acer

Acer Incorporated 2017 Annual Report

www.acer-group.com

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APPENDIX

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2. Address and Telephone Numbers of Company's Headquarter and Branches

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5. Overseas Securities Exchange

Listed Market for GDRs: London Stock Exchange Market
For further information, please refer to Website: www.Londonstockexchange.com

6. Acer Group Website: www.acer-group.com


PREDATOR
SUMMON YOUR STRENGTH
PREDATOR GALEA 500
acer


PREDATOR
SUMMON YOUR STRENGTH
PREDATOR
PREDATOR ORION 9000
acer

acer
Acer Windows Mixed Reality Headset
TAKING YOU TO A NEW REALITY
Escape to the World of Your Dreams
Fastest, Easiest Set-up Available
Inside-out Tracking
20,000+ Universal Windows Apps

acer
THIN.
LIMITLESS.
7th Gen Intel® Core™ i7 Processor
Ultrathin, 8.98mm Design
Built-in 4G LTE Connectivity[1]
Up to 10 Hours of Battery Life[2]
Swift 7
1 – 4G LTE speed and availability vary by area. Check your telecom provider for details.
2 – Battery life varies depending on product configuration, power settings and usage, among other factors.
Intel, the Intel Logo, Intel Inside, Intel Core, and Core Inside are trademarks of Intel Corporation or its subsidiaries in the U.S. and/or other countries.
intel CORE i7 7th Gen

Being Signage

Acer Being Signage

Make a Big Data Driven Impression

abSignage

The complete digital signage solution that combines the power of the cloud with big data and analytics. Acer Being Signage not only effectively manages and delivers your content, but comes loaded with audience analysis tools for you to get a better idea of who your target customers are, allowing you to better tailor your message for the most effect.

aBeing Wellness

Where Technology Meets Healthcare

aBeing Wellness

The aBeing Wellness Health Management Platform gives patients and caregivers alike the ability use a multitude of wireless, cloud-connected smart devices to easily collect physiological data and provide professional opinions at a moments notice.

DISCLAIMER

This is a translation of the 2017 Annual Report of Acer Incorporated (the "Company"). The translation is intended for reference only and nothing else, the Company hereby disclaims any and all liabilities whatsoever for the translation. The Chinese text of the Annual Report shall govern any and all matters related to the interpretation of the subject matter stated herein.

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1

Business Report to Shareholders

Business Report to Shareholders

After more than 40 years since our founding, Acer continues to evolve with the times and is again seeing the results of our latest efforts. Our fiscal 2017 consolidated revenues of NT$237.28 billion (US$ 7.91 billion) and steady rise over the last few quarters demonstrate that the concerted efforts at Acer have steered our company onto the path of transformation with positive growth.

Acer's PC business has stabilized, and our full year revenue contributions from regional operations were: EMEA with 39.7%, Pan Asia Pacific with 31.6%, and Pan America with 28.7%. A double-digit operating margin also substantiates the success of our product-mix strategy for different market segments, and shows that Acer has profitable operational momentum. In addition, Acer and its subsidiaries are making headway: Acer and AOPEN are collaborating in digital signage business development, and creating synergy with combined global channels, resources, and greater economies of scale. In the area of virtual reality, StarVR is enabling key entertainment partners to open VR experience centers in Los Angeles, New York, Tokyo, and Dubai. Another example is that in the field of artificial intelligence, Altos is making progress with high-performance computing, servers, and other software and service solutions.

As for the development of new business initiatives, Acer has continued to strengthen cooperation with alliance partners for the Internet of Things, and pursued a variety of service integration solutions. Our subsidiaries are also gaining global recognition for their services: in the area of smart transportation, Acer ITS' roadside smart parking meter solution won the Global ICT Excellence Award at WCIT[1] 2018. In data security, ACSI (Acer Cyber Security Inc.) received ISO 17025 certification, and became Taiwan's first and only private security operation center (SOC). To stimulate innovation, Acer allows its businesses and subsidiaries the freedom to explore and discover markets to expand in, with the clear direction of first stabilizing operations, and then taking steps toward profitability.

Besides managing its operations, corporate social responsibility is another of Acer's focuses, and we have constantly been recognized by renowned sustainability indices around the world. Acer was listed on DJSI's Emerging Markets Index and MSCI Global Sustainability Indexes for four consecutive years; and on the FTSE4Good Emerging Index for the second year. As a global citizen Acer will continue to do its part and contribute toward corporate social responsibilities.

With the objectives of enhancing our brand image and maintaining sustainable and profitable operations, Acer will continue to transform and optimize our organization so that we can overcome challenges and propel into the future. Once again, we wish to express our appreciation to our shareholders for your support and confidence as we persevere our way to a bright future ahead.

Jason Chen

Chairman and CEO

Acer Inc.

[1] World Congress on Information Technology (WCIT)

1.1 Acer's Core Values

Acer is transforming itself to become a "hardware + software + services" company. Based on the Wangdao philosophy, Acer is working with partners to create value, and build an ecosystem that balances all stakeholders' interests. In the process of transition, the company's core values will be practiced to strengthen the core competencies needed to ensure a stronger Acer for the future.

Acer's six core values are: Passion, User-centric, Innovation, Teamwork, Balance of Interests, and Integrity.

Core Value	Rational Meaning	Emotional Meaning
Passion	Be ready to change the world with a positive, enthusiastic, dare-to-dream and determined attitude.	• Serve as a bridge between people and technology. Be open to try new ideas, methods, and applications. • Endeavor to face challenges, break through bottlenecks and create value. • Sharpen professionalism to pursue excellence with dedication and enjoyment in work to keep one step ahead of our competitors. • Care for, delegate to, and support people. • Influence people through a positive attitude. • Face up to difficulties and solve them in innovative and realistic ways.
User-centric	Never forget that we are here to create value for end-users. Always think about the benefits we can bring them in everything you do.	• Explore users' habits and requirements by putting yourself in their position, and using the knowledge gained to design impressive products and services. • Base your decisions on sound research into users' requirements. • Listen to customers and understand the market trends from their point-of-view. • Create systems for evaluating users' needs and experience. • Build up a mechanism for developing products and services that meet global needs.
Innovation	Create unique competitive advantages and look for value-based innovations in everything you do.	• When engaged with product or service innovation, always consider users' needs and what they value to assure customer stickiness. • Remain curious and aggressive in the course of innovation. If you have criticism, make sure it is constructive. • Consider the commercial value of your proposed innovations or improvements. • Give equal consideration to cost, quality and the value that the innovation will deliver to end users. • Collaborate with strategic partners, and share cutting-edge knowledge to create value.
Teamwork	Communicate, create consensus and collaborate as one team. Place the groups' interests above the individual's interests and work towards a common goal.	• Use the five 5Cs (Communication x3, Consensus, Commitment) to enhance communication and collaboration. • Specify performance indicators that are mutually agreed by the teams, and then devote all team-members' efforts to achieve the goals. • Put the team's interests above an individual's interests. • Enhance interactions, respect and trust between teams. • Focus on the value chain as the highest priority in collaboration for maximizing customer value.
Balance of Interests	Work together to create value, overcome difficulties and construct a model that balances the interests of all stakeholders.	• Keep promises and build trust-based relationships with stakeholders. Make an effort to overcome difficulties and construct a model that balances different parties' interests. • Form collaborative relationships that balance the six aspect values: tangible vs. intangible; direct vs. indirect; present vs. future. • Value the balance among associated groups (environment, society, and culture). • Motivate employees and partners and establish long-term partnerships.
Integrity	Abide by corporate governance, regulations and standards of business conduct not because we are required to, but because it is the right thing to do.	• Follow the codes of conduct or social norms when performing duties and always serve as a role model for others. • Never appropriate public resources for private use. • Never reveal or leak confidential information when inappropriate. • Be aware of and stop any behavior that may violate regulations or social codes.

1.2 2017 Operating Report

1.2.1 Consolidated Operating Results

Unit: NTD Thousand

Item \ Period	2013	2014	2015	2016	2017
Revenue	360,132,042	329,684,271	263,775,202	232,724,161	237,274,883
Gross profit	22,550,266	28,942,184	24,884,122	23,212,458	25,361,234
Operating (loss) income	(11,409,666)	2,707,665	938,608	1,192,513	3,669,734
Non-operating income and (loss)	(9,654,070)	(93,246)	(92,051)	(5,916,838)	(230,602)
Income (loss) before taxes	(21,063,736)	2,614,419	846,557	(4,724,325)	3,439,132
Income (loss) from Continued segment	(20,519,349)	1,790,584	603,795	(4,900,740)	2,796,733
Income (loss) from Discontinued segment	0	0	0	0	0
Net income (loss)	(20,519,349)	1,790,584	603,795	(4,900,740)	2,796,733
Other comprehensive income (loss) for the period, net of tax	2,262,505	2,438,464	(829,149)	(1,752,356)	(1,697,788)
Total comprehensive income (loss) for the period	(18,256,844)	4,229,048	(225,354)	(6,653,096)	1,098,945
Net income (loss) attributable to Shareholders of the Company	(20,519,428)	1,790,690	603,680	(4,900,296)	2,815,587
Net income (loss) attributable to Non-controlling interests	79	(106)	115	(444)	(18,854)
Total comprehensive income (loss) attributable to Shareholders of the Company	(18,526,899)	4,229,180	(225,467)	(6,654,809)	1,115,222
Total comprehensive income (loss) attributable to Non-controlling interests	55	(132)	113	1,713	(16,277)
EPS (in New Taiwan Dollars)	(7.54)	0.66	0.20	(1.62)	0.93

1.2.2 Budget Expenditure in 2018

Not applicable.

1.2.3 Financial Income and Earning Abilities

Unit: NTD Thousand

Item		2017
Financial Income	Operating revenue	237,274,883
	Gross profit	25,361,234
	Net income	2,796,733
Earning Abilities	Return on assets(%)	1.85
	Return on equity(%)	4.84
	Net income ratio (%)	1.18
	EPS（NTD）	0.93

1.3 2018 Business Plan

1.3.1 Business Strategy

A. Integrate new businesses with cloud technology and the Internet of Beings (IoB) model, which signifies Acer's objective to provide life-enhancing services as opposed to just "things." Center on the core beliefs of the Wangdao philosophy of altruism, and combine the strengths of partners to create a mutually beneficial ecosystem and, hence, expand business boundaries.

B. With a user-centric product strategy, strengthen brand premium, develop innovative high-margin products, and an efficient product mix strategy tailored to different market needs.

C. Enhance brand premium through the gaming portfolio, optimize operations, integrate resources, and run faster in new businesses.

D. Efficiently use all resources, enhance internal and external communications, improve the interests of stakeholders, and fulfill corporate social responsibilities.

1.3.2 Goals

A. Increase sales of core IT products, strengthen competitiveness in the gaming market, and improve product profitability.

B. Integrate cloud technology, develop new applications and services, and enhance the corporate image of a "hardware + software + services" company.

C. Pursue better operating income, promote the interests of shareholders, and strengthen corporate social responsibility.

1.3.3 Marketing Strategy

A. Take a user-centric approach in the R&D of products and services.

B. Consolidate and effectively share product development resources, and create profitable and innovative products.

C. With capabilities in cloud technology, and big data analysis as the basis for artificial intelligence (AI), develop solutions that integrate hardware + software + services to create new businesses.

D. Together with suppliers across the chain and also customers, promote corporate social responsibility, create value, and pursue sustainable operations, in accordance with the Wangdao philosophy that promotes the balance of interests of all.

1.3.4 Future Strategy

A. Enhance the added value of key products and brand positioning.

B. Develop innovative products based on the integration of hardware, software, services, and cloud technology.

C. Uphold corporate social responsibilities, realize a sustainable business mindset, accumulate long-term value for the company, and give back to society and shareholders.

1.3.5 Impact on Company Due to Competition, Governmental Regulations and Overall Macro Market

A. A thorough understanding of consumers' preferences and needs is essential to new hardware, software and services in the ICT industry.

B. Product strategy and product mix need to be adapted quickly to ever-changing market needs and trends.

C. Respect international laws and regulations on information privacy and security, especially in the new realms of virtual reality (VR) and artificial intelligence (AI).

D. In the Internet of Things (IoT), the ICT industry is shifting toward a cross-platform cloud integrated model, prompting the need for cloud service providers to find partners in a variety of fields to develop new services.

2

Company In General

2.1 Brief Account of the Company

2.1.1 Founded: August 1, 1976

1976 – 1986

- Commercialized microprocessor technology

1987 – 2000

- Created the Acer brand name and went global

2001 – 2007

- Transformed from manufacturing to a marketing and sales company

2008 – 2013

- Enhanced worldwide presence with a new multi-brand strategy

2014 – Beyond

- Transforming into a "hardware + software + services" company

1976

- Acer was founded under the name Multitech, focusing on trade and product design.

1978

- Established the Microprocessor Training Centre, training 3,000 engineers for Taiwan's information industry.

1979

- Designed Taiwan's first mass-produced computer for export.

1981

- Acer manufacturing operations were established at the Hsinchu Science-based Industrial Park, Taiwan.
- MicroProfessor-I debuted as company's first branded product.

1982

- MicroProfessor-II was unveiled as Taiwan's first 8-bit home computer.

1983

- First company to promote 16-bit PC products in Taiwan.

1984

- Acer Peripherals, Inc. (now BenQ Corp.) and Multiventure Investments, Inc. were established.

1985

- AcerLand, Taiwan's first and largest franchised computer retail chain was founded.

1986

- Beat IBM to offer the 32-bit PCs.

1987

- The Acer name was created.

1988

- Acer Inc. completed its IPO.

1989

- TI-Acer DRAM joint venture with Texas Instruments was formed.

1991

- Introduced ChipUp™ technology – world's first 386-to-486 single-chip CPU upgrade solution.

1992

- Created the world's first 386SX-33 chipset.
- Stan Shih introduced the Smiling Curve concept.

1993

- Developed a 64-bit performance-enhanced I/O and CPU architecture to link MIPS RISC CPUs with Microsoft® Windows® NT.

1994

- Introduced the world's first dual Intel® Pentium® PC.

1995

- The popular Aspire multimedia PC brought Acer closer to the consumer electronics market.

1996

- Announced its commitment to providing fresh technology to be enjoyed by everyone, everywhere.

1998

- As official IT Sponsor of the 13th Asian Games in Bangkok, Acer introduced the world's first PC-based management system for a major international sporting event.

1999

- Aspire Academy was set up in Aspire Park to help managers of Asian firms and MNCs with offices in Asia to improve their organizational and leadership effectiveness.

2000

- As part of Acer's latest re-engineering, Acer split off its OEM business unit to create Wistron Corp., an independent design and IT manufacturing company.

2001

- Adopted a new corporate identity to reflect the company's commitment to enhancing people's lives through technology.

2002

- The Product Value Labs were inaugurated to enhance Acer's user-centric focus, and integrated technologies that add value to customers' lives.
- TravelMate C100 was the first convertible Tablet PC available in the worldwide market.

2004

- Launched a new Folio design for notebooks, featuring pure functional simplicity, smooth curves and subtle elegance.
- BusinessWeek selected Stan Shih as one of the "25 Stars of Asia."
- Acer Founder Stan Shih retired from the Group.

2005

- J.T. Wang assumed the position of Chairman and CEO, while Gianfranco Lanci stepped into the role of Corporate President.
- Launched Ferrari 4000, the first carbon-fiber notebook available in the worldwide market.
- A series of Empowering Technology products were unveiled.
- Became the worldwide No. 4 vendor for Total PCs and notebooks.
- Became the No. 1 brand in EMEA and Western Europe for notebooks.

2006

- First-to-market with a full line of Intel® Centrino® Duo mobile technology notebooks.
- Became a Sponsor of Scuderia Ferrari.
- Celebrated its 30th anniversary.
- Became the No. 3 notebook and No. 4 desktop brand worldwide.

2007

- Acer readies for Windows Vista™ with full range of Vista-certified LCD monitors.
- Set the trend in product design with new Aspire Gemstone-design consumer notebooks.
- Completed the merger of Gateway, Inc.
- Announced its joining as an Olympic Worldwide Partner for the Winter Olympics in Vancouver 2010 and Summer Olympics in London 2012.
- Became the No. 2 notebook and No. 3 desktop PC vendor worldwide.

2008

- Announced the acquisition of E-ten and plan to enter the smart handheld market.
- Launched the new Aspire Gemstone Blue notebooks, the first to feature full HD widescreen 18.4" and 16" LCDs, Blu-Ray Disc™ drive, and latest generation Dolby® Surround sound.
- Aspire One was launched as Acer's first mobile internet device, and won the Japan Good Design award for quality design.
- Ranked No. 3 for Total PCs and No. 2 for notebooks worldwide.

2009

- Launched the Aspire Timeline notebooks – thin and light with all-day battery life.
- BusinessWeek named Acer among the "10 Hottest Tech Companies of 2009."
- Announced its first netbook based on the Android operating system.
- Taiwan's Ministry of Economic Affairs presented Gianfranco Lanci with an Economic Medal for outstanding leadership, and building the Acer brand name worldwide.
- Launched the high-end and stylish Liquid smartphones.
- Became the world No. 2 company in Total PCs.

2010

- Launched the green Aspire Timeline notebook - free from PVC and BFR materials.
- Provided and managed computing facilities to ensure the smooth running of sports events at the Vancouver 2010 Olympic Winter Games.
- Chairman J.T. Wang named in TIME magazine's annual list of 100 most influential people in the world.
- Acer launched clear.fi, a new entertainment experience allowing real-time sharing and playing of multi-format content over multi-platform devices.
- Integrated Founder Tech's PC sales team and channels in the China market.
- Successfully issued US$500 million in convertible bonds.
- Announced expansion to Chongqing in western China, creating a new global IT manufacturing center and Acer's second China base.

2011

- Acer products began shipping from China's Chongqing production base.
- Acer EMEA cleared high channel inventory with one-time US$150 million write-off.
- Sir Julian Horn-Smith and Dr. F.C. Tseng elected as independent board directors.
- Acquired US-based iGware with US$320 million for mid- to long-term investment in cloud technology.
- Debuted first Ultrabook™: Aspire S3.

2012

- Unveiled world's thinnest Ultrabook™: Aspire S5.
- Presented Aspire Timeline Ultra Series, extending mainstream notebook features with Ultrabook™ trend.
- Introduced new Full HD tablet, the Iconia Tab A700.
- Supplied all computing equipment for the London 2012 Olympic Games and earned high appraisals from the assembly.

- Aspire S7 Ultrabook named as CES Innovations 2013 Design and Engineering Award Honoree.

2013

- Extended AcerCloud to support top three operating systems, for easier file and media sharing among Windows, iOS and Android devices.
- Recognized NT$3.5 billion (US$120.1 million) in intangible asset impairment based on the Generally Accepted Accounting Principle (GAAP) and thorough assessment.
- Launched B6 and V6 series commercial LED-backlit monitors made with post-consumer recycled plastic and compliance with EPEAT standards for environmental protection.
- Held the fifth annual Corporate Social Responsibility Forum to continue exploring and leading the global trend of sustainable management.
- Proposed the second issuance of NT$6 billion in unsecured convertible corporate bond.
- Reported the non-cash related intangible asset impairment of NT$9.94 billion (US$335.12 million) in Q3 financial results.
- Set up a Transformation Committee with Acer co-founders Stan Shih as Chairman and George Huang as executive secretary.
- Elected Stan Shih as New Chairman and Interim Corporate President as J.T. Wang and Jim Wong stepped down.
- Sold 300,000 smartphones through partnership with Thailand's largest telecom operator.
- Announced Build Your Own Cloud (BYOC™) and the transition to a "hardware + software + services" company.
- Appointed Jason Chen as Corporate President and CEO effective January 1, 2014.

2014

- Invested 7 million shares in PChome Group's third-party payment business.
- Wrote off additional NT$5.78 billion loss of 2013 in related costs to speed up corporate transformation.
- Delivered the world's first 4k2k monitor, XB280K, for smoother and responsive gaming.
- Debuted the Liquid Leap as its first wearable device.
- Signed MOU with MediaTek for cloud and wearable technologies.
- The new Board of Directors elected George Huang as Acer Chairman.
- Acer Chromebooks led the way in the US consumer market in Q1.
- Acer monitors topped the US retail market in 1H 2014
- Expanded sales of the Liquid smartphone in Pan America.
- Acer's Chrome devices expanded to include the Chromebox desktop PC.
- Took the No. 1 position in Philippines in total PC, portable PC and projector shipments.
- Debuted on Dow Jones Sustainability Emerging Markets Index and listed on MSCI Global Sustainability Indexes for environmental, social and governance.
- Aspire R 13 convertible notebook named as a 2014 CES Innovation Awards Honoree.

2015

- Launched the industry's first Chromebook with 15.6-inch display.
- Online ticketing system demonstrated Acer's "hardware + software + services" capabilities.
- Completed the second public offering of 300 million common shares to raise NT$5.4 billion (US$180 million) in funds.
- Acer BYOC™ provided runner tracking service to Taiwan's First IAAF certified marathon.
- Reported first full year of profitability since it began its transformation with operating income of NT$2.71 billion (US$85.37 million) and net income of NT$1.79 billion (US$56.46 million).
- Announced industry's first Chromebase all-in-one desktop with touch display.
- Revealed new back-to-school product range at the inaugural "next@acer" event in New York.
- Announced the availability of the Predator gaming product line at the next@acer event at IFA Berlin.
- Acquired GPS cycling computer brand, Xplova, to expand reach in the sports industry.
- Launched the CloudProfessor IoT training kit.
- Acer subsidiary MPS Energy and Studio X-Gene announced new electric all-terrain vehicle.
- Announced third BYOC global operations with the establishment of Acer Cloud Technology (Chongqing) Limited in China, with the other two located in Taipei and Silicon Valley.
- Joined the American Business Act on Climate Pledge; Acer pledged to reduce global greenhouse gas emissions by 60% by 2020 and to continue purchasing100% green power for its U.S. operations.
- Announced the availability of Acer smartphones to Ecuador, reaching 60 countries around the world.

2016

- Announced the Liquid Jade Primo smartphone running Windows 10 Mobile which provides ultimate productivity for professionals with a PC-like experience when connected with a secondary display.
- Showcased BYOC™ Solutions for connected car, business, education, and smart home at Mobile World Congress.
- Acer monitors ranked No. 1 in North American retail market in 2015.
- BYOC™ received ISO 27001 certification and passed HIPAA audit.
- Reported second year of profitability since it began its transformation with operating income of NT$939 million (US$28.4 million), net income of NT$604 million (US$18.3 million) and gross profit margin 9.4%.
- Regrouped new and core businesses to accelerate corporate transformation.
- Announced strategic partnership and equity investment in grandPad®.
- Debuted world's first Chromebook with 14-hour battery life.
- Unveiled the industry's first cycling computer with intelligent video recording applications as part of new businesses expansion at its next@acer global press conference in New York.
- Introduced "BeingWare" vertical business models with intelligent connected devices, which illustrate the vision of "New New Acer" in integrating hardware, intelligent software, and cloud services to create true value.
- Announced the establishment of a joint venture with Swedish game developer Starbreeze AB, stepping into the virtual reality realm.
- Revealed the world's first curved-screen notebook, the Predator 21 X.
- First shipment of the StarVR virtual reality head-mounted display delivered.
- Celebrated its 40th anniversary with a series of forums and events.
- Named official sponsor for the 2016 League of Legends World Championships and All-Star events.
- Announced investment in the IMAX VR Content Fund to support the development of high-quality and immersive VR content.
- Gaming monitor with eye-tracking technology awarded "Best of Innovation" at the CES 2017 Innovation awards.
- Announced intangible asset impairment charge to address development needs of new businesses.

2017

- Unveiled smart transportation solutions that include smart parking, and the service-oriented and intelligent mixology robot solution, the Acer MixBot, at Smart City Expo in Taiwan.
- Reported fiscal 2016 consolidated revenues NT$223.72 billion (US$7.21 billion), operating income NT$1.19 billion (US$36.94 million), gross profit margin 10%, cash distribution of NT$0.50 per share.
- Rolled out new ultrathin gaming notebooks, and all-in-one PCs with advanced thermal technology at the next@acer global press conference in New York.
- Named official sponsor and monitor partner for League of Legends esports in 2017.
- Garnered seven prestigious 2017 Red Dot Awards for product design.
- The Board appointed CEO Jason Chen as Chairman, Meggy Chen as Corporate Chief Financial Officer, and approved the formation of a new Investment Committee.
- Announced the Predator Orion 9000 series gaming desktop, its most powerful to date, and Predator accessories to complete the premium gaming experience at the next@acer global press conference at IFA Berlin.

- Listed on the DJSI Sustainability Indices (Emerging Markets Index) for the fourth consecutive year, and the second time on the FTSE4Good Emerging Index.
- Scored eight 2017 Good Design Awards for outstanding product design.
- Stepped up its financing in the StarVR joint venture by increasing its interest to 66.7%.
- Expanded its digital signage business by participating in the private placement of AOPEN shares to reach 51% ownership

2018

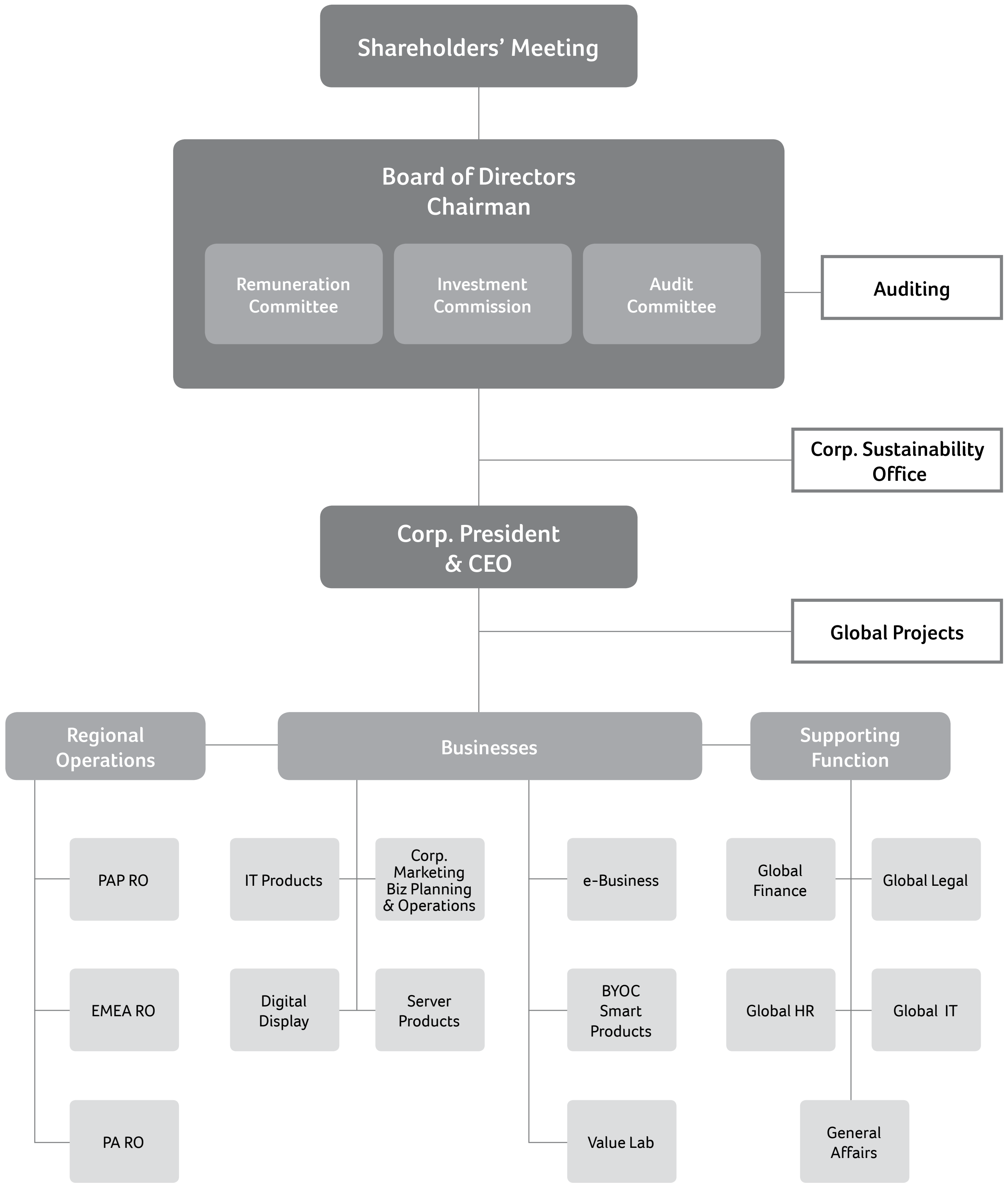
- Launched the world's thinnest laptop, Swift 7 (SF714-51T), measuring at just 8.98 mm thin.
- Hosted the APAC Predator League 2018 tournament, with participation from eight countries and finals held in Jakarta, Indonesia.
- Won 12 iF Design Awards for products from its gaming line, software and packaging designs, among others.
- Won the 'Global ICT Excellence Award - Private Sector Excellence' at the WCIT 2018 for Acer ITS' smart parking meter solution.

3

Corporate Governance Principles

3.1 Organization of the Company

3.1.1 Department Functions



3.1.2 Corporate Functions

Auditing
- Evaluation, planning and improvement of Acer's internal operations

Corp. Sustainability Office
- Strategic planning and management in corporate sustainability with the aim of fulfilling corporate social responsibilities

Global Projects
- Global key project planning and execution

PAP RO
- Sales, marketing and after-sales service of Acer's IT products in Taiwan, China and Asia Pacific

EMEA RO
- Sales, marketing and after-sales service of Acer's IT products in Europe, Middle East and Africa

PA RO
- Sales, marketing and after-sales service of Acer's IT products in Pan America

Digital Display Business
- Managing global monitors, and projectors product lines business

IT Products Business
- Managing global notebook, desktops, Tablet, wearable products and gadget products business

e- Business
- End-to-end ICT solutions and services provider, including mobile application and enterprise software systems development, systems integration and operation services, value-added and vertical business solutions

BYOC Smart Products Business
- BYOC (Build Your Own Cloud) Services empower global business development and management through cloud-connected devices and solutions as well as diverse cloud-services providing flexible access to applications (SaaS), platforms (PaaS), and infrastructure (IaaS). BYOC business also covers AI development platform for Data Scientists with pre-build AI frameworks, models, dataset and resource management

Server Products Business
- Managing server products line business

Corporate Marketing, Business Planning & Operations
- Corporate brand management, consolidation and implementation of global marketing strategies, corporate communications, and the strategic planning, operations of all IT business back-end function

Value Lab
- Research and development, design and devote to the technology for new value creation business

Global IT
- Corporate information infrastructure and information systems management

Global Finance
- Corporate finance, investment, treasury, credit and risk control and accounting services management

Global HR
- In response to market changes of global trends, formalize the human resources-related talent strategies and organizational planning to meet the company's sustainable development needs

Global Legal
- Corporate and legal affairs, intellectual property management

General Affairs
- General affairs, transportation services, office facilities management

3.2 Information Regarding Board of Directors and Key Managers

(1) Board of Directors (April 17, 2018)

Title	Name	Date of Election	Term	Shares Held When Elected		Shares Held at Present			Shares Held by Spouse & Minors		Education	Current Position(s) in Other Companies	Spouse or Immediate Family Holding Managerial Position		
				Number	Percentage	Number	Percentage		Number	Percentage			Title	Name	Relation-ship
Chairman	Jason Chen	06/21/2017	3	2,555,480	0.08	2,555,480	0.08		0	0	Master	1. Chairman, Mu-Jin Investment Co., Ltd. 2. Other (Note 3)	None	-	-
Director	Stan Shih	06/21/2017	3	69,024,395	2.24	51,024,395	1.66		6,839,225	0.22	Master	1. Independent Director, TSMC 2. Director, Wistron 3. Director, Nan Shan Life Insurance Co., ltd. 4. Director, Hung Rouan Investment Corp. 5. Director, Idealive International Co. Ltd. 6. Director, Egis Technology Inc. 7. Director, iD Innovation Inc. 8. Chairman, Dragon Investment Co., Ltd.. 9. Director, DIGITIMES Inc. 10. Director, Public Television Service Foundation. 11. Chairman, Stans Foundation 12. Director, Rongxin Management Consultants Co., Ltd 13. Director, Bingyu Co., Ltd. 14. Director, CTS Inc.	Director President	Carolyn Yeh Maverick Shih	Wife Son
Director	George Huang	06/21/2017	3	8,767,642	0.28	8,767,642	0.28		1,787,819	0.06	Bachelor	1. Independent Director, PChome Online Inc. 2. Independent Director, Bio Net Corp. 3. Director, Motech Industries Inc. 4. Director, Les Enphants Co., Ltd. 5. Supervisor, Apacer Technology Inc.	None	-	-
Director	Hung Rouan Investment Corp.	06/21/2017	3	73,629,933	2.39	73,629,933	2.39		0	0	-	-	None	-	-
Legal Representative of Director	Carolyn Yeh (Representative of Hung Rouan Investment Corp.)	06/21/2017	3	6,839,225	0.22	6,839,225	0.22		51,024,395	1.66	Bachelor	1. Chairman, iDSoftcapotal Inc. 2. Chairman, Hung Rouan Investment Corp. 3. Director, IP Fund Six Co., Ltd. 4. Director, iD Innovation Inc. 5. Supervisor, ID Reengineering Fund Inc. 6. Director, Stans Foundation 7. Director, Noordhoff Craniofacial Foundation 8. Director, Cardinal Shan Foundation 9. Director, Sinyuan Foundation 10. Director, Fu Jen Catholic University 11. Supervisor, Shengxin Co., Ltd 12. Chairman, Rongxin Management Consultants Co., Ltd 13. Chairman, Bingyu Co., Ltd.	Director President	Stan Shih Maverick Shih	Husband Son

Title	Name	Date of Election	Term	Shares Held When Elected		Shares Held at Present			Shares Held by Spouse & Minors		Education	Current Position(s) in Other Companies	Spouse or Immediate Family Holding Managerial Position		
				Number	Percentage	Number	Percentage		Number	Percentage			Title	Name	Relation-ship
Director	Smart Capital Corp.	06/21/2017	3	12,228	0	12,228	0		0	0	-	-	None	-	-
Legal Represen-tative of Director	Philip Peng (Representa-tive of Smart Capital Corp.)	06/21/2017	3	0	0	1,319,469	0.04		258,007	0.01	Master	1. Independent Director, AU Optronics Corp. 2. Director, Wistron NeWeb Corporation 3. Director, Aopen Inc. 4. Director, Wistron Information & Services Corp. 5. Chairman, Smart Capital Corp. 6. Director and President, iDSoftcapotal Inc. 7. Director, Global Strategic Investment Fund, Taiwan 8. Director, Dragon Investment Co., Ltd.. 9. Supervisor, iD Innovation Inc.	None	-	-
Director (Note 2)	Hsin-I Lin	06/18/2014	3	0	0	0	0		0	0	Bachelor	1. Director, Yulon Motor Co., Ltd. 2. Director,China Motor Corp. 3. Independent Director, E.Sun Financial Hold-ings Co., Ltd. 4. Chairman, Guang Yuan Investment Co.,Ltd. 5. Independent Director, Shihlin Electric&Engineering Corp	None	-	-
Independent Director	F.C. Tseng	06/21/2017	3	0	0	0	0		0	0	Ph. D.	1. Vice Chairman, Taiwan Semiconductor Manufacturing Company Limited 2. Chairman, TSMC China Company Ltd. 3. Chairman, Global Unichip Corp. 4. Vice Chairm an, Vanguard International Semiconductor Corp. 5. Chairman, TSMC Education and Culture Foundation	None	-	-
Independent Director	Ji-Ren Lee	06/21/2017	3	0	0	0	0		0	0	Ph. D	1. Professor, Department of International Business,National Taiwan University 2. Independent Director, Delta Electronics, Inc. 3. Independent Director, E.Sun Financial Hold-ings Co., Ltd. 4. Chairman of Compensation Committee , Nien Hsing Textile Co., Ltd. 5. Member of Remuneration Committee, MediaTek Inc.	None	-	-
Independent Director (Note 1)	San-Cheng Chang	06/21/2017	3	322	0	530,322	0.02		6,444	0	Ph. D	1. Chairman, Taiwan Mobile Foundation 2. President, BeingNet Alliance 3. Independent Director, Winbond Electronics Corp. 4. Director,, Xue Xue Company 5. President, Institute for Biotechnology and Medicine Industry	None	-	-

Title	Name	Date of Election	Term	Shares Held When Elected		Shares Held at Present			Shares Held by Spouse & Minors		Education	Current Position(s) in Other Companies	Spouse or Immediate Family Holding Managerial Position		
				Number	Percentage	Number	Percentage		Number	Percentage			Title	Name	Relation-ship
Independent Director (Note 1)	Ching-Hsiang Hsu	06/21/2017	3	0	0	0	0		0	0	Ph. D	1. Chairman ,eMemory Technology Inc. 2. Chairman, iMQ Technology Inc. 3. Director,Powerflash Technology Corp. 4. Director, Powerchip Technology Corp. 5. Director, SyntronixCorp. 6. Independent Director, Materials Analysis Technology Inc. 7. Director, National Applied Research Labo-ratories 8. Executive Director, Taipei Computer As-sociation	None	-	-
Independent Director (Note 2)	Chin-Cheng Wu	06/18/2014	3	0	0	0	0		0	0	Master	1. Chairman and CEO of Acetti Software 2. Consultant of Innovation and Prospective Technology Project, Institute for Information Industry 3. Honorary Chairman, New England Chinese Information and Networking Association	None	-	-

Note 1: San-Cheng Chang assumed position on 2017.06.21
Ching-Hsiang Hsu assumed position on 2017.06.21

Note 2: Hsin-I Lin released on 2017.06.21
Chin-Cheng Wu released on 2017.06.21

Note 3: Appointed by Company to be Director and/or President of certain subsidiaries

Major Institutional Shareholders (April 17, 2018)

Name of Acer's Institutional Shareholders	Major Shareholders of Acer's Institutional Shareholders	Percentage of Shares
Hung Rouan Investment Corp.	Carolyn Yeh	20.13%
	Shih Hsuen Rouan Charity Foundation	1.60%
	Shih Hsuen Rouan	17.25%
	Shih Hsuen Huei	26.09%
	Shih Hsuen Lin	17.16%
	Shih Fang Cheng	8.93%
	Yeh Ting Yu	8.84%
Smart Capital Corp.	Philip Peng	56.25%
	Jill Ho	6.25%
	Fan Peng	37.5%

Professional qualifications and independence analysis of directors and supervisors

Criteria / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience				Independence Criteria (Note 1)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company		1	2	3	4	5	6	7	8	9	10	
Jason Chen			✔				✔	✔	✔	✔	✔	✔	✔	✔	0
Stan Shih			✔						✔				✔	✔	1
George Huang			✔					✔	✔		✔	✔	✔	✔	2
Hung Rouan Investment Corp.		Not applicable.													Not applicable.
Carolyn Yeh (Representative of Hung Rouan Investment Corp.)			✔		✔								✔	✔	0
Smart Capital Corp.		Not applicable.													Not applicable.
Philip Peng (Representative of Smart Capital Corp.)			✔		✔		✔	✔	✔		✔	✔	✔	✔	1
Hsin-I Lin (Note 2)			✔		✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	2
F.C. Tseng			✔		✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	0
Ji-Ren Lee	✔		✔		✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	2
San-Cheng Chang			✔		✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	0
Ching-Hsiang Hsu			✔		✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	1
Chin-Cheng Wu (Note 2)			✔		✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	0

Note1 : Please tick the corresponding boxes if directors or supervisors have been any of the following during the two years prior to being elected or during the term of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the share, of a specified company or institution that has a financial or business relationship with the Company.
7. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
9. Not been a person of any conditions defined in Article 30 of the Company Law.
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

Note 2: Hsin-I Lin released on 2017.06.21 and Chin-Cheng Wu released on 2017.06.21

(2) Key Managers (April 17, 2018)

Title	Name	Date of Accession	Shares Held Directly		Shares Held by Spouse & Minors			Shares Held by the Other's		Education	Current Position(s) in Other Companies	Spouse or Immediate Family Holding Position as President or Vice President		
			Number	Percentage	Number	Percentage		Number	Percentage			Title	Name	Relationship
Corp. President & CEO	Jason Chen	01/01/2014	2,555,480	0.08	0	0		1,234,049	0.04	Master	1. Chairman, Mu-Jin Investment Co., Ltd. 2. Others (Note3)	None	-	-
Corp.VP & President	Emmanuel Fromont	01/01/2011	0	0	0	0		0	0	Bachelor	(Note3)	None	-	-
President	Ben Wan	05/16/2002	40,388	0	0	0		0	0	Master	(Note3)	None	-	-
President	Tiffany Huang	01/01/2013	94,817	0	90	0		0	0	Bachelor	-	None	-	-
President	Maverick Shih	01/24/2014	9,997,733	0.32	13,172,880	0.43		0	0	Ph. D.	(Note3)	None	-	-
President	Jerry Kao	12/01/2014	206,375	0.01	0	0		0	0	Master	(Note3)	None	-	-
President	Gregg Prendergast	09/01/2015	0	0	0	0		0	0	Bachelor	(Note3)	None	-	-
President	Andrew Hou	03/25/2016	40,000	0	19	0		0	0	Master	(Note3)	None	-	-
President	Victor Chien	03/25/2016	6	0	11	0		0	0	Bachelor	-	None	-	-
CTO	RC Chang	09/01/2015	61,135	0	0	0		0	0	Ph. D.	(Note3)	None	-	-
Corp. CFO (Note1)	Meggy Chen	07/01/2017	109,765	0	0	0		0	0	Master	(Note3)	None	-	-
Accounting Officer (Note1)	Sophia Chen	07/01/2017	2,930	0	0	0		0	0	Master	(Note3)	None	-	-
Corp. CFO (Note 2)	Nancy Hu	05/01/2014	0	0	0	0		0	0	Master	1. Director, NHL CPA Limited, H, 2. Director, Cal-Comp Biotech Co., Limited 3. Director, Brotherelephants Co., Limited 4. Independent Director, Carnival Group International Holdings Limited 5. Independent Director, Enterprise Development Holdings Limited 6. Independent Director, United Pacific Industries Limited 7. Independent Director,Arich Enterprise Co., Limited 8. Consultant, Beautimode Co., Limited Consultant	None	-	-
Accounting Officer (Note 2)	Grace Lung	05/01/2014	0	0	0	0		0	0	Bachelor	-	None	-	-
Vice President (Note 2)	Maarten Schellekens	07/01/2014	0	0	0	0		0	0	Ph. D.	-	None	-	-

Note 1: Meggy Chen assumed position on 2017.07.01
Sophia Chen assumed position on 2017.07.01

Note 2: Nancy Hu released on 2017.06.30
Grace Lung released on 2017.06.30
Maarten Schellekens released on 2017.01.31

Note 3: Appointed by Company to be Director and/or President of certain subsidiaries.

Note 4: For those who resigned or be released from their positions, whose shareholdings are shown as 0.

