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Acer Communications & Multimedia Inc. 2000 Annual Report

Spokesman

Name: Eric KY Yu

Position: Chief Financial Officer

Tel: 886-3-359-8800

Headquarters & Factory

Headquarters & 157 Shanying Road, Gueishan,

Taoyuan Plant: Taoyuan 333, Taiwan, R.O.C.

Tel: (03) 359-8800

Jiandong Plant: 29 Jianguo E. Road, Gueishan,
Taoyuan 333, Taiwan, R.O.C.

Tel: 886-3-359-8800

Gueishan Plant: No. 7, Shingye St., Gueishan,
Taoyuan 333, Taiwan, R.O.C.

Tel: 886-3-359-8800

Taipei office: 8 Jihu Road, Neihu, Taipei 114,
Taiwan, R.O.C.

Tel: 886-2-2799-8800

Website:<http://www.acercm.com.tw/>

Registrar & Transfer Agent

Name: National Securities Corp.

Address: 3F, 53, Po Ai Road, Taipei 100, Taiwan,
R.O.C.

Tel: 886-2-2381-6288

The Auditors

Auditor' s Alfred Chen, Albert Lou

Name:

Firm' s Name: KPMG Peat Marwick

Firm' s 6th Fl., No. 156, Sec.3, Min-Sheng East

Address: Road, Taipei 105, Taiwan, R.O.C.

Tel: 886-2-2715-9999

Key Figures

Unit: NT\$ Million

	2000	1999	1998	1997
Sales Revenue	48,627	37,902	33,432	29,015
Earnings After Tax	4,624	2,170	1,451	1,710
Net Income Rate (%)	9.51	5.73	4.34	5.89
Earnings Per Share (NT\$/Share)	4.27	2.27	1.60	1.98
Net Worth	27,045	22,530	14,594	13,230

Message to the Shareholders

Ladies and gentlemen:

In the year 2000, prosperity in the electronics industry has seen radical changes, our company also changed its name into Acer Communications & Multimedia Inc., embracing new areas such as communications and digital electronics multi-media. The first half of the year was by no means slack, in fact the networking companies reached the zenith of their prosperity, resulting in a shortage of production capacity of component parts. However, during the second half of the year, the American economy experienced a slowdown, and the networking companies one after another revealed the insufficiency of their financial resources. This industry in terms of profit reached a critical stage, while the channel inventories were still growing in number, resulting in a crisis very difficult to be overcome by all the Taiwanese companies. Nevertheless, under those circumstances, the turnover of Acer Communications & Multimedia Inc., still increased by 28%, reaching NT\$48.6 billion, and Acer Communications & Multimedia Inc.'s net operating profit reached NT\$4.62 billion, which has grown by 113% compared to the year 1999. These numbers reveal that Acer Communications & Multimedia Inc. performed outstandingly.

Last year, the growth in revenue of Acer Communications & Multimedia Inc., came from the business of DVD players, CD-RW, mobile phones, LCD monitors and projectors, all new technology products of different business units of the company. Acer Communications & Multimedia Inc. is the leading company in this industry, demonstrating great capabilities in research and development (R&D), and great capacity in profit earning of integrated product units. Last year, the earning from investment were one the main profitable factor to the company, and also confirmed the rightness of the company's development strategy. Worth mentioning is that Acer Communications & Multimedia Inc. has for the past three years put a lot of effort into setting up sales sites in Mainland China, which resulted in a domestic sales revenue reaching RMB 1.2 billion that was not included in the turnover of the company accomplished in Taiwan, but this new form of income is a supplement to the income of the parent company. At this stage, Acer Communications & Multimedia Inc.'s various products have already the highest share of the Chinese market, and as for the year to come, we will actively increase our activities on the Chinese market, and penetrate the new foreign markets.

In the year 2001, Acer Communications & Multimedia Inc. will emphasize its activities on improving product value and product gross profit but not on developing new products. We will focus on the penetration of new markets worldwide, the control of channels, the development of logistics support and after-sales service. Also, we will strengthen the use efficiency of internal resources, including worldwide purchase, interaction between working groups in order to keep a constant quality as well as we will carefully consider how to increase R&D, pool resources, expand our products portfolio. The merge of Acer Display Technology, Inc. and Unipac Corp. would be one of our best solid examples under this concept.

As for financial management, we will focus on how to reduce expenses, lower the demand for capital expenditures and increase the use efficiency of capital.

Although the worldwide economy in 2001 is still uncertain, in the next few years the IT industry will be faced with the greatest challenge, but the managing team and our colleagues will work hard to achieve the best performance in order to reward each of our shareholder for your long-term support.

Best regards.

Chairman:

President:

Company Background

1. Company History

(1) Established April 21, 1984

(2) Key events

April 1984

Company registered with capital of NT\$140 million and paid-in capital of NT\$35 million.

November 1984

Issuance of new shares raised paid-in capital to NT\$70 million.

October 1986

Earnings of NT\$70 million was converted to capital, bringing paid-in capital to NT\$140 million.

April 1989

Acer Peripherals began production of monitors and shifted from computers to computer peripherals.

February 1992

Securities & Exchange Commission approved conversion of NT\$17.85 million of capital surplus to capital; Earnings of NT\$84.15 million was converted to capital prior to supplementary public offering. Capital increased from NT\$170 million to NT\$272 million.

April 1992

Established US-based subsidiary, Acer Peripherals Labs, Inc., to develop the U.S. market and offer after-service.

November 1992

Earnings of NT\$130.048 million was converted to capital along with NT\$17.952 million of capital surplus. Paid-in capital increased to NT\$420 million.

February 1993

New shares issuance reached NT\$180 million; paid-in capital reached NT\$600 million.

April 1993

Acer Peripherals (Suzhou) Co., Ltd. was established in Mainland China to produce computer peripherals.

August 1993

Securities & Exchange Commission approved conversion of earnings to capital, increasing capital to NT\$795 million.

July 1994

Securities & Exchange Commission approved conversion of earnings to capital, increasing capital to NT\$1.1435 billion.

December 1994

2X CD-ROM drives successfully launched.

