ACER INCORPORATED AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2011 and 2010
(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, 2011 and 2010, and the related consolidated statements of operations, 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, 2011 and 2010, and the results of their consolidated operations and their consolidated cash flows for the years then ended, in conformity with the accounting principles generally accepted in the Republic of China.

The consolidated financial statements as of and for the year ended December 31, 2011, 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(32) to the consolidated financial statements.

Taipei, Taiwan (the Republic of China)
March 29, 2012

<u>Note to Readers</u>

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, 2011 and 2010
(in thousands of New Taiwan dollars and US dollars)

Assets	2011 NT$	2011 US$	2010 NT$
Current assets:			
Cash and cash equivalents (note 4(1))	58,092,581	1,917,880	68,456,386
Financial assets at fair value through profit or loss－current (notes 4(2) and (24))	305,903	10,099	38,895
Available-for-sale financial assets－current (notes 4(4) and (24))	109,721	3,622	225,710
Derivative financial assets held for hedging－current (notes 4(3) and (24))	804,532	26,561	88,372
Notes and accounts receivable, net of allowance for impairment of NT$819,339 and NT$1,159,472 as of December 31, 2011 and 2010, respectively (note 4(5))	83,539,250	2,757,981	101,730,888
Notes and accounts receivables from related parties (note 5)	88,625	2,926	719,024
Other receivables (note 4(6))	6,196,493	204,572	7,860,935
Other receivables from related parties (note 5)	15,359	507	46,914
Inventories (note 4(7))	39,993,644	1,320,358	41,240,053
Prepayments and other current assets	2,552,496	84,269	1,845,878
Noncurrent assets held for sale (notes 4(8) and 9)	1,827,855	60,345	1,827,855
Deferred income tax assets－current (note 4(19))	2,174,144	71,778	1,655,718
Restricted deposits (note 6)	29,142	962	24,197
Total current assets	195,729,745	6,461,860	225,760,825
Long-term investments:			
Investments accounted for using equity method (note 4(10))	1,861,987	61,472	2,235,701
Available-for-sale financial assets－noncurrent (notes 4(11) and (24))	775,702	25,609	2,274,902
Financial assets carried at cost－noncurrent (notes 4(9) and (24))	1,157,773	38,223	1,722,677
Total long-term investments	3,795,462	125,304	6,233,280
Property, plant and equipment:			
Land	1,400,953	46,251	1,376,009
Buildings and improvements	3,741,963	123,538	3,750,663
Computer equipment and machinery	4,173,233	137,776	3,102,280
Other equipment	2,657,984	87,751	3,152,324
Construction in progress and advance payments for purchases of equipment	435,917	14,392	50,993
	12,410,050	409,708	11,432,269
Less: accumulated depreciation	(4,817,597)	(159,049)	(4,796,286)
accumulated impairment	(828,937)	(27,367)	(817,753)
Net property, plant and equipment	6,763,516	223,292	5,818,230
Intangible assets (note 4(13))			
Trademark	9,882,666	326,269	10,043,300
Goodwill	20,710,372	683,736	20,477,471
Other intangible assets	4,758,109	157,085	5,872,164
Total intangible assets	35,351,147	1,167,090	36,392,935
Other financial assets－noncurrent (notes 4(14), (24) and 6)	1,632,327	53,890	1,038,501
Property not used in operation (note 4(12))	3,343,193	110,373	3,477,066
Deferred charges and other assets (notes 4(18) and (19))	1,692,338	55,871	1,777,693
Total assets	248,307,728	8,197,680	280,498,530

Liabilities and Stockholders' Equity	2011 NT$	2011 US$	2010 NT$
Current liabilities:			
Short-term borrowings (note 4(15))	358,120	11,823	1,651,630
Financial liabilities at fair value through profit or loss－current (notes 4(2) and (24))	56,212	1,856	298,998
Derivative financial liabilities held for hedging－current (notes 4(3) and (24))	179,685	5,932	759,866
Notes and accounts payable	77,096,776	2,545,288	84,234,625
Notes and accounts payable to related parties (note 5)	7,256,885	239,580	7,766,098
Other payables to related parties (note 5)	184,975	6,107	537,267
Royalties payable	10,266,709	338,947	10,501,921
Accrued expenses and other current liabilities (note 5)	50,637,250	1,671,748	50,129,779
Current portion of long-term debt (note 4(17))	-	-	6,100,000
Deferred income tax liabilities－current (note 4(19))	3,037	100	578,740
Total current liabilities	146,039,649	4,821,381	162,558,924
Long-term liabilities:			
Financial liabilities at fair value through profit or loss－noncurrent (notes 4(16) and (24))	1,216,586	40,165	1,338,524
Bonds payable (notes 4(16) and (24))	14,064,997	464,344	13,103,887
Long-term debt, excluding current portion (notes 4(17) and (24))	9,123,094	301,192	6,221,933
Other liabilities (note 4(18))	332,057	10,963	330,662
Deferred income tax liabilities－noncurrent (note 4(19))	1,779,730	58,756	2,836,226
Total long-term liabilities	26,516,464	875,420	23,831,232
Total liabilities	172,556,113	5,696,801	186,390,156
Stockholders' equity and minority interest:			
Common stock (note 4(20))	27,098,915	894,649	27,001,793
Common stock subscription	-	-	21,656
Capital surplus (notes 4(10), (16), (20) and (21))	40,219,518	1,327,815	39,578,915
Retained earnings (note 4(20)):			
Legal reserve	12,607,933	416,241	11,096,134
Special reserve	4,659,275	153,822	-
Unappropriated earnings	1,782,060	58,833	24,233,146
Other equity components:			
Foreign currency translation adjustment	(3,580,136)	(118,195)	(5,095,919)
Minimum pension liability adjustment	(16,993)	(561)	(23,957)
Unrealized gain (loss) on financial instruments (notes 4(3), (4) and (11))	(630,621)	(20,819)	460,600
Treasury stock (note 4(20)):	(6,390,846)	(210,989)	(3,522,598)
Total stockholders' equity	75,749,105	2,500,796	93,749,770
Minority interest	2,510	83	358,604
Total stockholders' equity and minority interest	75,751,615	2,500,879	94,108,374
Commitments and contingencies (note 7)			
Total liabilities and stockholders' equity	248,307,728	8,197,680	280,498,530

See accompanying notes to consolidated financial statements.

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Operations

For the years ended December 31, 2011 and 2010

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

	2011		2010
	NT$	**US$**	**NT$**
Net sales (note 5)	475,341,991	15,693,034	629,058,973
Cost of sales (notes 4(7) and 5)	(436,735,393)	(14,418,468)	(564,577,705)
Gross profit	38,606,598	1,274,566	64,481,268
Operating expenses (notes 4(13), (18), (20), (21), 5 and 10):			
Selling	(36,503,867)	(1,205,146)	(39,098,282)
Administrative	(7,334,375)	(242,138)	(5,968,834)
Research and development	(1,164,555)	(38,447)	(1,210,239)
Total operating expenses	(45,002,797)	(1,485,731)	(46,277,355)
Operating income (loss)	(6,396,199)	(211,165)	18,203,913
Non-operating income and gains:			
Interest income	449,826	14,851	308,036
Investment gain recognized using equity method, net (note 4(10))	-	-	375,948
Foreign currency exchange gain and valuation gain on financial instruments, net (notes 4(2), (3), (16) and (24))	247,352	8,166	-
Gain on disposal of investments, net (notes 4(4), (9), (10) and (11))	345,836	11,417	2,376,407
Gain on disposal of property and equipment, net	-	-	82,974
Other investment income	-	-	30,085
Other income	439,543	14,511	1,147,947
	1,482,557	48,945	4,321,397
Non-operating expenses and loss:			
Interest expense (note 4(16))	(997,761)	(32,940)	(1,032,786)
Investment loss recognized using equity method, net (note 4(10))	(5,284)	(175)	-
Other investment loss, net (note 4(9))	(38,138)	(1,259)	-
Foreign currency exchange loss and valuation loss on financial instruments, net (notes 4(2), (3), (16) and (24))	-	-	(1,311,734)
Impairment loss of non-financial assets, net of reversal gain (note 4(12))	-	-	(378,178)
Restructuring cost (note 4(22))	(1,247,653)	(41,190)	-
Other loss (note 4(13))	(221,852)	(7,324)	(473,225)
	(2,510,688)	(82,888)	(3,195,923)
Income (loss) before income taxes	(7,424,330)	(245,108)	19,329,387
Income tax benefit (expense) (note 4(19))	822,423	27,151	(4,211,247)
Consolidated net income (loss)	**(6,601,907)**	**(217,957)**	**15,118,140**
Net income (loss) attributable to:			
Shareholders of the Company	(6,601,968)	(217,959)	15,117,997
Minority interest	61	2	143
	(6,601,907)	**(217,957)**	**15,118,140**

Earnings per common share (in New Taiwan dollars) (note 4(23)):

	NT$	**US$**	**NT$**
Basic earnings per common share－retroactively adjusted	**(2.52)**	**(0.08)**	**5.71**
Diluted earnings per common share－retroactively adjusted	**(2.52)**	**(0.08)**	**5.57**

See accompanying notes to consolidated financial statements.

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2011 and 2010
(Expressed in thousands of New Taiwan dollars and US dollars)

	Common stock NT$	Common stock subscription NT$	Capital surplus NT$	Retained earnings: Legal reserve NT$	Retained earnings: Special reserve NT$	Retained earnings: Unappropriated earnings NT$	Foreign currency translation adjustment NT$	Minimum pension liability adjustment NT$	Unrealized gain (loss) on financial instruments	Treasury stock NT$	Total stockholders' equity NT$	Minority interest NT$	Total stockholders' equity and minority interest NT$
Balance at January 1, 2010	26,882,283	-	38,494,118	9,960,796	1,991,615	16,622,600	959,621	(7,908)	1,014,317	(3,522,598)	92,394,844	482,818	92,877,662
Appropriation approved by the stockholders (note 1):													
Legal reserve	-	-	-	1,135,338	-	(1,135,338)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	(1,991,615)	1,991,615	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(8,336,835)	-	-	-	-	(8,336,835)	-	(8,336,835)
Stock dividends to shareholders	26,893	-	-	-	-	(26,893)	-	-	-	-	-	-	-
Employees' bonuses in shares of stock	26,483	-	173,517	-	-	-	-	-	-	-	200,000	-	200,000
2010 net income	-	-	-	-	-	15,117,997	-	-	-	-	15,117,997	143	15,118,140
Common stock subscription under option plans	66,134	21,656	118,022	-	-	-	-	-	-	-	205,812	-	205,812
Cash dividends distributed to subsidiaries	-	-	118,419	-	-	-	-	-	-	-	118,419	-	118,419
Stock-based compensation cost	-	-	458,736	-	-	-	-	-	-	-	458,736	-	458,736
Conversion right from issuance of convertible bonds	-	-	295,494	-	-	-	-	-	-	-	295,494	-	295,494
Unrealized valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	(501,064)	-	(501,064)	-	(501,064)
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	-	-	-	-	(45,810)	-	(45,810)	-	(45,810)
Minimum pension liability adjustment	-	-	-	-	-	-	-	(16,049)	-	-	(16,049)	-	(16,049)
Foreign currency translation adjustment	-	-	-	-	-	-	(6,055,540)	-	-	-	(6,055,540)	-	(6,055,540)
Adjustments from investments accounted for using equity method	-	-	(79,391)	-	-	-	-	-	(6,843)	-	(86,234)	-	(86,234)
Proceeds from capital return of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(124,357)	(124,357)
Balance at December 31, 2010	27,001,793	21,656	39,578,915	11,096,134	-	24,233,146	(5,095,919)	(23,957)	460,600	(3,522,598)	93,749,770	358,604	94,108,374
Appropriation approved by the stockholders (note 2):													
Legal reserve	-	-	-	1,511,799	-	(1,511,799)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	4,659,275	(4,659,275)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(9,678,044)	-	-	-	-	(9,678,044)	-	(9,678,044)
2011 net loss	-	-	-	-	-	(6,601,968)	-	-	-	-	(6,601,968)	61	(6,601,907)
Common stock subscription under option plans	97,122	(21,656)	122,081	-	-	-	-	-	-	-	197,547	-	197,547
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	(2,868,248)	(2,868,248)	-	(2,868,248)
Cash dividends distributed to subsidiaries	-	-	140,358	-	-	-	-	-	-	-	140,358	-	140,358
Stock-based compensation cost	-	-	400,044	-	-	-	-	-	-	-	400,044	-	400,044
Unrealized valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	(1,357,501)	-	(1,357,501)	-	(1,357,501)
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	-	-	-	-	268,353	-	268,353	-	268,353
Minimum pension liability adjustment	-	-	-	-	-	-	-	6,964	-	-	6,964	-	6,964
Foreign currency translation adjustment	-	-	-	-	-	-	1,515,783	-	-	-	1,515,783	-	1,515,783
Adjustments from investments accounted for using equity method	-	-	(21,880)	-	-	-	-	-	(2,073)	-	(23,953)	-	(23,953)
Proceeds from capital return of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(8,678)	(8,678)
Distribution in-kind to minority interest	-	-	-	-	-	-	-	-	-	-	-	(347,477)	(347,477)
Balance at December 31, 2011	27,098,915	-	40,219,518	12,607,933	4,659,275	1,782,060	(3,580,136)	(16,993)	(630,621)	(6,390,846)	75,749,105	2,510	75,751,615
Balance at December 31, 2011 (in US$)	894,649	-	1,327,815	416,241	153,822	58,833	(118,195)	(561)	(20,819)	(210,989)	2,500,796	83	2,500,879

Note 1: Directors' and supervisors' remuneration of $122,096 and employee bonuses of $1,000,000 for 2009 have been deducted in the 2009 net income.
Note 2: Directors' and supervisors' remuneration of $89,469 and employee bonuses of $1,500,000 for 2010 have been deducted in the 2010 net income.

See accompanying notes to consolidated financial statements.