3.3 Corporate Governance Status

3.3.1 Meetings Held by the Board of Directors

The Board of Directors held two meetings from Jan. 1, 2017 to Jun. 20, 2017. The record of the Directors' attendances is shown below:

Title	Name	No. of Meetings Attended	No. of Meetings Attended by Proxy	Meeting Attendance Rate(%)	Note
Chairman	George Huang	2	0	100%	
Director	Stan Shih	2	0	100%	
Director	Jason Chen	2	0	100%	
Director	Hsin-I Lin	2	0	100%	
Director	Carolyn Yeh (Representative of Hung Rouan Investment Corp.)	2	0	100%	
Director	Philip Peng (Representative of Smart Capital Corp.)	2	0	100%	
Independent Director	F.C. Tseng	2	0	100%	
Independent Director	Ji-Ren Lee	2	0	100%	
Independent Director	Chin-Cheng Wu	1	1	50%	

The Board of Directors held three meetings from Jun. 21, 2017 to Dec. 31, 2017. The record of the Directors' attendances is shown below:

Title	Name	No. of Meetings Attended	No. of Meetings Attended by Proxy	Meeting Attendance Rate(%)	Note
Chairman	Jason Chen	3	0	100%	
Director	Stan Shih	3	0	100%	
Director	George Huang	3	0	100%	
Director	Carolyn Yeh (Representative of Hung Rouan Investment Corp.)	3	0	100%	
Director	Philip Peng (Representative of Smart Capital Corp.)	3	0	100%	
Independent Director	F.C. Tseng	3	0	100%	
Independent Director	Ji-Ren Lee	3	0	100%	
Independent Director	San-Cheng Chang	3	0	100%	
Independent Director	Ching-Hsiang Hsu	3	0	100%	

3.3.2 Operational Situation of the Audit Committee

The Audit Committee held two meetings from Jan. 1, 2017 to Jun. 20, 2017. The record of the Members' attendances is shown below:

Title	Name	No. of Meetings Attended	No. of Meetings Attended by Proxy	Meeting Attendance Rate(%)	Note
Independent Director	F.C. Tseng	2	0	100%	
Independent Director	Ji-Ren Lee	2	0	100%	
Independent Director	Chin-Cheng Wu	1	1	50%	

The Audit Committee held three meetings from Jun. 21, 2017 to Dec. 31, 2017. The record of the Members' attendances is shown below:

Title	Name	No. of Meetings Attended	No. of Meetings Attended by Proxy	Meeting Attendance Rate(%)	Note
Independent Director	Ching-Hsiang Hsu	3	0	100%	
Independent Director	F.C. Tseng	3	0	100%	
Independent Director	Ji-Ren Lee	3	0	100%	
Independent Director	San-Cheng Chang	3	0	100%	

3.3.3 Enforcement of Corporate Governance Implemented by the Company and Reasons for Discrepancy

Evalvation Items	Enforcement Status			Discrepancy between the corporate governance principles implemented by the Company and the Principles, and the reason for the discrepancy
	Yes	No	Summary	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"?	✔		The Company has enacted Acer's "Corporate Governance Best-Practice Principles" to establish sound corporate governance systems.	No discrepancy
2. Shareholding structure & shareholders' rights				
(1) Does the company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure?	✔		The Company has designated the Office of Shareholders' Affairs to handle the shareholders' proposal and disputes.	No discrepancy
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	✔		The Company holds information on the identities of major shareholders and their ultimate controlling persons.	No discrepancy
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	✔		The Company has established the appropriate risk control mechanism and firewalls according to internal rules, such as rules of supervision over subsidiaries, rules governing endorsement and guarantee, and the rules governing acquisitions and dispositions of assets, etc.	No discrepancy
(4) Does the company establish internal rules against insiders trading with undisclosed information?	✔		The Company enacted Regulations on Insider Trading to prevent any illegal activities in terms of insider trading.	No discrepancy
3. Composition and Responsibilities of the Board of Directors				
(1) Does the Board develop and implement a diversified policy for the composition of its members?	✔		Although Acer has not yet adopted a policy indicating criteria of diversity and complementarity of skills for director candidates, but diversity has always been one of the crucial factors for recommending new director candidates. The Company has set the diversification policy of the board of directors in Article 20 of Acer's Corporate Governance Best Practice Principles.	No discrepancy
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	✔		Acer has set up Audit Committee, Remuneration Committee, and Investment Committee. Acer is willing to set up other functional committees depends on practical needs.	No discrepancy
(3) Does the company establish a standard to measure the performance of the Board, and implement it annually?	✔		The Company has formulated rules and procedures for board of directors' performance assessments, and that each year we conduct regularly scheduled performance assessments of the board of directors.	No discrepancy
(4) Does the company regularly evaluate the independence of CPAs?	✔		1. The annual evaluation by the CPA is one of the main duties of the Audit Committee, and being passed by the Board of Directors meeting. 2. The Audit Committee comprehensively evaluates the independence of CPA based on CPA's Statement of Independence and items stated in relevant regulations. 3. The important evaluation items are summarized as following: (1) Whether the management of the Company will respect objective and challenging audit procedures. (2) Whether CPA's non-audit service may affect the independence of CPA's auditing. (3) Whether CPA firm enacts independence rules and request the itself, staffs and any other person to keep independence in accordance with the Norm of Professional Ethics for CPA, and prohibit insider trading, misusing internal information or any behavior which the security or capital market may be misleading. (4) Whether the CPA mandatory rotation is applied and implemented to the lead auditor and review auditor in accordance with competent regulations.	No discrepancy

Evalvation Items	Enforcement Status			Discrepancy between the corporate governance principles implemented by the Company and the Principles, and the reason for the discrepancy
	Yes	No	Summary	
4. Does a TWSE/TPEx listed company set up a full/part-time corporate governance unit or personnel to be in charge of corporate governance affairs including, but not limited to, providing directors and supervisors with required information for business execution, handling relevant matters with board meetings and shareholders meetings according to the laws, processing corporate registration and amendment registration, and preparing minutes of board meetings and shareholders meetings?	✔		Acer practices its corporate governance under Chairman and Corp President & CEO's supervision. The Company's Global Finance, Legal, HR, Corporate Sustainability Office and Internal Auditors handle related matters as following summary: 1. Developing and designing a competent system to improve transparency, compliance and implementation of internal auditing. 2. Preparing and providing Shareholder's meeting notice, agenda and meeting minute within the prescribed period. 3. Sending the board of directors (including independent directors, Audit Committee and other functional committees) the notice, information and materials which will be discussed in the meeting at least 7 days in advance. Providing and updating the status of applicable laws and regulations related to the Company's operation and business to assist the board of directors (including independent director) in compliance.	No discrepancy
5. Does the company establish a communication channel and build a designated section on its website for stakeholders, as well as handle all the issues they care for in terms of corporate social responsibilities?	✔		The Company has established the appropriate communication channels with suppliers, buyers, banks, investors and other stakeholders, including a stakeholders section on our website.	No discrepancy
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?		✔	The Company has designated the Office of Shareholders' Affairs to handle the shareholders' proposal and disputes.	No discrepancy
7. Information Disclosure				
(1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	✔		The Company has set up Acer Group website (http://www.acer-group.com) containing the information regarding its finance and operations. The Company also discloses the enforcement of corporate governance in the shareholders' meeting and other institutional investor meetings.	No discrepancy
(2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	✔		The Company has one chief speaker, two acting speakers and a designated team to be responsible for gathering and disclosing relevant information.	No discrepancy
8. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	✔		The Company has actively participated in community or charitable activities. • The Company has set up an exclusive web site for the new labor pension system containing information for employees regarding the laws and regulations, and to offer assistance. • In additional to the training courses required by authorities, the Company also held related training courses for members of the Board. • The Company has clearly set forth in the rules for the proceedings of Board meetings, that a director shall voluntarily abstain from voting on a proposal involved with his/her own interests. • It's stipulated in Acer's "Corporate Governance Best-Practice Principles" that in case the Chairman also acts as the President or the Chairman and President are spouses or relatives within one degree of consanguinity, it is advisable that the number of independent directors be increased accordingly. • • The Company has purchased liability insurance for directors and officers. • • The relevant information has been disclosed on Acer Inc.'s official website (http://www.acer-group.com).	No discrepancy

9. Please indicate the improvement that has been done for the results of the corporate governance evaluation issued by the Center for Corporate Governance of TWSE in the most recent year and provide priority measures for those items that have not yet been improved.

The Company has listed the following two items as priority matters having to be improved.

1. Enhance the disclosure of the communication among interdependent directors, chief internal auditor and CPA on the Company's website.
2. Amend the Company's Corporate Governance Best Practice Principals to improve the diversification policy of the board of directors.

3.3.4 Code of Ethics and Business Conduct

Items	Enforcement Status			Discrepancy between the corporate governance principles implemented by the Company and the Principles, and the reason for the discrepancy
	Yes	No	Summary	
1. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures				
(1) Are the Company's guidelines on corporate conduct and ethics provided in internal policies and disclosed publicly? Have the Board of Directors and the management team demonstrated their commitments to implement the policies?	✔		Integrity is the most important core value of Acer's culture. The Board of Directors and the management team are dedicated to enforcing the Company's guideline on corporate conduct and ethics.	No discrepancy
(2) Has the company established relevant policies for preventing any unethical conduct? Are the implementation of the relevant procedures, guidelines and training mechanism provided in the policies?	✔		It is Acer Group's policy to fully comply with all laws and regulations governing our people and operations around the world and to conform to the highest legal and ethical standards. Our Standards of Business Conduct (SBC) are formulated to guide the way Acer Group employees behave with each other, our customers, business partners, our shareholders and the communities where Acer Group does business.	No discrepancy
(3) Has the company establishes appropriate measures against the acts listed in Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies or other higher potential unethical conducts in the relevant policies?	✔		In order to prevent any unethical conduct, we have enacted several policies and guidelines, such as Standards of Business Conduct, Antitrust and Fair Competition Guidelines, Regulations on Insider Trading, and Rules Governing Management of Personal Data, etc.	No discrepancy
2. Corporate Conduct and Ethics Compliance Practice				
(1) Has the company conducted investigation regarding unethical records with whomever the Company doing business with, and included business conduct and ethics related clauses in the business contracts.	✔		In addition to sending emails to our customers and suppliers to inform them about our ethical policy, in order to further enhance our commitment to ethical practice, we also request our contractors, vendors, suppliers and service providers to sign a letter of undertaking to demand compliance with our ethical policy.	No discrepancy
(2) Has the Company set up dedicated unit in charge of promotion and execution of the company's corporate conduct and ethics?	✔		Acer Group has committed ourselves to meeting high standards of law and ethics compliance to carry out our business. The management is required to establish a paragon of placing a high value of corporate conduct and ethics. Under the supervision of the board of directors, HR, Legal, Internal Auditor and other cross-functional teams co-work to promote the Company's corporate conduct and ethics and urge all employees and stakeholders to act up to the corporate conduct and ethics. For the concrete implementation of the code of conduct and ethics, the pertinent compliance status will be reported to Audit Committee and the Board of Directors meeting by Chief Internal Auditor. The core implementation is summarized as follows: 1.Reviewing contractual terms and conditions to avoid dealing with someone who has negative record regarding corporate conduct and ethics. 2.Promoting the Company's cooperative parties to sign Acer's integrity declaration and undertaking (or including similar terms and conditions in the contracts) 3.Disseminating Acer's corporate conduct and ethics relevant policies to every employee. 4.Requesting anyone who participates in important project to sign non-disclosure agreement and promise not to disclose the Company's trade secret or other significant information to third party. 5.Promoting other project with respect to the corporate conduct and ethics.	No discrepancy
(3) Has the Company established policies to prevent conflicts of interest and provided appropriate communication and complaint channels?	✔		We have enacted "Acer Group Standards of Business Conduct" to prevent conflicts of interest and provide whistleblower mailbox on our website (http://www.acer-group.com/public/Investor_Relations/corporate.htm).	No discrepancy

Items	Enforcement Status			Discrepancy between the corporate governance principles implemented by the Company and the Principles, and the reason for the discrepancy
	Yes	No	Summary	
(4) Has the Company established effective accounting and internal control systems for the implementation of policies, and the internal or external auditors audit such execution and compliance.	✔		Acer's Internal Control Systems are management processes designed by the managers, passed by the board of directors, and implemented by the board of directors, managers, and other employees for purpose of promoting sound operations of the Company. Our financial reports are also audited by external auditors regularly.	No discrepancy
(5) Does the Company provide training regarding ethic compliance practice regularly?	✔		It is Acer Group policy to fully comply with all laws and regulations governing our people and operations around the world and to conform to the highest legal and ethical standards. Our Standards of Business Conduct (SBC) are formulated to guide the way Acer Group employees behave with each other, our customers, business partners, our shareholders and the communities where Acer Group does business. Within their first month, new staff are put through training to better understand the company's Standards of Business Conduct (including instruction on labor rights, freedom of expression, sexual harassment prevention, and corruption prevention), thus helping them become fully integrated parts of the team.	No discrepancy
3. Channels for reporting any ethical irregularities				
(1) Has the Company established policy and channels in terms of reporting ethical irregularities and designated competent personnel to handle such matters?	✔		In order to enhance corporate governance, Acer provides a whistleblower mailbox on our website (http://www.acer-group.com/public/Investor_Relations/corporate.htm) for people to report any threats of involvement of fraudulence, corruption, violation of Acer's Standards of Business Conduct, any illegal conducts or conducts violated corporate governance by Acer employee. The audit office, which functions directly under the board of directors, will handle the report exclusively.	No discrepancy
(2) Has the Company established policy and security mechanisms regarding the procedures for responding to the reports of ethical irregularities?	✔		Acer has established policy and security mechanisms regarding the procedures for responding to the reports of ethical irregularities.	No discrepancy
(3) Has the Company established measures to protect the identity of the informer?	✔		The Company has taking measures to protect the identity of the informer.	No discrepancy
4. Information Disclosure				
(1) Has the Company published information relating to the Company's corporate conduct and ethics on its website or Market Observation Post System?	✔		The Company has published information relating to the Company's corporate conduct and ethics on our website (www.acer-group.com) and Market Observation Post System.	No discrepancy
5. If the company has established corporate governance policies based on TSE Corporate Conduct and Ethics Best Practice Principles, please describe any discrepancy between the policies and their implementation: No discrepancy				
6. Other important information to facilitate better understanding of the company's corporate conduct and ethics compliance practices (e.g., promote and demonstrate the company's commitment to ethical standard and provide training to its business partners; review the company's corporate conduct and ethics policy). For details on the implementation of Acer's Corporate Conduct and Ethics, please refer to "Acer's Corporate Governance Best-Practice Principles ".				

3.3.5 The Establishment and Enforcement of Remuneration Committee

The Acer Inc. "Board of Directors and Supervisors Remuneration Guidelines" and "Executive Remuneration Guideline" are proposed by Remuneration Committee, effective upon the approval of Acer Inc. Board of Directors. The compensation of the Board of Directors is defined in "Acer's Articles of Incorporation". Where there are earnings at the end of the fiscal year after making up the losses of previous years. Then, if any balance left over, no more than 0.8% of profits shall be distributed as profit sharing for the Board of Directors and supervisors according to Acer Inc. "Board of Directors and Supervisors Remuneration Guidelines". Employee Director are not entitled to receive Director profit-sharing.

The remuneration of Acer executive is governed under Acer Group "Executive remuneration guideline". The short-term incentive links to both individual and company overall team performance, while the long-term incentive links to long-term shareholders' value. The annual KPIs, which includes a portion of strategic KPIs assigned by the board whether financial or non-financial, ensures the executive team move on the same direction to reach the strategic goal of the company. Standards of Business Conduct (SBC) is reminded and confirmed by each executive on the compensation sign back letter each year.

A. Remuneration Committee held two meetings from Jan. 1, 2017 to Jun. 20, 2017. The record of their attendance is shown below:

Title	Name	No. of Meetings Attended	No. of Meetings Attended by Proxy	Meeting Attendance Rate(%)	Note
Independent Director	Ji-Ren Lee	2	0	100%	
Independent Director	F.C. Tseng	2	0	100%	
Independent Director	Chin-Cheng Wu	1	1	50%	

Note : Ji-Ren Lee was elected as the Chairman of Acer RemCo from June 18, 2014.

B. Remuneration Committee held three meetings from Jun. 21, 2017 to Dec. 31, 2017. The record of their attendance is shown below:

Title	Name	No. of Meetings Attended	No. of Meetings Attended by Proxy	Meeting Attendance Rate(%)	Note
Independent Director	Ji-Ren Lee	3	0	100%	
Independent Director	F.C. Tseng	3	0	100%	
Independent Director	Ching-Hsiang Hsu	3	0	100%	

Note : Ji-Ren Lee was elected as the Chairman of Acer RemCo from June 21, 2017.

3.3.6 Status and Measures of Ethical Practice

As good corporate citizens Acer Group respect human rights, local communities and compliance with laws, environment, ethics, safety standards, regulations and social norms. Based on our core values of "Serve with honor and work with pride", we have formulated a Standards of Business Conduct (SBC) document to guide us on how we interact with each other, our customers, our business partners, our shareholders and the communities where the Acer Group does business. This is done every day in every decision and every action by each one of us. We continue to build on our reputation for trust, integrity and honesty, both internally and externally, by appreciating people, their diversities and cultures.

You are welcome to visit Acer Group website (http://www.acer-group.com) for the details of our "Standards of Business Conduct."

3.3.7 Statement of Personnel Having Licenses Associated with Financial Information Transparency from Competent Authorities

Name of Licenses	Numbers	
	Internal Auditor	Financial Officer
Certified Public Accountants (CPA)	0	2
US Certified Public Accountants (US CPA)	0	1
Certified Internal Auditor (CIA)	1	0
BS7799/ISO 27001 Lead Auditor	1	0

3.3.8 Statement of Internal Control System

Date: March 21, 2018

Based on the findings of a self-assessment, Acer Incorporated (hereinafter, the "Company") states the following with regard to its internal control system during year 2017:

1. The Company is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and managers. The Company has established such a system aimed at providing reasonable assurance regarding the achievement of objectives in the following categories: (1) effectiveness and efficiency of operations (including profitability, performance, and safe-guarding of assets), (2) reliability, timeliness, transparency, and regulatory compliance of reporting, and (3) compliance with applicable laws, regulations and bylaws.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three objectives mentioned above. Moreover, the effectiveness of an internal control system may be subject to changes of environment or circumstances. Nevertheless, the internal control system of the Company contains self-monitoring mechanisms, and the Company promptly takes corrective actions whenever a deficiency is identified.
3. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" promulgated by the Securities and Futures Bureau of the Financial Supervisory Commission (hereinafter, the "Regulations"). The criteria adopted by the Regulations identify five constituent elements of internal control based on the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communications, and (5) monitoring activities. Each constituent element further contains several items. Please refer to the Regulations for details.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the results of the evaluation mentioned in the preceding paragraph, the Company believes that, as of December 31, 2017, its internal control system (including its supervision of subsidiaries), was effective in design and operation, and reasonably assured the achievement of the above-stated objectives.
6. This Statement will be an essential content of the Company's Annual Report for the year 2017 and Prospectus, and will be publicly disclosed. Any false-hood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchanged Act.
7. This Statement has been passed by the Board of Directors in their meeting held on March 21, 2018, with 0 of the 9 attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Acer Incorporated

Corporate President & CEO

Chairman of the Board of Directors

3.3.9 Resolutions of the Board of Directors' Meeting and the General Shareholders' Meeting

Resolutions of the Board of Directors' Meeting

Date	Meeting	Major Resolutions
2017.03.30	First 2017 BOD Meeting	1. To Approve the 2016 Financial Statements and Business Report 2. To approve the Acer's Statement of Internal Control System for 2016 3. To Approve the Proposal for Profit & Loss Appropriation of 2016 4. To Approve the Cash Distribution from Capital Surplus 5. To Approve the Appointment CPAs of KPMG as the Auditors of Acer Incorporated 6. To Elect Nine Directors (Including Three Independent Directors) of the Company 7. To approve amendments to Acer's "Procedures Governing Acquiring or Disposing of Assets" 8. To Release Non-Compete Restrictions on Newly-Elected Directors and their 9. To Convene the 2017 General Shareholders' Meeting 10. To Approve Strategic Investment and Disposal 11. To Establish a Subsidiary for the Digital Signage Business 12. To Establish a Subsidiary for Investment Management in China 13. To Approve the Capital Injection into MPS Energy Inc. 14. To Approve a Subsidiary to Obtain Operational Equipment 15. To Amend "Corporate Governance Best Practice Principles" and "Procedures Governing Fixed Assets Management" of "Internal Control System" 16. To establish "Wangdao Management Committee" under the Company's Board of Directors 17. To Approve the Renewal of the Bank Facilities 18. To Approve the Company's Corporate Guarantees 19. To Adoption of the Company and Worldwide Subsidiaries' Lending of Capital to others 20. Proposal of target bonus for the executives of 2016 21. Proposal of 2017 merit increase figures for all executives

Date	Meeting	Major Resolutions
2017.05.11	Second 2017 BOD Meeting	1. To Approve the First Quarter of FY2017 Consolidated Financial Statements 2. Propose to Set the Record Date of Capital Reduction by Redeeming and Cancelling a Portion of Restricted Stock Awards ("RSA") Initially Issued in 2014. 3. To Approve Strategic Investment in Subsidiaries 4. To approve the transaction of India subsidiarie's minority shares 5. To Approve the Renewal of the Bank Facilities 6. To Approve the Company's Corporate Guarantees 7. To Adoption of the Company and Worldwide Subsidiaries' Lending of Capital to others 8. Proposal of profit sharing guideline and executives allocation of 2016
2017.06.21	First 2017 Special Meeting	1. To Elect The Chairman of Acer Incorporated 2. To Set the Record Date for the Cash Distribution from Capital Surplus 3. To Elect Members of Each Functional Committee 4. To Propose the 1st Tier Organization and Leader Appointment
2017.08.10	Third 2017 BOD Meeting	1. To Approve Amendments of the Regulations Governing Procedure for Board of Directors Meeting and Audit Committee 2. To Approve the Second Quarter of FY2017 Consolidated Financial Statements 3. To Amend The "Internal Control Procedure of Stock Affairs Unit" 4. Propose to Set the Record Date of Capital Reduction by Redeeming and Cancelling a Portion of Restricted Stock Awards ("RSA") Initially Issued in 2014. 5. Propose to Agree Acer Holdings International, Incorporated to Make Capital Injection to Acer Subsidiary in Vietnam 6. To approve the Spin-off of the intelligent transportation business from AEB and to Establish a New Company 7. Propose to Agree the Capital Injection to Acer Subsidiary, PAWBO, INC. 8. Propose to set up WILL wholly-owned subsidiary to do the system integration business 9. To Approve Strategic Investment 10. Propose to Agree the Capital Injection to AGP Insurance (Guernsey) Limited 11. To Approve the Renewal of the Bank Facilities 12. To Approve the Company's Corporate Guarantees 13. To Adoption of the Company and Worldwide Subsidiaries' Lending of Capital to others 14. Proposal of the Amendmend to "Self-Evaluation of the Board of Directors"

Date	Meeting	Major Resolutions
2017.11.9	Fourth 2017 BOD Meeting	1. To Approve the Third Quarter of FY2017 Consolidated Financial Statements 2. To Approve the Acer's Annual Audit Plan for 2018 3. To Approve the Acer's Annual Audit Plan for 2018 4. Propose to participates in AOPEN's private placement of new common shares for cash capital increase. 5. Propose to spin-off of Management of Maintenance and Operation Unit of Internet Data Center 6. Propose the Improvement plan of the subsidiary, Acer Being Communication Inc. 7. Propose the excution plan of Subsidiaries Improvements and Titan Project 8. Propose to participates in Kbest Technology Inc.'s new common shares for cash capital increase 9. To Approve Acer ITS Inc. the merge of its wholly-owned subsidiary PKLOT INC. 10. To Approve the Capital Injection into Acer Subsidiary in Hong Kong 11. To Approve the disposal of Gateway Inc.'s real estate lactted in North Sioux City 12. Donation of Acer Foundation 13. To Approve the Renewal of the Bank Facilities 14. To Approve the Company's Corporate Guarantees 15. To Adoption of the Company and Worldwide Subsidiaries' Lending of Capital to others 16. Proposal of target bonus for the executives of the Year 2016 17. Acer Group Global Salary Increase Proposal of the Year of 2018 18. Proposal of long term incentive program for the executives of the Year 2018

Implementation of Resolutions in 2017 General Shareholders' Meeting

Major Resolutions	Carries out the situation
1. To Elect Nine Directors (Including Four Independent Directors) of the Company.	irectors elected: Stan Shih, George Huang, Jason Chen, Hung Rouan Investment Corp. Legal Representative: Carolyn Yeh, Smart Capital Corp. Independent Directors Elected: F. C. Tseng, Ji-Ren Lee, San-Cheng Chang (Simon Chang), Ching-Hsiang Hsu (Charles Hsu) The registration was approved by the MOEA on July 27, 2017.
2. To Acknowledge 2016 Financial Statements and Business Report.	The shareholder resolution was adopted and approved as proposed.
3. To Approve the Appropriate of Retained Earnings for 2016 Losses.	The shareholder resolution was adopted and approved as proposed.
4. To Approve the Proposal of Cash Distribution from the Capital Surplus.	To set July 20, 2017 and August 17, 2017 as the record date and the distribution date of ex-dividend respectively. (Distribution ratio for cash dividend : NT$0.5 per share)
5. To Approve the Amendment to the Company's Internal Regulations: Acquiring or Disposing of Assets.	The shareholder resolution was adopted and approved as proposed. and published on the website of the company.
6. To Release Non-Compete Restrictions on Newly-Elected Directors and their Representatives.	The shareholder resolution was adopted and approved as proposed.

4

Capital and Shares

4.1 Sources of Capital

4.1.1 Sources of Capital (April 17, 2018)

Unit: Share/NTD Thousand

Date	Price of Issuance	Authorized Common stock		Paid-in Common stock		Notes
		Shares	Value	Shares	Value	
September, 2017	Share/NTD10	3,500,000,000	35,000,000	3,076,502,828	30,765,028	-

Unit: Share

Shares Category	Authorized capital			Notes
	Issued shares	Non-issued	Total	
Common shares	3,076,502,828	423,497,172	3,500,000,000	-

4.1.2 Shareholding Structure (April 17, 2018)

Unit: Share

Category Number	Government Institution	Financial Institution	Other Institution	Individual	FINI and Foreign Investors	Total
No. of Shareholders	8	36	460	331,115	1,012	332,631
Shares	24,877,569	5,874,336	180,847,080	1,980,037,024	884,866,819	3,076,502,828
Percentage	0.81%	0.19%	5.88%	64.36%	28.76%	100.00%

4.1.3 Distribution of Shareholdings (April 17, 2018)

Category	The Number of Shareholders	Shares	Percentage
1~999	116,246	30,930,410	1.01%
1,000~5,000	149,134	336,972,041	10.95%
5,001~10,000	33,376	254,914,252	8.29%
10,001~15,000	11,454	141,206,144	4.59%
15,001~20,000	6,752	122,876,982	3.99%
20,001~30,000	5,910	146,830,237	4.77%
30,001~50,000	4,586	179,940,675	5.86%
50,001~100,000	2,896	204,534,797	6.65%
100,001~200,000	1,269	175,772,352	5.71%
200,001~400,000	490	135,707,868	4.41%
400,001~600,000	150	72,134,562	2.34%
600,001~800,000	83	57,454,862	1.87%
800,001~1,000,000	45	40,068,905	1.30%
1,000,001 and above	240	1,177,158,741	38.26%
Total	332,631	3,076,502,828	100.00%

4.1.4 List of Major Shareholders (April 17, 2018)

Item / Name	Shares	Percentage
Hung Rouan Investment Corp.	73,629,933	2.39%
Stan Shih	51,024,395	1.66%
VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	48,412,897	1.57%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	38,732,682	1.26%
Management Board of Public Service Pension Fund	33,253,600	1.08%
Acer GDR	32,053,125	1.04%
iShares MSCI Taiwan Capped ETF	23,364,737	0.76%
Polunin Developing Countries Fund, LLC	21,600,197	0.70%
Government Pension Investment Fund - Internal - Re:MTBJ400045849	19,465,972	0.63%
New Labor Retirement Fund	18,579,434	0.60%

4.1.5 Market Price Per Share, Net Value, Earning& Dividend For Last Two Years

Unit: NTD

Item \ Period			2016	2017	Until Mar. 31, 2018
Market Price Per Share	Highest		16.20	24.90	33.75
	Lowest		10.10	13.00	23.25
	Average		13.28	15.95	27.21
Net Value Per Share	Before Distribution		19.01	18.92	18.95
	After Distribution		19.01	18.50	Un-appropriated
Earning Per Share	Weighted Average Share Numbers		3,026,277 Thousand shares	3,026,277 Thousand shares	3,026,277 Thousand shares
	Earning Per Share	Current	(1.62)	0.93	0.23
		Adjusted	(1.62)	Un-appropriated	Un-appropriated
Dividend Per Share	Cash Dividend (NTD)		0.50	Un-appropriated	Un-appropriated
	Stock Dividend	Retained Earning (%)	0	Un-appropriated	Un-appropriated
		Capital Surplus (%)	0	Un-appropriated	Un-appropriated
	Accumulated unpaid dividends		0	Un-appropriated	Un-appropriated
Return on Investment Analysis	P/E Ratio		-	17.15	Un-appropriated
	P/D Ratio		26.56	Un-appropriated	Un-appropriated
	Cash Dividend Yield		3.77%	Un-appropriated	Un-appropriated

4.1.6 Dividend Distribution Plan Proposed To General Shareholders' Meeting

As the industry prosperity and the trends rapidly changed, the dividends strategy of the Company depends on yearly earnings and external environments, therefore, cash dividends of this Company shall be distributed at least ten percent of yearly dividends for complying with related regulations, which was approved at the Shareholder's Meeting on June 17, 2004.

4.1.7 Analysis on Impact of Proposed Stock Dividends Appropriation in Terms of Operating Results, Earnings Per Share and Rate of Return of Shareholders' Investment

None

4.1.8 Compensation of Employees, Directors, and Supervisors:

1. (1) Remunerations to Directors:

   Where there is profit in each fiscal year, after covering the accumulated losses, not more than eight thousandth (8‰) of the profit shall be distributed as remuneration of directors; the standard for distribution of remuneration will be recommended by Remuneration Committee and determined by the Board of Directors.

   (2) Employees' Bonuses:

   Where there is profit at the end of each fiscal year, after covering the accumulated losses, at least 4% of the profit shall be distributed as employees' compensation.

   The employees' compensation in the previous section shall be distributed, in the form of either cash or stock bonus, by resolution approved by a majority voting attended by two-thirds of the directors of the Company. Qualification requirements of the employees who are entitled to receive the employees' compensation may be specified by the Board of Directors.

2. The Board of Directors proposed a dividend distribution plan of year 2017 as follows:

   None

3.The remunerations to Employees, Directors and Supervisors in 2017:

	2017		
	Dividend Distribution Proposed by the BOD	Actual Dividend Distribution	
		Amount	Share
Remunerations to Employees is paid in cash	NTD 0	NTD 0	-
Remunerations to Employees is paid in stock	NTD 0	NTD 0	0 Share
Remunerations to Directors	NTD 0	NTD 0	-
Total	NTD 0	NTD 0	0 Share

4.1.9 Buyback of Treasury Stock (December 31, 2017)

Term of Buyback	The Buyback in Year 2016
Purpose of Buyback	In order to maintain the Company's credit and shareholders' equity
Period of Buyback	December 12, 2016 to February 20, 2017
Price Range of Buyback	NTD 10 to NTD 19
Class and Quality of Bought back	Common Shares: 0 shares
Amount of Shares Bought back	NTD 0
Number of Shares having been written off and Transferred	0 share
Number of the Company Shares Held in accumulation	0 shares
Number of the Company Shares Held in accumulation out of the Total Number Shares issued (%)	0%

4.2 Corporate Bonds

None

4.3 Special Shares

None

4.4 Global Depository Receipts (GDRs) Issuance (March 31, 2018)

Description \ Date of issuance			November 1,1995	July 23, 1997
Date of issuance			November 1,1995	July 23, 1997
Location of issuance and transaction			London	London
Total amount of issuance			US$220,830,000	US$160,600,000
Unit price of issuance			US$32.475	US$40.15
Total number of units issued			6,800,000units	4,000,000units
Sources of valuable securities demonstrated			Capital increased in cash	Capital increased in cash
Number of valuable securities demonstrated			Each unit stands for Acer's 5 common shares	Each unit stands for Acer's 5 common shares
Rights and obligations of GDR holders			Same as Acer's common shareholders	Same as Acer's common shareholders
Consignee			None	None
Depository organization			Citicorp	Citicorp
Custodian organization			Citibank Taipei Branch	Citibank Taipei Branch
Balance not retrieved			6,410,606 units of Global Deposit Receipt as representing 32,053,125 shares of common stocks	
Method to allocate fees incurred during the period of issuance and existence			The expenses incurred by issuance being taken to offset premium reserve. Expenses incurred during existence being taken as expenses of the current term.	The expenses incurred by issuance being taken to offset premium reserve. Expenses incurred during existence being taken as expenses of the current term.
Any key issue for the depository and custodian agreements			None	None
Market Price Per Share	2017	Highest	US$ 4.08	
		Lowest	US$ 2.03	
		Average	US$ 2.61	
	Until March 31, 2018	Highest	US$ 5.51	
		Lowest	US$ 3.50	
		Average	US$ 4.39	

4.5 Employee Stock Options

None

4.6 Restricted Stock Awards (March 31, 2018)

Restricted Stock Awards Granted	First Grant of 2014
Approval Date by the Authority	August 26, 2014
Grant Date	August 26, 2014
Number of Shares Granted	17,460,000 shares
Price Per Share	None
Percentage of Shares Exercisable to Outstanding Common Shares (%)	0.56%
Number of Shares Redeemed/Buy-back	10,065,000 shares
Number of Shares Exercised	3,915,000 shares
Number of Shares Unexercised	3,480,000 shares
Percentage of Shares Unexercised to Outstanding Common Shares (%)	0.11%

4.7 Issuance of New Shares Due to Company's Mergers and Acquisitions

None

4.8 Issuance of New Shares by Cash

None

5

Acer's Business Formula

5.1 Business Scope

5.1.1 Business Portfolio

Founded in 1976, Acer now is one of the world's top ICT companies and has a presence in over 160 countries. As Acer looks into the future, it is focused on enabling a world where hardware, software and services will fuse with one another to open up new possibilities for consumers and businesses alike. From service-oriented technologies to the Internet of Things to gaming and virtual reality, Acer's 7,000+ employees are dedicated to the research, design, marketing, sale, and support of products and solutions that break barriers between people and technology.

The revenue contribution by Acer's PC business is led by notebooks with 62.3% share, followed by desktops with 14.3% share, displays with 12.5% share.

5.1.2 Industry Highlights

1. Status and Opportunity: The era of mobile communications has brought profound changes to people's lifestyles. With the rise of high mobility ICT devices, the PC is no longer a single-function piece of hardware. The growth of the Internet of Things (IoT) has propelled the need for hardware devices to integrate with cloud services, opening the way for a wider scope of innovation.
2. Upstream to Downstream Suppliers: Acer's upstream suppliers include the CPU, chipset, graphics chip, DRAM, and other semi-conductor industries, as well as system programing and software industries. The midstream suppliers include motherboard, chassis, keyboard, monitor displays, optoelectronics, hard disk, battery, power supply, and other computer peripherals industries. The downstream suppliers include notebook, desktop, projector, smartphone, server and other OEM/ODM system assembly industries.
3. Trends: Acer's core business in IT products includes PCs, high-performance computing and servers, projectors, LCD monitors, digital signage and other smart devices. While continuing to research and innovate to enhance its product offerings, Acer will also dedicate more resources to high-margin products such as gaming-related products and personal mobile devices to optimize its investments. With the prevalence of the IoT, Acer is actively investing in new businesses, including software and devices for cloud applications, along with people-centric services to integrate ICT devices to create new solutions and business models.
4. Competition: The PC industry is facing a pivotal change as it reacts to the demand for increasingly thin, light, and mobile devices. With the rise of the IoT, the industry must transform to expand business opportunities. In light of this trend, Acer has defined its new "hardware + software + services" direction in order to create service-oriented products rather than just hardware. With software and services, more value will be created for the product and brand. The product mix and marketing strategy must be tailored to each market to create differentiation and higher margins.

5.1.3 Technology and R&D

In 2017, Acer spent NT$2.5 billion on R&D, which accounted for 1.05% of total revenues, focusing on user interface, industrial design, ICT related hardware and software, cloud, and gaming technology. In addition, the company is building on its existing PC business and expanding into new areas that can seamlessly integrate PCs and other personal mobile devices with new software applications, and also integrate cloud platforms with cloud services to complete the transition to a "hardware + software + services" company. With a focus on differentiated and high-margin products, Acer adopts an efficient product-mix strategy that tailors to the needs of individual markets.

With the commitment in designing for customer needs, Acer is proud to have received many international design awards in 2017 and saw progress in new product areas:

- Acer's Predator 21 X gaming notebook was honored with a Taiwan Excellence Gold award, the top prize of the competition. In further recognition of Acer's merits in gaming, the Predator Z850 gaming projector was also awarded a Taiwan Excellence Silver award.
- Eight Acer products were honored with a 2017 Good Design Award for outstanding product design. The award-winning products included the Acer Holo360 Camera, Air Monitor, Predator Triton 700 gaming notebook, Switch 7 Black Edition 2-in-1 notebook, among others.
- Seven Acer products were honored with a Red Dot Award: Product Design 2017, including the Predator 21 X curved screen gaming notebook, Chromebook 11 N7, Chromebook Spin 11, among others.
- Two Acer short films won the prestigious Red Dot Award: Communication Design 2017. The two awarded films were titled Making Dreams Possible, and The Predator 21 X Design Story - Facing Challenges Head On; both films express Acer's unwavering pledge to its corporate mission of "Breaking barriers between people and technology."
- In the emerging virtual reality industry, Acer's joint venture with Starbreeze, StarVR, made headway market with the rollout of its high-end VR head-mounted displays enabling key entertainment partners to open VR experience centers in Los Angeles, New York, Tokyo, and Dubai.
- Acer made great progress in the area of smart transportation. Its subsidiary Acer ITS Inc. won the "Global ICT Excellence Award - Private Sector Excellence" at the "Olympics of the Global ICT industry" for its smart parking meter solution.
- The company's cyber security subsidiary, Acer Cyber Security Inc. (ACSI), received the ISO17025 certification, becoming Taiwan's first and only security operation center (SOC).

5.1.4 Long and Short Term Business Plan

In the short term, Acer will focus on strengthening the foundation of existing product lines and innovations, along with the development of software applications, integrating cloud platforms and cloud services. In the midterm, Acer will strive to enhance its brand positioning, strengthen brand identity, increase operating margins, and actively pursue the transition to a "hardware + software + services" company. In the long term, in addition to its PC products, to stimulate innovation for new businesses, these businesses and subsidiaries will be given the freedom to explore and discover markets to expand in, with the clear direction of first stabilizing operations, and then taking steps toward profitability. Acer will continue to transform and optimize its organization to overcome challenges and propel into the future.

5.2 Market Highlights

5.2.1 Market Study

In 2017, Acer's revenue contributions among its regional operations were: EMEA with 39 %, Pan America with 33 %, and Pan Asia Pacific with 28 %. In worldwide PC shipments, Acer ranked No. 5 for total PCs with 7% market.

5.3 Keys to a Sustainable Future

5.3.1 Transforming while continuing to focus on competitive products with igh-margin

Based on its core competencies, Acer continues to forge ahead in its transformation. It is combining the strength and scale of its core IT products business with the innovation and integration capabilities of new businesses to transform itself into a "hardware + software + services" company.

In addition Acer is reinforcing its core competencies: its DNA in entrepreneurship, innovation, talent cultivation and the strength of the Acer brand value. It aims to deepen the recognition of the qualities of "trust", "innovation" and "excellence" associated with the Acer brand. The company will continue to push for operational growth through an efficient mix of unique consumer-oriented product designs and innovative technologies, to create high margins and address the specific needs of individual markets.

5.3.2 Internalize the Wangdao philosophy into the corporate culture, and create value based on profitability first

The Wangdao philosophy of altruism is the foundation of Acer's transformation. Through the philosophy's three key areas of focus – Sustainable Development, Value Creation, Balance of Interests – Acer continually strives to innovate in the field of technology and create value with its partners and stakeholders alike to pursue sustainable development.

5.3.3 Transforming with innovative strategies and products to reach new heights

In addition to strengthening its momentum and pursuing for strong operational results, Acer also takes the interests of its stakeholders, such as shareholders and employees, into account. In terms of its PC products Acer diligently utilizes its operational resources for maximum results. In addition, it uses creative marketing thinking and methods, working in concert between the headquarters and regional offices to understand local market conditions and customers preferences.

For its new businesses, Acer is actively seeking to expand in areas relating to smart applications and innovations that integrate hardware and software. For instance, in transportation Acer has developed a smart parking solution that has received much acclaim, and continues to develop new AI solutions and businesses.

Appendix

1. Key Buyers and Suppliers Accounting Over 10% of Total Net Sales and Purchase:

(1) Key Buyers for Acer Group: None

(2) Key Suppliers for Acer Group

Unit: NTD Thousand

Item	2016				2017			
	From	Amount	Percentage of total net purchase (%)	Relationship with Acer Inc.	From	Amount	Percentage of total net purchase (%)	Relationship with Acer Inc.
1	Supplier C	33,366,055	20.22	None	Supplier C	33,151,860	20.08	None
2	Supplier D	21,276,641	12.90	None	Supplier D	20,318,907	12.30	None
3	Supplier B	17,430,648	10.56	None	Supplier A	20,241,281	12.26	None
	Others	92,912,727	56.32		Others	91,421,223	55.36	
	Total Net Purchase	164,986,071	100.00		Total Net Purchase	165,133,270	100.00	

2. Production Value in the Last Two Years:

Not applicable.

3. The Sales Value in the Last Two Years:

Unit: NTD Thousand

Year / Major production	2015		2016	
	Domestic Sales	Foreign Sales	Domestic Sales	Foreign Sales
Computer	6,629,473	174,825,937	6,561,454	178,517,222
Peripherals & Others	15,108,983	36,159,768	18,511,502	33,684,705
Total	21,738,456	210,985,705	25,072,956	212,201,927

5.4 Employees

5.4.1 Global Human Asset Management

Employees are the Company's key assets and the main driver of business growth. Acer has fostered a work environment that empowers employees by entrusting them with the tasks matched to their skill or qualification. There are clear objectives and reward for achievement, extensive communication and interaction among coworkers, constant encouragement for innovations, and an effective decision making process. On-the-job training provides the ideal platform for learning and development.

As a result of employees' joint effort, Acer has received numerous industry and media recognition. For example, Acer has been listed on the DJSI Sustainability Indices (Emerging Markets Index) for the fourth consecutive year, and the second time on the FTSE4Good Emerging Index in year 2017; scored eight 2017 Good Design Awards for outstanding products design. All above results are contributed by our most valuable assets: our employees.

-Human Asset Analysis by Manpower, Age and Years of Service

Date / Category	December 2015	December 2016	December 2016	March 2018
Manpower	6,958	7,033	7,046	7,034
Average Age	37.7	37.4	38.7	39.1
Average Years of Employment	7.5	7.7	8.0	8.0
Male (%)	66.1%	64.7%	63.8%	63.4%
Female (%)	33.9%	35.3%	36.2%	36.6%

-Human Asset Analysis by Job Function

Job Function / Date	December 2015	December 2016	December 2016	March 2018
General Management	177	202	183	185
Sales & Product Marketing	2,221	2,323	2,205	2,188
Customer Service	2,130	1,997	1,866	1,869
Research & Development	961	859	1,035	1,030
Sales Support	844	851	859	844
Administration	625	801	898	918
Total	6,958	7,033	7,046	7,034

- Human Asset Analysis by Education Level

Education Level / Date	December 2015	December 2016	December 2017	March 2018
Doctor of Philosophy	0.8%	1.1%	1.1%	1.2%
Master's Degree	39.9%	40.0%	38.6%	37.9%
Bachelor's Degree	40.7%	42.2%	42.8%	43.6%
Vocational Study	15.6%	14.1%	15.9%	15.7%
Senior High School or below	3.0%	2.6%	1.6%	1.6%
Total	100%	100%	100.0%	100.0%

5.4.2 Recruitment

The Company abides to each country's labor laws and customs. We are committed to providing equal opportunities and prohibiting discrimination against candidates in regards to their ethnic origin, gender, age, religion or nationality, and we are sticking to the principle of putting the right people at the right position. Acer seeks high-potential candidates with multi-disciplinary backgrounds in order to build a strong global workforce.

5.4.3 Continuing Learning and Growth

5.4.3.1 People Development and Career Growth

For sustaining Acer's competitiveness in multiple business arenas, Acer introduces multiple growth engines by creating new business entities and proceeding toward stock exchange market. In 2017, a series of trainings were held for developing top leaders in the capacity of business decision-making, accounting and financial analysis, business management and operation, risk management, global operation, and team leadership.

In shaping branding competitiveness, Acer is committed to exploring the end-user's needs to grasp the momentum from future trends. In 2017, we were aggressive in assisting people to develop such expertise as artificial intelligence of technology, social media and marketing, innovative services in smart tech, cross-boundary competition, and big data analysis. In addition, we continued to strengthen Acer's core values and their implementation in daily work.

With regard to the professional training, we have systematically organized a series of seminars on the latest trends, aiming to help our staff both understand end users better and stay on top of technological developments. We also strived to integrate these into new product development and troubleshooting, facilitating a quick, accurate response to market demands.

Management training, meanwhile, worked to improve people management skills, with the purpose of training management how to select the best talents, enhance coaching and performance management skills, and employ using motivational tools skillfully to improve both team and individual performance.

As for general education and training, by guiding staff in their application of the latest technological trends to marketing and sales, we were able to make our workforce more effective and more efficient. Directed by our core values, we continued to promote the full range of skills, including fostering innovation, improving cross-team cooperation, encouraging "5C" (communication, communication, communication, consensus, commitment) communication, and promoting integrated project promotion.

To ensure the quality implementation of such training, all trainings are done in accordance with the "Management Process of Internal and External Training." In 2017, for example, a global total of 13,766 attendees participated in such training, accounting for 74,222 man-hours. All training was done in accordance with the principles of operational necessity, gender equality, and equal opportunity.

No. of Training Participants

	2015	2016	2017
Senior Managers	723	759	372
Mid / SupervisoryManagers	1,444	2,812	2,218
General Staff	6,814	15,558	11,176
Total	8,981	19,129	13,766

No. of Participants and Man / Hours spent in Training

	2015		2016		2017	
	No.	Man/Hour	No.	Man/Hour	No.	Man/Hour
Senior Managers	618	6,069	141	1,765	141	1,515
Mid / Supervisory Managers	1,098	10,492	985	7,741	986	10,482
General Staff	5,147	44,715	5,908	42,766	5,919	62,225
Total	6,863	61,276	7,033	52,272	7,046	74,222

5.4.3.2 Multiple Approaches of Learning and Development

In order to help the key leaders of new business entities to acquire the past business lessons and experiences along with management philosophy, we invited the senior managers of Acer's past periods as the guest speakers share their impressive struggling stories. Through the experience sharing forums, the management rationales and culture can be revealed and effectively passed by, and used to enhance the decision-making quality. In addition, we also invited well-known figures to share their insights and experiences in industry trends and innovation to help hone the management vision of our colleagues. On top of this, through the My Acer internal communications platform, we have been able to further promote Wangdao belief.

With regard to the enhancement of professional competencies, the development opportunities were provided within the company, which included job training, coaching, job transfers, seminars, and online learning. Employees can also participate in professional seminars and short-term training courses at prestigious foreign universities and training organizations. In order to encourage colleagues to obtain professional certification and improve their professional capabilities, we formulated the regulation of incentives for professional certification to provide subsidies and bonuses to cover test fees for professional certification.

5.4.3.3 Training System

Managerial Training

For senior manager training, in 2017, a series of training were conducted for developing top leaders of IPOs. The training emphasized how the Board of Directors (BOD) operated business and made decisions appropriately and effectively. For training contents, it was composed of the two essential modules, the first module was to embrace the practices of BOD operation, while the second module was to focus on the BOD's past experience sharing, so as to equip the participants with the sound knowledge and experiences in merging, investing, or establishing a new company.

With regard to strengthening mid and supervisory-level management's managerial capabilities, we continued our focus on personnel management training in five areas: people selection and interview skills, goal-setting, delegation of responsibility and authority, coaching for improvement, performance management and motivational skills. Every leader was required to complete this series of classes.

EMEA invited a group of corporate coaches from The European Centre for Executive Development, CEDEP (based in Fontainebleau, France) to provide coaching instruction to the EMEA senior leaders, aspiring to help the leaders to reflect, find and develop the effective ways to detect the root causes of problems, made good use of their advantages and opportunities, and made in-time response to the conditions. In addition, senior management of EMEA was dispatched to a leadership course run by London Business School and a senior management training program at Lausanne's International Institute for Management Development (IMD).

In Pan America Regional Office, we held Customer Experience in Leadership Training to help reinforce our the leadership skills of our customer service quality department, as well as holding Quality Assurance Program Development sessions at service points to promote service quality of the call centers.

In Pan Asia Regional Office, we organized a two-day Top Sales Training for promoting sales/marketing capability of leaders. A total of 60 senior/mid mangers have participated in the training. In Thailand subsidiary, there has been customer satisfaction and service training held for enhancing service quality, with a total of 56 employees participating in it. In Malaysia subsidiary, we held Acer Day Product Training to assist people to have the knowledge about the product line. In Philippines subsidiary, we held a camp of Team Dynamics training for 28 local managers.

Professional Training

This system provides the technical training required by the Company's various departments, as well as seminars by specialist speakers given to help keep staff up on the latest trends in product development. In 2017 marked the start of our series of seminars on business trends, with a team of senior analysis from the Institute for Information Industry invited each month to discuss with production-line staff analyses and observations on IoT consumer trends. These seminars covered topics including new Internet ideas (social media marketing, mobile commerce, big data applications), developments in smart health and safety, opportunities in smart transportation, artificial intelligence, fog-computing tech, 5G telecommunication, and innovation for emotion sensors built-in. Each department also held its own experience sharing sessions, with many focusing on implementing consumer insights in product concepts or discussing how to make business opportunities through product innovation.

General Education

The focus of our general education courses was on the application of technology to enhancing business performance, including to integrate Big Data with BI, use Excel Power Pivot and Power Query to conduct smart business analysis, Cloud applications-- -- Evernote, Wunderlist, Google's Cloud Apps. We also continued to promote stronger core competencies and basic professional skills through courses covering areas like improving workplace communication and the protection and use of patents. In marketing, we covered areas including Visualized Marketing- Instagram, innovations for mobile payment, web analysis for promoting marketing. In order to promote the awareness in the area of securing personal data, we held General Data Protection Regulations (GDPR) training.

