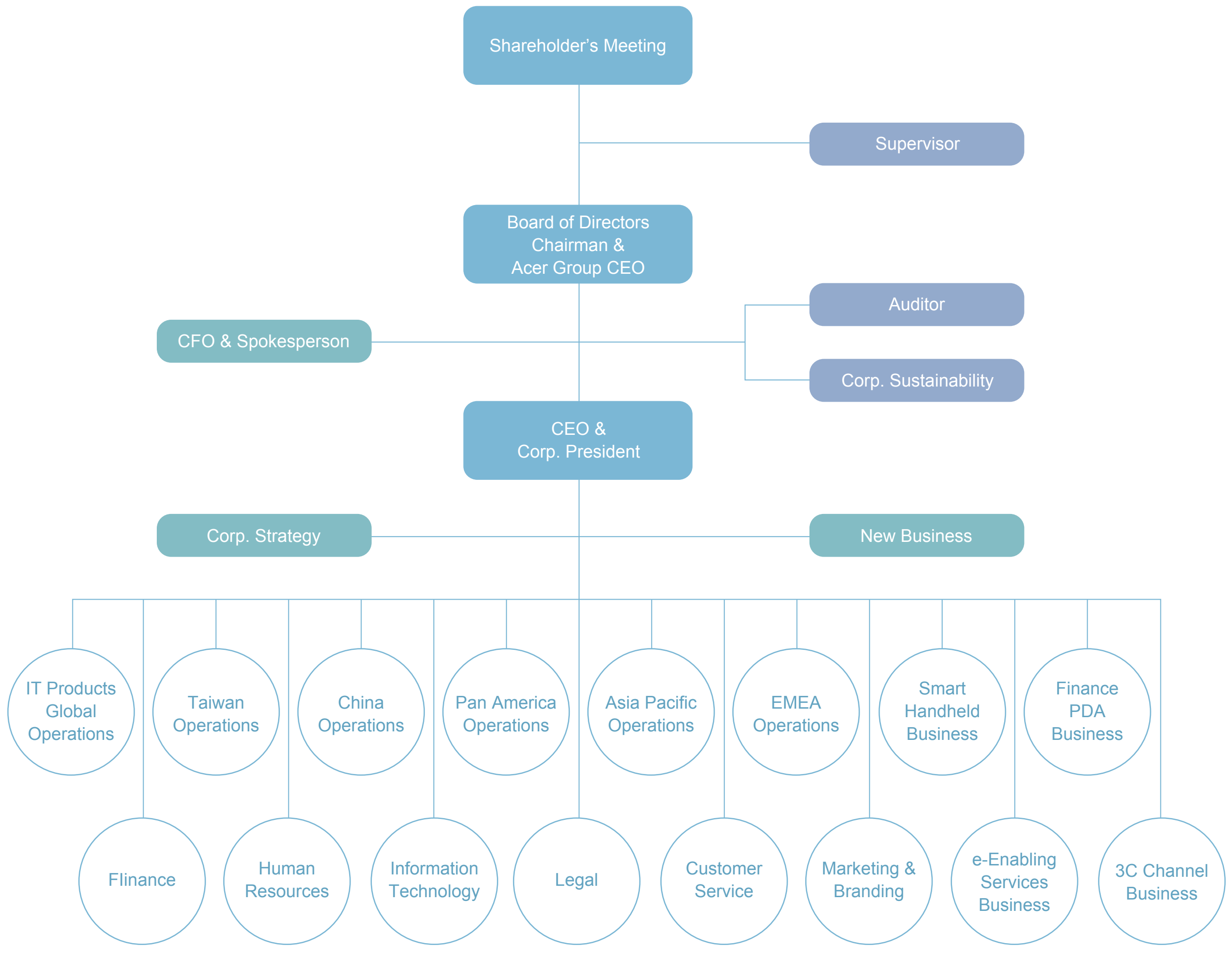
2009
- The Aspire *Gemstone Blue* series notebooks captured Germany's iF design award.
- Acer launched the Aspire Timeline notebooks – thin and light with all-day battery life.
- *BusinessWeek* named Acer among the "10 Hottest Tech Company of 2009."
- Acer was voted *Reader's Digest* gold-medal Computer *TrustedBrand* in Asia for the 11th consecutive year.
- Acer 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.
- Acer launched the high-end and stylish *Liquid* smartphones.
- Acer became the world No. 2 company in Total PCs.

3. 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

CFO & Spokesperson
- Management of Acer's long-term finance, investments and corporate spokesperson

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

Corp. Strategy Office
- Consolidation, management, design and implementation of key global initiatives

New Business
- New business development strategy

IT Products Global Operations
- Development and management of Acer's IT products and services

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

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

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

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

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

Smart Handheld Business
- Global sales, marketing, and development of Acer's smart handheld business

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

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

Human Resources
- Corporate human resources planning and management, organizational strategy and people development

Information Technology
- Corporate information infrastructure and information systems management

Legal
- Corporate legal consulting, contracts , patents, and other intellectual property management

Customer Service
- Global services strategy and global service center management

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

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

3C Channel Business
- Channel distribution of 3C products in Taiwan

3.2 Information Regarding Board of Directors, Supervisors and Key Managers

(1) Board of Directors and Supervisors (April 20, 2010)

Title	Name	Date of Election	Term	Shares Held When Elected		Shares Held at Present			Shares Held by Spouse & Minors		Education	Current Position(s) in Other Companies	Spouse or Immediate Family Holding Managerial Position		
				Number	Percentage	Number	Percentage		Number	Percentage			Title	Name	Relation-ship
Chairman	J.T. Wang	06/13/2008	3	10,806,070	0.45	14,617,542	0.54		206,565	0	Bachelor	• Chairman of Hitrust.com Inc. • Others (Note)	-	-	-
Director	Stan Shih	06/13/2008	3	72,927,824	3.03	74,761,958	2.78		17,689,688	0.66	Master	• Director of Dragon Investment Co., Ltd. • Director of Qisda Corp. • Director of Wistron Corp. • Director of Acer Investment Inc. • Independent director of TSMC Co, Ltd. • Director of Acer SoftCapital	Supervisor	Carolyn Yeh	Wife
Director	Gianfranco Lanci	06/13/2008	3	406,925	0.02	571,200	0.02		0	0	Bachelor	(Note)	-	-	-
Director	Walter Deppeler	06/13/2008	3	0	0	0	0		0	0	Master	(Note)	-	-	-
Director	Hsin-I Lin	06/13/2008	3	0	0	0	0		0	0	Master	• Independent director of Sinyi Realty Inc. • Independent director of Nan Ya Plastics Co. • Director of Yulon Motor Co., Ltd. • Director of China Motor Corp. Co. • Independent director of E.Sun Financial Holdings Co., Ltd.	-	-	-
Director	Philip Peng (Representative of Smart Capital Corp.)	06/13/2008	3	10,974	0	11,249	0		0	0	Master	• Director of Cross Century Investment • Director of Multiventure Investment Inc. • Supervisor of Acer Laboratories Inc. • Supervisor of Aspire Incubation Venture Capital • Director of Wistron Corp. • Supervisor of Apacer Technology Inc. • Director of iDSoftCapital Inc. • Supervisor of Dragon Investment Co., Ltd. • Chairman of Acer Capital Corp. • Others (Note)	-	-	-
Director	Hung Rouan Investment Corp.	06/13/2008	3	66,069,816	2.75	67,731,471	2.52		0	0	-	-	-	-	-
Supervisor	George Huang	06/13/2008	3	6,102,022	0.25	6,255,589	0.23		1,882,933	0.07	Bachelor	• Director of Apacer Technology Inc. • Independent Supervisor of Les Enphants Ltd. • Independent Supervisor of Mtech Industries Inc. • Independent Supervisor of PChome Online Inc. • Director of China Productivity Center • Independent Director of Golden Harvest Corp.	-	-	-
Supervisor	Carolyn Yeh	06/13/2008	3	17,255,708	0.72	17,689,688	0.66		74,761,958	2.78	Bachelor	• Director of Aspire Incubation Venture Capital • Chairman of iDSoftCapital Inc. • Supervisor of Acer Capital Corp.	Director	Stan Shih	Husband

Note: The Company appointed him to be the Director and/or President of the Company's certain subsidiaries.

Major Institutional Shareholders (April 20, 2010)

Name	Name of Major Shareholders	Percentage of Shares
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%
Smart Capital Corp.	Philip Peng	66.67%
	Jill Ho	33.33%

(2) Key Managers (April 20, 2010)

Title	Name	Date of Accession	Shares Held Directly		Shares Held by Spouse & Minors		Shares Held by the Other's		Education	Main Curriculum Vitae	Spouse or Immediate Family Holding Position as President or Vice President		
			Number	Percentage	Number	Percentage	Number	Percentage			Title	Name	Relationship
CEO of Acer Inc. & Corp. President	Gianfranco Lanci	01/01/2005	571,200	0.02	0	0	0	0	Bachelor	-	-	-	-
Sr. Corp. VP & EMEA Deputy President	Walter Deppeler	09/29/2007	0	0	0	0	0	0	Bachelor	-	-	-	-
Sr. Corp. VP & SHBG President	Aymar de Lencqueaing	01/01/2009	0	0	0	0	0	0	Bachelor	-	-	-	-
Sr. Corp. VP & ITGO President	Jim Wong	11/01/2001	4,596,430	0.17	0	0	0	0	Master	• Director of E-ten Information Systems Co., Ltd.	-	-	-
Corp. VP & PA President	Rudi Schmidleithner	09/29/2007	0	0	0	0	0	0	Bachelor	-	-	-	-
Corp. VP & AP President	Steve Lin	11/01/2001	2,301,551	0.09	0	0	0	0	Bachelor	-	-	-	-
Corp. VP & ACCN President	Oliver Ahrens	04/01/2009	0	0	0	0	0	0	Bachelor	-	-	-	-
Corp. VP, Marketing & Branding	Gianpiero Morbello	05/01/2008	0	0	0	0	0	0	Bachelor	-	-	-	-
Corp. VP & TWN Operation President	Scott Lin	11/01/2001	1,255,746	0.05	7,586	0	0	0	Bachelor	• Chairman of Minly Corp.	-	-	-
Corp. VP & CBG President	James Chiang	01/01/2002	1,216,241	0.05	5,163	0	0	0	Bachelor	• Chairman of Weblink International Inc. • Director of Lottery Technology Service Corp. • Director of Minly Corp.	-	-	-
Corp. VP & ETBG President	Simon Hwang	09/01/2008	5,790,540	0.22	3,434,432	0.13	0	0	Bachelor	• Chairman of E-ten Information Systems Co., Ltd.	-	-	-
Corp. VP & ACCN President	T.Y Lay	11/01/2001	0	0	0	0	0	0	Bachelor	-	-	-	-
EBG President	Ben Wan	05/16/2002	0	0	0	0	0	0	Master	• Director of Acer Cyber Center Services Ltd.	-	-	-
CFO	Che-Min Tu	12/01/2009	261,599	0.01	0	0	0	0	Master	• Director of Lottery Technology Service Corp. • Director of Multiventure Investment Inc. • Director of Acer Digital Service Co., • Director of Cross Century Investment Limited • Director of Acer Worldwide Inc.	-	-	-
CFO	Howard Chan	01/19/2000	0	0	0	0	0	0	Master	-	-	-	-
VP of ITGO	Campbell Kan	03/28/2007	537,339	0.02	3,821	0	0	0	Bachelor	-	-	-	-
VP of ITGO	Jackson Lin	02/16/2004	547,536	0.02	7,322	0	0	0	Bachelor	-	-	-	-
VP of ITGO	Towny Huang	01/01/2008	0	0	0	0	0	0	Bachelor	-	-	-	-
VP of ITGO	Wayne Ma	11/01/2008	1,746,733	0.06	505,618	0.02	0	0	Bachelor	-	-	-	-

Title	Name	Date of Accession	Shares Held Directly		Shares Held by Spouse & Minors			Shares Held by the Other's		Education	Main Curriculum Vitae	Spouse or Immediate Family Holding Position as President or Vice President		
			Number	Percentage	Number	Percentage		Number	Percentage			Title	Name	Relationship
VP of TWN Operation	Peter Shieh	11/01/2001	507,230	0.02	78,309	0		0	0	Bachelor	-	-	-	-
VP of TWN Operation	Jafa Lin	07/01/1996	181,047	0.01	0	0		0	0	Bachelor	-	-	-	-
VP of EBG	Angelina Hwang	09/01/2002	148,155	0	8,979	0		0	0	Bachelor	-	-	-	-
VP of EBG	Michael Wang	11/01/2008	7,254	0	0	0		0	0	Bachelor	-	-	-	-
Head of Branch Office	PH Wu	01/12/2006	45,412	0	0	0		0	0	Bachelor	-	-	-	-
Head of Branch Office	TC Yang	01/12/2006	107,454	0	0	0		0	0	Bachelor	-	-	-	-
Head of Branch Office	YS Shiau	01/12/2006	272,086	0.01	0	0		0	0	Bachelor	-	-	-	-

3.3 Corporate Governance Status

3.3.1 Meetings Held by the Board of Directors

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

Title	Name	No. of Meetings Attended	No. of Meetings Attended by Proxy	Meeting Attendance Rate (%)	Note
Chairman	J.T. Wang	7	0	100%	
Director	Stan Shih	7	0	100%	
Director	Hung Rouan Investment Corp.	6	1	86%	
Director	Gianfranco Lanci	7	0	100%	
Director	Walter Deppeler	7	0	100%	
Director	Philip Peng (Representative of Smart Capital Corp.)	7	0	100%	
Director	Hsin-I Lin	4	3	57%	

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 seven meetings. The record of the supervisors' attendances is shown below:

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

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 composition of the Board is taken into considerations of the business needs and operations of the Board. The Articles of Incorporation has been amended to elect independent director which should be followed in the elections in the future.	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

Items	Enforcement Status	Discrepancy between the corporate governance principles implemented by the Company and the Principles, and the reason for the discrepancy
D. The disclosure of information		
a. The utilization of website to disclose information on finance, operations and corporate governance	The Company has set up a website containing the information regarding its finance and operations. The Company also discloses the enforcement of corporate governance in the shareholders' meeting and other institutional investor meetings.	No discrepancy
b. Others means of disclosing information	The Company has one chief speaker, one acting speaker and designated team to be responsible for gathering and disclosing the information.	No discrepancy
E. The establishment and enforcement of Nomination and Compensation Committee or any other Functional Committees	The Company has established a Compensation Committee	No discrepancy
F. If the Company has implemented the corporate governance principles according to TSE Corporate Governance Best-Practice Principles, please identify the discrepancy between your principles and their implementation: Not applicable.		
G. Other important information that may facilitate better understanding of the status of corporate governance (e.g. human rights, employee rights, investors relationships, supplier relationships, interested parties' rights, D&O liabilities insurance, etc.): · The Company has actively participated in community or charitable activities, the details please refer to "6. Corporate Social Responsibility". · The Company has set up an exclusive web site for the new labor pension system containing information for employees regarding the laws and regulations, and to offer assistance. · In additional to the training courses required by authorities, the Company also held related training courses for members of the Board · The Company has clearly set forth in the rules for the proceedings of Board meetings, that a director shall voluntarily abstain from voting on a proposal involved with his/her own interests. · The Chairman of the Company does not act as the President, and both of them are not spouses or relatives within one degree of kinship. · The Company has purchased liability insurance for directors and officers.		

3.3.5 The Establishment and Enforcement of Compensation Committee

The Compensation Committee, comprising of the Chairman and non-executive Directors, is responsible for the performance assessment and compensation of the CEO, the performance assessment of the executive team, the compensation and bonus of employees, etc. Scheduled reviews are conducted, and meetings are called as necessary.

3.3.6 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

3.3.7 Statement of Internal Control System

Date: March 31, 2010

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 2009:

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

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

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

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

5. Based on the findings of the evaluation mentioned in the preceding paragraph, the Company believes that, as of December 31, 2009, 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 2009 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 31, 2010, 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

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

Resolutions of the Board of Directors' Meeting

Date	Meeting	Major Resolutions
Mar 31,2009	First 2009 BOD Meeting	I. The FY2008 Financial Statements and Business Report II. Amendments to Acer's "Procedures Governing Lending of Capital to Others" III. Amendments to Acer's "Procedures Governing Endorsement and Guarantee" IV. The Agenda and Logistics of 2009 General Shareholders' Meeting V. The Appointment of the Auditors of Acer Inc. VI. Acer's Statement of Internal Control System for 2008 VII. To Decide the Effective Date of New Issued Shares for the Execution of E-ten Employee Stock Option VIII. To Remove Mr. T.Y. Lay from Acer Management Team IX. To Appoint Mr. Oliver Ahrens as the President of Acer China Operations, and to Endow Him with the Title of Corp. V.P.
Apr 29, 2009	Second 2009 BOD Meeting	I. The First Quarter of FY2009 Non-consolidated and Consolidated Financial Statements II. The Proposal for Distribution of FY2008 Retained Earnings III. The New Issuance of Common Shares through Capital Increases IV. To Approve Issuance of Discounted Employee Stock Options and "Acer Incorporated 2009 Discounted Employee Stock Option Plan"(ESOP) V. To Amend the Convene Issue of the Company's 2009 General Shareholders' Meeting VI. To Approve Amendments to Acer's "Internal Control Systems" and "Internal Audit Implementation Rules"
Jun 19, 2009	First 2009 Special BOD Meeting	I. To Approve the Ex-dividend and Ex-right Date
Jul 30, 2009	Second 2009 Special BOD Meeting	I. To Purchase 29.9% Share (Equal to 10,166,000 Common Shares) of Olidata S.p.A(OLI:IM) from Poseidon S.r.1.
Aug 27, 2009	Third 2009 BOD Meeting	I. The First Half of FY2009 Financial Statements
Oct 30, 2009	Fourth 2009 BOD Meeting	I. To Approve the Third Quarter of FY2009 Financial Statements II. To Purchase 40% of Fizzle Investment Limited III. To Acquire Trademarks Currently Owned by Gateway Inc. IV. To Proposed to Restructure the Investment Framework of Acer EMEA Operations for EMEA Business and Financial Requirements. V. To Issue 14,000 units of Acer Incorporated 2009 Employee Stock Option VI. To Decide the Effective Date of the New Issued Shares for the Execution of E-ten Employee Stock Option VII. To Approve the Amendment to "Regulations Governing Shareholder Services"
Dec 17, 2009	Third 2009 Special BOD Meeting	I. Proposed to Amend a Total Accrual of NT$1,223,000,000 as the FY2009 Employee Bonus and Discounted Employee Stock Option Plan(ESOP) II. To Approve the Change of the Authorized Accounting Officer
Mar 31,2010	First 2010 BOD Meeting	I. The FY2009 Financial Statements and Business Report II. Amendments to" Acer's Articles of Incorporation" III. The Agenda and Logistics of 2010 General Shareholders' Meeting IV. The Appointment of the Auditors of Acer Incorporated V. Acer's Statement of Internal Control System for 2009 VI. To Decide the Effective Date of the New Issued Shared for the Execution of E-ten Employee Stock Option.
Apr 29,2010	Second 2010 BOD Meeting	I. The First Quarter of FY2010 Non-consolidated and Consolidated Financial Statements Reviewed by Auditors II. The Proposal for Distribution of FY2009 Retained Earnings III. The New Issuance of Common Shares through Capital Increases IV. To Approve Amendments to Acer's "Procedures Governing Lending of Capital to Others" V. To Approve Amendments to Acer's "Procedures Governing Endorsement and Guarantee" VI. To Approve Issuance of Discounted Employee Stock Options and "Acer Incorporated 2010 Discounted Employee Stock Option Plan"(ESOP) VII. To Amend the Convene Issue of the Company's 2010 General Shareholder's Meeting VIII. To Approve Selling Common Stock of Wistron Corporation up to 35,000,000 Shares

Implementation of Resolutions in 2009 General Shareholders' Meeting

Major Resolutions	Implementation
1. To accept the 2008 Financial Statements and Business Report	Approved by 2009 General Shareholders' Meeting
2. To approve the proposal for distribution of 2008 profits	Distributed stock and cash dividends to the shareholders on August 21, 2009.
3. To approve the New Issuance of Common Shares through Capital Increases	Amended the capital's registration to the Ministry of Economic Affairs
4. To approve issuance of discounted employee stock option	Approved by 2009 General Shareholders' Meeting
5. To approve amendments to Acer's "Procedures Governing Lending of Capital to Others"	Approved by 2009 General Shareholders' Meeting
6. To approve amendments to Acer's "Procedures Governing Endorsement and Guarantee"	Approved by 2009 General Shareholders' Meeting

4. Capital and Shares

4.1 Sources of Capital

4.1.1 Sources of Capital (April 20, 2010)

Unit: Share/NT$ Thousand

Date	Price of Issuance	Authorized Common stock		Paid-in Common stock		Notes
		Shares	Value	Shares	Value	
April, 2010	Share/NT$10	3,500,000,000	35,000,000	2,689,301,462	26,893,015	-

Unit: Share

Shares Category	Authorized capital			Notes
	Issued shares	Non-issued	Total	
Common shares	2,689,301,462	810,698,538	3,500,000,000	-

4.1.2 Shareholding Structure (April 20, 2010)

Unit: Share

Category/Number	Government Institution	Financial Institution	Other Institution	Individual	FINI and Foreign Investors	Total
No. of Shareholders	22	21	492	264,709	1,376	266,620
Shares	50,582,999	39,031,519	178,020,969	745,312,791	1,676,353,184	2,689,301,462
Percentage	1.88%	1.45%	6.62%	27.71%	62.33%	100.00%

