

Review Report of Independent Certified Public Accounts

The Board of Directors
Acer Incorporated:

We have reviewed the consolidated balance sheets of Acer Incorporated (the “Company”) and subsidiaries as of June 30, 2008 and 2007, and the related consolidated statements of income, changes in stockholders’ equity, and cash flows for the six-month periods then ended. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

We conducted our reviews in accordance with Republic of China 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.

Based on our reviews, we are not aware of any material modification that should be made to the consolidated financial statements referred to in the first paragraph in order for them to be in conformity with the related financial accounting standards of the “Business Entity Accounting Act” and of the “Regulation on Business Entity Accounting Handling”, and accounting principles generally accepted in the Republic of China.

As stated in note 3(a) to the accompanying consolidated financial statements, the Company and subsidiaries recognized employee bonus and directors’ and supervisors’ emoluments as expenses in accordance with Interpretation (96) 052 issued by the Accounting Research and Development Foundation commencing from January 1, 2008. The changes in accounting principle decreased the Consolidated net income and earnings per share by NT\$1,035,500 and NT\$0.43, respectively.

KPMG Certified Public Accountants
August 22, 2008

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 AND SUBSIDIARIES
Consolidated Balance Sheets
For the six-month period ended June 30, 2008 and 2007
(Expressed in thousands of New Taiwan dollars)
Unaudited

Assets	<u>2008.6.30</u> NT\$	<u>2007.6.30</u> NT\$	Liabilities and Stockholders' Equity	<u>2008.6.30</u> NT\$	<u>2007.6.30</u> NT\$
Current assets:			Current liabilities:		
Cash and cash equivalents	25,144,309	44,116,353	Short-term borrowings	5,753,122	4,154,984
Notes and accounts receivable, net of allowance for doubtful accounts of NT\$1,694,081 and NT\$737,209 as of June 30, 2008 and 2007, respectively	105,115,454	75,764,016	Current installments of long-term debt	4,125,000	22,178
Notes and accounts receivables from related parties	707,880	416,402	Notes and accounts payable	79,578,009	71,179,526
Other receivables from related parties	48,453	14,738	Notes and accounts payable to related parties	3,506,879	1,412,109
Other receivables	6,103,181	5,587,135	Financial liabilities at fair value through profit or loss – current	339,986	301,428
Financial assets at fair value through profit or loss-current	127,095	32,520	Other payables to related parties	44,436	560,831
Available-for-sale financial assets-current	1,761,035	9,300,298	Hedging purpose derivative financial liabilities – current	147,281	300,319
Hedging purpose derivative financial assets-current	142,381	20,651	Royalties payable	10,870,448	8,042,051
Inventories	49,282,093	40,432,134	Accrued cash dividends, employees' bonus and directors' and supervisors' remuneration	9,402,420	9,585,957
Prepaid expenses and other current assets	2,068,581	1,321,433	Accrued expenses and other current liabilities	43,490,225	29,840,721
Noncurrent assets held for sale	-	3,424,636	Amounts recognized directly in liabilities relating to noncurrent assets held for sale	-	2,342,717
Deferred income tax assets-current	1,644,977	803,054	Deferred income tax liabilities-current	1,025	402,503
Restricted deposits	160,701	64,626	Total current liabilities	<u>157,258,831</u>	<u>128,145,324</u>
Total current assets	<u>192,306,140</u>	<u>181,297,996</u>	Long-term liabilities:		
Funds and investments			Long-term debt, excluding current installments	8,280,484	169,706
Equity method investment	3,332,027	4,779,866	Other liabilities	1,046,949	593,072
Financial assets carried at cost	2,722,572	3,034,850	Deferred income tax liabilities – noncurrent	5,485,552	2,640,024
Available-for-sale financial assets – noncurrent	2,151,679	1,609,446	Total long-term liabilities	<u>14,812,985</u>	<u>3,402,802</u>
Total Funds and investments	<u>8,206,278</u>	<u>9,424,162</u>	Total liabilities	<u>172,071,816</u>	<u>131,548,126</u>
Property, plant and equipment:			Stockholders' equity:		
Land	1,592,716	1,490,805	Common stock	24,054,904	23,370,637
Buildings and improvements	3,949,735	3,907,049	Stock dividend to distributed	690,823	684,267
Computer equipment and machinery	4,801,238	2,497,940	Capital surplus	29,846,134	29,855,419
Transportation equipment	109,083	124,313	Retained earnings:		
Office equipment	1,082,779	927,601	Legal reserve	8,786,583	7,490,689
Leasehold improvement	746,050	400,413	Unappropriated earnings	8,129,469	8,237,244
Other equipment	766,405	693,073	Other stockholders' equity components:		
Construction in progress and advance payments for purchases of property and equipment	658,753	405,617	Foreign currency translation adjustment	692,083	1,986,905
	13,706,759	10,446,811	Minimum pension liability adjustment	(172,183)	-
Less: accumulated depreciation	(4,966,661)	(3,607,819)	Unrealized gain on available-for-sale financial assets	50,613	2,376,562
Less: accumulated impairment	(1,318,145)	(274,758)	Hedging reserve	19,146	(134,437)
Net property, plant and equipment	<u>7,421,953</u>	<u>6,564,234</u>	Amounts recognized directly in equity relating to noncurrent assets held for sale	-	4,791
			Treasury stock	(3,270,920)	(3,270,920)
Intangible assets	27,267,656	530,148	Total stockholders' equity	<u>68,826,652</u>	<u>70,601,157</u>
Property not used in operations	3,108,626	3,886,448	Minority interest	535,063	1,260,572
Other financial assets	955,578	1,113,760	Total stockholders' equity and minority interest	<u>69,361,715</u>	<u>71,861,729</u>
Deferred charges and other assets	2,167,300	593,107			
Total assets	<u>241,433,531</u>	<u>203,409,855</u>	Total liabilities and stockholders' equity	<u>241,433,531</u>	<u>203,409,855</u>