New Employee Training

On their first day of work, new staff are given orientation training to help them quickly come to grips with the Company's basic operating processes. Within their first month, new staff are put through training to better understand the company's mechanisms, regulations, core values, brand values, corporate culture, and the Standards of Business Conduct (including instruction on labor rights, freedom of expression, individual privacy rights, sexual harassment prevention, and corruption prevention), thus helping them become fully integrated parts of the team.

New staff working in product-related positions also receive training on patent protection, CSR (including green products, EICC, and greenhouse gasses), and electrostatic discharge (ESD). We also actively encourage staff to take training in CPR and automated external defibrillator (AED) use.

5.4.3.4 Performance Management and Development

The goal of Acer's performance management and development system is to improve performance at individual, departmental and organizational levels, and includes goal setting, delegation, communication & coaching, the link between performance & remuneration, and career development. In 2017, the proportion of Acer's global employees involved in performance evaluations approached 90%.

5.4.4 Compensation

Acer provides a competitive salary package to attract and retain high-potential human assets. The Company surveys global IT companies' salary levels annually, to ensure that our salary packages are adjusted accordingly and reasonably to reflect market conditions. On top of the monthly salary, the Company offers the bonuses that are differentiated from the performance of business unit and each individual. Taking Taiwan for example, in addition to the fixed monthly salary and festival bonuses, Acer offers incentives that reward new innovations, intellectual property rights, sales achievements, performance bonus and profit sharing.

5.4.5 Welfare

The Company abides to each country's labor laws and customs, and strives to provide a comfortable working environment, attractive welfare programs, candid communication ways to enhance productivity and creativity. Taking Taiwan for example, Acer has established a welfare committee that initiates activities for employees' welfare. For example: educational grants, Acer Family Days, internal social clubs, speeches on topics of arts appreciation, domestic and overseas holiday breaks, gift money for wedding or funeral, and emergency relief measures, etc. Besides, we have recreation and leisure facilities installed in office area to release employees' pressure from work, and provide health-promotion programs to keep the body and mind well-balanced.

5.4.6 Pension

The Company abides to each country's labor laws and customs. Taking Taiwan for example, Acer conforms to the Labor Standards Act and Labor Pension Act by contributing a portion of employees' salaries toward a pension scheme. Besides, employees who have served for 15 years and have reached 50 years of age can apply for early retirement.

5.4.7 Employee Relations

Acer respects employees' opinions and is dedicated to maintaining a harmonious relation between managers and their team members. In the past two years, Acer has not suffered any financial loss from employee conflict.

Taking Taiwan for example, Acer offers multiple channels for interaction in order to improve two-way communication:

- A Dedicated Hotline: A hotline for each supporting function has been set up for employees to call, in confidence, to express concerns or issues. Acer will provide counsel and/or resolve the issues in the most efficient way.
- Open and Candid Communication Channels: Employees can report areas of concern to their immediate supervisor or choose to convey to higher authorities for resolution. Meanwhile, the Company Chairman & CEO meets face-to-face with employee representatives from each office area on a quarterly basis, to discuss areas of improvement and respond to issues. The Chairman & CEO also assigns the relevant member(s) to aggressively follow up on change or improvement, and to report on progress at the next quarterly meeting to ensure the resolution effectiveness. The meeting minutes are published on the Company Intranet for all employees' attention.
- The Chairman & CEO also hold face-to-face communication meetings to deliver new vision, strategies, and action plans, so as to assure the general staff have a clear understanding of communication messages.

5.4.8 Acer Employee Management

To ensure business growth on a healthy and comprehensive management system, the mutual rights and obligations between the Company and employees are explicitly specified as follows:

- **Authority Management**

  According to the levels of management responsibilities, "The Table of Authority Approval", "Regulations on Delegated Deputy", and the "Scheme of Job Categories and Titles" are regulated to assure well-functioned in all layers of directive operations, and furthermore, to provide staff with a sound roadmap for career development paths.

- **Standards of Business Conduct**

  In addition to carefully abiding by relevant laws and regulations, Acer requires staff to demonstrate integrity and exceed the public's expectations for Acer. We have also set out our Standards of Business Conduct, and Acer management, global HR headquarters, and global legal headquarters are available for both staff inquiries and external inquiries. In the event that the SBC is violated, the situation will be handled according to the severity of the violation, with serious cases subject to disciplinary action and even dismissal.

  The SBC requires all Acer employees to carry out business activities to the highest standard of conduct, and every new employee receives training to ensure compliance with these standards. The SBC is integrated into performance appraisals to remind colleagues of their obligation to adhere to the code, and management is expected to supervise to ensure that all staff under their leadership follow the code.

  All new staff are required to undergo training regarding anti-corruption measures. During annual performance reviews, we require management and colleagues to review their adherence to our standards of professional behavior. In the event of corruption being found, the company must immediately report the incident and implement management measures, while also reminding staff that they must adhere to the regulations of the Standards of Business Conduct.

- **Sexual Harassment Prevention Measures**

  The Company is dedicated to ensuring gender equality and human dignity in workplace, securing work environment free from sexual harassment and discrimination. With the promise, the Prevention Measures and Disciplinary Actions on Sexual Harassment is enacted, which specifies the reporting channels, dealing procedures, and disciplines.

- **Declaration of Secrecy and Intellectual Property Rights**

  The Company places extreme importance on the protection of intellectual properties rights. All staff are required to have the Declaration on Non-Disclosure Agreement signed when onboard, which declares the obligations to protect confidential information and the restrictions on use of the confidential information during the employment period and employment termination.

5.5 Important Contracts

Nature of Contracts	Contracting Parties	Beginning and Ending Dates of Contracts	Major Content	Restrictive Clauses
Software License Agreement	Microsoft Inc.	Aug 1, 2014~Jul 31, 2018	Obtain license from Microsoft for using certain software	Confidential Non-assignable
Patent License Agreement	IBM Corporation	Oct. 29, 2003 until the end of related patents period	Cross license arrangements for certain patents	Confidential
		Nov 22, 2006 until the end of related patents period		
	Microsoft Corp.	Jan 1, 2016~Dec 31, 2018	Cross license arrangements for certain patents	Confidential Non-assignable
Syndicated Loan Agreement	A bank group led by the arrangers, Bank of Taiwan, Chinatrust, Taiwan Cooperative, Megabank, Taipei Fubon, Taishin, Bank SinoPac, DBS, Chang Hwa, Landbank, Taiwan Business, KGI and Agricultural Bank of Taiwan	From April 29, 2016 for a period of no more than four years	A maximum syndicated financing amount of NTD12 billion	Confidential, Non-assignable, Specific financial ratio covenants

6

Corporate Social Responsibility

In recent years, Acer has worked hard to transform itself, and through the transition from loss to profit, the company has reached the current stage of sustainable management. In 2017, we rethought and adjusted the existing meaning and mission of corporate social responsibility, integrating key elements of the original mission and aligning the CSR strategy with the company's new development direction and the core spirit of the brand. The redefined CSR mission is:

While pursuing profitability, leading transformation, and providing innovative services, we will continue to create tangible and intangible value while focusing on our three core beliefs of creating value, balancing interests, and developing sustainably in order to promote sustainability model transfer and leverage our social influence as we become a future-oriented business.

In addition, in line with the transformation of the company, we have also adjusted the existing Acer CSR policy to include three aspects: Integrated sustainable governance, pioneering green innovation, and comprehensive sustainable impact.

Acer Corporate Social Responsibility Policy

- Integrated Sustainable Governance: Deepening CSR governance and stakeholder engagement, as well as strengthening the overall management and transparent disclosure of both financial and non-financial performance.
- Pioneering Green Innovation: Incorporating low-carbon, sustainable, and cyclically innovative technologies and concepts into products and services, taking the lead in smart cities and the development of a new green economy.
- Comprehensive Sustainable Impact: Creating real corporate value and leveraging our influence on vendors and partners to help the overall industry move toward a sustainable future.

Acer's dedication has been widely recognized by the media and investors. 2017 marks the fourth consecutive year for Acer to be included in MSCI ESG Leaders Indexes, DJSI Emerging Markets and the gold medal of sustainability report from the Taiwan Corporate Sustainability Awards. In addition, Acer has been included in the FTSE4Good Emerging Index for the second consecutive year.

In 2008, Acer stablished the Corporate Sustainability Office (CSO) as an establishment directly in charge of Acer Group's CSR affairs. The Office is in charge of promoting campaigns on companywide sustainability issues. Since then, we take into account stakeholders' suggestions to establish longer term CSR targets and strategies to internalize CSR programs throughout the whole global organization and suppliers. In 2012, we established GCSRC (Global Corporate Social Responsibility Committee) to include the heads of the most critical departments to create the CSR and sustainability practice strategy. To deepen corporate responsibility governance and business strategy combination, we adjusted the corporate sustainability office affiliated with the chairman from Corp. President & CEO. In 2017, we echoed the transformation of the corporation and the change of the world, we adjusted the Acer sustainability mission and the CSR policy to implement the promise of the sustainability of corporate and the society.

In the environment, safety and health management aspects, we implement office carbon reduction programs, enhance suppliers' capacity of greenhouse gases management, launch several projects to improve the health and safety of our employees and have third party verification for the GHGs emissions data of Acer Group global operation sites every year. For supply chain management, we conduct suppliers' Social and Environmental Responsibility (SER) on-site audits, investigate smelters in our supply chain for conflict minerals issue to enhance the SER performance of acer suppliers. Regarding communication, we build a good communication channel with stakeholders to ensure mutual understandings and respect, and we continuously improve the quality of our customer service and the protection of customer privacy. About community involvement, Acer is committed to give back to the society by creating digital opportunities for the disadvantages through Acer Volunteer Team and Acer Foundation.

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6.1 Environment, Safety and Health Management

6.1.1 The Environmental Protection

1. Energy and Climate Change

We continue to implement the Acer Integrated Energy and Climate Change Policy. We have also formulated long-term carbon reduction targets in line with the methodology proposed by the Science Based Targeting initiative, and we expect to accomplish in 2050 an 80% reduction in Scope 1 and Scope 2 carbon emissions from the baseline year of 2009. However, by the end of 2017/beginning of 2018, due to the acquisition of listed companies and the disposal of related assets, the Group had already reached a point necessitating recalibration of the base year emission limits, and as such the exact long-term carbon reduction target must be recalculated and confirmed after the said recalibration is complete.

Regarding to the suppliers GHG management, we continually participate in the Carbon Disclosure Project Supply Chain Program, providing the suppliers related training courses and consulting. We enforce suppliers' capability on reacting to the climate change and saving energy and reduce emissions. Besides, we also encourage our suppliers to set reduction target to reduce the emission through the whole value chain. According to the report, our suppliers' overall disclosure and performance on carbon reduction are over the average of the global suppliers' average.

In 2017, Acer will expand our use of renewable energy in operating locations to Brazil, Mexico, and other countries, gradually expanding the use of renewable energy to achieve our medium-term goal of reducing carbon emissions by 60% by 2020.

2. Green Product Management

Acer's green product policies are:

- Based on the "product life cycle" concept, we offer high-quality products that are energy and resource efficient, low in pollutants and hazardous substances, and easy to recycle.
- By employing green purchasing and through communications with our suppliers we have been able to establish a green supply chain that is fully compliant with international environmental practice.

All of Acer's products are in compliance with regulatory and customer requirements in all respective territories, protecting the health and safety of users and reducing potential risk to the environment. In addition to legal compliance, we also proactively comply with our various markets' voluntary environmental demands including product life cycle considerations such as energy efficiency, reduced use of toxic and/or hazardous substances, and end-of-life product processing. Since 2009, Acer has kept launching PVC-free and BFR (Bromine Flame Retardants)-free products, and is steadily accomplishing the target of non-halogenated products. We also continually evaluate the related regulations and the concerns of external stakeholders, gradually extending the control scope of the chemicals.

Acer supports the concept of resource recycling. In 2017, we continued to use recycled plastics in display units and all-in-one computers, including the B6 and V6 lines of displays and the all-in-one VZ4640G, VZ4820G, and VZ6820G models.

Through the Acer Packaging Design Principles, we are able to examine the life cycle of our packaging material and make informed decisions about the environmental impact of our packaging at every stage, from initial R&D into and selection of materials through production methods, transportation and fuel consumption, durability in use, and waste handling. The Acer Packaging Design Principles also address ongoing reduction in design, the use of environmentally friendly materials, and improved recyclability.

Acer is committed to improving energy efficiency in our products to help consumers reduce the amount of energy they consume while using our products. During product design, we comply with energy consumption guidelines in each of our markets, including the European ErP eco-design directive. To ensure our products comply with the requirements of particular customers and markets around the world, we have acquired US Energy Star® and China Energy Conservation labels for selected products.

The implementation of recycling and reusing bring great benefits to the Nature and human beings' life. Acer incorporates environmental concerns during product design, striving to reduce the environmental impact of the product at each stage of its life cycle and aiming to design environmentally friendly, easily recycled products. Through both voluntary and legally required recycling programs, we provide consumers with compliant, convenient recycling channels and promote recycling and reuse of ICT products. We support Individual Producer Responsibility (IPR), and pledge to work with stakeholders like governments, consumers and retailers to undertake responsibility for the recycling and management of e-waste.

3.Office Carbon Reduction

In 2017, Acer built a solar power plant with a total of four ground and rooftop arrays in the Aspire Park, generating about 3.52 million kWh of electricity each year. In addition, Acer Cyber Security Inc. conducted a review of UPS equipment usage requirements and re-adjusted shutdown settings, saving approximately 1.752 million kWh per year.

6.1.2 Safety and Health

1. Environmental Safety and Health Management

As a global IT company focused on marketing and service, Acer endeavors to achieve balanced development in economy, environment and society. We are devoted to environmental protection. We understand that all our products, services and activities have potential impact to the environment and community where we conduct business. We are also dedicated to providing a safe and healthy workplace for employees believing that occupational health and safety is the foundation of sound and responsible business operations. We ensure all employees understand their roles and responsibilities and are working with our partners and suppliers to meet or exceed the environmental, health and safety commitments. Our policies on environmental safety and health management are as below:

- Meet or exceed all applicable legal requirements, industry standards and voluntary agreements to which Acer subscribes.
- Improve resource productivity by promoting pollution prevention, energy efficiency and waste reduction.
- Carefully select raw materials and suppliers to provide safe and low environmental impact products.
- Strive to create a safe and healthful workplace and to prevent occupational injury and illnesses.
- Continuously improve EHS performance based on audit and communications.

We implement the Acer EHS management system to fulfill our pledges and reaching our corporate targets, including management of potential hazards to people and the environment, reducing the environmental impact of our company operations and products, regular monitoring to ensure we are compliant with relevant laws and Acer standards, and ensuring Acer staff enjoy a comfortable environment and attach importance to health and safety precautions.

In 2017, Acer passed ISO 14001:2015 new environmental management system. In order to comply with the Acer Group's global strategy, preparations for the integration of the company's environmental and safety and health management systems with those of acquired companies are underway. The Group also plans to replace the existing OHSAS 18001 occupational health and safety management system with ISO 45001 in the future.

2. Working Environment and Employee Safety

Acer cares about the working environment where employee's safety and health would largely depend on. We conducted a series of improvements, including water filtration system, drinking water quality, indoor air quality; strengthen the computer room and warehouse safety. Acer also implemented environment, health and safety management system and conducted office sites hazards identification. We then improved items with significant risks to lower the hazards.

3. Emergency Accident Operation

Acer has established its own emergency operation procedures in the events of fire, earthquake, typhoon, power failure, water supply failure, contagious disease and other major accidents. In the fire safety aspect, we have organized a self-protection firefighting team by the employees and their main duties are to extinguish the fire at the initial stage, evacuate the rest of the employees when necessary and reduce possible damage from the accidents.

4. Employee Health

Acer always cares about the health of colleagues. We keep promoting health management and promotion. Acer also applied for Healthy Workplace Certification in 2017, obtaining a health promotion label that fully demonstrates our commitment to providing healthy workplaces. Moreover, in order to strengthen workplace health promotion, we also hold afternoon lunch talks on health; offer weight loss classes, smoking cessation classes, and physical fitness tests; hold sports competitions; set up health stations; and promote articles on health and wellbeing.

6.2 Supply Chain Management

We treat our top suppliers from all parts of the globe with consistent fairness in order to achieve efficient global operations and partnerships and to provide clients with high quality products. We also strive to ensure that a safe working environment is provided throughout the supply chain, that employees are treated with dignity and respect, and that suppliers observe ethical codes and shoulder their environmental responsibilities throughout their business operations. We will continuously investigate the necessary responses to sustainability issues with a positive attitude and from a broad perspective so as to increase the positive effect of the supply chain on society and the environment.

Acer has been a member of the Responsible Business Alliance (RBA) (formerly the Electronic Industry Citizenship Coalition (EICC)) since 2008, and actively participates in actions and discussions around supply chain social and environmental responsibility to better understand international trends in CSR and share in the practical experience of its members. All Acer manufacturers and service providers are required to comply with both the RBA Code of Conduct and local regulations.

In addition, we carry out annual on-site RBA Code of Conduct vendor audits, gaining a deeper understanding of each location's working environment and the human rights conditions of the staff. We also encourage and require vendors to uphold their corporate responsibility by ensuring their own vendors implement socially and environmentally responsible management and to advocate for RBA Code of Conduct adherence, thus improving the working environment in the electronics supply chain worldwide.

We continue to communicate with vendors and enhance their ability to respond to sustainability issues, as well as encouraging vendors to incorporate sustainable development matters into their management agendas. In line with Acer's sustainable development strategy, we hold a variety of vendor sustainability conferences, and in our annual vendor CSR communication meetings, provide information on the latest in CSR developments and trends, as well as analyzing important supply chain matters and potential actions that we can take together. These meetings also provide an opportunity for two-way communication between Acer and vendors, strengthening the supply chain's environmental and social responsibility and deepening our CSR-related cooperative relationships.

We require new vendors pass the social and environmental responsibility assessment and sign an RBA Code of Conduct compliance statement before they become official vendors. In order to put into practice environmental and social responsibility in Acer's supply chain, since 2016 we have required our suppliers to implement risk assessment and management based on the RBA Code of Conduct. For higher risk suppliers, we also carry out on-site audits and management of follow-up improvement efforts. We call this "Acer RBA 2.0." Additionally, we incorporate performance in this regard into our vendor CSR scorecard assessments.

Acer has taken multiple actions to verify the absence of forced labor, slavery and human trafficking in supply chain, including supplier risk assessment, declaration, on-site audit and training etc.

Regarding to the topic on conflict minerals: Over the years, growing evidence has shown that mining is an intensive process involving social and environmental risks. In 2017, Acer began the transformation of its conflict minerals program into a responsible minerals sourcing program with a broader focus that seeks to strategically identify priority minerals and regions that are a high risk for negative social and environmental impacts. The mechanisms that drove the conflict minerals program are being adapted to address this broader focus, especially the supply chain tracing and due diligence processes that remain in alignment with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. In addition, Acer realigned its policy and internal procedures to drive this renewed focus.

As part of this responsible minerals sourcing policy, Acer will:

- Identify and prioritize minerals for inclusion in our responsible sourcing strategy;
- Conduct due diligence on prioritized minerals in accordance with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas;
- Require suppliers to conduct due diligence on prioritized minerals in accordance with OECD Guidance and provide routine reporting using the tools developed by the Responsible Minerals Initiative (RMI) to enable supply chain transparency;
- Co-work with its supply chain, industry groups (RMI), government, civil society, and other organizations (OECD Responsible Minerals Forum & Public-Private Alliance for Responsible Minerals Trade) to develop supply of conflict-free products when sourcing prioritized minerals that originate in Conflict-Affected and High-Risk Areas;
- Seek to support organizations that focus on peace negotiations in Conflict-Affected and High-Risk Areas, a responsible and sustainable minerals trade, and diverse and stable economies; and
- Publicize Acer's progress on due diligence and supply chain risk mitigation.

We completed and published our 2016 Conflict Minerals Report, including a summary of Acer High-Risk Areas, a responsible and sustainable minerals trade, neral country of origin. The report showed that the quantity of smelters in our supply chain had plateaued. At the same time, the compliant smelters increased. We also increased the visibility of the historic trends on Acer, including a summary of Acer High-R indicators.

In order to review suppliers' SER performance, we established the acer suppliers CSR scorecard. Through the mechanism, we could know and track suppliers' environmental, social and governmental risks in early time and assist the suppliers to conduct the necessary measures to reduce or mitigate the risks. To implement acer suppliers' environmental and social responsibility, our suppliers have to conduct the risk assessment and management to their next-tier suppliers according to the RBA code of conduct. Besides, they have to conduct on-site audit to the suppliers with high risk. We called the mentioned management "Acer RBA 2.0." We include the performance by the suppliers in the evaluation of CSR scorecard. Overall, in 2017, the performance of all types of suppliers have improved compared to 2016.

6.3 Communication

6.3.1 Communication with Stakeholders

Acer is positioned to be a global citizenship among its stakeholders. With that in mind, we endeavor to understand stakeholder's opinions and recommendations, and build a good communication channel with them to ensure mutual understandings and respects. Stakeholders are defined as consumers, investors, suppliers, media, Non-governmental Organizations (NGOs), government, community, academia, trade organizations and others. In addition to CSR performance disclosure for stakeholders on all fronts via Acer's designated Acer Sustainability webpage.

6.3.2 Supplier CSR Communication Meeting

Every year, Acer invites representatives of our major vendors to participate in annual CSR Communication Meetings, sharing the latest global trends in corporate sustainability and emphasizing Acer's requirements of and goals for supply chain CSR management performance. In 2017, the meeting was held through an online real-time meeting service, reducing the need for vendors to physically travel and thus also reducing travel-related carbon emissions. The meeting focused on the performance of Acer's supply chain in terms of social and environmental responsibility and our expectations of vendors. At the 2017 Vendor CSR Communication Meeting, we announced a list of prohibited and restricted chemical substances, including substances that may impact the external environment or the health of operators.

6.3.3 Customer Relations

Acer has always followed a quality policy of "Delivering zero-defect, competitive products and services on time" and adheres to the concept of "Serve with honor and work with pride" in providing professional products and services. Acer designs and conducts regular customer satisfaction surveys tailored to each region to get customer feedback and work on the area that need improvement to enhance the quality of customer service.

In addition, we also establish a complete globalized service structure in all major localized service sites and design different service programs for variety of customers and retailers. Consumers and corporate customers can communicate with us through multiple channels including:

(1) Global web site download and actively update service
(2) Call center support center / technical support
(3) Direct service center
(4) Authorized service center and professional system repair company
(5) International Traveler Warranty service center
(6) Acer Web Master

We are committed to the protection of customers confidential information and strictly follow Acer's privacy policies to request all Acer employee must protect customers' confidential information and private data with cautious; we also implement data protection and security related tool to protect customers personal data in the products. In the same time, a dedicate mail account is set up to handle all escalation of privacy protection related case. All of our service engineers have signed a non-disclosure agreement and prior to any actual repair, our service staff will provide the customer with a maintenance service list to the customer to decide if any private information need to be deleted or removed and store in another hard drive or memory drive to prevent confidential information from being compromised.

6.4 Community Involvement

6.4.1. Acer Volunteer Team

The Acer Volunteer Team was established in 2004 for the purpose of giving employees a channel to contribute their spare time and energy to public welfare service. Apart from providing opportunities for interaction and friendship between employees from different departments and backgrounds, the volunteer service also bring Acer employees new life experiences and personal growth through the activities. The focused areas of the Volunteer Team include digital inclusion, charity and philanthropy, international volunteer work, and environmental conservation. Our volunteer teams have also created many opportunities to give back to the community through volunteer experiences, organizing a number of activities for both staff and their families to promote concepts of charity. In the past, such activities have included recruiting IT volunteers, working to protect mountains and the oceans, second-hand item donation drives, blood drives, electronics recycling, working with people with dementia, promoting carbon reduction and energy saving to address climate change, and helping both disadvantaged children and the elderly.

6.4.2 Acer Foundation

Acer Foundation is committed to promote digital opportunity since its establishment. The Acer Digital Mobile Vans continue to enhance digital competitiveness of the underprivileged in Hualien and Yilan since the project launched in 2010; in 2014, Acer further expanded the scope to cover Taitung County. The mobiles were equipped with the notebooks and ICT technology and can go to the communities to deliver computer classes upon application. By this way, people can have more opportunities to learn computer and thus increase their digital competiveness which can better their lives.

Through the Digital Mobile Vans project, we also hope to improve the technological literacy of people around Taiwan, fostering a good understanding of computers and the Internet while also creating more opportunities for learning and employment. We also encourage our staff to serve as volunteers, teaching members of the public about hardware, software, and the Internet, helping them become more competent users of technology.

Besides, Acer Foundation continues to hold the Dragon Smile Contest and Acer Digital Arts Award to encourage young students to unleash the innovation energy.

Having seen how the Internet of Things and cloud technologies are shaping the future, the promotion and intensification of new technologies is a top priority. In response, the Acer Foundation's Digital Creation Awards have transformed, becoming the BeingLife Creativity Competition, in the hopes of creating a platform for young innovators to come together and compete as they create innovative solutions to life's problems through cloud technologies. In this IoT age, the BeingLife Creativity Competition aims to stimulate new definitions of "being life" built on the concept of the "Internet of Beings" and user-centric approaches. The results of the inaugural BeingLife Creativity Competition were unveiled in April 2017. From these enthusiastic entrants, we can surely see that IoT knowledge and the idea of the Internet of Beings are slowly but surely taking root along the educational path of today's students.

6.5 Enforcement of Corporate Social Responsibility by the Company

Assessment Items	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary Description	
1.Exercising Corporate Governance				
(1) Does the company declare its corporate social responsibility policy and examine the results of the implementation?	✔		Acer Corporate Social Responsibility Policy: • Integrated Sustainable Governance: Deepening CSR governance and stakeholder engagement, as well as strengthening the overall management and transparent disclosure of both financial and non-financial performance • Pioneering Green Innovation: Incorporating low-carbon, sustainable, and cyclically innovative technologies and concepts into products and services, taking the lead in smart cities and the development of a new green economy • Comprehensive Sustainable Impact: Creating real corporate value and leveraging our influence on vendors and partners to help the overall industry move toward a sustainable future We formulate the action plans based on the corporate social responsibility policy and regularly review the performance. Please view Acer Corporate Responsibility Report for details.	No discrepancy
(2) Is there any training about Corporate Social Responsibility (CSR) conducted regularly?	✔		Acer conducts Corporate Social Responsibility (CSR) training according to planned schedule. In 2015, the CSR trainings includes: • Green product training • EICC training • GHG training • Acer's management system on environment safety, and health • Facet analysis of significant environmental impact ISO 14001/ OHSAS 18001-- regulations and implementation	No discrepancy
(3) Does the company establish exclusively (or concurrently) dedicated units to be in charge the corporate social responsibility policies and report to the Board of Directors?	✔		In 2008, Acer stablished the Corporate Sustainability Office (CSO) as an establishment directly in charge of Acer Group's CSR affairs. The Office is in charge of promoting campaigns on companywide sustainability issues. Since then, we take into account stakeholders' suggestions to establish longer term CSR targets and strategies to internalize CSR programs throughout the whole global organization and suppliers. In 2012, we established GCSRC (Global Corporate Social Responsibility Committee) to include the heads of the most critical departments to create the CSR and sustainability practice strategy. To deepen corporate responsibility governance and business strategy combination, we adjusted the corporate sustainability office affiliated with the chairman from Corp. President & CEO. In 2017, we echoed the transformation of the corporation and the change of the world, we adjusted the Acer sustainability mission and the CSR policy to implement the promise of the sustainability of corporate and the society.	No discrepancy

Assessment Items	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary Description	
(4) Have the critical factors of corporate social responsibility been clearly articulated in the performance appraisal system, with fair and effective rewarding or penalty system followed?	✔		Acer promulgates Standards of Business Conduct (SBC) as the guidelines to regulate the employees' behavior in doing business. It is essential for each employee to abide by SBC. We require a new employee attend the training, emphasizing the importance of abiding by the regulations. The standards of SBC --- the core essence of CSR in doing business----- are built-in Acer's performance appraisal system, which helps managerial staff to monitor the status of exercising the regulations. For any behavior that violates the regulations of SBC, the disciplinary actions will be taken, including an employment dismissal.	No discrepancy
2. Fostering a Sustainable Environment				
(1) Does the company endeavors to utilize all resources more efficiently and uses renewable materials which have a low impact on the environment?	✔		Acer strives to lower the environmental impacts of our operation and products, and keeps improving the efficiency of resource usage. The major achievements of 2017 include: a. Use of Post-Consumer Recycled Plastics Acer supports the concept of resource recycling, and as such we actively strive to use post-consumer recycled plastics (PCR) in our products. At the same time, with regard to the materials that are most likely to create problems of pollution or occupational safety in the recycling process, we work with plastics manufacturers and upstream recyclers to conform to international standards of quality, environmental safety, occupational health and safety, and responsible recycling (R2), earning international export licenses and recycling service provision qualifications from local governments. b. Use of recycled paper in packaging Acer carefully considers the materials we use in our packaging, with packaging design emphasizing recyclability and making use of easily recyclable materials a priority. In 2017, more than 98% of our desktop PCs used 100% recycled pulp, minimizing the negative impact of packaging on the environment. On top of this, all of the posters included with products are produced with Forest Stewardship Council certified paper, while all printing uses environmentally friendly water-based and soy inks.	No discrepancy
(2) Does the company establish proper environmental-management systems based on the characteristics of their industries?	✔		Acer adopted international standards ISO 14001 to establish the environmental management system and keep maintaining the validity of the Certificate. We also adopted OHSAS 18000 for our occupational health and safety management. In 2017, Acer passed ISO 14001:2015 new environmental management system. In order to comply with the Acer Group's global strategy, preparations for the integration of the company's environmental and safety and health management systems with those of acquired companies are underway. The Group also plans to replace the existing OHSAS 18001 occupational health and safety management system with ISO 45001 in the future..	No discrepancy

Assessment Items	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary Description	
(3) Does the company monitor the impact of climate change on its operations and establish company strategies for energy conservation and carbon and greenhouse gas reduction?	✔		We have also formulated long-term carbon reduction targets in line with the methodology proposed by the Science Based Targeting initiative, and we expect to accomplish in 2050 an 80% reduction in Scope 1 and Scope 2 carbon emissions from the baseline year of 2009. However, by the end of 2017/beginning of 2018, due to the acquisition of listed companies and the disposal of related assets, the Group had already reached a point necessitating recalibration of the base year emission limits, and as such the exact long-term carbon reduction target must be recalculated and confirmed after the said recalibration is complete. Please view Acer Corporate Responsibility Report for details.	No discrepancy
3. Preserving Public Welfare				
(1) Are there any human right policies or processes formulated in the company in response to the request of International Bill of Human Rights?	✔		The Standards of Business Conduct requires each site of Acer worldwide follow the principles of labor rights, which are both internationally or locally-regulated, including general labor laws, equal opportunity and transparency in recruitment process, with no discrimination of race, gender, age, religion, or nationality, in pursuit of our value emphasizing that right man should be in the right position. Besides, employing a child labor is forbidden. We have sound human resources management systems, for example, clear employment contracts, work rules, or human resources regulations, to ensure the legitimate rights and benefits of an employee being well-protected.	No discrepancy
(2) Are there any complaint channels created for employees, and are the complaints properly handled?	✔		Acer sets up whistleblower.acer@acer.com, encouraging people inside and outside the company to directly report any incidences of fraud, corruption, breaches of the Standards of Business Conduct, or any other activity that is illegal or a counter to good corporate governance. Through this, personnel, legal, or auditing departments can be notified, with each report passed on to the appropriate authorities for confidential investigation.	No discrepancy
(3) Does the company provide safe and healthy work environments for its employees, and organizes training on safety and health for its employeeson a regular basis?	✔		In order to build a good working environment and ensure colleague health and safety, the Acer Taiwan headquarters has launched an ESH (Environment, Safety, and Health) management system. The ESH management group is comprised of 42 members. In addition to regularly organizing meetings to discuss issues relating to ESH, the team also carries out an annual workplace hazard identification, considers environmental impact and proposes improvements for significant risk, high-impact projects. In order to continue to increase employee safety awareness in the workplace and strengthen health and hygiene concepts, Acer Taiwan has held the Education and Training for General Labor Safety and Health. Please view Acer Corporate Responsibility Report for details.	No discrepancy

Assessment Items	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary Description	
(4) Does the company build up sound communication channels and employ the appropriate methods to inform the employees of the possible significant impacts?	✔		Acer attaches great importance to employees' opinions, and therefore strives to ensure communication channels open and candid, including the announcement of critical messages, dedicated hotlines of internal services, communication meetings across multiple-layers of managers, employee opinion survey, employees' complaint channels. Besides, the Employee Representative Meeting is held by on quarter basis, where Corporate President & CEO has a face-to-face communication with employee representatives, discussing about company's business operation, work environment, and employees' rights. For any consensus reached, the essential or corrective actions will be taken.	No discrepancy
(5) Does the company have effective career development plans for employees?	✔		Acer provides a variety to training targeting to the requirements of new employees, staff in a variety of specialized functions, managerial staff, or general audience. All of the trainings will direct to meet the needs of organization development and employee growth, which facilitates to employees' career and competency growth to the fullest.	No discrepancy
(6) Does the company establish policies on consumer rights and provides grievance mechanism regarding its development and research, procurement, production operation and services?	✔		Acer customers can contact us at any time and provide comments and suggestions through any one of the channels listed below: • Network download and support services • Telephone service support center/ technical support • Acer-managed service centers • Authorized service centers and professional maintenance companies • International travelers' warranty service centers • Acer Web Master (procedures and mechanism for handling customer complaints) We also set up the email whistleblower.acer@acer.com for all stakeholders to report any issue regarding our operation such as research and development, procurement, production, and service.	No discrepancy
(7) Does the company comply with the law and international regulations on marketing and labeling of its product and service?	✔		Acer holds firmly to the principles of integrity, transparency, proactiveness, timeliness, and regularity, and carries out marketing communication with consumers and partners, in compliance with local laws and regulations, through the corporate website, subsidiary websites, advertising, product exhibitions, press conferences, and sponsorship of activities. In these ways the Company communicates information on its corporate ideals, products, and services. All Acer products and services carry required labeling and product information in accordance with the law. Manuals for Acer products include guidelines for safe usage, laying out proper usage of the product and relevant items to be aware of, as well as recycling measures for when replacing a product. Consumers will also find details on how to contact Acer and how to find our website, further facilitating troubleshooting via telephone or online customer service	No discrepancy

Assessment Items	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary Description	
(8) Has the company assessed the suppliers' records for the impact on the environment and society?	✔		Performance in all vendor categories in the 2017 vendor CSR scorecard was improved over that of 2016. We also use quarterly business reviews or individual meetings in order to demand underperforming vendors implement appropriate actions to improve their CSR performance. Please view Acer Corporate Responsibility Report for details.	No discrepancy
(9) The company contracts with its major suppliers, such as whether to include supplier when it comes to violations of its corporate social responsibility policy, and there is a significant impact on the environment and society, may at any time terminate or cancel the terms of the contract?	✔		Under our current-existing supply agreements with main suppliers, it contains provisions of compliance of laws and relevant Corporate Social Responsibility regulations such as the RBA code of conduct. In the event that a supplier breaches to the above-mentioned provisions, we are entitled to exercise any and all rights given by the supply agreements, including without limitation, the right to terminate such supply agreement.	No discrepancy
4. Enhancing Information Disclosure				
(1) Does the company disclose the relevant and reliable information relating to their corporate social responsibility in the website and the Market Observation Post System?	✔		We disclose our CSR information and CR report on the below website: http://www.acer-group.com/public/Sustainability/index.htm	No discrepancy

Assessment Items	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary Description	
5. If the Company has established corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies", please describe any discrepancy between the principles and their implementation: To boost Acer's overall competitiveness, fulfill its corporate responsibility in the social, economic and environmental aspects, and make Acer a leading brand-name in the history, the Standards of Business Conduct (SBC) were revised and promulgated in 2009 that serve as behavioral guidelines to Acer global employees providing them principles of conducting business at worldwide. In 2017, we revised and announced the provision related to the "human right protection" in SBC. The enactment of the SBC no only protects Acer's global business interest in a legitimate manner but also helps to enhance its service quality for customers, partners, and the communities. We also establish Antitrust and Fair Competition Guidelines, Regulations on Insider Trading, Rules Governing Management of Personal Data, and Subject Regulations of Prevention, Complaint and Punishment of Sexual Harassment to bring the practice of corporate responsibility into our daily operation.				
6. Other important information to facilitate better understanding of the Company's corporate social responsibility practices: More information can be found at: 1. Acer Sustainability website: http://www.acer-group.com/public/Sustainability/index.htm 2. Acer Foundation website: http://www.acerfoundation.org.tw/english/index.php				
7. If the products or corporate social responsibility reports have received assurance from external institutions, they should state so below: Acer engaged KPMG to perform an independent limited assurance in accordance with ISAE 3000 on 2017 acer corporate responsibility report, of which GRI Standards Core option was applied.				

7

Financial Standing

7.1 Five-Year Consolidated Financial Information

7.1.1 Five-Year Balance Sheet

Consolidated Balance Sheet under International Financial Reporting Standards ("IFRS")

Unit: NTD Thousand

Item \ Period		2013	2014 (Restated)	2015	2016	2017
Current assets		147,088,855	150,885,170	132,949,777	133,863,136	126,294,298
Net property, plant and equipment		6,133,729	5,484,061	4,827,412	4,321,152	4,106,559
Intangible assets		28,720,088	26,727,547	26,609,427	18,595,922	17,184,151
Other assets		8,557,038	7,998,259	7,355,587	8,893,852	10,027,763
Total assets		190,499,710	191,095,037	171,742,203	165,674,062	157,612,771
Current Liabilities	Before Distribution	113,688,491	117,755,891	102,576,092	105,421,675	93,239,933
	After Distribution	113,688,491	117,755,891	102,576,092	105,421,675	Un-appropriated
Long-term liabilities		20,559,849	12,709,296	3,311,010	2,573,909	6,397,432
Total Liabilities	Before Distribution	134,248,340	130,465,187	105,887,102	107,995,584	99,637,365
	After Distribution	134,248,340	130,465,187	105,887,102	107,995,584	Un-appropriated
Equity attributable to shareholders of the Company		56,248,981	60,627,593	65,852,731	57,674,395	57,319,443
Common stock		28,347,268	27,965,678	30,854,428	30,807,328	30,765,028
Capital surplus		43,707,727	34,098,396	36,232,755	34,743,105	29,852,184
Retained Earnings	Before Distribution	(8,325,852)	903,649	1,451,899	(3,448,397)	2,815,587
	After Distribution	0	903,649	1,451,899	0	Un-appropriated
Other reserves		(1,425,876)	845,908	228,505	(1,512,785)	(3,198,500)
Treasury Stock		(6,054,286)	(3,186,038)	(2,914,856)	(2,914,856)	(2,914,856)
Non-controlling interests		2,389	2,257	2,370	4,083	655,963
Total equity	Before Distribution	56,251,370	60,629,850	65,855,101	57,678,478	57,975,406
	After Distribution	56,251,370	60,629,850	65,855,101	57,678,478	Un-appropriated

7.1.2 Five-Year Consolidated Income Statement

Consolidated Income Statement under International Financial Reporting Standards ("IFRS")

Unit: NTD Thousand

Item \ Period	2013	2014	2015	2016	2017
Revenue	360,132,042	329,684,271	263,775,202	232,724,161	237,274,883
Gross profit	22,550,266	28,942,184	24,884,122	23,212,458	25,361,234
Operating (loss) income	(11,409,666)	2,707,665	938,608	1,192,513	3,669,734
Non-operating Loss	(9,654,070)	(93,246)	(92,051)	(5,916,838)	(230,602)
Income (loss) before taxes	(21,063,736)	2,614,419	846,557	(4,724,325)	3,439,132
Income (loss) from Continued segment	(20,519,349)	1,790,584	603,795	(4,900,740)	2,796,733
Income (loss) from Discontinued segment	0	0	0	0	0
After income tares	(20,519,349)	1,790,584	603,795	(4,900,740)	2,796,733
Other comprehensive income (loss) for the period, net of tax	2,262,505	2,438,464	(829,149)	(1,752,356)	(1,697,788)
Total comprehensive income (loss) for the period	(18,256,844)	4,229,048	(225,354)	(6,653,096)	1,098,945
Net income (loss) attributable to shareholders of the Company	(20,519,428)	1,790,690	603,680	(4,900,296)	2,815,587
Net income (loss) attributable to non-controlling interests	79	(106)	115	(444)	(18,854)
Total comprehensive income (loss) attributable to Shareholders of the Company	(18,526,899)	4,229,180	(225,467)	(6,654,809)	1,115,222
Total comprehensive income (loss) attributable to Non-controlling interests	55	(132)	113	1,713	(16,277)
EPS (in New Taiwan Dollars)	(7.54)	0.66	0.20	(1.62)	0.93

7.1.3 CPAs' and Auditors' Opinions

Year	Name of CPA(s)	Auditors' Opinion
2013	Huei-Chen Chang, Wei-Ming Shih	Unqualified
2014	Tzu-Chieh Tang, Wei-Ming Shih	Unqualified
2015	Tzu-Chieh Tang, Wei-Ming Shih	Modified Unqualified
2016	Huei-Chen Chang, Tzu-Chieh Tang	Unqualified
2017	Huei-Chen Chang, Tzu-Chieh Tang	Unqualified

7.2 Five-Year Financial Analysis

Financial Analysis under International Financial Reporting Standards (“IFRS”)

Item		Period	2013	2014	2015	2016	2017
Financial Ratio	Total liabilities to total assets(%)		70.47	68.27	61.65	65.19	63.22
Financial Ratio	Long-term funds to Net fixed assets (%)		1,252.28	1,337.31	1,432.78	1,394.36	1,567.56
Ability to Payoff Debt	Current ratio(%)		129.38	128.13	129.61	126.98	135.45
Ability to Payoff Debt	Quick Ratio(%)		95.39	94.52	93.45	86.93	88.99
Ability to Payoff Debt	Interest protection		(22.16)	5.01	3.49	(17.88)	16.23
Ability to Operate	A/R turnover (times)		5.50	5.44	4.91	5.03	5.20
Ability to Operate	A/R turnover days		66.36	67.09	74.33	72.56	70.19
Ability to Operate	Inventory turnover (times)		8.56	8.33	6.76	5.73	5.35
Ability to Operate	A/P turnover (times)		5.32	5.47	4.90	4.38	4.43
Ability to Operate	Inventory turnover days		42.64	43.81	53.99	63.69	68.22
Ability to Operate	Fixed assets turnover (times)		56.90	56.76	51.16	50.88	56.31
Ability to Operate	Total assets turnover (times)		1.73	1.73	1.45	1.38	1.47
Earning Ability	Return on assets(%)		(9.49)	1.22	0.49	(2.78)	1.85
Earning Ability	Return on equity(%)		(31.46)	3.06	0.95	(7.93)	4.84
Earning Ability	To Pay-in Capital (%)	Operating income	(40.25)	9.68	3.04	3.87	11.93
Earning Ability	To Pay-in Capital (%)	PBT	(74.31)	9.35	2.74	(15.34)	11.18
Earning Ability	Net income ratio(%)		(5.70)	0.54	0.23	(2.11)	1.18
Earning Ability	EPS(NTD)		(7.54)	0.66	0.20	(1.62)	0.93
Cash Flow(%)	Cash flow ratio		(7.61)	4.78	(0.84)	7.85	(7.90)
Cash Flow(%)	Cash flow adequacy ratio		102.96	53.18	18.83	46.07	(34.29)
Cash Flow(%)	Cash reinvestment ratio		(15.60)	10.33	(1.71)	16.63	(13.37)
Leverage	Operating leverage		(1.99)	10.65	25.94	18.62	6.70
Leverage	Financial leverage		0.93	1.32	1.57	1.27	1.07

1. Financial Ratio

(1) Total liabilities to total assets=Total liabilities/Total assets

(2) Long-term funds to Net property, plant and equipment=(Net equity+Long term debts)/Net property, plant and equipment

2. Ability to Pay off debt

(1) Current ratio=Current Assets/Current liability

(2) Quick ratio=(Current assets-Inventory-Prepaid expenses)/Current liability

(3) Interest protection=Net income before income tax and interest expense/Interest expense

3. Ability to Operate

(1) Account receivable (including account receivable and notes receivable from operation) turnover=Net sales/the average of account receivable (including account receivable and notes receivable from operation) balance

(2) A/R turnover day=365/account receivable turnover

(3) Inventory turnover=Cost of goods sold/the average of inventory

(4) Account payable (including account payable and notes payable from operation)turnover=Cost of goods sold/the average of account payable(including account payable and notes payable from operation)balance

(5) Inventory turnover day=365/Inventory turnover

(6) Net property, plant and equipment turnover=Net sales/Average Net property, plant and equipment

(7) Total assets turnover=Net sales/Average Total assets

4. Earning Ability

(1) Return on assets=[PAT+Interest expense×(1-Tax rate)]/the average of total assets

(2) Return on equity=PAT/the average of total equity

(3) Net income ratio=PAT/Net sales

(4) EPS =(Earning attributable to shareholders of the Company -Dividend from prefer stock)/weighted average outstanding shares

5. Cash Flow

(1) Cash flow ratio=Cash flow from operating activities/Current liability

(2) Cash flow adequacy ratio=Most recent 5-year Cash flow from operating activities=Most recent 5-year (Capital expenditure+the increase of inventory+cash dividend)

(3) Cash reinvestment ratio=(Cash flow from operating activities-cash dividend)/(Gross property, plant and equipment+long-term investment+other non-current assets+working capital)

6. Leverage

(1) Operating leverage=(Net revenue-variable cost of goods sold and operating expense)/operating income

(2) Financial leverage=Operating income/(Operating income-interest expenses)

7.3 Audit Committee Review Report

The Board of Directors has prepared the Company's 2017 Business Report, Financial Statements, and the Proposal for profit & loss appropriation. The CPA Huei-Chen Chang and Tzu-Chieh Tang from KPMG were retained to audit Acer's Financial Statements and have issued an audit report relating to the Financial Statements. The said Business Report, Financial Statements, and Proposal for profit & loss appropriation have been reviewed and determined to be correct and accurate by the Audit Committee of Acer Incorporated in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, I hereby submit this Report.

Acer Incorporated

Convener of the Audit Committee: Ching-Hsiang, Hsu

March 21, 2018

7.4 Financial Statements Consolidated Subsidiaries Audited by CPAs of the Past Year

Please refer to Appendix.

7.5 Disclosure of the Impact on Company's Financial Status Due to Financial Difficulties

Not applicable.

7.6 Financial Prediction and Achievements

7.6.1 Financial Forecast of Year 2017

Not applicable.

