

Review Report of Independent Certified Public Accountants

The Board of Directors
Acer Incorporated:

We have reviewed the non-consolidated balance sheets of Acer Incorporated as of September 30, 2007 and 2006, and the related statements of income, changes in stockholders' equity, and cash flows for the nine-month periods then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our reviews.

Except as stated in following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 36 "The Review of Financial Statements". A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

The Company's long-term equity investments of NT\$43,056,251 thousand and NT\$41,141,256 thousand, long-term equity investment credits of NT\$450,592 thousand and NT\$437,825 thousand, deferred inter-company profits of NT\$9,990 thousand and NT\$28,747 thousand and foreign currency translation adjustment of NT\$2,840,950 thousand and NT\$950,387 thousand as of September 30, 2007 and 2006, respectively, and related net investment income of NT\$7,655,993 thousand and NT\$6,137,739 thousand and change in unrealized inter-company profits of NT\$18,073 and NT\$24,752 thousand for the nine-month periods ended September 30, 2007 and 2006, respectively, were accounted for under the equity method based on the unreviewed financial statements of the related investees of the Company. Therefore, we are unable to evaluate the effect on the Company's financial statements referred to in the first paragraph if such investees' financial statements were reviewed by independent accountants.

Based on our reviews, except for the effects of such adjustment, if any, as might have been determined to be necessary had the investee companies' financial statements been reviewed as discussed in the preceding paragraph, we are not aware of any material modification that should be made to the non-consolidated financial statements referred to in the first paragraph in order for them to be in conformity with accounting principles generally accepted in the Republic of China.

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

KPMG Certified Public Accountants
October 19, 2007

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

ACER INCORPORATED
Non-Consolidated Balance Sheets
September 30, 2007 and 2006
(Expressed in thousands of New Taiwan dollars)
Unaudited

Assets	<u>2007.9.30</u> NT\$	<u>2006.9.30</u> NT\$	Liabilities and Stockholders' Equity	<u>2007.9.30</u> NT\$	<u>2006.9.30</u> NT\$
Current assets:			Current liabilities:		
Cash and cash equivalents	18,280,366	15,414,299	Notes and accounts payable	52,286,175	34,671,752
Notes and accounts receivable, net of allowance for doubtful accounts of NT\$47,397 and NT\$54,342 as of September 30, 2007 and 2006, respectively	10,640,090	6,362,644	Notes and accounts payable to related parties	3,913,790	6,106,749
Notes and accounts receivables from related parties	44,848,121	37,152,266	Financial liabilities at fair value through profit or loss—current	1,467,342	-
Other receivables from related parties	120,126	214,422	Other payables to related parties	1,146,344	1,302,356
Other receivables	982,251	136,278	Hedging purpose derivative financial liabilities	1,506,661	-
Financial assets at fair value through profit or loss—current	-	262,941	Royalties payable	5,620,691	4,664,009
Available-for-sale financial assets-current	5,375,874	6,346,527	Accrued expenses and other current liabilities	12,746,850	6,390,538
Hedging purpose derivative financial assets-current	-	79,755	Deferred inter-company profits	9,990	28,747
Inventories	16,304,857	4,712,313	Total current liabilities	<u>78,697,843</u>	<u>53,164,151</u>
Deferred income tax assets-current	1,298,044	582,869	Long-term liabilities:		
Prepaid expenses and other current assets	<u>476,080</u>	<u>286,524</u>	Other liabilities	28,999	90,915
Total current assets	<u>98,325,809</u>	<u>71,550,838</u>	Deferred income tax liabilities-noncurrent	2,856,735	1,892,265
Funds and investments:			Long-term equity investment credits	<u>450,592</u>	<u>437,825</u>
Long-term equity investments under equity method	43,056,251	41,141,256	Total long-term liabilities	<u>3,336,326</u>	<u>2,421,005</u>
Financial assets carried at cost-noncurrent	899,418	3,235,503	Total liabilities	<u>82,034,169</u>	<u>55,585,156</u>
Prepaid long-term equity investments	1,581,302	-	Stockholders' equity:		
Available-for-sale financial assets-noncurrent	<u>3,039,232</u>	<u>2,538,736</u>	Common stock	24,054,904	23,370,637
Total funds and investments	<u>48,576,203</u>	<u>46,915,495</u>	Capital surplus	29,898,471	29,949,442
Property, plant and equipment:			Retained earnings:		
Land	376,842	476,159	Legal reserve	7,490,689	6,468,865
Buildings and improvements	578,892	621,394	Special reserve	-	283,921
Machinery and computer equipment	435,360	543,991	Unappropriated earnings	<u>11,153,906</u>	<u>10,266,327</u>
Transportation equipment	25,503	30,443	Total retained earnings	<u>18,644,595</u>	<u>17,019,113</u>
Office equipment	15,901	19,000	Other stockholders' equity components:		
Other equipment	203,336	179,384	Foreign currency translation adjustment	2,840,950	950,387
Leasehold improvement	26,053	26,053	Unrealized gain on available-for-sale financial assets	2,583,700	3,940,638
Construction in progress and advance payments for purchases of property and equipment	<u>424,629</u>	<u>7,382</u>	Hedging reserve	(1,584,421)	82,586
	2,086,516	1,903,806	Treasury stock	<u>(3,270,920)</u>	<u>(3,270,920)</u>
Less: accumulated depreciation	<u>(547,646)</u>	<u>(674,485)</u>	Total stockholders' equity	<u>569,309</u>	<u>1,702,691</u>
Net property, plant and equipment	<u>1,538,870</u>	<u>1,229,321</u>		73,167,279	72,041,883
Intangible assets	479,362	282,889	Commitments and contingencies		
Property not used in operations	5,071,042	6,239,408			
Refundable deposits	232,922	363,276			
Noncurrent receivable	293,744	513,559			
Deferred expenses and other assets	<u>683,496</u>	<u>532,253</u>			
Total assets	<u>155,201,448</u>	<u>127,627,039</u>	Total liabilities and stockholders' equity	<u>155,201,448</u>	<u>127,627,039</u>