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2011 and 2010
(in thousands of New Taiwan dollars and US dollars)

	2011 NT$	2011 US$	2010 NT$
Cash flows from operating activities:			
Consolidated net income (loss)	(6,601,907)	(217,957)	15,118,140
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation	725,562	23,954	704,486
Amortization	2,145,100	70,819	1,891,118
Stock-based compensation cost	400,044	13,207	458,736
Valuation loss (gain) on financial assets and liabilities	(1,659,720)	(54,794)	1,899,825
Investment gain recognized using equity method, net	(29,201)	(964)	(414,351)
Cash dividends received from equity method investments	175,418	5,791	280,117
Gain on disposal of investments, net	(345,836)	(11,417)	(2,376,407)
Amortization of bonds discount and transaction costs	426,830	14,091	171,597
Unrealized exchange loss (gain) on bonds payable	534,280	17,639	(1,239,955)
Loss (gain) on disposal of property and equipment, net	4,569	151	(82,974)
Impairment loss of non-financial assets, net of reversal gain	-	-	378,178
Deferred income tax expense (benefit)	(2,838,402)	(93,708)	826,484
Other investment loss (gain), net	38,138	1,259	(30,085)
Changes in operating assets and liabilities:			
Notes and accounts receivable	18,191,638	600,582	10,127,478
Receivables from related parties	630,399	20,812	(118,718)
Inventories	1,142,931	37,733	9,882,344
Other receivable, prepayments and other current assets	785,101	25,920	1,007,844
Noncurrent receivable (under other financial assets－noncurrent)	32,546	1,075	(64,506)
Notes and accounts payable	(7,137,849)	(235,650)	(11,597,095)
Payables to related parties	(861,505)	(28,442)	(2,021,186)
Royalties payable, accrued expenses and other current liabilities	289,157	9,546	(11,509,119)
Other liabilities	1,395	46	(54,044)
Net cash provided by operating activities	6,048,688	199,693	13,237,907
Cash flows from investing activities:			
Proceeds from disposal of investments	950,101	31,367	4,069,972
Increase in long-term investments	(119,261)	(3,937)	(149,289)
Proceeds from capital return or liquidation of investees	204,021	6,735	480,100
Additions to property, plant and equipment and property not used in operation	(947,390)	(31,277)	(1,113,394)
Proceeds from disposal of property and equipment and property not used in operation	113,316	3,741	527,724
Decrease (increase) in advances to related parties	31,555	1,041	(25,407)
Increase in restricted deposits	(4,945)	(163)	(24,197)
Additions to intangible assets	(282,003)	(9,310)	(6,211,750)
Increase in refundable deposits, deferred charges and other assets	(1,192,268)	(39,362)	(186,000)
Net cash used in by investing activities	(1,246,874)	(41,165)	(2,632,241)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings	(1,293,510)	(42,704)	1,103,571
Issuance of convertible bonds	-	-	15,865,788
Increase in long-term debt	9,001,161	297,166	-
Repayment of long-term debt	(12,200,000)	(402,773)	(49,923)
Distribution of cash dividends	(9,537,686)	(314,879)	(8,218,416)
Proceeds from exercise of employee stock option	197,547	6,522	205,812
Purchase of treaseury stock	(2,868,248)	(94,693)	-
Decrease in minority interests	(8,678)	(287)	(81,273)
Net cash provided by (used in) financing activities	(16,709,414)	(551,648)	8,825,559
Effects of exchange rate changes	1,543,795	50,967	(4,590,906)
Net increase (decrease) in cash and cash equivalents	(10,363,805)	(342,153)	14,840,319
Cash and cash equivalents at beginning of year	68,456,386	2,260,033	53,616,067
Cash and cash equivalents at end of year	58,092,581	1,917,880	68,456,386
Supplemental disclosures of cash flow information:			
Interest paid	609,593	20,125	839,977
Income taxes paid	2,338,433	77,201	5,794,408
Supplementary disclosures of non-cash investing and financing activities:			
Reclassification of current portion of long-term debt	-	-	6,100,000
Change in unrealized valuation loss on financial instruments	1,091,221	36,026	553,717
Additions to property and equipment included in other current liabilities	-	-	99,670
Decrease in valuation allowance of deferred income tax assets against goodwill	563,871	18,616	1,770,123
Distribution in-kind to minority interest	347,477	11,472	-

See accompanying notes to consolidated financial statements.

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

As of and for the years ended December 31, 2011 and 2010
(amounts expressed in thousands of New Taiwan dollars and US dollars, except for earnings per share information and unless otherwise noted)

1. Organization and Business

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”). On March 27, 2002, the Company merged with Acer Incorporated (“AI”), with the Company as the surviving entity from the merger but renaming itself as Acer Incorporated. After the merger, the Company’s principal activities are aimed at globally marketing its brand-name IT products, and promoting E-commerce solutions to clients.

On October 15, 2007, the Company completed its acquisition of 100% equity ownership of Gateway, Inc. (including eMachines brand), a personal computer company in the U.S., through its indirectly wholly owned subsidiary. The Company also acquired the 100% equity 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. Following the acquisitions of Gateway and Packard Bell, the Company has defined a clear path for its multi-brand strategy. Additionally, on September 1, 2008, the Company entered the smart phone market following the acquisition of E-Ten Information Systems Co., Ltd. In October 2010, in order to expand into the market in China, the Company acquired the PC business, management team and employees, regional sales and marketing channels of Founder Technology Group Corporation, through its indirectly wholly owned subsidiary.

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, 2011 and 2010, the Consolidated Companies had 7,894 and 7,757 employees, respectively.

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 the accounting principles and practices generally accepted in countries and jurisdictions other than the ROC.

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

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 operations from the date that control commences until the date that control ceases. All significant inter-company balances and transactions are eliminated in consolidation. The Consolidated Companies consisted of the following:

			Percentage of Ownership	
			At December 31,	
Investor	**Investee**	**Main business**	**2011**	**2010**
The Company	Acer Greater China (B.V.I.) Corp. ("AGC", British Virgin Islands)	Investing and holding company	100.00	100.00
AGC	Acer Market Services Limited ("AMS", Hong Kong)	Sale of brand-name information technology products	100.00	100.00
AGC	Acer Computer (Far East) Limited ("AFE", Hong Kong)	Sale of brand-name information technology products	100.00	100.00
AGC	Acer Intellectual (Chongqing) Limited ("AICQ", China)	Sale of smart hand held products	100.00	-
AGC	Acer Information Technology R&D (Shanghai) Co., Ltd. ("ARD", China)	Research, design and sale of smart hand held products	100.00	100.00
AMS	Acer Information (Zhong Shan) Co., Ltd. ("AIZS", China)	Sale of brand-name information technology products	100.00	100.00
AMS	Beijing Acer Information Co., Ltd. ("BJAI", China)	Sale of brand-name information technology products	100.00	100.00
AMS	Acer Computer (Shanghai) Ltd. ("ACCN", China)	Sale of brand-name information technology products	100.00	100.00
AMS	Acer (Chongqing) Ltd. ("ACCQ", China)	Sale of brand-name information technology products	100.00	100.00
The Company	Acer European Holding B.V. ("AEH", Netherlands Antilles)	Investing and holding company	100.00	100.00
AEH	Acer Europe B.V. ("AHN", the Netherlands)	Investing and holding company	100.00	100.00
AEH	Acer Computer B.V. ("ACH", the Netherlands)	Sale of brand-name information technology products	100.00	100.00
AEH	Acer CIS Incorporated ("ACR", British Virgin Islands)	Sale of brand-name information technology products	100.00	100.00
AEH	Acer BSEC Inc. ("AUA", British Virgin Islands)	Sale of brand-name information technology products	100.00	100.00
AEH	Acer Computer (M.E.) Ltd. ("AME", British Virgin Islands)	Sale of brand-name information technology products	100.00	100.00

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

Investor	Investee	Main business	Percentage of Ownership At December 31, 2011	2010
AEH	Acer Africa (Proprietary) Limited (“AAF”, South Africa)	Sale of brand-name information technology products	100.00	100.00
AEH	AGP Insurance (Guernsey) Limited. (“AGU”, British Guernsey Island)	Financial company	100.00	100.00
AHN	Acer Computer France S.A.S.U. (“ACF”, France)	Sale of brand-name information technology products	100.00	100.00
AHN	Acer U.K. Limited (“AUK”, the United Kingdom)	Sale of brand-name information technology products	100.00	100.00
AHN	Acer Italy S.R.L. (“AIT”, Italy)	Sale of brand-name information technology products	100.00	100.00
AHN	Acer Computer GmbH (“ACG”, Germany)	Sale of brand-name information technology products	100.00	100.00
AHN	Acer Austria GmbH (“ACV”, Austria)	Sale of brand-name information technology products	100.00	100.00
AHN	Acer Europe Services S.R.L. (“AES”, Italy)	Sale of brand-name information technology products	100.00	100.00
AHN	Acer Europe SA (“AEG”, Switzerland)	Sale of brand-name information technology products	100.00	100.00
AHN	Acer Czech Republic S.R.O. (“ACZ”, Czech Republic)	Sale of brand-name information technology products	100.00	100.00
AHN	Esplex Limited (“AEX”, the United Kingdom)	Sale of brand-name information technology products	100.00	100.00
AHN	Acer Computer Iberica, S.A. (“AIB”, Spain)	Sale of brand-name information technology products	100.00	100.00
AHN	Acer Computer (Switzerland) AG (“ASZ”, Switzerland)	Sale of brand-name information technology products	100.00	100.00
AHN	Acer Slovakia s.r.o. (“ASK”, Slovakia)	Sale of brand-name information technology products	100.00	100.00
AHN	Acer International Services GmbH (“AIS”, Switzerland)	Sale of brand-name information technology products	100.00	100.00
AHN	Asplex Sp. z.o.o. (“APX”, Poland)	Repair and maintenance of information technology products	100.00	100.00
AHN	Acer Marketing Services LLC (“ARU”, Russia)	Sale of brand-name information technology products	100.00	100.00

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

Investor	Investee	Main business	Percentage of Ownership At December 31, 2011	2010
AHN	Acer Hellas Limited Liability Company of Marketing and Sales Services (“AGR”, Greece)	Sale of brand-name information technology products	100.00	100.00
AHN	PB Holding Company S.A.R.L. (“PBLU”, Luxembourg)	Investing and holding company	100.00	100.00
AHN	Acer Poland Sp. z.o.o. (“APL”, Poland)	Sale of brand-name information technology products	100.00	-
ACH	Acer Computer Norway AS (“ACN”, Norway)	Sale of brand-name information technology products	100.00	100.00
ACH	Acer Computer Finland Oy (“AFN”, Finland)	Sale of brand-name information technology products	100.00	100.00
ACH	Acer Computer Sweden AB (“ACW”, Sweden)	Sale of brand-name information technology products	100.00	100.00
ACH	Acer Denmark A/S (“ACD”, Denmark)	Sale of brand-name information technology products	100.00	100.00
PBLU	Packard Bell B.V. (“PBHO”, the Netherlands)	Investing and holding company	100.00	100.00
PBHO	Packard Bell Finance B.V. (“PBFN”, the Netherlands)	Investing and holding company	100.00	100.00
PBHO	Packard Bell Netherland B.V. (“PBNL”, the Netherlands)	Sale of brand-name information technology products	100.00	100.00
PBHO	Packard Bell Services s.a.r.l (“PBSV”, France)	Sale of brand-name information technology products	-	100.00
PBHO	Packard Bell Angers s.a.r.l (“PBAN”, France)	Sale of brand-name information technology products	-	100.00
PBHO	Packard Bell France s.a.s (“PBFR”, France)	Sale of brand-name information technology products	-	100.00
PBHO	Packard Bell (UK) Ltd.(“PBUK”, the United Kingdom)	Sale of brand-name information technology products	100.00	100.00
PBHO	Infonove S.r.l a Socio Unico in Liquidazione (“PBIT”, Italy)	Sale of brand-name information technology products	-	100.00
AIB	Packard Bell Iberica s.l. (“PBES”, Spain)	Sale of brand-name information technology products	-	100.00
PBHO	Packard Bell Deutschland GmbH (“PBDE”, Germany)	Sale of brand-name information technology products	100.00	100.00

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ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

Investor	Investee	Main business	Percentage of Ownership At December 31, 2011	2010
PBHO	Packard Bell Belgium BVBA ("PBBE", Belgium)	Sale of brand-name information technology products	100.00	100.00
PBHO	Packard Bell Norden AS ("PBNO", Norway)	Sale of brand-name information technology products	100.00	100.00
PBHO	Packard Bell Schweiz GmbH ("PBCH", Switzerland)	Sale of brand-name information technology products	100.00	100.00
PBHO	NEC Computers South Africa (Pty) Ltd. ("PBZA", South Africa)	Sale of brand-name information technology products	50.81	50.81
PBHO	Packard Bell Sverige AB ("PBSE", Sewden)	Sale of brand-name information technology products	100.00	100.00
The Company	Boardwalk Capital Holdings Limited ("Boardwalk", British Virgin Islands)	Investing and holding company	100.00	100.00
Boardwalk	Acer Computer Mexico, S.A. de C.V. ("AMEX", Mexico)	Sale of brand-name information technology products	99.92	99.92
Boardwalk	Acer American Holding Corp. ("AAH", USA)	Investing and holding company	100.00	100.00
Boardwalk	AGP Tecnologia em Informatica do Brasil Ltda. ("ATB", Brazil)	Sale of brand-name information technology products	100.00	100.00
Boardwalk	Boarkwalk Cooperatief Holding U.A ("BCH", the Netherlands)	Investing and holding company	100.00	100.00
AMEX	Aurion Tecnologia, S.A. de C.V. ("Aurion", Mexico)	Sale of brand-name information technology products	99.92	99.92
AAH	Gateway, Inc. ("GWI", U.S.A.)	Sale of brand-name information technology products	100.00	100.00
GWI (Note)	Acer Latin America, Inc. ("ALA", U.S.A.)	Sale of brand-name information technology products	100.00	100.00
GWI	Acer America Corporation. ("AAC", U.S.A.)	Sale of brand-name information technology products	99.92	99.92
GWI	Acer Service Corporation ("ASC", U.S.A.)	Repair and maintenance of information technology products	100.00	100.00
GWI	Gateway US Retail, Inc. ("GRA", U.S.A.)	Investing and holding company	100.00	100.00
GWI	Gateway Direct, Inc. ("GDA", U.S.A.)	Sale of brand-name information technology products	100.00	100.00

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ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

Investor	Investee	Main business	Percentage of Ownership At December 31, 2011	2010
GWI	Gateway Manufacturing LLC ("GMA", U.S.A.)	Sale of brand-name information technology products	100.00	100.00
GWI	Gateway International Holdings, Inc. ("GIH", U.S.A.)	Investing and holding company	100.00	100.00
GWI	Gateway de Mexico S. de R.L. de C.V. ("GMX", Mexico)	Sale of brand-name information technology products	100.00	100.00
GWI	Gateway Hong Kong Ltd. ("GHK", Hong Kong)	Sale of brand-name information technology products	100.00	100.00
GWI	Gateway Asia, Inc. ("GAI", U.S.A.)	Sale of brand-name information technology products	-	100.00
GRA	Gateway KK ("GJP", Japan)	Sale of brand-name information technology products	100.00	100.00
GRA	Gateway Ltd. ("GUK", the United Kingdom)	Sale of brand-name information technology products	100.00	100.00
GRA	eMachines Internet Group ("EMA", U.S.A.)	Sale of brand-name information technology products	100.00	100.00
GRA	Gateway Europe B.V. ("GEBV", U.S.A.)	Sale of brand-name information technology products	-	100.00
GRA	Gateway Computers Ireland Ltd. ("GCI", the United Kingdom)	Sale of brand-name information technology products	100.00	100.00
GIH	Gateway International Computers Limited ("GIC", the United Kingdom)	Sale of brand-name information technology products	100.00	100.00
GIC	Gateway Canada Corporation ("GCA", Canada)	Sale of brand-name information technology products	-	100.00
EMA	Servicio Profesionales de Aceso S. de R.L. ("GSMX", Mexico)	Repair and maintenance of information technology products	-	100.00
BCH	Boardwalk International BV (BIB, the Netherlands)	Investing and holding company	100.00	100.00
The Company	Acer Holding International, Inc.("AHI", British Virgin Islands)	Investing and holding company	100.00	100.00
AHI	Acer Computer Co., Ltd. ("ATH", Thailand)	Sale of brand-name information technology products	100.00	100.00
AHI	Acer Japan Corp. ("AJC", Japan)	Sale of brand-name information technology products	100.00	100.00