8

Risk Management

8.1 Important Notices for Risk Management and Evaluation

Risk Management Organization

The ultimate goal of Acer's business philosophy is sustainability. We firmly believe that rigorous risk management not only represents the emphasis Acer places on our long-term commitments to customers, partners, and shareholders, but also provides concrete actions that can ensure stable business performance and the implementation of corporate social responsibility. One could even say that the sustainable development of a company is inextricably tied to its risk management. Only by continuously and consistently identifying dynamic changes in risk and implementing relevant management measures can we truly achieve sustainability and ensure our hard-won results are protected.

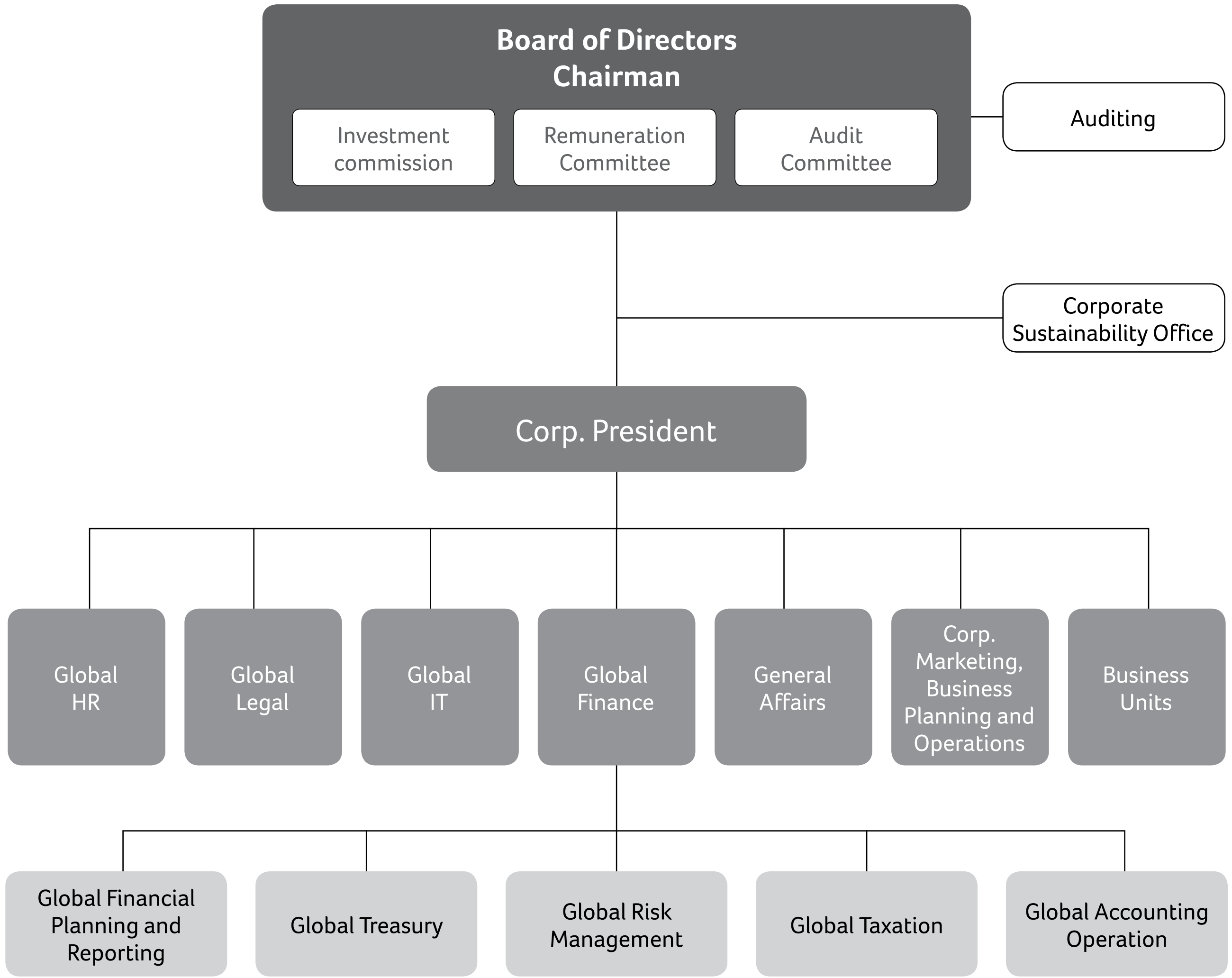
Acer collects and evaluates potential strategic, operational, financial, and hazard risks that could impact the Company's operations, setting out management policies and enforcement mechanisms and organizations in response to ensure risks are controlled and responded to appropriately. For the sake of ongoing monitoring, strengthening of risk management, timely response, where risk has been identified, it is included into routine meetings of the Audit Committee, where it is taken into consideration alongside the operating conditions of the Company and a decision regarding the relevant department and issue is made.

Acer's Risk Management Framework

At the end of 2012, Acer established a Risk Management Workgroup. The members of this group are drawn from departments throughout the Company, including legal affairs, finance, HR, supply chain management, marketing, IT, environmental health and safety, asset management, product business groups, and the sustainability office. Through this workgroup's annual meetings, members carry out identification and discussion of potential operating risks and emerging risks facing the Company along economic, environmental, and social axes.

- The Board of Directors works to improve and strengthen corporate governance and determines the strategic direction of risk management. At the same time, in response to various operational risks, relevant regulations and authorized units are formulated, and progress in the implementation and control of risk items reported by the various committees and management is monitored. In addition, internal management functions are further strengthened to enhance the effectiveness of risk management.
- Management is responsible for supervising and following risk management strategy, and for conducting regular assessments of effectiveness
- Audit Office regularly reviews and monitors implementation of internal control processes, annual audit plan, etc.
- The Corporate Sustainability Office is responsible for identification and management of sustainability risk, using various analytical methods to identify operating risks, including forward-looking social and environmental issues, and drafting follow-up management plans to mitigate their impact on the organization.
- Global Human Resources Headquarters is responsible for implementing HR policies, including matters pertaining to hiring, performance, compensation, projects, organization, command, controls, and negotiation to accomplish business development and goals and create an adaptable organizational system.
- Global Legal Headquarters is responsible for legal risk management, reviewing and processes contract disputes, etc. to reduce legal risk.
- Global Information Technology Headquarters is responsible for the construction and planning of overall information systems and information security management.
- Global Financial Headquarters:
  - ✔ Global Financial Information Head Office is responsible for operations analysis and planning, financial information integration, and investment management in response to relevant risks.
  - ✔ Global Funds Head Office is responsible for finance-related planning and tasks including risk sharing and insurance allocation.
  - ✔ Global Taxation Head Office is responsible for the planning and coordination of international investment frameworks and tax risk planning, management, and response.
  - ✔ Global Accounting Head Office is responsible for verifying and checking hedging transactions, ensuring the validity of transactions and reliability of financial statements.
  - ✔ Global Risk Management Head Office is responsible for risk management and insurance allocation pertaining to global credit risk and operating risk.
- General Affairs Office is responsible for the management of potential risks to environmental safety & health or to the Group's assets.
- Global Brand Marketing and Strategic Operations Center is responsible for risk strategy planning, management, and improvement for business intelligence and market analysis, supply chain operating risk management, brand and PR risk management, and quality control management.

Acer's Risk Management Framework



Chairman of the Board, Investment Review Committee, Remuneration Committee, Audit Committee, Audit Office, Strategic Decision-making Committee, Corporate Sustainability Office, CEO and global president, Global Human Resources Headquarters, Global Legal Headquarters, Global Information Technology Head Office, Global Financial Technology Head Office, Global Finance Head Office, General Affairs Office, Global Brand Marketing and Strategic Operations Center, Operational Business Units, Global Financial Information Head Office, Global Information Security Head Office, Global Risk Management Head Office, Global Taxation Head Office, Global Accounting Head Office.

Risk Identification

The Risk Management Workgroup uses risk maps to analyze the probability of losses resulting from various risks and the extent of those losses should the risks occur, as well as analyzing the level of potential threat those risks pose to the Company and carrying out risk classification in order to ensure the Company's risk management strategy is properly prioritizing risks. The following risk analysis and testing methods are adopted to further quantify and analyze risks and examine whether there is a high degree of correlation between risk factors.

- Correlation Analysis
- Sensitivity Analysis
- Stress Test

The Risk Management Workgroup aggregates the results of these and drafts follow-up action plans, reporting to the convener of the group. Material risk information is also provided in Audit Committee reports. In 2017, the Risk Management Workgroup identified a total of 63 risk items, of which 11 were categorized as medium-high risk or higher, including IP and litigation risk, information security risk, and exchange rate risk. Personnel from the relevant departments are assigned to formulate follow-up risk management strategies and related implementation plans for risk items that have been identified and analyzed, including common risk management response methods such as loss prevention, avoidance, separation & duplication, risk transfer, and risk retention. They also evaluate the appropriate investment of resources, set out implementation priorities, and lay out follow-up methods. At the same time, risk response plans and crisis management mechanisms have been formulated to reduce the potential adverse effects of various potential risks on operations. In summary, we are engaged in ongoing and proactive risk management, taking a forward-looking focus on prevention and facing both current and future risks and challenges with prudence. We also reported on the critical risk information to the Audit Committee. The reports are as followings:

- Patent, IP and litigation risk management report
- Liability insurance for directors, supervisors, and managers
- Overview of foreign exchange losses and risk controls
- Full inventory risk control
- Risk control report based on trends in tax reform

In summary, we are engaged in ongoing and proactive risk management, taking a forward-looking focus on prevention and facing both current and future risks and challenges with prudence. The Audit Committee also aggregates risk environment, risk management priorities, risk assessment, and response measures, with the chair reporting this to the board.

8.1.1 Impact of Interest Rate, Exchange Rate and Inflation on Company's P&L and Future Strategy

1.Interest Rate Fluctuation

ECB may continue its expansionary policy due to slow recovery of economy in Eurozone. Fed may raise rates, depending on incoming data for labour market and inflation. Under the assumption of controlled inflation, Central Bank of the Republic of China (Taiwan) is unlikely to raise interest rate. Short-term TWD and foreign currency deposits remain to be the most common used instruments for Acer to optimize return while reducing risk.

2.Exchange Rate

The incoming political risks, including the initiation of Brexit, may weaken EUR. Fed is expected to raise interest rate, which may strengthen USD and weaken NTD comparatively. The international relations between the US and China may influence CNY's exchange rate. The monetary policies of major economies influence the stability of the currencies in emerging markets. Acer will maintain its strategy to meticulously hedge its foreign positions to minimize the impacts on earnings caused by foreign exchange rate fluctuations.

3.Inflation

According to recent IMF World Economic Outlook, there may be signs that economic activity is going to pick up pace. With commodity prices rising, inflation rate is expected to be higher than last year. Appropriate measures will be taken accordingly to minimize impacts on business operation if need.

8.1.2 How Corporate Image Change Affects Company's Risk Management Mechanism

The Company split off its manufacturing division at the end of year 2000 in order to focus on the design and marketing of IT products and services. The potential crises within manufacturing and marketing companies are very different, and the Company's crisis management now focuses on our global supply-chain and logistics. By outsourcing our manufacturing sector to multiple vendors and suppliers, the Company gained greater flexibility in inventory control and lowered risks compared to a single-vendor policy. With the ever-changing global economy, it is essential to be prepared for risks and challenges at all times. The Company's risk management team has a clear sense of crisis management and has taken the precautions where necessary. We have set up a crisis mechanism that will minimize potential damages to ensure the Company's sustainable management.

8.1.3 Predicted Benefits and Potential Risk to Company with Factory/Office Expansion

Not applicable.

8.1.4 Potential Risks to Company from the Consentration of Procurement and Sales

None

8.1.5 Affect on Company from Shares Transfers by Directors, Supervisors or Shareholders Holding More Than 10% Shares

Not applicable.

8.1.6 Impact and Potential Risks to Company Management Team Change

Not applicable.

8.1.7 The major litigious, non-litigious or administrative disputes that: (1) involve Acer and/or any Acer director, any Acer supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 %, and/or any company or companies controlled by Acer; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the company's securities, the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of printing of this annual report shall be disclosed as follows

1. The status of the dispute as of the date of printing of this annual report:
   (1) A US company filed a lawsuit against Acer in the superior court of California based on cause of actions for misappropriation of trade secrets and breach of a non-disclosure agreement. Acer has engaged external law firms to deal such litigation. So far, the final verdict is still unpredictable; however, Acer has properly accrued provisions based on development of the aforesaid lawsuit. Thus, Acer foresees no immediate material adverse effect on the Acer's business operations and finance.
   (2) Acer from time to time receives notices from third parties asserting that Acer has infringed certain patents or demands Acer obtain certain patents licenses. Although Acer does not expect that outcome of the notices, individually or collectively, will have a material adverse effect on Acer's financial position or operation, given the outcome of legal proceedings are difficult to foresee, relevant settlements may affect Acer's result of operation or cash flow in a particular period.

2. In year 2017 and as of the date of printing of this annual report, any Acer director, supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10% were not involved in any material litigious, non-litigious or administrative disputes of which the result could materially affect shareholders' equity or the prices of Acer's securities.
3. In year 2017 and as of the date of printing of this annual report, any company or companies controlled by Acer were not involved in any material litigious, non-litigious or administrative disputes of which the result could materially affect shareholders' equity or the prices of Acer's securities.

8.1.8 Other Risks

None

Appendix

Stock Code:2353

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

ACER INCORPORATED AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016
(With Independent Auditors' Report Thereon)

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

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Representation Letter

The entities that are required to be included in the combined financial statements of ACER INCORPORATED as of and for the year ended December 31, 2017 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 "Consolidated and Separate Financial Statements" endorsed by the Financial Supervisory Commission. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, ACER INCORPORATED and its subsidiaries do not prepare a separate set of combined financial statements.

Hereby declare

ACER INCORPORATED
Jason Chen
Chairman
March 21, 2018

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Independent Auditors' Report

To the Board of Directors
Acer Incorporated:

Opinion

We have audited the consolidated financial statements of Acer Incorporated (the "Company") and its subsidiaries (together referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards("IFRSs"), International Accounting Standards("IASs"), interpretations as well as related guidance endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2017 are stated as follows:

1. Revenue recognition

   Please refer to Note 4(r) "Revenue recognition" for the significant accounting policies on recognizing revenue, and Note 5(a) "Critical accounting judgments and key sources of estimation and assumption uncertainty" for estimation uncertainty of sales returns and allowances.

Description of key audit matter:

The Group engaged primarily in the sale of brand-name IT products. Revenue is recognized depending on the various trade terms agreed with customers. This exposes the Group to the risk that the sales transactions made close to the balance sheet date are not recorded in the appropriate period. Furthermore, the accrual of sales allowances and returns based on business practice is subject to management' s judgment, which involves significant uncertainty. Consequently, the revenue recognition and accrual of sales allowances and returns have been identified as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matters above, we have performed certain audit procedures including, among others, testing the design and operating effectiveness of the Group' s internal controls over the timing of revenue recognition; performing a sample test of sales transactions taking place before and after the balance sheet date to ensure that revenue was recognized in the appropriate period; assessing the methodology used by management in calculating the level of accrual of sales allowances and returns, including the reasonableness of key assumptions; and inspecting the historical payments of sales allowances and returns to evaluate the reasonableness of the sales allowances and returns estimated by management.

2. Valuation of inventories

Please refer to Note 4(h) "Inventories" for the significant inventory accounting policies, Note 5(b) "Critical accounting judgments and key sources of estimation and assumption uncertainty" for estimation uncertainty of inventory valuation and Note 6(f) "Inventories" for the related disclosures.

Description of key audit matter:

Inventories are measured at the lower of cost and net realizable value. Due to the rapid development of technology and fierce market competition, the Group's product price may fluctuate rapidly. Furthermore, the stocks for products and components may exceed customers' demands thus becoming obsolete. These factors expose the Group to significant level of uncertainty particularly in the area of estimating net realizable value, which is subject to management's judgments. Therefore, the valuation of inventories has been identified as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain audit procedures including, among others, evaluating whether valuation of inventories was accounted for in accordance with the Group' s accounting policies; obtaining the inventory aging report, analyzing the fluctuation of inventory aging and selecting samples to verify the accuracy of inventory aging classification; and testing the net realizable value of inventories to evaluate the reasonableness of inventory provisions.

3. Impairment of goodwill

Please refer to Note 4(o) "Impairment of non-financial assets" for the significant accounting policies on goodwill impairment, Note 5(c) " Critical accounting judgments and key sources of estimation and assumption uncertainty" for estimation uncertainty of goodwill impairment and Note 6(l) "Intangible assets" for the related disclosures.

Description of key audit matter:

Goodwill arising from past acquisition of subsidiaries are subject to impairment test annually or at the time there are indications that goodwill may have been impaired. The assessment of the recoverable amount of goodwill involves management' s judgment and estimation with respect to the future cash flows and key assumptions which are complex and involve significant uncertainty. Accordingly, the assessment of impairment of goodwill has been identified as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain audit procedures including, among others, assessing the basis used by management for identifying the cash-generating units and whether carrying amounts of assets allocating to respective cash-generating unit have been completely covered; assessing the appropriateness of the valuation model and key assumptions (in particular projected sales growth rate and weighted-average cost of capital) used by the management in measuring the recoverable amount; assessing the historical reasonableness of management' s estimates of business forecasts, and performing a sensitivity analysis of key assumptions. In addition to the above audit procedures, we have also involved a valuation specialist to evaluate the appropriateness of the weighted-average cost of capital used and its underlying assumptions; and assessing the adequacy of the Group' s disclosures of its policy on impairment of non-financial assets (including goodwill) and other related disclosures.

Other Matter

Acer Incorporated has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2017 and 2016, on which we have issued an unmodified audit opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs, IASs, interpretation as well as related guidance endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (inclusive of the Audit Committee) are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercised professional judgment and maintained professional skepticism throughout the audit. We also:

1. Identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remained solely responsible for our audit opinion.

We communicated with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determined that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Huei-Chen Chang and Tzu-Chieh Tang.

KPMG

Taipei, Taiwan (Republic of China)
March 21, 2018

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and cash flows in accordance with the 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.

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2017		December 31, 2016	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (note 6(a) & (aa))	$ 33,970,331	22	44,289,673	27
1110	Financial assets at fair value through profit or loss－current (note 6(b) & (aa))	170,803	-	1,577,442	1
1125	Available-for-sale financial assets－current (note 6(c) & (aa))	118,329	-	100,025	-
1147	Investments in debt instrument without an active market－current (note 6(d) & (aa))	232,466	-	32,279	-
1170	Notes and accounts receivable, net (note 6(e) & (aa))	46,761,383	30	44,230,305	27
1180	Accounts receivable from related parties (note 6(e) & (aa) and 7)	126,903	-	81,975	-
1200	Other receivables (note 6(e) & (aa))	1,023,908	1	738,719	-
1210	Other receivables from related parties (note 6(e) & (aa) and 7)	97	-	6,737	-
1220	Current income tax assets	570,537	-	587,864	-
130X	Inventories (note 6(f))	40,079,221	25	39,095,487	24
1460	Non-current assets held for sale, net (note 6(g))	161,990	-	-	-
1470	Other current assets (note 6(m))	3,078,330	2	3,122,630	2
	Total current assets	126,294,298	80	133,863,136	81
	Non-current assets:				
1510	Financial assets at fair value through profit or loss－non-current (note 6(b) & (aa))	-	-	70,340	-
1523	Available-for-sale financial assets－non-current (note 6(c) & (aa))	5,252,341	3	4,272,766	3
1546	Investments in debt instrument without an active market－non-current (note 6(d) & (aa))	308,444	-	178,238	-
1550	Investments accounted for using equity method (note 6(h))	569,405	-	416,343	-
1600	Property, plant and equipment (note 6(j) and 8)	4,106,559	3	4,321,152	3
1760	Investment property (note 6(k))	1,141,199	1	1,180,317	1
1780	Intangible assets (note 6(l))	17,184,151	11	18,595,922	11
1840	Deferred income tax assets (note 6(s))	656,478	-	662,277	-
1900	Other non-current assets (note 6(m) & (r))	1,101,079	1	1,152,928	1
1980	Other financial assets－non-current (note 6(aa) and 8)	998,817	1	960,643	-
	Total non-current assets	31,318,473	20	31,810,926	19
	Total assets	**$ 157,612,771**	**100**	**165,674,062**	**100**

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Balance Sheets (Continued)

December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2017		December 31, 2016	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (note 6(n), (aa) & (ab))	$ 482,894	-	103,000	-
2120	Financial liabilities at fair value through profit or loss－current (note 6(b), (aa) & (ab))	621,947	-	112,606	-
2170	Notes and accounts payable (note 6(aa) & (ab))	42,749,799	27	52,866,900	32
2180	Accounts payable to related parties (note 6(aa) & (ab) and 7)	1,183	-	3,514	-
2200	Other payables (note 6(d),(x),(aa) & (ab))	37,219,141	24	37,104,994	22
2250	Provisions－current (note 6(p) and 9)	6,656,001	4	6,476,306	4
2322	Current portion of long-term debt (note 6(o), (aa) & (ab) and 8)	2,701,958	2	6,000,000	4
2399	Other current liabilities	2,807,010	2	2,754,355	2
	Total current liabilities	93,239,933	59	105,421,675	64
	Non-current liabilities:				
2540	Long-term debt (notes 6(o), (aa) & (ab) and 8)	3,300,499	2	-	-
2550	Provisions－non-current (note 6(p) and 9)	45,692	-	60,520	-
2570	Deferred income tax liabilities (note 6(s))	1,040,696	1	692,713	-
2600	Other non-current liabilities (note 6(r))	2,010,545	1	1,820,676	1
	Total non-current liabilities	6,397,432	4	2,573,909	1
	Total liabilities	99,637,365	63	107,995,584	65
	Equity (note 6(t) & (u)):				
3110	Common stock	30,765,028	19	30,807,328	19
3200	Capital surplus	29,852,184	19	34,743,105	21
	Retained earnings:				
3310	Legal reserve	-	-	145,190	-
3320	Special reserve	-	-	1,306,709	1
3351	Unappropriated earnings (accumulated deficit)	2,815,587	2	(4,900,296)	(3)
3400	Other equity	(3,198,500)	(2)	(1,512,785)	(1)
3500	Treasury stock	(2,914,856)	(2)	(2,914,856)	(2)
	Equity attributable to shareholders of the Company	57,319,443	36	57,674,395	35
36XX	**Non-controlling interests**	655,963	1	4,083	-
	Total equity	57,975,406	37	57,678,478	35
	Total liabilities and equity	**$ 157,612,771**	**100**	**165,674,062**	**100**

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Loss)

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)

		2017		2016	
		Amount	%	Amount	%
4000	**Revenue (note 6(p) & (w), 7 and 14)**	$ 237,274,883	100	232,724,161	100
5000	**Cost of revenue (note 6(f), (j), (l), (p), (q) & (r), 7 and 12)**	211,913,649	89	209,511,703	90
	Gross profit	25,361,234	11	23,212,458	10
	Operating expenses(note 6(e), (j), (k), (l), (p), (q), (r), (u) & (x), 7 and 12)				
6100	Selling expenses	14,855,347	6	16,097,142	7
6200	Administrative expenses	4,547,263	2	4,153,928	1
6300	Research and development expenses	2,497,868	1	2,048,469	1
	Total operating expenses	21,900,478	9	22,299,539	9
6500	**Other operating income and loss－net (note 6(q) & (y))**	208,978	-	279,594	-
	Operating income	3,669,734	2	1,192,513	1
	Non-operating income and loss:				
7010	Other income (note 6(z))	525,760	-	435,145	-
7020	Other gains and losses－net (note 6(d), (i), (z) & (aa))	(574,381)	(1)	280,488	-
7050	Finance costs (note 6(z))	(225,832)	-	(250,257)	-
7060	Share of profits (losses) of associates and joint ventures (note 6(h))	(38,629)	-	(17,970)	-
7673	Reversal of impairment loss on property, plant and equipment (note 6(g))	82,480	-	-	-
7675	Loss on impairment of intangible assets (note 6(l))	-	-	(6,364,244)	(3)
	Total non-operating income and loss	(230,602)	(1)	(5,916,838)	(3)
7900	**Income (loss) before taxes**	3,439,132	1	(4,724,325)	(2)
7950	**Income tax expense (note 6(s))**	642,399	-	176,415	-
	Net income (loss)	2,796,733	1	(4,900,740)	(2)
	Other comprehensive income (loss) (note 6(r), (s), (t) & (aa)):				
8310	**Items that will not be reclassified subsequently to profit or loss:**				
8311	Remeasurements of defined benefit plans	(35,445)	-	(42,601)	-
8349	Income tax benefit related to items that will not be reclassified subsequently to profit or loss	11,050	-	29,720	-
		(24,395)	-	(12,881)	-
8360	**Items that may be reclassified subsequently to profit or loss:**				
8361	Exchange differences on translation of foreign operations	(2,132,038)	(1)	(2,493,748)	(1)
8362	Change in fair value of available-for-sale financial assets	457,886	-	756,795	-
8370	Share of other comprehensive income of associates and joint ventures (note 6 (19))	741	-	(2,875)	-
8399	Income tax benefit related to items that may be reclassified subsequently to profit or loss	18	-	353	-
		(1,673,393)	(1)	(1,739,475)	(1)
	Other comprehensive loss for the year, net of taxes	(1,697,788)	(1)	(1,752,356)	(1)
	Total comprehensive income (loss) for the year	**$ 1,098,945**	**-**	**(6,653,096)**	**(3)**
	Net income (loss) attributable to:				
8610	Shareholders of the Company	$ 2,815,587	1	(4,900,296)	(2)
8620	Non-controlling interests	(18,854)	-	(444)	-
		$ 2,796,733	**1**	**(4,900,740)**	**(2)**
	Total comprehensive income (loss) attributable to:				
8710	Shareholders of the Company	$ 1,115,222	-	(6,654,809)	(3)
8720	Non-controlling interests	(16,277)	-	1,713	-
		$ 1,098,945	**-**	**(6,653,096)**	**(3)**
	Earnings (loss) per share (in New Taiwan dollars) (note 6(v)) :				
9750	Basic earnings (loss) per share	**$**	**0.93**		**(1.62)**
9850	Diluted earnings (loss) per share	**$**	**0.93**		**(1.62)**

See accompanying notes to financial statements.

(English Translation of Consolidated and Report Originally Issued in Chinese)

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent														
			Retained earnings				Other equity interest								
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings (accumulated deficit)	Total	Foreign currency translation differences	Unrealized gain (loss) from available-for-sale financial assets	Remeasurements of defined benefit plans	Unearned compensation cost arising from restricted shares of stock issued to employees	Total	Treasury stock	Total	Non-controlling interests	Total equity
Balance at January 1, 2016	$ 30,854,428	36,232,755	93,166	838,498	520,235	1,451,899	1,437,412	(1,104,565)	(64,376)	(39,966)	228,505	(2,914,856)	65,852,731	2,370	65,855,101
Appropriation approved by the stockholders:															
Legal reserve	-	-	52,024	-	(52,024)	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	468,211	(468,211)	-	-	-	-	-	-	-	-	-	-
Other changes in capital surplus:															
Change in equity of investments in associates	-	(19,743)	-	-	-	-	-	-	-	-	-	-	(19,743)	-	(19,743)
Cash distributed from capital surplus	-	(1,517,007)	-	-	-	-	-	-	-	-	-	-	(1,517,007)	-	(1,517,007)
Compensation cost arising from restricted shares of stock issued to employees	-	-	-	-	-	-	-	-	-	13,223	13,223	-	13,223	-	13,223
Retirement of restricted shares of stock issued to employees	(47,100)	47,100	-	-	-	-	-	-	-	-	-	-	-	-	-
Net loss in 2016	-	-	-	-	(4,900,296)	(4,900,296)	-	-	-	-	-	-	(4,900,296)	(444)	(4,900,740)
Other comprehensive income (loss) for the period	-	-	-	-	-	-	(2,498,427)	756,795	(12,881)	-	(1,754,513)	-	(1,754,513)	2,157	(1,752,356)
Total comprehensive income (loss) for the period	-	-	-	-	(4,900,296)	(4,900,296)	(2,498,427)	756,795	(12,881)	-	(1,754,513)	-	(6,654,809)	1,713	(6,653,096)
Balance at December 31, 2016	30,807,328	34,743,105	145,190	1,306,709	(4,900,296)	(3,448,397)	(1,061,015)	(347,770)	(77,257)	(26,743)	(1,512,785)	(2,914,856)	57,674,395	4,083	57,678,478
Appropriation approved by the stockholders:															
Decrease in legal reserve to offset accumulated deficits	-	-	(145,190)	-	145,190	-	-	-	-	-	-	-	-	-	-
Decrease in special reserve to offset accumulated deficits	-	-	-	(1,306,709)	1,306,709	-	-	-	-	-	-	-	-	-	-
Decrease in capital surplus to offset accumulated deficits	-	(3,448,397)	-	-	3,448,397	3,448,397	-	-	-	-	-	-	-	-	-
Other changes in capital surplus:															
Change in equity of investments in associates	-	28,571	-	-	-	-	-	-	-	-	-	-	28,571	19	28,590
Cash distributed from capital surplus	-	(1,515,071)	-	-	-	-	-	-	-	-	-	-	(1,515,071)	-	(1,515,071)
Changes in ownership interests in subsidiaries	-	1,653	-	-	-	-	-	-	-	-	-	-	1,653	(1,653)	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	649,886	649,886
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	19,893	19,893
Compensation cost arising from restricted shares of stock issued to employees	-	-	-	-	-	-	-	-	-	14,650	14,650	-	14,650	-	14,650
Retirement of restricted shares of stock issued to employees	(42,300)	42,300	-	-	-	-	-	-	-	-	-	-	-	-	-
Stock option compensation cost of subsidiary	-	23	-	-	-	-	-	-	-	-	-	-	23	12	35
Net income in 2017	-	-	-	-	2,815,587	2,815,587	-	-	-	-	-	-	2,815,587	(18,854)	2,796,733
Other comprehensive income (loss) for the period	-	-	-	-	-	-	(2,141,146)	459,805	(19,024)	-	(1,700,365)	-	(1,700,365)	2,577	(1,697,788)
Total comprehensive income (loss) for the period	-	-	-	-	2,815,587	2,815,587	(2,141,146)	459,805	(19,024)	-	(1,700,365)	-	1,115,222	(16,277)	1,098,945
Balance at December 31, 2017	**$ 30,765,028**	**29,852,184**	**-**	**-**	**2,815,587**	**2,815,587**	**(3,202,161)**	**112,035**	**(96,281)**	**(12,093)**	**(3,198,500)**	**(2,914,856)**	**57,319,443**	**655,963**	**57,975,406**

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	2017	2016
Cash flows from operating activities:		
Income (loss) before income taxes	$ 3,439,132	(4,724,325)
Adjustments for:		
Depreciation	508,866	613,178
Amortization	563,486	851,398
Interest expense	225,832	250,257
Interest income	(304,605)	(210,263)
Dividend income	(221,155)	(224,882)
Share-based compensation cost	14,685	13,223
Effects of exchange rate changes in investments in debt instrument without an active market	(7,000)	11,597
Share of losses of associates and joint ventures	38,629	17,970
Loss on disposal of property, plant and equipment	5,817	7,800
Gain on disposal of intangible assets	(32)	-
Gain on disposal of investments accounted for using equity method	(690)	-
Gain on bargain purchase	(1,130)	-
Other investment loss	36,183	5,861
Impairment loss on non-financial assets	-	6,364,244
Impairment loss on financial assets	3,061	-
Reversal of impairment loss on property, plant and equipment	(82,480)	-
Intangible assets reclassified to expenses	602	-
Total profit and loss	780,069	7,700,383
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Derivative financial instruments	1,986,320	(936,275)
Notes and accounts receivable	(2,264,268)	3,942,722
Receivables from related parties	(44,928)	(29,226)
Inventories	(817,920)	(5,072,154)
Other receivables and other current assets	(61,070)	498,796
Non-current accounts receivable	33,429	(33,429)
Net changes in operating assets	(1,168,437)	(1,629,566)
Net changes in operating liabilities:		
Notes and accounts payable	(10,342,558)	10,130,003
Payables to related parties	(2,331)	(7,856)
Other payables and other current liabilities	(202,344)	(2,364,099)
Provisions	125,554	(537,825)
Other non-current liabilities	127,706	(810)
Net changes in operating liabilities	(10,293,973)	7,219,413
Total changes in operating assets and liabilities	(11,462,410)	5,589,847
Cash provided by (used in) operations	(7,243,209)	8,565,905
Interest received	247,245	193,954
Income taxes paid	(366,162)	(488,234)
Net cash provided by (used in) operating activities	(7,362,126)	8,271,625

See accompanying notes to financial statements.

(English Translation of Financial Report Originally Issued in Chinese)

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Continued)

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	2017	2016
Cash flows from investing activities:		
Purchase of available-for-sale financial assets	(314,312)	(429,439)
Proceeds from disposal of available-for-sale financial assets	-	16,884
Proceeds from capital return of available-for-sale financial assets	15,691	40,948
Purchase of investments in debt instrument without an active market	(12,698)	(332,094)
Proceeds from repayments of investments in debt instrument without an active market	10,229	-
Decrease (increase) in advances to related parties	6,640	(6,461)
Acquisition of investments accounted for using equity method	(295,714)	(295,056)
Proceeds from disposal of investments accounted for using equity method	899	-
Additions to property, plant and equipment	(282,394)	(164,670)
Proceeds from disposal of property, plant and equipment	24,121	13,111
Additions to intangible assets	(38,846)	(5,070)
Proceeds from disposal of intangible assets	1,749	-
Net cash received from acquisition of subsidiaries	496,674	-
Increase in other non-current financial assets and other non-current assets	(195,471)	(183,818)
Dividend received	242,727	224,882
Net cash used in investing activities	(340,705)	(1,120,783)
Cash flows from financing activities:		
Decrease in short-term borrowings	(50,828)	(2,481,377)
Repurchase of bonds payable	-	(6,000,000)
Increase in long-term debt	3,300,000	6,000,000
Repayment of long-term debt	(3,300,334)	(1,800,000)
Cash distributed from capital surplus	(1,515,071)	(1,517,007)
Capital injection from non-controlling interest	19,893	-
Interest paid	(257,938)	(208,722)
Net cash used in financing activities	(1,804,278)	(6,007,106)
Effects of foreign exchange rate changes	(812,233)	(1,475,590)
Net decrease in cash and cash equivalents	(10,319,342)	(331,854)
Cash and cash equivalents at beginning of year	44,289,673	44,621,527
Cash and cash equivalents at end of year	$ **33,970,331**	**44,289,673**

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1. Organization and business

Acer Incorporated (the "Company") was incorporated on August 1, 1976, as a company limited by shares under the laws of the Republic of China ("R.O.C.") and registered under the Ministry of Economic Affairs, R.O.C. On October 15, 2007, the Company completed acquisition of 100% equity ownership of Gateway, Inc. (including eMachines brand), a personal computer company in the U.S. The Company also acquired 100% equity ownership of Packard Bell B.V., a personal computer company in Europe on March 14, 2008. Additionally, on September 1, 2008, the Company acquired 100% equity ownership 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, and regional sales and marketing channels of Founder Technology Group Corporation. On January 12, 2012, the Company acquired 100% equity ownership of iGware Inc. to enhance Acer brand positioning and increase its brand value, as well as transforming it into an enterprise who provides hardware, software and service to clients. On October 20, 2017, the Company increased its ownership interest in StarVR Corporation, formerly a joint venture of the Company, and obtained the control over it in order to accelerate the Company's deployment in virtual reality (VR). In addition, on November 24, 2017, the Company acquired the equity ownership of AOPEN Inc. to strengthen its resource integration and build a smart cloud digital signage business.

The Company primarily engages in the marketing and sale of the aforementioned brand-name IT products, as well as providing electronic information services to its clients. The Company aims at the integrated applications of Internet of Things (IoT) and service-oriented technology in the future to provide more products and integrated applications combining software, hardware and service for consumer, as well as commercial markets.

2. Authorization of the Consolidated Financial Statements

These consolidated financial statements were authorized for issuance by the Board of Directors on March 21, 2018.

3. Application of New and Revised Accounting Standards and Interpretations:

(a) Impact of adoption of new, revised or amended standards and interpretations endorsed by the Financial Supervisory Commission, R.O.C. ("FSC").

In preparing the accompanying consolidated financial statements, the Group has adopted the following International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS"), and Interpretations that have been issued by the International Accounting Standards Board ("IASB") (collectively, "IFRSs") and endorsed by the FSC, with effective date from January 1, 2017.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception*	January 1, 2016
Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*	January 1, 2016

(Continued)

ACER INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 14 *Regulatory Deferral Accounts*	January 1, 2016
Amendment to IAS 1 *Presentation of Financial Statements —Disclosure Initiative*	January 1, 2016
Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortization*	January 1, 2016
Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*	January 1, 2016
Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*	July 1, 2014
Amendment to IAS 27 *Equity Method in Separate Financial Statement*"	January 1, 2016
Amendments to IAS 36 *Impairment of Non-Financial assets —Recoverable Amount Disclosures for Non —Financial Assets*	January 1, 2014
Amendments to IAS 39 *Financial Instruments —Novation of Derivatives and Continuation of Hedge Accounting*	January 1, 2014
Annual Improvements to IFRSs 2010 2012 Cycle and 2011 2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012 2014 Cycle	January 1, 2016
IFRIC 21 *Levies*	January 1, 2014

The initial application of the above IFRSs has not had a material impact on the Group's consolidated financial statements.

(b) Impact of IFRS endorsed by FSC but not yet in effect

According to Ruling No. 1060025773 issued by the FSC on July 14, 2017, commencing from 2018, the Company is required to adopt the IFRSs that have been endorsed by the FSC with effective date from January 1, 2018. The related new, revised or amended standards and interpretations are set out below:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 2 *Clarifications of Classification and Measurement of Share-based Payment Transactions*	January 1, 2018
Amendments to IFRS 4 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*	January 1, 2018
IFRS 9 *Financial Instruments*	January 1, 2018
IFRS 15 *Revenue from Contracts with Customers*	January 1, 2018
Amendments to IAS 7 *Statement of Cash Flows -Disclosure Initiative*	January 1, 2017
Amendments to IAS 12 *Income Taxes —Recognition of Deferred Tax Assets for Unrealized Losses*	January 1, 2017
Amendments to IAS 40 *Transfers of Investment Property*	January 1, 2018
Annual Improvements to IFRSs 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018

(Continued)

ACER INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRIC 22 *Foreign Currency Transactions and Advance Consideration*	January 1, 2018

Except for the items discussed below, the Group believes that the initial adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 9 *Financial Instruments*

The new standard will replace IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains classification and measurement (including measurement of financial instruments) and introduces a new hedge accounting model.

1) Classification and measurement of financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the classification of financial assets under IAS 39 which are held to maturity, loans and receivables and available-for-sale. Under IFRS 9, if a hybrid contract contains a host that is within the scope of IFRS 9, the embedded derivatives would not be separated from the host contract; instead, the entire hybrid contract is assessed for the classification.

Based on the Group's assessment, the application of new classification requirement would not have material impact to the accounting treatment of accounts receivable, investments in debt instruments and investments in equity instruments which are managed on a fair value basis. As of December 31, 2017, the Group had investments in equity instruments classified as available-for-sale, with a fair value of $5,370,670, which were held for long-term strategic purposes. At initial application of IFRS 9, the Group has designated these investments as measured at FVOCI. Consequently, all gains and losses arising from fair value changes will be reported in other comprehensive income, no impairment losses would be recognized in profit or loss and no gains or losses will be reclassified to profit or loss on disposal. In addition, as of December 31, 2017, the Group had investments in debt instruments, classified as investment in debt instrument without an active market, of $540,910, which will be reclassified as FVTPL under IFRS 9, as the contractual cash flow is not solely for the payments of principal and interest on the principal amount outstanding. The Group estimated that the application of classification requirements under IFRS 9 would result in an increase in retained earnings of $2,245 on January 1, 2018.

2) Impairment of Financial assets and contract assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

(Continued)

The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances for financial assets will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and

- Lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

If the credit risk of a financial instrument has increased significantly since initial recognition, a loss allowance is measured at an amount equal to lifetime expected credit losses; if the credit risk has not significantly increased, the loss allowance is measured at an amount equal to the 12-month expected credit losses. If the financial instrument is determined to have low credit risk at the reporting date, it may assume that the credit risk thereof has not increased significantly since initial recognition. However, lifetime expected credit loss measurement always applies for trade receivables and contract assets without a significant financing component. The Group elected to apply the simplified approach for trade receivables and contract assets to measure the loss allowance at an amount equal to lifetime expected credit losses.

The Group believes that the impairment loss for the assets within the scope of IFRS 9 is likely to increase and become more fluctuant under the new measurement model. Upon the initial application of IFRS 9, the loss allowance and retained earnings is expected to increase/decrease by $66,524 on January 1, 2018.

3) Disclosures

IFRS 9 includes extensive disclosure requirements, particularly the disclosure of hedge accounting, credit risk and expected credit losses. The Group’s assessment included an analysis from the current internal process to identify the data gaps and the Group planned to modify the system as well as the internal control process to obtain the required data.

4) Transition

Changes in accounting policies resulting from the application of IFRS 9 will generally be applied retrospectively, except as described below.

- The Group will not restate its comparative information for the prior periods with respect to the classification and measurement (including impairment) changes as a result of the election of exemption. The cumulative effect of initially applying IFRS 9 shall be recognized in retained earnings or other equity as at January 1, 2018.

- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.

  – The business model within which a financial asset is held.

(Continued)

– The designation and revocation of financial assets and financial liabilities previously designated as measured at FVTPL.

– The designation of investments in equity instruments not held for trading as measured at FVOCI.

(ii) IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 establishes a five-step model framework for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance, including IAS 18 *Revenue* and IAS 11 *Construction Contracts* and the related interpretations.

1) Sales of goods

Currently, revenue from the sale of goods is recognized when all the following conditions have been satisfied: (a) the significant risks and rewards of the ownership of the goods have been transferred to the buyer, and the timing of the transfer of risks and rewards varies depending on the individual sales agreement and trade terms; (b) the Group retains neither the continuing managerial involvement to the degree usually associated with its ownership nor effective control over the goods sold; (c) the amount of revenue can be measured reliably; (d) it is probable that the economic benefits associated with the transaction will flow to the Group; and (e) the cost incurred or to be incurred in respect of the transaction can be measured reliably. Under IFRS 15, revenue for the sales of goods is recognized when a customer obtains control of the goods. Based on the Group's preliminary assessment, the timing of the transfer of risks and rewards of the ownership of the goods to the buyer is similar to the timing that the customer obtain the control of the goods; therefore, the application of IFRS 15 would not result in material differences and impact in the timing of revenue recognition for the sale of goods.

2) Rending of services

The Group provides system implementation services to the customers and the related revenue is currently recognized by reference to the stage of completion at the reporting date. Under IFRS 15, it requires the Group to determine whether the performance obligation is satisfied over time and revenue is recognized over time accordingly. The Group assessed that the application of IFRS 15 would not have any material difference in the timing of revenue recognition for the rendering of its services.

3) Transition

The Group elected to apply IFRS 15 using the cumulative effect method. Therefore, the comparative information will not be restated. The cumulative effect of initially applying IFRS 15 will be recognized as an adjustment to its retained earnings at January 1, 2018. The Group chose to use the practical expedient for completed contracts, which means, contracts that are completed at the date of the initial application (i.e. January 1, 2018) will not be restated.

(Continued)

(iii) Amendments to IAS 7 *Disclosure Initiative*

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

The Group expects to disclose a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities to meet the abovementioned disclosure requirements.

The actual impacts of adopting the abovementioned new standards may change depending on the economic conditions and events which may occur in the future.

(c) Impact of IFRS issued by IASB but not yet endorsed by the FSC

A summary of new standards and amendments issued by the IASB but not yet endorsed by the FSC is set out below:

New, Revised or Amended Standards and Interpretations	**Effective date per IASB**
Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture*	Effective date to be determined by IASB
IFRS 16 *Leases*	January 1, 2019
IFRS 17 *Insurance Contracts*	January 1, 2021
IFRIC 23 *Uncertainty over Income Tax Treatments*	January 1, 2019
Amendments to IFRS 9 *Prepayment features with negative compensation*	January 1, 2019
Amendments to IAS 28 *Long-term interests in associates and joint ventures*	January 1, 2019
Annual Improvements to IFRSs 2015–2017 Cycle	January 1, 2019
Amendments to IAS 19 *Plan Amendment, Curtailment or Settlement*	January 1, 2019

Those which may be relevant to the Group are set out below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
January 13, 2016	IFRS 16 *Leases*	The new standard of accounting for lease is amended as follows: • For a contract that is, or contains, a lease, the lessee shall recognize a right of use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense accrued on the lease liability separately from the depreciation expense charged on the right-of-use asset during the lease term. • A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.
June 7, 2017	IFRIC 23 “Uncertainty over Income Tax Treatments”	• In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations. • If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

The Group is currently evaluating the impact on its financial position and financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Group completes its evaluation.

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4. **Summary of significant accounting policies**

The significant accounting policies presented in the consolidated financial statements are summarized as follows and have been applied consistently to all periods presented in these financial statements.

(a) Statement of compliance

The Group's accompanying consolidated financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" (the "Regulations") and the IFRSs, IASs, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (collectively as "Taiwan-IFRSs").

(b) Basis of preparation

(i) Basis of measurement

The accompanying consolidated financial statements have been prepared on a historical cost basis except for the following items in the balance sheets:

1) Financial instruments measured at fair value through profit or loss (including derivative financial instruments);
2) Available-for-sale financial assets measured at fair value; and
3) Defined benefit assets (liabilities) recognized as the present value of the benefit obligation less the fair value of plan assets and the effect of the asset ceiling mentioned in note 4(s).

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The Group's consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional currency. Except when otherwise indicated, all financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The accompanying consolidated financial statements incorporate the financial statements of the Company and its controlled entities (the subsidiaries) in which the Company is exposed, or has right, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant inter-company balances, transactions and resulting unrealized income and loss are eliminated on consolidation. Total comprehensive income (loss) of a subsidiary is attributed to the shareholders of the Company and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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When necessary, the financial statements of subsidiaries are adjusted to align their accounting policies with those adopted by the Company.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the adjustment of the non-controlling interests and the fair value of the consideration paid or received is recognized in equity and attributed to the shareholders of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss, which is calculated as the difference between (1) the aggregate of the fair value of consideration received and the fair value of any retained interest at the date when control is lost, and (2) the previous carrying amount of the former subsidiary's assets (including goodwill), liabilities and non-controlling interest at the date when the Group loses control. All amounts recognized in other comprehensive income in relation to the subsidiary are accounted for on the same basis as would be required if the Group had directly disposed of the related assets and liabilities.

The fair value of any investment retained in a former subsidiary at the date when control is lost is regarded as the cost on initial recognition of an available-for-sale financial asset or an investment in an associate.