4.1.3 Distribution of Shareholdings (April 20, 2010)

Category	No. of Shareholders	Shares	Percentage
1 ~ 999	159,715	48,530,716	1.805%
1,000 ~ 5,000	82,981	174,664,708	6.495%
5,001 ~ 10,000	13,144	92,428,000	3.437%
10,001 ~ 15,000	4,207	50,490,336	1.877%
15,001 ~ 20,000	1,876	32,714,845	1.216%
20,001 ~ 30,000	1,668	40,466,743	1.505%
30,001 ~ 50,000	1,115	42,585,973	1.584%
50,001 ~ 100,000	716	49,930,108	1.857%
100,001 ~ 200,000	378	53,156,988	1.977%
200,001 ~ 400,000	280	80,311,793	2.986%
400,001 ~ 600,000	131	64,418,679	2.395%
600,001 ~ 800,000	92	65,472,265	2.435%
800,001 ~ 1,000,000	46	41,044,919	1.526%
1,000,001 and above	271	1,853,085,389	68.906%
Total	**266,620**	**2,689,301,462**	**100.000%**

4.1.4 List of Major Shareholders (April 20, 2010)

Item / Name	Shares	Percentage
JPMorgan Chase Bank N.A. Taipei Branch in custody for Capital World Growth and Income Fund Inc.	127,236,451	4.73%
Acer GDR	82,947,962	3.08%
JPMorgan Chase Bank N.A. Taipei Branch in custody for Capital Income Builder, Inc.	76,420,444	2.84%
Stan Shih	74,761,958	2.78%
Hong Rong Investment Corp.	67,731,471	2.52%
JPMorgan Chase Bank N.A. Taipei Branch in custody for EuroPacific Growth Fund	60,547,830	2.25%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Saudi Arabian Monetary Agency - Credit Agricole Asset Management as external fund manager	54,450,241	2.02%
JPMorgan Securities Ltd.	43,368,893	1.61%
JPMorgan Chase Bank N.A. Taipei Branch in custody for Emerging Markets Growth Fund, Inc.	33,953,950	1.26%
Fidelity Funds	33,056,400	1.23%

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

Unit: NT$

Item / Period			2008	2009	Until Mar. 31, 2010
Market Price Per Share	Highest		69.46	96.20	103.00
	Lowest		39.33	39.65	84.50
	Average		54.92	65.58	94.47
Net Value Per Share	Before Distribution		31.70	31.16	35.74
	After Distribution		29.16	Un-appropriated	Un-appropriated
Earnings Per Share	Weighted Average Share Numbers		2,513,243 Thousand shares	2,632,379 Thousand shares	2,642,374 Thousand shares
	Earning Per Share	Current	4.72	4.31	1.25
		Adjusted	4.67	Un-appropriated	Un-appropriated
Dividend Per Share	Cash Dividend (NT$)		2	3.1	Un-appropriated
	Stock Dividend	Retained Earning (%)	0.1	0.01	
		Capital Surplus (%)	-	-	
	Accumulated Unpaid Dividends		-	-	-
Return on Investment Analysis	P/E Ratio		11.64	15.22	-
	P/D Ratio		27.46	21.15	-
	Cash Dividend Yield		3.64%	4.73%	-

4.1.6 Dividend Distribution Plan Proposed To General Shareholders' Meeting

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

The proposed dividend distribution plan, agreed by the Company's Board of Directors, will be submitted to the Shareholders' Meeting on June 18, 2010 for approval:
The Company proposed to appropriate NT$8,336,834,532 from retained earnings for shareholders' dividend and bonus as cash dividend. The cash dividend will be distributed to the Company's listed shareholders on the ex-right day based on their holdings at NT$3.1 per share.

Another NT$26,893,010 from retained earnings will be distributed to shareholders through issuance of shares. The stock dividend will be distributed to the listed shareholders with their respective holdings at the ratio of one shares for every one thousand shares held.

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

Description / Year			Estimates for 2010
Paid-in capital at the beginning of the term (Unit: NT$ Thousand)			26,882,283
Stocks, Dividend Allocated in the Year	Cash dividend per share (Note 1)		NT$3.1
	Stock allocated per share upon capital increase with earning		0.001 Share
	Stock allocated per share upon capital increase with capital reserve		0 Share
Change in Business Performance	Operating profit (Unit: NT$ Thousand)		N/A (Note 2)
	Increase (decrease) of operating profit compared with preceding year		
	Net profit after tax (Unit: NT$ Thousand)		
	Increase (decrease) of net profit after tax compared with preceding year		
	Earning per share (EPS) (NT$)		
	Increase (decrease) of EPS compared with preceding year		
	Annual average return rate of investment (on grounds of annual EPS)		
Presumed EPS and EPS Ratio	Assume earnings converted to capital increase are fully allocated as cash dividend	Presumed EPS	N/A (Note 2)
		Presumed annual average return rate of investment	
	If capital reserve was not converted to capital increase	Presumed EPS	
		Presumed annual average return rate of investment	
	If capital reserve was not converted to capital increase but allocated as cash dividend	Presumed EPS	
		Presumed annual average return rate of investment	

Note 1: Waiting to be approved by Shareholders' Meeting on June 18, 2010
Note 2: According to the "Regulations Governing the Publication of Financial Forecasts of Public Companies," the Company is not required to announce the Financial Forecasts information for year 2010.

4.1.8 Employees' Bonuses and Remunerations to Directors, Supervisors

1. Where this Company has earnings at the end of the business operational year, after paying all relevant taxes, making up losses of previous year, setting aside a legal reserve of ten percent (10%) and a special reserve as required by laws or competent authorities, the balance of the earnings shall be distributed as follows:
   (1) At least five percent (5%) as employee bonuses; Employees may include subsidiaries that meet certain criteria set by the board of directors.
   (2) One percent (1%) as remuneration of directors and supervisors; and
   (3) The remainder may be allocated to shareholders as bonuses.
2. The Board of Directors proposed a dividend distribution plan of year 2009 as follows:
   NT$600,000,000 as cash bonuses to employees, NT$200,000,000 as stock bonuses to employees, NT$122,096,526 as remuneration to directors and supervisors.
3. The Bonuses to Employees and Remunerations to Directors, Supervisors in 2009:

	2009			
	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 (Unit: NT$ Thousand)	NT$600,000	NT$600,000		
2. Stock Bonuses to Employees (1) Number of Shares (2) Value (Unit: NT$ Thousand) (3) Circulation Rate of Shares in Stock Market on Ex-right Day	(1)16,233,766 shares (2)900,000 (3)0.61%	(1)Note (2)900,000 (3)0.61%	-	-
3. Remunerations to Directors, Supervisors(Unit: NT$ Thousand)	NT$85,763	NT$85,763		
(2) Earning Per Share (EPS):				
Original EPS	NT$4.72	NT$4.72	-	-
Reset EPS	NT$4.72	NT$4.72		

Note: The employee bonus of NT$900,000,000 in 2008 will be distributed by stocks with the price per share calculated in accordance with the closing price on the day prior to 2009 General Shareholder's Meeting.

4.1.9 Stock Buyback: None

4.2 Corporate Bonds:

Not applicable.

4.3 Special Shares:

Not applicable.

4.4 Global Depository Receipts (GDRs) Issuance (March 31, 2010)

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$40.15
Total number of units issued	6,800,000units	4,000,000units
Sources of valuable securities demonstrated	Capital increased in cash	Capital increased in cash
Number of valuable securities demonstrated	Each unit stands for Acer's 5 common shares	Each unit stands for Acer's 5 common shares
Rights and obligations of GDR holders	Same as Acer's common shareholders	Same as Acer's common shareholders
Consignee	None	None
Depository organization	Citicorp	Citicorp
Custodian organization	Citibank Taipei Branch	Citibank Taipei Branch
Balance not retrieved	16,872,104 units of Global Deposit Receipt as representing 84,360,520 shares of common stocks	
Method to allocate fees incurred during the period of issuance and existence	The expenses incurred by issuance being taken to offset premium reserve. Expenses incurred during existence being taken as expenses of the current term.	The expenses incurred by issuance being taken to offset premium reserve. Expenses incurred during existence being taken as expenses of the current term.
Any key issue for the depository and custodian agreements	None	None
Market Price Per Share – 2009 – Highest	US$ 15.17	
Market Price Per Share – 2009 – Lowest	US$ 5.22	
Market Price Per Share – 2009 – Average	US$ 10.22	
Market Price Per Share – Until Mar. 31th, 2010 – Highest	US$ 16.40	
Market Price Per Share – Until Mar. 31th, 2010 – Lowest	US$ 12.94	
Market Price Per Share – Until Mar. 31th, 2010 – Average	US$ 14.68	

4.5 Employee Stock Options (March 31, 2010)

Employee Stock Option Granted	First Grant of 2008	First Grant of 2009
Approval Date by the Authority	September 15,2008	July 07,2009
Grant Date	November 03,2008	Octorber 30,2009
Number of Options Granted	14,000 units	14,000 units
Percentage of Shares Exercisable to Outstanding Common Shares (%)	0.5297	0.5213
Option Duration	3 years	3 years
Source of Option Shares	New common stocks	New common stocks
Vesting Schedule	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	0	0
Value of Shares Exercised	NT$ 0	NT$ 0
Shares Unexercised	14,000,000 shares	14,000,000 shares
Adjusted Exercise Price Per Share	NT$ 25.28	NT$ 42.9
Percentage of Shares Unexercised to Outstanding Common Shares (%)	0.5297	0.5213
Impact on Shareholders' Equity	Dilution to Shareholders' Equity is limited.	

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

None

5. Acer's Winning Formula

5.1 Acer's Winning Formula

Acer dedicates its resources toward research and development, marketing, sales and after-services of IT and communications devices. Today, our product offering includes notebooks, desktop PCs, LCD monitors, projectors, servers and smartphones. In 2009, our consolidated revenue was NT$573.98B (US$17.9B) and operating income reached NT$15.34B (US$479M). In the same year, Acer captured the No. 2 position for Total PCs and notebooks worldwide.

Over the past few years, Acer has demonstrated a strong growing momentum in global PC shipments. According to 2009 PC shipment data by Gartner Dataquest, Acer maintained steady annual growth with 28.9% despite the worldwide financial downturn, far surpassing the top PC players and securing its position as the world's No. 2 total PC vendor.

The successful mergers of Gateway (2007) and Packard Bell (2008) together completed Acer's global footprint by strengthening our presence in the U.S. and allowing a deeper penetration into the European and Asian markets. These acquisitions also marked the beginning of a new era for Acer with a multi-brand strategy that targets different geographic- and consumer segments. The Acer Group umbrella now consists of four brands – Acer, Gateway, Packard Bell and eMachines.

In 2008 Acer entered the smartphone market, a decision that reflects our expectation of the accelerating convergence between PC and handheld communication devices in the coming years. Through the convergence of the 4Cs, a new ICT industry is emerging and will present new opportunities in the form of products and services.

5.2 Keys to a Sustainable Future

5.2.1 Multi-brand Strategy

The PC is becoming a commodity. Acer is aware of the vast diversity among consumer tastes, that a single brand cannot cover the preferences of all market segments. Acer saw the opportunity for a multi-brand strategy by acquiring Gateway and Packard Bell. After extensive research and planning, Acer created a global multi-brand management framework, which has become an essential pillar of our success forward.

5.2.2 Sustainable and Profitable Business Model

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

5.2.3 Efficient and Competitive Global Operations

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

5.2.4 Fast Response and Decision Making

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

5.2.5 Customer-centric End-to-End Marketing Strengths

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

5.2.6 Growth and Scale

The recent mergers and combined scales have already created new synergies as predicted. With remarkable growths in revenue, operating income and market share worldwide, Acer is today more competitive than ever.

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 2008				Year 2009				Current year as of Mar. 31, 2010			
	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	175,166,900	41.81	(Note 1)	AEG	194,250,207	39.98	(Note 1)	AEG	52,544,586	37.57	(Note 1)
2	AAC	77,740,860	18.56	(Note 1)	AAC	130,941,632	26.95	(Note 1)	AAC	34,788,672	24.88	(Note 1)
3	AAPH	39,997,623	9.55	(Note 1)	AAPH	60,788,774	12.51	(Note 1)	AAPH	20,956,084	14.98	(Note 1)

Note 1: Subsidiary of the Company.

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

Unit: NT$ Thousand

Item	Year 2008				Year 2009				Current year as of Mar. 31, 2010			
	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	132,799,596	20.53	none	Supplier A	177,956,728	23.36	none	Supplier A	64,719,557	29.24	none
2	Supplier B	80,334,992	12.42	none	Supplier B	83,823,914	11.00	none				

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	2008		2009	
	Domestic Sales	Foreign Sales	Domestic Sales	Foreign Sales
Computer	12,048,647	330,534,725	13,414,825	392,305,898
Peripherals & Others	65,184,369	11,171,274	58,265,156	21,937,100
Total	77,233,016	341,705,999	71,679,981	414,242,998

5.3 Employees

5.3.1 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 11 straight years from 1999~2009; in 2006, Acer was honored for excellent service standards by Taiwan's renowned business magazine – CommonWealth; in 2007 Forbes selected Acer as one of the "Fabulous 50" – a list of the best of Asia-Pacific's biggest listed companies. In 2009, Acer became the world's No. 2 total PC and notebook vendor.

Summary of Acer's Workforce:

-By Manpower, Age and Years of Service

Date / Category	December 2008	December 2009	March 2010
Manpower	6,727	6,624	6,612
Average Age	37.5	35.6	35.6
Average Years of Employment	7.1	6.7	6.7

-By Job Function

Date / Job Function	December 2008	December 2009	March 2010
General Management	157	164	164
Sales & Product Marketing	1,857	1,921	1,915
Customer Service	2,710	2,570	2,529
Research & Development	510	582	599
Sales Support	872	804	820
Administration	621	583	585
Total	6,727	6,624	6,612

- By Education Level

Date / Education Level	December 2008	December 2009	March 2010
Doctor of Philosophy	0.2%	0.3%	0.3%
Master's Degree	19.0%	22.1%	22.3%
Bachelor's Degree	43.7%	42.6%	42.6%
Vocational Study	31.7%	29.9%	29.9%
Senior High School Below	5.4%	5.1%	4.9%
Total	100%	100%	100%

5.3.2 Recruitment

The Company abides to the labor laws and customs of each country where Acer has a presence. We are committed to providing equal opportunities and prohibit discrimination against candidates in regards to their ethnic origin, gender, age, religion or nationality. Acer seeks high-potential candidates with multi-disciplinary backgrounds in order to build a strong global workforce.

5.3.3 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-functioning in all layers of directive operations, and furthermore, to provide staff with a sound roadmap for career development paths.

· **Standards of Business Conduct**

Acer's Standards of Business Conduct are updated to enhance the overall corporate competitiveness and promote responsible role-playing in the social, economic, and environmental conduct of our operations,. 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 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 a caring, respectful and fair work environment.
2. Continue promoting technological innovation and providing high quality-assured products and services.
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 to 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.

· **Sexual Harassment Prevention Measures**

The Company is dedicated to ensuring sex equality and human dignity in the workplace, securing a 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 on joining the Company, which declares the obligations to protect confidential information and the restrictions on use of the confidential information during the employment period and employment termination.

5.3.4 Training and Development

Acer has created an employee training system incorporating solid people development programs and career development planning. People from diversified fields of profession are developed by means of on-the-job training, job rotation and expatriate assignments, and internal / external training modules, with an aim to strengthen core competencies and managerial skills for attaining their phased career goals.

The people development programs at Acer are devised to target the needs of corporate strategy development and function operations, which consist of the four systems: Managerial Training, Professional Training, General Education, and New Employee Training.

- Managerial Training: The management training scheme is primarily based on the levels of managerial responsibilities and development needs. There are three levels of managerial training programs: Supervisory, Middle, and Senior-Level core training. The programs aim at helping managers enhance their managerial efficiency by developing competencies in strategic thinking, teamwork building, problem solving and analysis, and strict execution capabilities, etc., with annual people management survey conducted to follow up the effectiveness.

- Professional Training: People in specialized functions advance their core profession by attending the core profession-related training programs, for example, branding and marketing management, product management, research and development, supply chain management, sales management, and quality/service training.

- General Education: The general education training are conducted for fulfilling the government regulatory needs, explaining and promulgating company policies, or developing general required competencies that include corporate social responsibility, labor safety and health, language training, communication skills, team-working, problem solving skills, and execution skills, etc.

- New Employee Training: The training programs guide new employees to speed up their awareness of general corporate functions and organization culture, which cover an overview of Acer's organization, culture, core values and standards of business conduct, policies and systems, IP sense, etc.

To implement the above training programs, the "Internal/External Training Management Process" and "Internal Trainer Selection Process" have been established. Managers are asked to conduct the courses and share hands-on practices and experiences with the class participants. Guest speakers are invited, for specialized training topics. When necessary, staff may be sent to attend specialized training hosted by reputable domestic or international training institutes. In 2009, 160 training classes were held in Taiwan, with a total of 2,895 training hours accumulated, attended by 2,235 people, and equivalent of 33,261 people-hours. The total annual training cost reached NT$10.6 million.

In addition, to encourage employees to advance their English proficiency through online English learning approach, have set the "Regulation for Subsidizing GlobalEnglish on-line learning", a subsidized fund is provided to those staff with prominent learning progress. Examination fees are subsidized for employees to acquire professional certificates, the "Regulation for Rewarding Professional Certificate" has been established.

5.3.5 Welfare

The Company abides to the labor laws and customs of each country where Acer has a presence, and aims to provide a comfortable working environment along with competitive fringe benefits to enhance productivity and creativity. Taking Taiwan for example, Acer has established a welfare committee that initiates activities for employee welfare. Besides conforming to labor regulations, the Company provides group insurance and educational grants, in addition to arranging family outings, internal social clubs, domestic and overseas holiday breaks, gift vouchers, and such.

5.3.6 Salary & Retention

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.

5.3.7 Pension Scheme

The Company abides the labor laws and customs of each country where Acer has a presence. 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.

5.3.8 Employee Relations

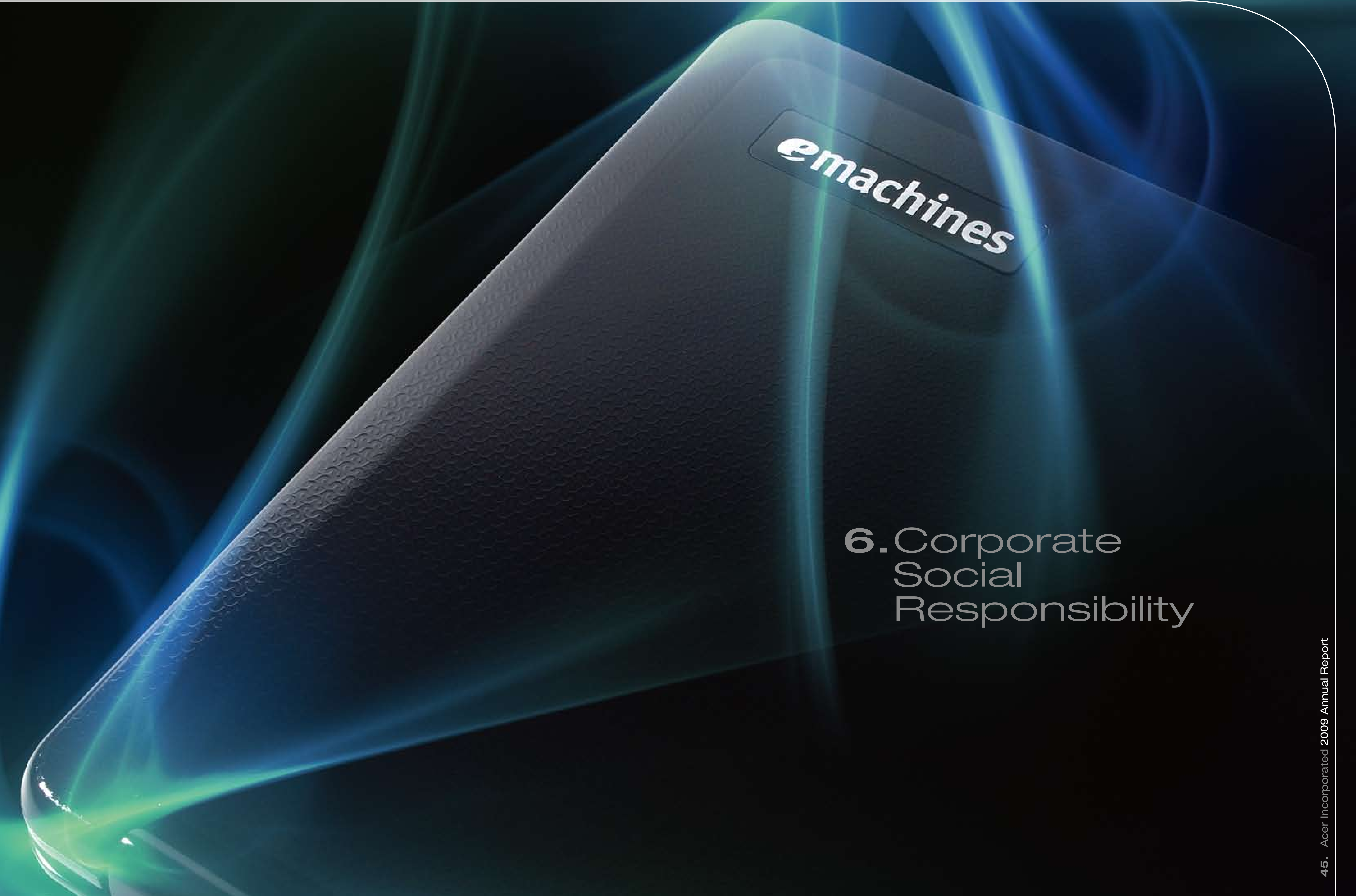
The Company respects employees' opinions and is dedicated to maintaining a harmonious relation between managers and their team members. In the past two years, Acer has not suffered any financial loss from employee conflict.

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

- Reporting Hotlines: 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 various aspects of the working experience at Acer, and pinpoint where attention needs to be addressed. Following, essential improvements are made for the overall Company and immediate managers' people management skills, respectively.