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

Investor	Investee	Main business	Percentage of Ownership At December 31, 2011	2010
AHI	Acer Computer Australia Pty. Limited (“ACA”, Australia)	Sale of brand-name information technology products	100.00	100.00
AHI	Acer Sales and Service Sdn Bhd (“ASSB”, Malaysia)	Sale of brand-name information technology products	100.00	100.00
AHI	Acer Asia Pacific Sdn Bhd (“AAPH, Malaysia”)	Sale of brand-name information technology products	100.00	100.00
AHI	Acer Computer (Singapore) Pte. Ltd. (“ACS”, Singapore)	Sale of brand-name information technology products	100.00	100.00
AHI	Acer Computer New Zealand Limited (“ACNZ”, New Zealand)	Sale of brand-name information technology products	100.00	100.00
AHI	PT Acer Indonesia (“AIN”, Indonesia)	Sale of brand-name information technology products	100.00	100.00
AHI	Acer India Private Limited (“AIL”, India)	Sale of brand-name information technology products	100.00	100.00
AHI	Acer Vietnam Co., Ltd. (“AVN”, Vietnam)	Sale of brand-name information technology products	100.00	100.00
AHI	Acer Philippines, Inc. (“APHI”, Philippines)	Sale of brand-name information technology products	100.00	100.00
ACA	Highpoint Australia Pty. Ltd. (“HPA”, Australia)	Sale of brand-name information technology products	100.00	100.00
ASSB	Highpoint Service Network Sdn Bhd (“HSN”, Malaysia)	Sale of brand-name information technology products	100.00	100.00
ASSB	Servex (Malaysia) Sdn Bhd (“SMA”, Malaysia)	Sale of computers and communication products	100.00	100.00
ASSB	Megabuy Sdn Bhd (“MGB”, Malaysia)	Sale of computers and communication products	100.00	100.00
ACS	Logistron Service Pte Ltd. (LGS, Singapore)	Sale of brand-name information technology products	100.00	100.00
The Company	Acer Computer International Ltd. (“ACI”, Singapore)	Sale of brand-name information technology products	-	100.00
The Company	Acer Sales & Distribution Ltd. (“ASD”, Hong Kong)	Sale of brand-name information technology products	100.00	100.00
The Company	Weblink International Inc. (“WII”, Taiwan)	Sale of computers and communication products	99.79	99.79
WII	Weblink (H.K.) International Ltd. (“WHI”, Hong Kong)	Sale of information technology products	99.79	99.79

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

Investor	Investee	Main business	Percentage of Ownership At December 31, 2011	2010
The Company	Acer Digital Service Co. ("ADSC", Taiwan)	Investing and holding company	100.00	100.00
ADSC	Multiventure Investment Inc. ("MVI", Taiwan)	Investing and holding company	100.00	100.00
ADSC	Acer Property Development Inc. ("APDI", Taiwan)	Property development	100.00	100.00
ADSC	Aspire Service & Development Inc. ("ASDI", Taiwan)	Property development	100.00	100.00
The Company	Acer Worldwide Incorporated ("AWI", British Virgin Islands)	Investing and holding company	100.00	100.00
The Company	Cross Century Investment Limited ("CCI", Taiwan)	Investing and holding company	100.00	100.00
The Company	Acer Capital Corporation ("ACT", Taiwan)	Investing and holding company	100.00	100.00
The Company	Aspire Incubation Venture Capital ("AIVC", Taiwan)	Investing and holding company	100.00	100.00
The Company	Acer Digital Services (B.V.I.) Holding Corp. ("ADSBH", British Virgin Islands)	Investing and holding company	100.00	100.00
ADSBH	Acer Digital Services (Cayman Islands) Corp. ("ADSCC", Cayman Islands)	Investing and holding company	100.00	100.00
ADSCC	Longwick Enterprises Inc. ("LONG", Seychelles)	Investing and holding company	100.00	-
LONG	Excel. Co., Ltd. ("SURE", Samoa)	Investing and holding company	100.00	-
GWI	Nicholas Insurance Company Ltd. ("NIC", Bermuda)	Investing and holding company	-	100.00
The Company	Acer SoftCapital Incorporated ("ASCBVI", British Virgin Islands)	Investing and holding company	100.00	100.00
ASCBVI	ASC Cayman, Limited ("ASCCAM", Cayman Islands)	Investing and holding company	100.00	100.00
ASCBVI	Acer Technology Venture Asia Pacific Ltd. ("ATVAP", Cayman Islands)	Investing and holding company	100.00	100.00
The Company	Acer EMEA Holdings B.V. (AHB, the Netherlands)	Investing and holding company	100.00	100.00
The Company	Eten Information System Co., Ltd. ("ETEN", Taiwan)	Research, design and sale of smart hand held products	100.00	100.00
The Company	Acer Cyber Center Services Ltd. ("ACCSI", Taiwan)	Electronic data supply processing and storage services	100.00	100.00
ACCSI	TWP International Inc. ("TWP BVI", British Virgin Islands)	Software research, development, design, trading and consultation	100.00	100.00
TWPBVI	Acer Third Wave Software (Beijing) Co., Ltd. ("TWPBJ", China)	Software research, development, design, trading and consultation	100.00	100.00
The Company	Lottery Technology Service Corp. ("LTS", Taiwan)	Electronic data supply or processing service	100.00	100.00
The Company	Minly Corp. ("MINLY", Taiwan)	Electronic data supply or processing service	100.00	100.00

(Continued)

(Note) On December 31, 2010, ALA was owned by Broadwalk. In 2011, the ownership of ALA was transferred to GWI after the organization restructuring in the Pan America region.

The Company established new subsidiaries namely AICQ, APL, LONG and SURE in 2011.

In 2011, the subsidiaries namely PBSV, PBAN, PBFR, PBIT, PBES, GAI, GEBV, GCA, GSMX, ACI and NIC were liquidated, and were excluded from consolidation since the Company ceased control thereof.

(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 expressed in 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 operations. 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 operations. 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 are 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.

(Continued)

Liabilities that are 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) Financial assets/liabilities at fair value through profit or loss

A financial asset/liability is classified 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. Upon initial recognition, any directly attributable transaction costs are recognized in profit or loss as incurred. Financial assets/liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Trade date accounting is applied for the purchase or sale of such financial assets/liabilities.

(7) Available-for-sale financial assets

A financial instrument is classified as an available-for-sale financial asset when it is designated as such upon initial recognition. Available-for-sale financial assets are initially recognized at fair value plus transaction cost that are directly attributable to the acquisition. Subsequent changes in fair value therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized as a separate line item of stockholders' equity. When an available-for-sale financial asset is derecognized, the cumulative gain or loss recognized in equity is transferred to profit or loss. Trade date accounting is applied for the purchase or sale of such financial assets.

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.

(8) Hedging purpose derivative financial instruments and hedge accounting

Derivative financial assets/liabilities held for hedging are financial instruments that are intended to hedge the risk of changes in exchange rates resulting from transactions denominated in foreign currencies and conform to the criteria for hedge accounting.

(Continued)

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 thereon 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 in which the asset acquired or liability assumed affects profit or loss.

(9) Financial assets carried at cost

Equity investments in which the Consolidated Companies cannot exercise significant influence and 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 not allowed.

(10) Notes and accounts receivable and other receivables

Receivables arising from sale of goods or rendering of services are classified as “notes and accounts receivable”, and those arising from non-operating activities are classified as “other receivables”. Accordingly, receivables arising from sale of goods or services rendered to related parties are classified as “notes and accounts receivable from related parties”, and those arising from loans or advances to related parties are classified as “other receivables from related parties.”

(11) Impairment for receivables

Effective January 1, 2011, the Consolidated Companies adopted the third revision of Republic of China Statement of Financial Accounting Standards (“SFAS”) No. 34 “Financial Instruments: Recognition and Measurement”. Under this standard, the Consolidated Companies consider evidence of impairment for receivables at both individual and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit and loss.

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(12) Inventories

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. Cost of inventory is determined using the weighted-average method. 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 at the balance sheet date.

(13) Non-current assets held for sale

Non-current 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. Non-current 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. Non-current assets or disposal groups classified as held for sale are presented separately on 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 until the related assets are disposed.

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 operations. 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.

(14) 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, unless there are evidences that indicate the Consolidated Companies have no significant influence over the investees.

Effective January 1, 2006, under the amended ROC SFAS No. 5, "Long-term Investments under Equity Method," the difference between acquisition cost and carrying amount of net equity of the investee as of the acquisition date is allocated proportionately based on the excess of fair value over the carrying value of noncurrent assets on the investee's books. Allocated amounts are amortized based on the method used for the related assets. Any unallocated difference is treated as investor-level goodwill. If the allocation reduces non-current assets to zero value, the remaining excess over acquisition cost is recognized as an extraordinary gain. Prior to January 1, 2006, investor-level goodwill was amortized over five years on a straight-line basis. Commencing January 1, 2006, as required by the amended ROC SFAS No. 5, investor-level goodwill is no longer amortized but tested for impairment.

Upon the sale of equity-method investment, the difference between the selling price and carrying amount of the investment at the date of sale is recognized as a disposal gain or loss. In proportion to the percentage disposed of, capital surplus and other equity adjustment items arising from the long-term investment are debited against disposal gain or loss.

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

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 adjusted through 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 inter-company profits and losses resulting from transactions between the Consolidated Companies and investees accounted for under the equity method are deferred to the extent of the Consolidated Companies' ownership. The profits and losses resulting from transactions relating to depreciable or amortizable assets are recognized over the estimated useful lives of such assets. Profits and losses arising from transactions relating to other assets are recognized when realized.

(15) Capital leases

For capital leases, where the Consolidated Companies act as the lessor, all periodic rental payments plus bargain purchase price or estimated residual value are accounted for 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 then recognized as realized interest income over the lease term using the effective interest method.

(16) 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 operations.

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

Depreciation is provided for property, plant and equipment, property leased to others, and property not in use over the estimated useful lives using the straight-line method. The range of the estimated useful lives of the respective classes of assets is as follows: buildings and improvements - 30 to 50 years; computer equipment and machinery - 3 to 10 years; and other equipment - 3 to 20 years.

Property leased to others and property not in use are classified to other assets, which are depreciated continuously and are subject to an impairment test.

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.

(Continued)

(17) 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 not amortized but is tested for impairment annually.

Other intangible assets 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 made available for use: patents - 4 to 16 years; acquired software - 1 to 3 years; customer relationships - 7 to 10 years; developed technology - 10 years; channel resource - 8.8 years; and trademarks and trade names - 7 to 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 is 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.

(18) Impairment of non-financial assets

The Consolidated Companies assess at each balance sheet date whether there is any indication that an asset (an individual asset or cash-generating unit associated with the asset, other than goodwill) 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 accumulated impairment loss of an asset other than goodwill 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 increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized in prior periods.

Goodwill, assets that have an indefinite useful life and intangible assets not yet available for use are tested annually for impairment. An impairment loss is recognized for the excess of the asset's carrying amount over its recoverable amount. A subsequent reversal of the impairment loss on goodwill is prohibited.

(19) Deferred charges

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

(Continued)

(20) Convertible bonds

Convertible bonds issued by the Company contain both a financial liability and an equity component. The equity component grants an option to the bondholder to convert a fixed number of bonds into a fixed number of the Company's common shares. On initial recognition, the fair value of the liability component is determined by reference to the fair value of a similar stand-alone debt instrument (including any embedded non-equity derivatives). The amount initially allocated to the equity component is the residual after deducting the fair value of the financial liability component from the fair value of the entire compound instrument. Transaction costs directly attributable to the issuance of the bonds are allocated to the liability and equity components in proportion to their initial carrying amounts.

The difference between the initial carrying amount of the liability component and the redeemable amount that is payable on maturity is amortized and charged to interest expense using the effective interest rate method over the life of the bond. The embedded financial instruments (redemption options) are accounted for as financial liabilities at fair value through profit and loss and measured at fair value. The equity component of the convertible bonds is accounted for as capital surplus－conversion right on initial recognition and is not subject to valuation in subsequent periods.

When bonds are converted into common stock, the liability components are measured at fair value on the conversion date, and changes in fair value are recognized immediately in profit or loss. Shares of stock to be issued are recorded based on the adjusted carrying amount of the liability and equity components of convertible bonds. No gain or loss is recognized.

When the Company redeems the bonds from market, the redemption payment is allocated to the liability and equity components using a method consistent with the method used initially to allocate the bond between its debt and equity components. The fair value of the liability component at redemption date is compared to its carrying amount, any gain or loss arising from redemption is recognized in profit or loss. The difference between the carrying amount of equity component and the redemption payment allocated to the equity component is accounted for as 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.

When the bondholders require the Company to redeem the bonds, the redemption payment is deemed to fully redeem the liability component. The difference between the carrying amount of the liability component and the redemption payment is recognized in profit or loss. The capital surplus of carrying amount of the equity component is transferred to other capital surplus item.

The liability component of the bonds is classified as a current liability where the bondholders have the right to require the Company to redeem the bonds within one year. It can be reclassified to long-term liability once the redemption option period expires and the liability component qualifies as a long-term liability.

(21) Treasury stock

Common stock repurchased by the Company that is treated as treasury stock is reported at acquisition cost. When treasury stock is sold, the sales proceeds in excess of cost are accounted for as capital

(Continued)

surplus－treasury stock. If the sales 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 against 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.

(22) 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. Provisions for estimated sales returns and allowances are recorded in the year the related revenue is recognized, based on historical experiences and management's judgment. Revenue generated from service rendered is recognized when the service is provided and the amount becomes billable.

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

Employee bonuses and remuneration to directors and supervisors which are appropriated from earnings are estimated and charged to operating expense according to Interpretation (2007) 052 issued by the Accounting Research and Development Foundation. Differences between the amounts of these bonuses and remuneration approved by the shareholders in the subsequent year and those recognized in the year when such earnings are incurred and services are rendered, if any, are accounted for as changes in accounting estimates and charged to profit or loss in the period during which stockholders' approval is obtained.

(24) Share-based payment transactions

The Consolidated Companies adopted SFAS No. 39 "Accounting for Share-based Payment" for share-based payment arrangements 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 grant date 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 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 considered.
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 option-pricing model or the binomial option pricing-model, which considers management's best estimate of the exercise price, expected term, underlying share price, expected volatility, expected dividends, and risk-free interest rate.

(25) 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 operations. 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 operations.

(26) 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 noncontributory defined benefit employee retirement plans (the "Plans") and retirement fund administration committees. These Plans provide for lump-sum retirement benefits to retiring employees based on length of service, age, and certain other factors. The funding of these retirement plans by the Company and subsidiaries located in the Republic of China is based on certain 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 excess of the actuarial present value of the accumulated benefit obligation over 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 opted 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 country of establishment.

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Contributions for the defined contribution retirement plans are expensed during the year in which employees render services.

(27) Government grants

Government grants are recognized as other income or deduction of related costs or expenses when there is reasonable assurance that the conditions attached to the grants are met, and the grants will be received.