(ii) List of subsidiaries included in the consolidated financial statements

The subsidiaries included in the consolidated financial statements at the end of the reporting period were as follows:

Name of Investor	Name of Investee	Main Business and Products	Percentage of Ownership December 31, 2017	Percentage of Ownership December 31, 2016
The Company	Acer Greater China (B.V.I.) Corp. ("AGC", British Virgin Islands)	Investment and holding activity	100.00 %	100.00 %
AGC	Acer Market Services Limited ("AMS", Hong Kong)	Investment and holding activity	100.00 %	100.00 %
AGC	Acer Computer (Far East) Limited ("AFE", Hong Kong)	Sale of brand-name IT products	100.00 %	100.00 %
AMS	Acer Information (Zhong Shan) Co., Ltd. ("AIZS", China)	Sale of brand-name IT products	100.00 %	100.00 %
AMS	Beijing Acer Information Co., Ltd. ("BJAI", China)	Sale of brand-name IT products	-	100.00 %
AMS	Acer Computer (Shanghai) Ltd. ("ACCN", China)	Sale of brand-name IT products	100.00 %	100.00 %
AMS	Acer (Chongqing) Ltd. ("ACCQ", China)	Sale of brand-name IT products	100.00 %	100.00 %
The Company	Acer European Holdings SA ("AEH", Switzerland)	Investment and holding activity	100.00 %	100.00 %
AEH	Acer Europe B.V. ("AHN", the Netherlands)	Investment and holding activity	100.00 %	100.00 %
ASIN and AEH	Acer CIS Incorporated ("ACR", British Virgin Islands)	Sale of brand-name IT products	100.00 %	100.00 %
AEH	Acer BSEC Incorporated ("AUA", British Virgin Islands)	Sale of brand-name IT products	-	100.00 %
AEH	Acer Computer (M.E.) Ltd. ("AME", British Virgin Islands)	Sale of brand-name IT products	100.00 %	100.00 %
AEH	Acer Africa (Proprietary) Limited ("AAF", South Africa)	Marketing, repair and maintenance of brand-name IT products	100.00 %	100.00 %

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Name of Investor	Name of Investee	Main Business and Products	Percentage of Ownership December 31, 2017	Percentage of Ownership December 31, 2016
AEH	AGP Insurance (Guernsey) Limited (“AGU”, Guernsey)	Insurance captive	100.00 %	100.00 %
AEH	Acer Sales International SA (“ASIN”, Switzerland)	Sale of brand-name IT products	100.00 %	100.00 %
AHN	Acer Computer France S.A.S.U. (“ACF”, France)	Sale of brand-name IT products	100.00 %	100.00 %
AHN	Acer U.K. Limited (“AUK”, the United Kingdom)	Sale of brand-name IT products	100.00 %	100.00 %
AHN	Acer Italy S.R.L. (“AIT”, Italy)	Sale of brand-name IT products	100.00 %	100.00 %
AHN	Acer Computer GmbH (“ACG”, Germany)	Sale of brand-name IT products	100.00 %	100.00 %
AHN	Acer Austria GmbH (“ACV”, Austria)	Marketing of brand-name IT products	100.00 %	100.00 %
AHN	Acer Europe SA (“AEG”, Switzerland)	Sale of brand-name IT products	100.00 %	100.00 %
AHN	Acer Czech Republic S.R.O. (“ACZ”, Czech Republic)	Marketing, repair and maintenance of brand-name IT products	100.00 %	100.00 %
AHN	Acer Computer Iberica, S.A. (“AIB”, Spain)	Sale of brand-name IT products	100.00 %	100.00 %
AHN	Acer Computer (Switzerland) AG (“ASZ”, Switzerland)	Sale of brand-name IT products	100.00 %	100.00 %
AHN	Acer Slovakia s.r.o. (“ASK”, Slovakia)	Sale of brand-name IT products	100.00 %	100.00 %
AHN	Asplex Sp. z.o.o. (“APX”, Poland)	Repair and maintenance of brand-name IT products	100.00 %	100.00 %
AHN	Acer Marketing Services LLC (“ARU”, Russia)	Marketing of brand-name IT products	100.00 %	100.00 %
AHN	Acer Hellas Limited Liability Company of Marketing and Sales Services (“AGR”, Greece)	Marketing of brand-name IT products	-	100.00 %
AHN	Acer Poland sp. z.o.o. (“APL”, Poland)	Marketing of brand-name IT products	100.00 %	100.00 %
AHN	Acer Bilisim Teknolojileri Limited Sirketi (“ATR”, Turkey)	Marketing of brand-name IT products	100.00 %	100.00 %
AHN	Acer Computer B.V. (“ACH”, the Netherlands)	Sale of brand-name IT products	100.00 %	100.00 %
AHN	Sertec 360 SA (“SER”, Switzerland)	Repair and maintenance of IT products	100.00 %	100.00 %
ACH	Acer Computer Norway AS (“ACN”, Norway)	Marketing, repair and maintenance of brand-name IT products	100.00 %	100.00 %
ACH	Acer Computer Finland Oy (“AFN”, Finland)	Marketing, repair and maintenance of brand-name IT products	100.00 %	100.00 %
ACH	Acer Computer Sweden AB (“ACW”, Sweden)	Marketing of brand-name IT products	100.00 %	100.00 %
ACH	Acer Denmark A/S (“ACD”, Denmark)	Marketing of brand-name IT products	100.00 %	100.00 %
The Company and AEH	Boardwalk Capital Holdings Limited (“Boardwalk”, British Virgin Islands)	Investment and holding activity	100.00 %	100.00 %
Boardwalk	Acer Computer Mexico, S.A. de C.V. (“AMEX”, Mexico)	Sale of brand-name IT products	99.95 %	99.95 %
Boardwalk	Acer American Holdings Corp. (“AAH”, U.S.A.)	Investment and holding activity	100.00 %	100.00 %

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Name of Investor	Name of Investee	Main Business and Products	Percentage of Ownership December 31, 2017	Percentage of Ownership December 31, 2016
Boardwalk	AGP Tecnologia em Informatica do Brasil Ltda. ("ATB", Brazil)	Sale of brand-name IT products	100.00 %	100.00 %
AMEX	Aurion Tecnologia, S.A. de C.V. ("Aurion", Mexico)	Service company	99.95 %	99.95 %
AAH	Acer Cloud Technology Inc. ("ACTI", U.S.A.)	Investment and holding activity	100.00 %	100.00 %
ACTI	Acer Cloud Technology (US), Inc. ("ACTUS", U.S.A.)	Cloud technology service and research, development, and design of IoT platform	100.00 %	100.00 %
AAH	Gateway, Inc. ("GWI", U.S.A.)	Investment and holding activity	100.00 %	100.00 %
GWI	Acer America Corporation. ("AAC", U.S.A.)	Sale of brand-name IT products	100.00 %	100.00 %
GWI	Acer Service Corporation ("ASC", U.S.A.)	Repair and maintenance of brand-name IT products	100.00 %	100.00 %
The Company	Acer Holdings International, Incorporated ("AHI", British Virgin Islands)	Investment and holding activity	100.00 %	100.00 %
AHI	Acer Computer Co., Ltd. ("ATH", Thailand)	Sale of brand-name IT products	100.00 %	100.00 %
AHI	Acer Japan Corp. ("AJC", Japan)	Sale of brand-name IT products	100.00 %	100.00 %
AHI	Acer Computer Australia Pty. Limited ("ACA", Australia)	Sale of brand-name IT products	100.00 %	100.00 %
AHI	Acer Sales and Services SDN BHD ("ASSB", Malaysia)	Sale of brand-name IT products	100.00 %	100.00 %
AHI	Acer Asia Pacific Sdn Bhd ("AAPH", Malaysia)	Sale of brand-name IT products	100.00 %	100.00 %
AHI	Acer Computer (Singapore) Pte. Ltd. ("ACS", Singapore)	Sale of brand-name IT products	100.00 %	100.00 %
AHI	Acer Computer New Zealand Limited ("ACNZ", New Zealand)	Sale of brand-name IT products	100.00 %	100.00 %
AHI	PT. Acer Indonesia ("AIN", Indonesia)	Sale of brand-name IT products	100.00 %	100.00 %
AIN	PT. Acer Manufacturing Indonesia ("AMI", Indonesia)	Assembly of brand-name IT products	100.00 %	100.00 %
AHI	Acer India Private Limited ("AIL", India)	Sale of brand-name IT products	100.00 %	100.00 %
AHI	Acer Vietnam Co., Ltd. ("AVN", Vietnam)	Sale of brand-name IT products	100.00 %	100.00 %
AHI	Acer Philippines, Inc. ("APHI", Philippines)	Sale of brand-name IT products	100.00 %	100.00 %
ASSB	Highpoint Service Network Sdn Bhd ("HSN", Malaysia)	Repair and maintenance of IT products	100.00 %	100.00 %
ASSB	Servex (Malaysia) Sdn Bhd ("SMA", Malaysia)	Sale of computers and communication products	100.00 %	100.00 %
The Company	Weblink International Inc. ("WLII", Taiwan)	Sale of computers and communication products	99.79 %	99.79 %
WLII	Weblink (H.K.) International Ltd. ("WHI", Hong Kong)	Sale of computers and communication products	99.79 %	99.79 %

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Name of Investor	Name of Investee	Main Business and Products	Percentage of Ownership December 31, 2017	Percentage of Ownership December 31, 2016
WLII	Wellife Inc. (“WELL”, Taiwan)	Matchmaking of professional services, platform of client service and sale of products, and providing of professional seminars and courses	99.79 %	99.79 %
WLII	International Smart Union Corporation (“ISU”, Taiwan)	System integration service	99.79 %	-
The Company	Acer Digital Service Co. (“ADSC”, Taiwan)	Investment and holding activity	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)	Investment and holding activity	100.00 %	100.00 %
The Company	Cross Century Investment Limited (“CCI”, Taiwan)	Investment and holding activity	100.00 %	100.00 %
The Company	Acer Digital Services (B.V.I.) Holding Corp. (“ADSBH”, British Virgin Islands)	Investment and holding activity	100.00 %	100.00 %
ADSBH	Acer Digital Services (Cayman Islands) Corp. (“ADSCC”, Cayman Islands)	Investment and holding activity	100.00 %	100.00 %
ADSCC	Longwick Enterprises Inc. (“LONG”, Seychelles)	Investment and holding activity	100.00 %	100.00 %
LONG	S. Excel. Co., Ltd. (“SURE”, Samoa)	Investment and holding activity	100.00 %	100.00 %
The Company	Acer SoftCapital Incorporated (“ASCBVI”, British Virgin Islands)	Investment and holding activity	100.00 %	100.00 %
ASCBVI	ASC Cayman, Limited (“ASCCAM”, Cayman Islands)	Investment and holding activity	100.00 %	100.00 %
The Company	E-ten Information Systems Co., Ltd. (“ETEN”, Taiwan)	Research, design and sale of smart handheld products	100.00 %	100.00 %
The Company	Acer BeingWare Holding Inc. (“ABH”, Taiwan)	Investment and holding activity	100.00 %	100.00 %
ABH	Acer Cloud Technology (Taiwan) Inc. (“ACTTW”, Taiwan)	Development of Internet of Beings and cloud technology, and integration of cloud technology, software and hardware	100.00 %	100.00 %
ABH	Altos Computing Inc. (“ALT”, Taiwan) (Formerly Acer Being Health Inc.)	High performance computing, cloud computing, software-defined storage, and IT solution	100.00 %	100.00 %
ABH	MPS Energy Inc. (“MPS”, Taiwan)	Research, development, and sale of batteries	100.00 %	100.00 %

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Name of Investor	Name of Investee	Main Business and Products	Percentage of Ownership December 31, 2017	Percentage of Ownership December 31, 2016
ABH	Acer e-Enabling Service Business Inc. ("AEB", Taiwan)	Cloud ticketing system, electronic book, online payment service, customized system development and integration services, and sale of commercial and cloud application software and technical services	100.00 %	100.00 %
ABH	Acer ITS Inc. ("ITS", Taiwan)	Programs and services of intelligent transportation and electronic ticketing	100.00 %	-
AEB	Pklot Inc. ("PKL", Taiwan)	Integration of service platforms including parking lots searching, parking fee comparison, and GPS navigation	-	92.31 %
ACTTW	Acer GrandPad International Inc. ("AGI", Taiwan)	Development of user-friendly IoT device	100.00 %	100.00 %
ACTTW	Acer Cloud Technology (Chongqing) Ltd. ("ACTCQ", China)	Design, development, sale, and advisory of computer software and hardware	100.00 %	100.00 %
ACTTW	Acer Being Communication Inc. ("ABC", Taiwan)	Software design service	51.00 %	100.00 %
ACTTW	Acer Being Signage Inc. ("ABST", Taiwan)	Technical service and research of aBeing cloud digital content management	100.00 %	-
ABST and ACTTW	Acer Being Signage GmbH ("ABSG", Germany)	Technical service and research of aBeing cloud digital content management	100.00 %	-
AEB	Xplova Inc. ("XPL", Taiwan)	Design, development and sale of smart bicycle speedometer	100.00 %	100.00 %
XPL	Xplova (Shanghai) Ltd. ("XPLSH", China)	Sale of smart bicycle speedometer and operating social platform for bicycle riding and sports	100.00 %	100.00 %
AEB	Pawbo, Inc. ("PBC", Taiwan)	Pet interaction device and social networking service	100.00 %	100.00 %
The Company	Acer Cyber Center Services Inc. ("ACCSI", Taiwan)	Cyber security service	100.00 %	100.00 %
The Company	Acer e-Enabling Data Center Incorporated ("EDC", Taiwan)	Data center and cloud services	100.00 %	-
EDC and ACCSI	TWP International Inc. ("TWPBVI", British Virgin Islands)	Investment and holding activity	100.00 %	100.00 %
TWPBVI	Acer Third Wave Software (Beijing) Co. Ltd. ("TWPBJ", China)	Sale of commercial and cloud application software and technical service	100.00 %	100.00 %

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Name of Investor	Name of Investee	Main Business and Products	Percentage of Ownership December 31, 2017	Percentage of Ownership December 31, 2016
The Company	Acer China Venture Corp ("ACVC", China)	Fund company management	100.00 %	-
The Company and ACVC	Acer China Venture Partnership ("ACVP", China)	Investment fund	100.00 %	-
The Company	Sertec (Beijing) Ltd. ("SEB", China)	Repair and maintenance of IT products	100.00 %	-
The Company	StarVR Corporation ("ASBZ", Taiwan)	Solutions provider of B2B virtual reality	66.67 %	Note 6(h)
The Company	AOPEN Inc. ("AOI", Taiwan)	Sale, manufacture, import and export of commercial computer products, software, components, peripheral equipment and apparatus; repair and maintenance service of computer products	40.55 %	-
AOI	AOPEN America Inc. ("AOA", U.S.A.)	Sale of computer, apparatus system, and peripheral equipment	40.55 %	-
AOI	AOPEN Computer B.V. ("AOE", Netherlands)	Sale of computer, apparatus system, and peripheral equipment	40.55 %	-
AOI	AOPEN Technology Inc. ("AOTH", British Virgin Islands)	Sale of computer, apparatus system, and peripheral equipment	40.55 %	-
AOI	AOPEN Japan Inc. ("AOJ", Japan)	Sale of computer, apparatus system, and peripheral equipment	40.55 %	-
AOI	Great Connection Corporation ("GCC", Taiwan)	Sale of computer, apparatus system, and peripheral equipment	40.55 %	-
AOI	Heartware Alliance and Integration Limited ("HTW", Hong Kong)	Software development and agency	40.55 %	-
AOI	AOPEN Global Solutions PTY Ltd. ("AOGS", Australia)	Sale of computer, apparatus system, and peripheral equipment	28.39 %	-
AOTH	Great Connection LTD. ("GCL", Hong Kong)	Sale of computer, apparatus system, and peripheral equipment	40.55 %	-
AOTH	AOPEN International (ShangHai) Co., Ltd ("AOC", China)	Sale of computer, apparatus system, and peripheral equipment	40.55 %	-
AOTH	AOPEN Information Products (Zhongshan) Inc. ("AOZ", China)	Manufacture and sale of computer parts and components	40.55 %	-
AOGS	AOPEN Australia & New Zealand PTY Ltd. ("AOAU", Australia)	Sale of computer, apparatus system, and peripheral equipment	28.39 %	-

(Continued)

ISU, ITS, ABST, EDC, AOI and its subsidiaries, ABSG, ACVC, ACVP and SEB were newly established subsidiaries or were acquired during 2017. PKL was merged into ITS in 2017. Formerly ASBZ was a joint venture accounted for using equity method; the Group acquired additional interest in ASBZ and obtained control over it in the fourth quarter of 2017; accordingly, ASBZ was included in the accompanying consolidated financial statements from the date the control commenced.

In 2017, the subsidiaries, BJAI, AUA and AGR, were liquidated and excluded from the accompanying consolidated financial statements since the date the control ceased.

(iii) List of subsidiaries which are not included in the consolidated financial statements: None.

(d) Foreign currency

(i) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at exchange rates at the end of the period (the "reporting date") of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated at the exchange rate prevailing at the date when the fair value is determined. Exchange differences arising on the translation of non-monetary items are recognized in profit or loss, except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income. Non-monetary items denominated in foreign currencies that are measured at historical cost are not retranslated.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from acquisition, are translated into the presentation currency of the Group’s consolidated financial statements at the exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated into the presentation currency of the Group’s consolidated financial statements at the average exchange rates for the period. All resulting exchange differences are recognized in other comprehensive income.

On the disposal of a foreign operation which involves a loss of control over a subsidiary or loss of significant influence over an associate that includes a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the shareholders of the Company are entirely reclassified to profit or loss. In the case of a partial disposal that does not result in the Group losing control over a subsidiary, the proportionate share of accumulated exchange differences is reclassified to non-controlling interests. For a partial disposal of the Group’s ownership interest in an associate or joint venture, the proportionate share of the accumulated exchange differences in equity is reclassified to profit or loss.

(Continued)

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, the monetary item is, in substance, a part of net investment in that foreign operation, and the related foreign exchange gains and losses thereon are recognized as other comprehensive income.

(e) Classification of current and non-current assets and liabilities

An asset is classified as current when one of following criteria is met; all other assets are classified as non-current assets:

(i) It is expected to be realized, or intended to be sold or consumed in the normal operating cycle;
(ii) It is held primarily for the purpose of trading;
(iii) It is expected to be realized within twelve months after the reporting period; or
(iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current when one of following criteria is met; all other liabilities are classified as non-current liabilities:

(i) It is expected to be settled in the normal operating cycle;
(ii) It is held primarily for the purpose of trading;
(iii) It is due to be settled within twelve months after the reporting period; or
(iv) The entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash consists of cash on hand, checking deposits, and demand deposits. Cash equivalents consist of short-term and highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits that meet the aforesaid criteria and are not held for investing purposes are also classified as cash equivalents.

Bank overdrafts that are repayable on demand and form an integral part of the Group’ s cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(g) Financial instruments

Financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instruments.

(i) Financial assets

Financial assets are classified into the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. Regular way purchases or sales of financial assets are recognized or derecognized on a trade-date basis.

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1) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss consist of financial assets held for trading and those designated as at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as financial assets at fair value through profit or loss unless they are designated as hedges. The Group designates financial assets, other than ones classified as held for trading, as at fair value through profit or loss at initial recognition under one of the following situations:

a) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on a different basis;
b) Performance of the financial asset is evaluated on a fair value basis;
c) A hybrid instrument contains one or more embedded derivatives.

At initial recognition, financial assets carried at fair value through profit or loss are recognized at fair value. Any attributable transaction costs are recognized in profit or loss as incurred. Subsequent to the initial recognition, changes in fair value (including dividend income and interest income) are recognized in profit or loss.

2) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise accounts receivable, other receivables and investments in debt instrument without an active market. At initial recognition, such assets are recognized at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables other than insignificant interest on short-term receivables are measured at amortized cost using the effective interest method, less, any impairment losses. Interest income is recognized as non-operating income in profit or loss.

3) Available-for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other categories of financial assets. At initial recognition, available-for-sale financial assets are recognized at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, these assets are measured at fair value, and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on monetary financial assets, are recognized in other comprehensive income and presented in “unrealized gain/loss from available-for-sale financial assets” in equity. When the financial asset is derecognized, the gain or loss previously accumulated in equity is reclassified to profit or loss.

Dividends received from equity investments are recognized as non-operating income on the date of entitlement to receive the dividends (usually the ex-dividend date).

4) Impairment of financial assets

Financial assets, other than those carried at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Those financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, their estimated future cash flows have been affected.

Evidence of impairment may include indications that the debtor is experiencing significant financial difficulty, default or delinquency in interest or principal payments, indications that the debtor or issuer will probably enter bankruptcy or other financial reorganization, and the disappearance of an active market for that financial asset because of financial difficulties. For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired.

If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, such asset is included in a group of financial assets with similar credit risk characteristics which are then collectively assessed for impairment. Objective evidence that receivables are impaired includes the Group’s collection experience in the past, an increase of delayed payments, and national or local economic conditions that correlate with arrears of receivables.

An impairment loss is recognized by reducing the carrying amount of the respective financial assets with the exception of receivables, where the carrying amount is reduced through an allowance account. Except for the write-off of uncollectible receivables against the allowance account, changes in the amount of the allowance account are recognized in profit or loss.

An impairment loss in respect of a financial asset measured at amortized cost is measured as the excess of the asset’s carrying amount over the present value of the estimated future cash flows discounted at the financial asset’ s original effective interest rate. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying amount of the financial assets at the date the impairment loss is reversed does not exceed what the amortized cost would have been had the impairment loss not been recognized.

When an impairment loss is recognized for an available-for-sale asset, the cumulative gains or loss that had been recognized in other comprehensive income is reclassified from equity to profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

Impairment losses and recoveries of accounts receivable are recognized as operating expenses; impairment losses and recoveries of other financial assets are recognized as other gains and losses under non-operating income and loss.

(Continued)

ACER INCORPORATED AND SUBSIDIARIES
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5) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the asset are terminated, or when the Group transfers out substantially all the risks and rewards of ownership of the financial assets to other enterprises.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and accumulated in other equity – unrealized gains or losses from available-for-sale financial assets is recognized in profit or loss, and included in the non-operating income and loss of the consolidated statement of comprehensive income.

On derecognition of part of a financial asset, the previous carrying amount of the financial asset shall be allocated between the part that continues to be recognized and the part that is derecognized, on the basis of relative fair values of those parts on the date of transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received or receivable for the part of the financial asset derecognized and the cumulative gain or loss that has been recognized in other comprehensive income allocated to the part derecognized is charged to profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual agreement. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recognized at the amount of consideration received less the direct issuing cost.

Interest and gain or loss related to the financial liability are recognized in profit or loss and included in non-operating income and loss of the consolidated statement of comprehensive income.

On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

(Continued)

ACER INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

2) Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if it is classified as held for trading or is designated as a financial liability at fair value through profit or loss on initial recognition. A financial liability is classified as held for trading if it is acquired principally for the purpose of selling or repurchasing in the short term. Derivatives are also categorized as financial liabilities at fair value through profit or loss unless they are designated as hedges. The Group designates financial liabilities, other than those classified as held for trading, as measured at fair value through profit or loss at initial recognition under one of the following situations:

a) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on a different basis;
b) Performance of the financial liabilities is evaluated on a fair value basis;
c) A hybrid instrument contains one or more embedded derivatives.

At initial recognition, this type of financial liability is recognized at fair value, and any attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, the financial liabilities are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss and included in the non-operating income and loss of the consolidated statement of comprehensive income.

3) Financial liabilities measured at amortized cost

Financial liabilities not classified as held for trading or not designated as at fair value through profit or loss, which comprise loans and borrowings, accounts payable, and other payables, are measured at fair value plus any directly attributable transaction costs at initial recognition. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been fulfilled or cancelled, or has expired. The difference between the carrying amount of a financial liability derecognized and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss and included in the non-operating income and loss of the consolidated statement of comprehensive income.

5) Offsetting of financial assets and liabilities

Financial assets and liabilities are presented on a net basis only when the Group has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(Continued)

ACER INCORPORATED AND SUBSIDIARIES
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(iii) Derivative financial instruments and hedge accounting

Derivative financial instruments are held to hedge the Group's foreign currency exposures. Derivatives are recognized initially at fair value, and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss immediately unless the derivative financial instrument is designated and effective as a hedging instrument, in which the timing of the recognition in profit or loss depends on the nature of the hedge relationship. If the valuation of a derivative instrument results in a positive fair value, it is classified as a financial asset; otherwise, it is classified as a financial liability.

Certain derivatives are designated as either (i) hedges of the fair value of recognized assets or liabilities (fair value hedge) or (ii) hedges of highly probable forecast transactions (cash flow hedge). The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

1) Fair value hedge

Changes in the fair value of a hedging instrument designated and qualified as a fair value hedge, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk are recognized in profit or loss.

2) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized in other comprehensive income and accumulated in "cash flow hedge reserve". The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. Inventories are recorded at standard cost and adjusted to approximate weighted-average cost at the end of the reporting period. Net realizable value represents the estimated selling price in the ordinary course of business, less all estimated costs of completion and necessary selling expenses.

(i) Non-current assets held for sale

Non-current assets or disposal groups comprising assets and liabilities that are expected to be recovered primarily through a sale transaction, rather than through continuing use, are reclassified as non-current assets held for sale. Such non-current assets or disposal group must be available for immediate sale in their present condition, and the sale is highly probable within one year.

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Immediately before the initial classification of the non-current assets (or disposal groups) as held for sale, the carrying amount of the assets (or all the assets and liabilities in the group) is measured in accordance with the Group’s applicable accounting policies. Thereafter, the assets are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group will first be allocated to goodwill, and then the remaining balance of impairment loss is allocated to assets and liabilities on a pro rata basis, except for the assets within the scope of IAS 36 – Impairment of Assets, which are continue to be measured in accordance with the Group’s accounting policies. Impairment losses for assets initially classified as held for sale and any subsequent gains or losses on re-measurement are recognized in profit or loss; nevertheless, the reversal. Gains are not recognized in excess of the cumulative impairment loss.

Intangible assets and property, plant and equipment are no longer amortized or depreciated when they are classified as held for sale.

(j) Investments accounted for using equity method

Investments accounted for using the equity method include investments in associates and interests in joint venture.

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the Group and other parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The operating results as well as assets and liabilities of associates and joint venture are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated balance sheet at cost, and adjusted thereafter, to recognize the Group’s share of profit or loss and other comprehensive income (loss) of the associate and joint venture, as well as the distribution received. The Group also recognizes its share in the changes in the equities of associates and joint venture.

Any excess of the cost of acquisition over the Group’s share of the net fair value of the identifiable assets, liabilities, and contingent liabilities of an associate or a joint venture recognized at the date of acquisition, is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group’s share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value, less, costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

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ACER INCORPORATED AND SUBSIDIARIES
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The Group discontinues the use of equity method from the date when the Group ceases to have significant influence over an associate. When the Group retains an interest in the former associate, the Group measures the retained interest at fair value at that date. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate, is included in the determination of the gain or loss on disposal of the associate. In addition, the Group shall account for all amounts recognized in other comprehensive income in relation to that associate on the same basis as would be required if the associate had directly disposed of the related assets or liabilities. If the Group's ownership interest in an associate is reduced as a result of disposal, with the investment continues to be an associate, the Group should reclassify only a proportionate amount of the gain or loss previously recognized in other comprehensive income to profit or loss.

When the Group subscribes to additional shares in an associate or a joint venture at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the net assets of the associate or joint venture. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Group's ownership interest is reduced due to the additional subscription to the shares of associate or joint venture by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate or joint venture shall be reclassified to profit or loss on the same basis as would be required if the associate or joint venture had directly disposed of the related assets or liabilities.

Unrealized profits resulting from transactions between the Group and an associate or joint venture are eliminated to the extent of the Group's interest in the associate or joint venture. Unrealized losses on transactions with associates or joint venture are eliminated in the same way, except to the extent that the underlying asset is impaired.

Adjustments are made to associates' and joint ventures' financial statements to conform to the accounting polices applied by the Group.

(k) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset and bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that is eligible for capitalization. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

The gain or loss arising from the disposal of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and is recognized as non-operating income and loss.

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ACER INCORPORATED AND SUBSIDIARIES
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(ii) Reclassification to investment property

A property is reclassified to investment property at its carrying amount when the purpose of the property changes from owner-occupied to investment.

(iii) Subsequent costs

Subsequent costs are capitalized only when it is probable that future economic benefits associated with the costs will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized in profit and loss. All other repairs and maintenance are charged to expense as incurred.

(iv) Depreciation

Depreciation is provided for property, plant and equipment over the estimated useful lives using the straight-line method. When an item of property, plant and equipment comprises significant individual components for which different depreciation methods or useful lives are appropriate, each component is depreciated separately. Land is not depreciated. The depreciation is recognized in profit or loss.

The estimated useful lives of property, plant and equipment for the current and comparative periods are as follows: buildings－main structure - 30 to 50 years; air-conditioning system - 10 years; other equipment pertaining to buildings - 20 years; computer and communication equipment - 2 to 5 years; and other equipment - 3 to 10 years.

If there is reasonable certainty that the Group will obtain the ownership of the leased property and equipment by the end of the lease term, the depreciation is provided over the estimated useful life of the asset; otherwise, the asset is depreciated over the shorter of the lease term and its useful life.

Depreciation methods, useful lives, and residual values are reviewed at each financial year-end, with the effect of any changes in estimate accounted for on a prospective basis.

(l) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business or use for administrative purposes. Investment property is measured at cost on initial recognition. Subsequent to initial recognition, investment property is measured at initial acquisition cost less accumulated depreciation and accumulated impairment losses. The methods for depreciating and determining the useful life and residual value of investment property are the same as those adopted for property, plant and equipment.

Cost includes expenditure that is directly attributable to the acquisition of the investment property, bringing the investment property to the condition necessary for it to be available for use, and any borrowing cost that is eligible for capitalization.

An investment property is reclassified to property, plant and equipment at its carrying amount when the purpose of the investment property has been changed from investment to owner-occupied.

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(m) Leases

Leases are classified as finance leases when the Group assumes substantially all the risks and rewards incidental to ownership of the assets. All other leases are classified as operating leases.

(i) The Group as lessor

Lease income from an operating lease is recognized in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as expense over the lease term on a straight-line basis. Incentives granted to the lessee to enter into the operating lease are recognized as a reduction of rental income over the lease term on a straight-line basis. Contingent rents are recognized as income in the period when the lease adjustments are confirmed.

(ii) The Group as lessee

Payments made under operating leases (excluding insurance and maintenance expenses) are charged to expense over the lease term on a straight-line basis. Lease incentives received from the lessor are recognized as a reduction of rental expense over the lease term on a straight-line basis. Contingent rents are recognized as expense in the period when the lease adjustments are confirmed.

(n) Intangible assets

(i) Goodwill

Goodwill arising from acquisitions of subsidiaries is accounted for as intangible assets. Refer to note 4(v) for the description of the measurement of goodwill at initial recognition. Goodwill arising from acquisitions of associates is included in the carrying amount of investments in associates. Goodwill is not amortized but is measured at cost less accumulated impairment losses.

(ii) Trademarks

Trademarks acquired in a business combination are measured at fair value at the acquisition date. Subsequent to the initial recognition, trademarks with definite useful lives are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over the estimated useful lives of 7 years. Trademarks with indefinite useful lives are carried at cost less any accumulated impairment losses and are tested for impairment annually. The useful life of an intangible asset not subject to amortization is reviewed annually at each financial year-end to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Any change in the useful life assessment from indefinite to definite is accounted for as a change in accounting estimate.

(iii) Other intangible assets

Other separately acquired intangible assets are carried at cost or fair value at the acquisition date less accumulated amortization and accumulated impairment losses. Amortization is recognized in profit or loss on a straight-line basis over the following estimated useful lives: customer relationships - 7 to 10 years; developed technology - 10 years; channel resources - 8.8 years; developing technology - 15 years; patents - 4 to 15 years; acquired software - 1 to 3 years.

The residual value, amortization period, and amortization method are reviewed at least at each financial year-end, with the effect of any changes in estimate accounted for on a prospective basis.

(o) Impairment of non-financial assets

(i) Goodwill

For the purpose of impairment testing, goodwill arising from a business combination is allocated to each of the Group's cash-generating units (CGUs) that are expected to benefit from the synergies of the combination. The CGUs with goodwill are tested annually (or when there are indications that a CGU may have been impaired) for impairment. When the recoverable amount of a CGU is less than the carrying amount of the CGU, the impairment loss is recognized firstly by reducing the carrying amount of any goodwill allocated to the CGU and then proportionately allocated to the other assets of the CGU on the basis of the carrying amount of each asset in the CGU. Any impairment loss is recognized immediately in profit or loss. A subsequent reversal of the impairment loss on goodwill is prohibited.

(ii) Other tangible and intangible assets

Non-financial assets other than inventories, deferred income tax assets, and assets arising from employee benefits are reviewed for impairment at each reporting date to determine whether there is any indication of impairment. When there exists an indication of impairment for an asset, the recoverable amount of the asset is estimated. If the recoverable amount of an individual asset cannot be determined, the Group estimates the recoverable amount of the CGU to which the asset has been allocated.

The recoverable amount for an individual asset or a CGU is the higher of its fair value less costs to sell or its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time values of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. When the recoverable amount of an asset or a CGU is less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount, and an impairment loss is recognized in profit or loss immediately.

The Group assesses at each reporting date whether there is any evidence that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If so, an impairment loss recognized in prior periods for an asset other than goodwill is reversed, and the carrying amount of the asset or CGU is increased to its revised estimate of recoverable amount. The increased carrying amount shall not exceed the carrying amount (net of amortization or depreciation) that would have been determined had no impairment loss been recognized in prior years.

Intangible assets with indefinite useful lives or those 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.

(p) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

(i) Warranties

A provision for warranties is recognized when the underlying products or services are sold. This provision reflects the historical warranty claim rate and the weighting of all possible outcomes against their associated probabilities.

(ii) Sales return provision

A provision for sales returns is recognized when the underlying products are sold. This provision is estimated based on historical sales return data.

(iii) Others

Provisions for litigation claims and environmental restoration are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

(q) Treasury stock

Common stock repurchased by the Company treated as treasury stock (a contra-equity account) is reported at acquisition cost (including all directly accountable costs). When treasury stock is sold, the excess of sales proceeds over cost is accounted for as capital 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.

(r) Revenue recognition

Revenue from the sale of goods or services is measured at the fair value of consideration received or receivable, net of returns, rebates, and other similar discounts.

(i) Sale of goods

Revenue from the sale of goods is recognized when all the following conditions have been satisfied: (a) the significant risks and rewards of ownership of the goods have been transferred to the buyer; (b) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (c) the amount of revenue can be measured reliably; (d) it is probable that the economic benefits associated with the transaction will flow to the Group; and (e) the cost incurred or to be incurred in respect of the transaction can be measured reliably.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement. Revenue is not recognized for the sale of key components to an original design manufacturer for manufacture or assembly as the significant risks and rewards of the ownership of materials are not transferred.

Revenue from extended warranty contracts is deferred and amortized as earned over the contract period, ranging from one to three years.

(ii) Services

Revenue from services rendered is recognized by reference to the stage of completion at the reporting date.

(iii) Rental income, interest income, and dividend income

Rental income from investment property is recognized over the lease term on a straight-line basis.

Dividend income from investments is recognized when the shareholder’ s right to receive payment has been established, provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

(iv) Government grant

A government grant is recognized only when there is reasonable assurance that the Group will comply with the conditions attached to it and that the grant will be received.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs is recognized in profit or loss in the period in which it becomes receivable.

(Continued)

(s) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are expensed during the year in which employees render services.

(ii) Defined benefit plans

The liability recognized in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. The discount rate for calculating the present value of the defined benefit obligation refers to the interest rate of high-quality government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

The defined benefit obligation is calculated annually by qualified actuaries using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the total amount of the present value of the economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The minimum funding requirements of any plans applicable to the Group should be taken into consideration when determining the present value of the economic benefits. An economic benefit is available to the Group if it is realizable during the life of the plan or upon settlement of the plan liabilities.

When the benefits of a plan are improved, the expenses related to the increased obligations resulting from the services rendered by employees in the past years are recognized in profit or loss immediately.

The remeasurements of the net defined benefit liability (asset) comprise (i) actuarial gains and losses; (ii) return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and (iii) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset). The remeasurements of the net defined benefit liability (asset) are recognized in other comprehensive income and reflected in other equity.

The Group recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment or settlement comprises any resulting change in the fair value of plan assets and any change in the present value of the defined benefit obligation.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed during the period in which employees render services. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to make such payments as a result of past service provided by the employees, and the obligation can be estimated reliably.

(Continued)

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(t) Share-based payment

Share-based payment awards granted to employees are measured at fair value at the date of grant. The fair value determined at the grant date is expensed over the period that the employees become unconditionally entitled to the awards, with a corresponding increase in equity. The compensation cost is adjusted to reflect the number of awards given to employees for which the performance and non-market conditions are expected to be met, such that the amount ultimately recognized shall be based on the number of equity instruments that eventually vested.

The grant date of options for employees to subscribe new shares for a cash injection is the date when the Board of Directors approves the exercise price and the shares to which employees can subscribe.

(u) Income taxes

Income tax expenses include both current taxes and deferred taxes. Current and deferred taxes are recognized in profit or loss unless they relate to business combinations or items recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred income taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are not recognized for:

(i) Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit nor loss;
(ii) Temporary differences arising from investments in subsidiaries and joint ventures to the extent that the Group is able to control the timing of the reversal of the temporary differences, and it is probable that the differences will not reverse in the foreseeable future; and
(iii) Temporary differences arising from initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset when where is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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(v) Business combinations

Goodwill is measured as the excess of the acquisition-date fair value of consideration transferred (including any non-controlling interest in the acquiree) over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed (generally at fair value). If the residual balance is negative, the Group shall re-assess whether it has correctly identified all of the assets acquired and liabilities assumed and recognize any additional assets or liabilities that are identified in that review, and shall recognize a gain on the bargain purchase thereafter.

Acquisition-related costs are expensed as incurred except for the costs related to issuance of debt or equity instruments.

For each business combination, non-controlling interest in the acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the fair value of the acquiree's identifiable net assets.

In a business combination achieved in stages, the Group shall re-measure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss in profit or loss. The amount previously recognized in other comprehensive income in relation to the changes in the value of the Group's equity interest should be reclassified to profit or loss on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, provisional amounts for the items for which the accounting is incomplete are reported in the financial statements. During the measurement period, the provisional amounts recognized at the acquisition date are retrospectively adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period shall not exceed one year from the acquisition date.

(w) Earnings per share ("EPS")

The basic and diluted EPS attributable to stockholders of the Company are disclosed in the consolidated financial statements. Basic EPS is calculated by dividing net income attributable to stockholders of the Company by the weighted-average number of common shares outstanding during the year. In calculating diluted EPS, the net income attributable to stockholders of the Company and weighted-average number of common shares outstanding during the year are adjusted for the effects of dilutive potential common shares. The Group's dilutive potential common shares include restricted shares of stock issued to employees and profit sharing for employees to be settled in the form of common stock.

(x) Operating segments

An operating segment is a component of the Group 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 Group). Operating results of the operating segment are regularly reviewed by the Group'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.

(Continued)

ACER INCORPORATED AND SUBSIDIARIES
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5. Critical Accounting Judgments and Key Sources of Estimation and Assumption Uncertainty

The preparation of the consolidated financial statements in conformity with the Regulations and Taiwan-IFRSs requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in the future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included as follows:

(a) Revenue recognition (accrual of sales return and allowance)

The Group recognizes revenue when the earning process is completed. The Group also records a provision for estimated future returns and other allowances in the same period the related revenue is recorded. Provision for estimated sales returns and other allowances is generally made and adjusted based on historical experience, market and economic conditions, and any other known factors that would significantly affect the allowance. The adequacy of estimations is reviewed periodically. The fierce market competition and rapid evolution of technology could result in significant adjustments to the provision made.

(b) Valuation of inventory

Inventories are measured at the lower of cost or net realizable value. The Group uses judgment and estimates to determine the net realizable value of inventory at each reporting date.

Due to rapid technological changes, the Group estimates the net realizable value of inventory, taking obsolescence and unmarketable items into account at the reporting date, and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time horizon, which could result in significant adjustments. Refer to note 6(f) for further description of inventory write-downs.

(c) Impairment of goodwill

The assessment of impairment of goodwill requires the Group to make subjective judgments to identify cash-generating units, allocate the goodwill to relevant cash-generating units, and estimate the recoverable amount of relevant cash-generating units. Refer to note 6(l) for further description of the impairment of goodwill. Any changes in these estimates based on changed economic conditions or business strategies could result in significant adjustments in future years.

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6. Significant account disclosures

(a) Cash and cash equivalents

	December 31, 2017	December 31, 2016
Cash on hand	$ 5,133	5,495
Bank deposits	20,030,640	28,740,195
Time deposits	13,934,558	15,543,983
	$ 33,970,331	44,289,673

(b) Financial assets and liabilities at fair value through profit or loss

	December 31, 2017	December 31, 2016
Financial assets held for trading－current:		
Derivatives－Foreign currency forward contracts	$ 167,770	1,573,876
Derivatives－Foreign currency options	-	3,566
	$ 167,770	1,577,442
Financial assets at fair value through profit or loss－current:		
Conversion rights of investments in convertible bonds	$ 3,033	-
Financial assets at fair value through profit or loss－non-current:		
Conversion rights of investments in convertible bonds	$ -	70,340
Financial liabilities held for trading－current:		
Derivatives－Foreign currency forward contracts	$ (621,947)	(112,606)

The Group entered into derivative contracts to manage foreign currency exchange risk arising from operating activities. At each reporting date, the outstanding foreign currency forward contracts that did not conform to the criteria for hedge accounting consisted of the following (the contract amount was presented in USD) :

(i) Foreign currency forward contracts

December 31, 2017			
Contract amount (in thousands)		Currency	Maturity period
USD	69,124	AUD / USD	2018/01~2018/08
USD	2,417	EUR / DKK	2018/01
USD	15,459	EUR / CHF	2018/01~2018/05
USD	8,481	EUR / NOK	2018/01~2018/05
USD	5,712	EUR / SEK	2018/01~2018/05
USD	322,678	EUR / USD	2018/01~2018/05
USD	58,800	GBP / USD	2018/01~2018/05
USD	9,839	NZD / USD	2018/01~2018/06
USD	68,929	USD / CAD	2018/01~2018/05

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Notes to Consolidated Financial Statements

December 31, 2017			
Contract amount (in thousands)		Currency	Maturity period
USD	9,500	USD / CLP	2018/01~2018/05
USD	71,000	USD / CNY	2018/01~2018/03
USD	4,000	USD / COP	2018/01~2018/02
USD	23,600	USD / IDR	2018/01~2018/02
USD	155,801	USD / INR	2018/01~2018/07
USD	32,000	USD / JPY	2018/01~2018/07
USD	43,150	USD / MXN	2018/01~2018/04
USD	15,400	USD / MYR	2018/01~2018/02
USD	651,900	USD / NTD	2018/01
USD	5,400	USD / PHP	2018/01~2018/04
USD	40,185	USD / RUB	2018/01~2018/04
USD	1,500	USD / SGD	2018/01
USD	38,000	USD / THB	2018/01~2018/03

December 31, 2016			
Contract amount (in thousands)		Currency	Maturity period
USD	66,330	AUD / USD	2017/01~2017/04
USD	10,667	EUR / CHF	2017/01~2017/05
USD	6,330	EUR / NOK	2017/01~2017/05
USD	8,941	EUR / SEK	2017/01~2017/05
USD	463,689	EUR / USD	2017/01~2017/05
USD	72,055	GBP / USD	2017/01~2017/06
USD	8,644	NZD / USD	2017/01~2017/04
USD	70,371	USD / CAD	2017/01~2017/05
USD	15,000	USD / CLP	2017/01~2017/05
USD	84,000	USD / CNY	2017/01~2017/03
USD	18,600	USD / IDR	2017/01~2017/02
USD	134,457	USD / INR	2017/01~2017/08
USD	29,000	USD / JPY	2017/01~2017/06
USD	38,300	USD / MXN	2017/01~2017/04
USD	30,100	USD / MYR	2017/01~2017/04
USD	627,440	USD / NTD	2017/01
USD	8,400	USD / PHP	2017/01~2017/03
USD	46,144	USD / RUB	2017/01~2017/05
USD	5,000	USD / SGD	2017/01~2017/02
USD	47,000	USD / THB	2017/01~2017/04

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(ii) Foreign currency option contracts

	December 31, 2017		
	Contract amount (in thousands)		Maturity period
USD / INR	USD	4,000	2018/01

	December 31, 2016		
	Contract amount (in thousands)		Maturity period
USD / INR	USD	3,000	2017/05
USD / CNY	USD	6,000	2017/03~2017/04

(c) Available-for-sale financial assets

	December 31, 2017	December 31, 2016
Domestic listed stock	$ 3,619,007	3,119,549
Unlisted stock	1,751,663	1,253,242
	$ 5,370,670	**4,372,791**
Current	$ 118,329	100,025
Non-current	5,252,341	4,272,766
	$ 5,370,670	**4,372,791**

(d) Investments in debt instrument without an active market

	December 31, 2017	December 31, 2016
Convertible bond and convertible notes	$ 232,466	210,517
Right of profit-sharing in VR parks	308,444	-
	$ 540,910	**210,517**
Current	$ 232,466	32,279
Non-current	308,444	178,238
	$ 540,910	**210,517**

ASBZ, a subsidiary of the Company, entered into separate agreements with Starbreeze Publishing AB and Enterspace AB to develop VR parks, with the total investment amount of US$10,500 thousand. Therefore, ASBZ obtained its profit sharing rights during the contract period (1.5 to 5 years). As of December 31, 2017, the amount of $37,310 of the aforementioned investment included in “other payables” has yet to be paid.

The Group recognized an impairment loss on the investments in debt instrument amounting to $3,061, which was included in other gains or losses in 2017 based on the present value of the net future cash flow.