5.4 Important Contracts

Nature of Contracts	Contracting Parties	Beginning and Ending Dates of Contracts	Major Content	Restrictive Clauses
Software License Agreement	Microsoft Inc.	Aug 1, 2009~Jul 31, 2011	Obtain license from Microsoft for using certain software	Confidential Non-assignable
Patent License Agreement	IBM Corp.	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	Apr 1, 2004~Dec 31, 2010	Cross license arrangements for certain patents	Confidential Non-assignable
	MPEG LA, LLC	Jun 1, 1994 until the expiration of all MPEG-2 Patent Portfolio.	Obtain license for MPEG-2 encoding/decoding patents	Confidential Non-assignable
	Hewlett-Packard Development L.P.	Jun 13, 2008~Jun 12 2014	Cross license arrangements for certain patents	Confidential Non-assignable
Consultant Service Agreement	ID SoftCapital Inc.	Feb 1, 2005~Jan 31, 2010	Obtain consulting services from IDS in investment management	Confidential Non-assignable
Credit Facility Agreement	Coordinating Arranger: Citibank N.A., Taipei Branch	Oct 11, 2007~Oct 11, 2012	The syndicated financing in the amount of up to NT$19.8 billion	Confidential Non-assignable



6. Corporate Social Responsibility

Since Acer's major restructuring began at the end of 2000, the Company has focused on the sales and marketing of its brand name products, and in turn developed a one-of-a-kind Channel Business Model. At present, Acer has a full grasp of branding, marketing, technology, and products, as well as a comprehensive control of our global operations and service capabilities to meet the demands of our customers. We are keen to share our profits with our partners and to stay on top of the game in a very competitive market. As we expand our business horizons, so too has been our awareness of the heavy corporate responsibility that comes with the expectation for a multinational company.

We aim to actively meet our corporate social responsibility (CSR) within the context of stable profit and sustainable growth. Above all, we are dedicated to seeing the world grow as a whole by pursuing global economic growth, environmental protection and social progress. The vision of a sustainable Acer can be achieved through corporate responsibility, innovation, increasing profitability, operational efficiency and sustainability. Acer maintains its spirit of "Innovative Caring," we are dedicated to enhancing corporate performance, ensuring benefits for employees and shareholders, and providing consumers with state-of-the-art technology. Moreover, the Company observes important issues in regards to the environment, human rights, supplier management, community communications and philanthropy.

2005 was Acer's year of environmental management, and 2006 Acer's year of sustainability. Responding to challenges from the organizational level, Acer set up a Corporate Sustainability Office (CSO). We spent almost one year to complete an integrated strategy and set the 2008-2010 CSR action plans for a sustainable Acer. In spring 2008, the Board of Directors highlighted the milestones for embedding CSR within Acer, and designated Acer Inc. CEO & Corporate President Gianfranco Lanci as the corporate sustainability officer of the CSO. Acer's CSR agenda since 2008 focused on five areas: energy and climate, green product, recycling, supply chain management, and reporting. Acer is pushing for innovation among suppliers including lowering power consumption in multiple aspects, and the launching of a "thin and light" and affordable Aspire Timeline series notebooks with low carbon emission. Through such efforts, we believe that Acer can become a leading solution provider for a sustainable future.

6.1 Environmental, Safety and Health Management

Environmental Protection
Energy and Climate Change

In response to global warming and climate change, Acer's Integrated Strategy on Energy and Climate Change was formulated in 2008. With the goal of leading supply-chain members to take part in the fight against global warming, Acer began a comprehensive examination of all potential methods of energy conservation and carbon dioxide emissions reduction:

1. Enhance energy efficiency in products: As a sponsoring member of the Climate Saver Computing Initiative (CSCI), Acer pledged to adopt CSCI's objectives of producing and purchasing products of lower power consumption. Meanwhile, Acer focused on designing power-saving products with the goal of complying with new Energy Star standards, beginning in 2009 for desktop, notebook and monitor products.

2. Carbon disclosure: Acer began a corporate-wide green house gas (GHG) emission inventory in April 2008 with the GHG Protocol as the central guiding principles. We responded and publicly disclosed the questionnaire published by Carbon Disclosure Project (CDP) – an organization established by major investment bodies around the world since 2007. Acer is well aware of the significance of topics such as climate changes, GHG and their vital relation to supply chains, hence, our participating in the Supply Chain Program project initiated by the CDP and our calling on suppliers to start GHG inventory. In 2009, we engaged more suppliers and requested for more comprehensive information on GHG emission. We will continue calling for our suppliers' public disclosure of their GHG information, and also begin collecting transportation data relating to GHG emissions from our product logistics and after-sales services.

3. Product carbon disclosure: In addition to requesting our suppliers to respond to the CDP supply chain program questionnaire, Acer and its suppliers established an ad hoc working group in Q3 2009 to find a better way to prepare for Acer's product carbon footprint calculation and ways of GHG reduction. We have defined the roadmap for carbon disclosure and the temperate methodology for carbon calculation and allocation. Setting the base year as 2008, Acer has requested suppliers to summit their carbon emissions data for both development and production phases.

Safety and Health Management
Working Environment Safety Management Plan

At the Acer headquarters in Taiwan, employees and guests must use an access card to enter the general office areas in normal office hours. During holidays and evenings, 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.

Occupational Health and Safety Management System

Acer introduced the OHSAS 18001 (Occupational Health and Safety Assessment Series 18001) in the Taiwan headquarters in fall 2008. We believe the system can help us further manage occupational health and safety risks and reduce accidents. The system went into effect in 2009 and we obtained the OHSAS 18001 certificate in December 2009. Acer now has a more systematic management method of measure.

In addition to these jobsite safety and fire protection measures, Acer conducts two CO^2 level inspections and one electromagnetic wave inspection of the office area annually. These checks go to ensure a healthy and safe office environment, and to provide employees with a peace-of-mind.

Acer has set up its own firefighting operating procedure for the initial line of self-defense in an emergency. Acer's firefighting team at its Taiwan headquarters consists of an escape assistance squad, fire-extinguishing squad, reporting squad, first-aid squad, transport squad, and safety and prevention squad. 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. Random, unscheduled drills are made to ensure employees remain prepared. Cooperating with the Taipei County Fire Bureau, Acer Taiwan headquarters held two fire drills in 2009: the first was held for 130 employees on the ninth floor in June, the second was held for Acer's firefighting team of 36 employees from each office floor in November. These drills allowed employees to simulate their actions in a real fire incident.

Employees are the most valuable asset to Acer. An employee leisure zone has been set up along with a basketball court at the rooftop of the Acer headquarters. A series of lectures on health management is held to promote healthy living among employees, with topics ranging from allergies, nutrition to stress management and more. We established the Acer Sports Team to encourage employee participation in sports activities such as running and swimming. Employees are encouraged to get together outside of work and organize group activities where they can share interests and build friendships. Since 2008, Acer has organized a massage service for employees to help relief work pressure. Acer provides free physical examination to all the employees in Taiwan every three years in order to improve employee awareness in health management. In 2009, 71% of employees, about 1585 people, received the examination; follow up tracking reports were made for colleagues with signs of major health abnormality. These various activities help Acer's employees to better balance their professional and personal lives and to be more productive in their work.

6.2 Stakeholders Communication and Management

Supply Chain Management
Green Supply Chain Management

With increasing global environmental awareness, supply chain management is now adding environmental elements to the conventional production management-centered paradigm. In other words, environmental protection principles have been included in supply-chain management mechanisms. Acer and its suppliers are interdependent and therefore should work together towards the establishment of a green supply-chain management system. The system includes three main parts:

1. Environmental Management System: Acer demands that its first-tier suppliers establish an environmental management system. Currently all suppliers to Acer are ISO14001 certified
2. Eco Product Requirement: All suppliers should meet the Eco Product Requirement put forward by Acer
3. Restricted Chemical Materials Management: Acer requires suppliers to follow Acer's Guidance of Restricted Substances in Products. This management framework guarantees product quality and ensures the restricted use or elimination of hazardous chemical substances.

Electronic Industry Citizenship Coalition

Acer applied to the Electronic Industry Citizenship Coalition (EICC) in May 2008, and based on the EICC Code of Conduct developed an "Acer Supplier Code of Conduct." We believe the EICC Code of Conduct can reduce suppliers' duplicate work, build suppliers' capacity of human rights, health, safety, environment, ethics, and social responsibility in our supply chain.

In 2009, Acer suppliers were requested to sign the "Declaration of Compliance with Acer Supplier Code of Conduct" to enhance awareness and warrant their responsibilities. Moreover, suppliers had to answer the Self-Assessment Questionnaire (SAQ) to understand how they performed in social and environmental responsibility. We then evaluated their EICC SAQ result and conducted on-site audits, with a third party, of selected suppliers in December 2009.

Acer CSR Forum

Acer held its first CSR Forum at the end of 2008 to increase awareness on CSR and sustainable development among its suppliers and Taiwan's ICT industry. The theme was "Global Challenges to a Sustainable Development in 2008 and Bridging the Gap & Walking the Talk in 2009." Using the forum as a platform of sharing, Acer invited international and domestic CSR stakeholders to share experiences with the Taiwan ICT industry in the hopes of improving the sustainability of Taiwan's ICT industry. In 2008 and 2009, groups invited included CDP, CSCI, EICC, Greenpeace, Centre for Research on Multinational Corporations (SOMO), Workers' Assistance Center (WAC), Association in Sustainable & Responsible Investment in Asia (ASrIA), The International Chemical Secretariat (Chemsec) and Taiwan Environmental Action Network (TEAN).

Acer understands that to practice CSR fully requires the cooperation among all stakeholders. The forum enables Acer to collect stakeholders' opinions and recommendations to help draw up Acer's future CSR strategies, build relations with stakeholders based on mutual understanding and respect, and express Acer's standpoint and stance on CSR. Acer is committed to ongoing communications with its stakeholders and to influencing suppliers to enhance overall competitiveness.

Client Relations

Acer strives to meet customer demands by understanding exactly what our customers' need, and using our knowledge and skills to exceed their expectations through cutting-edge technology. Ultimately, we hope that customers are proud of their Acer products. Acer is ISO 9001 certified, which is primarily concerned with quality management and fulfillment of customer demands for quality. The quality policy of Acer is to "deliver zero-defect, competitive products and services on time." Product repair reports are reviewed every week with improvements immediately incorporated into the production lines. Customers can rest assured knowing that they have a safe product and that Acer will continue to provide comprehensive customer service.

6.3 Social Welfare

Acer Foundation

Founded in July 1996, the Acer Foundation was established through donations from various departments throughout the Company. Acer Foundation upholds the concept that "embracing technology allows us to widen our horizons" and believes the key to working together toward an international alliance of wisdom requires a long period of cultivation. Acer Foundation's mission is threefold: research and develop technology and management; cultivate talents; and reward and promote service.

In mid 2008, Acer Chairman J.T. Wang was elected as the CEO of Acer Foundation and took the foundation to a new phase by becoming involved in the Company's resolution to promote CSR. Acer Foundation will serve as a platform for international and domestic CSR stakeholders to communicate and help the ICT industry in Taiwan to become more sustainable.

When a devastating flood caused by Typhoon Morakot hit southern Taiwan in August 2009, Acer Foundation donated NT$20 million to the "88 Flood Reconstruction Digital Opportunity Project" which provided computers for the seven affected counties to apply and promote IT education professions.

To tie in with the sponsorship made by Acer Inc. to the Vancouver 2010 Olympic Winter Games, Acer Foundation held a Lunarfest Lantern Drawing Campaign with the theme of Environmental Protection or Cultural Heritage in 2009. The campaign was held both in Taiwan and Canada to promote cultural exchanges and transformed 2010 designs onto lanterns for the Lantern Forest street art exhibition in Vancouver.

Acer Volunteers

The Acer Volunteer Team was established in October 2004 for the purpose of giving colleagues a channel to contribute their spare time and energy to public welfare services. Apart from providing opportunities for interaction and friendship between colleagues from different departments and backgrounds, Acer volunteers bring new life experiences and personal growth through their activities.

In the initial stage, volunteer activities mainly revolved around Acer's core business and involved setting up Internet service, computer repair, software design, and providing assistance to disadvantaged minority groups. Since 2007, the Acer Volunteer Team gradually expanded its scope of charity to cover various kinds of activities, including monetary, blood, and second-hand goods donation. Acer volunteers also funded after-class projects for less privileged children in Taiwan's Hsichih county every year. To raise environmental awareness among our employees, Acer volunteers hold related activities from Earth Day on April 22 to the summer solstice lights out day on June 21 every year. The Acer Volunteers started promoting the practice of switching off office lights during lunch breaks in 2008, and taking stairs and relying less on elevators in 2009.

To encourage employee contribution to our society and community, Acer Taiwan added a new category of staff leave in 2008 – volunteer service leave. Acer Taiwan employees are entitled to a maximum of two days paid volunteer leave per year. The Acer Volunteer Team called upon our colleagues to participate in two volunteer activities held by the Taipei Summer Deaflympics and the Red Cross Society. Many even used their own holiday leave for volunteering work at the Taipei Summer Deaflympics. In the future, Acer volunteers will keep giving back to society and manifest corporate responsibility.

7. Financial Standing

7.1 Five-Year Consolidated Financial Information

7.1.1 Five-Year Balance Sheet

As of March 31, 2010
Unit: NT$ Thousand

Item / Period		Most Recent 5-Year Financial Information					Current year as of Mar. 31, 2010
		2005	2006	2007	2008	2009	
Current Assets		139,242,560	161,267,661	191,626,201	186,390,592	232,107,877	222,417,223
Fund and Long-term Equity Investments		17,605,973	13,835,538	11,202,652	6,773,547	8,872,750	8,698,686
Net Property, Plant and Equipment		9,468,157	6,190,501	8,636,441	9,336,221	8,676,173	8,567,366
Intangible Assets		501,878	396,682	25,926,493	34,746,765	35,444,068	34,823,623
Other Assets		4,763,374	6,809,916	5,891,555	6,195,100	5,923,820	6,261,308
Total Assets		171,581,942	188,500,298	243,283,342	243,442,225	291,024,688	280,768,208
Current Liabilities	Before Distribution	102,158,601	109,970,460	142,842,574	149,315,158	179,846,517	167,693,185
	After Distribution	109,390,340	119,487,678	154,601,124	154,601,124	Un-appropriated	Un-appropriated
Long-term Liabilities		146,623	168,627	16,790,876	4,134,920	12,371,856	12,361,548
Other Liabilities		2,027,268	2,805,428	6,240,899	7,114,532	5,928,652	5,846,443
Total Liabilities	Before Distribution	104,332,491	112,944,515	165,874,348	160,564,610	198,147,026	185,901,176
	After Distribution	111,564,230	122,461,733	165,850,575	165,850,575	Un-appropriated	Un-appropriated
Common Stock		22,545,187	23,370,637	24,054,904	26,428,560	26,882,283	26,882,283
Capital Surplus		30,552,132	29,947,020	29,898,982	37,129,952	38,494,118	38,616,522
Retained Earnings	Before Distribution	16,123,212	18,284,265	21,041,713	22,771,901	28,575,011	31,869,488
	After Distribution	8,891,473	8,767,047	17,485,935	17,485,935	Un-appropriated	Un-appropriated
Unrealized Gain (loss) on Financial Assets		65,608	4,361,608	2,524,500	(1,729,631)	1,014,317	860,955
Translation Adjustments		(226,806)	1,335,500	2,733,899	1,241,058	959,621	(305,102)
Minimum Pension Liability Adjustment		(0)	0	(173,364)	(283)	(7,908)	(4,367)
Treasury Stock		(3,270,920)	(3,270,920)	(3,270,920)	(3,522,598)	(3,522,598)	(3,522,598)
Minority Interest		1,461,038	1,527,674	599,280	558,656	482,819	469,851
Stockholders' Equity	Before Distribution	67,249,451	75,555,783	77,408,994	82,877,615	92,877,662	94,867,032
	After Distribution	60,017,712	66,038,565	77,591,648	77,591,648	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, 2010
	2005	2006	2007	2008	2009	
Operating Revenue	318,087,679	350,816,353	462,066,080	546,274,115	573,982,544	162,129,895
Gross Profit	34,121,461	38,171,313	47,418,310	57,285,660	58,327,860	15,713,786
Operating (Loss) Income	7,648,961	7,462,446	10,185,123	14,072,302	15,339,466	4,385,394
Non-operating Income and Gain	7,176,374	9,266,120	6,699,671	5,353,038	1,719,037	360,534
Non-operating Expense and Loss	4,172,803	3,180,259	1,776,157	4,618,613	2,075,520	587,185
Continuing Operating Income Before Tax	10,652,532	13,548,307	15,108,637	14,806,727	14,982,983	4,158,743
Income(Loss) from Discontinued Segment	0	0	517,866	99,843	0	0
Extraordinary Items	0	0	0	0	0	0
Cumulative Effect of Changes in Accounting Principle	0	0	0	0	0	0
Income After Income Taxes	8,477,502	10,218,242	12,958,933	11,742,135	11,353,374	3,294,477
EPS	3.45	4.16	5.27	4.67	4.31	1.25

7.1.3 CPAs and Auditors' Opinions

Year	Name of CPA(s)	Auditors' Opinion
2005	Sonia Chang, Winston Yu	Modified unreserved
2006	Winston Yu, Albert Lou	Modified unreserved
2007	Sonia Chang, Winston Yu	Unreserved
2008	Sonia Chang, Agnes Yang	Modified unreserved
2009	Sonia Chang, Agnes Yang	Unreserved

7.2 Five-Year Financial Analysis

Item	Period	Most Recent 5-Year Financial Information					Current year as of Mar. 31, 2010
		2005	2006	2007	2008	2009	
Operating Revenue	Total Liabilities to Total Assets	60.81	59.92	68.18	65.96	68.09	66.21
	Long-term Debts to Fixed Assets	733.23	1,268.55	1,162.99	1,008.19	1,281.42	1,319.83
Ability to Payoff Debt	Current Ratio (%)	136.30	146.65	134.15	124.83	129.06	132.63
	Quick Ratio (%)	106.20	121.20	106.32	95.47	98.43	99.08
	Interest Protection	29	33	21	12	25	25
Ability to Operate	A/R Turnover (Times)	6.05	5.26	5.34	5.18	5.19	5.64
	A/R Turnover Days	60	69	68	70	70	65
	Inventory Turnover (Times)	13.39	12.01	13.88	13.24	11.31	11.38
	Inventory Turnover Days	27	30	26	28	32	32
	A/P Turnover (Times)	5.67	4.72	5.63	6.39	5.79	5.86
	Fixed Assets Turnover (Times)	33.60	56.67	53.50	58.51	66.16	75.70
	Total Assets Turnover (Times)	1.85	1.86	1.90	2.24	1.97	2.31
Earning Ability	Return on Assets (%)	5.92	5.85	6.27	5.23	4.42	4.79
	Return on Equity (%)	13.10	14.31	16.94	14.65	12.92	14.04
	To Pay-in Capital (%) – Operating Income	33.93	31.93	42.34	53.25	57.06	65.25
	To Pay-in Capital (%) – PBT	47.25	57.97	62.81	56.03	55.74	61.88
	Net Income Ratio (%)	2.67	2.91	2.80	2.15	1.98	2.03
	EPS(NTD)	3.45	4.16	5.27	4.67	4.31	1.25
Cash Flow (%)	Cash Flow Ratio	6.97	12.03	(4.59)	(3.46)	21.24	(10.05)
	Cash Flow Adequacy Ratio	46.41	61.02	26.47	17.55	47.06	28.96
	Cash Reinvestment Ratio	3.11	7.89	(19.89)	(21.40)	40.47	(20.10)
Leverage	Operating Leverage	2.93	3.45	2.99	3.14	3.12	2.92
	Financial Leverage	1.05	1.06	1.08	1.10	1.04	1.04

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 x (1 − interest 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 2010 General Shareholders' Meeting

The Board of Directors of the Company has prepared the 2009 financial report, including balance sheet, statement of income, statements of changes in stockholders' equity, and statement of cash flows. Sonia Chang and Agnes Yang at KPMG have been retained by the Board of Directors of the Company to issue an audit report. The undersigned supervisors have reviewed the audit report and the aforesaid documents, which made by the Board of Directors in compliance with Article 228 of the Company Law, and did not find any incompliance. In accordance with Article 219 of the Company Law, it is hereby submitted for your review and perusal.

Supervisor: George Huang

Supervisor: Carolyn Yeh

Dated: March 31, 2010

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

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2008 and 2009

(With Independent Auditors' Report Thereon)

Independent Auditors' Report

The Board of Directors
Acer Incorporated:

We have audited the accompanying consolidated balance sheets of Acer Incorporated (the "Company") and subsidiaries as of December 31, 2008 and 2009, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Acer Incorporated and subsidiaries as of December 31, 2008 and 2009, and the results of their consolidated operations and their consolidated cash flows for the years then ended, in conformity with accounting principles generally accepted in the Republic of China.

As discussed in note 3 to the consolidated financial statements, effective on January 1, 2008, Acer Incorporated and subsidiaries recognized, measured and disclosed employee bonuses and directors' and supervisors' remunerations according to Interpretation (2007) 052 issued by the Accounting Research and Development Foundation of the Republic of China. The changes in accounting principle decreased the consolidated net income and basic earnings per share for the year ended December 31, 2008, by NT$1,483,776 thousand and NT$0.59, respectively.

The consolidated financial statements as of and for the year ended December 31, 2009, 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(26) to the consolidated financial statements.