Government grants conforming to the conditions attached to the grants are recognized in profit or loss over the periods in which the related costs or expenses for which the grants are intended to compensate are incurred. Recognition of government grants in profit or loss on a receipt basis would be acceptable only if no basis existed for allocating a grant to periods other than one in which it was received.

(28) 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 a change in the tax rate is enacted, the Consolidated Companies recalculate the deferred tax assets and liabilities using the new tax rate in the year of change and any resulting variances are recognized as income tax expense or benefit accordingly.

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 expected realization date of the asset or liability.

If a valuation allowance is recognized at the acquisition date for deferred tax assets acquired through business combination accounted for using the purchase method of accounting, the income tax benefit recognized as a result of the elimination of valuation allowance subsequent to the acquisition is to be applied first to reduce goodwill related to the acquisition. The remaining tax benefit, if any, is applied to reduce income tax expense attributable to continuing operations.

According to the ROC Income Tax Act, undistributed earnings, if any, are subject to 10% retained earnings surtax. This surtax is charged to income tax expense in the following year when the stockholders decide not to distribute the earnings.

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

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

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, convertible bonds and employee stock bonuses to be appropriated in the following year are potentially dilutive common stock. In computing for the diluted EPS, the net income and weighted-average number of common shares outstanding during the year are adjusted for the effects of dilutive potential common stock, assuming these potentially dilutive shares 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 for those stock dividends issued for the period between the balance sheet date and the release date of financial statements.

(30) Business combination

Business combinations are accounted for in accordance with SFAS No. 25 "Business Combinations". Under SFAS No. 25, acquisition costs represent the amount of cash or cash equivalents paid and the fair value of the other purchase consideration given, plus any costs directly attributable to the acquisition. The excess of acquisition cost over the fair value of the net identifiable tangible and intangible assets acquired is recognized as goodwill.

(31) Operating segments

Effective January 1, 2011, the Consolidated Companies adopted SFAS No. 41, "Operating Segment." Under this standard, an operating segment is defined as a component of the Consolidated Companies that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Consolidated Companies). The segment's operating results are reviewed regularly by the Company's chief operating decision maker who decides on the allocation of resources to the segment and assesses its performance for which discrete financial information is available.

(32) Convenience translation into U.S. dollars

The consolidated financial statements are stated in New Taiwan dollars. Translation of the 2011 New Taiwan dollar amounts into U.S. dollar amounts, using the spot rate quoted by Bank of Taiwan on December 31, 2011, of NT$30.29 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.

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ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

3. Accounting Changes

Effective January 1, 2011, the Consolidated Companies adopted the third revision of SFAS No. 34 "Financial Instruments: Recognition and Measurement". Under this revised standard, the Consolidated Companies consider evidence of impairment for receivables at both individual and collective level. Losses are recognized in profit or loss and reflected in an allowance account against receivables. The adoption of this revised standard did not have a significant effect on the Company's consolidated financial statements as of and for the year ended December 31, 2011.

Effective January 1, 2011, the Consolidated Companies adopted SFAS No. 41 "Operating Segments". In accordance with SFAS No. 41, information is disclosed to enable users of the Company's consolidated financial statements to evaluate the nature and financial effects of the business activities in which they engage and the economic environment in which they operate. Accordingly, the Consolidated Companies determine and present operating segments based on the information that is internally provided to the chief operating decision maker. This new accounting standard superseded SFAS No. 20 "Segment Reporting". The adoption of this accounting standard did not have any cumulative effect to the consolidated financial statements as of and for the year ended December 31, 2011. However, the segment information as of and for the year ended December 31, 2010 has been restated to conform to the disclosures as of and for the year ended December 31, 2011.

4. Significant Account Disclosures

(1) Cash and cash equivalents

	December 31, 2011		December 31, 2010
	NT$	US$	NT$
Cash on hand	16,469	544	18,805
Bank deposits	36,094,064	1,191,616	48,641,345
Time deposits	21,982,048	725,720	19,796,236
	58,092,581	**1,917,880**	**68,456,386**

(2) Financial assets and liabilities at fair value through profit or loss－current

	December 31, 2011		December 31, 2010
	NT$	US$	NT$
Financial assets at fair value through profit or loss－current:			
Foreign currency forward contracts	305,903	10,099	30,381
Foreign currency options	-	-	8,514
	305,903	**10,099**	**38,895**

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

	December 31, 2011 NT$	December 31, 2011 US$	December 31, 2010 NT$
Financial liability at fair value through profit or loss－current:			
Foreign currency forward contracts	(56,212)	(1,856)	(289,276)
Foreign currency options	-	-	(9,722)
	(56,212)	(1,856)	(298,998)

For the years ended December 31, 2011 and 2010, unrealized gains (losses) resulting from the changes in fair value of these derivative contracts amounted to NT$509,794 and NT$(255,223), respectively.

The Consolidated Companies entered into derivative contracts to manage foreign currency exchange risk arising from operating activities. As of December 31, 2011 and 2010, 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 31,2011

Buy	Sell	Notional amount (in thousands)		Maturity period
USD	/ SGD	USD	6,000	2012/01
USD	/ MYR	USD	18,600	2012/01~2012/02
USD	/ THB	USD	32,000	2012/01~2012/02
USD	/ INR	USD	99,570	2012/01~2012/05
USD	/ JPY	USD	66,000	2012/01~2012/05
USD	/ RUB	USD	189,296	2012/01~2012/03
USD	/ EUR	EUR	46,140	2012/02

December 31,2010

Buy	Sell	Notional amount (in thousands)		Maturity period
USD	/ SGD	USD	15,000	2011/01~2011/03
USD	/ MYR	USD	26,300	2011/01~2011/02
USD	/ THB	USD	29,200	2011/01~2011/02
USD	/ INR	USD	67,417	2011/01~2011/03
USD	/ JPY	USD	68,000	2011/01~2011/04
USD	/ MXN	USD	81,500	2011/01~2011/04
USD	/ RUB	USD	258,821	2011/01~2011/04
USD	/ ZAR	USD	36,000	2011/01~2011/03
USD	/ EUR	EUR	45,685	2011/01~2011/02
AUD	/ USD	USD	21	2011/01
RUB	/ USD	USD	38,546	2011/01

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

(b)Options contracts

(i) Long position

	December 31, 2010		
	Notional amount (in thousands)		Maturity period
EUR Call/GBP Put	EUR	23,325	2011/01

(ii) Short position

	December 31, 2010		
	Notional amount (in thousands)		Maturity period
GBP Call/EUR Put	EUR	28,528	2011/01

(3) Derivative financial assets and liabilities held for hedging－current

	December 31, 2011		December 31, 2010
	NT$	US$	NT$
Derivative financial assets held for hedging– current:			
Foreign currency forward contracts	804,532	26,561	88,372
Derivative financial liabilities held for hedging– current:			
Foreign currency forward contracts	(179,685)	(5,932)	(759,866)

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, 2011 and 2010, 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, 2011 NT$	December 31, 2010 NT$
Accounts receivable/ payable denominated in foreign currencies	Foreign currency forward contracts	389,906	(638,082)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

For the years ended December 31, 2011 and 2010, the unrealized gains (losses) resulting from the changes in fair value of hedging instruments amounted to NT$1,027,988 and NT$(1,704,127), respectively.

As of December 31, 2011 and 2010, hedged items designated as cash flow hedges and the fair value of their respective hedging derivative financial instruments were as follows:

December 31, 2011

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	$ 234,941	Jan.~ May 2012	Jan.~ May 2012

December 31, 2010

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	$ (33,412)	Jan.~ May 2011	Jan.~ May 2011

For the years ended December 31, 2011 and 2010, unrealized gains (losses) on derivative financial instruments effective as cash flow hedges, amounted to NT$268,353 and NT$(45,810), respectively, which were accounted for as "unrealized gain (loss) on financial instruments", a separate component of stockholder's equity.

The details of outstanding hedging derivative financial instruments described above as of December 31, 2011 and 2010 were as follows:

Foreign currency forward contracts

December 31, 2011

Buy		Sell	Notional amount (in thousands)		Maturity period
AUD	/	NZD	AUD	3,750	2012/01~2012/03
CHF	/	EUR	EUR	8,631	2012/01
MXN	/	USD	USD	6,750	2012/01
EUR	/	SEK	EUR	13,520	2012/01~2012/02
EUR	/	CHF	EUR	11,458	2012/01~2012/03
EUR	/	PLN	EUR	16,314	2012/01~2012/02

(Continued)

		December 31, 2011		
Buy	Sell	Notional amount (in thousands)		Maturity period
USD	/ CAD	USD	53,049	2012/01
USD	/ AUD	USD	88,151	2012/01~2012/03
USD	/ NZD	USD	5,500	2012/01~2012/04
USD	/ NTD	USD	574,000	2012/01
USD	/ EUR	EUR	597,276	2012/01~2012/03
USD	/ GBP	USD	133,151	2012/01~2012/03
USD	/ CNY	USD	280,000	2012/01~2012/03
USD	/ MXN	USD	104,620	2012/01~2012/05

		December 31, 2010		
Buy	Sell	Notional amount (in thousands)		Maturity period
AUD	/ NZD	AUD	4,750	2011/01~2011/05
EUR	/ GBP	EUR	93,133	2011/01~2011/04
EUR	/ NOK	EUR	5,000	2011/01
EUR	/ SEK	EUR	26,646	2011/01
EUR	/ CHF	EUR	11,193	2011/01~2011/02
EUR	/ PLN	EUR	34,832	2011/01~2011/04
USD	/ CAD	USD	133,858	2011/01~2011/03
USD	/ AUD	USD	121,000	2011/01~2011/05
USD	/ NZD	USD	5,250	2011/01~2011/05
USD	/ NTD	USD	21,000	2011/01
USD	/ EUR	EUR	1,024,805	2011/01~2011/03
USD	/ CNY	USD	5,000	2011/01
NOK	/ EUR	EUR	1,023	2011/01

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

	December 31, 2011		December 31, 2010
	NT$	US$	NT$
Publicly traded equity securities	109,721	3,622	225,710

In 2011 and 2010, the Consolidated Companies disposed of portions of these investments and recognized gains on disposal thereof of NT$8,120 and NT$16,545, respectively. These gains were recorded as “gain on disposal of investments” in the accompanying consolidated statements of operations.

For the years ended December 31, 2011 and 2010, the unrealized gains (losses) resulting from the changes in fair value amounted to NT$(52,418) and NT$3,874, respectively, which were recognized as a separate component of stockholders’ equity.

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(5) Notes and accounts receivable

The Consolidated Companies entered into factoring contracts with several banks to sell part of their accounts receivable without recourse. As of December 31, 2011 and 2010, details of these contracts were as follows:

	December 31, 2011				
Underwriting bank	**Factoring credit limit NT$**	**Amount sold NT$**	**Amount advanced (derecognized) NT$**	**Interest rate**	**Collateral**
Ifitalia Factor S.p.A.	6,013,674	3,152,555	416,047		Nil
China Trust Bank	950,000	221,164	221,164		note 7(5)
Taipei Fubon Bank	750,000	341,192	341,192		note 7(5)
Commonwealth Bank	1,610,593	898,016	898,016		Nil
	9,324,267	**4,612,927**	**1,876,419**	**1.02%~8.10%**	

	December 31, 2010				
Underwriting bank	**Factoring credit limit NT$**	**Amount sold NT$**	**Amount advanced (derecognized) NT$**	**Interest rate**	**Collateral**
Ifitalia Factor S.p.A.	10,650,633	3,615,597	3,461,056		Nil
China Trust Bank	1,000,000	227,217	227,217		note 7(5)
Taipei Fubon Bank	600,000	398,989	398,989		note 7(5)
La Caixa Bank	5,698,038	5,569,479	5,049,844		Nil
Taishin Bank	22,261,932	8,184,158	8,168,602		Nil
	40,210,603	**17,995,440**	**17,305,708**	**0.84%~8.8%**	

(6) Other receivable

	December 31, 2011		**December 31, 2010**
	NT$	**US$**	**NT$**
Refundable income tax and VAT	2,466,542	81,431	2,465,753
Receivables from reimbursement of advertising expense	1,529,548	50,497	1,553,181
Receivables from allocation of patent royalty to others	140,424	4,636	422,769
Receivables from purchase discount	409,858	13,531	149,949
Other receivables	1,650,121	54,477	3,269,283
	6,196,493	**204,572**	**7,860,935**

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

(7) Inventories

	December 31, 2011		December 31, 2010
	NT$	US$	NT$
Raw materials	14,936,535	493,118	16,422,852
Work in process	29,604	977	17,353
Finished goods and merchandise	12,320,414	406,749	12,150,905
Spare parts	2,102,047	69,397	1,759,398
Inventories in transit	10,605,044	350,117	10,889,545
	39,993,644	1,320,358	41,240,053

The details of inventory write-downs were as follows:

	December 31, 2011		December 31, 2010
	NT$	US$	NT$
Write-down of inventories to net realizable value	3,350,924	110,628	5,305,618
Net loss (gain) on physical inventory	(37,756)	(1,246)	20,500
Scrap loss	238,001	7,857	698,201
	3,551,169	117,239	6,024,319

(8) Non-current assets held for sale

In December 2010, the Company's board of directors resolved to sell ETEN's office building located in Taipei. As of December 31, 2011 and 2010, the carrying value of the building was NT$1,827,855. This building was finally sold in January 2012.

(9) Financial assets carried at cost－non-current

	December 31, 2011		December 31, 2010
	NT$	US$	NT$
Investment in non-publicly traded equity securities:			
Legend Technology	6,835	226	8,435
W.I. Harper International Corp.	7,099	234	14,359
InCOMM Technologies Co., Ltd.	2,360	78	2,360
IP Fund II	16,592	548	16,592
Dragon Investment Co. Ltd.	184,700	6,098	217,000
World Venture, Inc.	202,000	6,669	262,000
iD Reengineering Inc.	174,900	5,774	174,900
IP Fund III, L.P.	79,320	2,619	117,044
iD5 Fund, L.P.	65,177	2,152	62,681
IP Cathay One, L.P.	240,521	7,940	235,148
IP Fund One L.P.	9,452	312	394,218
ID5 Annex I Fund	23,197	766	22,308
Trimode Technology Inc.	-	-	11,038
FuHu Inc.	71,480	2,360	111,895
Others	74,140	2,447	72,699
	1,157,773	**38,223**	**1,722,677**

In 2011, the Consolidated Companies increased its equity investments in IP Cathay One, L.P. by NT$4,370; in 2010, the Consolidated Companies increased its equity investments in iD5 Annex I Fund by NT$24,529. In 2011, IP Fund One, L.P., IP Cathay One, L.P., IP Fund III, L.P., distributed capital, and Dragon Investment Co., Ltd., Legend Technology, World Venture, Inc., returned capital, and Darly 3 Venture, Limited and Trimode Technology Inc. liquidated and distributed the remaining net assets of NT$187,056 to the Consolidated Companies. In 2010, IP Fund One, L.P., iD5 Fund, L.P., distributed capital, and Prosperity Venture Capital Corp., Sheng-Hua Venture Capital Corp. and IP Fund II and other investees returned capital of NT$433,470 to the Consolidated Companies.