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(e) Notes and accounts receivable–net and other receivables

	December 31, 2017	December 31, 2016
Notes receivable	$ 539,595	730,648
Accounts receivable	46,396,275	43,615,762
Less: allowance for doubtful receivables	(174,487)	(116,105)
	46,761,383	44,230,305
Notes and accounts receivable from related parties	126,903	81,975
Other receivables	1,023,908	738,719
Other receivables from related parties	97	6,737
	$ 47,912,291	**45,057,736**

Aging analysis of notes and accounts receivable that are overdue but not impaired is as follows:

	December 31, 2017	December 31, 2016
Past due 1-30 days	$ 4,467,737	4,843,595
Past due 31-60 days	555,299	700,342
Past due 61-90 days	74,466	286,700
Past due 91 days or over	71,582	250,375
	$ 5,169,084	**6,081,012**

For the years ended December 31, 2017 and 2016, movements of the allowance for doubtful receivables were as follows:

	Individually assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2017	$ 103,457	12,648	116,105
Acquisition through business combination	-	44,719	44,719
Impairment loss recognized	28,432	5,750	34,182
Write-off	(14,867)	(3,123)	(17,990)
Effect of exchange rate changes	(2,529)	-	(2,529)
Balance at December 31, 2017	**$ 114,493**	**59,994**	**174,487**

	Individually assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2016	$ 135,800	8,150	143,950
Impairment loss recognized (reversed)	(29,201)	4,498	(24,703)
Write-off	(19,143)	-	(19,143)
Effect of exchange rate changes	16,001	-	16,001
Balance at December 31, 2016	**$ 103,457**	**12,648**	**116,105**

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ACER INCORPORATED AND SUBSIDIARIES
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In principle, the average credit term granted to customers for the sale of goods ranged from 30 to 90 days. To assess the recoverability of the notes and accounts receivable, the Group assesses any changes in the credit quality between the initial transaction date and the reporting date. The allowance for doubtful receivables is assessed by referring to the collectability of receivables based on an individual trade term analysis, the historical payment behavior and current financial condition of customers, and the provision for sales returns and allowances. Notes and accounts receivable that are past due but for which the Group has not recognized a specific allowance for doubtful receivables after the assessment are still considered recoverable.

In addition, the Group expected the abovementioned other receivables could be collected within one year and no allowance was provided for after the assessment.

The Group entered into factoring contracts with several banks to sell part of their accounts receivable without recourse. At each reporting date, details of these contracts were as follows:

December 31, 2017					
Underwriting bank	**Factoring credit limit**	**Receivables sold**	**Receivables derecognized**	**Interest rate**	**Collateral**
Taishin International Bank	$ 100,000	11,145	11,145	-	Nil

December 31, 2016					
Underwriting bank	**Factoring credit limit**	**Receivables sold**	**Receivables derecognized**	**Interest rate**	**Collateral**
Taishin International Bank	$ 170,000	9,049	9,049	-	Nil

The factoring credit limit is revolving. According to the factoring contracts, the Group does not assume the risk of uncollectible accounts receivable, but only the risk of loss due to commercial disputes.

(f) Inventories

	December 31, 2017	**December 31, 2016**
Raw materials	$ 12,895,613	12,332,166
Work in process	27,685	2,871
Finished goods and merchandise	18,120,785	17,867,421
Spare parts	1,045,815	1,151,600
Inventories in transit	7,989,323	7,741,429
	$ **40,079,221**	**39,095,487**

For the years ended December 31, 2017 and 2016, the amounts of inventories recognized as cost of revenue were as follows：

	2017	**2016**
Cost of inventories sold	$ 181,399,087	175,756,434
Write-down of (Reversal of) inventories	201,243	(728,757)
	$ **181,600,330**	**175,027,677**

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The reversal of write-down of inventories arose from the increase in the net realizable value or use of raw materials or sale of inventories.

(g) Non-current assets held for sale

On November 9, 2017, the Company's Board of Directors resolved to sell GWI's property and plant located in North Sioux City. The transaction has been completed in January 2018. The original carrying amount of the property and plant was $79,881 (net of accumulated impairment losses of $365,628), with the net disposal proceeds of $161,990; accordingly, the Group reversed its previously recognized impairment loss amounting to $82,480, which did not exceed the carrying amount that would have been determined had no impairment loss been recognized in prior years. The carrying amount after reversal of accumulated impairment losses was reclassified as non-current assets held for sale.

(h) Investments accounted for using equity method

A summary of the Group's financial information for investments in associates and joint ventures at the reporting date is as follows:

Name of Associates and joint ventures	December 31, 2017		December 31, 2016	
	Percentage of ownership	Carrying amount	Percentage of ownership	Carrying amount
Associates：				
Aegis Semiconductor Technology Inc. ("ATI")	44.04	$ 6,969	44.04	15,776
GrandPad Inc. ("GrandPad")	43.28	261,457	41.03	227,343
ECOM Software Inc. ("ECS")	33.93	28,456	33.93	27,415
Bluechip Infotech Pty Ltd. ("Bluechip")	46.29	107,622	29.98	67,262
Innovation and Commercialization Accelerator Inc. ("ICA")	30.00	21,484	30.00	25,700
Consumer Insights Research (Chongqing) Inc. ("CIR")	30.00	12,370	-	-
Piovision International Inc. ("HPT")	30.22	16,271	30.22	14,509
Kbest Technology Inc. ("KBest")	29.84	91,095	22.38	-
Meldcx Pty Ltd. ("MPL")	40.00	23,309	-	-
Others	-	372	-	5,291
Joint Ventures:				
StarVR Corporation ("ASBZ", Formerly Acer Starbreeze Corporation)	-	-	50.00	33,047
		$ 569,405		416,343

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On October 20, 2017, the Group acquired additional 16.67% interest in ASBZ and gained control over it; accordingly, ASBZ became a subsidiary of the Group since then. Refer to note 6(i) for the information related to acquisition of subsidiaries.

Aggregated financial information on associates that were not individually material to the Group was summarized as follows.

	2017	2016
Attributable to the Group:		
Net loss	$ (37,791)	(19,017)
Other comprehensive income	741	(2,875)
Total comprehensive income	**$ (37,050)**	**(21,892)**

Financial information on joint venture that was not individually material to the Group was summarized as follows.

	2017	2016
Attributable to the Group:		
Net income (loss)	$ (838)	1,047
Other comprehensive income	-	-
Total comprehensive income	**$ (838)**	**1,047**

(i) Acquisition of subsidiaries

(i) Acquisition of AOPEN Inc. and its subsidiaries (AOI)

1) The cost of acquisition

In order to enhance resource integration and competitiveness of digital signage business, on November 24, 2017, the Company subscribed to 28,970,000 shares of AOI through the private placement conducted by AOI for cash of $333,155 ($11.5 (dollars) per share), resulting in 40.55% ownership of AOI. The Company is the largest shareholder of AOI and obtained control over it since then.

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2) In accordance with IFRSs, the identifiable assets acquired and liabilities assumed at the acquisition date are measured at fair value. Based on the evaluation performed by the specialist, the consideration paid for the acquisition and fair value information of assets acquired and liabilities assumed from the acquisition on the acquisition date are as follows:

Purchase consideration		$ 333,155
Add: Non-controlling interest in the acquiree (proportionate share of the fair value of the identifiable net assets)		489,747
Less: fair value of identifiable assets acquired and liabilities assumed		
Cash and cash equivalents	$ 820,168	
Notes and accounts receivable, net	264,898	
Other receivables	18,168	
Inventories	178,523	
Other current assets	117,723	
Available-for-sale financial assets－non-current	330,473	
Investments accounted for using equity method	48,783	
Property, plant and equipment	16,504	
Intangible assets	4,880	
Other non-current assets	9,549	
Short-term borrowings	(430,722)	
Notes and accounts payable	(206,440)	
Other payables	(130,813)	
Provisions－current	(29,772)	
Current income tax liabilities	(8,885)	
Other current liabilities	(94,624)	
Deferred income tax liabilities	(57,941)	
Other non-current liabilities	(26,718)	(823,754)
Gain on bargain purchase		**$ (852)**

The above-mentioned gain on bargain purchase of $852 was included in non-operating income and loss in the consolidated statement of comprehensive income for the year ended December 31, 2017.

3) Pro forma information

From the acquisition date to December 31, 2017, AOI and its subsidiaries contributed revenue of $91,753 and net loss of $(14,047) to the Group's results. If the acquisition had occurred on January 1, 2017, the management estimates that consolidated revenue would have been $238,537,983, and consolidated net income after tax would have been $2,692,379.

(ii) Acquisition of StarVR Corporation (ASBZ)

1) The cost of acquisition

To enhance development on design, manufacture, and marketing of virtual reality (VR) products, the Company subscribed to 16,000,000 shares of ASBZ, formerly a joint venture of the Company, for cash of $160,000 on October 20, 2017, which resulted in an increase in its ownership of ASBZ from 50% to 66.67%, and obtained control over ASBZ.

2) In accordance with IFRSs, the identifiable assets and liabilities assumed at the acquisition date are measured at fair value. Based on the evaluation performed by the specialist, the consideration paid for the acquisition and fair value information of assets acquired and liabilities assumed from the acquisition on the acquisition date are as follows:

Purchase consideration		$ 160,000
Add: Non-controlling interest in the acquiree (proportionate share of the fair value of the identifiable net assets)		160,139
Fair value of pre-existing interest in the acquiree		160,000
Cash and cash equivalents	$ 185,746	
Notes and accounts receivable, net	83,891	
Other receivables	164	
Inventories	14,514	
Other current assets	20,007	
Property, plant and equipment	6,551	
Other non-current assets	360	
Investments in debt instrument without an active market －non-current	296,555	
Notes and accounts payable	(31,809)	
Other payables	(86,019)	
Provisions－current	(9,541)	
Other current liabilities	(2)	(480,417)
Gain on bargain purchase		**$ (278)**

The Company remeasured the fair value of its existing 50% share ownership of ASBZ at the acquisition date, and recognized a loss on disposal of investments of $209 accordingly. The resulting loss, as well as the gain on bargain purchase of $278, were classified under non-operating income and loss in the consolidated statement of comprehensive income for the year ended December 31, 2017.

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3) Pro forma information

From the acquisition date to December 31, 2017, ASBZ contributed revenue of $18,346 and net loss of $(23,848) to the Group's results. If the acquisition had occurred on January 1, 2017, the management estimates that consolidated revenue would have been $237,308,781, and consolidated net income after tax would have been $2,716,981.

(j) Property, plant and equipment

The movements of cost, and accumulated depreciation and impairment loss of the property, plant and equipment were as follows:

	Land	Buildings	Computer and communication equipment	Other equipment	Construction in progress	Total
Cost or deemed cost:						
Balance at January 1, 2017	$ 1,508,489	3,725,781	4,310,786	2,870,852	970	12,416,878
Acquisition through business combination (note 6(i))	-	7,207	28,670	352,011	224	388,112
Additions	-	14,145	157,006	109,809	1,434	282,394
Disposals	(7,998)	(106,934)	(140,968)	(214,714)	-	(470,614)
Reclassification from investment property	39,903	-	-	-	-	39,903
Reclassification to Non-current assets held for sale	(51,753)	(591,073)	-	-	-	(642,826)
Other reclassification and effect of exchange rate changes	3,779	(28,279)	12,819	(29,479)	(1,075)	(42,235)
Balance at December 31, 2017	$ **1,492,420**	**3,020,847**	**4,368,313**	**3,088,479**	**1,553**	**11,971,612**
Balance at January 1, 2016	$ 1,528,566	3,755,664	4,371,018	3,157,734	1,533	12,814,515
Additions	-	16,769	67,416	77,488	2,997	164,670
Disposals	(3,007)	-	(128,394)	(228,407)	(3,503)	(363,311)
Reclassification to investment property	-	(482)	-	-	-	(482)
Other reclassification and effect of exchange rate changes	(17,070)	(46,170)	746	(135,963)	(57)	(198,514)
Balance at December 31, 2016	$ **1,508,489**	**3,725,781**	**4,310,786**	**2,870,852**	**970**	**12,416,878**
Accumulated depreciation and impairment loss:						
Balance at January 1, 2017	$ 159,682	2,504,352	3,303,924	2,127,768	-	8,095,726
Acquisition through business combination (note 6(i))	-	5,948	45,832	309,287	-	361,067
Reversal of impairment loss (note 6(g))	-	(82,480)	-	-	-	(82,480)
Depreciation	-	80,172	266,927	147,862	-	494,961
Disposals	-	(102,055)	(137,894)	(200,727)	-	(440,676)
Reclassification from investment property	14,690	-	-	-	-	14,690
Reclassification to non-current assets held for sale	(30,646)	(450,190)	-	-	-	(480,836)
Other reclassification and effect of exchange rate changes	(2,495)	(29,842)	(5,268)	(59,794)	-	(97,399)
Balance at December 31, 2017	$ **141,231**	**1,925,905**	**3,473,521**	**2,324,396**	**-**	**7,865,053**

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	Land	Buildings	Computer and communication equipment	Other equipment	Construction in progress	Total
Balance at January 1, 2016	$ 160,490	2,444,758	3,149,217	2,232,638	-	7,987,103
Depreciation	-	94,606	299,304	206,404	-	600,314
Disposals	-	-	(127,623)	(214,777)	-	(342,400)
Other reclassification and effect of exchange rate changes	(808)	(35,012)	(16,974)	(96,497)	-	(149,291)
Balance at December 31, 2016	**$ 159,682**	**2,504,352**	**3,303,924**	**2,127,768**	**-**	**8,095,726**
Carrying amounts:						
Balance at December 31, 2017	**$ 1,351,189**	**1,094,942**	**894,792**	**764,083**	**1,553**	**4,106,559**
Balance at December 31, 2016	**$ 1,348,807**	**1,221,429**	**1,006,862**	**743,084**	**970**	**4,321,152**

Refer to note 8 for a description of the Group's property, plant and equipment pledged as collateral for bank loans.

(k) Investment property

	Land	Buildings	Total
Cost or deemed cost:			
Balance at January 1, 2017	$ 1,195,613	3,234,411	4,430,024
Reclassification to property, plant and equipment	(39,903)	-	(39,903)
Balance at December 31, 2017	**$ 1,155,710**	**3,234,411**	**4,390,121**
Balance at January 1, 2016	$ 1,195,613	3,233,929	4,429,542
Reclassification from property, plant and equipment	-	482	482
Balance at December 31, 2016	**$ 1,195,613**	**3,234,411**	**4,430,024**
Accumulated depreciation and impairment loss:			
Balance at January 1, 2017	$ 443,724	2,805,983	3,249,707
Depreciation	-	13,905	13,905
Reclassification to property, plant and equipment	(14,690)	-	(14,690)
Balance at December 31, 2017	**$ 429,034**	**2,819,888**	**3,248,922**
Balance at January 1, 2016	$ 443,724	2,793,119	3,236,843
Depreciation	-	12,864	12,864
Balance at December 31, 2016	**$ 443,724**	**2,805,983**	**3,249,707**
Carrying amounts:			
Balance at December 31, 2017	**$ 726,676**	**414,523**	**1,141,199**
Balance at December 31, 2016	**$ 751,889**	**428,428**	**1,180,317**
Fair value:			
Balance at December 31, 2017			**$ 1,654,828**
Balance at December 31, 2016			**$ 1,628,750**

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The fair value of the investment property is determined by referring to the market price of similar real estate transaction, the valuation (the inputs used in the fair value measurement were classified to level 3) by an independent appraiser or the value in use of the investment property. The value in use is the present value of the future cash flows from continuous lease activities. On December 31, 2017 and 2016, the estimated discount rate used for calculating the present value of the future cash flows was 4.90% and 3.78%, respectively.

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.

(l) Intangible assets

(i) The movements of costs, and accumulated amortization and impairment loss of intangible assets were as follows:

		Goodwill	Trademarks and trade names	Others	Total
Balance at January 1, 2017					
Cost	$	26,488,199	10,339,474	12,362,876	49,190,549
Accumulated amortization and impairment loss		(8,878,494)	(10,326,979)	(11,389,154)	(30,594,627)
Balance at January 1, 2017	$	17,609,705	12,495	973,722	18,595,922
Additions		-	-	38,846	38,846
Acquisition through business combination (note 6(i))		-	-	25,308	25,308
Disposals		-	-	(2,319)	(2,319)
Reclassification		-	-	9,395	9,395
Amortization		-	(12,113)	(515,769)	(527,882)
Effect of exchange rate changes		(931,899)	(382)	(22,838)	(955,119)
Balance at December 31, 2017	**$**	**16,677,806**	**-**	**506,345**	**17,184,151**
Balance at December 31, 2017					
Cost	$	24,913,482	10,308,445	10,680,053	45,901,980
Accumulated amortization and impairment loss		(8,235,676)	(10,308,445)	(10,173,708)	(28,717,829)
Carrying amount	**$**	**16,677,806**	**-**	**506,345**	**17,184,151**
Balance at January 1, 2016					
Cost	$	27,276,201	10,566,908	12,762,694	50,605,803
Accumulated amortization and impairment loss		(4,802,337)	(10,385,722)	(8,808,317)	(23,996,376)
Balance at January 1, 2016		22,473,864	181,186	3,954,377	26,609,427
Additions		-	-	5,070	5,070
Reclassification		-	-	3,367	3,367
Amortization		-	(17,068)	(777,544)	(794,612)
Impairment loss		(4,145,685)	(149,641)	(2,068,918)	(6,364,244)
Effect of exchange rate changes		(718,474)	(1,982)	(142,630)	(863,086)
Balance at December 31, 2016	**$**	**17,609,705**	**12,495**	**973,722**	**18,595,922**
Balance at December 31, 2016					
Cost	$	26,488,199	10,339,474	12,362,876	49,190,549
Accumulated amortization and impairment loss		(8,878,494)	(10,326,979)	(11,389,154)	(30,594,627)
Carrying amount	**$**	**17,609,705**	**12,495**	**973,722**	**18,595,922**

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The amortization and impairment loss of intangible assets were included in the following line items of the statement of comprehensive income:

	2017	2016
Cost of revenue	$ 4,395	1,453
Operating expenses	523,487	793,159
Non-operating loss	-	6,364,244
	$ 527,882	7,158,856

(ii) Impairment test on goodwill and other intangible assets

The carrying amounts of goodwill arising from a business combination and the respective CGUs to which the goodwill was allocated for impairment test purpose as of December 31, 2017 and 2016 were as follows:

	RO-EMEA	RO-PA	RO-PAP	BYOC	Multiple CGUs without significant goodwill	Total
Balance at January 1, 2017	$ 10,205,982	1,649,760	5,736,241	-	17,722	17,609,705
Effect of exchange rate changes	(583,228)	(116,071)	(232,600)	-	-	(931,899)
Balance at December 31, 2017	$ 9,622,754	1,533,689	5,503,641	-	17,722	16,677,806
Balance at January 1, 2016	$ 12,340,616	2,009,719	8,105,807	-	17,722	22,473,864
Reallocation	(1,869,631)	(322,383)	(2,098,755)	4,290,769	-	-
Impairment loss	-	-	-	(4,145,685)	-	(4,145,685)
Effect of exchange rate changes	(265,003)	(37,576)	(270,811)	(145,084)	-	(718,474)
Balance at December 31, 2016	$ 10,205,982	1,649,760	5,736,241	-	17,722	17,609,705

Each CGU to which the goodwill is allocated represents the lowest level within the Group, at which the goodwill is monitored for internal management purpose.

The Group activated an organizational restructuring with respect to its new business and core business in 2016. In the fourth quarter of 2016, the new organization structure was ascertained and the new companies had been set up. Consequently, the Group re-defined CGU and BYOC was identified as an individual CGU.

Based on the results of impairment tests conducted by the Group in the fourth quarter of 2016, the expected recoverable amount of CGU-BYOC was less than its carrying amount; as a result, the Group recognized an impairment loss on goodwill and developed & developing technology of $4,145,685 and $2,068,918, respectively.

The Group adjusted its brand strategy and re-allocated its resources in the fourth quarter of 2016, under which the Group expected the future cash flow, arising from the trademarks of Gateway and Packard Bell, will be minimal considering that the related trade names, as well as their related maintenance costs, will only be used and promoted in specific areas. As a result, the Group recognized an impairment loss on trademarks of $149,641 in 2016.

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The recoverable amount of a CGU was determined based on the value in use, and the related key assumptions were as follows:

1) 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. Cash flows beyond that 5-year period have been extrapolated using the following growth rates:

	RO-EMEA	RO-PA	RO-PAP	BYOC
2017.12.31	0%	0%	0%	-
2016.12.31	0%	0%	0%	5.0 %

2) Discount rates used to determine the value in use for each CGU were as follows:

	RO-EMEA	RO-PA	RO-PAP	BYOC
2017.12.31	19.4 %	11.1 %	23.3 %	-
2016.12.31	18.7 %	12.1 %	19.4 %	14.5 %

The estimation of discount rate is based on the weighted average cost of capital.

(m) Other current assets and other non-current assets

	December 31, 2017	December 31, 2016
Tax overpaid retained for offsetting against future business tax payable	$ 2,259,644	2,328,881
Prepaid income tax	921,297	783,180
Prepaid royalty and other prepayments	802,829	841,657
Others	195,639	321,840
	$ 4,179,409	**4,275,558**
Current	$ 3,078,330	3,122,630
Non-current	1,101,079	1,152,928
	$ 4,179,409	**4,275,558**

(n) Short-term borrowings

	December 31, 2017	December 31, 2016
Unsecured bank loans	**$ 482,894**	**103,000**
Unused credit facilities	**$ 29,583,089**	**30,647,073**
Interest rate	**0.98%~4.30%**	**1.00%~1.27%**

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(o) Long-term debt

		December 31, 2017	December 31, 2016
Unsecured bank loans	$	6,000,000	6,000,000
Secured bank loans		2,457	-
Less: current portion of long-term debt		(2,701,958)	(6,000,000)
	$	**3,300,499**	**-**

(i) Bank loans

Type of Loan	Creditor	Credit Line	Term	December 31, 2017	December 31, 2016
Unsecured loan	Bank of Taiwan and other banks	The term tranche of $6 billion may be withdrawn separately within twelve months from the date of the initial withdrawal; three-year limit, during which, revolving credits are disallowed	The loan is repayable in 6 quarterly installments ($0.9 billion for the first to the fifth installments, and $1.5 billion for the sixth installment) starting February 2018. The Company early repaid $3.3 billion in advance in November 2017.	2,700,000	6,000,000
		Revolving tranche of $6 billion; three-year limit	One-time repayment in full when due. The credit facility has not been used.	-	-
Unsecured loan	Bank of Taiwan	The term tranche of $4 billion may be withdrawn separately within six months from the contract date; revolving credits are allowed.	The interest is paid monthly starting November 2017. The principal will have to be repaid in lump sum amount when due in August 2019. Interest rate is adjusted quarterly.	3,300,000	-
Secured loan				2,457	-
Less: current portion of long-term debt				(2,701,958)	(6,000,000)
				$ 3,300,499	**-**
Unused credit facilities				**$ 6,700,000**	**6,000,000**
Interest rate				**0.98%～3.92%**	**1.80%**

(Continued)

The Company entered into a syndicated loan agreement with Bank of Taiwan (the lead bank of the syndicated loan) and other banks in April 2016. According to the syndicated loan agreements, the Company is required to maintain certain financial ratios calculated based on its annual and semi-annual consolidated financial statements. On December 31, 2016, the Company was not in compliance with some of the financial covenants. As a result, the Company has reclassified the amount of $6,000,000 from long-term debt to the current portion of long-term debt. Nevertheless, on March 10, 2017, the Company obtained a waiver from the syndicated banks, which exempted the Company from complying with the required financial covenants. The Company was in compliance with the financial covenants on December 31, 2017.

Refer to note 8 for details on related assets pledged as collateral for secured loans.

(ii) Domestic convertible bonds

		2017	2016
Bonds payable:			
Beginning balance	$	-	5,966,431
Amortization of bond discount (recognized as interest expense)		-	33,569
Redemption		-	(6,000,000)
	$	-	-

On May 14, 2013, the Group issued $6,000,000 of zero coupon domestic convertible bonds due 2016 (the "2016 Bond") on the Taipei Exchange. The significant terms and conditions of the convertible bonds are as follows:

a) Par value $6,000,000
b) Issue date May 14, 2013
c) Maturity date May 14, 2016
d) Coupon rate 0%
e) Conversion

Bondholders may convert the bonds into the Company's common shares at any time starting one month from the issue date until 10 days prior to the maturity date. The conversion price is $24.97 per common share and is subject to adjustment by the formula provided in the issue terms if the Company's outstanding common shares are increased.

f) Redemption at the option of the Company

The Company may redeem the 2016 Bond, in whole or in part, at the principal amounts, in the following cases:

i) At any time on or after June 15, 2013, and until 40 days prior to the maturity date, the closing price of its common shares on the Taiwan Stock Exchange is at least 130% of the conversion price for 30 consecutive trading days.

(Continued)

ii) At any time on or after June 15, 2013, and until 40 days prior to the maturity date, the outstanding balance of the convertible bonds is less than 10% of the original issuance amount.

g) Redemption at maturity

Unless previously redeemed, repurchased and cancelled, or converted, the Company shall redeem the bonds at their par value in cash.

The Company redeemed the domestic convertible bonds at the redemption price of $6,000,000 in 2016.

(p) Provisions

		Warranties	Litigation	Sales returns	Environmental protection and others	Total
Balance at January 1, 2017	$	4,830,430	289,160	1,186,327	230,909	6,536,826
Assumed in a business combination		38,700	-	-	613	39,313
Additions		5,429,579	17,252	4,057,256	100,608	9,604,695
Amount utilized and reversed		(5,289,614)	(19,862)	(3,869,730)	(160,591)	(9,339,797)
Effect of exchange rate changes		(23,951)	(20,430)	(92,730)	(2,233)	(139,344)
Balance at December 31, 2017	**$**	**4,985,144**	**266,120**	**1,281,123**	**169,306**	**6,701,693**
Current	$	4,985,144	262,942	1,281,123	126,792	6,656,001
Non-current		-	3,178	-	42,514	45,692
	$	**4,985,144**	**266,120**	**1,281,123**	**169,306**	**6,701,693**
Balance at January 1, 2016	$	5,410,999	360,927	1,074,649	228,076	7,074,651
Additions		5,693,275	271,248	4,312,681	105,584	10,382,788
Amount utilized and reversed		(6,053,369)	(317,347)	(4,175,225)	(97,734)	(10,643,675)
Effect of exchange rate changes		(220,475)	(25,668)	(25,778)	(5,017)	(276,938)
Balance at December 31, 2016	**$**	**4,830,430**	**289,160**	**1,186,327**	**230,909**	**6,536,826**
Current	$	4,830,430	286,098	1,186,327	173,451	6,476,306
Non-current		-	3,062	-	57,458	60,520
	$	**4,830,430**	**289,160**	**1,186,327**	**230,909**	**6,536,826**

(i) Warranties

The provision for warranties is made based on the number of units sold currently under warranty, historical rates of warranty claim on those units, and cost per claim to satisfy the warranty obligation. The Group reviews the estimation basis on an ongoing basis and revises it when appropriate.

(ii) Litigation

Litigation provisions are recorded for pending litigation when it is determined that an unfavorable outcome is probable and the amount of loss can be reasonably estimated.

(iii) Sales returns

Expected sales returns are estimated based on historical experience.

(Continued)

(iv) Environmental protection and others

An environmental protection provision is made when products are sold and is estimated based on historical experience.

(q) Operating lease

(i) Lessee

The Group leased offices and warehouses under operating leases. The future minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2017	December 31, 2016
Not later than 1 year	$ 604,211	528,687
Later than 1 year but not later than 5 years	1,336,228	901,497
Later than 5 years	382,898	373,000
	$ 2,323,337	**1,803,184**

For the years ended December 31, 2017 and 2016, rental expenses of $781,711 and $870,037, respectively, were recognized and included in the cost of revenue and operating expenses.

(ii) Lessor

The Group leased its investment property under operating leases. The future minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2017	December 31, 2016
Not later than 1 year	$ 53,858	78,972
Later than 1 year but not later than 5 years	78,086	79,488
Latter than 5 years	873	1,932
	$ 132,817	**160,392**

In 2017 and 2016, the rental income from investment property amounted to $64,445 and $46,518, respectively, were recognized and included in other operating income and loss. Related repair and maintenance expenses recognized and included in operating expense were as follows:

	2017	2016
Arising from investment property that generated rental income during the period	$ 27,001	27,276
Arising from investment property that did not generate rental income during the period	34,326	36,197
	$ 61,327	**63,473**

(r) Employee benefits

(i) Defined benefit plans

The reconciliation between the present value of defined benefit obligations and the net defined benefit liabilities (assets) for defined benefit plans was as follows:

	December 31, 2017	**December 31, 2016**
Present value of benefit obligations	$ 2,428,616	2,219,704
Fair value of plan assets	(999,201)	(892,353)
Net defined benefit liabilities (reported under other non-current liabilities)	**$ 1,429,415**	**1,327,351**

	December 31, 2017	**December 31, 2016**
Present value of benefit obligations	$ 43,017	40,483
Fair value of plan assets	(73,517)	(72,804)
Net defined benefit assets (reported under other non-current assets)	**$ (30,500)**	**(32,321)**

The Company and its domestic subsidiaries make defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pension benefits for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive a payment based on years of service and average salary for the six months prior to the employee's retirement.

Foreign subsidiaries, including AJC, ATH, AIN, AMI, AIL, APHI, AEG, ASZ, AIT, ASIN, ACF and AOJ, also have defined benefit pension plans based on their respective local laws and regulations.

1) Composition of plan assets

The pension fund (the "Fund") contributed by the Company and its domestic subsidiaries is managed and administered by the Bureau of Labor Funds of the Ministry of Labor (the Bureau of Labor Funds). According to the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund", with regard to the utilization of the Fund, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks. The Company and its domestic subsidiaries also established pension funds in accordance with the "Regulations Governing the Management, Investment, and Distribution of the Employees' Retirement Fund Established by a Profit-seeking Enterprise", which are funded by time deposits and bank deposits deposited in the designated financial institutions. The administration of pension funds is separate from the Group, and the principal and interest from such funds shall not be used in any form except for the payment of pension and severance to employees.

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Foreign subsidiaries with defined benefit pension plans make pension contributions to pension management institutions in accordance with their respective local regulations.

As of December 31, 2017 and 2016, the Group's fair value of plan assets, by major categories, was as follows:

	December 31, 2017	December 31, 2016
Cash	$ 481,557	459,438
Equity instruments	332,136	269,283
Instruments with fixed return	58,661	79,018
Real estate	200,364	157,418
	$ 1,072,718	**965,157**

Cash includes the labor pension fund assets. For information on the domestic labor pension fund assets (including the asset portfolio and yield of the fund), please refer to the website of the Bureau of Labor Funds.

2) Movements in present value of the defined benefit obligations

	2017	2016
Defined benefit obligations at January 1	$ 2,260,187	2,347,157
Current service costs	210,124	221,691
Net interest expense	28,054	34,454
Remeasurement on the net defined benefit liabilities (assets) :		
Actuarial loss (gain) arising from experience adjustments	61,023	(35,063)
Actuarial loss (gain) arising from changes in population assumption	2,431	(28,970)
Actuarial loss (gain) arising from changes in financial assumption	(8,890)	90,888
Benefits paid by the Group and the plan	(145,648)	(363,699)
Past service costs and settlement loss	203	2,166
Liabilities assumed in a business combination	63,261	-
Effect of exchange rate changes	(19,211)	(33,337)
Contributions by plan participants	20,099	24,900
Defined benefit obligations at December 31	**$ 2,471,633**	**2,260,187**

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3) Movements in fair value of plan assets

	2017	2016
Fair value of plan assets at January 1	$ 965,157	1,157,220
Interest income	10,363	15,438
Remeasurement on the net defined benefit liabilities (assets):		
Return on plan assets (excluding amounts included in net interest expense)	19,119	(15,746)
Benefits paid by the plan	(135,291)	(358,846)
Contributions by plan participants	20,099	24,900
Contributions by the employer	123,533	145,320
Assets acquired through business combination	37,666	-
Effect of exchange rate changes	32,072	(3,129)
Fair value of plan assets at December 31	**$ 1,072,718**	**965,157**

4) Changes in the effect of the asset ceiling

In 2017 and 2016, there was no effect of the asset ceiling.

5) Expenses recognized in profit or loss

	2017	2016
Current service costs	$ 210,124	221,691
Net interest expense	17,691	19,016
Past service costs and settlement loss	203	2,166
	$ 228,018	**242,873**
Classified under operating expense	**$ 228,018**	**242,873**

6) Remeasurement of the net defined benefit liabilities (assets) recognized in other comprehensive income

	2017	2016
Cumulative amount at January 1	(102,675)	(60,074)
Recognized during the period	(35,445)	(42,601)
Cumulative amount at December 31	**$ (138,120)**	**(102,675)**

7) Actuarial assumptions

The principal assumptions of the actuarial valuation were as follows:

	December 31, 2017	December 31, 2016
Discount rate	0.30%~7.63%	0.30%~8.40%
Future salary increases rate	1.00%~6.00%	1.00%~6.50%

(Continued)

The weighted average duration of the defined benefit plans is ranged from 6 years to 28 years. The Group expects to make contribution of $121,265 to the defined benefit plans in the year following December 31, 2017.

8) Sensitivity analysis

When calculating the present value of the defined benefit obligations, the Group uses judgments and estimations to determine the actuarial assumptions for each measurement date, including discount rates and future salary changes. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations.

The following table summarizes the impact of a change in the assumptions on the present value of the defined benefit obligation on December 31, 2017 and 2016.

	December 31, 2017		December 31, 2016	
	0.25% Increase	0.25% Decrease	0.25% Increase	0.25% Decrease
Discount rate	$ (102,352)	115,350	(97,254)	109,766
Future salary change	$ 61,642	(59,065)	60,417	(58,388)

Each sensitivity analysis considers the change in one assumption at a time, leaving the other assumptions unchanged. This approach shows the isolated effect of changing one individual assumption but does not take into account that some assumptions are related. The method used to carry out the sensitivity analysis is the same as the calculation of the net defined benefit liabilities recognized in the balance sheets. The method used to carry out the sensitivity analysis is the same as in the prior year.

(ii) Defined contribution plans

The Company and its domestic subsidiaries contribute monthly an amount equal to 6% of each employee's monthly wages to the employee's individual pension fund account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Group has no legal or constructive obligation to pay additional amounts after contributing a fixed amount to the Bureau of Labor Insurance. Foreign subsidiaries make contributions in compliance with their respective local regulations.

For the years ended December 31, 2017 and 2016, the Group recognized pension expenses of $350,873 and $368,239, respectively, in relation to the defined contribution plans.

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(s) Income taxes

(i) Income tax returns of the Group are filed individually by each entity and not on a combined basis. The Company and its subsidiaries incorporated in the R.O.C. are subject to R.O.C. income tax at a rate of 17% for the years 2017 and 2016. Foreign subsidiaries calculated income tax in accordance with their respective local tax law and regulations. The components of income tax expense were as follows:

		2017	2016
Current income tax expense			
Current period	$	471,755	319,654
Adjustments for prior years		(150,444)	402,930
		321,311	722,584
Deferred tax expense (benefit)			
Origination and reversal of temporary differences		3,194,749	(973,607)
Change in unrecognized deductible temporary differences and tax losses		(2,873,661)	427,438
		321,088	(546,169)
Income tax expense	$	**642,399**	**176,415**

The components of income tax benefit recognized in other comprehensive income were as follows:

	2017	2016
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit plans	11,050	29,720
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	18	353
	11,068	**30,073**

Reconciliation between the expected income tax expense calculated based on the Company's statutory tax rate and the actual income tax expense reported in the consolidated statements of comprehensive income (loss) was as follows:

		2017	2016
Income (loss) before taxes	$	**3,439,132**	**(4,724,325)**
Income tax using the Company's statutory tax rate	$	584,652	(803,135)
Effect of different tax rates in foreign jurisdictions		371,004	(888,022)
Adjustments for prior-year income tax expense		(150,444)	402,930
Change in unrecognized temporary differences and tax losses		(696,550)	427,438
Loss on impairment of goodwill		-	1,450,990
Others		533,737	(413,786)
	$	**642,399**	**176,415**

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(ii) Deferred income tax assets and liabilities

1) Unrecognized deferred income tax assets

	December 31, 2017	December 31, 2016
Tax losses	$ 5,361,238	7,144,728
Loss associated with investments in subsidiaries	2,818,394	2,741,033
Deductible temporary differences	3,768,943	4,610,005
	$ **11,948,575**	**14,495,766**

The tax benefits from tax losses that each entity in the Group is entitled to in accordance with the respective local tax regulations of each jurisdiction were not recognized as deferred income tax assets as management believed that it is not probable that future taxable profits will be available against which the Group can utilize the benefits therefrom.

As of December 31, 2017, the unrecognized tax losses and the respective expiry years were as follows:

Tax effects of tax losses	Year of expiry
$ 133,496	2018
276,694	2019
106,635	2020
349,684	2021
4,494,729	2022 and thereafter
$ **5,361,238**	

2) Unrecognized deferred income tax liabilities

	December 31, 2017	December 31, 2016
Net profits associated with investments in subsidiaries	$ **4,161,413**	**4,241,957**

The Company is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries. As management believed that it is probable that the temporary differences will not reverse in the foreseeable future, such temporary differences were not recognized as deferred income tax liabilities.

(Continued)

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3) Recognized deferred income tax assets and liabilities

Changes in the amount of deferred income tax assets and liabilities were as follows:

Deferred income tax assets:

	Inventory	Accrued expenses and provisions	Unused tax loss carryforwards	Others	Total
Balance at January 1, 2017	$ 160,791	266,522	116,972	117,992	662,277
Recognized in profit or loss	8,442	(17,056)	(2,458)	(19,974)	(31,046)
Recognized in other comprehensive income (loss)	-	-	-	11,068	11,068
Effect of exchange rate changes	-	-	-	14,179	14,179
Balance at December 31, 2017	**$ 169,233**	**249,466**	**114,514**	**123,265**	**656,478**
Balance at January 1, 2016	$ 169,811	377,754	252,066	38,515	838,146
Recognized in profit or loss	(9,020)	(111,232)	(135,094)	57,049	(198,297)
Recognized in other comprehensive income (loss)	-	-	-	30,073	30,073
Effect of exchange rate changes	-	-	-	(7,645)	(7,645)
Balance at December 31, 2016	**$ 160,791**	**266,522**	**116,972**	**117,992**	**662,277**

Deferred income tax liabilities:

	Unremitted earnings from subsidiaries	Unrealized foreign exchange gain and unrealized gain on valuation of financial instruments	Intangible assets	Others	Total
Balance at January 1, 2017	$ 564,619	8,117	106,126	13,851	692,713
Assumed through business combination	57,863	-	-	78	57,941
Recognized in profit or loss	74,404	143,980	75,341	(3,683)	290,042
Balance at December 31, 2017	**$ 696,886**	**152,097**	**181,467**	**10,246**	**1,040,696**
Balance at January 1, 2016	$ 560,770	7,865	854,281	14,263	1,437,179
Recognized in profit or loss	3,849	252	(748,155)	(412)	(744,466)
Balance at December 31, 2016	**$ 564,619**	**8,117**	**106,126**	**13,851**	**692,713**

(iii) The Company's income tax returns for the years through 2014 were examined and approved by the R.O.C. income tax authorities.

(iv) Information about the integrated income tax system

	December 31, 2017	December 31, 2016
Unappropriated earnings earned (accumulated deficit) commencing from January 1, 1998	(Note)	**$ (4,900,296)**
Balance of imputation credit account	(Note)	**$ 1,821,486**

(Continued)

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	2017 (estimated)	2016 (actual)
Creditable ratio for distribution of earnings to R.O.C. residents	(Note)	- %

The abovementioned integrated income tax information was prepared in accordance with Decree No. 10204562810 announced by the Ministry of Finance of the R.O.C. on October 17, 2013.

Note: According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, effective January 1, 2018, companies will no longer be required to establish, record, calculate, and distribute their ICA due to the abolishment of the imputation tax system.

(t) Capital and other equity

(i) Common stock

The Company had issued 17,460,000 shares of restricted stock to its employees on August 26, 2014. In 2017 and 2016, the Company recalled 4,230,000 and 4,710,000 shares, respectively, of restricted stock due to the resignation and retirement of certain employees, as well as failing to meet certain vesting conditions. The Board of Directors had approved a resolution of the retirement of restricted shares of stock issued to employees and the related registration process has been completed.

As of December 31, 2017 and 2016, the Company had issued 6,446 thousand units and 6,588 thousand units, respectively, of global depository receipts (GDRs). The GDRs were listed on the London Stock Exchange, and each GDR represents five common shares.

As of December 31, 2017 and 2016, the Company's authorized shares of common stock consisted of 3,500,000,000 shares, of which 3,076,502,828 shares and 3,080,732,828 shares, respectively, were issued. The par value of the Company's common stock is $10 per share. All issued shares were paid up upon issuance.

Certain shares of common stock were not outstanding as they were held by the Company's subsidiaries or were non-vested restricted stock. The movements in outstanding shares of common stock in 2017 and 2016 were as follows (in thousands of shares):

	2017	2016
Balance at January 1 (at December 31)	3,026,277	3,026,277

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(ii) Capital surplus

		December 31, 2017	December 31, 2016
Share premium:			
Paid-in capital in excess of par value	$	13,173,098	14,711,477
Surplus from mergers		16,027,221	19,475,618
Surplus related to treasury stock transactions and cash dividend		307,802	284,494
Others:			
Employee share options		90,000	90,000
Surplus from equity-method investments		173,516	143,269
Restricted stock issued to employees		80,547	38,247
	$	**29,852,184**	**34,743,105**

Pursuant to the Company Act, 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 the original shareholding ratio. Realized capital surplus includes the premium derived from the issuance of shares of stock in excess of par value and donations received by the Company. In accordance with the " Regulations Governing the Offering and Issuance of Securities by Securities Issuers", distribution of stock dividends from capital surplus in any one year shall not exceed 10% of paid-in capital.

(iii) Legal reserve, special reserve, 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 paid-in capital. In addition, a special reserve shall be set aside in accordance with applicable laws and regulations. The remaining balance, together with the unappropriated earnings from the previous years, after retaining a certain portion of it for business considerations, can be distributed as dividends to stockholders. Except for the distribution of capital surplus and legal reserve in accordance with applicable laws and regulations, the Company cannot distribute any earnings when there are no retained earnings.

Since the Company operates in an industry experiencing rapid change and development, earnings are distributed in consideration of the current year's earnings, the overall economic environment, related laws and decrees, and the Company's long-term development and stability in its financial position. The Company has adopted a stable dividend policy, in which a cash dividend comprises at least 10% of the total dividend distribution.

Additionally, according to the Company Act, a company shall first retain 10% of its income after taxes as legal reserve until such retention equals the amount of paid-in capital. 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 distributing cash for the portion of legal reserve which exceeds 25% of the paid-in capital.

(Continued)

In accordance with Ruling No. 1010047490 issued by the FSC on November 21, 2012, a special reserve shall be retained at an amount equal to the proportionate share of the carrying value of the treasury stock held by subsidiaries in excess of the market value at the reporting date. The special reserve may be reversed when the market value recovers in subsequent periods.

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a special reserve equal to the total amount of items that are accounted for as deductions from stockholders’ equity shall be set aside from current and prior-year earnings. This special reserve shall revert to retained earnings and be made available for distribution when the items that are accounted for as deductions from stockholders’ equity are reversed in subsequent periods.

On June 21, 2017, the Company’s shareholders approved a decrease in its special reserve, legal reserve and capital surplus of $1,306,709, $145,190 and $3,448,397, respectively, to offset the accumulated deficit. Additionally, the Company’s shareholders decided to distribute cash deriving from the capital surplus of $1,538,379 ($0.5 dollars per share), of which $23,308 was distributed to the subsidiaries holding the Company’s common shares of stock.

The balance of 2015 net income was reduced to zero, after offsetting the deficit of $83,446 arising from the retirement of treasury stock and adoption 2013 Taiwan-IFRSs, and the appropriation of legal reserve and special reserve of $52,024 and $468,211, respectively. Therefore, the Company’s shareholders resolved not to distribute any dividend during their meeting held on June 24, 2016. Nevertheless, the Company’s shareholders decided to distribute cash deriving from the capital surplus of $1,540,501 ($0.5 dollars per share), of which $23,494 was distributed to the subsidiaries holding the Company’s common shares of stock. Related information on the appropriation of earnings proposed by the Board of Directors and approved by the shareholders is available on the Market Observation Post System website of the Taiwan Stock Exchange.

The appropriation of 2017 earnings had been proposed by the Company’s Board of Directors on March 21, 2018, which included the appropriation of legal reserve and special reserve of $281,559 and $2,534,028, respectively, as well as the cash distribution at $0.7 dollars per share from the capital surplus.

(iv) Treasury stock

As of December 31, 2017 and 2016, details of the GDRs (for the implementation of an overseas employee stock option plan) held by subsidiary AWI and the Company’s common stock held by subsidiaries AWI (to maintain the Company’s shareholders’ equity), CCI (to maintain the Company’s shareholders’ equity), and ETEN (resulting from the acquisition of ETEN) were as follows (expressed in thousands of shares):

	December 31, 2017		
	Number of shares	**Carrying amount**	**Market value**
Common stock	21,809	$ 945,239	526,687
GDRs	24,937	1,969,617	558,991
		$ 2,914,856	**1,085,678**

(Continued)

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	December 31, 2016		
	Number of shares	Carrying amount	Market value
Common stock	21,809	$ 945,239	285,698
GDRs	24,937	1,969,617	321,980
		$ 2,914,856	607,678

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 common shares 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.

(v) Other equity items (net after tax)

1) Foreign currency translation differences:

	2017	2016
Balance at January 1	$ (1,061,015)	1,437,412
Foreign exchange differences arising from translation of foreign operations	(2,141,887)	(2,495,552)
Share of other comprehensive income (loss) of associates	741	(2,875)
Balance at December 31	$ (3,202,161)	(1,061,015)

2) Unrealized gain (loss) from available-for-sale financial assets:

	2017	2016
Balance at January 1	$ (347,770)	(1,104,565)
Changes in fair value of available-for-sale financial assets	459,805	755,555
Net loss (gain) on disposal of available-for-sale financial assets reclassified to profit or loss	-	1,240
Balance at December 31	$ 112,035	(347,770)

3) Remeasurement of defined benefit plans:

	2017	2016
Balance at January 1	$ (77,257)	(64,376)
Change in the period	(19,024)	(12,881)
Balance at December 31	$ (96,281)	(77,257)

4) Unearned compensation cost:

	2017	2016
Balance at January 1	$ (26,743)	(39,966)
Change in the period	14,650	13,223
Balance at December 31	$ (12,093)	(26,743)

(Continued)

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(vi) Non-controlling interests (net after tax)

	2017	2016
Balance at January 1	$ 4,083	2,370
Equity attributable to non-controlling interests		
Net loss	(18,854)	(444)
Share-based compensation cost of subsidiaries	12	-
Capital injection from non-controlling interests	19,893	-
Changes in ownership interest in subsidiaries	(1,634)	-
Foreign currency translation differences	9,867	2,157
Unrealized gain (loss) from available-for-sale financial assets	(1,919)	-
Remeasurement of defined benefit plans	(5,371)	-
Acquisition of subsidiaries	649,886	-
Balance at December 31	$ 655,963	4,083

(u) Share-based payment

(i) ASBZ – Employee stock option plans (ESOPs)

Grant Date	2017/12/15
Numbers of options granted	3,580 units
Numbers of common shares eligible to be subscribed for (each unit)	1,000 shares
Contract period	until 2018/01/31
Vesting period	2017/12/15~2018/01/22
Qualified employees	Employees of ASBZ

ASBZ used the Black-Scholes Model in measuring the fair value of its employee stock option at the date of grant. The main inputs to the valuation model were as follows:

Fair value of options granted (NT$/ share)	0.0756
Fair value of stock at grant date (NT$/ share)	23.52
Exercise price (NT$/ share)	30.00
Expected volatility	43.92%
Expected life (in years)	0.11
Risk-free interest rate	0.34%

Expected volatility was determined based on the vesting period and historical volatility of the comparable companies. The risk-free interest rate was determined based on government bonds.