Taipei, Taiwan (the Republic of China)
March 19, 2010

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, 2008 and 2009
(Expressed in thousands of New Taiwan dollars and US dollars)

Assets	2008 NT$	2009 NT$	2009 US$
Current assets:			
Cash and cash equivalents (note 4(1))	22,141,725	53,616,067	1,673,933
Notes and accounts receivable, net of allowance for doubtful accounts of NT$1,681,844 and NT$2,356,672 as of December 31, 2009 and 2008, respectively (note 4(2))	107,826,311	111,858,366	3,492,300
Notes and accounts receivable from related parties (note 5)	841,465	600,306	18,742
Other receivable from related parties (note 5)	45,173	21,507	671
Other receivables (note 4(3))	8,807,454	9,263,152	289,202
Financial assets at fair value through profit or loss – current (notes 4(4) and 4(24))	354,751	157,659	4,922
Available-for-sale financial assets – current (notes 4(6) and 4(24))	591,444	223,437	6,976
Hedging purpose derivative financial assets – current (notes 4(6) and 4(24))	1,022,782	1,275,157	39,811
Inventories (note 4(7))	40,028,195	51,184,953	1,598,032
Prepayments and other current assets	1,525,555	1,694,058	52,890
Deferred income tax assets – current (note 4(18))	2,282,943	2,213,215	69,098
Restricted deposits (note 6)	922,794	-	-
Total current assets	186,390,592	232,107,877	7,246,577
Long-term investments:			
Investments accounted for using equity method (note 4(9))	2,928,790	3,314,950	103,495
Available-for-sale financial assets – noncurrent (notes 4(10) and 4(24))	1,160,487	3,306,742	103,239
Financial assets carried at cost (notes 4(8) and 4(24))	2,684,270	2,251,058	70,280
Total long-term investments	6,773,547	8,872,750	277,014
Property, plant and equipment (notes 4(11) and 6):			
Land	2,678,408	2,509,029	78,334
Buildings and improvements	5,294,056	5,386,921	168,184
Computer equipment and machinery	3,348,086	3,059,222	95,511
Transportation equipment	120,069	110,866	3,461
Office equipment	1,128,167	977,582	30,521
Leasehold improvements	816,904	959,257	29,948
Other equipment	1,136,428	1,171,560	36,577
Construction in progress and advance payments for purchases of property and equipment	30,692	83,680	2,612
	14,552,810	14,258,117	445,148
Less: accumulated depreciation	(4,922,662)	(4,904,235)	(153,114)
accumulated impairment	(293,927)	(677,709)	(21,158)
Net property, plant and equipment	9,336,221	8,676,173	270,876
Intangible assets (note 4(13))	34,746,765	35,444,068	1,106,590
Property not used in operation (note 4(12))	2,996,721	2,971,542	92,774
Other financial assets (notes 4(14), 4(24) and 6)	868,760	789,711	24,655
Deferred charges and other assets (notes 4(17) and 4(18))	2,329,619	2,162,567	67,517
Total assets	243,442,225	291,024,688	9,086,003

ACER INCORPORATED AND SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2008 and 2009
(Expressed in thousands of New Taiwan dollars and US dollars)

Liabilities and Stockholders' Equity	2008 NT$	2009 NT$	2009 US$
Current liabilities:			
Short-term borrowings (notes 4(15) and 6)	1,086, 851	548,059	17,111
Current portion of long-term debt (notes 4(16) and 6)	8,250,000	-	-
Notes and accounts payable	64,365,616	95,831,720	2,991,936
Notes and accounts payables to related parties (note 5)	7,750,220	10,232,364	319,462
Financial liabilities at fair value through profit or loss – current (notes 4(5) and 4(24))	1,011,739	162,539	5,075
Other payables to related parties (note 5)	189,964	92,187	2,878
Hedging purpose derivative financial liabilities – current (notes 4(6) and 4(24))	872,038	196,714	6,142
Royalties payable	13,228,769	16,337,817	510,079
Accrued expenses and other current liabilities	51,903,351	55,764,403	1,741,005
Deferred income tax liabilities – current (note 4(18))	656,610	680,714	21,252
Total current liabilities	149,315,158	179,846,517	5,614,940
Long-term liabilities:			
Long-term debt, excluding current portion (notes 4(16), 4(24) and 6)	4,134,920	12,371,856	386,258
Other liabilities (note 4(17))	840,433	384,706	12,011
Deferred income tax liabilities – noncurrent (note 4(18))	6,274,099	5,543,947	173,086
Total long-term liabilities	11,249,452	18,300,509	571,355
Total liabilities	160,564,610	198,147,026	6,186,295
Stockholders' equity and minority interest:			
Common stock (notes 4(19) and 4(20))	26,428,560	26,882,283	839,285
Capital surplus (notes 4(9) and 4(19))	37,129,952	38,494,118	1,201,814
Retained earnings			
Legal reserve	8,786,583	9,960,796	310,983
Special reserve	-	1,991,615	62,180
Unappropriated earnings (note 3)	13,985,318	16,622,600	518,970
Other equity components			
Foreign currency translation adjustment	1,241,058	959,621	29,960
Minimum pension liability adjustment	(283)	(7,908)	(247)
Unrealized gain (loss) on available-for-sale financial assets (note 4(10))	(1,456,066)	1,001,919	31,280
Hedging reserve (Note 4(6))	(273,565)	12,398	387
Treasury stock (note 4(19))	(3,522,598)	(3,522,598)	(109,978)
Total stockholders' equity	82,318,959	92,394,844	2,884,634
Minority interest	558,656	482,818	15,074
Total stockholders' equity and minority interest	82,877,615	92,877,662	2,899,708
Commitments and contingencies (note 7)			
Total liabilities and stockholders' equity	243,442,225	291,024,688	9,086,003

ACER INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Income
Years ended December 31, 2008 and 2009
(Expressed in thousands of New Taiwan dollars and US dollars, except for per share data)

	2008 NT$	2009 NT$	2009 US$
Revenues (note 5)	546,274,115	573,982,544	17,920,154
Cost of revenues (notes 4(7) and 5)	(488,988,455)	(515,654,684)	(16,099,116)
Gross profit	57,285,660	58,327,860	1,821,038
Operating expenses (notes 4(13), 4(17), 4(20), 5 and 10)			
Selling	(35,764,261)	(35,729,296)	(1,115,495)
Administrative	(6,899,059)	(6,372,585)	(198,957)
Research and development	(550,038)	(886,513)	(27,677)
Total operating expenses	(43,213,358)	(42,988,394)	(1,342,129)
Operating income	14,072,302	15,339,466	478,909
Non-operating income and gains:			
Interest income	1,207,826	361,656	11,291
Investment gain recognized using equity method, net (note 4(9))	404,184	400,098	12,491
Gain on disposal of property and equipment, net (note 4(11))	515,272	-	-
Gain on disposal of investments, net (notes 4(4), 4(8), 4(9) and 4(10))	2,709,524	79,162	2,472
Foreign currency exchange gain and valuation gain on financial instruments, net (notes 4(5) and 4(6))	-	473,648	14,788
Other income (note 4(9))	516,232	404,473	12,628
	5,353,038	1,719,037	53,670
Non-operating expenses and losses:			
Interest expense	(1,305,746)	(622,080)	(19,422)
Other investment loss (note 4(8))	(416,404)	(231,934)	(7,241)
Loss on disposal of property and equipment, net (note 4(11))	-	(103,055)	(3,217)
Restructuring cost (note 4(21))	(1,582,408)	(164,595)	(5,139)
Foreign currency exchange loss and valuation loss on financial instruments, net (notes 4(5) and 4(6))	(866,315)	-	-
Impairment of non-financial assets (notes 4(11) and 4(12))	(221,931)	(395,109)	(12,336)
Other loss	(225,809)	(558,747)	(17,444)
	(4,618,613)	(2,075,520)	(64,799)
Income from continuing operations before income taxes	14,806,727	14,982,983	467,780
Income tax expense (note 4(18))	(3,169,446)	(3,630,123)	(113,335)
Income from continuing operations	11,637,281	11,352,860	354,445
Income from discontinued operations (net of income taxes of NT$0) (note 4(22))	99,843	-	-
Consolidated net income	**11,737,124**	**11,352,860**	**354,445**
Net income attributable to:			
Shareholders of parent company	11,742,135	11,353,374	354,445
Minority shareholders	(5,011)	(514)	(16)
	11,737,124	**11,352,860**	**354,445**
Earnings per common share (in New Taiwan dollars) (note 4(23)):	**NT$**	**NT$**	**US$**
Basic earnings per common share－retroactively adjusted	**4.67**	**4.31**	**0.13**
Diluted earnings per common share	**4.60**	**4.26**	**0.13**

ACER INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Changes in Stockholders' Equity
Years ended December 31, 2008 and 2009
(Expressed in thousands of New Taiwan dollars and US dollars)

			Retained earnings									
	Common Stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Foreign currency translation adjustment	Minimum pension liability adjustment	Unrealized gain (loss) on available-for-sale financial assets	Hedging reserve	Treasury stock	Minority interest	Total stockholders' equity
	NT$	NT$	NT$	NT$	NT$	NT$	NT$	NT$	NT$	NT$	NT$	NT$
Balance at January 1, 2008	24,054,904	29,898,983	7,490,689	-	13,551,024	2,733,899	(173,364)	2,508,663	15,836	(3,270,920)	599,280	77,408,994
2008 net income	-	-	-	-	11,742,135	-	-	-	-	-	(5,011)	11,737,124
Foreign currency translation adjustment	-	-	-	-	-	(1,492,841)	-	-	-	-	-	(1,492,841)
Unrealized loss on qualifying cash flow hedge	-	-	-	-	-	-	-	-	(289,401)			(289,401)
Appropriation approved by the stockholders (note 4(19)):								-				
Legal reserve	-	-	1,295,894	-	(1,295,894)	-	-	-	-	-	-	-
Stock dividends and employees' bonuses in stock	690,823	-	-	-	(690,823)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(8,659,766)	-	-	-	-	-	-	(8,659,766)
Directors' and supervisors' remuneration	-	-	-	-	(116,630)	-	-	-	-	-	-	(116,630)
Employees' bonuses in cash	-	-	-	-	(544,728)	-	-	-	-	-	-	(544,728)
Cash dividends distributed to subsidiaries	-	114,832	-	-	-	-	-	-	-	-	-	114,832
Decrease in capital surplus resulting from long-term investments accounted for using the equity method (note 4(9))	-	(78,255)	-	-	-	-	-	-	-	-	-	(78,255)
Unrealized valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	(3,964,729)	-	-	-	(3,964,729)
Minimum pension liability adjustment	-	-	-	-	-	-	173,081	-	-	-	-	173,081
Issuance of shares for acquisitions (note 4(19))	1,681,589	7,155,678	-	-	-	-	-	-	-	-	-	8,837,267
Issuance of stock from exercising stock options (note 4(19))	1,244	858	-	-	-	-	-	-	-	-	-	2,102
Stock-based compensation cost (note 4(20))	-	37,856	-	-	-	-	-	-	-	-	-	37,856
Treasury stock held by subsidiaries	-	-	-	-	-	-	-	-	-	(251,678)	-	(251,678)
Decrease in minority interest	-	-	-	-	-	-	-	-	-	-	(35,613)	(35,613)
Balance at December 31, 2008	26,428,560	37,129,952	8,786,583	-	13,985,318	1,241,058	(283)	(1,456,066)	(273,565)	(3,522,598)	558,656	82,877,615
2009 net income	-	-	-	-	11,353,374	-	-	-	-	-	(514)	11,352,860
Foreign currency translation adjustment	-	-	-	-	-	(281,437)	-	-	-	-	-	(281,437)
Unrealized gain on qualifying cash flow hedge	-	-	-	-	-	-	-	-	285,963	-	-	285,963
Appropriation approved by the stockholders (note 4(19)):												
Legal reserve	-	-	1,174,213	-	(1,174,213)	-	-	-	-	-	-	-
Special reserve	-	-	-	1,991,615	(1,991,615)	-	-	-	-	-	-	-
Stock dividends to shareholders	264,298	-	-	-	(264,298)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(5,285,966)	-	-	-	-	-	-	(5,285,966)
Employees' bonuses in stock	162,338	737,662	-	-	-	-	-	-	-	-	-	900,000
Cash dividends distributed to subsidiaries	-	70,510	-	-	-	-	-	-	-	-	-	70,510
Increase in capital surplus resulting from long-term investments accounted for using the equity method (note 4(9))	-	180,899	-	-	-	-	-	-	-	-	-	180,899
Unrealized valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	2,457,985	-	-	-	2,457,985
Minimum pension liability adjustment	-	-	-	-	-	-	(7,625)	-	-	-	-	(7,625)
Issuance of stock from exercising stock options (note 4(19))	27,087	76,503	-	-	-	-	-	-	-	-	-	103,590
Stock-based compensation cost (note 4(20))	-	298,592	-	-	-	-	-	-	-	-	-	298,592
Decrease in minority interest	-	-	-	-	-	-	-	-	-	-	(75,324)	(75,324)
Balance at December 31, 2009	26,882,283	38,494,118	9,960,796	1,991,615	16,622,600	959,621	(7,908)	1,001,919	12,398	(3,522,598)	482,818	92,877,662
Balance at December 31, 2009 (in US$)	839,285	1,201,814	310,983	62,180	518,970	29,960	(247)	31,280	387	(109,978)	15,074	2,899,708

ACER INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Years ended December 31, 2008 and 2009
(Expressed in thousands of New Taiwan dollars and US dollars)

	2008 NT$	2009 NT$	2009 US$
Cash flows from operating activities:			
Consolidated net income	11,737,124	11,352,860	354,445
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation	955,880	846,303	26,422
Amortization	1,245,561	1,860,284	58,079
Loss (gain) on disposal of property and equipment, net	(515,272)	103,055	3,217
Gain on liquidation of investments	-	(4,236)	(132)
Gain on disposal of investments, net	(2,709,524)	(79,162)	(2,471)
Net investment gain on equity method investments, net of cash dividends received	(146,392)	(320,773)	(10,015)
Other investment loss	416,404	231,934	7,241
Gain on disposal of intangible assets	-	(46,037)	(1,437)
Impairment of non-financial assets	221,931	395,109	12,336
Restructuring cost	1,582,408	164,595	5,139
Stock-based compensation cost	37,856	298,592	9,322
Deferred income tax expense (benefit)	786,086	(951,327)	(29,701)
Changes in operating assets and liabilities:			
Notes and accounts receivable	452,252	(4,032,056)	(125,884)
Receivables from related parties	(327,579)	241,158	7,529
Inventories	(4,882,424)	(11,173,624)	(348,849)
Other financial assets, prepayments and other current assets	(2,070,311)	(720,480)	(22,494)
Noncurrent receivable (under other financial assets – noncurrent)	186,604	69,926	2,183
Notes and accounts payable	(16,097,164)	31,466,106	982,395
Payables to related parties	2,447,835	2,384,367	74,442
Royalties payable, accrued expenses and other current liabilities	1,831,291	6,563,601	204,920
Other liabilities	(319,014)	(458,091)	(14,302)
Cash provided by (used in) operating activities	(5,166,448)	38,192,104	1,192,385
Cash flows from investing activities:			
Proceeds from disposal of available-for-sale financial assets – current	2,891,868	480,068	14,988
Proceeds from disposal of long-term investments	3,449,388	562,612	17,565
Increase in long-term investments	(171,717)	(259,905)	(8,114)
Proceeds from capital return and liquidation of investees	462,551	231,897	7,240
Proceeds from disposal of property, plant and equipment and property not used in operation	2,068,099	75,067	2,343
Additions to property, plant and equipments and property not used in operation	(597,526)	(771,575)	(24,089)
Increase in intangible assets and other assets	(435,746)	(3,077,879)	(96,094)
Proceeds from disposal of intangible assets	-	25,000	781
Decrease (increase) in advances to related parties	(14,230)	23,666	739
Decrease in restricted deposits	1,813,448	922,794	28,810
Acquisition of subsidiaries, net of cash acquired	(719,026)	-	-
Cash provided by (used in) investing activities	8,747,109	(1,788,255)	(55,831)
Cash flows from financing activities:			
Decrease in short-term borrowings	(4,285,258)	(538,792)	(16,821)
Repayment of long-term debt	(4,423,321)	(10,702)	(334)
Distribution of cash dividends	(8,544,934)	(5,215,456)	(162,830)
Distribution of employees' bonus (2007 earnings)	(544,728)	-	-
Distribution of directors' and supervisors' remuneration (2007 earnings)	(116,630)	-	-
Proceeds from exercise of employee stock option	2,102	103,590	3,234
Decrease in minority interests	(42,354)	(63,768)	(1,991)
Cash used in financing activities	(17,955,123)	(5,725,128)	(178,742)
Net increase (decrease) in cash and cash equivalents	(14,374,462)	30,678,721	957,812
Effects of exchange rate changes	(1,429,152)	795,621	24,840
Cash and cash equivalents at beginning of year	37,945,339	22,141,725	691,281
Cash and cash equivalents at end of year	**22,141,725**	**53,616,067**	**1,673,933**

ACER INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Years ended December 31, 2008 and 2009
(Expressed in thousands of New Taiwan dollars and US dollars)

	2008 NT$	2009 NT$	2009 US$
Supplemental disclosures of cash flow information			
Interest paid	**1,275,330**	**444,067**	**13,864**
Income taxes paid	**1,977,802**	**3,196,014**	**99,782**
Supplemental disclosures of non-cash investing and financing activities:			
Change in unrealized valuation gain (loss) on available-for-sale financial assets	**3,964,729**	**2,457,985**	**76,740**
Current portion of long-term debt	**8,250,000**	**-**	**-**
Supplemental disclosures of partial cash inflow from investing activities:			
Proceeds from disposal of intangible assets	-	75,000	2,342
Less: other receivables	-	(50,000)	(1,561)
Cash received	**-**	**25,000**	**781**

Cash acquired from acquisition of subsidiaries.:	**Parkard Bell B.V.**
Cash consideration	3,172,080
Non-cash assets acquired	(10,560,058)
Liabilities assumed	10,704,787
Goodwill	(1,774,172)
Cash acquired from acquisition	**1,542,637**
	E-Ten Information Systems Co., Ltd.
Issuance of shares for acquisitions	8,837,267
Non-cash assets acquired	(7,288,921)
Liabilities assumed	1,263,892
Goodwill	(1,901,821)
Cash acquired from acquisition	**910,417**

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

As of and for the years ended December 31, 2008 and 2009

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

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

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

The Company completed the acquisition of 100% ownership of Gateway, Inc. (including eMachines brand), a personal computer company in the U.S., through its indirectly wholly owned subsidiary on October 15, 2007. The Company also acquired the 100% 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. Post the acquisitions of Gateway and Packard Bell, the Company has defined a clear path for its multi-brand strategy. Additionally, as of September 1, 2008, the Company then entered the market for smart phones following the acquisition of E-Ten Information Systems Co., Ltd.

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, 2008 and 2009, the number of employees of the Consolidated Companies was 6,727 and 6,624, respectively. The Consolidated Companies are summarized below according to their primary business activity.