May 1995

Securities & Exchange Commission approved conversion of earnings to capital, increasing capital to NT\$1.9 billion.

October 1995

AcerScan 300C flatbed scanner successfully launched.

November 1995

Set up the headquarters and main production facility at 157, Shan-Ying Road, Gueishan, Taoyuan, Taiwan, R.O.C..

April 1996

Securities & Exchange Commission approved issuance of new shares, increasing capital to NT\$2.5 billion.

June 1996

Earnings was converted to capital, raising paid-in capital to NT\$3.715 billion.

July 1996

Acer Peripherals stock formally listed.

November 1996

Issued Euro Convertible Bonds of USD110 million.

July 1997

Sheet-feeder scanner launched. Earnings and capital surplus was converted to capital, raising paid-in capital to NT\$4.758 billion.

October 1997

LCD Monitor launched.

December 1997

GSM 900 mobile phone launched.

January 1998

Acer Suzhou Techno Park (ASTP) founded.

February 1998

CD-RW 2X2X6X launched.

September 1998

Earnings and capital surplus was converted to capital, raising paid-in capital to NT\$6.6 billion.

December 1998

Issued Domestic Straight Bonds of NT\$2 billion.

GSM 1800 mobile phone launched.

February 1999

Dye-sub photo printer launched.

March 1999

Opening of Minhu R&D center (Taipei).

June 1999

Earnings and capital surplus was converted to capital, raising paid-in capital to NT\$7.67 billion.

October 1999

Issued 100 million new shares and received proceeds of NT\$5.5 billion. Paid-in capital reached NT\$10.83 billion.

December 1999

Opening of Jiandong Plant.

March 2000

Acquisition of Bri-Link Technology Co., Ltd.

April 2000

DLP Projector launched.

May 2000

Earnings and capital surplus was converted to capital, raising paid-in capital to NT\$10.8 billion.

June 2000

Issued Domestic Convertible Bonds of NTD4,000,000,000.

Changed name form "Acer Peripherals Inc." to "Acer Communications & Multimedia Inc."

November 2000

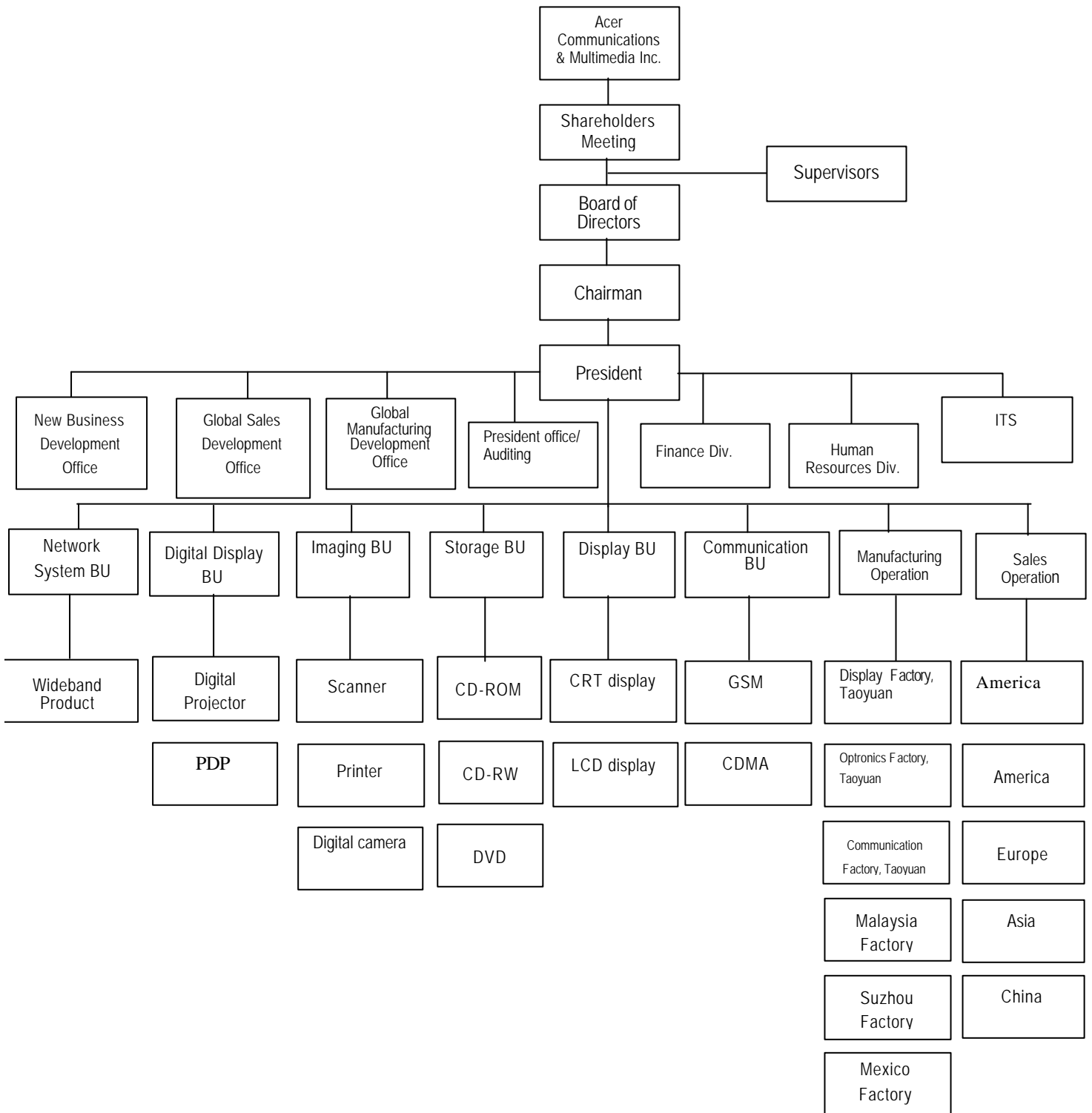
PDP(Plasma Display Panel) Lunched

February 2001

Issued Euro Convertible Bonds of USD175 million.