ACER INCORPORATED

Non-Consolidated Statements of Income

For the nine-month periods ended September 30, 2007 and 2006

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

Unaudited

	<u>2007</u>	<u>2006</u>		
	NT\$	NT\$		
Revenues	221,722,699	160,397,104		
Sales return and allowances	<u>(2,148,336)</u>	<u>(2,580,461)</u>		
Net Revenue	219,574,363	157,816,643		
Cost of revenues	<u>(211,351,551)</u>	<u>(151,424,678)</u>		
Gross profit	8,222,812	6,391,965		
Changes in unrealized inter-company profits	<u>18,073</u>	<u>24,752</u>		
Realized gross profit	<u>8,240,885</u>	<u>6,416,717</u>		
Operating expenses:				
Selling	(1,986,879)	(1,779,555)		
Administrative	(123,554)	(136,762)		
Research and development	<u>(73,627)</u>	<u>(77,183)</u>		
Total operating expenses	<u>(2,184,060)</u>	<u>(1,993,500)</u>		
Operating income	<u>6,056,825</u>	<u>4,423,217</u>		
Non-operating income and gains:				
Interest income	296,181	319,401		
Investment gain recognized by equity method	1,134,522	2,218,368		
Gain on disposal of assets, net	108,637	-		
Gain on disposal of investments, net	3,504,833	4,546,420		
Foreign exchange gain, net	111,434	-		
Financial assets revaluation gain	-	262,941		
Other income	<u>139,454</u>	<u>362,007</u>		
	<u>5,295,061</u>	<u>7,709,137</u>		
Non-operating expenses and loss:				
Interest expense	(47,440)	(221,765)		
Foreign exchange loss, net	-	(857,828)		
Financial liabilities revaluation loss	(352,632)	-		
Assets impairment loss	-	(995,000)		
Other loss	<u>(83)</u>	<u>(32,295)</u>		
	<u>(400,155)</u>	<u>(2,106,888)</u>		
Income before income taxes	10,951,731	10,025,466		
Income tax expense	<u>(389,916)</u>	<u>(1,072,376)</u>		
Net income	<u>10,561,815</u>	<u>8,953,090</u>		
Earnings per common share (in New Taiwan dollars):			Before	After
			income	income
			taxes	taxes
			NT\$	NT\$
			Before	After
			income	income
			taxes	taxes
			NT\$	NT\$
Basic earnings per common share	<u>4.63</u>	<u>4.47</u>	<u>4.24</u>	<u>3.79</u>