(Continued)

Details of the employee stock options were as follows:

	2017	
	Number of options	**Weighted average exercise price**
Outstanding at 1 January	-	$ -
Granted during the year	3,580	30.00
Outstanding at 31 December	**3,580**	30.00
Exercisable at 31 December	**-**	-

Information on outstanding ESOPs at reporting date was as follows:

December 31, 2017				
Year of grant	**Numbers outstanding**	**Weighted-average remaining contractual years**	**Weighted-average exercise price**	**Numbers exercisable**
2017	**3,580**	0.085	$ 30.00	**-**

For the year ended December 31, 2017, the Group recognized the compensation cost of $35 for the aforementioned ESOPs.

(ii) The Company－restricted stock to employees

During their meeting on June 18, 2014, the Company's shareholders approved a resolution to issue 50,000,000 shares of restricted stock to full-time employees who conformed to certain requirements. The Company has filed an effective registration with the Securities and Futures Bureau of the FSC for the issuance.

On August 26, 2014, the Company issued 17,460,000 shares of restricted stock to its employees, and the effective date of capital increase was set on the same date. The employees who were granted restricted stock are entitled to purchase the shares of restricted stock at the exercise price of $0. The vesting period of the restricted stock is 1~4 years subsequent to the grant date, and the restricted shares of stock will be vested from 0% to 25% considering the Company's and individual employee's performance conditions. The restricted stock received by the employees shall be deposited and held in an escrow account and could not be sold, pledged, transferred, gifted, or disposed of in any other forms during the vesting period; nevertheless, the rights of a shareholder (such as voting and election at the shareholders' meeting) are the same as the rights of the Company's shareholders but are executed by the custodian. During the vesting period, the restricted shares of stock are entitled to any earnings distribution. The Company will take back the restricted stock from employees and retire those shares when the vesting conditions cannot be met.

(Continued)

The movements in number of restricted shares of stock issued (in thousands) in 2017 and 2016 were as follows:

	2017	2016
Balance at January 1	11,415	16,062
Forfeited during the period	(4,140)	(4,647)
Balance at December 31	7,275	11,415
Accumulated vested shares	(3,915)	(3,915)
Unvested shares	**3,360**	**7,500**

The fair value of the restricted stock was $24.15 (in New Taiwan dollars) per share, which was determined by reference to the closing price of the Company's common stock traded on the Taiwan Stock Exchange at the grant date. For the years ended December 31, 2017 and 2016, the compensation cost for the restricted stock amounted to $14,650 and $13,223, respectively, which was reported in the operating expenses.

(v) Earnings (loss) per share ("EPS")

(i) Basic earnings (loss) per share

The basic earnings (loss) per share were calculated as the earnings (loss) attributable to the shareholders of the Company divided by the weighted-average number of ordinary shares outstanding as follows:

	2017	2016
Net income (loss) attributable to the shareholders of the Company	$ 2,815,587	(4,900,296)
Weighted-average number of ordinary shares outstanding (in thousands)	3,026,277	3,026,277
Basic earnings (loss) per share (in New Taiwan dollars)	**$ 0.93**	**(1.62)**

(ii) Diluted earnings (loss) per share

	2017	2016
Net income (loss) attributable to the shareholders of the Company	**$ 2,815,587**	**(4,900,296)**
Weighted-average number of ordinary shares outstanding (in thousands)	3,026,277	3,026,277
Effect of dilutive potential common stock:		
Restricted stock issued to employees	5,163	-
Compensation to employees	5,261	-
Weighted-average shares of common stock outstanding (including effect of dilutive potential common stock)	**3,036,701**	**3,026,277**
Diluted earnings (loss) per share (in New Taiwan dollars)	**$ 0.93**	**(1.62)**

When the dilutive potential common shares including restricted stock issued to employees and compensation to employees have an anti-dilutive effect, they are not included in the calculation of diluted EPS.

(w) Revenue

		2017	2016
Revenue from sale of goods	$	230,527,987	225,735,406
Revenue from services rendered		5,410,430	4,442,001
Others		1,336,466	2,546,754
	$	**237,274,883**	**232,724,161**

(x) Remuneration to employees and directors

The Company's Articles of Incorporation require that earning shall first be offset against any deficit, then, a minimum of 4% will be distributed as employee remuneration and a maximum of 0.8% will be allocated as directors' remuneration. Employees who are entitled to receive the above-mentioned employee remuneration, in share or cash, include the employees of subsidiaries of the Company who meet certain specific requirement.

For the year ended December 31, 2017, the Company accrued its remuneration to employees and directors amounting to $121,049 and $4,263, respectively, which were calculated by using the Company's pre-tax net profit for the current period before deducting the amount of the remuneration to employees and directors, multiplied by the distribution ratio of remuneration to employees and directors under the Company's Article of Incorporation, and recognized them as operating expenses. The aforementioned accrued remuneration to employees was same as the amount approved by the Board of Directors on March 21, 2018, and was paid in cash. For the year ended December 31, 2016, the Company did not accrue any remuneration to its employees and directors as it incurred a net loss in 2016.

Furthermore, according to the Company's Article of Incorporation, regardless of whether there is net income or loss, the remuneration for directors is determined based on their involvement and contribution to the Company, as well as by taking into consideration the industry-wide standard and practice. The amount is proposed by the remuneration committee and approved by the Board of Directors. For the years ended December 31, 2017 and 2016, the remuneration for directors of $14,100 and $12,500, respectively, were recognized regardless of whether there were earnings in the said years. Related information is available on the Market Observation Post System website of the Taiwan Stock Exchange.

(y) Other operating income and loss – net

		2017	2016
Rental income (note 6(q))	$	108,175	105,726
Government grants		100,803	173,868
	$	**208,978**	**279,594**

(z) Non-operating income and loss

(i) Other income

	2017	2016
Interest income from bank deposits	$ 247,049	193,113
Interest income from corporate bonds	57,556	17,150
Dividend income	221,155	224,882
	$ 525,760	**435,145**

(ii) Other gains and losses

	2017	2016
Foreign currency exchange gain (loss)	$ 2,335,176	(809,380)
Gain (loss) on financial assets and liabilities at fair value through profit or loss	(2,956,232)	897,333
Loss on disposal of property, plant and equipment, net	(5,817)	(7,800)
Impairment loss of investments in debt instrument without an active market	(3,061)	-
Other investment loss	(36,183)	(5,861)
Gain on disposal of investments accounted for using equity method	690	-
Gain on bargain purchase	1,130	-
Others	89,916	206,196
	$ (574,381)	**280,488**

(iii) Finance costs

	2017	2016
Interest expense from convertible bonds	$ -	33,569
Interest expense from bank loans	225,832	189,988
Others	-	26,700
	$ 225,832	**250,257**

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(aa) Financial instruments and fair value information

(i) Categories of financial instruments

1) Financial assets

	December 31, 2017	December 31, 2016
Financial assets at fair value through profit or loss	$ 170,803	1,647,782
Available-for-sale financial assets	5,370,670	4,372,791
Loans and receivables:		
Cash and cash equivalents	33,970,331	44,289,673
Notes and accounts receivable and other receivables (including receivables from related parties)	47,912,291	45,057,736
Investments in debt instrument without an active market	540,910	210,517
Other financial assets – non-current	998,817	960,643
	$ 88,963,822	96,539,142

2) Financial liabilities

	December 31, 2017	December 31, 2016
Financial liabilities at fair value through profit or loss	$ 621,947	112,606
Financial liabilities measured at amortized cost:		
Short-term borrowings	482,894	103,000
Notes and accounts payable (including payables to related parties)	42,750,982	52,870,414
Other payables	33,510,853	33,719,995
Long-term debt (including current portion)	6,002,457	6,000,000
	$ 83,369,133	92,806,015

(ii) Fair value information－financial instruments not measured at fair value

Except for those described in the table below, the Group considers that the carrying amounts of financial assets and financial liabilities measured at amortized cost approximate their fair values:

	December 31, 2017		December 31, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Investments in debt instrument without an active market	$ 540,910	543,155	210,517	214,453

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The hierarchy of the above-mentioned fair value is as below:

	December 31, 2017			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investments in debt instrument without an active market	$ -	229,488	313,667	543,155

	December 31, 2016			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investments in debt instrument without an active market	$ -	214,453	-	214,453

The above-mentioned fair value of investments categorized as level 2 is measured on Multifactor Evaluation Model; fair value of investments categorized as level 3 is estimated using the valuation approach and measured by discounting the future cash flows as a result of the unavailability of neither the quoted prices in active markets nor observable inputs for measuring the fair value. The quantitative information of significant unobservable inputs is as follows:

1) The future cash flows estimated by management is based on the net sharing profits during contract period,

2) The discount rate is 15.7%, which is determined based on return on equity.

(iii) Fair value information－Financial instruments measured at fair value

1) Fair value hierarchy

The Group’s financial assets at fair value through profit or loss, financial liabilities at fair value through profit or loss, and available-for-sale financial assets are measured at fair value on a recurring basis.

The table below analyzes the financial instruments measured at fair value subsequent to initial recognition, grouped into Levels 1 to 3, based on the degree to which the fair value is observable. The different levels have been defined as follows:

a) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

c) Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

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	December 31, 2017			
	Fair value			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:				
Foreign currency forward contracts	$ -	167,770	-	167,770
Conversion right of investments in convertible bonds	-	3,033	-	3,033
	$ -	170,803	-	170,803
Available-for-sale financial assets:				
Domestic listed stock	$ 3,619,007	-	-	3,619,007
Unlisted stock	-	-	1,751,663	1,751,663
	$ 3,619,007	-	1,751,663	5,370,670
Financial liabilities at fair value through profit or loss:				
Foreign currency forward contracts	$ -	(621,947)	-	(621,947)

	December 31, 2016			
	Fair value			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:				
Foreign currency forward contracts	$ -	1,573,876	-	1,573,876
Foreign currency option contracts	-	3,566	-	3,566
Conversion right of investments in convertible bonds	-	70,340	-	70,340
	$ -	1,647,782	-	1,647,782
Available-for-sale financial assets:				
Domestic listed stock	$ 3,119,549	-	-	3,119,549
Unlisted stock	-	-	1,253,242	1,253,242
	$ 3,119,549	-	1,253,242	4,372,791
Financial liabilities at fair value through profit or loss:				
Foreign currency forward contracts	$ -	(112,606)	-	(112,606)

There were no transfers among fair value hierarchies for the years ended December 31, 2017 and 2016.

2) Movement in financial assets included Level 3 fair value hierarchy (available-for-sale financial assets)

	2017	2016
Balance at January 1	$ 1,253,242	948,058
Total gains or losses:		
Recognized in gains and losses	(32,843)	1,240
Recognized in other comprehensive income	(41,572)	(58,968)
Acquisition through business combination	330,473	-
Additions	314,312	429,439
Disposal	(15,691)	(57,148)
Effect of exchange rate changes	(56,258)	(9,379)
Balance at December 31	$ 1,751,663	1,253,242

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The above-mentioned total gains or losses were included in "other gains and losses" and "unrealized gain (loss) from available-for-sale financial assets", respectively. The gains or losses attributable to the financial assets held on December 31, 2017 and 2016 were as follows:

		2017	2016
Total gains or losses:			
Recognized in other comprehensive income (included in "unrealized gain (loss) from available-for-sale financial assets")	$	(41,572)	(58,968)

3) Valuation techniques and inputs used for financial instruments measured at fair value

a) The fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (e.g. publicly traded stocks).

b) The fair value of derivative financial instruments is determined using a valuation technique, with estimates and assumptions consistent with those used by market participants that are readily available to the Group. The fair value of foreign currency forward contracts and foreign currency option contracts is computed individually by each contract using the valuation technique.

c) The fair value of privately held stock in Level 3 fair value hierarchy is estimated by using the market approach and is determined by reference to recent financing activities, valuations of similar companies, market conditions, and other economic indicators. The significant unobservable input is the liquidity discount. No quantitative information is disclosed due to that the possible changes in liquidity discount would not cause significant potential financial impact.

4) Offsetting of financial assets and liabilities

The Group has financial instrument transactions which are set off in accordance with paragraph 42 of IAS 32; the related financial assets and liabilities are presented in the balance sheets on a net basis.

The table below summarizes the related information of offsetting of financial assets and liabilities:

December 31, 2017						
Financial assets subject to offsetting, enforceable master arrangements and similar agreements						
	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related amount not set off in the balance sheet (d)		Net amounts
				Financial instruments	Cash collateral received	
	(a)	(b)	(c)=(a)-(b)			(e)=(c)-(d)
Notes and accounts receivable, net	$ 80,035,059	33,273,676	46,761,383	-	-	46,761,383

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	December 31, 2017					
	Financial liabilities subject to offsetting, enforceable master arrangements and similar agreements					
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related amount not set off in the balance sheet (d)		Net amounts
	(a)	(b)	(c)=(a)-(b)	Financial instruments	Cash collateral received	(e)=(c)-(d)
Notes and accounts payable	$ 76,023,475	33,273,676	42,749,799	-	-	42,749,799

	December 31, 2016					
	Financial assets subject to offsetting, enforceable master arrangements and similar agreements					
	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related amount not set off in the balance sheet (d)		Net amounts
	(a)	(b)	(c)=(a)-(b)	Financial instruments	Cash collateral received	(e)=(c)-(d)
Notes and accounts receivable, net	$ 78,455,722	34,225,417	44,230,305	-	-	44,230,305

	December 31, 2016					
	Financial liabilities subject to offsetting, enforceable master arrangements and similar agreements					
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related amount not set off in the balance sheet (d)		Net amounts
	(a)	(b)	(c)=(a)-(b)	Financial instruments	Cash collateral received	(e)=(c)-(d)
Notes and accounts payable	$ 87,092,317	34,225,417	52,866,900	-	-	52,866,900

(ab) Financial risk management

The Group is exposed to credit risk, liquidity risk, and market risk (including currency risk, interest rate risk, and other market price risk). The Group has disclosed the information on exposure to the aforementioned risks and the Group’s policies and procedures to measure and manage those risks as well as the quantitative information below.

The Board of Directors are responsible for developing and monitoring the Group’s risk management policies. The Group’s risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor adherence to the controls. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group’s operations.

The Group’ s management monitors and reviews the financial activities in accordance with procedures required by relevant regulations and internal controls. Internal auditors undertake both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

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(i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty of a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash and cash equivalents, derivative instruments, receivables from customers, and other receivables. The maximum exposure to credit risk is equal to the carrying amount of the Group's financial assets.

The Group maintains cash and enters into derivative transactions with reputable financial institutions; therefore, the exposure related to the potential default by those counter-parties is not considered significant.

The Group has established a credit policy under which each customer is analyzed individually for creditworthiness for purposes of setting the credit limit. Additionally, Group continuously evaluates the credit quality of customers and utilizes insurance to minimize the credit risk.

The Group primarily sells and markets its multi-branded IT products through distributors in different geographic areas. The Group believes that there is no significant concentration of credit risk due to the Group's large number of customers and their wide geographical spread.

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in settling its financial liabilities by delivering cash or another financial assets. The Group manages liquidity risk by monitoring regularly the current and mid- to long-term cash demand, maintaining adequate cash and banking facilities, and ensuring compliance with the terms of the loan agreements. As of December 31, 2017 and 2016, the Group had unused credit facilities of $36,283,089 and $36,647,073, respectively.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments, including principal and interest.

		Contractual cash flows	Within 1 year	1-2 years	2-5 years
December 31, 2017					
Non-derivative financial liabilities:					
Short-term borrowings carrying floating interest rates	$	483,880	483,880	-	-
Long-term borrowings carrying floating interest rates		6,094,618	2,765,560	3,328,738	320
Notes and accounts payable (including related parties)		42,750,982	42,718,730	17,076	15,176
Other payables		33,510,853	31,903,287	1,607,566	-
	$	**82,840,333**	**77,871,457**	**4,953,380**	**15,496**
Derivative financial instruments:					
Foreign currency forward contracts－settled in gross:					
Outflow	$	68,231,610	68,231,610	-	-
Inflow		(67,780,674)	(67,780,674)	-	-
	$	**450,936**	**450,936**	**-**	**-**
Foreign currency option contracts－settled in gross:					
Outflow	$	127,107	127,107	-	-
Inflow		(119,392)	(119,392)	-	-
	$	**7,715**	**7,715**	**-**	**-**

(Continued)

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		Contractual cash flows	Within 1 year	1-2 years	2-5 years
December 31, 2016					
Non-derivative financial liabilities:					
Short-term borrowings carrying floating interest rates	$	103,014	103,014	-	-
Long-term borrowings carrying floating interest rates		6,026,955	6,026,955	-	-
Notes and accounts payable (including related parties)		52,870,414	52,866,331	1,361	2,722
Other payables		33,719,995	31,787,228	1,932,653	114
	$	**92,720,378**	**90,783,528**	**1,934,014**	**2,836**
Derivative financial instruments:					
Foreign currency forward contracts－settled in gross:					
Outflow	$	70,621,725	70,621,725	-	-
Inflow		(72,053,450)	(72,053,450)	-	-
	$	**(1,431,725)**	**(1,431,725)**	**-**	**-**
Foreign currency option contracts－settled in gross:					
Outflow		295,955	295,955	-	-
Inflow		(290,511)	(290,511)	-	-
	$	**5,444**	**5,444**	**-**	**-**

The Group does not expect that the cash flows included in the maturity analysis would occur significantly earlier or at significantly different amounts.

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group’ s income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group utilizes derivative financial instruments to manage foreign currency risks and the volatility of profit or loss. All such transactions are carried out within the guidelines set by the Board of Directors.

1) Foreign currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the Group entities. The foreign currencies used in these transactions are mainly the US dollar (USD) , Euro (EUR), Great British Pound (GBP), and Russian Ruble (RUB).

The Group utilizes foreign currency forward contracts to hedge its foreign currency exposure with respect to its forecast sales and purchases over the following 12 months.

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a) Exposure to foreign currency risk and sensitivity analysis

The Group' s exposure to foreign currency risk arises from cash and cash equivalents, notes and accounts receivable (including related-party receivables), notes and accounts payable (including related-party payables), investments in debt instrument without an active market, other receivables (including related-party receivables), and other payables. At the reporting date, the carrying amounts of the Group's significant monetary assets and liabilities denominated in a currency other than the respective functional currencies of Group entities and their sensitivity analysis were as follows (including the monetary items that have been eliminated in the accompanying consolidated financial statements):

	December 31, 2017				
	Foreign currency (in thousands)	Exchange rate	NTD (in thousands)	Change in magnitude	Pre-tax effect on profit or loss (in thousands)
Financial assets					
GBP	$ 27,665	40.3336	1,115,829	1 %	11,158
EUR	52,458	35.8325	1,879,701	1 %	18,797
USD	1,187,460	29.8480	35,443,306	1 %	354,433
RUB	1,293,499	0.5174	669,256	1 %	6,693
Financial liabilities					
GBP	18,531	40.3336	747,422	1 %	7,474
EUR	37,658	35.8325	1,349,380	1 %	13,494
USD	2,052,676	29.8480	61,268,273	1 %	612,683

	December 31, 2016				
	Foreign currency (in thousands)	Exchange rate	NTD (in thousands)	Change in magnitude	Pre-tax effect on profit or loss (in thousands)
Financial assets					
GBP	$ 38,180	39.8323	1,520,797	1 %	15,208
EUR	212,321	33.9478	7,207,831	1 %	72,078
USD	1,243,444	32.2790	40,137,129	1 %	401,371
RUB	1,086,091	0.5245	569,655	1 %	5,697
Financial liabilities					
GBP	16,453	39.8323	655,361	1 %	6,554
EUR	7,130	33.9478	242,048	1 %	2,420
USD	2,298,460	32.2790	74,191,990	1 %	741,920

With varieties of functional currencies within the consolidated entities of the Group, the Group disclosed net realized and unrealized foreign exchange gain (loss) on monetary items in aggregate. Please refer to note 6(z) for further information.

2) Interest rate risk

The Group's short-term borrowings and long-term debt carried floating interest rates, and the Group has not entered into interest rate swap contracts to convert floating interest rates to fixed interest rates. To manage the interest rate risk, the Group periodically assesses the interest rates of bank loans and maintains good relationships with financial institutions to obtain lower financing costs. The Group also strengthens the management of working capital to reduce the dependence on bank loans as well as the risk arising from fluctuation of interest rates.

The following sensitivity analysis is based on the risk exposure to floating-interest-rate liabilities on the reporting date. The sensitivity analysis assumes the liabilities recorded at the reporting date had been outstanding for the entire period. The change in interest rate reported to the key management in the Group is based on 100 basis points (1%), which is consistent with the assessment made by the key management in respect of the possible change in interest rate.

If the interest rate had been 100 basis points (1%) higher/lower with all other variables held constant, pre-tax income (loss) for the years ended December 31, 2017 and 2016 would have been $64,854 and $61,030, respectively, lower/higher, which mainly resulted from the borrowings with floating interest rates.

3) Other market price risk

The Group is exposed to the risk of price fluctuation in securities market resulting from its investment in publicly traded stocks. The Group supervises the equity price risk actively and manages the risk based on fair value. The Group also has strategic investments in privately held stocks, in which the Group does not actively participate in their trading.

Assuming a hypothetical increase or decrease of 5% in equity prices of the equity investments at each reporting date, the other comprehensive income for the years ended December 31, 2017 and 2016, would have increased or decreased by $268,534 and $218,640, respectively.

(ac) Capital management

In consideration of the industry dynamics and future developments, as well as external environment factors, the Group maintains an optimal capital structure to enhance long-term shareholder value by managing its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, research and development activities, dividend payments, and other business requirements for continuing operations and to reward shareholders and take into consideration the interests of other stakeholders.

(Continued)

7. Related-party Transactions

(a) Related party name and categories

The transactions between the Group and its related parties during the reporting period are set out as follows:

Name of related party	Relationship with the Group
Aegis Semiconductor Technology Inc.	Associates
GrandPad Inc.	Associates
Piovision International Inc.	Associates
Bluechip Infotech Pty Ltd.	Associates
ECOM Software Inc.	Associates
Kbest Technology Inc.	Associates
StarVR Corporation ("ASBZ")	Prior to October 20, 2017, ASBZ was a joint venture entity of the Group accounted for using equity method. The Group obtained control over ASBZ on October 20, 2017 and it became one of the consolidated entities since then.
Erics Co., LTD	The entity's chairman is the second-degree relatives of one of the key management personnel of the Company
iD Softcapital Inc.	The entity's chairman is one of the key management personnel of the Company

(b) Significant related-party transactions

(i) Revenue

	2017	2016
Associates	$ 345,482	297,379
Joint venture	33,506	17,989
Other related parties	169	46
	$ 379,157	**315,414**

The sales prices and trade term with related parties are not comparable to those with third-party customers for certain transactions due to different product specifications; other than that, the determination of sales prices and payment terms for related parties were not significantly different from those for sales to non-related parties.

(ii) Purchases

	2017	2016
Associates	$ 34,256	49,797
Joint venture	18,600	-
	$ 52,856	**49,797**

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The purchase price with related parties are not comparable to the purchase price with third-party vendors as the specifications of products are different.

(iii) Operating expenses

The operating expenses related to the management consulting service and system maintenance service provided by related parties were as follows:

Account	Related-party categories	2017	2016
Operating expense	Associates	3,710	3,000
Operating expense	Other related parties	625	8,125
		4,335	**11,125**

(iv) Receivables

Account	Related-party categories	December 31, 2017	December 31, 2016
Notes and accounts receivable	Associates	$ 126,903	80,321
Notes and accounts receivable	Joint venture	-	1,644
Notes and accounts receivable	Other related parties	-	10
Other receivables	Associates	97	14
Other receivables	Joint venture	-	6,714
Other receivables	Other related parties	-	9
		$ 127,000	**88,712**

(v) Payables

Account	Related party categories	December 31, 2017	December 31, 2016
Accounts payable	Associates	**$ 1,183**	**3,514**

(vi) Lease

The Group leased portion of its buildings and rental facilities to its related parties. The related rental income was included in "other operating income and loss－net" and summarized as follows:

	2017	2016
Associates	$ 124	124
Joint venture	41	11
Other related parties	-	34
	$ 165	**169**

(vii) Service income

The service income related to the management consulting service and system maintenance service provided to related parties was included in " other gains and losses－ net" and summarized as follows:

	2017	2016
Associates	$ 48	88
Joint venture	4,524	-
Other related parties	1,584	-
	$ 6,156	**88**

(c) Compensation for key management personnel

	2017	2016
Short-term employee benefits	$ 289,329	272,994
Post-employment benefits	7,374	10,387
Termination benefits	3,980	-
Share-based payments	2,242	2,688
	$ 302,925	**286,069**

Refer to note 6(u) for the information related to share-based payments.

8. Pledged assets

Assets	Pledged to secure	December 31, 2017	December 31, 2016
Cash in bank and time deposits (reported under other financial assets－non-current)	Contract bidding, security for letters of credit, project fulfillment, import tariffs, and lease guarantee	$ 493,817	542,573
Other equipment	Bank loans	2,457	-
		$ 496,274	**542,573**

9. Significant commitments and contingencies

(a) The Company has entered into software and royalty license agreements with Microsoft, IBM, and other companies. The Company has fulfilled its obligations according to the contracts.

(b) An American company has filed a lawsuit in California State Court against Acer for violating confidential agreement and trade secret. The Group had appointed outside counsel to handle the case. The case is still in progress. However, the Group has properly accrued its provisions based on the development of the aforesaid lawsuit. Therefore, the management foresees no immediate material adverse effect on the Group' business operations and finance.

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(c) In the ordinary course of its business, from time to time, the Group received notices from third parties asserting that Acer has infringed certain patents and demanded that Acer obtain certain patent licenses. Although the Group does not expect that the outcome in any of these legal proceedings, individually or collectively, will have a material adverse effect on the Group’s business operations and finance, the litigation is inherently unpredictable. Therefore, the Group could incur judgments or enter into settlements of claims that could adversely affect its operating results or cash flows in a particular period.

(d) The Group faces severe taxation challenges globally due to the rapid changes in international tax environment. The Group held different position with local tax authorities for certain tax audits and has properly provided the accruals for the cases that met the criteria for recognizing a provision. Nevertheless, the tax disputes are inherently complicated and may take years to be approved by the tax authorities. The ultimate result is unpredictable and could adversely affect the Group’s operating results or cash flows in a particular period.

(e) As of December 31, 2017 and 2016, the Group had outstanding stand-by letters of credit totaling $43,319 and $52,778, respectively, for purposes of bids and contracts.

(f) As of December 31, 2017 and 2016, the Group had issued promissory notes amounting to $45,376,282 and $45,159,050, respectively, as collateral for obtaining credit facilities from financial institutions.

10. Significant loss from Casualty: None

11. Significant subsequent events:

According to the amendments to the ROC Income Tax Act enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing year 2018 onwards. This increase does not affect the amounts of the current or deferred income taxes recognized on December 31, 2017. However, it will increase the Group’s current and deferred tax charge accordingly in the future. Assuming the new tax rate is applied in calculating the taxable temporary differences and unused tax losses carry forwards recognized on December 31, 2017, the deferred tax assets and deferred tax liabilities would increase by $17,474 and $117,321, respectively.

12. Others

	2017			2016		
	Cost of revenue	Operating expenses	Total	Cost of revenue	Operating expenses	Total
Employee benefits:						
Salaries	1,032,126	9,415,271	10,447,397	1,141,686	8,995,797	10,137,483
Insurance	139,705	970,752	1,110,457	153,163	1,020,922	1,174,085
Pension	20,394	558,497	578,891	21,473	589,639	611,112
Others	69,268	888,010	957,278	76,538	949,150	1,025,688
Depreciation	20,009	488,857	508,866	24,712	588,466	613,178
Amortization	14,203	549,283	563,486	1,453	849,945	851,398

(Continued)

ACER INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

13. Additional disclosures

(a) Information on significant transactions:

(i) Financing provided to other parties: Table 1 (attached)

(ii) Guarantees and endorsements provided to other parties: Table 2 (attached)

(iii) Marketable securities held at reporting date (excluding investments in subsidiaries, associates, and jointly controlled entities): Table 3 (attached)

(iv) Marketable securities for which the accumulated purchase or sale amounts for the period exceed \$300 million or 20% of the paid-in capital: Table 4 (attached)

(v) Acquisition of real estate which exceeds \$300 million or 20% of the paid-in capital: None

(vi) Disposal of real estate which exceeds \$300 million or 20% of the paid-in capital: None

(vii) Total purchases from and sales to related parties which exceed \$100 million or 20% of the paid-in capital: Table 5 (attached)

(viii) Receivables from related parties which exceed \$100 million or 20% of the paid-in capital: Table 6 (attached)

(ix) Information about derivative instruments transactions: Please refer to notes 6(b).

(i) Business relationships and significant intercompany transactions: Table 7 (attached)

(b) Information on investees: Table 8 (attached)

(c) Information on investment in Mainland China:

(i) The names of investees in Mainland China, the main businesses and products, paid-in capital, method of investment, information on inflow or outflow of capital, ownership, investment gain or loss, ending balance, amount received as earnings distributions from the investment, and limitation on investment: Table 9 (attached)

(ii) Significant direct or indirect transactions with investee companies, the prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: For the Group's significant direct or indirect transactions (eliminated when compiling the consolidated financial report) with investee companies in Mainland China for the year ended December 31, 2017, please refer to "Information on significant transactions" and "Business relationships and significant intercompany transactions" above.

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14. Segment information

(a) General information

The Group's reportable segments comprise the device business group ("IT Hardware Products") and other business groups. The IT Hardware Products engages mainly in the research, design, and marketing of personal computers, IT products, and tablet products. Other business groups which do not meet the quantitative reporting threshold mainly engage in the activities of e-commerce, cloud services, smart devices, distribution of IT products, virtual reality devices, digital signage, handheld devices and real estate services.

Strategic investment expenditures (such as global branding expenditures, the amortization of the capital expenditures for the strengthening of the global information structure, and non-routine long-term strategic expenditures) are not allocated to reportable segments. Operating profit is used as the measurement for segment profit and the basis for performance evaluation. 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 segments and the accounting policies described in note 4.

The Group's operating segment information and reconciliation are as follows:

	2017			
	IT Hardware Products	**Others**	**Adjustments and eliminations**	**Total**
Revenues from external customers	$ 220,052,289	17,222,594	-	237,274,883
Intra-group revenue	2,050,507	238,361	(2,288,868)	-
Total revenues	**$ 222,102,796**	**17,460,955**	**(2,288,868)**	**237,274,883**
Segment profit (loss)	**$ 5,353,023**	**(970,341)**	**(712,948)**	**3,669,734**

	2016			
	IT Hardware Products	**Others**	**Adjustments and eliminations**	**Total**
Revenues from external customers	$ 218,212,513	14,511,648	-	232,724,161
Intra-group revenue	1,368,016	820,815	(2,188,831)	-
Total revenues	**$ 219,580,529**	**15,332,463**	**(2,188,831)**	**232,724,161**
Segment profit (loss)	**$ 2,694,899**	**(764,695)**	**(737,691)**	**1,192,513**
Loss on impairment of assets	**$ (149,641)**	**(6,214,603)**	**-**	**(6,364,244)**

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(b) Product information

Revenues from external customers are detailed below:

Products	2017	2016
Personal computers	$ 185,078,676	181,455,410
Peripherals and others	52,196,207	51,268,751
	$ 237,274,883	**232,724,161**

(c) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers, and segment assets are based on the geographical location of the assets.

Revenues from external customers are detailed below:

Region	2017	2016
Americas	$ 52,570,406	51,467,767
Mainland China	15,253,845	15,791,910
Taiwan	25,072,956	21,646,029
Others	144,377,676	143,818,455
	$ 237,274,883	**232,724,161**

Non-current assets:

Region	December 31, 2017	December 31, 2016
Americas	$ 11,802,846	12,982,873
Taiwan	6,180,387	6,678,345
Mainland China	2,405,684	2,613,669
Others	3,113,571	2,909,682
	$ 23,502,488	**25,184,569**

Non-current assets include property, plant and equipment, investment property and intangible assets, and do not include financial instruments, deferred tax assets, and pension fund assets.

(d) Major customers' information

	2017	2016
Customer A	**$ 21,187,083**	**21,950,687**

Acer Incorporated and Subsidiaries
Financing provided to other parties
For the year ended December 31, 2017

Table 1

(Amounts in Thousands of New Taiwan Dollars)

No.	Financing Company	Counter-party	Financial Statement Account (Note 3)	Related Party	Maximum Balance for the Period	Ending Balance	Actually drawndown Amounts	Interest Rate	Nature of Financing (Note 1)	Transaction Amounts	Reasons for Short-term Financing	Allowance for Doubtful Accounts	Collateral		Financing Limit for Each Borrowing Company (Note 2)	Financing Company's Total Financing Amount Limits (Note 2)
													Item	Value		
0	The Company	ACCQ	Other receivables from related parties	Yes	813,366	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,678,488	28,392,438
0	The Company	APDI	Other receivables from related parties	Yes	2,000	2,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,678,488	28,392,438
0	The Company	ABH	Other receivables from related parties	Yes	29,000	29,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,678,488	28,392,438
0	The Company	CCI	Other receivables from related parties	Yes	5,000	5,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,678,488	28,392,438
0	The Company	ADSC	Other receivables from related parties	Yes	35,000	35,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,678,488	28,392,438
0	The Company	AEB	Other receivables from related parties	Yes	224,000	224,000	224,000	0%~4%	2	-	Operating requirements	-	None	-	5,678,488	28,392,438
0	The Company	ALT	Other receivables from related parties	Yes	19,000	19,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,678,488	28,392,438
0	The Company	XPL	Other receivables from related parties	Yes	6,000	6,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,678,488	28,392,438
0	The Company	ACTTW	Other receivables from related parties	Yes	163,000	163,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,678,488	28,392,438
0	The Company	ASDI	Other receivables from related parties	Yes	87,000	87,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,678,488	28,392,438
0	The Company	ABC	Other receivables from related parties	Yes	17,000	17,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,678,488	28,392,438
0	The Company	MPS	Other receivables from related parties	Yes	16,000	16,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,678,488	28,392,438
0	The Company	ACCSI	Other receivables from related parties	Yes	824,000	824,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,678,488	28,392,438
1	GWI	AAC	Other receivables from related parties	Yes	435,767	173,118	173,118	0%~4%	2	-	Operating requirements	-	None	-	5,678,488	28,392,438
2	AAH	AAC	Other receivables from related parties	Yes	1,872,182	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,678,488	28,392,438
2	AAH	AAC	Other receivables from related parties	Yes	1,072,750	1,044,680	1,044,680	0%~4%	2	-	Operating requirements	-	None	-	5,678,488	28,392,438
2	AAH	AAC	Other receivables from related parties	Yes	3,253,432	3,253,432	3,253,432	0%~4%	2	-	Operating requirements	-	None	-	5,678,488	28,392,438
3	AEB	PBC	Other receivables from related parties	Yes	5,000	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,678,488	28,392,438
3	AEB	The Company	Other receivables from related parties	Yes	224,000	224,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,678,488	28,392,438

No.	Financing Company	Counter-party	Financial Statement Account (Note 3)	Related Party	Maximum Balance for the Period	Ending Balance	Actually drawndown Amounts	Interest Rate	Nature of Financing (Note 1)	Transaction Amounts	Reasons for Short-term Financing	Allowance for Doubtful Accounts	Collateral		Financing Limit for Each Borrowing Company (Note 2)	Financing Company's Total Financing Amount Limits (Note 2)
													Item	Value		
4	BJAI	ACCN	Other receivables from related parties	Yes	37,182	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,678,488	28,392,438
5	AIZS	ACCN	Other receivables from related parties	Yes	211,011	211,011	211,011	0%~4%	2	-	Operating requirements	-	None	-	5,678,488	28,392,438
6	ADSC	The Company	Other receivables from related parties	Yes	691,000	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,678,488	28,392,438
6	ADSC	The Company	Other receivables from related parties	Yes	710,000	710,000	710,000	0%~4%	2	-	Operating requirements	-	None	-	5,678,488	28,392,438
7	CCI	The Company	Other receivables from related parties	Yes	347,000	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,678,488	28,392,438
7	CCI	The Company	Other receivables from related parties	Yes	100,000	100,000	100,000	0%~4%	2	-	Operating requirements	-	None	-	5,678,488	28,392,438
8	APDI	The Company	Other receivables from related parties	Yes	40,000	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,678,488	28,392,438
8	APDI	The Company	Other receivables from related parties	Yes	40,000	40,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,678,488	28,392,438
9	ABH	The Company	Other receivables from related parties	Yes	672,000	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,678,488	28,392,438
9	ABH	The Company	Other receivables from related parties	Yes	590,000	590,000	46,000	0%~4%	2	-	Operating requirements	-	None	-	5,678,488	28,392,438
10	ACTTW	ABSG	Other receivables from related parties	Yes	4,064	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,678,488	28,392,438
10	ACTTW	ABSG	Other receivables from related parties	Yes	10,792	10,750	10,750	0%~4%	2	-	Operating requirements	-	None	-	5,678,488	28,392,438
10	ACTTW	ABSG	Other receivables from related parties	Yes	7,194	7,167	5,375	0%~4%	2	-	Operating requirements	-	None	-	5,678,488	28,392,438
10	ACTTW	ABSG	Other receivables from related parties	Yes	71,665	71,665	-	0%~4%	2	-	Operating requirements	-	None	-	5,678,488	28,392,438
10	ACTTW	The Company	Other receivables from related parties	Yes	163,000	163,000	115,000	0%~4%	2	-	Operating requirements	-	None	-	5,678,488	28,392,438
11	ALT	The Company	Other receivables from related parties	Yes	19,000	19,000	19,000	0%~4%	2	-	Operating requirements	-	None	-	5,678,488	28,392,438
12	XPL	The Company	Other receivables from related parties	Yes	6,000	6,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,678,488	28,392,438
13	ASDI	The Company	Other receivables from related parties	Yes	87,000	87,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,678,488	28,392,438
14	ABC	The Company	Other receivables from related parties	Yes	17,000	17,000	4,000	0%~4%	2	-	Operating requirements	-	None	-	5,678,488	28,392,438
15	MPS	The Company	Other receivables from related parties	Yes	16,000	16,000	5,000	0%~4%	2	-	Operating requirements	-	None	-	5,678,488	28,392,438
16	ACCSI	The Company	Other receivables from related parties	Yes	824,000	824,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,678,488	28,392,438
17	AGU	AEG	Other receivables from related parties	Yes	719,435	716,650	716,650	0%~4%	2	-	Operating requirements	-	None	-	5,678,488	28,392,438
18	ASDI	APDI	Other receivables from related parties	Yes	50,000	50,000	35,000	0%~4%	2	-	Operating requirements	-	None	-	5,678,488	28,392,438

No.	Financing Company	Counter-party	Financial Statement Account (Note 3)	Related Party	Maximum Balance for the Period	Ending Balance	Actually drawndown Amounts	Interest Rate	Nature of Financing (Note 1)	Transaction Amounts	Reasons for Short-term Financing	Allowance for Doubtful Accounts	Collateral		Financing Limit for Each Borrowing Company (Note 2)	Financing Company's Total Financing Amount Limits (Note 2)
													Item	Value		
19	ITS	The Company	Other receivables from related parties	Yes	117,000	117,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,678,488	28,392,438

Note 1: Nature for Financing：

Type 2: Short-term financing purpose

Note 2: The aggregate financing amount shall not exceed 50% of the most recent audited or reviewed net worth of the Company (the amount shown above is based on the net worth as of September 30, 2017), within which the short-term financing amount shall not exceed 20% of the most recent audited or reviewed net worth of the Company.

For an entity which the Company owns more than 50% of its outstanding common shares, the individual financing amounts shall not exceed 10% of the most recent audited or reviewed net worth of the Company.

When a subsidiary is directly or indirectly wholly owned by the Company who provides financing to other parties, the aforementioned limitation of aggregate amount and individual financing amount is applied.

Note 3: The above transactions are eliminated when preparing the consolidated financial statements.

Acer Incorporated and Subsidiaries
Guarantees and endorsements provided to other parties
For the year ended December 31, 2017

Table 2

(Amounts in Thousands of New Taiwan Dollars)

No.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 2)(Note 3)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Note 2)(Note 3)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship (Note 1)										
0	The Company	AJC	3	11,356,975	834,043	794,605	-	-	1.40%	56,784,876	Y		
0	The Company	ATH	3	11,356,975	171,079	158,194	12,478	-	0.28%	56,784,876	Y		
0	The Company	Acer Asia Pacific subsidiaries	3	11,356,975	4,357,665	4,029,480	388,555	-	7.10%	56,784,876	Y		
0	The Company	AEG	3	11,356,975	392,632	391,961	391,961	-	0.69%	56,784,876	Y		
0	The Company	Acer EMEA subsidiaries	3	11,356,975	4,196,270	3,880,240	292,456	-	6.83%	56,784,876	Y		
0	The Company	ACN/ACD/ACW/AFN	3	11,356,975	15,218	14,590	14,590	-	0.03%	56,784,876	Y		
0	The Company	ATB	3	11,356,975	483,570	298,480	-	-	0.53%	56,784,876	Y		
0	The Company	Acer Pan America subsidiaries	3	11,356,975	5,487,430	5,074,160	253,542	-	8.94%	56,784,876	Y		
0	The Company	AMEX	3	11,356,975	290,511	268,632	-	-	0.47%	56,784,876	Y		
0	The Company	Acer Greater China subsidiaries	3	11,356,975	1,775,345	1,641,640	71,260	-	2.89%	56,784,876	Y		Y
0	The Company	ACCSI	2	11,356,975	316,270	300,000	-	-	0.53%	56,784,876	Y		
0	The Company	AEB	3	11,356,975	1,850,000	1,850,000	653,249	-	3.26%	56,784,876	Y		
0	The Company	SMA	3	11,356,975	110,644	110,644	2,505	-	0.19%	56,784,876	Y		
0	The Company	ACA	3	11,356,975	347,856	298,480	298,480	-	0.53%	56,784,876	Y		
0	The Company	AIL	3	11,356,975	2,607,120	2,607,120	713,057	-	4.59%	56,784,876	Y		
0	The Company	ACCN	3	11,356,975	1,252,351	1,215,920	-	-	2.14%	56,784,876	Y		Y
0	The Company	AME	3	11,356,975	48,419	44,772	31,693	-	0.08%	56,784,876	Y		
0	The Company	ACTTW	3	11,356,975	62,020	61,696	2,000	-	0.11%	56,784,876	Y		
1	AOI	AOA	2	235,958	14,526	13,432	-	-	1.70%	786,527	Y		

Note 1: Relationships between the endorsement/guarantee provider and the guaranteed party:
Type 2: a subsidiary directly owned by the Company over 50%
Type 3: a subsidiary indirectly owned by the Company over 50%

Note 2: The aggregate endorsement/guarantee amount provided shall not exceed the most recent audited or reviewed net worth of the Company (the amount shown above is based on the net worth as of September 30, 2017).
The endoresement/guarantee provided to individual guarantee party shall not exceed 20% of the most recent audited or reviewed net worth of the Company.

Note 3: The aggregate endorsement/guarantee amount provided shall not exceed the most recent audited or reviewed net worth of AOI (the amount shown above is based on the net worth as of December 31, 2017).
The endoresement/guarantee provided to individual guarantee party shall not exceed 30% of the most recent audited or reviewed net worth of AOI.