In 2010, the Consolidated Companies sold their investments in New Century Infocomm Tech Co., Ltd. and the common shares of iRobot distributed by iD5 Fund L.P., which resulted in an aggregate disposal gain of NT$238,687.

In 2011, the Consolidated Companies recognized impairment losses of NT$50,944 on the investments in W.I. Harper International Corp. and FuHu Inc.

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

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

	December 31, 2011 Percentage of ownership %	Carrying amount NT$	Carrying amount US$	2011 Investment income (loss) NT$	2011 Investment income (loss) US$
Wistron Corporation ("Wistron")	2.57	1,602,334	52,900	233,950	7,724
E-Life Mall Corp. ("E-Life")	-	-	-	17,140	566
Aegis Semiconductor Technology Inc.	44.04	165,235	5,455	-	-
ECOM Software Inc. ("ECOM")	33.93	22,132	731	4,652	153
Bluechip Infotech Pty Ltd.	34.05	86,739	2,863	9,451	312
Fizzle Investment Limited ("Fizzle")	40.00	-	-	(238,828)	(7,885)
Others		(14,453)	(477)	2,836	94
		1,861,987	61,472	29,201	964
Less: Allocation of corporate expenses				(34,485)	(1,139)
				(5,284)	(175)

	December 31, 2010 Percentage of ownership %	Carrying amount NT$	2010 Investment income (loss) NT$
Wistron Corporation	2.60	1,485,662	489,525
E-Life Mall Corp.	12.84	355,648	59,248
Aegis Semiconductor Technology Inc.	44.04	165,235	-
ECOM Software Inc.	33.93	39,002	5,000
Bluechip Infotech Pty Ltd.	33.41	79,310	7,875
FuHu Inc. ("FuHu")	18.63	-	(49,754)
Fizzle Investment Limited	20.00	124,760	-
Olidata S.p.A ("Olidata")	29.90	-	(100,271)
Others		(13,916)	2,728
		2,235,701	414,351
Less: Allocation of corporate expenses			(38,403)
			375,948

In 2011 and 2010, the Consolidated Companies increased investments in Fizzle by NT$ 114,891 and NT$124,760, respectively. As the investments in Fizzle were assessed to be impaired, such investments were fully written off in 2011.

Commencing from April 1, 2011, the Consolidated Companies were unable to exercise significant influence over E-life's operating and financial policies. Therefore, the investments in E-life were reclassified as "available-for-sale financial assets—non-current".

(Continued)

Commencing from December 17, 2010, the Consolidated Companies were unable to exercise significant influence over FuHu's operating and financial policies. Therefore, the investments in FuHu were reclassified as "financial assets carried at cost－non-current".

In 2010, the Consolidated Companies sold portion of their investments in Wistron and E-Life, and recognized an aggregate gain thereon of NT$1,153,788. In addition, ECOM returned capital of NT$16,965 to the Consolidated Companies in 2011; E-Life returned capital of NT$46,630 to the Consolidated Companies in 2010.

The Consolidated Companies' capital surplus was reduced by NT$21,880 and NT$79,391 in 2011 and 2010, respectively, as a result of proportional recognition of changes in investees' equity accounts and disposal of equity ownership of investees.

(11) Available-for-sale financial assets－non-current

	December 31, 2011		December 31, 2010
	NT$	US$	NT$
Investment in publicly traded equity securities:			
Qisda Corporation ("Qisda")	509,887	16,833	1,594,199
WPG Holdings Limited ("WPG")	152,177	5,024	242,954
RoyalTek Co., Ltd. ("RoyalTek")	22,645	748	64,700
Quanta Computer Inc. ("Quanta")	-	-	223,390
Apacer Technology Inc. ("Apacer")	90,993	3,004	149,659
	775,702	25,609	2,274,902

In 2011, the Consolidated Companies sold portion of their investments in WPG and sold all their investments in E-Life and Quanta, and realized an aggregate disposal gain thereon of 337,716. In 2010, the Consolidated Companies sold portion of their investments in RoyalTek and Quauta and all their investments in Yosun and Silicon Storage, and realized an aggregate disposal gain thereon of NT$827,400. Additionally, WPG acquired Yosun on November 15, 2010. As a result, the common shares of Yosun were exchanged for common shares of WPG and a disposal gain of NT$139,987 was recognized thereon.

For the years ended December 31, 2011 and 2010, the unrealized losses resulting from the changes in fair value of available-for-sale financial assets amounted to NT$1,305,053 and NT$504,938, respectively, which were recognized as a separate component of stockholders' equity. In addition, for the years ended December 31, 2011 and 2010, the unrealized loss resulting from the changes in fair value of available-for-sale financial assets held by the investees accounted for using equity method amounted to NT$2,073 and NT$6,843, respectively, which were recognized as a separate component of stockholders' equity.

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

(12) Property not used in operation

	December 31, 2011 NT$	December 31, 2011 US$	December 31, 2010 NT$
Leased assets－land	1,505,822	49,714	1,540,179
Leased assets－buildings	3,544,101	117,006	3,524,647
Property held for sale and development	1,060,754	35,020	1,144,045
Computer equipment and other equipment	21,309	703	23,007
Less: Accumulated depreciation	(878,885)	(29,016)	(843,778)
Accumulated impairment	(1,909,908)	(63,054)	(1,911,034)
	3,343,193	**110,373**	**3,477,066**

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The office premises damaged by fire and fully written off in 2008 were repaired and made available for use by the end of 2010. Therefore, the Consolidated Companies have re-evaluated the fair value of the office premises as of December 31, 2010 and reclassified the office premises to property, plant and equipment. A reversal gain of the office premises of NT$183,998 was recognized in 2010.

In 2010, the Consolidated Companies recognized an impairment loss of NT$562,176 on the property not used in operation, based on the result of their evaluation of the estimated fair value as the recoverable amount.

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

	Trademarks and trade names NT$	Goodwill NT$	Others NT$	Total NT$
Balance at January 1, 2011	10,043,300	20,477,471	5,872,164	36,392,935
Additions	-	-	282,003	282,003
Adjustments made subsequent to business acquisition	-	(16,724)	-	(16,724)
Disposals	-	(563,871)	-	(563,871)
Reclassification	-	-	43,533	43,533
Effect of exchange rate changes	204,428	813,496	194,846	1,212,770
Amortization	(365,062)	-	(1,634,437)	(1,999,499)
Balance at December 31, 2011	**9,882,666**	**20,710,372**	**4,758,109**	**35,351,147**
Balance at January 1, 2010	7,862,465	21,977,454	5,604,149	35,444,068
Additions	-	-	264,434	264,434
Acquisitions from business combination	2,386,473	2,143,875	1,416,968	5,947,316
Disposals	-	(1,770,123)	(5,892)	(1,776,015)
Reclassification	-	-	372,889	372,889
Effect of exchange rate changes	(95,741)	(1,873,735)	(439,292)	(2,408,768)
Amortization	(109,897)	-	(1,341,092)	(1,450,989)
Balance at December 31, 2010	**10,043,300**	**20,477,471**	**5,872,164**	**36,392,935**

(Continued)

(a) 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 the "Top Programme" for 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.

(b) Purchase of Founder Technology Group Corp.'s PC business in China and the related assets

The Company, together with its subsidiaries Acer Greater China (B.V.I.) Corp., Acer Computer (Shanghai) Ltd. and Acer (Chongqing) Ltd. (collectively as "Acer") formally contracted with Founder Group, Founder Technology Group Corp., and their subsidiaries (collectively as "Founder") to purchase Founder PC business and the related assets for NT$5,946,317, and to transfer the related employees of Founder Technology Group Corp. to Acer entities in China. Major transactions include the following:

1) Seven-year exclusive license in Founder PC business and products related trademarks owned by Founder Group;
2) Founder PC business and IT systems, trade names, copyrights, and domain names of Founder's products;
3) Intangible assets such as customer lists and distribution channel resources of Founder Technology Group's PC business;
4) Intangible assets such as customer lists and distribution channel resources of Founder Group and its non-related partners; and
5) Product warranties.

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

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

	NT$
Purchase cost	5,947,316
The identifiable assets purchased:	
Intangible assets – Trademark	2,386,473
Intangible assets – Channel resources	1,342,391
Other intangible assets	74,577
	3,803,441
Goodwill	**2,143,875**

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

As of December 31, 2011, the Consolidated Companies made adjustments to the aforementioned purchase cost by NT$16,724, which also decreased goodwill by NT$16,724.

In accordance with the acquisition agreement entered by Acer and Founder, Acer shall compensate Founder for any deficiency in procurement orders that Acer places to Founder Technology Group SuZhou Manufactory Co., Ltd. for the period from October 11, 2010 to December 31, 2012. Accordingly, the Consolidated Companies recognized a compensation cost of NT$55,840 as non-operation loss in 2011, for the expected deficiency in orders.

Pro forma information

The following unaudited pro forma financial information of 2010 presents the combined results of operations as if the purchase of Founder's PC business and related assets had occurred as of the beginning of 2010:

	NT$
Revenue	648,713,091
Income from continuing operations before income tax	19,032,363
Income from continuing operations after income tax	14,800,672
Basic earnings per common share (in New Taiwan dollars)	5.59

(c) Adjustment to goodwill

In 2011 and 2010, the Consolidated Companies utilized the net operating loss carryforwards (NOLs) acquired from the acquisition of Gateway Inc., and consequently eliminated the valuation allowance of deferred tax assets related to NOLs recognized on the acquisition date against goodwill by NT$563,871 and NT$1,770,123, respectively.

(d) 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, 2011 and 2010, were as follows:

	December 31, 2011						
	ITRO-EMEA	**ITRO-PA**	**ITRO-AAP**	**ITRO-China**	**ITRO-TWN**	**E-Ten**	**SHBG**
	NT$	**NT$**	**NT$**	**NT$**	**NT$**	**NT$**	**NT$**
Goodwill	9,980,226	3,859,892	2,065,225	2,322,250	560,765	221,424	1,682,869
Trademarks & trade names	3,341,867	2,331,711	1,161,109	45,632	63,495	450,900	-

	December 31, 2010						
	ITRO-EMEA	ITRO-PA	ITRO-AAP	ITRO-China	ITRO-TWN	E-Ten	SHBG
	NT$	NT$	NT$	NT$	NT$	NT$	NT$
Goodwill	9,956,021	3,855,027	2,062,580	2,121,561	560,268	221,424	1,682,869
Trademarks & trade names	3,341,867	2,331,711	1,161,109	45,632	63,495	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. 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, 2011 and 2010. The recoverable amount of a CGU was determined based on the value in use, and the related key assumptions were as follows:

(i) The cash flow projections were based on historical operating performance and future financial budgets, covering a period of 5 years, approved by management and estimated terminal values at the end of the 5-year period.

(ii) Discounting rates used to determine the value in use for each of the CGUs were as follows:

	ITRO-EMEA	ITRO-PA	ITRO-AAP	ITRO-China	ITRO-TWN	E-Ten	SHBG
2011	11.0%	14.0%	13.7%	17.9%	12.5%	14.1%	14.5%
2010	15.2%	12.1%	19.1%	21.2%	17.6%	21.2%	17.6%

(14) Other financial assets－non-current

	December 31, 2011		December 31, 2010
	NT$	US$	NT$
Refundable deposits	1,582,613	52,249	956,241
Non-current receivables	49,714	1,641	82,260
	1,632,327	53,890	1,038,501

(15) Short-term borrowings

	December 31, 2011		December 31, 2010
	NT$	US$	NT$
Unsecured bank loans	358,120	11,823	1,651,630

For the years ended December 31, 2011 and 2010, the interest rate on the above bank loans ranged from 0.78% to 8.10% and from 0.69% to 15.5%, respectively. As of December 31, 2011 and 2010, the unused credit facilities were NT$34,662,601 and NT$39,584,674, respectively.

(Continued)

(16) Bonds Payable

The movements of the liability and equity components of the convertible bonds were as follows:

	2011 NT$	2011 US$	2010 NT$
Bonds payable:			
Beginning balance (balance at the issuance date)	13,103,887	432,614	14,172,245
Amortization of bonds payable discount and transaction cost (recognized as interest expense)	426,830	14,091	171,597
Unrealized exchange loss (gain) on bonds payable	534,280	17,639	(1,239,955)
Ending balance	**14,064,997**	**464,344**	**13,103,887**
Financial liabilities at fair value through profit and loss (redemption options of the convertible bonds):			
Beginning balance (at the issuance day)	1,338,524	44,190	1,398,049
Evaluation gain on redemption options of the convertible bonds	(121,938)	(4,025)	(59,525)
Ending balance	**1,216,586**	**40,165**	**1,338,524**

	December 31, 2011		December 31, 2010
Capital surplus - conversion right (note 4(20))	**295,494**	**9,755**	**295,494**

On August 10, 2010, the Company issued US$300,000 of zero coupon overseas convertible bonds due 2015 (the "2015 Bond") and US$200,000 of zero coupon overseas convertible bonds due 2017 (the "2017 Bond") at the Singapore Exchange Securities Trading Limited, for the purpose of purchasing merchandise in line with business growth. The significant terms and conditions of convertible bonds are as follows:

(a) The 2015 Bonds

i. Par value US$300,000
ii. Issue date August 10, 2010
iii. Maturity date August 10, 2015
iv. Coupon rate 0%
v. Conversion

Bondholders may convert bonds into the Company's common shares at any time starting the 41th day from the issue date until 10 days prior to the maturity date. As of December 31, 2011, the conversion price was NT$102.01 per common share, with a fixed exchange rate of NT$31.83 = US$ 1.00, subject to adjustment by the formula provided in the issue terms if the Company's outstanding common shares are increased.

vi. Redemption at the option of the bondholders

A. Bondholders shall have the right, at such holder's option, to require the Company to redeem, in whole or in part, the 2015 Bonds held by such holder at a redemption price of 101.297% of their principal amount in US dollars on August 10, 2013.

B. In the event that the Company's common shares are officially delisted from the Taiwan Securities Exchange, each bondholder shall have the right, at such holder's option, to require the Company to redeem the 2015 Bonds, in whole or in part, at 2015 Early Redemption Amount. The 2015 Early Redemption Amount represents an amount equal to 100% of the principal amount of the 2015 Bonds plus a gross yield of 0.43% per annum (calculated on a semi-annual basis) at the relevant date.

C. If a change of control (as defined in the issue terms) occurs, each bondholder shall have the right, at such holder's option, to require the Company to redeem the 2015 Bonds, in whole or in part, at 2015 Early Redemption Amount.

vii. Redemption at the option of the Company

The Company shall redeem the 2015 Bonds, in whole or in part, at the 2015 Early Redemption Amount, in the following cases:

A. At any time on or after August 10, 2013 and prior to the maturity date, the closing price (translated into US dollars at the prevailing rate) of its common shares on the Taiwan Stock Exchange is at least 130% of the 2015 Early Redemption Amount for 20 consecutive trading days.