ACER INCORPORATED

Non-Consolidated Statements of Changes in Stockholders' Equity

For the nine-month periods ended September 30, 2007 and 2006

(Expressed in thousands of New Taiwan dollars)
Unaudited

	Retained earnings					Foreign currency translation adjustment	Unrealized loss on long-term equity investments	Unrealized gain on available-for- sale financial assets	Hedging reserve	Treasury stock	Total stockholders' equity
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings						
Balance at January 1, 2006	22,545,187	30,552,133	5,621,115	2,017,819	8,484,278	(226,806)	(454)	-	66,062	(3,270,920)	65,788,414
Effect of adoption of Statement of Financial Accounting Standard No.34 "Accounting for Financial Instruments" starting from January 1, 2006.	-	-	-	-	-	-	-	4,503,791	-	-	4,503,791
2006 net income	-	-	-	-	8,953,090	-	-	-	-	-	8,953,090
Foreign currency translation adjustment	-	-	-	-	-	1,177,193	-	-	-	-	1,177,193
Change in fair values of financial instruments	-	-	-	-	-	-	-	-	16,524	-	16,524
Appropriation approved by the stockholders:											
Legal reserve	-	-	847,750	-	(847,750)	-	-	-	-	-	-
Stock dividends and employees' bonuses in stock	825,450	-	-	-	(825,450)	-	-	-	-	-	-
Special reserve	-	-	-	(1,733,898)	1,733,898	-	-	-	-	-	-
Cash dividends	-	-	-	-	(6,763,556)	-	-	-	-	-	(6,763,556)
Directors' and supervisors' remuneration	-	-	-	-	(93,637)	-	-	-	-	-	(93,637)
Employees' bonuses in cash	-	-	-	-	(374,546)	-	-	-	-	-	(374,546)
Change in unrealized loss on long-term equity investments	-	-	-	-	-	-	454	-	-	-	454
Cash dividends distributed to subsidiaries	-	92,988	-	-	-	-	-	-	-	-	92,988
Decrease in capital surplus resulting from long-term equity investments accounted for by the equity method	-	(695,679)	-	-	-	-	-	-	-	-	(695,679)
Unrealized loss on available-for sale financial assets	-	-	-	-	-	-	-	(563,153)	-	-	(563,153)
Balance at September 30, 2006	23,370,637	29,949,442	6,468,865	283,921	10,266,327	950,387	-	3,940,638	82,586	(3,270,920)	72,041,883
Balance at January 1, 2007	23,370,637	29,947,020	6,468,865	283,921	11,531,479	1,335,500	-	4,374,388	(12,780)	(3,270,920)	74,028,110
2007 net income	-	-	-	-	10,561,815	-	-	-	-	-	10,561,815
Foreign currency translation adjustment	-	-	-	-	-	1,505,450	-	-	-	-	1,505,450
Change in fair values of financial instruments	-	-	-	-	-	-	-	-	(1,571,641)	-	(1,571,641)
Appropriation approved by the stockholders:											
Legal reserve	-	-	1,021,824	-	(1,021,824)	-	-	-	-	-	-
Stock dividends and employees' bonuses in stock	684,267	-	-	-	(684,267)	-	-	-	-	-	-
Special reserve	-	-	-	(283,921)	283,921	-	-	-	-	-	-
Cash dividends	-	-	-	-	(8,997,695)	-	-	-	-	-	(8,997,695)
Directors' and supervisors' remuneration	-	-	-	-	(94,804)	-	-	-	-	-	(94,804)
Employees' bonuses in cash	-	-	-	-	(424,719)	-	-	-	-	-	(424,719)
Decrease in capital surplus resulting from long-term equity investments accounted for by the equity method	-	(170,784)	-	-	-	-	-	-	-	-	(170,784)
Cash dividends distributed to subsidiaries	-	122,235	-	-	-	-	-	-	-	-	122,235
Unrealized loss on available-for sale financial assets	-	-	-	-	-	-	-	(1,790,688)	-	-	(1,790,688)
Balance at September 30, 2007	24,054,904	29,898,471	7,490,689	-	11,153,906	2,840,950	-	2,583,700	(1,584,421)	(3,270,920)	73,167,279