Acer Incorporated and Subsidiaries

Marketable securities held

(Excluding investments in subsidiaries, associates, and joint controlled entities)

December 31, 2017

Table 3

(Amounts in Thousands of New Taiwan Dollars / Shares)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	Ending Balance				Maximum ownership during 2017		Note
				Number of Shares/ Units (in thousands)	Carrying Value	Percentage of Ownership	Fair Value	Shares/ Units (in thousands)	Percentage of Ownership	
The Company	Stock: Hon Hai	-	Available-for-sale financial assets - Current	705	67,077	-	67,077	705	-	
The Company	Stock: Qisda	-	Available-for-sale financial assets - Non Current	81,713	1,728,223	4.15%	1,728,223	81,713	4.15%	
The Company	Stock: WPG Holdings	-	Available-for-sale financial assets - Non Current	4,360	171,799	0.24%	171,799	4,360	0.24%	
The Company	Stock: Wistron	-	Available-for-sale financial assets - Non Current	53,252	1,275,384	1.94%	1,275,384	53,252	1.94%	
The Company	Stock: iDSoftCapital Inc.	-	Available-for-sale financial assets - Non Current	398	3,675	19.90%	3,675	398	19.90%	
The Company	Stock: World Venture, Inc.	-	Available-for-sale financial assets - Non Current	8,505	44,318	19.35%	44,318	8,505	19.35%	
The Company	Stock: Dragon Investment Co. Ltd.	-	Available-for-sale financial assets - Non Current	13,459	20,711	19.94%	20,711	13,459	19.94%	
The Company	Stock: Venture Power	-	Available-for-sale financial assets - Non Current	15	391	4.15%	391	15	4.15%	
The Company	Convertible bonds: Starbreeze	-	Investments in debt instrument without an active market - Current	-	227,243	-	227,243	-	-	
ADSC	Stock: Wistron	-	Available-for-sale financial assets - Non Current	12,674	303,541	0.46%	303,541	12,674	0.46%	
ADSC	Stock: PChome Pay	-	Available-for-sale financial assets - Non Current	12,600	126,000	14.82%	126,000	12,600	14.82%	
ADSC	Stock: Benepet Biomedical Co., Ltd.	-	Available-for-sale financial assets - Non Current	700	14,000	18.92%	14,000	700	18.92%	
ASCBVI	Stock: ID5 Fund L.P.	-	Available-for-sale financial assets - Non Current	3,800	241,196	19.39%	241,196	3,800	19.39%	
ASCBVI	Stock: IP Cathay One, L.P.	-	Available-for-sale financial assets - Non Current	5,442	15,548	8.00%	15,548	5,442	8.00%	
ASCBVI	Stock: ID5 Annex I fund	-	Available-for-sale financial assets - Non Current	565	19,510	19.15%	19,510	565	19.15%	
ASCBVI	Stock: ATS	-	Available-for-sale financial assets - Non Current	3,171	44,772	11.07%	44,772	3,171	11.07%	
ASCBVI	Stock: Trutag	-	Available-for-sale financial assets - Non Current	1,346	89,559	1.69%	89,559	1,346	1.69%	
ASCBVI	Stock: Gorilla	-	Available-for-sale financial assets - Non Current	244	59,696	2.19%	59,696	244	2.19%	
ASCBVI	Stock: Jibo	-	Available-for-sale financial assets - Non Current	5,659	59,696	1.68%	59,696	5,659	1.68%	
ASCBVI	Stock: GCR	-	Available-for-sale financial assets - Non Current	600	35,818	10.00%	35,818	600	10.00%	
ASCBVI	Stock: Locix	-	Available-for-sale financial assets - Non Current	1,000	44,772	6.27%	44,772	1,000	6.27%	
ASCBVI	Stock: BoniO	-	Available-for-sale financial assets - Non Current	463	119,392	14.07%	119,392	463	14.07%	
ASCBVI	Stock: Delight	-	Available-for-sale financial assets - Non Current	13	59,707	11.50%	59,707	13	11.50%	
ASCBVI	Stock: IMAX VR Content Fund	-	Available-for-sale financial assets - Non Current	211	6,305	39.10%	6,305	211	39.10%	
ASCBVI	Convertible notes: ATS	-	Investments in debt instrument without an active market - Current	-	5,223	-	5,223	-	-	
AWI	Stock: Acer Inc.	Parent/Subsidiary	Treasury stock	12,730	522,237	0.41%	307,426	12,730	0.41%	
AWI	GDR: Acer Inc.	Parent/Subsidiary	Treasury stock	4,987	1,969,617	0.81%	558,991	4,987	0.81%	
CCI	Stock: China Development Financial Holding Co.	-	Available-for-sale financial assets - Current	5,049	51,252	0.03%	51,252	5,049	0.03%	
CCI	Stock: Acer Inc.	Parent/Subsidiary	Available-for-sale financial assets - Non Current	4,774	115,286	0.16%	115,286	4,774	0.16%	
ETEN	Stock: RoyalTek	-	Available-for-sale financial assets - Non Current	1,015	21,731	2.01%	21,731	1,015	2.01%	
ETEN	Stock: Acer Inc.	Parent/Subsidiary	Available-for-sale financial assets - Non Current	4,305	103,975	0.14%	103,975	4,305	0.14%	

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	Ending Balance				Maximum ownership during 2017		Note
				Number of Shares/ Units (in thousands)	Carrying Value	Percentage of Ownership	Fair Value	Shares/ Units (in thousands)	Percentage of Ownership	
ETEN	Stock: Abico Shi-pro Co., Ltd.	-	Available-for-sale financial assets - Non Current	284	2,931	7.89%	2,931	284	7.89%	
WLII	Stock: Antung Trading Co.	-	Available-for-sale financial assets - Non Current	3,000	67,227	10.00%	67,227	3,000	10.00%	
ACTI	Stock: Physiosigns Inc., DE	-	Available-for-sale financial assets - Non Current	800	238,784	12.50%	238,784	800	12.50%	
ABST	Stock: PilotTV Holdings	-	Available-for-sale financial assets - Non Current	2,676	57,462	19.18%	57,462	2,676	19.18%	
AOI	Stock: Apex Material Technology Corp.	-	Available-for-sale financial assets - Non Current	5,786	343,496	19.17%	343,496	5,786	19.17%	
ACVP	Stock: Thinputer Technology Corporation	-	Available-for-sale financial assets - Non Current	889	36,697	13.79%	36,697	889	13.79%	

Acer Incorporated and Subsidiaries
Marketable securities for which the accumulated purchase or sale amounts for the period exceed NT$300 million or 20% of the paid-in capital
For the year ended December 31, 2017

Table 4

(Amounts in Thousands of New Taiwan Dollars / Shares)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-Party	Name of Relationship	Beginning Balance		Acquisitions		Disposal				Ending Balance	
					Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Carrying Value	Gain (Loss) on Disposal	Shares (in thousands)	Amount (Note1)
ACCN	China Merchants Bank CNY Financial Plan	Other financial asset	China Merchants Bank	-	-	-	1,560,000	7,001,942	1,560,000	7,014,622	7,001,942	12,680	-	-
ACCN	Fubon Bank (China) CNY SDRMBC 16030000	Other financial asset	Fubon Bank (China) Co., Ltd	-	-	-	2,750,000	12,262,010	2,750,000	12,291,444	12,262,010	29,434	-	-
ASIN	ACR	Investment accounted for using equity method	AEH	Parent	-	-	4,600	487,744	-	-	-	-	4,600	526,265
AEH	ACR	Investment accounted for using equity method	ASIN	Subsidiary	4,600	522,719	-	-	4,600	487,744	487,744	-	-	-
The Company	ABH	Investment accounted for using equity method	Note 2	Subsidiary	173,305	1,479,013	41,900	419,004	-	-	-	-	215,205	1,529,848
ABH	ACTTW	Investment accounted for using equity method	Note 2	Subsidiary	60,000	408,889	52,540	525,400	-	-	-	-	112,540	611,732
The Company	AOI	Investment accounted for using equity method	Note 3	Parent	-	-	28,970	333,155	-	-	-	-	28,970	331,350

Note 1: The ending balance includes unrealized gains/losses on financial assets, share of gains/losses of investees, foreign currency translation adjustments and other related adjustments.

Note 2: Capital increase by cash

Note 3: Private placement of common stock

Acer Incorporated and Subsidiaries
Total purchases from and sales to related parties which exceed NT$100 million or 20% of the paid-in capital
For the year ended December 31, 2017

Table 5

(Amounts in Thousands of New Taiwan Dollars)

Company Name	Related Party	Name of Relationship	Transaction Details				Transactions with Terms Different from Others (Note 1)		Notes/Accounts Receivable or (Payable)		Note
			Purchases/ (Sales)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Company	AAC	Parent/Subsidiary	(Sales)	(53,002,734)	(30.41)%	OA90	-	-	7,235,970	39.26%	
The Company	AAPH	Parent/Subsidiary	(Sales)	(30,853,237)	(17.70)%	OA60	-	-	4,282,878	23.23%	
The Company	ACCQ	Parent/Subsidiary	(Sales)	(10,248,480)	(5.88)%	OA60	-	-	1,286,591	6.98%	
The Company	AEG	Parent/Subsidiary	(Sales)	(64,880,178)	(37.23)%	OA60	-	-	458,625	2.49%	
The Company	AFE	Parent/Subsidiary	(Sales)	(811,319)	(0.47)%	OA60	-	-	174,216	0.95%	
The Company	APHI	Parent/Subsidiary	(Sales)	(111,114)	(0.06)%	OA60	-	-	71,791	0.39%	
The Company	APX	Parent/Subsidiary	(Sales)	(216,898)	(0.12)%	OA60	-	-	409	-	
The Company	ASC	Parent/Subsidiary	(Sales)	(107,740)	(0.06)%	OA60	-	-	7,895	0.04%	
The Company	ASSB	Parent/Subsidiary	(Sales)	(606,407)	(0.35)%	OA60	-	-	218,639	1.19%	
The Company	WLII	Parent/Subsidiary	(Sales)	(2,020,865)	(1.16)%	EM45	-	-	264,709	1.44%	
The Company	ACCSI	Parent/Subsidiary	Purchases	330,167	0.20%	OA60	-	-	(263)	-	
The Company	ACTTW	Parent/Subsidiary	Purchases	154,369	0.09%	OA60	-	-	(27,517)	(0.08)%	
The Company	AEB	Parent/Subsidiary	Purchases	1,841,231	1.10%	EM60	-	-	(66,251)	(0.19)%	
The Company	WLII	Parent/Subsidiary	Purchases	134,126	0.08%	EM45	-	-	(14,124)	(0.04)%	
ACCSI	The Company	Parent/Subsidiary	(Sales)	(330,167)	(33.43)%	OA60	-	-	263	0.21%	
ACTTW	The Company	Parent/Subsidiary	(Sales)	(154,369)	(60.22)%	OA60	-	-	27,517	31.62%	
AEB	The Company	Parent/Subsidiary	(Sales)	(1,841,231)	(41.93)%	EM60	-	-	66,251	11.21%	
AEB	WLII	Fellow subsidiary	Purchases	146,956	3.74%	EM60	-	-	(48,795)	(7.24)%	
AOI	AOA	Parent/Subsidiary	(Sales)	(171,719)	21.34%	OA90	-	-	93,502	42.87%	
AOI	AOAU	Parent/Subsidiary	(Sales)	(136,796)	17.00%	OA60	-	-	25,783	11.82%	
AOI	AOE	Parent/Subsidiary	(Sales)	(255,958)	31.80%	OA60	-	-	58,598	26.86%	
AOI	AOTH	Parent/Subsidiary	Purchases	466,573	65.80%	OA60	-	-	(22,486)	40.34%	
WLII	The Company	Parent/Subsidiary	(Sales)	(134,126)	(1.28)%	EM45	-	-	14,124	0.68%	
WLII	AEB	Fellow subsidiary	(Sales)	(146,956)	(1.41)%	EM60	-	-	48,795	2.34%	
WLII	The Company	Parent/Subsidiary	Purchases	2,020,865	20.43%	EM45	-	-	(264,709)	(17.19)%	
AAC	AMEX	Fellow subsidiary	(Sales)	(3,163,280)	(5.69)%	OA60	-	-	1,340,972	17.00%	

Company Name	Related Party	Name of Relationship	Transaction Details				Transactions with Terms Different from Others (Note 1)		Notes/Accounts Receivable or (Payable)		Note
			Purchases/ (Sales)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
AAC	ASC	Fellow subsidiary	(Sales)	(232,236)	(0.42)%	OA60	-	-	27,064	0.34%	
AAC	ATB	Fellow subsidiary	(Sales)	(431,430)	(0.78)%	OA60	-	-	129,913	1.65%	
AAC	The Company	Parent/Subsidiary	Purchases	53,002,734	95.41%	OA90	-	-	(7,235,970)	(88.08)%	
AAPH	ACA	Fellow subsidiary	(Sales)	(5,347,585)	(16.44)%	OA60	-	-	1,869,605	21.03%	
AAPH	ACNZ	Fellow subsidiary	(Sales)	(773,065)	(2.38)%	OA60	-	-	169,423	1.91%	
AAPH	ACS	Fellow subsidiary	(Sales)	(2,076,692)	(6.38)%	OA60	-	-	250,593	2.82%	
AAPH	AIL	Fellow subsidiary	(Sales)	(6,095,798)	(18.74)%	OA60	-	-	3,762,346	42.32%	
AAPH	AIN	Fellow subsidiary	(Sales)	(3,957,161)	(12.16)%	OA60	-	-	890,811	10.02%	
AAPH	AJC	Fellow subsidiary	(Sales)	(1,970,467)	(6.06)%	OA60	-	-	939,917	10.57%	
AAPH	AMI	Fellow subsidiary	(Sales)	(281,450)	(0.87)%	OA60	-	-	67,068	0.75%	
AAPH	APHI	Fellow subsidiary	(Sales)	(906,346)	(2.79)%	OA60	-	-	62,258	0.70%	
AAPH	ASSB	Fellow subsidiary	(Sales)	(2,104,913)	(6.47)%	OA60	-	-	-	-	
AAPH	ATH	Fellow subsidiary	(Sales)	(5,458,313)	(16.78)%	OA60	-	-	771,781	8.68%	
AAPH	The Company	Parent/Subsidiary	Purchases	30,853,237	95.67%	OA60	-	-	(4,282,878)	(97.88)%	
ACA	ACNZ	Fellow subsidiary	(Sales)	(148,742)	(2.14)%	OA60	-	-	38,792	2.73%	
ACA	Bluechip	Other related party	(Sales)	(257,821)	(3.71)%	OA60	-	-	78,367	5.51%	
ACA	AAPH	Fellow subsidiary	Purchases	5,347,585	100.00%	OA60	-	-	(1,869,605)	(97.46)%	
ACCN	ACCQ	Fellow subsidiary	(Sales)	(105,395)	(0.74)%	OA60	-	-	128,118	8.51%	
ACCN	ACCQ	Fellow subsidiary	Purchases	12,591,664	89.36%	OA60	-	-	(1,856,817)	(99.87)%	
ACCQ	ACCN	Fellow subsidiary	(Sales)	(12,591,664)	(99.91)%	OA60	-	-	1,856,817	99.92%	
ACCQ	ACCN	Fellow subsidiary	Purchases	105,395	0.78%	OA60	-	-	(128,118)	(7.09)%	
ACCQ	The Company	Parent/Subsidiary	Purchases	10,248,480	86.48%	OA60	-	-	(1,286,591)	(71.22)%	
ACF	AEG	Fellow subsidiary	(Sales)	(258,981)	(2.09)%	OA60	-	-	686,945	17.94%	
ACF	AEG	Fellow subsidiary	Purchases	11,223,729	93.31%	OA60	-	-	(1,472,809)	(96.54)%	
ACF	APX	Fellow subsidiary	Purchases	126,137	1.05%	OA60	-	-	(9,265)	(0.61)%	
ACG	AEG	Fellow subsidiary	(Sales)	(574,777)	(2.06)%	OA60	-	-	1,883,535	23.06%	
ACG	APX	Fellow subsidiary	(Sales)	(161,730)	(0.58)%	OA60	-	-	25,082	0.31%	
ACG	AEG	Fellow subsidiary	Purchases	25,798,281	95.40%	OA60	-	-	(4,834,199)	(98.16)%	
ACG	APX	Fellow subsidiary	Purchases	329,270	1.22%	OA45	-	-	(49,837)	(1.01)%	
ACH	AEG	Fellow subsidiary	(Sales)	(185,327)	(2.97)%	OA60	-	-	416,087	26.27%	
ACH	AEG	Fellow subsidiary	Purchases	5,734,271	95.37%	OA60	-	-	(741,401)	(97.86)%	
ACH	APX	Fellow subsidiary	Purchases	104,934	1.75%	OA60	-	-	(15,707)	(2.07)%	

Company Name	Related Party	Name of Relationship	Transaction Details				Transactions with Terms Different from Others (Note 1)		Notes/Accounts Receivable or (Payable)		Note
			Purchases/ (Sales)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
ACNZ	AAPH	Fellow subsidiary	Purchases	773,065	83.74%	OA60	-	-	(169,423)	(78.64)%	
ACNZ	ACA	Fellow subsidiary	Purchases	148,742	16.11%	OA60	-	-	(38,792)	(18.01)%	
ACS	AAPH	Fellow subsidiary	Purchases	2,076,692	96.96%	OA60	-	-	(250,593)	(97.47)%	
ACZ	ASIN	Fellow subsidiary	(Sales)	(284,611)	(48.10)%	OA30	-	-	-	-	
ACZ	APX	Fellow subsidiary	Purchases	193,729	36.34%	OA90	-	-	(31,743)	(92.04)%	
AEG	ACF	Fellow subsidiary	(Sales)	(11,223,729)	(13.55)%	OA60	-	-	1,472,809	9.49%	
AEG	ACG	Fellow subsidiary	(Sales)	(25,798,281)	(31.15)%	OA60	-	-	4,834,199	31.14%	
AEG	ACH	Fellow subsidiary	(Sales)	(5,734,271)	(6.92)%	OA60	-	-	741,401	4.78%	
AEG	AIB	Fellow subsidiary	(Sales)	(3,823,342)	(4.62)%	OA60	-	-	307,168	1.98%	
AEG	AIT	Fellow subsidiary	(Sales)	(5,834,556)	(7.04)%	OA60	-	-	1,219,026	7.85%	
AEG	AME	Fellow subsidiary	(Sales)	(500,657)	(0.60)%	OA60	-	-	-	-	
AEG	APX	Fellow subsidiary	(Sales)	(285,073)	(0.34)%	OA60	-	-	85,226	0.55%	
AEG	ASIN	Fellow subsidiary	(Sales)	(18,985,080)	(22.92)%	OA60	-	-	4,806,473	30.96%	
AEG	ASZ	Fellow subsidiary	(Sales)	(2,589,243)	(3.13)%	OA60	-	-	427,359	2.75%	
AEG	AUK	Fellow subsidiary	(Sales)	(7,539,879)	(9.10)%	OA60	-	-	1,057,483	6.81%	
AEG	SER	Fellow subsidiary	(Sales)	(348,616)	(0.42)%	OA60	-	-	60,253	0.39%	
AEG	ACF	Fellow subsidiary	Purchases	258,981	0.32%	OA60	-	-	(686,945)	(6.76)%	
AEG	ACG	Fellow subsidiary	Purchases	574,777	0.72%	OA60	-	-	(1,883,535)	(18.53)%	
AEG	ACH	Fellow subsidiary	Purchases	185,327	0.23%	OA60	-	-	(416,087)	(4.09)%	
AEG	AIB	Fellow subsidiary	Purchases	293,571	0.37%	OA60	-	-	(372,758)	(3.67)%	
AEG	AIT	Fellow subsidiary	Purchases	249,959	0.31%	OA60	-	-	(374,022)	(3.68)%	
AEG	APX	Fellow subsidiary	Purchases	394,071	0.49%	OA60	-	-	(14,290)	(0.14)%	
AEG	The Company	Parent/Subsidiary	Purchases	64,880,178	81.03%	OA60	-	-	(458,625)	(4.51)%	
AFE	The Company	Parent/Subsidiary	Purchases	811,319	96.85%	OA60	-	-	(174,216)	(97.94)%	
AIB	AEG	Fellow subsidiary	(Sales)	(293,571)	(6.59)%	OA60	-	-	372,758	28.52%	
AIB	AEG	Fellow subsidiary	Purchases	3,823,342	89.18%	OA60	-	-	(307,168)	(100.00)%	
AIB	APX	Fellow subsidiary	Purchases	145,211	3.39%	OA60	-	-	(17,799)	(5.85)%	
AIL	AAPH	Fellow subsidiary	Purchases	6,095,798	54.02%	OA60	-	-	(3,762,346)	(93.59)%	
AIN	AMI	Parent/Subsidiary	(Sales)	(301,383)	(5.85)%	OA60	-	-	69,362	57.06%	
AIN	AAPH	Fellow subsidiary	Purchases	3,957,161	79.72%	OA60	-	-	(890,811)	(91.27)%	
AIN	AMI	Parent/Subsidiary	Purchases	619,588	12.98%	OA90	-	-	(78,152)	(8.01)%	
AIT	AEG	Fellow subsidiary	(Sales)	(249,959)	(3.95)%	OA60	-	-	374,022	14.07%	

Company Name	Related Party	Name of Relationship	Transaction Details				Transactions with Terms Different from Others (Note 1)		Notes/Accounts Receivable or (Payable)		Note
			Purchases/ (Sales)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
AIT	AEG	Fellow subsidiary	Purchases	5,834,556	94.99%	OA60	-	-	(1,219,026)	(99.19)%	
AJC	AAPH	Fellow subsidiary	Purchases	1,970,467	92.58%	OA60	-	-	(939,917)	(97.37)%	
AME	AEG	Fellow subsidiary	Purchases	500,657	54.50%	OA60	-	-	-	-	
AMEX	AAC	Fellow subsidiary	Purchases	3,163,280	97.92%	OA60	-	-	(1,340,972)	(100.00)%	
AMI	AIN	Parent/Subsidiary	(Sales)	(619,588)	(99.78)%	OA90	-	-	78,152	99.98%	
AMI	AAPH	Fellow subsidiary	Purchases	281,450	45.04%	OA60	-	-	(67,068)	(47.16)%	
AMI	AIN	Parent/Subsidiary	Purchases	301,383	48.23%	OA60	-	-	(69,362)	(48.78)%	
AOA	AOI	Parent/Subsidiary	Purchases	171,719	80.14%	OA90	-	-	(93,502)	87.21%	
AOAU	AOI	Parent/Subsidiary	Purchases	136,796	89.19%	OA60	-	-	(25,783)	74.59%	
AOE	AOI	Parent/Subsidiary	Purchases	255,958	86.35%	OA60	-	-	(58,598)	91.25%	
AOTH	AOZ	Parent/Subsidiary	(Sales)	(388,291)	41.67%	OA60	-	-	50,389	40.82%	
AOTH	AOI	Parent/Subsidiary	(Sales)	(466,573)	50.08%	OA60	-	-	22,486	18.22%	
AOTH	AOZ	Parent/Subsidiary	Purchases	429,192	40.48%	OA60	-	-	(112,201)	48.58%	
AOZ	AOTH	Parent/Subsidiary	(Sales)	(429,192)	83.26%	OA60	-	-	112,201	88.10%	
AOZ	AOTH	Parent/Subsidiary	Purchases	388,291	83.72%	OA60	-	-	(50,389)	80.77%	
APHI	AAPH	Fellow subsidiary	Purchases	906,346	95.19%	OA60	-	-	(62,258)	(37.46)%	
APHI	The Company	Parent/Subsidiary	Purchases	111,114	10.23%	OA60	-	-	(71,791)	(43.19)%	
APX	ACF	Fellow subsidiary	(Sales)	(126,137)	(6.61)%	OA60	-	-	9,265	4.05%	
APX	ACG	Fellow subsidiary	(Sales)	(329,270)	(17.26)%	OA45	-	-	49,837	21.79%	
APX	ACH	Fellow subsidiary	(Sales)	(104,934)	(5.50)%	OA60	-	-	15,707	6.87%	
APX	ACZ	Fellow subsidiary	(Sales)	(193,729)	(10.15)%	OA90	-	-	31,743	13.88%	
APX	AEG	Fellow subsidiary	(Sales)	(394,071)	(20.65)%	OA60	-	-	14,290	6.25%	
APX	AIB	Fellow subsidiary	(Sales)	(145,211)	(7.61)%	OA60	-	-	17,799	7.78%	
APX	ACG	Fellow subsidiary	Purchases	161,730	10.06%	OA60	-	-	(25,082)	(12.22)%	
APX	AEG	Fellow subsidiary	Purchases	285,073	17.73%	OA60	-	-	(85,226)	(41.52)%	
APX	The Company	Parent/Subsidiary	Purchases	216,898	13.49%	OA60	-	-	(409)	(0.20)%	
ARU	ASIN	Fellow subsidiary	(Sales)	(152,657)	(100.00)%	OA60	-	-	12,255	100.00%	
ASC	AAC	Fellow subsidiary	Purchases	232,236	36.20%	OA60	-	-	(27,064)	(26.72)%	
ASC	The Company	Parent/Subsidiary	Purchases	107,740	16.80%	OA60	-	-	(7,895)	(7.79)%	
ASIN	ACZ	Fellow subsidiary	Purchases	284,611	1.53%	OA30	-	-	-	-	
ASIN	AEG	Fellow subsidiary	Purchases	18,985,080	97.65%	OA60	-	-	(4,806,473)	(99.44)%	
ASIN	ARU	Fellow subsidiary	Purchases	152,657	0.82%	OA60	-	-	(12,255)	(0.25)%	

Company Name	Related Party	Name of Relationship	Transaction Details				Transactions with Terms Different from Others (Note 1)		Notes/Accounts Receivable or (Payable)		Note
			Purchases/ (Sales)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
ASSB	SMA	Parent/Subsidiary	(Sales)	(582,958)	(18.98)%	OA60	-	-	1,227	0.50%	
ASSB	AAPH	Fellow subsidiary	Purchases	2,104,913	76.12%	OA60	-	-	-	-	
ASSB	The Company	Parent/Subsidiary	Purchases	606,407	21.93%	OA60	-	-	(218,639)	(92.94)%	
ASZ	AEG	Fellow subsidiary	Purchases	2,589,243	96.14%	OA60	-	-	(427,359)	(98.72)%	
ATB	AAC	Fellow subsidiary	Purchases	431,430	10.11%	OA60	-	-	(129,913)	(7.15)%	
ATH	AAPH	Fellow subsidiary	Purchases	5,458,313	94.19%	OA60	-	-	(771,781)	(91.92)%	
AUK	AEG	Fellow subsidiary	Purchases	7,539,879	96.41%	OA60	-	-	(1,057,483)	(98.88)%	
SER	AEG	Fellow subsidiary	Purchases	348,616	100.00%	OA60	-	-	(60,253)	(99.94)%	
SMA	ASSB	Parent/Subsidiary	Purchases	582,958	16.02%	OA60	-	-	(1,227)	(2.76)%	

Note 1: The trade terms and price of sales with related parties are not comparable to the trading terms and prices with third-party customers as they are determined by the economic environment and market competition of specific locations. The trading terms of purchase with related parties are not comparable to the trading terms with third-party vendors as the specifications of products are different.

Note 2: The above transactions between parent and subsidiary are eliminated when preparing the consolidated financial statements.

Acer Incorporated and Subsidiaries
Receivables from related parties which exceed NT$100 million or 20% of the paid-in capital
December 31, 2017

Table 6

(Amounts in Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
The Company	AAC	Parent/Subsidiary	7,235,970	6.62	-		6,859,434	
The Company	AAPH	Parent/Subsidiary	4,282,878	6.10	146,352	Under collection	4,055,633	
The Company	ACCQ	Parent/Subsidiary	1,286,591	7.54	-		1,286,591	
The Company	AEG	Parent/Subsidiary	458,625	19.66	16	Under collection	453,891	
The Company	AFE	Parent/Subsidiary	174,216	5.46	9,485	Under collection	131,972	
The Company	ASSB	Parent/Subsidiary	218,639	5.55	-		218,639	
The Company	AEB	Parent/Subsidiary	229,113	2.60	3,004	Under collection	1,312	
The Company	WLII	Parent/Subsidiary	274,045	11.52	-		274,045	
ACTTW	The Company	Parent/Subsidiary	142,570	4.10	-		-	
ADSC	The Company	Parent/Subsidiary	714,178	-	-		-	
CCI	The Company	Parent/Subsidiary	100,589	-	-		-	
AAC	AMEX	Fellow subsidiary	1,341,691	2.73	885,478	Under collection	420,936	
AAC	ASC	Fellow subsidiary	440,487	9.84	-		25,233	
AAC	ATB	Fellow subsidiary	129,913	2.70	243	Under collection	91,549	
AAH	AAC	Parent/Subsidiary	4,310,000	-	-		-	
AAPH	ACA	Fellow subsidiary	1,869,605	2.40	21,162	Under collection	1,028,775	
AAPH	ACNZ	Fellow subsidiary	169,423	4.18	-		166,062	
AAPH	ACS	Fellow subsidiary	250,593	8.87	-		238,784	
AAPH	AIL	Fellow subsidiary	3,762,346	1.66	1,831,145	Under collection	635,844	
AAPH	AIN	Fellow subsidiary	890,811	4.44	-		863,348	
AAPH	AJC	Fellow subsidiary	939,917	2.17	-		390,954	
AAPH	ATH	Fellow subsidiary	771,781	6.31	-		771,781	
ACCN	ACCQ	Fellow subsidiary	128,118	1.64	-		125,356	
ACCQ	ACCN	Fellow subsidiary	1,856,817	5.00	-		1,840,287	

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
ACF	AEG	Fellow subsidiary	930,235	0.45	-		59,393	
ACG	AEG	Fellow subsidiary	2,531,284	0.34	-		187,534	
ACH	AEG	Fellow subsidiary	445,666	0.50	-		30,777	
AEG	ACF	Fellow subsidiary	1,472,809	12.47	-		1,472,809	
AEG	ACG	Fellow subsidiary	4,834,199	5.11	377	Under collection	4,827,988	
AEG	ACH	Fellow subsidiary	741,401	9.18	-		741,401	
AEG	AIB	Fellow subsidiary	307,168	11.75	-		307,168	
AEG	AIT	Fellow subsidiary	1,219,026	5.77	-		1,219,026	
AEG	ASIN	Fellow subsidiary	4,814,688	4.87	-		4,449,543	
AEG	ASZ	Fellow subsidiary	427,359	6.87	-		427,359	
AEG	AUK	Fellow subsidiary	1,057,483	5.72	356	Under collection	1,057,127	
AGU	AEG	Fellow subsidiary	719,009	-	-		-	
AIB	AEG	Fellow subsidiary	443,323	0.89	-		105,838	
AIT	AEG	Fellow subsidiary	476,178	0.73	-		-	
AIZS	ACCN	Fellow subsidiary	211,011	-	-		-	
AOZ	AOTH	Parent/Subsidiary	112,201	4.38	51,371	Under collection	26,863	
ASCBVI	LONG	Fellow subsidiary	298,481	-	-		-	
ASIN	AEG	Fellow subsidiary	816,142	-	-		867	
ASZ	AEG	Fellow subsidiary	283,924	0.28	-		10,279	
AUK	AEG	Fellow subsidiary	848,792	0.12	-		28,903	
GWI	AAC	Parent/Subsidiary	173,506	-	-		-	
LONG	SURE	Parent/Subsidiary	298,481	-	-		-	

Note: The above transactions between parent and subsidiary are eliminated when preparing the consolidated financial statements.

Acer Incorporated and Subsidiaries
Intercompany relationships and significant intercompany transactions
For the year ended December 31, 2017

Table 7

(Amounts in Thousands of New Taiwan Dollars)

Intercomapny relationships and significant intercompany transactions for the year ended December 31, 2017 were as follows:

Number (Note 1)	Company Name	Counter Party	Nature of Relationship (Note 2)	Intercompany Transactions			Percentage of Consolidated Net Revenue or Total Assets
				Account	Amount	Transaction Terms	
0	The Company	AEG	1	Sales	64,880,178	OA60	27.34%
0	The Company	AAC	1	Sales	53,002,734	OA90	22.34%
0	The Company	AAPH	1	Sales	30,853,237	OA60	13.00%
0	The Company	ACCQ	1	Sales	10,248,480	OA60	4.32%
0	The Company	AAC	1	Accounts receivable	7,235,970	OA90	4.59%
0	The Company	AAPH	1	Accounts receivable	4,282,878	OA60	2.72%

Note 1: Parties to the intercompany transactions are identified and numbered as follows:
1. "0" represents the Company.
2. Subsidiaries are numbered from "1".

Note 2: No. 1 represents the transactions from parent company to subsidiary.
No. 2 represents the transactions from subsidiary to parent company.

Note 3: Intercompany relationships and significant intercompany transactions are disclosed only for the amounts that exceed 1% of consolidated net revenue or total assets. The corresponding purchases and accounts payables are not disclosed.

Acer Incorporated and Subsidiaries

Names, Locations, and Related Information of Investees over which The Company Exercises Significant Influence

December 31, 2017

Table 8

(Amounts in Thousands of New Taiwan Dollars/Shares)

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount		Balances as of December 31, 2017			Maximum ownership during 2017		Net Income (Loss) of the Investee	Share of profits/ losses of investee	Note
				December 31, 2017	December 31, 2016	Shares (in thousands)	Percentage of Ownership	Carrying Value	Shares (in thousands)	Percentage of Ownership			
The Company	ADSC	Taiwan	Investing and holding company	1,746,549	1,746,549	128,282	100.00	1,854,630	128,282	100.00	66,043	66,043	Parent/Subsidiary
The Company	Boardwalk	BritishVirgin Islands	Investing and holding company	41,496,383	41,496,383	1,263,432	92.02	24,939,560	1,263,432	92.02	295,672	272,063	Parent/Subsidiary
The Company	AEH	Switzerland	Investing and holding company	2,464,262	2,464,262	150	100.00	16,788,129	150	100.00	(302,596)	(302,596)	Parent/Subsidiary
The Company	AHI	BritishVirgin Islands	Investing and holding company	1,130,566	1,130,566	33,550	100.00	8,717,637	33,550	100.00	327,262	327,262	Parent/Subsidiary
The Company	Bluechip	Australia	Sale of peripheral and software system	24,249	24,249	1,073	30.23	69,399	1,073	30.23	14,971	4,489	Associate
The Company	AWI	BritishVirgin Islands	Investing and holding company	4,069,764	4,069,764	1,326,193	100.00	282,289	1,326,193	100.00	482	482	Parent/Subsidiary
The Company	ASCBVI	BritishVirgin Islands	Investing and holding company	1,900,347	1,718,547	43,067	100.00	1,236,767	43,067	100.00	(28,505)	(28,505)	Parent/Subsidiary
The Company	CCI	Taiwan	Investing and holding company	1,299,817	1,299,817	-	100.00	543,159	-	100.00	1,909	1,909	Parent/Subsidiary
The Company	ADSBH	BritishVirgin Islands	Investing and holding company	1,175,933	1,175,933	2,246	100.00	(290,863)	2,246	100.00	(291)	(291)	Parent/Subsidiary
The Company	ACCSI	Taiwan	Cyber sercurity service	1,242,578	2,943,044	4,000	100.00	124,226	187,092	100.00	(8,705)	(8,705)	Parent/Subsidiary
The Company	AGC	BritishVirgin Islands	Investing and holding company	4,941,292	4,941,292	160,989	100.00	4,803,049	160,989	100.00	(135,310)	(135,310)	Parent/Subsidiary
The Company	WLII	Taiwan	Sale of computers and communication products	1,115,474	1,115,474	70,088	99.79	1,318,664	70,088	99.79	69,816	69,669	Parent/Subsidiary
The Company	ATI	Taiwan	Integrated circuit test service	819,792	819,792	1,203	19.39	3,068	1,203	19.39	(20,000)	(3,877)	Associate
The Company	ETEN	Taiwan	Research, design and sale of smart handheld products	6,800,751	6,800,751	20,000	100.00	2,166,180	20,000	100.00	(203,055)	(203,055)	Parent/Subsidiary
The Company	ABH	Taiwan	Investing and holding company	1,919,004	1,500,000	215,205	100.00	1,529,848	215,205	100.00	(368,170)	(368,170)	Parent/Subsidiary
The Company	ASBZ	Taiwan	Solutions provider of B2B virtual reality	320,000	32,000	32,000	66.67	300,689	32,000	66.67	(31,096)	(20,450)	Parent/Subsidiary
The Company	EDC	Taiwan	Date center and cloud service	1,700,466	-	186,593	100.00	1,700,905	186,593	100.00	-	-	Parent/Subsidiary
The Company	AOI	Taiwan	Sale, manufacture, import and export of commercial computer products, software, components, peripheral equipment and apparatus; repair and maintenance services of computer products	333,155	-	28,970	40.55	331,350	28,970	40.55	(12,422)	(5,037)	Parent/Subsidiary
ACCSI	TWPBVI	BritishVirgin Islands	Investing and holding company	-	32,298	-	-	-	11,068	100.00	4,800	4,800	Fellow subsidiaries
EDC	TWPBVI	BritishVirgin Islands	Investing and holding company	32,298	-	11,068	100.00	4,120	11,068	100.00	4,800	-	Parent/Subsidiary
ADSC	ECS	Taiwan	Business integration system	40,851	40,851	1,244	24.88	20,869	1,244	24.88	15,980	3,824	Associate
ADSC	APDI	Taiwan	Property development	29,577	29,577	2,958	100.00	101,312	2,958	100.00	(468)	(468)	Parent/Subsidiary
ADSC	ASDI	Taiwan	Property development	500,000	500,000	22,593	100.00	223,467	22,593	100.00	3,760	3,760	Parent/Subsidiary
ADSC	KBest	Taiwan	Development and manufacturing of radio and microwave equipment	129,293	69,668	4,427	28.03	88,114	4,427	28.03	(16,841)	28,489	Associate
WLII	HPT	Taiwan	Retail service of software	23,668	23,668	882	30.22	16,271	882	30.22	11,480	3,469	Associate
WLII	WHI	Hong Kong	Sale of computers and communication products	55,895	55,895	12,872	100.00	17,938	12,872	100.00	(65)	(65)	Parent/Subsidiary
WLII	WELL	Taiwan	Matchmaking of professional services, platform of client service and sale of products, and providing of professional seminars and courses	10,000	10,000	1,000	100.00	3,251	1,000	100.00	(2,811)	(2,811)	Parent/Subsidiary
WLII	ISU	Taiwan	System integration service	70,000	-	7,000	100.00	70,112	10,000	100.00	112	112	Parent/Subsidiary
AEH	Boardwalk	BritishVirgin Islands	Investing and holding company	3,333,032	3,333,032	109,639	7.98	2,168,131	109,639	7.98	295,672	23,609	Fellow subsidiaries
ACTI	GrandPAD	USA	Development of user-friendly IoT device	350,477	258,256	436	43.28	261,457	436	43.28	(148,422)	(69,493)	Associate

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount		Balances as of December 31, 2017			Maximum ownership during 2017		Net Income (Loss) of the Investee	Share of profits/ losses of investee	Note
				December 31, 2017	December 31, 2016	Shares (in thousands)	Percentage of Ownership	Carrying Value	Shares (in thousands)	Percentage of Ownership			
ABH	AEB	Taiwan	Cloud ticketing system, electronic book, online payment service, customized system development and integration services, and sale of commercial and cloud application software and technical services	549,650	583,046	53,563	100.00	549,613	60,000	100.00	26,693	26,693	Parent/Subsidiary
ABH	ACTTW	Taiwan	Development of Internet of Beings and cloud technology, and integration of cloud technology, software and hardware	1,125,400	600,000	112,540	100.00	611,732	112,540	100.00	(327,719)	(327,719)	Parent/Subsidiary
ABH	MPS	Taiwan	Research, development, and sale of batteries	81,711	81,711	10,000	100.00	12,487	10,000	100.00	(28,265)	(28,265)	Parent/Subsidiary
ABH	ALT	Taiwan	High performance computing, cloud computing, software-defined storage , and IT solution	48,000	48,000	4,800	100.00	49,542	4,800	100.00	1,577	1,577	Parent/Subsidiary
ABH	ITS	Taiwan	Program and service of intelligent transportation and electronic ticketing	300,000	-	30,000	100.00	258,293	30,000	100.00	(41,668)	(41,668)	Parent/Subsidiary
AEB	XPL	Taiwan	Design, development and sale of smart bicycle speedometer	131,640	66,040	8,372	100.00	43,112	8,372	100.00	(39,702)	(39,702)	Parent/Subsidiary
AEB	PBC	Taiwan	Pet interaction device and social networking service	102,400	46,400	6,742	100.00	27,878	6,742	100.00	(39,170)	(39,170)	Parent/Subsidiary
AEB	PKL	Taiwan	Integration of service platforms including parking lots searching, parking fee comparison,and GPS navigation	-	24,000	-	-	-	26,000	100.00	(51,001)	(13,603)	Fellow subsidiaries
ITS	PKL	Taiwan	Integration of service platforms including parking lots searching, parking fee comparison,and GPS navigation	-	-	-	-	-	52,000	100.00	(51,001)	(37,398)	Parent/Subsidiary
ACTTW	ABC	Taiwan	Software design service	76,371	76,371	2,071	51.00	18,986	8,000	100.00	(26,485)	(26,485)	Parent/Subsidiary
ACTTW	AGI	Taiwan	Development of user-friendly IoT device	29,000	29,000	2,900	100.00	18,307	2,900	100.00	(8,597)	(8,597)	Parent/Subsidiary
ACTTW	ABST	Taiwan	Technical service and research of aBeing cloud digital content management	272,400	-	27,240	100.00	251,945	27,240	100.00	(26,191)	(26,191)	Parent/Subsidiary
ACTTW	ABSG	Germany	Technical service and research of aBeing cloud digital content management	-	-	-	-	-	1,925	100.00	(53,384)	(27,835)	Parent/Subsidiary
ABST	ABSG	Germany	Technical service and research of aBeing cloud digital content management	148,347	-	4,485	100.00	128,414	4,485	100.00	(53,384)	(25,549)	Parent/Subsidiary
AOI	Bluechip	Australia	Sale of peripheral and software system	36,915	-	570	16.06	38,223	570	16.06	14,971	295	Associate
AOI	AOA	USA	Sale of computer, apparatus system, and peripheral equipment	295,771	-	15,000	100.00	(178,256)	15,000	100.00	32,563	44,214	Parent/Subsidiary
AOI	AOE	Netherland	Sale of computer, apparatus system, and peripheral equipment	214,094	-	1	100.00	(30,286)	1	100.00	21,156	2,613	Parent/Subsidiary
AOI	AOTH	BritishVirgin Islands	Sale of computer, apparatus system, and peripheral equipment	1,623	-	50	100.00	223,764	50	100.00	(23,641)	(14,456)	Parent/Subsidiary
AOI	AOJ	Japan	Sale of computer, apparatus system, and peripheral equipment	2,899	-	1	100.00	25,531	1	100.00	1,667	(432)	Parent/Subsidiary
AOI	GCC	Taiwan	Sale of computer, apparatus system, and peripheral equipment	60,000	-	6,000	100.00	38,204	6,000	100.00	3,212	8,599	Parent/Subsidiary
AOI	AOGS	Australia	Sale of computer, apparatus system, and peripheral equipment	2,956	-	105	70.00	17,960	105	70.00	4,754	(3,789)	Parent/Subsidiary
AOI	HTW	Hong Kong	Software development and agency	405	-	100	100.00	921	100	100.00	85	1	Parent/Subsidiary

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount		Balances as of December 31, 2017			Maximum ownership during 2017		Net Income (Loss) of the Investee	Share of profits/ losses of investee	Note
				December 31, 2017	December 31, 2016	Shares (in thousands)	Percentage of Ownership	Carrying Value	Shares (in thousands)	Percentage of Ownership			
AOI	MPL	Australia	Sale of computer, apparatus system, and peripheral equipment	23,444	-	40	40.00	23,309	40	40.00	-	-	Associate
AOTH	GCL	Hong Kong	Sale of computer, apparatus system, and peripheral equipment	2,675	-	300	100.00	3,763	300	100.00	86	68	Parent/Subsidiary
AOGS	AOAU	Australia	Sale of computer, apparatus system, and peripheral equipment	3	-	1	100.00	27,938	1	100.00	4,717	(5,413)	Parent/Subsidiary

Note: On November 24, 2017, the Company obtained control over AOI and its subsidiaries. Therefore, the share of profits/losses recognized by the company only included the profit (loss) of AOI and its subsidiaries from November 24 to December 31, 2017.

Acer Incorporated and Subsidiaries
Information on Investment in Mainland China
For the year ended December 31, 2017

Table 9

(Amounts in Thousands of New Taiwan Dollars)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2017	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2017	Net Income (Losses) of Investee	% of Ownership of Direct or Indirect Investment	Maximum ownership during 2017		Share of profits/ losses of investee	Carrying Value as of December 31, 2017	Accumulated Inward Remittance of Earnings as of December 31, 2017
					Outflow	Inflow				Shares	Percentage of Ownership			
Acer Third Wave Software (Beijing) Co. Ltd.	Sale of commercial and cloud application software and technical service	89,544	2	89,544	-	-	89,544	5,100	100.00	-	100.00	5,100	(372)	-
Beijing Acer Information Co., Ltd.	Sale of brand-name IT product	53,726	2	-	-	-	-	(398)	-	-	100.00	(398)	-	-
Acer Information (Zhong Shan) Co., Ltd.	Sale of brand-name IT product	44,772	2	-	-	-	-	2,843	100.00	-	100.00	2,843	214,745	-
Acer Computer (Shanghai) Ltd.	Sale of brand-name IT product	59,696	2	59,696	-	-	59,696	(81,369)	100.00	-	100.00	(81,369)	820,114	-
Acer (Chongqing) Ltd.	Sale of brand-name IT product	4,477,200	2	4,596,592 (Note 2)	-	-	4,596,592	71,364	100.00	-	100.00	71,364	3,572,880	-
Acer Colud Technology (Chongqing) Ltd.	Design, development, sale, and advisory of computer software and hardware	149,240	1	149,240	-	-	149,240	(32,367)	100.00	-	100.00	(32,367)	89,819	-
Innovation and Commercialization Accelerator Inc.	Development, design, manufacturing, sale, and maintenance of intelligent terminal devices	27,523	1	Note 3	-	-	Note 3	(12,937)	30.00	-	30.00	(3,881)	21,484	-
Xplova (Shanghai) Ltd.	Sale of smart bicycle speedometer and operating social platform for bicycle riding and sports	8,972	1	8,972	-	-	8,972	(214)	100.00	-	100.00	(214)	8,036	-
Consumer Insights Research (Chongqing) Inc.	Collection, analysis and research of data information	13,762	1	Note 3	-	-	Note 3	(4,638)	30.00	-	30.00	(1,391)	12,370	-
Acer China Venture Corp	Fund company management	22,936	1	-	22,936	-	22,936	(777)	100.00	-	100.00	(777)	22,159	-
Acer China Venture Partnership	Investment fund	36,698	1	-	32,110	-	32,110 (Note 4)	1	100.00	-	100.00	1	36,699	-
Sertec (Beijing) Ltd.	Repair and maintenance of IT products	4,587	1	-	4,587	-	4,587	339	100.00	-	100.00	339	4,926	-
AOPEN International (ShangHai) Co., Ltd	Sale of computer, apparatus system, and peripheral equipment	161,322	2	161,322	-	-	161,322 (USD 4,800,000)	1,432	100.00	-	100.00	406 (Note 7)	18,999	-
AOPEN Information Products (Zhongshan) Inc.	Manufacture and sale of computer parts and	450,261	2	450,261	-	-	450,261 (USD 13,500,000)	(18,343)	100.00	-	100.00	(7,936) (Note 7)	292,949	-

Note 1: Method of Investment:
Type 1: Direct investment in Mainland China.
Type 2: Indirect investment in Mainland China through a holding company established in other countries.
Note 2: Acer Intellectual (Chongqing) Limited had merged with Acer (Chongqing) Ltd. in 2014, and Acer (Chongqing) Ltd. was the surviving entity from the merger. This amount included the original investment in Acer Intellectual (Chongqing) Limited of $ 129,116 (US $4,000 thousand).
Note 3: Innovation and Commercialization Accelerator Inc. and Consumer Insights Research (Chongqing) Inc. were reinvested by Acer Colud Technology(Chongqing) Ltd.
Note 4: Acer China Venture Partnership was invested by the Company and Acer China Venture Corp of $32,110 and $4,588, respectively.

Investor Company Name	Accumulated Investment in Mainland China as of December 31, 2017 (Note 5)(Note 6)	Investment Amounts Authorized by Investment Commission, MOEA (Note 5)(Note 6)	Upper Limit on Investment Authorized by Investment Commission, MOEA
The Company and Subsidiaries	$5,560,704 (US$186,300,710)	$7,161,846 (US$239,943,932.5)	(Note)

Note 5: In September, 2008, AOI had disposed all shares of JNS Technology Co., Ltd., and the proceeds from the disposal of US$730,000 had been remitted to AOI in March 2010.
AOI has not yet to report to MOEA, therefore, the amout of US$ 1,645,200 was still included the original investment in JNS Technology Co., Ltd.
Note 6: T-Conn Precision(Zhongshan) Co., Ltd., indirectly invested by AOI, had been dissolved and the related liquidation process has been completed. The liquidation proceeds of US$34,549.06 (according to ownership percentage of 19%) has been remitted to Super Elite Ltd., a holding company established in other countries. On March 12, 2010, AOI has obtained MOEA's approval to withdraw its investment. However, the amount of accumulated investment in Mainland China still included the amount of US$57,000 due to the liquidation of capital which has yet to be remitted to Taiwan.
Note 7: On November 24, 2017, the Company obtained control over AOI and its subsidiaries. Therefore, the share of profits/losses recognized by the Company only included the profit (loss) of AOI and its subsidiaries from November 24 to December 31, 2017.

The above amounts were translated into New Taiwan dollars at the exchange rate of US$1＝NT$29.848 as of December 31, 2017.
Note: Since the Company has obtained the Certificate of Headquarter Operation, there is no upper limitation on investment in Mainland China.

PREDATOR