2.The Organization of Company

Organization Chart



Operation Status

1.Scope of Business Services

Acer Communications & Multimedia Inc.'s business services include manufacturing, R&D, and sales of computer peripherals and communications & consumer electronics products. Moreover, we provide consulting and technical services.

In response to trends in global information technology, we are currently developing several types of products equipped with user-friendly interfaces, which will play essential parts in people's daily lives. They are:

- Multimedia Display: Multimedia color monitors, LCD monitors, Plasma display, Digital projectors, Rear projection monitors.
- Storage Devices: High-speed CD-ROM drives, CD-RW drives, DVD-ROM drives, Combi drives, DVD+RW drives.
- Imaging Products: Color flatbed scanners, Pre-press color flatbed scanners, High-resolution film scanners, Digital cameras.
- Communication Products: GSM 900/1800 mobile phones, Dual band GSM900/1800 mobile phones, Smart phones, CDMA mobile phones.

(1)Operating Revenue Percentage

Unit:NT\$1,000

Sales Item	2000 Net Sales	%
Multimedia Display	22,383,150	46.03
Storage Devices	8,602,913	17.69
Imaging Products	3,581,476	7.37
Communication Products	13,746,312	28.27
Others	313,613	0.64
Total	48,627,464	100.00

(2)Production in the Last Two Years

Unit: Set, NT\$1,000

Main Products	2000			1999		
	Production Capacity	Production Quantity	Production Amount	Production Capacity	Production Quantity	Production Amount
Multimedia Display	7,748,000	4,651,920	23,503,465	9,024,400	4,604,817	21,811,051
Storage Devices	11,112,120	8,113,086	10,734,805	9,081,324	6,852,432	8,655,493
Imaging Products	3,228,400	2,709,832	3,577,799	3,092,330	2,892,458	3,922,896
Communication Products	7,000,000	4,421,943	10,604,969	1,140,000	717,220	2,242,300
Others	12,000	2,867	29,335	3,564,000	4,983,818	790,414
Total			48,450,393			37,422,154

(3)Sales in the Last Two Years

Unit: Set, NT\$1,000

Main Products	2000				1999			
	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Multimedia Display	69,811	963,707	3,738,263	21,427,202	15,098	172,144	4,223,193	21,367,387
Storage Devices	53,186	83,723	5,390,153	8,506,230	16,634	21,892	5,616,403	7,960,303
Imaging Products	16,820	27,009	2,284,656	3,563,750	78,668	121,795	2,629,087	4,561,568
Communication Products	10,149	31,219	4,481,421	13,708,428	380,343	1,432,157	338,882	1,388,018
Others		1,602		314,594		6,427		869,994
Total		1,107,260		47,520,204		1,754,415		36,147,270
Grand Total		Value 48,627,464				Value 37,901,685		

2. Market Analysis

(1) Main Products and Sales Areas

- Main Product : A. Monitor
B. CD-ROM Drive
C. Scanner
D. Mobile phone

Sales Areas : More than 90% of our sales are exports. Initially North America took the biggest share, and then we expanded to those Asian markets other than Taiwan. From 1994 we hit aggressively on the European market, and we will put more efforts on regional balance for the years to come.

Unit: NT\$1,000

Sales Area	2000		1999	
	Sales Amount	%	Sales Amount	%
Domestic	3,604,777	7.41	1,731,897	4.57
Export : America	9,179,287	18.88	12,729,331	33.59
Europe	14,554,887	29.93	15,542,727	41.00
Asia	19,132,371	39.35	7,306,935	19.28
Other	2,156,142	4.43	590,795	1.56
Total	48,627,464	100.00	37,901,685	100.00

(2) Market Forecast

A. Multimedia Display

According to INSTITUTE OF INFORMATION INDUSTRY, Taiwan produced 59.6 million pieces of CRT monitors in 2000, while the worldwide output of CRT monitors reached 110.3 million pieces. Taiwan-made CRT monitors took up 53.7% of global market share. The same figures in 2001 will hit 66.0 million pieces (Taiwan-made), 116.3 million pieces (worldwide), and 56.7% (market share) respectively.

Based on MIC's forecast, the worldwide market for LCD monitors will increase from 6.0 million pieces in 2000 to 12.0 million pieces in 2001. Taiwan-made LCD monitor took up more than 40% of global market share. Consequently, Taiwan's display industry will continue to dominate the worldwide market for the years to come.

B. Storage Devices

Taiwan's shipments of CD-ROM drives reached 50.87 million pieces in 2000 with a worldwide market share of roughly 40%. The mainstream products in Taiwan are 52x CD-ROM drives. As market demand for CD-RW and DVD-ROM sharply increase, CD-ROM shipments will gradually decrease from 2001. Taiwan's shipments of CD-ROM is forecasted to be 50 million in 2001.

The market penetration of DVD-ROM drives was less than expected because Japanese manufacturers tightly controlled the release of DVD patents and key components. Taiwan's shipments of DVD-ROM drives in 2000 is about 3.7 million pieces. In year 2001, shipment is forecasted to increase to 7 million pieces.

Market demand for CD-RW drives is very strong and lots of PC vendors are bounding CD-RW drives with their PCs. Therefore, worldwide CD-RW shipment will obviously increase. It forecasts that Taiwan's shipment will reach 5 million pieces in 2001 from 2.5 million pieces scale in 2000.

C. Scanners

According to MIC's report, Taiwan's shipments of scanners reached 27.13 million pieces in 2000, while the worldwide shipments reached 29.70 million pieces. Taiwan-made scanners took up 91.3% of global market share. MIC forecasts that the same figures in 2001 will hit 29.75 million pieces (Taiwan-made), 32.70 million pieces (worldwide), and 90.9% (market share) respectively.

D. Mobile Phones

According to MIC's report, Production quantity of mobile phone in Taiwan was around USD131 million in 1999, this figure rocket to USD860 million in 2000. Taiwan-made mobile phone took up less than 5% of worldwide market share in 2000, therefore, it is expected the mobile phone industry will grow rapidly in the future.

E. Digital Projector

The worldwide demand of digital projectors for mobile and home uses in 2001 is forecasted as more than 1.9 million units, which is more than 30% of growth from 1999.