ACER INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Income
For the six-month periods ended June 30, 2008 and 2007
(Expressed in thousands of New Taiwan dollars, except per share data)
Unaudited

	<u>2008</u> NT\$	<u>2007</u> NT\$
Revenues	252,166,610	193,033,116
Cost of revenues	<u>(225,256,713)</u>	<u>(173,671,659)</u>
Gross profit	26,909,897	19,361,457
Operating expenses:		
Selling	(16,977,166)	(13,685,171)
General and administrative	(4,258,997)	(1,527,846)
Research and development	<u>(225,864)</u>	<u>(239,656)</u>
Total operating expenses	<u>(21,462,027)</u>	<u>(15,452,673)</u>
Operating income	<u>5,447,870</u>	<u>3,908,784</u>
Non-operating income and gains:		
Interest income	714,683	605,685
Investment gain recognized by equity method, net	302,209	313,192
Gain on disposal of property and equipment, net	794,342	117,814
Gain on disposal of investments, net	2,622,614	3,860,084
Foreign currency exchange gain and gain on valuation of financial instructions, net	-	158,420
Other income	<u>319,138</u>	<u>194,534</u>
	<u>4,752,986</u>	<u>5,249,729</u>
Non-operating expenses and loss:		
Interest expense	(564,336)	(229,373)
Other investment loss	(129,571)	-
Foreign currency exchange loss and loss on valuation of financial instruments, net	(352,364)	-
Restructuring cost	(1,223,617)	-
Assets impairment loss	(221,930)	-
Other loss	<u>(357,421)</u>	<u>(146,928)</u>
	<u>(2,849,239)</u>	<u>(376,301)</u>
Income from continuing operations before income taxes	7,351,617	8,782,212
Income tax expense	<u>(1,591,572)</u>	<u>(1,189,394)</u>
Income from continuing operations	5,760,045	7,592,818
Income from discontinued operations (net of income taxes of NT\$0 and NT\$23,120)	<u>99,861</u>	<u>86,856</u>
Consolidated net income	<u>5,859,906</u>	<u>7,679,674</u>
Net income attributable to:		
Shareholders of parent company	5,886,286	7,645,153
Minority shareholders	<u>(26,280)</u>	<u>34,521</u>
	<u>5,859,906</u>	<u>7,679,674</u>
Earnings per common share (in New Taiwan dollars):		
	NT\$	NT\$
Basic earnings per common share-retroactively adjusted	<u>2.42</u>	<u>3.14</u>
Diluted earnings per common share	<u>2.40</u>	<u>-</u>

ACER INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Changes in Stockholders' Equity
For the six-month periods ended June 30, 2008 and 2007
(Expressed in thousands of New Taiwan dollars)
Unaudited