B. If more than 90% of 2015 Bond has been redeemed, repurchased and cancelled, or converted;

C. The change in the tax regulations of ROC causes the Company become obliged to pay additional amounts in respect of taxes or expenses.

viii. Redemption at maturity

Unless previously redeemed, repurchased and cancelled, or converted, the Company shall redeem the 2015 Bonds at a redemption price of their principal amount plus a gross yield of 0.43% per annum (calculated on a semi-annual basis) on August 10, 2015.

(b) The 2017 Bonds

i.	Par value	US$200,000
ii.	Issue date	August 10, 2010
iii.	Maturity date	August 10, 2017
iv.	Coupon rate	0%

v. Conversion

Bondholders may convert bonds into the Company's common shares at any time starting the 41th day from the issue date until 10 days prior to the maturity date. On December 31, 2011, the conversion price was NT$104.96 per common share, with a fixed exchange rate of NT$31.83 = US$ 1.00, subject to adjustment by the formula provided in the issue terms if the Company's outstanding common shares are increased.

vi. Redemption at the option of the bondholders

A. Bondholders shall have the right, at such holder's option, to require the Company to redeem, in whole or in part, the 2017 Bonds held by such holder at a redemption price of 113.227% of their principal amount in US dollars on August 10, 2015.

B. In the event that the Company's common shares are officially delisted from the Taiwan Securities Exchange, each bondholder shall have the right, at such holder's option, to require the Company to redeem the 2017 Bonds, in whole or in part, at 2017 Early Redemption Amount. The 2017 Early Redemption Amount represents an amount equal to 100% of the principal amount of the 2017 Bonds plus a gross yield of 2.5% per annum (calculated on a semi-annual basis) at the relevant date.

C. If a change of control (as defined in the issue terms) occurs, each bondholder shall have the right, at such holder's option, to require the Company to redeem the 2017 Bonds, in whole or in part, at 2017 Early Redemption Amount.

vii. Redemption at the option of the Company

The Company shall redeem the 2017 Bonds, in whole or in part, at the 2017 Early Redemption Amount, in the following cases:

A. At any time on or after August 10, 2013 and prior to the maturity date, the closing price (translated into US dollars at the prevailing rate) of its common shares on the Taiwan Stock Exchange is at least 130% of the 2017 Early Redemption Amount for 20 consecutive trading days.

B. If more than 90% of 2017 Bond has been redeemed, repurchased and cancelled, or converted;

C. The change in the tax regulations of ROC causes the Company become obliged to pay additional amounts in respect of taxes or expenses.

viii. Redemption Amount at Maturity

Unless previously redeemed, repurchased and cancelled, or converted, the Company shall redeem the 2017 Bonds at a redemption price of their principal amount plus a gross yield of 2.5% per annum (calculated on a semi-annual basis) on August 10, 2017.

(17) Long-term debts

	December 31, 2011		**December 31, 2010**
	NT$	**US$**	**NT$**
Citibank syndicated loan	9,000,000	297,128	12,200,000
Other bank loans	123,094	4,064	121,933
Less: current installments	-	-	(6,100,000)
	9,123,094	301,192	6,221,933

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

The Company entered into two syndicated loan agreements with Citibank, the managing bank of the syndicated loan, in November, 2011 and October 2007, respectively, and the terms of the loan agreements were as follows:

Type of Loan	Creditor	Credit Line	Term	December 31, 2011 NT$	December 31, 2011 NT$	December 31, 2010 NT$
Unsecured loan	Citibank and other banks	Term tranche of NT$9 billion; five-year limit during which revolving credits disallowed	The loan is repayable in 5 semi-annual installments starting from November 2014.	9,000,000	297,128	-
		Revolving tranche of NT$6 billion; five-year limit	One-time repayment in full in November 2016. The Company has not used this credit facility.	-	-	-
Unsecured loan	Citibank and other banks	Term tranche of NT$16.5 billion; five-year limit during which revolving credits disallowed	The original loan amounted to NT$16.5 billion; an advance repayment of NT$4.3 billion was made in the first quarter of 2008. The remaining balance was repaid in November 2011.	-	-	12,200,000
Less: current installment				-	-	(6,100,000)
				9,000,000	297,128	6,100,000

The above syndicated loans bore interest at an average rate of 1.33% in 2011 and 1.55% in 2010. According to the loan agreements, the Company is required to maintain certain financial ratios calculated based on its annual and semi-annual audited consolidated financial statements. As of December 31, 2011 and 2010, the Company was in compliance with all such financial covenants.

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

(18) 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 retirement plans to prepaid pension cost (accrued pension liabilities):

	2011			
	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	(245,279)	(8,097)	(25,341)	(836)
Non-vested benefit obligation	(516,255)	(17,044)	(56,214)	(1,856)
Accumulated benefit obligation	(761,534)	(25,141)	(81,555)	(2,692)
Projected compensation increases	(595,564)	(19,662)	(54,996)	(1,816)
Projected benefit obligation	(1,357,098)	(44,803)	(136,551)	(4,508)
Plan assets at fair value	901,649	29,767	48,158	1,590
Funded status	(455,449)	(15,036)	(88,393)	(2,918)
Unrecognized prior service cost	1	-	-	-
Unrecognized actuarial losses	771,005	25,454	60,597	2,000
Unrecognized transition obligation	4,697	155	2,578	85
Minimum pension liability adjustment	-	-	(13,638)	(450)
Prepaid pension cost (accrued pension liabilities)	**320,254**	**10,573**	**(38,856)**	**(1,283)**

	2010	
	Plan assets in excess of accumulated benefit obligation	Accumulated benefit obligation in excess of plan assets
	NT$	NT$
Benefit obligation:		
Vested benefit obligation	(156,087)	(15,463)
Non-vested benefit obligation	(551,322)	(48,745)
Accumulated benefit obligation	(707,409)	(64,208)
Projected compensation increases	(843,628)	(50,197)
Projected benefit obligation	(1,551,037)	(114,405)
Plan assets at fair value	860,013	23,268
Funded status	(691,024)	(91,137)
Unrecognized actuarial losses	978,940	62,732
Unrecognized transition obligation	20,672	2,947
Minimum pension liability adjustment	-	(15,482)
Prepaid pension cost (accrued pension liabilities)	**308,588**	**(40,940)**

(Continued)

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

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

	2011		2010
	NT$	**US$**	**NT$**
Service cost	59,484	1,964	44,870
Interest cost	30,015	991	26,801
Actual return on plan assets	(9,051)	(299)	(9,856)
Amortization and deferral	39,878	1,316	7,134
Effect of pension plan curtailments	(3,186)	(105)	-
Net periodic pension cost	117,140	3,867	68,949

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

	2011.12.31	**2010.12.31**
Discount rate	2.00%~2.6%	1.75%
Rate of increase in future compensation	3.50%~4.0%	3.00%~5.00%
Expected rate of return on plan assets	2.00%~4.1%	1.75%

In 2011 and 2010, pension cost under the defined contribution retirement plans amounted to NT$530,013 and NT$439,411, respectively.

(19) Income taxes

(a) Income tax returns of the Consolidated Companies are filed individually by each entity and not on a combined basis. The components of income tax expense (benefit) from continuing operations were as follows:

	2011		2010
	NT$	**US$**	**NT$**
Current income tax expense	2,015,979	66,556	3,384,763
Deferred income tax expense (benefit)	(2,838,402)	(93,707)	826,484
	(822,423)	**(27,151)**	**4,211,247**

(Continued)

(b) The 2010 statutory corporate income tax rate for the Company and its domestic subsidiaries was reduced from 25% to 20% according to the amended ROC Income Tax Act announced on May 27, 2009, and was further reduced from 20% to 17%, according to the amended ROC Income Tax Act announced on June 15, 2010. In addition, an alternative minimum tax ("AMT") in accordance with the Income Basic Tax Act is calculated. Other foreign subsidiaries calculated income tax in accordance with tax laws and regulations of the countries and jurisdictions where the respective subsidiaries were incorporated.

The income tax calculated on the pre-tax income (loss) at the Company's statutory income tax rate was reconciled with the income tax expense (benefit) reported in the accompanying consolidated statements of operation as follows.

	2011		2010
	NT$	US$	NT$
Expected income tax	(1,262,136)	(41,668)	3,285,996
Income tax effect from subsidiaries	(644,737)	(21,285)	1,541,057
Prior-year adjustments	183,248	6,050	268,579
Tax-exempt income	(279,717)	(9,235)	(415,156)
Gain on disposal of marketable securities not subject to income tax	(62,538)	(2,065)	(421,454)
Change in valuation allowance	394,682	13,030	(985,262)
Surtax on unappropriated retained earnings	50	2	384,593
Impairment loss on land	-	-	69,997
Adjustment on sales allowance	734,400	24,245	-
Alternative minimum tax	604	20	61,344
Effect of change in income tax rate	-	-	260,478
Others	113,721	3,755	161,075
Income tax expense (benefit)	**(822,423)**	**(27,151)**	**4,211,247**

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

(c) The components of deferred income tax assets (liabilities) as of December 31, 2011 and 2010, were as follows:

	December 31, 2011 NT$	December 31, 2011 US$	December 31, 2010 NT$
Deferred income tax assets – current:			
Inventory provisions	987,324	32,596	909,065
Unrealized foreign exchange gain and unrealized gain on valuation of financial instruments	(106,927)	(3,530)	(352,131)
Accrued advertising expense	34,886	1,152	10,679
Adjustments on cost of sales	354,976	11,719	445,770
Warranty provisions	1,136,012	37,505	910,516
Allowance for doubtful accounts	76,781	2,535	81,667
Accrued non-recurring engineering cost	-	-	53,277
Accrued sales allowance	465,583	15,371	244,756
Net operating loss carryforwards	144,730	4,778	32,024
Others	429,680	14,185	496,048
	3,523,045	116,311	2,831,671
Valuation allowance	(1,348,901)	(44,533)	(1,175,953)
	2,174,144	**71,778**	**1,655,718**
Deferred income tax liabilities – current:			
Inventory provisions	-	-	(86,247)
Allowance for doubtful accounts	-	-	(436,658)
Unrealized foreign exchange gains	-	-	(2,393)
Others	(3,037)	(100)	(53,442)
	(3,037)	**(100)**	**(578,740)**

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

	December 31, 2011 NT$	December 31, 2011 US$	December 31, 2010 NT$
Deferred income tax assets – non-current:			
Unrealized investment loss under the equity method	65,166	2,151	67,251
Difference in depreciation for tax and financial purposes	444,665	14,680	478,326
Investment tax credits	46,831	1,546	61,876
Net operating loss carryforwards	7,448,700	245,913	7,591,612
Difference in amortization of intangible assets for tax and financial purposes	224,749	7,420	511,712
Unrealized investment loss	211,198	6,973	200,993
Litigation provisions	45,414	1,499	54,738
Others	173,531	5,729	155,117
	8,660,254	285,911	9,121,625
Valuation allowance	(8,348,011)	(275,603)	(8,957,041)
	312,243	**10,308**	**164,584**

Deferred income tax assets－non-current are included in “deferred charges and other assets” in the accompanying consolidated balance sheets.

	December 31, 2011 NT$	December 31, 2011 US$	December 31, 2010 NT$
Deferred income tax liabilities – non-current:			
Unrealized investment loss	333,622	11,014	526,069
Unrealized foreign investment gain	(1,933,948)	(63,847)	(4,062,822)
Accumulated asset impairment loss	231,781	7,652	198,443
Foreign currency translation adjustment	(75,765)	(2,501)	1,028,224
Others	9,271	306	12,951
	(1,435,039)	(47,376)	(2,297,135)
Valuation allowance	(344,691)	(11,380)	(539,091)
	(1,779,730)	**(58,756)**	**(2,836,226)**

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

(d) According to the Statue for Industrial Innovation, the domestic Consolidated Companies may apply for investment tax credits from research and development expenditures, which are deductible from income tax payable only in the year when these expenditures are incurred. The amount of the tax credit is limited to 30% of the income tax payable for that year. Additionally, according to the Statue for Upgrading Industries, which has been repealed on December 31, 2009, the domestic Consolidated Companies were granted investment tax credits for the purchase of automatic machinery and equipment, for research and development expenditures, and for employee 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, except for the final year when such tax credit expires.

As of December 31, 2011, investment tax credits available to the Consolidated Companies were as follows:

Expiration date	NT$	US$
December 31, 2012	34,367	1,135
December 31, 2013	12,464	411
	46,831	**1,546**

(e) The tax effects of net operating loss carryforwards available to the Consolidated Companies as of December 31, 2011, were as follows:

Expiration date	NT$	US$
December 31, 2012	4,877	161
December 31, 2013	34,959	1,154
December 31, 2014	182,653	6,030
December 31, 2015	50,339	1,662
Thereafter	7,320,602	241,684
	7,593,430	**250,691**

(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 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) so that a record shall be maintained for 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 was as follows:

	December 31, 2011 NT$	December 31, 2011 US$	December 31, 2010 NT$
Unappropriated earnings:			
Earned before January 1, 1998	6,776	224	6,776
Earned commencing from January 1, 1998	1,775,284	58,609	24,226,370
	1,782,060	**58,833**	**24,233,146**
Balance of ICA	**1,090,125**	**35,990**	**2,214,361**

The estimated creditable ratio for the 2011 earnings distribution to ROC resident stockholders is approximately 34.3%, and the actual creditable ratio for the 2010 earnings distribution to ROC resident stockholders was 10.52%.

The imputation credit allocated to stockholders is based on the ICA balance as of the date of earnings distribution. The estimated creditable ratio for 2011 may differ when the actual distribution of imputation credit is made.

(g) The ROC income tax authorities have completed the examination of income tax returns of the Company for all fiscal years through 2009. However, the Company disagreed with the assessment by the tax authorities of its income tax return for 2009 regarding the adjustments of certain expenses and investment credits and has filed a formal application for its reexamination with the tax authorities. Nevertheless, the Company has accrued additional liabilities related to the disallowed expenses and investment tax credits.

The Italian tax authorities had examined the income tax returns of Acer Italy S.R.L. ("AIT") for the fiscal years from 2005 to 2009. However, AIT disagreed with the assessment of its income tax return for 2006 regarding the adjustments of certain cost of sales so that AIT has filed a request with the tax authorities for further discussion.

(20) Stockholders' equity

(a) Common stock

As of December 31, 2011 and 2010, the Company's authorized shares of common stock consisted of 3,500,000,000 shares, of which 2,709,891,497 shares and 2,700,179,258 shares, respectively, were issued and outstanding. The par value of the Company's common stock is NT$10 per share.

As of December 31, 2011 and 2010, the Company had issued 7,822 thousand units and 10,323 thousand units, respectively, of global depository receipts (GDRs). The GDRs were listed on the London Stock Exchange, and each GDR represents five common shares.

In 2011 and 2010, the Company issued 9,712 thousand and 6,613 thousand common shares, respectively, upon the exercise of employee stock options.

(Continued)

During their meeting on June 18, 2010, the Company's shareholders resolved to distribute stock dividends of NT$26,893 to stockholders. Additionally, the shareholders approved the distribution of bonuses to employees in the form of shares of stock of NT$200,000, divided into 2,648 thousand new common shares. The issuance of these shares of stock was authorized by and registered with the governmental authorities.