F. Network Product

The CAGR of worldwide DSL subscribers reached 84.3% from 1999 to 2003. In Taiwan, the ADSL shipment in 2000 are 800,000

units and estimated to reach 2,650,000 units in 2001.

(3)Sales Target of 2001

Unit:NT\$1,000

Main Products	Amount	%
Multimedia Display	26,790,348	45.39
Storage Devices	10,983,700	18.61
Imaging Products	4,738,988	8.03
Communication Products	16,507,060	27.97
Total	59,020,095	100.00

3.Employee' s Information

	2000	1999
Direct Labor	876	687
Indirect Labor	1306	1052
Total	2182	1739
Average Age	30.33	30.19
Average Seniority	3.09	3.26
Doctor(%)	0.73	0.23
Master(%)	31.18	28.75
Bachelor(%)	16.99	17.75
College(%)	12.86	15.52
High School(%)	28.93	28.62
Below High School(%)	9.32	9.13

Plan for Utilization of Fund

1. Sales and Production Budgets for 2001 :

Product	Projected Sales Volume	Projected Production Output
Multimedia Display	3,776,100	841,100
Storage Devices	7,195,000	-
Imaging Products	2,933,000	-
Communication Products	6,084,362	6,100,000

2. Research and Development :

(1) Most recent two-years R&D expenses:

R&D expenses were NTD\$1,217,456,000 in 1999 and up to NTD\$1,563,127,000 in 2000.

(2) Research Achievement over the past two years & Research plans in the future :

Research Achievement	Research plans in the future
<p>A. Multimedia display:</p> <ul style="list-style-type: none"> 19" color monitor Display Auto-Calibration (i-key) Function 15" & 17" Multimedia Monitor 21" High End Color Monitor 17" & 19" Flat Screen Monitor 19" Short-Length Monitor 14"、15"、17" & 18" LCD Monitor DLP Digital Projector 3-LCD Projector 42" Plasma Display <p>B. Storage Devices:</p> <ul style="list-style-type: none"> 32X/36X/40X/50X/52X/56X CD-ROM Drive 4X/6X/8X/10X/12X CD-RW Drive 4X/4X/6X USB External CD-ROM 10X/16X DVD-ROM Drive 8X Slim-Type External DVD-ROM <p>C. Imaging products:</p> <ul style="list-style-type: none"> Slim Web Scanner Moving Light TPO (Transparent option) Back Light TPO Pre-Press Scanner Film Scanner All-in-one ASIC Copier Software & Scan Button Software Color MPF <p>D. Communication products:</p> <ul style="list-style-type: none"> Series of GSM Dual Band Mobile Phone GSM Dual Band Smart Phone Series of CDMA Mobile Phone 	<p>A. Multimedia display:</p> <ul style="list-style-type: none"> Flat Screen Technology in all product series Digital Visual Interface (DVI) Monitor Space Saving & Energy Saving Design 19"、20" & Larger size LCD Monitor Multimedia Function LCD Monitor Developing mini size digital projector Developing 50" plasma display Developing high-resolution projector. LCos Projector Rear-Projector <p>B. Storage Devices:</p> <ul style="list-style-type: none"> High Speed 16X/20X CD-RW Drive 16X/20X IEEE1394/PCMCIA External CD-RW 8X Portable DVE-ROM Combi Drive DVD-RW <p>C. Imaging products:</p> <ul style="list-style-type: none"> USB2.0 Technology into current products High-Resolution Film Scanner High-Resolution Flat Scanner DSC <p>D. Communication products:</p> <ul style="list-style-type: none"> Bluetooth CDMA 2000 Mobile Phone Videophone GPRS Mobile Phone W-CDMA Technology

Financial Standing

1. Most Recent 5-year Financial Statement Information:

Balance Sheet

Unit:NT\$1,000

Item	2000	1999	1998	1997	1996
Current assets	16,821,374	12,474,736	8,430,170	11,161,775	10,014,901
Net property, plant and equipment	6,181,445	4,541,102	3,781,611	1,957,133	2,263,507
Other assets	743,283	168,678	149,773	49,878	128,367
Current liabilities before distribution	15,806,152	8,270,711	6,117,608	5,084,006	3,301,322
Current liabilities after distribution		8,728,264	6,786,858	5,354,591	3,496,402
Other liabilities	2,972,728	3,016,948	3,681,393	1,213,649	3,079,081
Common stock	10,827,312	8,881,756	6,628,176	5,199,069	3,715,000
Retained earnings before distribution	6,405,036	3,683,935	2,898,417	2,589,210	1,697,709
Retained earnings after distribution		1,785,468	1,514,850	1,447,349	881,509
Total assets	45,823,920	33,817,267	24,392,811	19,527,477	15,355,894
Total liabilities before distribution	18,778,880	11,287,659	9,799,001	6,297,655	6,380,403
Total liabilities after distribution		11,745,212	10,468,251	6,568,240	6,575,483
Stockholders' equity before distribution	27,045,040	22,529,608	14,593,810	13,229,822	8,975,491
Stockholders' equity after distribution		22,072,055	13,924,560	12,959,237	8,780,411

Income Statement

Unit:NT\$1,000

Item	2000	1999	1998	1997	1996
Sales revenue	48,627,464	37,901,685	33,431,512	29,014,876	26,936,623
Gross profit	5,544,592	3,854,648	3,010,888	3,051,276	2,419,577
Operating income	1,630,539	800,248	725,600	1,293,029	1,150,015
Interest revenue	9,719	9,724	37,070	117,308	50,627
Interest expenses	(326,645)	(296,901)	(124,870)	(185,254)	(75,312)
Income before tax	4,342,954	2,142,637	1,479,700	1,881,807	1,323,094
Income after tax	4,623,924	2,169,605	1,451,239	1,710,372	1,200,212
EPS	4.27	2.27	1.60	1.98	1.63

Note 1: In 2000 and 1999, the amount of interest expenses is capitalized NTD91,468,000 and 32,508,000 respectively.

Note 2 : EPS= (Net income/ weighted number of outstanding common stock).