	<u>Retained earnings</u>						Foreign currency translation adjustment	Minimum Pension liability adjustment	Unrealized gain on available-for- sale financial assets	Hedging reserve	Amounts recognized directly in equity relating to noncurrent assets held for sale		Treasury stock	Minority interest	Total stockholders' equity				
	Common stock	Stock dividend to be distributed	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings													
	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$					NT\$	NT\$				NT\$	NT\$	NT\$	NT\$
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)	1,527,673	75,555,783					
2007 net income	-	-	-	-	-	7,645,153	-	-	-	-	-	-	34,521	7,679,674					
Foreign currency translation adjustment	-	-	-	-	-	-	651,405	-	-	-	-	-	-	651,405					
Change in fair values of financial instruments	-	-	-	-	-	-	-	-	-	(121,657)	-	-	-	(121,657)					
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)					
Translation adjustment of noncurrent assets held for sale	-	-	-	-	-	-	-	-	-	-	4,791	-	-	4,791					
Decrease in capital surplus resulting from long-term equity investments accounted for by the equity method	-	-	(91,601)	-	-	-	-	-	-	-	-	-	-	(91,601)					
Change in unrealized gain on available-for sale financial assets	-	-	-	-	-	-	-	-	(1,997,826)	-	-	-	-	(1,997,826)					
Change in minority interest	-	-	-	-	-	-	-	-	-	-	-	-	(301,622)	(301,622)					
Balance at June 30, 2007	23,370,637	684,267	29,855,419	7,490,689	-	8,237,244	1,986,905	-	2,376,562	(134,437)	4,791	(3,270,920)	1,260,572	71,861,729					
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	-	-	-	-	-	5,886,286	-	-	-	-	-	-	(26,380)	5,859,906					
Foreign currency translation adjustment	-	-	-	-	-	-	(2,041,816)	-	-	-	-	-	-	(2,041,816)					
Change in fair values of financial instruments	-	-	-	-	-	-	-	-	-	3,310	-	-	-	3,310					
Appropriation approved by the stockholders:																			
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)					
Decrease in capital surplus resulting from long-term equity investments accounted for by the equity method	-	-	(52,849)	-	-	-	-	-	-	-	-	-	-	(52,849)					
Change in unrealized gain on available-for sale financial assets	-	-	-	-	-	-	-	-	(2,458,050)	-	-	-	-	(2,458,050)					
Minimum pension liability adjustment	-	-	-	-	-	-	-	1,181	-	-	-	-	-	1,181					
Change in minority interest	-	-	-	-	-	-	-	-	-	-	-	-	(37,837)	(37,837)					
Balance at June 30, 2008	24,054,904	690,823	29,846,134	8,786,583	-	8,129,469	692,083	(172,183)	50,613	19,146	-	(3,270,920)	535,063	69,361,715					

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the six-month periods ended June 30, 2008 and 2007

(Expressed in thousands of New Taiwan dollars)

Unaudited

	<u>2008</u>	<u>2007</u>
	NT\$	NT\$
Cash flows from operating activities:		
Consolidated Net income	5,859,906	7,679,674
Adjustments to reconcile net income to cash used in operating activities:		
Depreciation	446,290	296,614
Amortization	441,770	142,136
Loss on disposal of assets, net	(794,342)	(117,814)
Gain on disposal of investments, net	(2,622,614)	(3,860,084)
Net investment gain on long-term equity investments accounted for by equity method, net of cash dividends received	(336,308)	261,673
Other investment loss and other loss	129,571	3,937
Assets impairment loss	221,930	-
Restructuring cost	1,223,617	-
Deferred income tax benefit	(183,281)	(100,532)
Changes in operating assets and liabilities:		
Notes and accounts receivable	3,062,805	(7,260,547)
Receivables from related parties	(170,678)	(86,200)
Inventories	(14,190,830)	(16,150,988)
Other receivables, prepaid expenses and other current assets	1,861,232	(959,766)
Noncurrent receivable	5,814	99,685
Notes and accounts payable	(337,669)	7,107,193
Payables to related parties	(1,947,504)	601,220
Royalties payable, accrued expenses and other current liabilities	(7,098,274)	4,131,012
Other liabilities	<u>(112,373)</u>	<u>46,911</u>
Cash used in operating activities	<u>(14,540,938)</u>	<u>(8,165,876)</u>
Cash flows from investing activities:		
Decrease in available-for-sale financial asset	1,068,330	4,964,692
Proceeds from sales of long-term equity investments	3,018,977	5,420,859
Proceeds from disposal of property, plant and equipment and property not used in operations	1,811,119	1,174,618
Additions to property, plant and equipment and property not used in operation	(315,413)	(495,480)
Increase in long-term equity investments	(94,219)	(40,248)
Return of capital from investees	199,666	85,165
Increase in restricted assets	1,958,585	-
Acquisition of business, net of cash acquired	(1,727,950)	-
Decrease in loans and advances to related parties	10,950	75,199
Decrease (increase) in intangible assets, refundable deposits, deferred charges and other assets	<u>(73,301)</u>	<u>(190,525)</u>
Cash provided by investing activities	<u>5,856,744</u>	<u>10,994,280</u>
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	381,013	(3,066,982)
Decrease in long-term debt	(4,402,758)	(5,120)
Change in minority interests	-	(249,060)
Cash used in financing activities	<u>(4,021,745)</u>	<u>(3,321,162)</u>
Net decrease in cash and cash equivalents	(12,705,939)	(492,758)
Effects of exchange rate changes	(95,091)	(76,100)
Cash and cash equivalents at beginning of period	<u>37,945,339</u>	<u>44,685,211</u>
Cash and cash equivalents at end of period	<u>25,144,309</u>	<u>44,116,353</u>
Supplemental disclosures of cash flow information:		
Interest paid	<u>619,504</u>	<u>297,540</u>
Income taxes paid	<u>1,786,612</u>	<u>1,153,082</u>
Supplementary schedules of non-cash investing and financing activities:		
Dividends payable, remuneration due to directors, employee bonus payable	<u>9,402,420</u>	<u>9,585,957</u>
Cash acquired from acquisition of Parkard Bell B.V.:		
Cash consideration	3,263,840	
Liabilities assumed	(11,391,507)	
Less: non-cash assets acquired	10,799,443	
Less: goodwill	<u>(1,135,886)</u>	
	<u>1,535,890</u>	