

Independent Auditors' Report

The Board of Directors
Acer Incorporated:

We have audited the non-consolidated balance sheets of Acer Incorporated (the "Company") as of June 30, 2008 and 2007, and the related non-consolidated statements of income, changes in stockholders' equity, and cash flows for the six-month periods then ended. These 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.

Except as stated in the third paragraph, we conducted our audits in accordance with generally accepted auditing standards and the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" in the Republic of China. Those standards and regulations 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.

The Company's long-term equity investments of NT\$69,174,997 thousand and NT\$44,595,697 thousand, long-term equity investment credits of NT\$422,899 thousand and NT\$451,329 thousand, deferred inter-company profits of NT\$23,259 thousand and NT\$13,115 thousand and foreign currency translation adjustment of NT\$692,083 thousand and NT\$1,986,905 thousand as of June 30, 2008 and 2007, respectively, and related net investment income of NT\$4,554,807 thousand and NT\$4,772,102 thousand and change in realized (unrealized) inter-company profits of NT\$(7,298) and NT\$14,948 thousand for the six-month periods ended June 30, 2008 and 2007, respectively, were accounted for under the equity method based on the unaudited 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 audited by independent auditors. In addition, the information related to investee companies and investments in Mainland China as stated in note 11(2)(3) is provided by investee companies and is not audited using the audit procedures as stated in the second paragraph.

In our opinion, except for the effect of possible adjustments, if any, that might have been determined to be necessary had the investees' financial statements been audited by independent auditors, the non-consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Acer Incorporated as of June 30, 2008 and 2007, and the results of its operations and its cash flows for the six-month periods then ended, 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 non-consolidated financial statements, the Company 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 Company's net income and earnings per share by NT\$1,035,500 and NT\$0.43, respectively.

We have reviewed the consolidated financial statements as of and for the six-month periods ended June 30 2008 and 2007 prepared by the Company. Based on our reviews, we express an unqualified review report with an explanatory paragraph related to a change in accounting principles on the consolidated financial statements.

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
Non-Consolidated Balance Sheets
June 30, 2008 and 2007
(Expressed in thousands of New Taiwan dollars)

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	613,089	23,522,654	Short-term borrowings	5,170,000	-
Notes and accounts receivable, net of allowance for doubtful accounts of NT\$101,039 and NT\$34,075 as of June 30, 2008 and 2007, respectively	17,672,808	9,723,401	Notes and accounts payable	53,732,677	44,671,359
Notes and accounts receivables from related parties	50,165,779	34,285,803	Notes and accounts payable to related parties	3,359,021	1,851,318
Other receivables from related parties	636,534	242,483	Financial liabilities at fair value through profit or loss – current	315,103	237,468
Other receivables	644,805	1,107,907	Other payables to related parties	1,819,027	1,135,622
Inventories	21,269,558	16,930,987	Hedging purpose derivative financial liabilities	50,990	39,381
Noncurrent assets held for sale	-	1,237,153	Royalties payable	3,061,597	4,744,943
Financial assets at fair value through profit or loss – current	5,000	15,762	Accrued cash dividends, employees' bonuses and directors' and supervisors' remuneration	9,321,124	9,517,218
Available-for-sale financial assets-current	87,788	3,976,603	Accrued expenses and other current liabilities	10,902,696	11,568,331
Hedging purpose derivative financial assets-current	18,156	6,584	Long-term loans payable – current portion	4,125,000	-
Deferred income tax assets-current	1,193,453	1,033,334	Deferred inter-company profits	23,259	13,115
Prepaid expenses and other current assets	878,764	217,104	Total current liabilities	<u>91,880,494</u>	<u>73,778,755</u>
Total current assets	<u>93,185,734</u>	<u>92,299,775</u>			
Funds and investments:			Long-term liabilities:		
Long-term equity investments under equity method	69,174,997	44,595,697	Long-term debt	8,075,000	-
Available-for-sale financial assets-noncurrent	2,142,515	1,539,164	Other payables to related parties	829,083	-
Financial assets carried at cost-noncurrent	1,000,512	899,418	Other liabilities	109,551	225,702
Total funds and investments	<u>72,318,024</u>	<u>47,034,279</u>	Deferred income tax liabilities-noncurrent	3,649,835	2,579,308
			Long-term equity investment credits	422,899	451,329
Property, plant and equipment:			Total long-term liabilities	<u>13,086,368</u>	<u>3,256,339</u>
Land	376,842	376,842	Total liabilities	<u>104,966,862</u>	<u>77,035,094</u>
Buildings and improvements	578,892	578,892			
Machinery and computer equipment	418,464	427,271	Stockholders' equity:		
Transportation equipment	24,494	25,439	Common stock	24,054,904	23,370,637
Office equipment	14,158	15,901	Stock dividend to be distributed	690,823	684,267
Other equipment	389,373	203,336	Capital surplus	29,846,134	29,855,419
Leasehold improvement	26,053	26,053	Retained earnings:		
Construction in progress and advance payments for purchases of property and equipment	628,312	399,624	Legal reserve	8,786,583	7,490,689
	2,456,588	2,053,358	Unappropriated earnings	8,129,469	8,237,244
Less: accumulated depreciation	(553,880)	(526,372)	Other stockholders' equity components:		
Net property, plant and equipment	<u>1,902,708</u>	<u>1,526,986</u>	Foreign currency translation adjustment	692,083	1,986,905
			Minimum pension liability adjustment	(172,183)	-
Intangible assets	593,945	409,077	Unrealized gain on available-for-sale financial assets	50,613	2,376,562
Property not used in operations	4,358,755	5,142,328	Hedging reserve	19,146	(134,437)
Refundable deposits	232,761	350,775	Amounts recognized directly in equity relating to noncurrent assets held for sale	-	4,791
Noncurrent receivable	141,154	380,852	Treasury stock	(3,270,920)	(3,270,920)
Deferred expenses and other assets	1,060,433	492,179	Total stockholders' equity	<u>68,826,652</u>	<u>70,601,157</u>
Total assets	<u>173,793,514</u>	<u>147,636,251</u>	Commitments and contingencies		
			Total liabilities and stockholders' equity	<u>173,793,514</u>	<u>147,636,251</u>