2. Most Recent 5-year Financial Analysis

Item	Most recent 5-year financial statement information					
	2000	1999	1998	1997	1996	
Financial ratios	Total liabilities to total assets (%)	40.98	33.38	40.17	32.25	41.55
	Long-term funds to fixed assets (%)	485.61	562.56	483.27	737.99	532.56
Liquidity ratios	Current ratio (%)	106.42	150.83	137.80	219.55	303.36
	Quick ratio (%)	82.51	121.11	120.81	185.83	274.94
	Interest protection	11.17	7.41	10.32	11.16	18.57
Operating performance analysis	A/R turnover (times)	4.70	4.66	4.71	4.71	6.42
	A/R turnover days	78	78	78	78	57

	Inventory turnover (times)	14.12	20.06	23.36	22.56	17.48
	Inventory turnover days	26	18	16	16	21
	Fixed assets turnover (times)	7.87	8.35	8.84	14.83	11.90
	Total assets turnover (times)	1.06	1.12	1.37	1.49	1.75
Activity ratios	Return on assets (%)	12.43	8.22	7.03	10.60	10.33
	Return on equity (%)	18.65	11.69	10.43	15.41	17.99
	Operating income to paid-in capital (%)	15.06	8.98	10.95	24.87	30.93
	PBT to paid-in capital (%)	40.11	24.03	22.32	36.20	35.61
	Net income ratio (%)	9.51	5.72	4.34	5.90	4.46
	EPS	4.27	2.27	1.60	1.98	1.63
Profitability ratios	Cash flow ratio (%)	2.58	(10.31)	45.95	9.31	8.83
	Cash flow adequacy ratio (%)	38.94	34.44	63.86	44.40	48.62
	Cash reinvestment ratio (%)	3.85	(5.79)	13.64	1.93	1.07
Leverage	Operating leverage (%)		3.47	3.10	2.12	1.89
	Financial leverage (%)	1.25	1.59	1.21	1.17	1.07

3. Net worth of each share, EPS, Dividends, Market Value, for the last three years

Unit: NTD; per share

		2000	1999	
Net worth per share	Before distribution	24.98	25.37	
	After distribution	-	24.85	
EPS	Weighted average share	1,082,377,057	789,560,508	
	EPS	4.27	2.75	
	EPS (adjusted)	4.27	2.27	
Dividends per share	Cash dividends	0.5	1.0	
	Stock dividends	Earnings	1.5	1.0
		Capital surplus	0.5	0.5
Market price	Highest	173.0	134.0	
	Lowest	32.7	39.0	

ACER COMMUNICATIONS & MULTIMEDIA INC.

Balance Sheets

December 31, 1999 and 2000

Unit : NT\$1,000

Assets	2000.12.31		1999.12.31	
	Amount	%	Amount	%
Current assets:				
Cash and cash equivalents	\$ 459,817	1	\$ 90,044	-
Short-term investments	903,973	2	45,341	-
Notes and accounts receivable	2,683,125	6	1,758,225	5
Receivables from related parties	8,583,416	19	7,681,541	23
Inventories	3,694,345	8	2,406,230	7
Prepaid expenses and other current assets	496,698	1	493,355	2
Total current assets	16,821,374	37	12,474,736	37
Long-term equity investments	22,077,818	48	16,632,751	50
Property, plant and equipment				
Land	2,265,826	5	1,935,604	6
Buildings	1,893,434	4	1,142,713	3
Machinery and equipment	2,347,839	6	1,332,688	4
Molds	19,659	-	19,659	-
Furniture and fixtures	83,675	-	47,394	-
Miscellaneous equipment	107,698	-	79,658	-
Prepayments for plant and equipment	406,989	1	598,793	2
Total	7,125,120	16	5,156,509	15
Less: accumulated depreciation	(943,675)	(2)	(615,407)	(2)
Net property, plant and equipment	6,181,445	14	4,541,102	13
Refundable deposits and deferred expenses	130,310	-	122,713	-
Deferred tax assets	612,973	1	45,965	-
Total assets	\$ 45,823,920	100	\$ 33,817,267	100
Liabilities and stockholders' equity	Amount	%	Amount	%
Current liabilities:				
Short-term borrowings	\$ 2,178,417	5	\$ 583,298	2
Current portion of long-term debt	-	-	5,138	-
Bonds payable	4,000,000	9	-	-
Notes and accounts payable	3,502,417	7	1,680,856	5
Payables to related parties	4,397,907	10	5,040,416	15
Accrued expenses and other current liabilities	1,602,533	3	805,058	2
Deferred intercompany profit	124,878	-	155,945	-
Total current liabilities	15,806,152	34	8,270,711	24
Bonds payable	2,000,000	4	2,091,767	6
Long-term debt, excluding current portion	681,156	2	653,358	2
Other liabilities	291,572	1	271,823	1
Total liabilities	18,778,880	41	11,287,659	33
Stockholder's equity				
Common stock	10,827,312	24	8,881,756	27
Convertible bonds applied for conversion	-	-	34,281	-
Capital surplus	9,267,485	20	9,563,675	28
Legal reserve	999,359	2	782,450	2
Retained earnings	5,405,677	12	2,901,485	9
Translation adjustments	545,207	1	365,961	1
Total stockholders' equity	27,045,040	59	22,529,608	67
Total liabilities and stockholders' equity	\$ 45,823,920	100	\$ 33,817,267	100