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

		Percentage of Ownership	
		At December 31,	
	Investor	2008	2009
(a) Acer Incorporated			
(b) Acer Greater China (B.V.I.) Corp. ("AGC", British Virgin Islands) and subsidiaries	The Company	100.00	100.00
· Acer Market Services Limited ("AMS", Hong Kong)	AGC	100.00	100.00
· Acer Computer (Far East) Limited ("AFE", Hong Kong)	AGC	100.00	100.00
· Acer Information (Zhong Shan) Co., Ltd. ("AIZS", China)	AMS	100.00	100.00
· Beijing Acer Information Co., Ltd. ("BJAI", China)	AMS	100.00	100.00
· Acer Computer (Shanghai) Ltd. ("ACCN", China)	AMS	100.00	100.00
(c) Acer European Holding B.V. ("AEH", Netherlands Antilles) and subsidiaries	The Company	100.00	100.00
· Acer Europe B.V. ("AHN", the Netherlands)	AEH	100.00	100.00
· Acer Computer B.V. ("ACH", the Netherlands)	AEH	100.00	100.00
· Acer CIS Incorporated ("ACR", British Virgin Islands)	AEH	100.00	100.00
· Acer BSEC Inc. ("AUA", British Virgin Islands)	AEH	100.00	100.00
· Acer Computer (M.E.) Limited ("AME", British Virgin Islands)	AEH	100.00	100.00
· Acer Africa (Proprietary) Limited ("AAF", South Africa)	AEH	100.00	100.00
· Acer Computer France S.A.S.U. ("ACF", France)	AHN	100.00	100.00
· Acer U.K. Limited ("AUK", the United Kingdom)	AHN	100.00	100.00
· Acer Italy S.R.L. ("AIT", Italy)	AHN	100.00	100.00
· Acer Computer GmbH ("ACG", Germany)	AHN	100.00	100.00
· Acer Austria GmbH ("ACV", Austria)	AHN	100.00	100.00
· Acer Europe Services S.R.L. ("AES", Italy)	AHN	100.00	100.00
· Acer Europe AG ("AEG", Switzerland)	AHN	100.00	100.00
· Acer Czech Republic S.R.O. ("ACZ", Czech Republic)	AHN	100.00	100.00
· Esplex Limited ("AEX", the United Kingdom)	AHN	100.00	100.00
· Acer Computer Iberica, S.A. ("AIB", Spain)	AHN	100.00	100.00
· Acer Computer (Switzerland) AG ("ASZ", Switzerland)	AHN	100.00	100.00
· Acer Slovakia s.r.o. ("ASK", Slovakia)	AHN	100.00	100.00
· Acer International Services GmbH ("AIS", Switzerland)	AHN	100.00	100.00
· Asplex Sp. z.o.o. ("APX", Poland)	AHN	-	100.00
· Acer Marketing Services LLC ("ARU", Russia)	AHN	-	100.00
· Acer Computer Norway AS ("ACN", Norway)	ACH	100.00	100.00
· Acer Computer Finland Oy ("AFN", Finland)	ACH	100.00	100.00
· Acer Computer Sweden AB ("ACW", Sweden)	ACH	100.00	100.00
· Acer Denmark A/S ("ACD", Denmark)	ACH	100.00	100.00
· PB Holding Company S.A.R.L. ("PBLU", Luxembourg)	AHN	100.00	100.00
· Packard Bell B.V. ("PBHO", the Netherlands)	PBLU	100.00	100.00
· Packard Bell Finance B.V. ("PBFN", the Netherlands)	PBHO	100.00	100.00
· Packard Bell Netherland B.V. ("PBNL", the Netherlands)	PBHO	100.00	100.00
· Packard Bell Services s.a.r.l ("PBSV", France)	PBHO	100.00	100.00
· Packard Bell Angers s.a.r.l ("PBAN", France)	PBHO	100.00	100.00
· Packard Bell France s.a.s ("PBFR", France)	PBHO	100.00	100.00
· Packard Bell (UK) Ltd.("PBUK", the United Kingdom)	PBHO	100.00	100.00
· Packard Bell Scotland Ltd. ("PBSC", the United Kingdom)	PBHO	100.00	100.00
· Packard Bell Iberica s.l ("PBES", Spain)	AIB	100.00	100.00
· Packard Bell Italia s.r.l ("PBIT", Italy)	PBHO	100.00	100.00
· Packard Bell Deutschland GmbH ("PBDE", Germany)	PBHO	100.00	100.00
· Packard Bell Belgium BVBA ("PBBE", Belgium)	PBHO	100.00	100.00
· Packard Bell Sverige AB ("PBSE", Sweden)	PBHO	100.00	-
· Packard Bell Norden AS ("PBNO", Norway)	PBHO	100.00	100.00
· Packard Bell Schweiz GmbH ("PBCH", Switzerland)	PBHO	100.00	100.00
· ZDS Europe s.a.r.l ("PBFE", France)	PBHO	100.00	-
· NEC Computers South Africa (Pty) Ltd. ("PBZA", South Africa)	PBHO	50.81	50.81
· Packard Bell Electronic Technical Services (Shanghai) Co., Ltd. ("PBCN", China)	PBHO	100.00	-
(d) Boardwalk Capital Holding Limited ("Boardwalk", British Virgin Islands) and subsidiaries	The Company	100.00	100.00

	Investor	Percentage of Ownership At December 31, 2008	2009
· Acer Computer Mexico, S.A. de C.V. ("AMEX", Mexico)	Boardwalk	99.92	99.92
· Acer Latin America, Inc. ("ALA", U.S.A.)	Boardwalk	100.00	100.00
· Acer American Holding Corp. ("AAH", USA)	Boardwalk	100.00	100.00
· AGP Tecnologia em Informatica do Brasil Ltda. ("ATB", Brazil)	Boardwalk	-	100.00
· Aurion Tecnologia, S.A. de C.V. ("Aurion", Mexico)	AMEX	99.92	99.92
· Gateway, Inc. ("GWI", U.S.A.)	AAH	100.00	100.00
· Acer America Corporation. ("AAC", U.S.A.)	GWI	99.92	99.92
· Acer Service Corporation ("ASC", U.S.A.)	GWI	100.00	100.00
· Gateway US Retail, Inc. ("GRA", U.S.A.)	GWI	100.00	100.00
· Gateway Diect, Inc. ("GDA", U.S.A.)	GWI	100.00	100.00
· Gateway Manufacturing LLC ("GMA", U.S.A.)	GWI	100.00	100.00
· Gateway International Holdings, Inc. ("GIH", U.S.A.)	GWI	100.00	100.00
· Gateway de Mexico S. de R.L. de C.V. ("GMX", Mexico)	GWI	100.00	100.00
· Gateway Hong Kong Ltd. ("GHK", Hong Kong)	GWI	100.00	100.00
· Gateway Bermuda LP ("GBM", Bermuda)	GWI	100.00	-
· Gateway Asia, Inc. ("GAI", U.S.A.)	GWI	100.00	100.00
· Gateway KK ("GJP", Japan)	GRA	100.00	100.00
· Gateway Ltd. ("GUK", the United Kingdom)	GRA	100.00	100.00
· Gateway France SAS ("GFR", France)	GRA	100.00	-
· eMachines Internet Group ("EMA", U.S.A.)	GRA	100.00	100.00
· Gateway Europe B.V. ("GEBV", U.S.A.)	GRA	100.00	100.00
· Gateway Computers Ireland Ltd. ("GCI", the United Kingdom)	GRA	100.00	100.00
· Gateway International Computers Limited ("GIC", the United Kingdom)	GIH	100.00	100.00
· Gateway Canada Corporation ("GCA", Canada)	GIC	100.00	100.00
· Servicio Profesionales de Aceso S. de R.L. ("GSMX", Mexico)	EMA	100.00	100.00
(e) Acer Holding International, Incorporated ("AHI", British Virgin Islands) and subsidiaries	The Company	100.00	100.00
· Acer Computer Co., Ltd. ("ATH", Thailand)	AHI	100.00	100.00
· Acer Japan Corp. ("AJC", Japan)	AHI	100.00	100.00
· Acer Computer Australia Pty. Limited ("ACA", Australia)	AHI	100.00	100.00
· Acer Sales and Service Sdn Bhd ("ASSB", Malaysia)	AHI	100.00	100.00
· Acer Asia Pacific Sdn Bhd ("AAPH, Malaysia")	AHI	100.00	100.00
· Acer Computer (Singapore) Pte. Ltd. ("ACS", Singapore)	AHI	100.00	100.00
· Acer Computer New Zealand Ltd. ("ACNZ", New Zealand)	AHI	100.00	100.00
· PT Acer Indonesia ("AIN", Indonesia)	AHI	100.00	100.00
· Acer India Private Limited ("AIL", India)	AHI	100.00	100.00
· Acer Vietnam Co., Ltd. ("AVN", Vietnam)	AHI	100.00	100.00
· Acer Philippines, Inc. ("APHI", Philippines)	AHI	100.00	100.00
· Acer Finance Australia Pty. Ltd. ("AFA", Australia)	ACA	100.00	-
· Highpoint Australia Pty. Ltd. ("HPA", Australia)	ACA	100.00	100.00
· Highpoint Service Network Sdn Bhd ("HSN", Malaysia)	ASSB	100.00	100.00
· Logistron Service Pte Ltd. (LGS, Singapore)	ACS	100.00	100.00
(f) Acer Computer International Ltd. ("ACI", Singapore)	The Company	100.00	100.00
(g) Acer Sales & Distribution Ltd. ("ASD", Hong Kong)	The Company	100.00	100.00

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

	Investor	Percentage of Ownership At December 31, 2008	2009
(a) Weblink International Inc. ("WII", Taiwan)	The Company	99.79	99.79
(b) Weblink (H.K.) International Ltd. ("WHI", Hong Kong)	WII	99.79	99.79
(c) Weblink Shanghai International Limited ("WSHI", China)	WHI	99.79	-
(d) Servex (Malaysia) Sdn Bhd ("SMA", Malaysia)	ASSB	100.00	100.00
(e) Servex International (Thailand) Co., Ltd. ("STH", Thailand)	ATH	100.00	100.00
(f) Megabuy Sdn Bhd ("MGB", Malaysia)	ASSB	100.00	100.00

(3) Investing and holding companies:

	Investor	Percentage of Ownership At December 31, 2008	2009
(a) Multiventure Investment Inc. ("MVI", Taiwan)	ADSC	100.00	100.00
(b) Acer Digital Service Co. ("ADSC", Taiwan)	The Company	100.00	100.00
(c) Acer Worldwide Incorporated ("AWI", British Virgin Islands)	The Company	100.00	100.00
(d) Cross Century Investment Limited ("CCI", Taiwan)	The Company	100.00	100.00
(e) Acer SoftCapital Incorporated ("ASCBVI", British Virgin Islands)	The Company	100.00	100.00
(f) Acer Capital Corporation ("ACT", Taiwan)	The Company	100.00	100.00
(g) Aspire Incubation Venture Capital ("AIVC", Taiwan)	The Company	100.00	100.00
(h) Acer Digital Services (B.V.I.) Holding Corp. ("ADSBH", British Virgin Islands)	The Company	100.00	100.00
(i) Acer Digital Services (Cayman Islands) Corp. ("ADSCC", Cayman Islands)	ADSBH	100.00	100.00
(j) Nicholas Insurance Company Ltd. ("NIC", Bermuda)	GWI	100.00	100.00
(k) Acer Capital Australia Pty Ltd. ("ACAP", Australia)	ACBVI	100.00	-
(l) Acer Capital Limited ("ACBVI", British Virgin Islands)	ASCBVI	100.00	-
(m) ASC Cayman, Limited ("ASCCAM", Cayman Islands)	ASCBVI	100.00	100.00
(n) Acer Technology Venture Asia Pacific Ltd. ("ATVAP", Cayman Islands)	ASCBVI	100.00	100.00
(o) Eten International Holdings Ltd. ("EIH", British Virgin Islands)	ETEN	100.00	100.00
(p) AGP Insurance (Guernsey) Limited. ("AGU", British Guernsey Island)	AHN	-	100.00
(q) Acer EMEA Holdings B.V. (AHB, the Netherlands)	The Company	-	100.00

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

	Investor	Percentage of Ownership At December 31, 2008	2009
(a) E-ten Information System Co., Ltd. ("ETEN", Taiwan)	The Company	100.00	100.00
(b) Eten China Information System Co., Ltd. ("CETEN", China)	EIH	100.00	100.00
(c) AGP Technology AG ("AGP", Switzerland)	AHN	100.00	100.00
(d) Acer Information Technology R&D (Shanghai) Co., Ltd. ("ARD", China)	AGC	-	100.00

(5) Property development:

	Investor	Percentage of Ownership At December 31, 2008	2009
(a) Acer Property Development Inc. ("APDI", Taiwan)	ADSC	100.00	100.00
(b) Aspire Service & Development Inc. ("ASDI", Taiwan)	ADSC	100.00	100.00

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

	Investor	Percentage of Ownership At December 31, 2008	2009
(a) EB Easy Business Services Limited ("AGES", Hong Kong)	ADSCC	85.00	-
(b) Acer Cyber Center Services Ltd. ("ACCSI", Taiwan)	The Company	100.00	100.00
(c) Lottery Technology Service Corp. ("LTS", Taiwan)	The Company	100.00	100.00
(d) Minly Corp. ("MINLY", Taiwan)	The Company	100.00	100.00

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

	Investor	Percentage of Ownership At December 31, 2008	2009
(a) TWP International Inc. ("TWP BVI", British Virgin Islands)	ACCSI	100.00	100.00
(b) Acer Third Wave Software (Beijing) Co., Ltd. ("TWPBJ", China)	TWPBVI	100.00	100.00

In 2009, the subsidiaries namely PBSE, PBFE, PBCN, GBM, GFR, AFA, WSHI, ACBVI, ACAP, and AGES were liquidated and were excluded from consolidation since the Company ceased control thereof. Additionally, the Company established new subsidiaries namely APX, ARU, ATB, AGU, ARD, and AHB in 2009.

In March and June of 2008, the Company completed its acquisition of 100% equity ownership of PB Holding Company S.A.R.L and its subsidiaries. In September 2008, the Company completed its acquisition of 100% equity ownership of E-ten Information System Co., Ltd. and its subsidiaries. The results of operations of these acquired entities were included in the consolidated financial statements as of the date of each acquisition. Additionally, the Company established new subsidiaries namely AGP and AAPH in 2008.

2. Summary of Significant Accounting Policies

(1) Accounting principles and consolidation policy

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

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

(2) Use of estimates

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

(3) Foreign currency transactions and translations

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

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

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

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

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

(5) Cash and cash equivalents

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

(6) Allowance for doubtful accounts

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

(7) Inventories

Effective January 1, 2009, the Consolidated Companies adopted the newly revised Republic of China Statement of Financial Accounting Standards (SFAS) No. 10 “Accounting for Inventories”. Under this revised accounting principle, 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. 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. Costs of inventory are determined using the weighted-average method.

Prior to January 1, 2009, inventories for the Acer brand information technology business group were stated at the lower of weighted-average cost or market value. Market value represents net realizable value. Any write-down was made based on the aggregate amount of inventories.

(8) Financial instruments

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

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

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

(b) Hedging derivative financial assets / liabilities

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

(c) Available-for-sale financial assets

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

(d) Financial assets carried at cost

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

(9) Derivative financial instruments and hedging activities

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

(a) Fair value hedges

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

(b) Cash flow hedges

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

(10) Noncurrent assets held for sale and discontinued operation

Noncurrent 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.Noncurrent 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. Noncurrent assets or disposal groups classified as held for sale are shown separately and excluded from the individual line items of 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.

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

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale. A component of an entity comprises operations and cash flows that can be distinguished clearly, both operationally and for financial reporting purposes, from the rest of the entity. A component that previously was held for use will have been one or more cash-generating units.

(11) Equity method investments

Long-term equity investments in which the Consolidated Companies, directly or indirectly, own 20% or more of the investee's voting shares, or less than 20% of the investee's voting shares but are able to exercise significant influence over the investee's operating and financial policies, are accounted for using the equity method. Prior to January 1, 2006, differences between the acquisition cost and net equity of the investee that could not be attributed to any reason were amortized over five years as investment income or losses.

Effective January 1, 2006, the Consolidated Companies adopted amended SFAS No. 5 "Accounting for Long-term Investments under Equity Method", under which, the investment cost in excess of fair values of identifiable net assets is recorded as investor-level goodwill. Investor-level goodwill is no longer amortized but tested for impairment. Differences between investment cost and net equity of the investee in the previous investments that cannot be attributed to any reason and were originally amortized over five years are no longer amortized starting from January 1, 2006.

When an equity-method investment is disposed of, the difference between the selling price and the book value of the equity-method investment is recognized as disposal gain or loss in the accompanying consolidated statements of income. If there are capital surplus and separate components of shareholders' equity resulting from such equity investments, they are charged as a reduction to disposal gain/loss based on the disposal ratio of investments.

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 used to adjust 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 gains and losses resulting from transactions between the Consolidated Companies and investees accounted for under the equity method are deferred to the extent of the Company's ownership. The gains and losses resulting from depreciable or amortizable assets are recognized over the estimated useful lives of such assets. Gains and losses from other assets are recognized when realized.

(12) Capital leases

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

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

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

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

Depreciation is provided for property, plant and equipment, property leased to others, and property not used in operation over the estimated useful life using the straight-line method. The estimated useful lives of the respective classes of assets are as follows: buildings and improvements--30 to 50 years; computer equipment and machinery--3 to 5 years; transportation equipment--3 to 5 years; office and other equipment--3 to 10 years; and leasehold improvement--1 to 10 years.

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

(14) Intangible assets

Goodwill is recognized when the Purchase price exceeds the fair value of identifiable net assets acquired in a business combination. In accordance with the SFAS No. 25 "Accounting for Business Combinations", goodwill is no longer amortized but is tested for impairment annually.

Other intangible assets, including patents, trademarks and trade names, customer relationships, developed technology and purchased software, are initially stated at cost. Intangible assets with finite useful lives are amortized over the following estimated useful life using the straight-line method from the date that the asset is available for use: patents: 4 to 16 years; acquired software: 1 to 3 years; customer relationships: 7 to 10 years; developed technology: 10 years; and trademarks and trade names: 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 shall be reviewed annually at each fiscal year-end to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. Any change in the useful life assessment from indefinite to finite is accounted for as a change in accounting estimate.

(15) Non-financial asset impairment

The Consolidated Companies assess at each balance sheet date whether there is any indication that and asset 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 impairment loss 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 increase in the carrying amount shall not exceed the depreciated or amortized balance of the assets had no impairment loss been recognized in prior periods.

Goodwill and assets that have an indefinite useful life are tested annually for impairment. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. A subsequent reversal of the impairment loss is prohibited.

(16) Deferred charges

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

(17) Treasury stock

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

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

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

(18) Revenue recognition

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

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

Employee bonuses and directors' and supervisors' remuneration appropriated after January 1, 2008, are accounted for according to Interpretation (2007) 052 issued by the Accounting Research and Development Foundation. According to this Interpretation, the Company estimates the amount of employee bonuses and directors' and supervisors' remuneration and recognizes it as operating expense. Differences between the amount approved in the shareholders' meeting and recognized in the financial statements, if any, are accounted for as changes in accounting estimates and recognized in profit or loss.

(20) Share-based payment transactions

Effective January 1, 2008, the Consolidated Companies adopted SFAS No. 39 "Accounting for Share-based Payment" for its share-based payments 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 the grant date of the equity-settled share-based payments is expensed over the vesting period, with a corresponding increase in equity. The vesting period is the period during which all the specified vesting conditions of the share-based payment arrangement are to be satisfied. Vesting conditions include service conditions and performance conditions (including market conditions). When estimating the fair value of an equity-settled share-based award, only the effect of market conditions is taken into account.

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

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

(21) 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 income. 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 income.

(22) 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 individual noncontributory defined benefit retirement plans (the "Plans") and retirement fund administration committees. The Plans provide for lump-sum retirement benefits to retiring employees based on length of service, age, and certain other factors. The funding of retirement plans by the Company and subsidiaries located in the Republic of China is based on a 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 amount by which the actuarial present value of the accumulated benefit obligation exceeds the fair value of the retirement plan's assets. The Consolidated Companies also recognize the net periodic pension cost based on an actuarial calculation.

(b) Defined contribution retirement plans

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

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

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

(23) 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 the income tax rate changes due to income tax law revision, the Company recalculates the deferred tax assets and liabilities using the new tax rate and any resulting variances are recognized as income tax expense or benefit of continuing operating segment.

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

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

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

(24) Earnings per common share

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 and employee stock bonuses to be issued after January 1, 2010 are potential common stock. In computing diluted EPS, net income and the weighted-average number of common shares outstanding during the year are adjusted for the effects of dilutive potential common stock, assuming dilutive shares equivalents had been issued. The weighted average outstanding shares are retroactively adjusted for the effects of stock dividends transferred from retained earnings and capital surplus to common stock, and employee stock bonuses issued prior to January 1, 2009. Effective January 1, 2009, EPS are not retroactively adjusted for employee stock bonuses.

(25) Convenience translation into U.S. dollars

The consolidated financial statements are stated in New Taiwan dollars. Translation of the 2009 New Taiwan dollar amounts into U.S. dollar amounts, using the spot rate of Bloomberg on December 31, 2009, of NT$32.03 to US$1, is included solely for the convenience of the readers. The convenience translations should not be construed as representations that the New Taiwan dollar amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

3. Accounting Changes

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

Effective January 1, 2008, the Consolidated Companies recognized and measured employee bonuses, and directors' and supervisors' remuneration according to Interpretation (2007) 052 issued by the Accounting Research and Development Foundation. The adoption of this interpretation, which resulted in recognition of employee bonus and directors' and supervisors' remuneration of NT$1,586,563, decreased consolidated net income after tax and basic earnings per share by NT$1,483,776 and NT$0.59, respectively, for the year ended December 31, 2008.

Effective January 1, 2008, the Consolidated Companies adopted SFAS No. 39, "Accounting for Share-based Payment," which requires the Consolidated companies to record share-based payment transactions in the financial statements at fair value. The adoption of this new accounting principle did not have significant effect on the Company's consolidated financial statements as of and for the year ended December 31, 2008.

4. Significant Account Disclosures

(1) Cash and cash equivalents

	December 31, 2008	December 31, 2009	
	NT$	NT$	US$
Cash on hand	878,683	8,217	257
Bank deposits	13,690,489	34,278,393	1,070,196
Time deposits	7,572,553	19,329,457	603,480
	22,141,725	53,616,067	1,673,933

(2) Notes and accounts receivable

The Consolidated Companies entered into factoring contracts with several banks to sell part of accounts receivable without recourse. As of December 31, 2008 and 2009, details of these contracts were as follows:

	December 31, 2008				
Buyer	Factored amount NT$	Factoring credit limit NT$	Advance (derecognized) amount NT$	Interest rate	Collateral
IFITALIA	10,018,176	11,226,373	2,866,914		Nil
ABN AMRO Bank	2,292,296	7,314,804	2,292,296		Nil
Standard Chartered Bank	2,213,795	6,563,600	2,213,795		Nil
Emirates Bank International	415,867	1,082,994	415,867		Nil
China Trust Bank	281,695	1,965,000	190,972		note 7(4)
Taipei Fubon Bank	514,716	1,000,000	514,716		note 7(4)
	15,736,545	29,152,771	8,494,560	1.51%~5.9%	

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

(3) Other receivable

	December 31, 2008	December 31, 2009	
	NT$	NT$	US$
Income tax and sales tax	2,001,212	1,690,263	52,771
Receivables of patent royalty allocated to others	2,061,655	1,164,992	36,372
Other receivable	4,744,587	6,407,897	200,059
	8,807,454	9,263,152	289,202

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

	December 31, 2008	December 31, 2009	
	NT$	NT$	US$
Publicly traded equity securities	145,147	223,437	6,976
Money market funds and others	446,297	-	-
	591,444	223,437	6,976

In 2008 and 2009, the Consolidated Companies disposed of portions of these investments and recognized gains on disposal thereof of NT$1,187,156 and NT$24,022, respectively. The gains were recorded as "gain on disposal of investments" in the accompanying consolidated statements of income.

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

	December 31, 2008	December 31, 2009	
	NT$	NT$	US$
Financial assets at fair value through profit or loss – current:			
Foreign currency forward contracts	339,817	139,515	4,356
Foreign exchange swaps	7,113	-	-
Cross currency swaps	7,821	-	-
Foreign currency options	-	18,144	566
	354,751	157,659	4,922

	December 31, 2008	December 31, 2009	
	NT$	NT$	US$
Financial liability at fair value through profit or loss – current:			
Foreign currency forward contracts	(1,011,739)	(157,848)	(4,928)
Foreign currency options	-	(4,691)	(147)
	(1,011,739)	(162,539)	(5,075)

For the years ended December 31, 2008 and 2009, unrealized gins (losses) resulting from the changes in fair value of these derivative contracts amounted to NT$718,172 and NT$652,108, respectively.