ACER INCORPORATED

Non-Consolidated Statements of Cash Flows

For the nine-month periods ended September 30, 2007 and 2006

(Expressed in thousands of New Taiwan dollars)

Unaudited

	<u>2007</u>	<u>2006</u>
	NT\$	NT\$
Cash flows from operating activities:		
Net income	10,561,815	8,953,090
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Depreciation	97,900	129,043
Amortization	166,045	132,998
Loss (gain) on disposal of assets, net	(108,637)	587
Other expenses	1,694	-
Gain on disposal of investments, net	(3,504,833)	(4,546,420)
Net investment gain on long-term equity investments accounted for by equity method, net of cash dividends received	(5,262,356)	(5,675,448)
Assets impairment loss	-	995,000
Realized foreign exchange (gain) loss on long-term investments	(18,780)	3,343
Allowance for doubtful of advances to related parties	-	367,116
Deferred income tax expense (benefit)	(40,582)	165,882
Changes in operating assets and liabilities:		
Notes and accounts receivable	(2,623,816)	14,330,897
Receivables from related parties	4,115,738	(5,743,939)
Inventories	(10,183,531)	2,733,920
Other financial assets, prepaid expenses and other current assets	(287,183)	53,511
Noncurrent receivable	186,793	(26,568)
Notes and accounts payable	16,587,215	(4,899,702)
Payables to related parties	1,842,641	(4,000,773)
Deferred inter-company profits	(18,073)	(24,752)
Other financial liabilities, royalties payable, accrued expenses and other current liabilities	6,086,175	1,300,391
Other liabilities	(93,751)	8,978
Cash provided by operating activities	<u>17,504,474</u>	<u>4,257,154</u>
Cash flows from investing activities:		
Decrease in available-for-sale financial assets-current	4,066,728	2,192,702
Increase in prepaid long-term equity investments	(1,581,302)	-
Proceeds from sales of long-term equity investments and available-for-sale financial assets-noncurrent	5,343,016	3,995,417
Return of capital from investees	3,649,915	1,424,529
Proceeds from disposal of property, plant and equipment and property not used in operations	1,221,303	147,652
Additions to property, plant and equipment	(393,589)	(463,295)
Increase in intangible assets	(217,143)	(47,628)
Decrease (increase) in loans and advances to related parties	(33,123)	191,748
Increase in refundable deposits, deferred expenses and other assets	(116,963)	(342,911)
Cash provided by investing activities	<u>11,938,842</u>	<u>7,098,214</u>
Cash flows from financing activities:		
Decrease in short-term borrowings	(5,375,080)	(2,538)
Payment of cash dividends, employees' bonuses and directors' and supervisor's remuneration	(9,094,715)	(6,857,193)
Cash used in financing activities	<u>(14,469,795)</u>	<u>(6,859,731)</u>
Net increase in cash and cash equivalents	14,973,521	4,495,637
Cash and cash equivalents at beginning of period	3,306,845	10,918,662
Cash and cash equivalents at end of period	<u><u>18,280,366</u></u>	<u><u>15,414,299</u></u>
Supplemental disclosures of cash flow information:		
Interest paid	<u>47,440</u>	<u>221,765</u>
Income taxes paid	<u>225,162</u>	<u>23,963</u>
Supplementary schedules of non-cash investing and financing activities:		
Accrued employees' bonuses	<u>422,503</u>	<u>374,546</u>
Change in foreign currency translation adjustment	<u>1,524,230</u>	<u>1,173,850</u>
Change in unrealized gain on available-for-sale financial assets	<u>1,790,687</u>	<u>3,940,638</u>