ACER COMMUNICATIONS & MULTIMEDIA INC.
Statements of Income

Years ended December 31, 1999 and 2000

Unit : NT\$1,000

Items	2000		1999	
	Amount	%	Amount	%
Net sales	\$ 48,627,464	100	\$ 37,901,685	100
Cost of goods sold	(43,113,939)	(89)	(33,928,763)	(90)
Change in unrealized intercompany profits	31,067	-	(118,274)	-
Gross Profit	5,544,592	11	3,854,648	10
Operating expenses:				
Selling	(1,770,856)	(4)	(1,377,124)	(4)
Administrative	(580,070)	(1)	(459,820)	(1)
Research and development	(1,563,127)	(3)	(1,217,456)	(3)
Total operating expenses	(3,914,053)	(8)	(3,054,400)	(8)
Operating income	1,630,539	3	800,248	2
Non-operating income:				
Interest income	9,719	-	9,724	-
Investment income, net	933,519	2	431,229	1
Dividend income	8,472	-	120,957	-
Gain on disposal of investments, net	2,022,428	4	883,051	3
Foreign currency exchange gain, net	-	-	92,530	-
Other	139,289	-	169,788	-
Total non-operating income	3,113,427	6	1,707,279	4
Non-operating expenses:				
Interest expense	(326,645)	-	(296,901)	-
Foreign currency exchange loss, net	(41,980)	-	-	-
Other	(32,387)	-	(67,989)	-
Total non-operating expenses	(401,012)	-	(364,890)	-
Net income before income tax	4,342,954	9	2,142,637	6
Income tax (expense) benefit	280,970	1	26,968	-
Net income	\$ 4,623,924	10	\$ 2,169,605	6
Net income per share(NT\$)	\$ 4.27		\$ 2.27	

ACER COMMUNICATIONS & MULTIMEDIA INC.
Statements of Changes in Stockholders' Equity

Years Ended December 31, 1999 and 2000

Unit: NT\$1,000

Description	Convertible				Retained Earnings	Translation Adjustment	Total
	Common Stock	Bonds Applied for Conversion	Capital Surplus	Legal Reserve			
Balance at January 1, 1999	\$ 6,628,176	-	4,630,085	637,344	2,261,073	437,132	14,593,810
Net income for 1999	-	-	-	-	2,169,605	-	2,169,605
Appropriation of earnings and capital surplus:							
Retained earnings transferred to common stock	714,317	-	-	-	(714,317)	-	-
Capital surplus transferred to common stock	331,409	-	(331,409)	-	-	-	-
Issuance of common stock	1,000,000	-	4,500,000	-	-	-	5,500,000
Cash dividends	-	-	-	-	(662,818)	-	(662,818)
Bonuses for directors and supervisors	-	-	-	-	(6,432)	-	(6,432)
Legal reserve	-	-	-	145,106	(145,106)	-	-
Convertible bonds converted to common stock	207,854	34,281	706,120	-	-	-	948,255
Gains on disposal of property, plant and equipment transferred to capital surplus	-	-	520	-	(520)	-	-
Adjustment of the net equity of investee companies	-	-	58,359	-	-	-	58,359
Translation adjustment	-	-	-	-	-	(71,171)	(71,171)
Balance at December 31, 1999	\$ 8,881,756	34,281	9,563,675	782,450	2,901,485	365,961	22,529,608
Net income for 2000	-	-	-	-	4,623,924	-	4,623,924
Appropriation of earnings and capital surplus:							
Retained earnings transferred to common stock	1,440,914	-	-	-	(1,440,914)	-	-
Capital surplus transferred to common stock	446,971	-	(446,971)	-	-	-	-
Cash dividends	-	-	-	-	(446,971)	-	(446,971)
Bonuses for directors and supervisors	-	-	-	-	(10,582)	-	(10,582)
Legal reserve	-	-	-	216,909	(216,909)	-	-
Convertible bonds converted to common stock	57,671	(34,281)	67,804	-	-	-	91,194
Gains on disposal of property, plant and equipment transferred to capital surplus	-	-	4,356	-	(4,356)	-	-
Adjustment of the net equity of investee companies	-	-	78,621	-	-	-	78,621
Translation adjustment	-	-	-	-	-	179,246	179,246
Balance on December 31, 2000	\$10,827,312	-	9,267,485	999,359	5,405,677	545,207	27,045,040

ACER COMMUNICATIONS & MULTIMEDIA INC.

Statements of Cash Flows

Years Ended December 31, 1999 and 2000

Unit : NT\$1,000

Items	2000 Amount	1999 Amount
Cash flows from operating activities		
Net income	\$4,623,924	\$2,169,605
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	361,588	213,366
Amortization	116,454	94,586
Investment loss (income) on long-term equity investments, net	(933,519)	(431,229)
Provision (reversal) for inventory obsolescence	154,914	(5,867)
Gain on sale of long-term equity investments	(1,197,664)	(319,357)
Gain on sale of short-term investments	(824,764)	(563,694)
Cash dividends received from investees accounted for by equity method	-	126,000
Loss on disposal of property, plant and equipment	2,840	1,177
Decrease (increase) in notes and accounts receivable	(924,900)	(923,567)
Decrease (increase) in receivables from related parties	(901,875)	(1,699,376)
Decrease (increase) in inventories	(1,443,029)	(1,412,878)
Decrease (increase) in prepaid expenses and other current assets	(60,806)	109,153
Increase in net deferred income tax assets	(509,545)	(211,701)
Increase (decrease) in notes and accounts payable	1,821,561	491,135
(Decrease) increase in payables to related parties	(642,509)	884,516
Increase (decrease) in deferred intercompany profit	(31,067)	118,274
Increase (decrease) in accrued expenses and other current liabilities	797,577	278,507
Provision for redemption of overseas convertible bonds	-	43,525
Amortization of bond issuance costs	3,548	3,589
Decrease in other assets	(5,350)	181,497
Net cash provided by (used in) operation activities	407,378	(852,739)
Cash flows from investing activities:		
Proceeds from disposal of property, plant and equipment	60,773	23,639
Additions to property, plant and equipment	(2,067,570)	(997,694)
Increase in refundable deposits and deferred expenses	(126,249)	(83,170)
Additions to long-term equity investments	(6,016,898)	(4,777,603)
Proceeds from sale of long-term equity investments	1,639,969	521,141
Additions to short-term investments	(8,623,000)	(11,015,130)
Proceeds from disposal of short-term investments	9,935,594	11,861,646
Net cash used in investing activities	(5,197,381)	(4,467,171)
Cash flows from financing activities:		
Issuance of common stock	-	5,500,000
Cash dividends	(446,971)	(662,818)
Increase in short-term borrowings	1,595,119	387,082
Increase (decrease) in other liabilities	(450)	500
Increase in long-term debt	27,798	53,358
Decrease in current portion of long-term debt	(5,138)	(10,276)
Bonuses for directors and supervisors	(10,582)	(6,432)
Issuance of bonds	4,000,000	-
Net cash provided by financing activities	5,159,776	5,261,414
Net increase (decrease) in cash and cash equivalents	369,773	(58,496)
Cash and cash equivalents at beginning of year	90,044	148,540
Cash and cash equivalents at end of year	\$459,817	\$90,044
Additional disclosure of cash flow information:		
Cash paid during the year for:		
Interest, excluding capitalized interest	\$320,908	\$96,717
Income taxes	\$164,097	\$12,935
Supplemental disclosure of non-cash investing and financial activities:		
Convertible bonds converted to common stock and capital surplus	\$179,246	\$ (71,171)
Translation adjustment increase (decrease)	\$91,194	\$948,255
Long-term investments transfer to short-term investments	\$1,346,461	\$282,946