ACER INCORPORATED

Non-Consolidated Statements of Income

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

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

	<u>2008</u> NT\$	<u>2007</u> NT\$		
Net Revenue	185,333,738	131,643,113		
Cost of revenues	<u>(181,081,927)</u>	<u>(126,727,732)</u>		
Gross profit	4,251,811	4,915,381		
Changes in realized (unrealized) inter-company profits	<u>(7,298)</u>	<u>14,948</u>		
Realized gross profit	<u>4,244,513</u>	<u>4,930,329</u>		
Operating expenses:				
Selling	(1,137,017)	(1,272,544)		
Administrative	(88,506)	(82,463)		
Research and development	<u>(51,555)</u>	<u>(50,638)</u>		
Total operating expenses	<u>(1,277,078)</u>	<u>(1,405,645)</u>		
Operating income	<u>2,967,435</u>	<u>3,524,684</u>		
Non-operating income and gains:				
Interest income	187,133	214,999		
Investment gain recognized by equity method	1,929,981	918,191		
Gain on disposal of assets, net	-	117,927		
Gain on disposal of investments, net	2,101,337	3,168,330		
Other income	<u>32,723</u>	<u>63,473</u>		
	<u>4,251,174</u>	<u>4,482,920</u>		
Non-operating expenses and losses:				
Interest expense	(273,696)	(27,197)		
Foreign currency exchange loss and loss on valuation of financial instructions, net	(240,352)	(20,596)		
Assets impairment loss	(221,930)	-		
Other losses	<u>(806)</u>	<u>(39)</u>		
	<u>(736,784)</u>	<u>(47,832)</u>		
Income before income taxes	6,481,825	7,959,772		
Income tax expense	<u>(595,539)</u>	<u>(314,619)</u>		
Net income	<u><u>5,886,286</u></u>	<u><u>7,645,153</u></u>		
Earnings per common share (in dollars):			Before	After
			income	income
			taxes	taxes
			NT\$	NT\$
Basic earnings per common share	<u>2.66</u>	<u>2.42</u>	<u>3.27</u>	<u>3.14</u>
Diluted earnings per common share	<u>2.65</u>	<u>2.40</u>		

ACER INCORPORATED

Non-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)