The Consolidated Companies entered into derivative contracts to manage foreign currency exchange risk resulting from operating activities. As of December 31, 2008 and 2009, 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 31,2008

Buy		Sell	Contract amount (in thousand)		Maturity date
USD	/	SGD	USD	7,000	2009/01/14~2009/02/26
USD	/	CAD	USD	47,806	2009/01/28~2009/02/26
EUR	/	CHF	EUR	19,000	2009/01/05~2009/03/30
USD	/	EUR	EUR	720,000	2009/01/15~2009/02/27
USD	/	INR	USD	61,600	2009/01/06~2009/05/29
USD	/	MYR	USD	19,138	2009/01/14~2009/02/17
USD	/	PHP	USD	500	2009/01/15
USD	/	THB	USD	28,700	2009/01/14~2009/05/29
USD	/	RMB	USD	70,000	2009/02/02~2009/03/30
USD	/	JPY	USD	5,000	2009/01/14
USD	/	NTD	USD	5,000	2009/01/09~2009/01/22

December 31,2009

Buy		Sell	Contract amount (in thousand)		Maturity date
USD	/	SGD	USD	12,600	2010/01/19~2010/03/15
USD	/	MXN	USD	96,100	2010/01/15~2010/03/26
USD	/	EUR	EUR	47,000	2010/02/26
USD	/	INR	USD	55,992	2010/01/15~2010/03/31
USD	/	MYR	USD	15,400	2010/01/19~2010/03/31
USD	/	THB	USD	20,670	2010/01/15~2010/02/19
USD	/	JPY	USD	68,300	2010/01/15~2010/04/15
USD	/	RUB	USD	124,000	2010/01/15~2010/04/15
USD	/	PHP	USD	100	2010/01/08
USD	/	ZAR	USD	21,500	2010/01/15~2010/03/31
USD	/	NTD	USD	5,000	2010/01/11~2010/02/10
EUR	/	NOK	EUR	17,403	2010/01/15~2010/04/15
EUR	/	SEK	EUR	48,400	2010/01/15~2010/04/15
EUR	/	PLN	EUR	23,000	2010/01/15
RUB	/	USD	USD	36,689	2010/01/15
MXN	/	USD	USD	2,900	2010/01/29

(b) Foreign exchange swaps

	December 31, 2008	
	Contract amount (in thousands)	Maturity date
Swap-in USD / Swap-out NTD	USD 160,000 / NTD 5,243,200	2009/01/15

(c) Cross currency swaps

December 31, 2008			
Contract amount (in thousands)	Maturity Date	Interest	Interest due date
Swap-in SGD35,000/	2009/01/23	Pay fixed rate in USD of 0.66%	Principal and interest are
Swap-out USD 24,221		Receive fixed rate in SGD of 1.00%	paid in full when due

(d) Foreign currency options

(i) Long position

	December 31, 2009		
	Contract amount (in thousands)		Maturity date
USD Call/EUR Put	USD	22,500	2010/01/27~2010/02/12
USD Call/RUB Put	USD	5,000	2010/02/24

(ii) Short position

	December 31, 2009		
	Contract amount (in thousands)		Maturity date
EUR Call/USD Put	USD	22,500	2010/01/27~2010/02/12
RUB Call/USD Put	USD	7,500	2010/02/24

(6) Hedging purpose derivative financial assets and liabilities

	December 31, 2008	December 31, 2009	
	NT$	NT$	US$
Hedging purpose derivative financial assets – current:			
Foreign currency forward contracts	962,268	1,275,157	39,811
Foreign currency options	60,514	-	-
	1,022,782	1,275,157	39,811
Hedging purpose derivative financial liabilities – current			
Foreign currency forward contracts	(848,726)	(196,714)	(6,142)
Foreign exchange swaps	(14)	-	
Foreign currency options	(23,298)	-	-
	(872,038)	(196,714)	(6,142)

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, 2008 and 2009, 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, 2008 NT$	December 31, 2009 NT$
Accounts receivable/ payable denominated in foreign currencies	Foreign currency forward contracts	386,420	1,066,045
	Foreign exchange swaps	(14)	-
	Foreign currency options	37,903	-
		424,309	1,066,045

For the years ended December 31, 2008 and 2009, the unrealized gains (losses) resulting from the changes in fair value of hedging instruments amounted to NT$271,733 and NT$641,736, respectively.

As of December 31, 2008 and 2009, hedged items designated as cash flow hedges and fair value of their respective hedging derivative financial instruments were as follows:

December 31, 2008				
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	(272,878)	Jan .~ May 2009	Jan .~ May 2009
	Foreign currency options	(687)	Feb. 2009	Feb. 2009
		(273,565)		

December 31, 2009				
Hedged items	Hedging instruments	Fair value of hedging instruments NT$	Expected period of cash flow	Expected period of recognition in earnings
Accounts receivable/payable denominated in foreign currencies	Foreign currency forward contracts	12,398	Jan .~ May 2010	Jan .~ May 2010

As of December 31, 2008 and 2009, unrealized gains (losses) on derivative financial instruments effective as cash flow hedges, amounted to NT$(273,565) and NT$12,398, respectively, which were recognized in "hedging reserve", a separate component of stockholder's equity.

Details of hedging derivative financial instruments described above that were outstanding as of December 31, 2008 and 2009 were as follows:

(a) Foreign currency forward contracts

			December 31, 2008		
Buy		Sell	Contract amount (in thousands)		Maturity date
USD	/	AUD	USD	68,190	2009/01/30~2009/05/29
AUD	/	USD	USD	11,867	2009/01/30~2009/04/30
USD	/	CAD	USD	39,095	2009/02/26~2009/04/30
EUR	/	DKK	EUR	94	2009/01/15
USD	/	EUR	EUR	252,798	2009/01/30~2009/03/31
EUR	/	GBP	EUR	165,369	2009/01/15~2009/02/27
EUR	/	NOK	EUR	14,311	2009/01/13~2009/02/27
USD	/	NZD	USD	4,500	2009/01/30~2009/05/29
EUR	/	SEK	EUR	19,612	2009/01/13~2009/02/27
USD	/	JPY	USD	70,000	2009/01/15~2009/05/29
USD	/	ZAR	USD	17,300	2009/01/15~2009/03/31
USD	/	MXN	USD	90,000	2009/01/09~2009/04/17

			December 31, 2009		
Buy		Sell	Contract amount (in thousands)		Maturity date
USD	/	AUD	USD	51,000	2010/01/29~2010/02/26
USD	/	CAD	USD	58,265	2010/01/29~2010/02/25
USD	/	EUR	EUR	870,918	2010/01/15~2010/03/16
EUR	/	GBP	EUR	237,105	2010/01/15~2010/03/31
USD	/	NZD	USD	3,900	2010/01/29~2010/03/31
AUD	/	NZD	AUD	2,150	2010/01/29~2010/02/26
USD	/	RMB	USD	160,000	2010/01/18~2010/04/29
USD	/	NTD	USD	25,000	2010/01/19

(b) Foreign currency options

(i) Long position

	December 31, 2008		
	Contract amount (in thousands)		Maturity date
USD Call/AUD Put	USD	6,445	2009/01/28~2009/02/25
EUR Call/GBP Put	EUR	43,257	2009/01/30~2009/03/31
USD Call/EUR Put	USD	6,000	2009/01/30
NZD Call/USD Put	USD	1,000	2009/01/28~2009/02/25
EUR Call/NOK Put	EUR	4,200	2009/01/15
EUR Call/SEK Put	EUR	3,900	2009/01/15

(ii) Short position

	December 31, 2008		
	Contract amount (in thousands)		Maturity date
AUD Call/USD Put	USD	6,445	2009/01/28~2009/02/25
GBP Call/EUR Put	EUR	55,984	2009/01/30~2009/03/31
EUR Call/USD Put	USD	6,000	2009/01/30
USD Call/NZD Put	USD	1,000	2009/01/28~2009/02/25
NOK Call/EUR Put	EUR	4,200	2009/01/15
SEK Call/EUR Put	EUR	5,850	2009/01/15

(c) Foreign exchange swap

	December 31, 2008				
	Contract amount (in thousands)				Maturity date
Swap-in SEK/Swap-out EUR	SEK	17,000	/EUR	1,554	2009/01/15

(7) Inventories

(a) Inventories (net of provision for obsolescence and slow-moving inventories) as of December 31, 2008 and 2009, were as follows:

	December 31, 2008	December 31, 2009	
	NT$	NT$	US$
Raw materials	14,528,727	18,489,941	577,269
Work in process	49,437	45,089	1,408
Finished goods and merchandise	14,122,367	15,471,217	483,023
Spare parts	2,093,862	2,477,522	77,350
Inventories in transit	9,233,802	14,701,184	458,982
	40,028,195	51,184,953	1,598,032

(b) The details of inventories write downs for the years ended December 31, 2008 and 2009 were as follows:

	December 31, 2008	December 31, 2009	
	NT$	NT$	US$
Write-down of inventories to net realizable value	2,417,294	1,080,715	22,896
Net loss on physical inventory	67,278	83,177	2,597
Scrap loss	33,946	45,329	1,415
	2,518,518	**1,209,221**	**26,908**

(8) Financial assets carried at cost – noncurrent

	December 31, 2008	December 31, 2009	
	NT$	NT$	US$
Investment in non-publicly listed stock:			
Prosperity Venture Capital Corp.	21,000	21,000	656
Sheng-Hua Venture Capital Corp.	20,000	11,900	372
Legend Technology	15,235	11,235	351
W.I. Harper International Corp.	15,050	14,359	448
InCOMM Technologies Co., Ltd.	2,360	2,360	74
IP Fund II	32,400	32,400	1,012
Dragon Investment Co. Ltd.	217,000	217,000	6,775
World Venture, Inc.	262,000	262,000	8,180
iD Reengineering Inc.	174,900	174,900	5,461
DYNA Fund II	23,736	23,166	723
IP Fund III	131,862	128,696	4,018
iD5 Fund LTP	74,751	72,956	2,278
IP Cathay One, L.P.	295,362	258,558	8,072
IP Fund One L.P.	907,431	736,379	22,990
Apacer Technology Inc.	45,340	45,340	1,415
New Century Infocomm Tech Co., Ltd.	341,663	131,340	4,100
Trimode Technology Inc.	12,264	11,038	345
Others	91,916	96,431	3,010
	2,684,270	**2,251,058**	**70,280**

In 2008, the Consolidated Companies increased its equity investments in IP Cathay One, L.P. and other investees by the amount of NT$97,876. The Consolidated Companies also invested NT$359,759 in New Century Infocomm Tech Co., Ltd., Trimode Technology Inc., and other investees through the acquisition of E-Ten in 2008. In 2009, IP Cathay One, L.P., IP Fund One, L.P., Legend Technology, W.I. Harper International, and Sheng-Hwa Venture capital and other investees returned capital of NT$170,716 to the Consolidated Companies. In 2008, IP Fund One, L.P., Legend Technology and W.I. Harper International Corp. returned capital of NT$462,552 to the Consolidated Companies.

In 2008, the Consolidated Companies sold portions of their investments in Apacer Technology Inc. and other investees, realizing an aggregate disposal gain of NT$80,462.

For the year ended December 31, 2009, the Consolidated Companies recognized impairment losses on the investments in New Century Infocomm Tech Co., Ltd. and other investees in the amount of $231,934. For the year ended December 31, 2008, the Consolidated Companies recognized impairment losses on the investments in Dragon Investment Co. Ltd., iD Reengineering Inc., and MPC Corp. and other investees in the amount of $409,141. The aforementioned impairment losses were recorded under "other investment loss" in the accompanying consolidated statements of income.

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

	December 31, 2008		2008
	Percentage of ownership	Carrying amount	Investment income (loss)
	%	NT$	NT$
Wistron Corporation	4.92	1,814,166	471,792
E-Life Mall Corp.	14.27	442,291	70,763
The Eslite Bookstore	18.62	304,361	(72,508)
Apacer Technology Inc.	-	-	(18,962)
Aegis Semiconductor Technology Inc.	44.03	165,235	-
ECOM Software Inc.	33.93	36,771	4,565
Bluechip Infotech Pty Ltd.	33.41	57,361	1,125
FuHu Inc.	9.00	72,518	(987)
Other	-	36,087	1,994
Deferred credits		-	12,896
		2,928,790	470,678
Less: Allocation of corporate expense			(66,494)
			404,184

	December 31, 2009		2009
	Percentage of ownership	Carrying amount	Investment income (loss)
	%	NT$	NT$
Wistron Corporation	4.40	2,334,164	424,441
E-Life Mall Corp.	14.27	434,174	55,976
Aegis Semiconductor Technology Inc.	44.03	165,235	-
ECOM Software Inc.	33.93	36,310	3,791
Bluechip Infotech Pty Ltd.	33.41	72,303	4,605
FuHu Inc.	25.00	172,982	(26,740)
Olidata S.p.A	29.90	116,579	-
Others	-	(16,797)	1,737
		3,314,950	463,810
Less: Allocation of corporate expense			(63,712)
			400,098

Deferred credits of long-term equity investments represent the unamortized balance of deferred gains and losses derived from the sale of equity investment among the affiliated companies. Such deferred gains and losses are realized upon disposal of the equity-method investments to non-consolidated entities.

In 2008, the Consolidated Companies invested NT$73,841 in FuHu Inc. In 2009, the Consolidated Companies invested in Olidata S.p.A. and increased investment in FuHu Inc. for an aggregate amount of NT$244,702.

Commencing on August 1, 2008, the Consolidated Companies lost the ability to exercise significant influence over Apacer's operating and financial policies. Therefore, the investments in Apacer were reclassified as "financial assets carried at cost – noncurrent".

In 2008, the Company sold portions of its investment in Wistron and recognized a gain thereon of NT$1,441,906. In 2009, the Consolidated Companies sold all of their investments in The Eslite Bookstore and recognized an aggregate loss thereon of NT$5,455.

The Consolidated Companies recognized an investment loss of NT$7,263 in 2008 and an investment gain of NT$4,236 in 2009 due to liquidation of EB EASY (TWN) Corp. and Hungtung Venture Capital, respectively. The loss was recorded under "other loss" and the gain was recorded under "other gain" in the accompanying consolidated statements of income.

The Consolidated Companies' capital surplus was increased (reduced) by NT$(78,255) and NT$180,899 in 2008 and 2009, respectively, as the Consolidated Companies did not make additional investments proportionally to the issuance of new shares by the investee companies or the Consolidated Companies recognized changes in investees' equity accounts in proportion to its ownership percentage.

(10) Available-for-sale financial assets – noncurrent

	December 31, 2008	December 31, 2009	
	NT$	NT$	US$
Investment in publicly listed stock:			
Qisda Corporation ("Qisda")	520,718	1,606,215	50,147
Silicon Storage Technology Inc. ("Silicon")	8,192	8,938	279
Yosun Industrial Corp.	386,660	844,416	261363
RoyalTek Co., Ltd.	93,390	539,319	16,838
Quanta Computer Inc.	151,527	307,854	9,612
	1,160,487	3,306,742	103,239

In September 2008, the Consolidated Companies invested in RoyalTek Co., Ltd. and Quanta Computer Inc. through the acquisition of E-Ten.

In 2009, the Consolidated Companies sold portions of their investments in Yosun Industrial and recognized a gain thereon of NT$57,894. In 2008, no disposal activities occurred.

As of December 31, 2008 and 2009, the unrealized gain (losses) resulting from re-measuring available-for-sale financial assets to fair value amounted to NT$(1,456,066) and NT$1,001,919, respectively, which were recognized as a separate component of stockholders' equity.

(11) Property, plant and equipment

The Company's subsidiary, ACI, sold its office building located in Singapore in March 2008, with a disposal gain of NT$788,944. Additionally, the Company's subsidiary, Gateway Inc., disposed of computer equipment and machinery in 2008 with a disposal loss of NT$269,057. The net gain was recorded under "gain/loss on disposal of property and equipment, net" in the accompanying consolidated statements of income.

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

(12) Property not used in operation

	December 31, 2008	December 31, 2009	
	NT$	NT$	US$
Leased assets – land	807,538	807,538	25,212
Leased assets – buildings	2,827,810	2,827,810	88,286
Damaged office premises	457,558	463,181	14,461
Property held for sale and development	1,391,260	1,415,014	44,178
Others	29,019	-	-
Less: Accumulated depreciation	(570,088)	(595,606)	(18,595)
Accumulated impairment	(1,946,376)	(1,946,395)	(60,768)
	2,996,721	2,971,542	92,774

Damaged office premises are office premises damaged by fire. As of December 31, 2008 the Consolidated Companies concluded that the possibility for the damaged office premises to be fully repaired was remote; hence, the accrual for repair cost of NT$161,308, recorded under "other current liabilities", was reclassified as accumulated asset impairment, and an additional impairment loss of NT$221,931 was recognized in 2008.

For certain land acquired, the ownership registration has not been transferred to the land acquirer, APDI, a subsidiary of the Company. To protect APDI's interests, APDI has obtained signed contracts 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

	Goodwill	Patents	Trademarks and trade names	Customer Relationships	Others	Total
	NT$	NT$	NT$	NT$	NT$	NT$
Balance at January 1, 2008	16,890,716	1,473,712	5,498,239	1,511,079	552,747	25,926,493
Additions	-	89,177	-	-	80,147	169,324
Acquisitions from business combination	5,520,031	-	2,634,244	151,100	1,871,300	10,176,675
Disposals	(32,532)	-	-	-	(4,339)	(36,871)
Reclassification	-	(727,381)	-	-	(453,200)	(1,180,581)
Effect of exchange rate changes	195,825	(20,326)	(32,122)	11,722	(14,327)	140,772

	Goodwill NT$	Patents NT$	Trademarks and trade names NT$	Customer Relationships NT$	Others NT$	Total NT$
Amortization	-	(122,344)	(32,805)	(156,552)	(137,346)	(449,047)
Balance at December 31, 2008	22,574,040	692,838	8,067,556	1,517,349	1,894,982	34,746,765
Additions	-	369,000	-	-	2,536,507	2,905,507
Adjustments made subsequent to business acquisition	(138,067)	-	-	-	-	(138,067)
Disposals	(9,624)	(39,275)	-	-	(9,759)	(58,658)
Reclassification	-	-	-	-	16,867	16,867
Effect of exchange rate changes	(448,895)	(3,073)	(161,298)	(28,110)	(6,842)	(648,218)
Amortization	-	(217,701)	(43,793)	(178,933)	(939,701)	(1,380,128)
Balance at December 31, 2009	**21,977,454**	**801,789**	**7,862,465**	**1,310,306**	**3,492,054**	**35,444,068**

(a) Acquisitions

(i) Gateway, Inc.

On October 15, 2007, the Company completed the acquisition of 100% equity ownership of Gateway, Inc., a personal computer company in the U.S., through its indirectly wholly owned subsidiary Acer American Holding, at a price of US$1.90 (dollars) per share. The total purchase price amounted to US$711,420, which was inclusive of direct transaction costs.

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

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

	NT$	NT$
Purchase Price		23,507,016
The identifiable assets acquired and liabilities assumed:		
Current assets	32,139,646	
Investments carried at cost	277,057	
Property, plant and equipment	2,808,517	
Intangible assets – trademarks of Gateway and eMachines	5,504,220	
Intangible assets – customer relationships	1,551,042	
Intangible assets – others	1,687,210	
Other assets	58,355	
Current liabilities	(24,576,616)	
Long-term liabilities	(9,673,377)	
Other liabilities	(2,923,302)	6,852,752
Goodwill		**16,654,264**

Within one year from the acquisition date (the "allocation period"), the Company identified adjustments, after the initial recognition, to certain property and equipment and pre-acquisition contingent liabilities. These adjustments decreased property, plant and equipment by NT$77,564 and increased current liabilities by NT$1,766,474, which also increased goodwill by NT$1,844,038.

The Gateway trademark has an indefinite useful life and, accordingly, is not subject to amortization. The eMachines trademark is being amortized using the straight-line method over 20 years, the estimated period of its economic benefits. Customer relationships are being amortized using the straight-line method over the estimated useful life of 10 years.

(ii) Packard Bell B.V.

In March and June of 2008, the Company completed the acquisition of 100% equity ownership of Packard Bell B.V., a personal computer company in Europe, through its indirectly wholly owned subsidiary Acer Europe B.V., at a total purchase price of Euro 66,117, which was inclusive of direct transaction costs.

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

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

	NT$	NT$
Purchase Price		3,172,080
The identifiable assets acquired and liabilities assumed:		
Current assets	9,587,790	
Property, plant and equipment	351,162	
Intangible assets – Packard Bell trademark	2,163,744	
Current liabilities	(10,665,179)	
Other liabilities	(39,608)	1,397,908
Goodwill		**1,774,172**

The Packard Bell trademark has an indefinite useful life and, accordingly, is not subject to amortization.

Within the allocation period, the Company made adjustments to decrease deferred charges by NT$33,768 and to decrease current liabilities by NT$174,307, which also decreased goodwill by NT$140,539.

(iii) E-Ten Information Systems Co., Ltd

On September 1, 2008, the Company completed its acquisition of 100% equity ownership of E-TEN, a handheld device company in Taiwan. The Company offered to exchange one share of its stock for every 1.07 shares of outstanding E-Ten stock, and issued a total of 168,158,878 common shares. E-Ten then became the Company's direct wholly owned subsidiary.

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

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

	NT$	NT$
Purchase Price:		8,837,267
Fair value of common shares issued	8,700,751	
Fair value of outstanding employee stock options assumed	136,516	
The identifiable assets acquired and liabilities assumed:		
Current assets	2,574,588	
Long-term investment	789,753	
Property, plant and equipment	1,856,836	
Intangible assets – ETEN trademark	450,900	
Intangible assets – customer relationship	151,100	
Intangible assets – developed technology	1,802,500	
Intangible assets – others	88,400	
Other assets	485,261	
Current liabilities	(1,263,892)	6,935,446
Goodwill		**1,901,821**

The ETEN trademark for the stock trading PDA product has an indefinite useful life and, accordingly, is not subject to amortization. The customer relationship is subject to amortization using the straight-line method over 7 years. The developed technology is subject to amortization using the straight-line method over 10 years, the estimated period of its economic benefits.