ACER COMMUNICATIONS & MULTIMEDIA INC. AND SUBSIDIARIES
Consolidated Balance Sheets

December 31, 1999 and 2000

Unit : NT\$1,000

Assets	2000.12.31		1999.12.31	
	Amount	%	Amount	%
Current assets:				
Cash and cash equivalents	\$ 2,475,261	4	\$ 1,709,951	4
Short-term investments	2,091,338	4	478,494	1
Notes and accounts receivable	6,962,461	12	3,520,933	8
Receivables from related parties	2,423,065	4	3,463,782	8
Inventories	10,370,562	18	9,080,615	21
Prepaid expenses and other current assets	1,380,843	3	1,066,074	3
Total current assets	25,703,530	45	19,319,849	45
Long-term equity investments	14,694,855	26	12,423,320	29
Property, plant and equipment				
Land	2,899,776	5	2,567,397	6
Buildings	4,324,293	8	3,177,407	7
Machinery and equipment	8,212,753	14	4,829,082	11
Molds	283,107	-	392,132	1
Furniture and fixtures	221,708	-	145,670	-
Miscellaneous equipment	560,893	1	334,194	1
Leasehold improvements	26,827	-	4,345	-
Prepayments for plant and equipment	2,035,354	4	1,168,780	3
Total	18,564,711	32	12,619,007	29
Less: accumulated depreciation	(3,615,612)	(6)	(2,619,251)	(6)
Net property, plant and equipment	14,949,099	26	9,999,756	23
Deferred charges and other assets	1,998,701	3	1,033,910	3
Total assets	\$ 57,346,185	100	\$ 42,776,835	100
Liabilities and stockholders' equity	Amount	%	Amount	%
Current liabilities:				
Short-term borrowings	\$ 8,477,262	15	\$ 4,815,528	11
Current portion of long-term debt	132,962	-	144,313	-
Bonds payable	4,000,000	7	-	-
Notes and accounts payable	7,763,521	14	8,031,181	19
Payables to related parties	463,341	1	1,005,988	2
Accrued expenses and other current liabilities	3,319,956	5	2,066,493	5
Total current liabilities	24,157,042	42	16,063,503	37
Bonds payable	2,000,000	3	2,091,766	5
Long-term debt	2,255,522	4	1,568,360	4
Other liabilities	10,488	-	12,607	-
Total liabilities	28,423,052	49	19,736,236	46
Minority interest	2,044,213	4	589,936	1
Stockholder's equity				
Common stock	10,827,312	19	8,881,756	21
Convertible bonds applied for conversion	-	-	34,281	-
Capital surplus	9,267,485	16	9,563,675	22
Legal reserve	999,359	2	782,450	2
Retained earnings	5,405,677	9	2,901,485	7
Translation adjustments	545,207	1	365,961	1
Treasury stock	(166,120)	-	(78,945)	-
Total stockholders' equity	26,878,920	47	22,450,663	53
Total liabilities and stockholders' equity	\$ 57,346,185	100	\$ 42,776,835	100

ACER COMMUNICATIONS & MULTIMEDIA, INC. & SUBSIDIARIES
Consolidated Statements Of Income
Years Ended December 31, 1999 and 2000

Unit : NT\$1,000

Item	2000		1999	
	Amount	%	Amount	%
Net sales	\$ 62,445,564	100	\$ 41,635,266	100
Cost of goods sold	(54,442,420)	(87)	(35,917,083)	(86)
Gross profit	8,003,144	13	5,718,183	14
Operating expenses:				
Selling	(3,610,342)	(6)	(2,566,893)	(6)
Administrative	(1,211,487)	(2)	(952,338)	(2)
Research and development	(1,927,854)	(3)	(1,383,752)	(4)
Total operating expenses	(6,749,683)	(11)	(4,902,983)	(12)
Operating income	1,253,461	2	815,200	2
Non-operating income:				
Interest income	56,029	-	31,582	-
Investment income recorded under the equity method, net	747,529	1	293,476	1
Dividend income	9,595	-	122,459	-
Gain on disposal of investments, net	2,734,922	4	1,146,154	3
Other income	302,643	1	269,254	-
Total non-operating income	3,850,718	6	1,862,925	4
Non-operating expenses:				
Interest expense	(696,451)	(1)	(505,851)	(1)
Foreign exchange loss, net	(39,843)	-	(3,789)	-
Other loss	(152,097)	-	(73,158)	-
Total non-operating expenses	(888,391)	(1)	(582,798)	(1)
Income before income tax and minority interest	4,215,788	7	2,095,327	5
Income tax benefit	409,486	-	62,515	-
Income before minority interest	4,625,274	7	2,157,842	5
Minority interest in net (income) loss of subsidiaries	(1,350)	-	11,763	-
Net income	\$ 4,623,924	7	\$ 2,169,605	5
Net income per share(NT\$)	\$ 4.27		\$ 2.27	

ACER COMMUNICATIONS & MULTIMEDIA, INC. & SUBSIDIARIES
Consolidated Statements of Changes in Stockholders' equity