	Common stock NT\$	Stock dividend to be distributed NT\$	Capital surplus NT\$	Retained earnings			Foreign currency translation adjustment NT\$	Minimum Pension liability adjustment NT\$	Unrealized gain on available-for- sale financial assets	Hedging reserve NT\$	Amounts recognized directly in equity relating to noncurrent assets held for sale NT\$	Treasury stock NT\$	Total stockholders' equity NT\$
				Legal reserve NT\$	Special reserve NT\$	Unappropriated earnings 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)	74,028,110
2007 net income	-	-	-	-	-	7,645,153	-	-	-	-	-	-	7,645,153
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)
Balance at June 30, 2007	<u>23,370,637</u>	<u>684,267</u>	<u>29,855,419</u>	<u>7,490,689</u>	<u>-</u>	<u>8,237,244</u>	<u>1,986,905</u>	<u>-</u>	<u>2,376,562</u>	<u>(134,437)</u>	<u>4,791</u>	<u>(3,270,920)</u>	<u>70,601,157</u>
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)	76,809,714
2008 net income	-	-	-	-	-	5,886,286	-	-	-	-	-	-	5,886,286
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
Balance at June 30, 2008	<u>24,054,904</u>	<u>690,823</u>	<u>29,846,134</u>	<u>8,786,583</u>	<u>-</u>	<u>8,129,469</u>	<u>692,083</u>	<u>(172,183)</u>	<u>50,613</u>	<u>19,146</u>	<u>-</u>	<u>(3,270,920)</u>	<u>68,826,652</u>

ACER INCORPORATED

Non-Consolidated Statements of Cash Flows

For the six-month periods ended June 30, 2008 and 2007
(Expressed in thousands of New Taiwan dollars)

	<u>2008</u>	<u>2007</u>
	NT\$	NT\$
Cash flows from operating activities:		
Net income	5,886,286	7,645,153
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Depreciation	70,999	65,765
Amortization	126,885	103,630
Loss (gain) on disposal of assets, net	117	(117,927)
Other expenses	131	2,150
Gain on disposal of investments, net	(2,101,337)	(3,168,330)
Net investment gain on long-term equity investments accounted for by equity method, net of cash dividends received	(4,314,756)	(3,768,452)
Assets impairment loss	221,930	-
Deferred income tax expense (benefit)	718,527	(53,300)
Changes in operating assets and liabilities:		
Notes and accounts receivable	(6,626,281)	(1,707,127)
Receivables from related parties	(959,726)	14,678,056
Inventories	(8,390,316)	(10,800,422)
Other financial assets, prepaid expenses and other current assets	(735,078)	(169,625)
Noncurrent receivable	114,458	99,685
Notes and accounts payable	19,186,124	8,972,399
Payables to related parties	(3,759,017)	(230,553)
Deferred inter-company profits	7,298	(14,947)
Other financial liabilities, royalties payable, accrued expenses and other current liabilities	(3,625,941)	3,224,539
Other liabilities	28,189	102,962
Cash provided by (used in) operating activities	<u>(4,151,508)</u>	<u>14,863,656</u>
Cash flows from investing activities:		
Decrease in available-for-sale financial assets-current	1,118,132	5,512,857
Proceeds from sales of long-term equity investments and available-for-sale financial assets-noncurrent	2,602,346	4,328,328
Increase in available-for-sale financial assets-noncurrent	(191,444)	(4)
Return of capital from investees	18,727	369,435
Proceeds from disposal of property, plant and equipment and property not used in operations	298,661	1,152,460
Additions to property, plant and equipment	(177,108)	(351,043)
Increase in intangible assets	(10,449)	(113,464)
Decrease (increase) in loans and advances to related parties	130,166	(155,481)
Decrease in restricted assets – current	1,958,585	-
Increase in refundable deposits, deferred charges and other assets	(61,728)	(15,855)
Cash provided by investing activities	<u>5,685,888</u>	<u>10,727,233</u>
Cash flows from financing activities:		
Decrease in short-term borrowings	316,891	(5,375,080)
Decrease in long-term debt	(4,300,000)	-
Increase in loans from related parties	1,728,806	-
Cash used in financing activities	<u>(2,254,303)</u>	<u>(5,375,080)</u>
Net increase (decrease) in cash and cash equivalents	(719,923)	20,215,809
Cash and cash equivalents at beginning of period	<u>1,333,012</u>	<u>3,306,845</u>
Cash and cash equivalents at end of period	<u><u>613,089</u></u>	<u><u>23,522,654</u></u>
Supplemental disclosures of cash flow information:		
Interest paid	<u>281,244</u>	<u>27,197</u>
Income taxes paid	<u>329,011</u>	<u>217,693</u>
Supplementary schedules of non-cash investing and financing activities:		
Accrued cash dividends, employees' bonuses and directors' and supervisors' remuneration	<u>9,321,124</u>	<u>9,517,218</u>
Change in foreign currency translation adjustment	<u>(2,041,816)</u>	<u>651,405</u>
Change in unrealized gain on available-for-sale financial assets	<u>(2,458,050)</u>	<u>(1,997,826)</u>