Within the allocation period, the Company made adjustments to increase the fair value of outstanding employee stock options assumed through the acquisition, which also increased goodwill by NT$2,472.

(b) Pro forma information

The following unaudited pro forma financial information of 2008 presents the combined results of operations as if the acquisitions of Gateway Inc., Packard Bell B.V., and E-Ten had occurred as of the beginning of 2008:

	NT$
Revenue	550,172,239
Net income from continuing operations before income tax	14,676,395
Net income from continuing operations after income tax	11,521,166
Basic earnings per common share (in dollars)	4.43

(c) 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, 2008 and 2009, were as follows:

	December 31, 2008		
	Acer Pan-America business group	Packard Bell brand business group	E-Ten Information System group
	NT$	NT$	NT$
Goodwill	18,768,929	1,699,593	1,901,821
Trademarks & trade names	4,988,336	2,067,836	450,900

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

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. In 2009, the Company reorganized cash-generating units to which goodwill and trademark and trade names with indefinite useful lives were allocated, as a result, the Company reallocated the aforementioned intangible assets to the related cash-generating units. 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, 2008 and 2009. The recoverable amount of a CGU is determined based on the value in use, and the related key assumptions were as follows:

Year 2008:

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

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

Acer Pan-America business group	Packard Bell brand business group	E-Ten Information System group
13.7%	11.8%	18.7%

Year 2009:

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

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

ITRO-EMEA	ITRO-PA	ITRO-AAP	ITRO-China	ITRO-TWN	E-Ten	SHBG
12.9%	10.9%	16.9%	20.4%	15.7%	19.7%	16.0%

(d) 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 "Top Porgramme" across 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.

(14) Other financial assets – noncurrent

	December 31, 2008	December 31, 2009	
	NT$	NT$	US$
Refundable deposits	781,080	771,957	24,101
Noncurrent receivables	87,680	17,754	554
	868,760	789,711	24,655

(15) Short-term borrowings

	December 31, 2008	December 31, 2009	
	NT$	NT$	US$
Bank loans	1,086,851	548,059	17,111

The Consolidated Companies pledged certain assets as collateral for these loans according to the bank loan contracts. Refer to note 6 for a description of the pledged assets.

(16) Long-term debts

	December 31, 2008	December 31, 2009	
	NT$	NT$	US$
Citibank syndicated loan	12,200,000	12,200,000	380,893
Other bank loans	184,920	171,856	5,365
Less: current installments	(8,250,000)	-	-
	4,134,920	12,371,856	386,258

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

Type of Loan	Creditor	Credit Line	Term	December 31, 2008 NT$	December 31, 2009 NT$
Unsecured loan	Citibank and other banks	Term tranche of NT$16.5 billion; fire-year limit during which revolving credits disallowed	Repayable in 4 semi-annual installments starting from April 2009. An advance repayment of NT$4.3 billion was made in the first quarter of 2008. In May 2009, an amendment to the agreement was made, under which, the loan is repayable in 4 semi-annual installments starting from April 2011.	12,200,000	12,200,000
		Revolving tranche of NT$3.3 billion; three-year limit	One-time repayment in full in October 2010.	-	-
Less: current installment				(8,250,000)	-
				3,950,000	12,200,000

The above syndicated loan bore interest at a rate of 3.06% in 2008 and 1.67% in 2009. According to the loan agreement, the Company is required to maintain certain financial ratios calculated based on annual and semi-annual audited financial statements. If the Company fails to meet any of the financial ratios, the managing bank will request the Company in writing to take action to improve within agreed days. No assertion of breach of contract will be tenable if the financial ratios are met within agreed days. As of December 31, 2009, the Company was in compliance with all such financial covenants.

(17) 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 plans to prepaid pension cost (accrued pension liabilities):

	2008	
	Plan assets in excess of accumulated benefit obligation	Accumulated benefit obligation in excess of plan assets
	NT$	NT$
Benefit obligation:		
Vested benefit obligation	(124,967)	(33,041)
Nonvested benefit obligation	(469,607)	(100,237)
Accumulated benefit obligation	(594,574)	(133,278)
Projected compensation increases	(335,873)	(52,666)
Projected benefit obligation	(930,447)	(185,944)
Plan assets at fair value	643,793	59,610
Funded status	(286,654)	(126,334)
Unrecognized prior service cost	-	6,596
Unrecognized pension loss	459,393	39,982
Unrecognized transition (assets) obligation	(2,187)	25,426
Minimum pension liability adjustment	-	659
Prepaid pension cost (accrued pension liabilities)	170,552	(53,671)

	2009			
	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	(180,819)	(5,645)	(22,077)	(689)
Nonvested benefit obligation	(385,033)	(12,021)	(45,676)	(1,426)
Accumulated benefit obligation	(565,852)	(17,666)	(67,753)	(2,115)
Projected compensation increases	(319,849)	(9,986)	(114,991)	(3,590)
Projected benefit obligation	(885,701)	(27,652)	(182,744)	(5,705)
Plan assets at fair value	664,033	20,731	60,408	1,886
Funded status	(221,668)	(6,921)	(122,336)	(3,819)
Unrecognized pension loss	434,772	13,574	43,661	1,363
Unrecognized transition (assets) obligation	(1,592)	(49)	20,799	649
Minimum pension liability adjustment	-	-	(3,731)	(116)
Prepaid pension cost (accrued pension liabilities)	211,512	6,604	(61,607)	(1,923)

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

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

	2008	2009	
	NT$	NT$	US$
Service cost	49,808	51,634	1,612
Interest cost	34,453	26,954	841
Actual return on plan assets	(18,586)	(6,087)	(190)
Amortization and deferral	31,937	7,222	225
Effect of pension plan curtailments	-	52,502	1,640
Net periodic pension cost	97,612	132,225	4,128

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

	2008	2009
Discount rate	2.50%	2.25%
Rate of increase in future compensation	3.00%	3.00%
Expected rate of return on plan assets	2.50%	2.25%

In 2008 and 2009, pension cost under the defined contribution retirement plans amounted to NT$367,627 and NT$331,469, respectively.

(18) Income taxes

(a) The components of income tax expense from continuing operations were as follows:

	2008	2009	
	NT$	NT$	US$
Current income tax expense	2,383,360	4,581,450	143,036
Deferred income tax (benefit) expense	786,086	(951,327)	(29,701)
	3,169,446	3,630,123	113,335

(b) The statutory income tax rate applicable to the Company and its subsidiaries located in the ROC is 25%. Additionally, the amended Article 5 of the ROC Income Tax Law announced on May 27, 2009, requires that the income tax rate of profit-seeking enterprises will be reduced from 25% to 20%, effective in 2010. The Company and its domestic subsidiaries which are subject to the ROC Income Tax Act had recalculated their deferred tax assets in accordance with the amended Article and adjusted the resulting difference to income tax expense. The income tax calculated on the pre-tax income from continuing operations at the Company's statutory income tax rate (25%) was reconciled with the income tax expense of continuing operations reported in the accompanying consolidated statements of income as follows.

	2008	2009	
	NT$	NT$	US$
Expected income tax	3,701,682	3,745,746	116,945
Effect of different tax rates applied to the Company's subsidiaries	720,278	1,032,938	32,249
Tax-exempt investment income from domestic investees	(154,526)	(86,873)	(2,712)
Prior-year adjustments	52,938	523,617	16,348
Gain on disposal of marketable securities not subject to income tax	(697,934)	124,873	3,899
Investment tax credits	295,939	198,804	6,207
Change in valuation allowance	225,493	(350,794)	(10,952)
Tax-exempt investment income resulting from operational headquarters	(1,386,033)	(2,556,360)	(79,811)
Surtax on unappropriated retained earnings	165,109	17,646	551
Deferred tax assets resulting from spin off adjustment (set note 5(2) (c))	(511,425)	(72,449)	(2,262)
Alternative minimum tax	44,430	1,417	44
Effect of change in income tax rate	-	438,368	13,686
Others	713,495	613,190	19,143
Income tax expense	3,169,446	3,630,123	113,335

(c) The components of deferred income tax assets (liabilities) as of December 31, 2008 and 2009, were as follows:

	December 31, 2008 NT$	December 31, 2009 NT$	December 31, 2009 US$
Deferred income tax assets – current:			
Unrealized cost of revenues	1,093,887	902,570	28,179
Inventory provisions	620,737	1,058,032	33,033
Loss (gain) on valuation of financial instruments	156,932	(279,622)	(8,730)
Accrued advertising expense	181,323	87,747	2,739
Accrued sales discounts	111,826	149,501	4,667
Warranty provision	894,085	778,287	24,299
Allowance for doubtful accounts	397,292	118,924	3,713
Accrued non-recurring engineering cost	86,315	58,825	1,837
Deferred revenue	34,904	5,614	175
Accrued royalty	82,975	494	16
Net operating loss carryforwards	77,977	143,674	4,485
Investment tax credits	-	64,027	1,999
Unrealized foreign exchange (gains) losses	(386,944)	299,738	9,358
Others	467,468	396,570	12,381
	3,818,777	3,784,381	118,151
Valuation allowance	(1,535,834)	(1,571,166)	(49,053)
	2,282,943	**2,213,215**	**69,098**

	December 31, 2008 NT$	December 31, 2009 NT$	December 31, 2009 US$
Deferred income tax liabilities – current:			
Inventory provisions	(125,802)	(84,598)	(2,641)
Allowance for doubtful accounts	(462,980)	(559,274)	(17,461)
Unrealized exchange gains	(58,994)	(15,078)	(471)
Others	(8,834)	(21,764)	(679)
	(656,610)	**(680,714)**	**(21,252)**

	December 31, 2008 NT$	December 31, 2009 NT$	December 31, 2009 US$
Deferred income tax assets – non-current:			
Investment loss under the equity method	44,649	66,861	2,087
Difference in depreciation for tax and financial purposes	20,638	16,462	514
Net operating loss carryforwards	773,919	410,104	12,804
Other	117,235	101,897	3,181
	956,441	595,324	18,586
Valuation allowance	(826,526)	(387,735)	(12,105)
	129,915	**207,589**	**6,481**

	December 31, 2008 NT$	December 31, 2009 NT$	December 31, 2009 US$
Deferred income tax liabilities – non-current:			
Difference in amortization of intangible assets for tax and financial purposes	(2,705,258)	(3,507,908)	(109,519)
Investment income under the equity method	(3,804,043)	(2,867,839)	(89,536)
Net operating loss carryforwards	14,326,766	13,313,903	415,670
Difference in depreciation for tax and financial purposes	1,026,013	811,822	25,346
Provision for asset impairment loss	313,148	245,347	7,660
Investment tax credits	418,227	-	-
Software development cost	731,804	28,553	891
Unrealized investment loss	244,421	239,877	7,489
Foreign currency translation adjustment	-	(237,330)	(7,410)
Other	463,409	316,950	9,895
	11,014,487	8,343,375	260,486
Valuation allowance	(17,288,586)	(13,887,322)	(433,572)
	(6,274,099)	**(5,543,947)**	**(173,086)**

(d) The domestic Consolidated Companies were granted investment tax credits for the purchase of automatic machinery and equipment, for research and development expenditures, and for personnel 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, but there is no limitation on the amount of investment tax credit that may be applied in the final year.

As of December 31, 2009, investment tax credits available to the Consolidated Companies were as follows:

Expiration date	NT$	US$
December 31, 2012	1,646	52
December 31, 2013	49,412	1,542
December 31, 2014	12,969	405
	64,027	**1,999**

(e) The tax effects of net operating loss carryforwards available to the Consolidated Companies as of December 31, 2009, were as follows:

Expiration date	NT$	US$
December 31, 2010	845	26
December 31, 2011	805,840	25,159
December 31, 2012	1,042,362	32,543
December 31, 2013	579,938	18,106
Thereafter	11,438,696	357,125
	13,867,681	**432,959**

(f) Information about the integrated income tax system

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

Information related to the ICA is summarized below:

	December 31, 2008	December 31, 2009	
	NT$	NT$	US$
Unappropriated earnings:			
Earned before January 1, 1998	6,776	6,776	212
Earned after January 1, 1998	13,978,542	16,615,824	518,758
	13,985,318	16,622,600	518,970
Balance of ICA	198,401	611,323	19,086

The estimated creditable ratio for the 2009 earnings distribution to ROC resident stockholders is approximately 13.35%; and the actual creditable ratio for the 2008 earnings distribution was 5.01%.

(g) The ROC income tax authorities have examined the income tax returns of the Company for all fiscal years through 2006. However, the Company disagreed with the assessments of its income tax returns from fiscal 2004 to 2006 regarding the adjustments of certain expenses and investment tax credits and has filed a request with the tax authorities for a reexamination. The reexamination of income tax returns was still in process, and the Company has accrued an additional tax liability related to the disallowed expenses and provided a valuation allowance on deferred tax assets based on the amount of assessed investment tax credits.

(19) Stockholders' equity

(a) Common stock

As of December 31, 2008 and 2009, the Company's authorized common stock consisted of 3,500,000,000 shares, respectively, of which 2,642,855,993 shares and 2,688,228,278 shares, respectively, were issued and outstanding. The par value of the Company's common stock is NT$10 per share.

As of December 31, 2008 and 2009, the Company had issued 8,412 thousand units and 18,284 thousand units, respectively, of global depository receipts (GDRs). The GDRs were listed on the London Stock Exchange, and each GDR represents five shares of common stock.

In 2008 and 2009, the Company issued 124 thousand and 2,709 thousand common shares, respectively, upon the exercise of employee stock options. Additionally, on September 1, 2008, the Company issued 168,159 thousand common shares for acquiring 100% equity ownership of E-Ten Information Systems Co., Ltd.

During their meeting on June 13, 2008, the Company's shareholders resolved to distribute stock dividends to shareholders and employees bonus of NT$390,823 and NT$330,000, respectively. As a result, a total of 69,082 thousand new shares were issued. The stock issuance was authorized by and registered with the governmental authorities.

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

(b) Treasury stock

As of December 31, 2008 and 2009, details of the GDRs (for the implementation of an overseas employee stock option plan) held by AWI and the common stock held by the Company's subsidiaries namely CCI and E-Ten were as follows (expressed in thousands of shares and New Taiwan dollars):

	December 31, 2008			December 31, 2009		
	Number of Shares	Book Value	Market Price	Number of Shares	Book Value	Market Price
		NT$	NT$		NT$	NT$
Common stock	21,571	1,050,341	918,946	21,787	1,050,341	2,095,930
GDRs	4,933	2,472,257	1,100,893	4,982	2,472,257	2,393,831
		3,522,598	2,019,839		3,522,598	4,489,761

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

2008				
Description	Beginning Balance	Additions	Disposal	Ending Balance
Common Stock	17,057	4514	-	21,571
GDRs	4,860	73	-	4,933

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

Upon the acquisition of E-Ten in September 2008, the Company issued 4,259 thousand common shares to E-Ten's subsidiaries in exchange of E-Ten's common shares owned by the subsidiaries. Such shares were accounted for as treasury stock.

(c) Capital surplus

	December 31, 2008	December 31, 2009	
	NT$	NT$	US$
Share premium:			
Paid-in capital in excess of par value	857,759	1,784,258	55,706
Surplus from merger	29,800,881	29,800,881	930,405
Premium on common stock issued from conversion of convertible bonds	4,552,585	4,552,585	142,135
Forfeited interest from conversion of convertible bonds	1,006,210	1,006,210	31,415
Surplus related to treasury stock transactions by subsidiary companies	431,161	501,671	15,662
Employee stock options	174,372	360,630	11,259
Other:			
Surplus from equity-method investments	306,984	487,883	15,232
	37,129,952	38,494,181	1,201,814

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

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

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

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

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

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

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

The appropriation of 2007 and 2008 earnings was approved by the shareholders at meetings on June 13, 2008, and June 19, 2009, respectively. The appropriations of employee bonus and remuneration to directors and supervisors and dividends per share were as follows:

		2007	2008
		NT$	NT$
Dividends per share (NT$)			
Cash dividends	$	3.60	2.00
Stock Dividends		0.15	0.10
	$	3.75	2.10
Employee bonus – stock	$	330,000	900,000
Employee bonus – cash		544,728	600,000
Remuneration to directors and supervisors		116,630	85,763
	$	991,358	1,585,763

The 2008 employee bonus in stock of 16,234 thousand common shares was determined by the closing price of the Company's common shares (after considering the effect of dividends) on the day preceding the shareholder's meeting, which was NT$58 (dollars). The above appropriations were consistent with the resolutions approved by the Company's directors.

The Company estimated and accrued employee bonus of NT$1,000,000 and directors' and supervisors' remuneration of NT$122,096 for the year ended December 31, 2009 based on the total amount of bonus expected to be distributed to employees and the Company's article of incorporation, under which, remuneration for directors and supervisors is distributed at 1% of the remainder of annual net income. If the actual amounts subsequently resolved by the stockholders differ from the estimated amounts, the differences are treated as a change in accounting estimate and are recorded as income or expense in the year of stockholder's resolution. If bonus to employees is resolved to be distributed in stock, the number of shares is determined by dividing the amount of stock bonus by the closing price (after considering the effect of dividends) of the shares on the day preceding the shareholder's meeting.

Distribution of 2009 earnings has not been proposed yet by the board of directors and is still subject to approval by the stockholders. After the resolutions, related information can be obtained from the public information website.

(20) Stock-based compensation plans

As of December 31, 2009, details of the employee stock option plans ("ESOP") were as follows:

	Stock Options			
	Employee stock option plan 1	**Employee stock option plan 2**	**Employee stock option plan 3**	**Employee stock option plan 4**
Grant date	2008/11/31	2008/09/01 (note 1)	2008/09/01 (note 1)	2009/10/30
Granted shares (in thousands)	14,000	8,717	1,067	14,000
Contractual life (in years)	3	4.97	2	3
Vesting period	2 years of service subsequent to grant date	1~3 years of service subsequent to grant date	1 year of service subsequent to grant date	2 years of service subsequent to grant date
Qualified employees	(note 2)	(note 3)	(note 3)	(note 2)

Note 1: The Company assumed the employee stock option plans 2 and 3 through the acquisition of E-Ten on September 1, 2008.
Note 2: The options are granted to eligible employees of the Company and its domestic or foreign subsidiaries, in which the Company directly or indirectly, owns 50% or more of the subsidiary's voting shares.
Note 3: The options are granted to eligible employees of the Company's subsidiaries, in which the Company directly or indirectly owns 50% or more of equity interests.

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

	2008			2009
	Employee stock option plan 1	**Employee stock option plan 2**	**Employee stock option plan 3**	**Employee stock option plan 4**
Exercise price (NT$)	25.28	44.50	16.90	42.90
Expected remaining contractual life (in years)	3	4.26	0.56	3
Fair market value for underlying securities – Acer shares (NT$)	45.95	59.10	59.10	78.00
Fair value of options granted (NT$)	25.124	25.47 ~ 26.11	42.20 ~ 42.58	40.356
Expected volatility	45.01%	34.98%	37.35%	40.74%
Expected dividend yield	note 4	note 4	note 4	note 4
Risk-free interest rate	2.50%	2.40%	1.84%	1.03%

Note 4: According to the employee stock option plan, the option prices are adjusted to take into account dividends paid on the underlying security. As a result, the expected dividend yield is excluded from the calculation.

Movements in number of stock options outstanding:

	2008			
	The Company's employee stock option plan		E-Ten's Employee stock option plan	
	Number of options (in thousands)	**Weighted-average exercise price (NT$)**	**Number of options (in thousands)**	**Weighted-average exercise price (NT$)**
Outstanding, beginning of year	-	-	-	-
Granted	14,000	25.28	9,784	41.49
Forfeited	-	-	(518)	-
Exercised	-	-	(173)	16.90
Outstanding, end of year	14,000	25.28	9,,093	41.66
Exercisable, end of year	-		406	

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

In 2008 and 2009, the Consolidated Companies recognized the compensation costs from the employee stock option plans of NT$37,856 an NT$298,952, respectively, which were accounted for under operating expenses.

(21) Restructuring charges

In 2008 and 2009, due to the acquisition of Gateway Inc. and Packard Bell B.V., the Consolidated Companies recognized restructuring charges of NT$1,582,408 and NT$164,595, respectively, which were accounted for under "restructuring cost" of non-operating expenses and loss in the accompanying statements of income. These restructuring charges were associated with severance payments to employees and integration of the information technology system.

(22) Net income from discontinued operations

On July 1, 2007, the Company disposed all of its ownership interest in a subsidiary, Sertek Inc. According to the sales agreement, if Sertek Inc. was able to achieve the stipulated profit in 2007, the Company would be entitled to a contingent consideration. Accordingly, the Company obtained the contingent consideration in cash amounting to NT$99,843 in March 2008.