Years Ended December 31, 1999 and 2000

Unit: NT\$1,000

Description	Common stock	Convertible Bonds Applied for Conversion	Capital Surplus	Legal Reserve	Retained Earnings	Translation Adjustment	Treasury stock	Total
Balance at January 1, 1999	\$ 6,628,176	-	4,630,085	637,344	2,261,073	437,132	(74,734)	14,519,076
Net income for 1999	-	-	-	-	2,169,605	-	-	2,169,605
Appropriation of earnings and capital surplus:								
Retained earnings transferred to common stock	714,317	-	-	-	(714,317)	-	-	-
Capital surplus transferred to common stock	331,409	-	(331,409)	-	-	-	-	-
Cash dividends	-	-	-	-	(662,818)	-	-	(662,818)
Bonuses for directors and supervisors	-	-	-	-	(6,432)	-	-	(6,432)
Legal reserve	-	-	-	145,106	(145,106)	-	-	-
Issuance of new shares	1,000,000	-	4,500,000	-	-	-	-	5,500,000
Convertible bonds converted to common stock	207,854	34,281	706,120	-	-	-	-	948,255
Gains on disposal of property, plant and equipment transferred to capital surplus	-	-	520	-	(520)	-	-	-
Adjustments of net equity of investee companies	-	-	58,359	-	-	-	-	58,359
Treasury stock acquired by consolidated subsidiaries, net	-	-	-	-	-	-	(4,211)	(4,211)
Translation adjustment	-	-	-	-	-	(71,171)	-	(71,171)
Balance at December 31, 1999	\$ 8,881,756	34,281	9,563,675	782,450	2,901,485	365,961	(78,945)	22,450,663
Net income for 2000	-	-	-	-	4,623,924	-	-	4,623,924
Appropriation of earnings and capital surplus:								
Retained earnings transferred to common stock	1,440,914	-	-	-	(1,440,914)	-	-	-
Capital surplus transferred to common stock	446,971	-	(446,971)	-	-	-	-	-
Cash dividends	-	-	-	-	(446,971)	-	-	(446,971)
Bonuses for directors and supervisors	-	-	-	-	(10,582)	-	-	(10,582)
Legal reserve	-	-	-	216,909	(216,909)	-	-	-
Convertible bonds converted to common stock	57,671	(34,281)	67,804	-	-	-	-	91,194
Gains on disposal of property, plant and equipment transferred to capital surplus	-	-	4,356	-	(4,356)	-	-	-
Adjustments of net equity of investee companies	-	-	78,621	-	-	-	-	78,621
Treasury stock acquired by consolidated subsidiaries, net	-	-	-	-	-	-	(87,175)	(87,175)
Translation adjustment	-	-	-	-	-	179,246	-	179,246
Balance on December 31, 2000	\$10,827,312	-	9,267,485	999,359	5,405,677	545,207	(166,120)	26,878,920

ACER COMMUNICATIONS & MULTIMEDIA INC. AND SUBSIDIARIES

Consolidated statements of cash flows

Years Ended December 31, 1999 and 2000

Unit: NT\$1,000

Items	2000 Amount	1999 Amount
Cash flows from operating activities		
Net income	\$ 4,623,924	\$ 2,169,605
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Minority interest in net income (loss) of subsidiaries	1,350	(11,763)
Depreciation	1,242,615	838,615
Amortization	200,472	133,721
Gain (loss) on disposal of property, plant and equipment	70,537	(14,517)
Net investment loss (income) on long-term equity method investment, net of cash dividends	(747,529)	(293,476)
Gain on disposal of short-term investments	(889,515)	(599,993)
Gain on disposal of long-term equity investments	(1,808,890)	(547,580)
Gain on sale of common stock held in a subsidiary	(36,516)	(2,799)
Decrease (increase) in notes and accounts receivable	(3,441,528)	(1,704,700)
Decrease (increase) in receivables from related parties	(1,040,717)	(1,339,879)
Decrease (increase) in inventories	(1,289,947)	(4,636,909)
Increase in prepaid expenses and other current assets	(383,307)	(262,979)
Increase in deferred income tax assets	(690,873)	(280,143)
Increase (decrease) in notes and accounts payable	(269,160)	3,564,894
Increase (decrease) in payables to related parties	(544,837)	909,081
Increase (decrease) in accrued expenses and other current liabilities	1,253,566	954,154
Provision for redemption of convertible bonds	-	39,725
Amortization of bond issuance costs	3,548	3,589
Unrealized foreign exchange loss (gain) on convertible bonds	-	3,800
Provision for the diminution in the value of short-term investments	-	(1,725)
Net cash provided by (used in) operation activities	(1,665,373)	(1,079,279)
Cash flows from investing activities:		
Proceeds from disposal of property, plant and equipment	119,888	86,440
Addition to property, plant and equipment	(6,214,026)	(2,958,340)
Increase in deferred expenses and other assets	(377,808)	(102,909)
Increase in long-term equity investments	(3,820,976)	(4,785,390)
Proceeds from disposal of long-term equity investments	2,728,376	916,660
Proceeds from disposal of common stock of subsidiaries	131,326	10,271
Decrease (increase) in short-term investments	623,132	829,231
Net cash used in investing activities	(6,810,088)	(6,004,037)
Cash flows from financing activities:		
Issuance of common stock	-	5,500,000
Cash dividends	(446,971)	(662,818)
Increase in short-term borrowings	3,661,734	151,727
Increase in long-term debt	675,811	2,497,234
Increase (decrease) in other liabilities	(2,119)	500
Bonuses for directors and supervisors	(10,582)	(6,432)
Issuance of bonds	4,000,000	-
Issuance of common stock by subsidiaries to minority interests	1,478,044	228,292
Decrease (increase) in treasury stock	(87,175)	(4,211)
Net cash provided by (used in) financing activities	9,268,742	7,704,292
Effect of exchange rate changes on cash and cash equivalents	(27,971)	(10,995)
Net increase (decrease) in cash and cash equivalents	765,310	609,981
Cash and cash equivalents at beginning of year	1,709,951	1,099,970
Cash and cash equivalents at end of year	2,475,261	1,709,951
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest, excluding capitalized interest	552,870	166,285
Income taxes	168,045	14,252
Supplemental disclosure of non-cash investing and financial activities:		
Convertible bonds converted to common stock and capital surplus	91,194	948,255