(b) Treasury stock

According to Article 28-2 of the Securities and Exchange Act, the Company purchased its own common shares of 55,619,000 shares for an aggregate amount of NT$ 2,868,248 from April to June 2011 in order to maintain its shareholders' equity. In addition, the Company's directors in a meeting on August 31, 2011, resolved to change the purpose of treasury stock from maintaining shareholders' equity to transferring to employees.

According to the Securities and Exchange Act, treasury stock cannot be collateralized. In addition, treasury shares do not bear shareholder rights prior to being sold to third parties. Moreover, the number of treasury shares shall not exceed 10% of the number of shares of stock issued. The total amount of treasury stock shall not exceed the sum of retained earnings, paid-in capital in excess of par value, and other realized capital surplus.

As of December 31, 2011 and 2010, details of the GDRs (for the implementation of an overseas employee stock option plan) held by AWI and the Company's common stock held by subsidiaries namely CCI and E-Ten were as follows (expressed in thousands of shares and New Taiwan dollars):

	December 31, 2011			December 31, 2010		
	Number of Shares	**Carrying Amount NT$**	**Market Price NT$**	**Number of Shares**	**Carrying Amount NT$**	**Market Price NT$**
Common stock	21,809	1,050,341	765,496	21,809	1,050,341	1,964,990
GDRs	4,987	2,472,257	858,078	4,987	2,472,257	2,266,441
		3,522,598	**1,623,574**		**3,522,598**	**4,231,431**

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

2011

Description	Beginning Balance	Additions	Disposal	Ending Balance
Common Stock	21,809	55,619	-	77,428
GDRs	4,987	-	-	4,987

2010

Description	Beginning Balance	Additions	Disposal	Ending Balance
Common Stock	21,787	22	-	21,809
GDRs	4,982	5	-	4,987

(Continued)

(c) Capital surplus

	December 31, 2011 NT$	December 31, 2011 US$	December 31, 2010 NT$
Share premium:			
Paid-in capital in excess of par value	2,613,288	86,276	2,262,989
Surplus from merger	29,800,881	983,852	29,800,881
Premium on common stock issued from conversion of convertible bonds	4,552,585	150,300	4,552,585
Forfeited interest from conversion of convertible bonds	1,006,210	33,219	1,006,210
Surplus related to treasury stock transactions by subsidiary companies	760,447	25,106	620,089
Others:			
Employee stock options	804,001	26,543	632,175
Conversion right of convertible bonds (note 4(16))	295,494	9,755	295,494
Surplus from equity-method investments	386,612	12,764	408,492
	40,219,518	**1,327,815**	**39,578,915**

Pursuant to the amended Company Law, which was announced in January 2012, any realized capital surplus is initially used to cover accumulated deficit and the balance, if any, could be transferred to common stock as stock dividends or distributed by cash based on a resolution approved by the stockholders. Realized capital surplus includes the premium derived from the issuance of shares of stock in excess of par value and endowments received by the Company. In accordance with the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, distribution of stock dividend from capital reserve in any one year cannot exceed 10% of paid-in capital.

(d) Legal reserve, special 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 shall be set aside in accordance with applicable laws and regulations. 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.

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

Since the Company operates in an industry experiencing rapid change and development, distribution of earnings shall be made in view of the current 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 distribution.

Additionally, according to the amended Company Law, which was announced in January 2012, if a company has no accumulated deficit, it may, pursuant to a resolution approved by the stockholders, distribute its legal reserve by issuing new shares or cash for the portion in excess of 25% of the paid-in capital.

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 reverted to retained earnings and made available for distribution when the items that are accounted for as deductions to the stockholders' equity are reversed in subsequent periods. As of December 31, 2011, the Company appropriated a special reserve of NT$4,659,275, which is equal to the sum of foreign currency translation adjustment and other deduction items of shareholders' equity.

The appropriation of 2010 and 2009 earnings was approved by the shareholders at meetings on June 15, 2011, and June 18, 2010, respectively. The approved appropriations for employee bonus and remuneration to directors and supervisors and dividends per share were as follows:

		2010	2009
		NT$	NT$
Dividends per share:			
Cash dividends	$	3.654	3.10
Stock Dividends		-	0.01
	$	3.654	3.11
Employee bonus – stock	$	-	200,000
Employee bonus – cash		900,000	800,000
Remuneration to directors and supervisors		89,469	122,096
	$	989,469	1,122,096

The employee bonus of NT$1,500,000 for the year ended December 31, 2010 was estimated and accrued based on the total amount of bonus expected to be distributed to employees. However, the actual amount of this bonus was reduced to NT$900,000 pursuant to the proposal raised by a special board meeting on June 1, 2011 and the resolution approved in the shareholder meeting on June 15, 2011. The difference of NT$600,000 was charged to profit and loss in 2011 considering that there was no significant impact to the financial statements for the year ended December 31, 2010. Additionally, the directors' and supervisors' remuneration of NT$89,469 for the year ended December 31, 2010 was estimated and accrued at the rate of 1% of the annual net income, in accordance with the Company's articles of incorporation. However, the Company's directors and

(Continued)

supervisors had voluntarily surrendered their 2010 remunerations of NT$53,682 in 2011. The difference was treated as a change in accounting estimate and charged to profit and loss in 2011. The amounts of 2009 employee bonus and remuneration to directors and supervisors, which were accrued and recognized in 2009, were the same as those approved by the Company's directors for the year 2009. The related information is available at the Market Observation Post System website.

No employee bonus and remuneration to directors and supervisors were accrued and recognized for the year ended December 31, 2011, as the Company had incurred a net loss in 2011.

(21) Stock-based compensation plans

Information on the employee stock option plans ("ESOPs") granted in 2011 and 2010 was as follows:

	2011	**2010**
Grant date	2011/06/15	2010/10/29
Granted shares (in thousands)	10,000	4,000
Contractual life (in years)	3	3
Vesting period	2 years of service subsequent to grant date	2 years of service subsequent to grant date
Qualified employees	(note 1)	(note 1)

Note 1: The options are granted to eligible employees of the Company and its subsidiaries, in which the Company directly or indirectly, owns 50% or more of the subsidiary's voting shares.

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

	2011	**2010**
Exercise price (NT$)	$ 28.22	48.90
Expected remaining contractual life (in years)	3	3
Fair market value for underlying securities－Acer common shares (NT$)	$ 51.30	88.90
Fair value of options granted (NT$)	$ 25.777	44.657
Expected volatility	34.46%	34.97%
Expected dividend yield	note 2	note 2
Risk-free interest rate	1.345%	1.22%

Note 2: According to the employee stock option plan, 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.

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

Movements in number of ESOPs outstanding:

	2011			
	The Company's ESOPs		ETEN's ESOPs	
	Number of options (in thousands)	Weighted-average exercise price (NT$)	Number of options (in thousands)	Weighted-average exercise price (NT$)
Outstanding, beginning of year	26,634	36.51	2,983	41.30
Granted	10,000	25.99	-	-
Forfeited	(150)	-	(93)	-
Exercised	(8,594)	22.00	(207)	41.16
Outstanding, end of year	27,890	34.62	2,683	38.30
Exercisable, end of year	13,890	37.84	2,683	38.30

	2010			
	The Company's ESOPs		ETEN's ESOPs	
	Number of options (in thousands)	Weighted-average exercise price (NT$)	Number of options (in thousands)	Weighted-average exercise price (NT$)
Outstanding, beginning of year	28,000	33.62	5,120	41.52
Granted	4,000	48.90	-	-
Forfeited	(2)	-	(400)	-
Exercised	(5,364)	23.34	(1,737)	37.89
Outstanding, end of year	26,634	36.51	2,983	41.30
Exercisable, end of year	8,634	23.34	1,437	41.30

In 2011 and 2010, the Consolidated Companies recognized the compensation costs from the ESOPs of NT$400,044 and NT$458,736, respectively, which were accounted for under operating expenses.

As of December 31, 2011, information on outstanding ESOPs was as follows:

Year of grant	Number outstanding (in thousands)	Weighted-average remaining contractual life (in years)	Weighted-average exercise price (NT$)	Number exercisable (in thousands)
2008	2,683	1.64	38.30	2,683
2009	13,890	0.83	37.84	13,890
2010	4,000	1.83	45.04	-
2011	10,000	2.46	25.99	-
	30,573			16,573

(Continued)

(22) Restructuring cost

Due to the integration of PC business and management team in China and the implementation of a restructuring plan in EMEA, the Consolidated Companies recognized restructuring charges of NT$1,247,653 in 2011, which were accounted for under "restructuring cost" of non-operating expenses and losses in the accompanying statements of operation. The restructuring plan was mainly for the integration of personnel and operating information system.

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

	2011				
	Amount (in thousands)		Weighted-average number of outstanding shares of common stock (in thousands)	EPS (in dollars)	
	NT$	US$		NT$	US$
Basic EPS					
Net loss attributable to common shareholders of parent company	(6,601,968)	(217,959)	2,624,535	(2.52)	(0.08)

The Company had incurred a net loss for the year 2011. As a result, diluted EPS was not calculated.

	2010		
	Amount (in thousands) NT$	Weighted-average number of outstanding shares of common stock (in thousands)	EPS (in dollars) NT$
Basic EPS－after retroactive adjustments			
Net income attributable to common shareholders of parent company	15,117,997	2,647,466	5.71
Diluted EPS			
Effect of dilutive potential common shares:			
Employee bonus	-	23,328	
Employee stock option plan	-	17,153	
Convertible bonds	171,597	56,052	
Net income attributable to common shareholders of parent company	15,289,594	2,743,999	5.57

(24) Disclosure of financial instruments

(a) Fair values of financial instruments

The book value of short-term financial instruments is deemed to approximate 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), restricted deposits, short-term borrowings, current portion of long-term debt, notes and accounts payables (including payables to related parties), other 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, 2011 and 2010 were as follows:

	2011			2010		
		Fair value			Fair value	
	Carrying amount NT$	Public quoted price NT$	Valuation amount NT$	Carrying amount NT$	Public quoted price NT$	Valuation amount NT$
Non-derivative financial instruments						
Financial assets:						
Available-for-sale financial assets－current	109,721	109,721	-	225,710	225,710	-
Available-for-sale financial assets－noncurrent	775,702	775,702	-	2,274,902	2,274,902	-
Financial assets carried at cost－noncurrent	1,157,773	-	see below (b)	1,722,677	-	see below (b)
Refundable deposits (classified as "other financial assets－noncurrent")	1,582,613	-	1,582,613	956,241	-	956,241
Noncurrent receivables (classified as "other financial assets－noncurrent")	49,714	-	49,714	82,260	-	82,260
Financial liabilities:						
Bonds payable	14,064,997	-	15,584,854	13,103,887	-	13,668,171
Long-term debt	9,123,094	-	9,123,094	6,221,933		6,221,933
Derivative financial instruments						
Financial assets:						
Foreign currency forward contracts	1,110,435	-	1,110,435	118,753	-	118,753
Foreign currency options	-	-	-	8,514	-	8,514
Financial liabilities:						
Foreign currency forward contracts	235,897	-	235,897	1,049,142	-	1,049,142
Foreign currency options	-	-	-	9,722	-	9,722
Redemption option of convertible bonds	1,216,586	-	1,216,586	1,338,524	-	1,338,524

(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

The fair value of publicly traded stocks is based on the closing quotation price at the balance sheet date.

(ii) Financial assets carried at cost－noncurrent

Financial assets carried at cost represent investments in 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 of refundable deposits with no fixed maturities are based on carrying amounts.

(iv) Non-current receivables

The fair values of non-current receivables are their present value discounted at the market interest rate.

(Continued)

(v) Derivative financial instruments

The fair value is determined using a valuation technique, with estimates and assumptions consistent with those used by market participants and are readily available to the Consolidated Companies. The fair value of foreign currency forward contracts is computed individually based on the maturity date, the spot rate, and the swap points based on quotes provided by Bloomberg.

The fair value of option contracts is estimated based on market price provided by financial institutions. Financial institutions use the evaluation models and assumptions to estimate the market price of the individual contract.

(vi) Long-term debt

The carrying value of long-term debt with floating interest rates approximates the market value.

(vii) Bonds payable

The fair value of convertible bonds payable is estimated based on the 2-Factor Quad Tree Approach, which considered the expected volatility and risk-free interest rate.

(c) For the years ended December 31, 2011 and 2010, gain (loss) on valuation financial assets and liabilities using a valuation technique amounted to NT$1,659,720 and NT$(1,899,825), respectively.

(d) Disclosure of financial risks

(i) Market risk

Publicly traded stocks held by the Consolidated Companies classified as “available-for-sale financial assets” are valued at fair value. Therefore, the Consolidated Companies were exposed to the risk of price fluctuation in the securities market.

The Consolidated Companies are engaged in purchase and sale transactions which are principally denominated in US dollars and Euros. The Consolidated Companies entered into foreign currency forward contracts and other derivate instrument contracts to manage the market exchange rate fluctuations of foreign-currency assets and liabilities. The length 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 financial derivatives are expected to substantially offset those from the hedged assets or liabilities.

(Continued)

(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 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 through distributors in different geographic areas. Also, management of the Consolidated Companies continuously evaluates the credit quality of their customers in order to minimize credit risk. As a result, management believes that there is no significant concentration of credit risk.

(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 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.

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 length of the contracts is 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$94,812 per annum.

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

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. ("Bluechip")	Investee of the Company accounted for by equity method
E-Life Mall Corp. ("E-Life")	Investee of the Company accounted for by equity method prior to April 1, 2011 Since April 1, 2011, it was not a related party of the Consolidated Companies.
iDSoftCapital Inc.	Its chairman is one of the Company's supervisors
Fizzle Investment Limited ('Fizzle")	Investee of the Consolidated Companies accounted for by equity method
Circle Line Marketing & Communication S.R.L. ("Circle Line")	Subsidiary of Fizzle
Breakout S.R.L. ("Breakout")	Subsidiary of Fizzle
Prime Media LLC ("Prime Media")	Subsidiary of Fizzle
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, 2011 and 2010 were as follows:

(a) Net sales and related notes and accounts receivable

(i) Net sales to:

	2011		2010
	NT$	US$	NT$
Bluechip	619,907	20,465	904,917
E-Life	192,552	6,357	680,814
Other	38,069	1,257	97,149
	850,528	28,079	1,682,880

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

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

(ii) Notes and accounts receivable from:

	December 31, 2011 NT$	December 31, 2011 US$	December 31, 2010 NT$
COWIN	-	-	411,850
Bluechip	70,361	2,323	104,956
E-Life	-	-	137,077
Wistron	11,767	388	-
Others	6,497	215	65,141
	88,625	**2,926**	**719,024**

(b) Purchases and related notes and accounts payable

(i) Purchases from:

	2011 NT$	2011 US$	2010 NT$
Wistron	21,948,884	724,625	32,257,144
Others	161,614	5,335	109,302
	22,110,498	**729,960**	**32,366,446**

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 from sales of raw materials to Wistron and its subsidiaries amounting to NT$60,197,894 and NT$109,888,754 for the years ended December 31, 2011 and 2010, 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, 2011 NT$	December 31, 2011 US$	December 31, 2010 NT$
Wistron	7,229,227	238,667	7,733,546
Others	27,658	913	32,552
	7,256,885	**239,580**	**7,766,098**

(Continued)

(c) Management service fee

The Consolidated Companies paid iDSoftCapital Inc. management service fees amounting to NT$30,000 and NT$31,542 for the years ended December 31, 2011 and 2010, respectively.