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

	2008		
	Amount	Weighted-average number of outstanding shares of common stock (in thousands)	EPS (in dollars)
	NT$		NT$
Basic EPS – after retroactive adjustments			
Net income attributable to common shareholders of parent company	11,742,135	2,512,122	4.67
Diluted EPS			
Effect of dilutive potential common shares:			
Employee bonus	-	39,042	
Employee stock option plan	-	1,286	
Net income attributable to common shareholders of parent company	11,742,135	2,552,450	4.60

	2009				
	Amount (in thousand)		Weighted-average number of outstanding shares of common stock (in thousands)	EPS (in dollars)	
	NT$	US$		NT$	US$
Basic EPS – after retroactive adjustments					
Net income attributable to common shareholders of parent company	11,353,374	354,445	2,632,379	4.31	0.13
Diluted EPS					
Effect of dilutive potential common shares:					
Employee bonus	-	-	23,175		
Employee stock option plan	-	-	10,953		
Net income attributable to common shareholders of parent company	11,353,374	354,445	2,666,507	4.26	0.13

(24) Disclosure of financial instruments

(a) Fair values of financial instruments

The book value of short-term financial instruments is considered to be the fair value because of the short-term maturity of these instruments. Such method is applied to cash and cash equivalents, notes and accounts receivable (including receivables from related parties), other receivables (including receivables from related parties), notes and accounts payables (including payables to related parties), short-term borrowings, current installments of long-term debt, 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, 2008 and 2009 were as follows:

	2008			2009		
		Fair value			Fair value	
	Carrying amount	Public quoted price	Valuation amount	Carrying amount	Public quoted price	Valuation amount
	NT$	NT$	NT$	NT$	NT$	NT$
Non-derivative financial instruments						
Financial assets:						
Available-for-sale financial assets – current	591,444	591,444	-	223,437	223,437	-
Available-for-sale financial assets – noncurrent	1,160,487	1,160,487	-	3,306,742	3,306,742	-
Financial assets carried at cost	2,684,270	-	see below(b)	2,251,058	-	see below(b)
Refundable deposits (classified as "other financial assets")	781,080	-	781,080	771,957	-	771,957
Noncurrent receivables (classified as "other financial assets")	87,680	-	87,680	17,754	-	17,754
Financial liabilities:						
Long-term debt	4,134,920	-	4,134,920	12,371,856	-	12,371,856
Derivative financial instruments						
Financial assets:						
Foreign currency forward contracts	1,302,085	-	1,302,085	1,414,672	-	1,414,672
Foreign exchange swap	7,113	-	7,113	-	-	-
Cross currency swap	7,821	-	7,821	-	-	-
Foreign currency options	60,514	-	60,514	18,144	-	18,144
Financial liabilities:						
Foreign currency forward contracts	1,860,465	-	1,860,465	354,562	-	354,562
Foreign currency options	23,298	-	23,298	4,691	-	4,691
Foreign exchange swap	14	-	14	-	-	-

(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 – current and non-current

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

(ii) Financial assets carried at cost – non-current

Financial assets carried at cost represent 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 are the book values as the date of expiry cannot be determined.

(iv) Non-current receivables

The fair values are their present value discounted at the market interest rate.

(v) Long-term debt

Long-term debt is obtained at floating interest rates which are calculated based on the prevailing market rate adjusted by the Company's credit spread. The carrying value of long-term debt approximates the market value.

(vi) Derivative financial instruments

The fair values of derivative financial instruments are estimated using a valuation technique, with estimates and assumptions consistent with those made by market participants and are readily available to the Consolidated Companies.

(c) For the years ended December 31, 2008 and 2009, valuation gain on financial assets and liabilities using a valuation technique amounted to NT$989,905 and NT$1,293,844, respectively.

(d) Disclosure of financial risks

(i) Market risk

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

The Consolidated Companies engaged in purchase and sale transactions which are denominated in US dollars and Euros, respectively. Hence, the Consolidated Companies entered into foreign currency forward contracts, foreign currency options, foreign exchange swap and cross currency swap for hedging purposes. The lengths and amounts of aforementioned derivative transactions were in line with the settlement date of the Consolidated Companies' recorded foreign currency assets and liabilities and future cash flows. Gains or losses from these hedging derivatives are expected to substantially offset those from the hedged assets or liabilities. Therefore, management believes that market risk related to the changes in exchange rates was not significant.

(ii) Credit risk

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

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

(iii) Liquidity risk

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

The available-for-sale financial assets held by the Consolidated Companies are equity securities and mutual funds, 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.

The Consolidated Companies' 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 lengths of the contracts are in line with the payment date of the Consolidated Companies' assets and liabilities denominated in foreign currency and the anticipated cash flows. At the maturity date of the derivative contract, the Consolidated Companies will settle these contracts using the foreign currencies arising from the hedged assets and liabilities denominated in foreign currency, and therefore, the liquidity risk is not significant.

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

The Consolidated Companies' short-term borrowings and long-term debt carried floating interest rates. As a result, the effective rate changes along with the fluctuation of the market interest rates and thereby influences the Consolidated Companies' future cash flow. If the market interest rate increases by 1%, cash outflows in respect of these interest payments would increase by approximately NT$129,199 per annum.

5. Transactions with Related Parties

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

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

(2) Significant transactions with related parties as of and for the years ended December 31, 2008 and 2009 were as follows:

(a) Net sales and related notes and accounts receivable

(i) Net sales to:

	2008	2009	
	NT$	NT$	US$
SAL	758,797	768,379	23,989
eLIFE	885,662	690,738	21,566
COWIN	462,430	-	-
Other (individually less than 5%)	114,486	77,605	2,423
	2,221,375	**1,536,722**	**47,978**

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

(ii) Notes and accounts receivable from:

	December 31, 2008	December 31, 2009	
	NT$	NT$	US$
COWIN	329,848	315,929	9,864
SAL	64,529	116,156	3,626
eLIFE	159,182	109,090	3,406
Wistron	248,930	43,305	1,352
Others (individually less than 5%)	38,976	15,826	494
	841,465	600,306	18,742

(b) Purchases and related notes and accounts payable

(i) Purchases from:

	2008	2009	
	NT$	NT$	US$
Wistron	25,228,683	32,351,566	1,010,040
Others	270	214	6
	25,228,953	32,351,780	1,010,046

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 and sales of raw materials to Wistron and its subsidiaries amounting to NT$88,579,887 and NT$127,377,990 for the years ended December 31, 2008 and 2009, 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, 2008	December 31, 2009	
	NT$	NT$	US$
Wistron	7,681,059	10,172,553	317,595
Others	69,161	59,811	1,867
	7,750,220	10,232,364	319,462

(c) Spin-off of assets

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

In 2008 and 2009, the tax authorities subsequently concluded that Wistron could utilize portions of the aforementioned deferred tax assets resulting from the spin-off. Based on the tax authorities' conclusion, the Company collected the outstanding receivables from Wistron in 2009. Additionally, the valuation allowance was reversed to current income tax benefit in the amount of NT$511,425 and $72,449, for the years ended December 31, 2008 and 2009, respectively.

(d) Other expenses

The Consolidated Companies paid iD Soft Capital Inc. management service fees amounting to NT$61,633 and NT$49,333 for the years ended December 31, 2008 and 2009, respectively.

(e) Advances to/from related parties

The Consolidated Companies paid certain expenses on behalf of related parties. Additionally, related parties paid certain expenses and accounts payable on behalf of the Consolidated Companies. As of December 31, 2008 and 2009, the Consolidated Companies had aggregate receivables from related parties of NT$45,173 and NT$21,507, respectively, and payables to related parties of NT$189,964 and NT$92,187, respectively, resulting from these transactions.

(3) Compensation to executive officers

For the years ended December 31, 2008 and 2009, compensation paid to the Consolidated Companies' executive officers including directors, supervisors, president and vice-presidents was as follows:

	2008	2009	
	Amount	Amount	
	NT$	NT$	US$
Salaries	249,243	339,997	10,615
Cash awards and special allowances	134,574	175,655	5,484
Business service charges	1,989	1,080	34
Employee bonuses	360,581	443,855	13,857
	746,387	960,587	29,990

The aforementioned compensation included the accruals for employee bonus and directors' and supervisors' remuneration as discussed in note 4(19).

6. Pledged Assets

Pledged assets	Pledged to secure	Carrying amount at December 31, 2008 NT$	2009 NT$	2009 US$
Cash in bank and time deposits	Contract bidding and project fulfillment	109,586	61,939	1,934
Property, plant and equipment	Credit lines of bank loans	4,902	-	-
		114,488	61,939	1,934

As of December 31, 2008 and 2009, the above pledged cash in bank and time deposits were classified as "restricted deposits" and "other financial assets" in the accompanying consolidated balance sheets.

7. Commitments and Contingencies

(1) Royalties

(a) The Company has entered into a patent cross license agreement with International Business Machines Corporation (IBM). Under this agreement, both parties have the right to make use of either party's global technological patents to manufacture and sell personal computer products. The Company agrees to make fixed payments periodically to IBM, and the Company will not have any additional obligation for the use of IBM patents other than the agreed upon fixed amounts of payments.

(b) The Company 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 Company agrees to make fixed payments periodically to Lucent, and the Company will not have any additional obligation for the use of Lucent patents other than the agreed upon fixed amounts of payments.

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

(2) As of December 31, 2008 and 2009, the Consolidated Companies had provided outstanding stand-by letters of credit totaling NT$133,304 and NT$269,957, respectively, for purposes of bidding on sales contracts and for customs duty contract implementation.

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

Year	NT$	US$
2010	624,358	19,493
2011	388,781	12,138
2012	212,284	6,628
2013	167,010	5,214
2014 and thereafter	169,701	5,298
	1,562,134	48,771

(4) As of December 31, 2008 and 2009, the Consolidated Companies had provided promissory notes amounting to NT$29,150,262 and NT$28,552,820, respectively, as collateral for factored accounts receivable and for obtaining credit facilities from financial institutions.

8. Significant Loss from Casualty: None

9. Subsequent Events: None

10. Labor cost, depreciation and amortization

	2008			2009		
	Operating expense NT$	Cost of sales NT$	Total NT$	Operating expense NT$	Cost of sales NT$	Total NT$
Labor cost:						
Salaries	11,363,684	1,559,145	12,922,829	10,691,422	2,203,906	12,895,328
Insurance	1,259,823	149,681	1,409,504	1,103,299	202,810	1,306,109
Pension	448,196	17,042	465,238	438,401	25,293	463,694
Other	10,464	131,997	142,461	927,649	104,031	1,031,680
Depreciation	917,394	38,486	955,880	797,215	49,088	846,303
Amortization	791,510	454,051	1,245,561	1,847,624	12,660	1,860,284

11. Segment Information

(1) Industry segment

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

(2) Geographic information

2008	Taiwan NT$	North America NT$	Europe NT$	Asia NT$	Eliminations NT$	Consolidated NT$
Area income:						
Customers	25,879,015	152,469,649	279,790,219	90,925,741	-	549,064,624
Inter-company	341,107,152	3,203	6,057,224	13,642	(347,181,221)	-
	366,986,167	152,472,852	285,847,443	90,939,383	(347,181,221)	549,064,624
Area profit (loss) before income taxes	342,361,748	(1,044,322)	15,501,048	3,361,512	(347,181,221)	12,998,765
Net investment income by the equity method						404,184
Gain on disposal of investments, net						2,709,524
Interest expense						(1,305,746)
Consolidated income before income taxes						14,806,727
Area identifiable assets	111,929,202	47,044,049	95,789,881	25,518,735	(62,342,472)	217,939,395
Equity method investments						2,928,790
Goodwill						22,574,040
Total assets						243,442,225
Depreciation and amortization	685,120	1,090,051	290,210	136,060	-	2,201,441
Capital expenditures	171,677	220,011	154,207	205,397	-	751,292

2009	Taiwan NT$	North America NT$	Europe NT$	Asia NT$	Eliminations NT$	Consolidated NT$
Area income:						
Customers	32,527,383	153,258,163	294,783,234	107,213,050	-	587,781,830
Inter-company	404,809,061	187,495	6,404,956	7,297	(411,408,809)	-
	437,336,444	153,445,658	301,188,190	107,220,347	(411,408,809)	587,781,830
Area profit (loss) before income taxes	354,733,460	(3,051,275)	71,362,909	3,489,518	(411,408,809)	15,125,803
Net investment income by the equity method						400,098
Gain on disposal of investments, net						79,162
Interest expense						(622,080)
Consolidated income before income taxes						14,982,983
Area identifiable assets	154,584,475	68,774,280	106,947,852	32,809,119	(97,383,442)	265,732,284
Equity method investments						3,314,950
Goodwill						21,977,454
Total assets						291,024,688
Depreciation and amortization	1,064,578	667,269	847,796	126,944	-	2,706,587
Capital expenditures	413,968	30,381	243,081	84,145	-	771,575

(3) Export sales

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

(4) Major customers:

No individual customers accounting for more than 10% of the consolidated revenues in 2008 and 2009.

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 2010:

Not applicable.

8. Risk Management

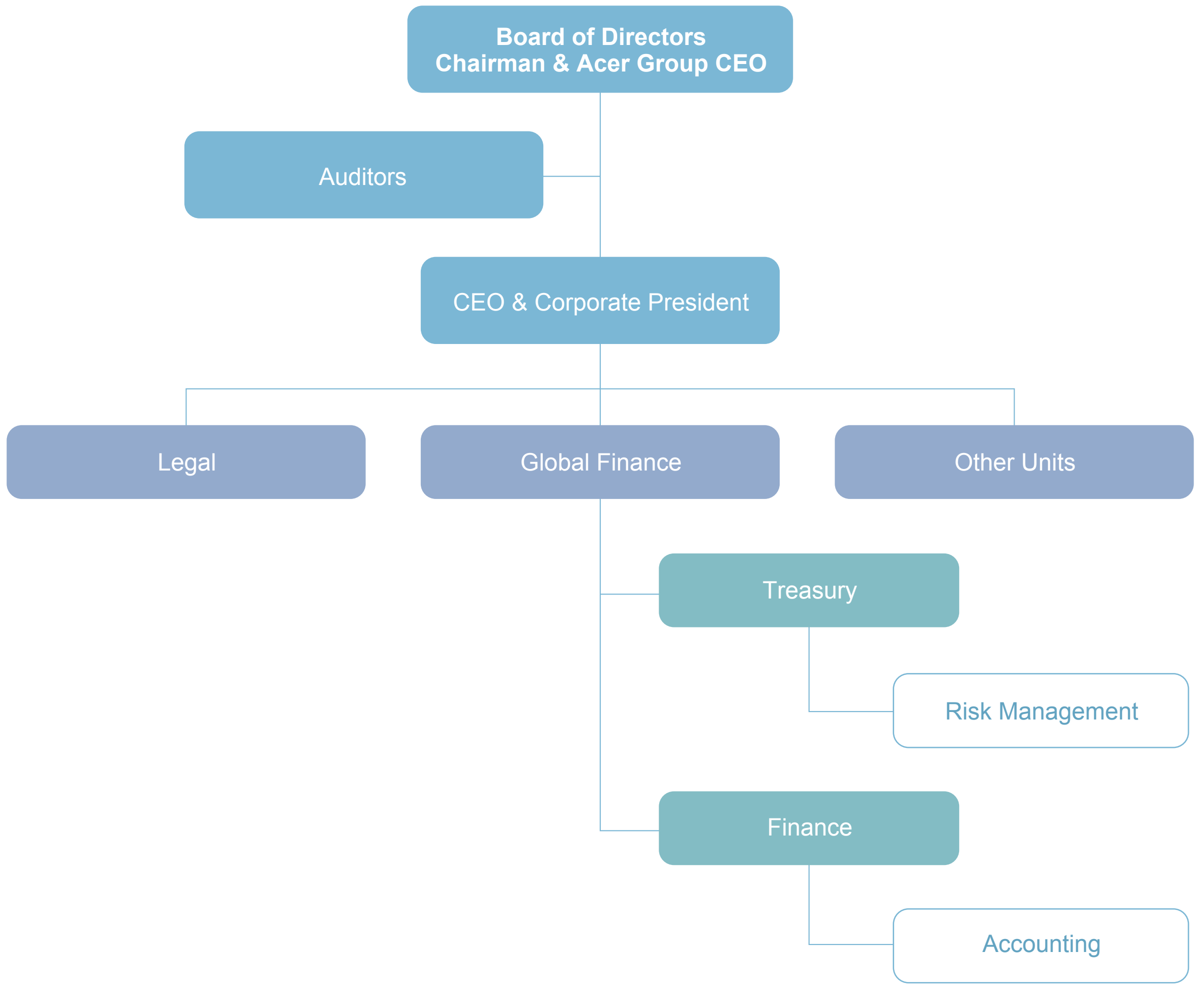
8.1 Recent Annual Investment Policy and Main Reasons of Gain or Loss and Improvement Plan

Unit: NT$ Thousand

Description / Item	Amount (Note)	Business Type	Year 2009 P&L	Main reason of Gain or Loss	The Plan for Improvement	Investment Plan for Next Year
Acer European Holdings B.V.	30,945,964	Sales and maintenance of "Acer" brand-name information technology products	3,272,874	Stable growth in Europe		
Acer Holdings International, Inc.	8,739,891	Sales and maintenance of "Acer" brand-name information technology products	2,408,770	Stable growth in Asia Pacific		
Boardwalk Capital Holdings Limited	21,025,618	Sales and maintenance of "Acer" brand-name information technology products	(840,412)	Recognized the impairement loss of fixed-assets		
Acer Worldwide Inc.	2,889,939	Investing and holding company	(1,925)	Recognized operating expense		
E-ten Information Systems Co., Ltd.	7,688,493	PDA manufacturing and sale	(309,852)	Recognized other investment loss and impairement loss of fixed-assets		
Cross Century Investment Limited	1,422,316	Investing and Holding company	(411,935)	Recognized disposal stock loss		
Acer CyberCenter Services Ltd.	1,799,765	Data storage and processing company	56,577	Gain on operating activity		
Acer Greater China (B.V.I.) Corp.	1,638,206	Sales and maintenance of "Acer" brand-name information technology products	464,244	Great China market gain		
Wistron Corp.	2,185,370	Investing on industry of manufacturing computer and information technology products	416,074	Gain on operating activity		
Multiventure Investment Inc.	12,565	Investing and holding companies	7,974	Recognized disposal stock gain	N/A	No material investment plan for next year
Acer Digital Service Co.,	848,997	Investing and holding companies	(134,327)	Recognized disposal stock loss		
Bluechip Infotech Pty Ltd.	72,303	Sales of software	4,605	Gain on operating activity		
Acer Computer International Ltd.	40,186	Sales and maintenance of "Acer" brand-name information technology products	4,502	Recognized interest income		
Acer Digital Services (B.V.I) Holding Corp.	6,585	Investing and holding companies	247	Recognized investment income		
Weblink International Inc.	1,274,069	Sales and distribution of computer products and electronic communication products	63,900	Gain on operating activity		
Aegis Semiconductor Technology Inc.	72,397	Semi-conductor test service	0	-		
E-LIFE MALL Corp.	376,437	Sales and distribution of computer products and electronic communication products	49,840	Gain on operating activity		
Qisda Corp.	1,606,215	An ODM/OEM service provider of electronic products for consumer, commercial, industrial and lifestyle applications.	0	-		
Yosun Industrial Corp.	844,416	Sale of semi-conductor spare-parts	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
- 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

An increasing number of central banks have started to exit from loose stance and policy support measures, but at a rather uneven pace. The U.S. Federal Reserve Board will raise the rate unless it sees solid growth or has confidence of recovery. It is widely expected by the market that the Federal Reserve Board should keep its policy rates on hold until Q4, 2010. Due to uncertainties about the global recovery, the Central Bank of the R.O.C. is likely to stay with a pro-growth monetary stance and the benchmark policy rate is expected to remain unchanged until late 2010. Our funding cost of liability will not increase. We usually use the New Taiwan Dollar (NT$) and short-term foreign currency deposits to optimize return at low risk level.

Exchange Rate

The different economic recovery rates among countries means that the relative performance of their currencies will vary this year. Fiscal concerns in the eurozone, in particular – Italy, Portugal, Ireland, Greece and Spain – will continue to weigh on the euro, which is our major currency exposure. 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

It is expected that inflation risk will remain low until late 2010. 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 Change Corporate Image Change Affects Company's Risk Management Mechanism

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

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

Not applicable.

8.2.4 Potential Risks to Company from Procurement and Sales

None

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

Not applicable.

8.2.6 Impact and Potential Risks to Company Management Team Change

Not applicable.

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

1. Similar to other IT companies, Acer receives notices from third parties asserting that Acer has infringed certain patents or demands Acer obtain certain patent licenses. Acer takes these matters seriously and may take appropriate counter actions.
2. In year 2009 and as of the date of printing of this annual report, there were no involvements in any material litigious, non-litigious or administrative disputes by any Acer director, supervisor, the general manager, any person with actual responsibility for the firm, or any major shareholder holding a stake of greater than 10%.
3. In year 2009 and as of the date of printing of this annual report, there were no involvements in any material litigious, non-litigious or administrative disputes by any company or companies controlled by Acer.

8.2.8 Other Risks:

None

APPENDIX

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

Principal	CheMin Tu	CFO	+886-2-2696-3131	CheMinTu@acer-euro.com
Deputy	Thomas Shin	Director	+886-2-2696-3131	Thomas_Shin@acer.com.tw

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

Office	Address	Tel
Acer Inc. Registered Address	7F, 137, Sec.2, Chien Kuo N. Road, Taipei, Taiwan	+886-2-2509-2368
Acer Inc. (Hsichih Office)	8F, 88, Sec.1, Hsin Tai Wu Road, Hsichih, Taipei Hsien, Taiwan	+886-2-2696-1234
Acer Inc. (Hsinchu Branch)	3F, 139 Min Tsu Road, Hsinchu, Taiwan	+886-3-533-9141
Acer Inc. (Taichung Branch)	3F, 371, Sec.1, Wen-Hsin Road, Taichung, Taiwan	+886-4-2250-3355
Acer Inc. (Kaohsiung Branch)	4F-2, 38, Shin Guang Road, Kaohsiung, Taiwan	+886-7-338-8386
Acer Inc. (Shipping & Warehouse Management Center)	1F, 138, Nan-Gong Road, Lu Chu Tsuan, Lu Chu, Taoyuan Hsiang, Taiwan	+886-3-322-2421

3. Address and Contact Details of Acer Shareholders' Services

Address:	7F, 137, Sec.2, Chien Kuo N. Road, Taipei, Taiwan
Tel:	+886-2-2509-2368
E-mail:	stockaffairs@acer.com.tw

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

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

5. Listed Market for GDRs: London Stock Exchange Market

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

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

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