(d) Advertising and service fee

The Consolidated Companies paid Circle Line, Breakout and Prime Media advertising and service fee amounting to NT$1,517,633 and NT$1,273,341 for the years ended December 31, 2011 and 2010, respectively. As of December 31, 2011 and 2010, the net payables (after deduction of related receivables) was NT$133,116 and NT$5,162, respectively, which was accounted for as "accrued expenses and other current liabilities" in the accompanying consolidated balance sheets.

(e) Advances to/from related parties

The Consolidated Companies paid certain expenses on behalf of related parties. Additionally, related parties paid non-recurring engineering and other operating expenses on behalf of the Consolidated Companies. As of December 31, 2011 and 2010, the Consolidated Companies had aggregate receivables from related parties of NT$15,359 and NT$46,914, respectively, and payables to related parties of NT$184,975 and NT$537,267, respectively, resulting from these transactions.

(3) Compensation to executive officers

For the years ended December 31, 2011 and 2010, compensation paid to the Consolidated Companies' executive officers including directors, supervisors, president and vice-presidents was as follows:

	2011 Amount		2010 Amount
	NT$	**US$**	**NT$**
Salaries	1,438,268	47,483	279,974
Cash awards and special allowances	320,292	10,574	356,201
Business service charges	1,080	36	1,080
Employee bonuses	-	-	690,920
	1,759,640	58,093	1,328,175

The aforementioned compensation included the accruals for employee bonus and remuneration to directors and supervisors as discussed in note 4(20).

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

6. Pledged Assets

Pledged assets	Pledged to secure	Carrying amount at December 31, 2011 NT$	2011 US$	2010 NT$
Cash in bank and time deposits	Contract bidding, project fulfillment, security for letter of credit, and others	82,308	2,717	61,937

As of December 31, 2011 and 2010, the above pledged cash in bank and time deposits were classified as "restricted deposits" and "other financial assets－noncurrent" in the accompanying consolidated balance sheets.

7. Commitments and Contingencies

(1) Royalties

(a) The Consolidated Companies have entered into a patent cross license agreement with International Business Machines Corporation ("IBM"). According to the agreement, the Consolidated Companies make fixed payments periodically to IBM.

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

(c) The Consolidated Companies have entered into software and royalty license agreements with Microsoft, MPEG-LA and other companies. The Consolidated Companies have fulfilled their obligations according to the contracts.

(2) Ericsson Inc. and Telefonaktiebolaget LM Ericsson filed patent infringement lawsuits against the Company and its US subsidiaries, Acer America Corporation and Gateway Inc., which are pending before the United States District Court for the Eastern District of Texas; and Telefonaktiebolaget LM Ericsson filed patent infringement lawsuits against the Company's subsidiary, Acer Computer GmbH, which are pending before the German Regional Court of Mannheim. US and German law firms have been retained to consult for and represent the Consolidated Companies on those matters. At this moment, it is not realistic to reasonably estimate the relative financial impact toward the Company; however, up to date management foresees no immediately material adverse effect toward the Consolidated Companies' business operations.

(3) As of December 31, 2011 and 2010, the Company had outstanding stand-by letters of credit totaling NT$144,683 and NT$195,563, respectively, for purposes of bids and contracts.

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

(4) 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$
2012	709,319	23,417
2013	419,154	13,838
2014	248,442	8,202
2015	141,170	4,661
2016 and thereafter	656,960	21,689
	2,175,045	71,807

(5) As of December 31, 2011 and 2010, the Company had provided promissory notes amounting to NT$47,435,962 and NT$39,931,666, respectively, as collaterals for factored accounts receivable and for obtaining credit facilities from financial institutions.

8. Significant Loss from Casualty: None

9. Subsequent Events:

10. Others

(1) Labor cost, depreciation and amortization categorized by function

	2011			2010		
	Operating expense	Cost of sales	Total	Operating expense	Cost of sales	Total
	NT$	NT$	NT$	NT$	NT$	NT$
Labor cost:						
Salaries	12,689,951	1,793,982	14,483,933	13,133,144	2,073,441	15,206,585
Insurance	1,281,016	178,317	1,459,333	1,191,827	165,214	1,357,041
Pension	620,642	26,511	647,153	483,702	24,658	508,360
Other	917,598	137,228	1,054,826	755,314	134,868	890,182
Depreciation	665,689	59,873	725,562	648,953	55,533	704,486
Amortization	1,982,823	162,277	2,145,100	1,609,831	281,287	1,891,118

(2) Reclassifications

Certain amounts in the 2010 consolidated financial statements have been reclassified to conform to the 2011 presentation for comparison purpose. The reclassifications did not have significant impact on the financial statements.

(Continued)

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Notes to Consolidated Financial Statements (continued)

(3) The significant financial assets and liabilities denominated in foreign currencies were as follows:

	2011.12.31			2010.12.31		
Financial assets	**Foreign Currency (in thousands)**	**Exchange Rate**	**New Taiwan dollars (in thousands)**	**Foreign Currency (in thousands)**	**Exchange Rate**	**New Taiwan dollars (in thousands)**
Monetary assets						
USD	$ 2,216,332	30.29	67,132,706	2,552,262	29.13	74,347,392
EUR	932,474	39.26	36,616,942	1,833,495	38.9876	71,483,570
RMB	2,758,749	4.81	13,274,637	3,014,289	4.41	13,293,014
Non-monetary assets						
USD	46,851	30.29	1,419,115	33,658	29.13	980,458
Financial liabilities						
Monetary liabilities						
USD	3,107,031	30.29	94,111,982	3,817,104	29.13	111,192,240
EUR	224,257	39.26	8,919,687	403,863	38.9876	15,745,649
RMB	115,150	4.81	554,085	810,156	4.41	3,572,788
Non-monetary assets						
USD	41,348	30.29	1,252,417	67,062	29.13	1,953,515

(4) According to the Rule No. 0990004943 issued by the Financial Supervisory Commission ("FSC") dated February 2, 2010, staring from 2013, companies with shares listed on the Taiwan Stock Exchange Corporation or traded on the Taiwan GreTai Securities Market or Emerging Stock Market should prepare their consolidated financial statements in accordance with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") translated by the Accounting Research and Development Foundation ("ARDF") and issued by FSC (hereinafter referred to collectively as the "IFRSs"). As a result, the Company has established a taskforce to monitor and execute the IFRSs adoption plan. Leading the implementation of this plan is Eva Ho, the chief financial officer. The main contents of the plan, schedule and status of execution as of December 31, 2011 are listed below.

Contents of plan	Responsible Division	Status of execution
1) Assessment phase (2010/1/1~2011/12/31)		
◎ Develop the implementation plan and set up a project team	Finance Division	Completed
◎ Compare and analyze the difference between R.O.C. GAAP and IFRSs	IFRS project team	Completed
◎ Evaluate the potential adjustments to the existing accounting polices	IFRS project team	Completed
◎ Evaluate the applicability of the IFRS 1 "First-time Adoption of International Financial Reporting Standards"	IFRS project team	Completed
◎ Evaluate the potential adjustments to the information technology systems and internal controls	IFRS project team	Completed
2) Preparation phase (2011/1/1~2012/12/31)		
◎ Determine how to adjust the existing accounting policies to conform with IFRSs	IFRS project team	Completed
◎ Determine how to apply the IFRS 1"First-time Adoption of International Financial Reporting Standards"	IFRS project team	Completed

(Continued)

Contents of plan	Responsible Division	Status of execution
◎ Modify the information technology systems and internal controls	IFRS project team	Completed
◎ Internal training for the employees within the group	IFRS project team	Completed
3) Implementation phase (2012/1/1~2013/12/31)		
◎ Test run the related adjusted information technology systems	IFRS project team	In progress
◎ Collect related information for the preparation of opening balance sheet and comparative financial statements in accordance with IFRSs	IFRS project team	In progress
◎ Prepare financial statements in accordance with IFRSs	Finance Division	In progress

(5) As of December 31, 2011, based on the Company's assessment, the major differences between R.O.C. GAAP and IFRSs to be adopted by the Company are as follows:

Employee Benefits-defined benefit plans	Under R.O.C. GAAP, actuarial gains and losses from defined benefit plans are not recognized directly to equity; instead, actuarial gains and losses should be accounted for under the corridor approach which requires the deferral of gains and losses. Under the corridor approach, actuarial gains and losses are amortized over the expected average remaining working lives of the participating employees. Under IAS No. 19, "Employee Benefits," the Company elects to recognize actuarial gains and losses immediately in full in the period in which they occur, as other comprehensive income (loss). Therefore, the Company recognizes the cumulative actuarial gains and losses at the date of transition to IFRS as an adjustment to opening retained earnings.
Employee Benefits-accumulated compensated absences	There is no specific guidance on accumulated compensated absences under R.O.C. GAAP. However, under IFRSs, an entity shall recognize the expected cost of accumulated compensated absences when employees render service that increases their entitlement to future compensated absences.
Functional Currency	Under R.O.C. GAAP, the Company does not need to determine its functional currency since it is not a foreign operation. Under IFRSs, all entities included in the consolidated financial statements should determine their functional currency in accordance with IAS 21.
Property, Plant and Equipment (PP&E)	Under R.O.C. GAAP, a component which is significant in relation to the total cost of PP&E acquired after November 2008 and for which a different depreciation method or rate is appropriate is depreciated separately. Under IFRSs, when an item of PP&E comprises individual components for which different depreciation methods or useful lives are appropriate, each component is depreciated separately.

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ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

Investment Property	Under IFRSs, the Company should apply IAS 40 “Investment Property” for a property held to earn rental income or for capital appreciation. However, under R.O.C. GAAP, there is no specific guidance on investment property.
Classifications of deferred income tax asset/liability and valuation allowance	1. Under R.O.C. GAAP, a deferred tax asset or liability is classified as current or non-current in accordance with the classification of its 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. Under IFRSs, a deferred tax asset or liability is classified as non-current asset or liability. 2. Under R.O.C. GAAP, valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. Under IFRSs, deferred tax assets are only recognized to the extent that it is probable that there will be sufficient taxable profits and the valuation allowance account is no longer used.
Overseas Convertible Bonds (ECB)	The ECB denominated in foreign currency grants an option to the bondholder to convert a fixed number of bonds into a fixed number of the Company’s common shares, using a conversion price set at New Taiwan Dollars at a fixed exchange rate. Accordingly, the conversion option is accounted for as an equity under ROC GAAP. However, in accordance with FAS 32, the conversion option is accounted for as a liability as the Company has a contractual obligation to deliver a fixed number of common shares in exchange for a variable amount of cash (fixed foreign currency but translated to variable functional currency of the Company).
Investment in Associates	1. Changes in ownership percentage Under R.O.C. GAAP, 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 change. The change in the equity interest is adjusted through the capital surplus or retained earnings. However, under IFRSs, the change in the equity interest is recognized in the profit of loss in the case of decrease of ownership percentage while the partial step-up approach is applied in the case of increase of ownership percentage. 2. Loss of significant influence In accordance with R.O.C. GAAP, when an entity loses significant influence over the investees, the adoption of equity method is discontinued and the carrying amount of the investment is deemed as the new cost of the investment. However, under IFRSs, the loss of significant influence is deemed as disposal of the investment and therefore the disposal gain or loss is recognized thereon.

(Continued)

3. The Company's associates accounted for using the equity method have also assessed the significant differences between their respective existing accounting policies and IFRSs.

(6) The Company's aforementioned assessment may not result in an adjustment due to the exemption elected by the Company according to IFRS 1 "First-time Adoption of International Financial Reporting Standards". In addition, those preliminary assessments are evaluated based on the IFRSs translated by ARDF and issued by FSC. The significant GAAP differences between the existing accounting policies and those of IFRSs were identified based on the current economic conditions and events. These differences may change depending on the changes in the economic conditions and events which may occur in the future.

11. Operating Segment information

(1) Industry financial information

The Consolidated Companies' reportable segments are the device business group (Device BG) and other business group. The Device BG engages mainly in the research, design, marketing and service activities of personal computers, IT products and tablet computers. Other business group which does not meet the quantitative threshold mainly engages in the activities of E-commerce, distribution of IT products, and the sale of smart handheld and financial PDA products.

Non-operating income and loss, income tax expense and non-recurring gain or loss are not allocated to reportable segments. The Consolidated Companies use the operating profit as the measurement for segment profit and the basis of performance assessment. The reporting amount is consistent with the report used by chief operating decision maker. There was no material inconsistency between the accounting policies adopted for the operating segment and the accounting policies described in Note 2.

			2011	
	Device BG NT$	**Others NT$**	**Adjustments and eliminations NT$**	**Total NT$**
External revenue	464,565,678	15,282,357	(4,506,044)	475,341,991
Intra-group revenue	2,217,893	1,548,695	(3,766,588)	-
Total segment revenue	**466,783,571**	**16,831,052**	**(8,272,632)**	**475,341,991**
Segment profit (loss)	**551,517**	**461,055**	**(7,408,771)**	**(6,396,199)**
Segment assets	-	-	-	-

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

	2010			
	Device BG NT$	**Others NT$**	**Adjustments and eliminations NT$**	**Total NT$**
External revenue	614,293,772	15,473,005	(707,804)	629,058,973
Intra-group revenue	2,005,923	1,499,239	(3,505,162)	-
Total segment revenue	616,299,695	16,972,244	(4,212,966)	629,058,973
Segment profit	20,730,796	484,999	(3,011,882)	18,203,913
Segment assets	-	-	-	-

(note 1) On June 1, 2011, the Company's board of directors resolved to provide one-time sales allowance of NT$4,320,000 (approximately US$ 150,000) to EMEA distributors. This sales allowance was not allocated to the reportable segments.

(note 2) The measure of segment assets is not provided to the chief operating decision maker. As a result, no disclosure was made for such purpose.

(2) General information

(a) Product information

Products	**2011 NT$**	**2011 US$**	**2010 NT$**
Personal computers	402,454,705	13,286,719	540,327,709
Peripherals and others	72,887,286	2,406,315	88,731,264
	475,341,991	15,693,034	629,058,973

(b) Geographic information

External sales

Region	**2011 NT$**	**2011 US$**	**2010 NT$**
Europe, Middle East and Africa	168,135,981	5,550,874	296,864,914
Pan America	123,579,577	4,079,880	155,467,872
Asia	157,276,477	5,192,357	141,883,545
Taiwan	26,349,956	869,923	34,842,642
	475,341,991	15,693,034	629,058,973

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

Non-current assets:

Region	**2011.12.31**		**2010.12.31**
	NT$	**US$**	**NT$**
Europe, Middle East and Africa	3,086,714	101,905	3,492,521
Pan America	16,375,159	540,613	16,707,478
Asia	6,311,921	208,383	6,108,535
Taiwan	20,526,344	677,661	20,700,291
Others	261,111	8,620	-
	46,561,249	**1,537,182**	**47,008,825**

(c) Major customers' information

No sales to individual customers accounting for more than 10% of the consolidated revenues in 2011 and 2010.