Acer Inc.

Agenda of
2017 General Shareholders' Meeting

(Translation)

Held on June 21, 2017
www.acer-group.com

Place of the Meeting: Farglory International Convention Center
(4F., No. 99, Sec. 1, Xintai 5th Rd. ,Xizhi Dist., New Taipei City)

Disclaimer

This is a translation of the 2017 General Shareholders' Meeting Agenda 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 Agenda shall govern any and all matters related to the interpretation of the subject matter stated herein.

ACER INCORPORATED (THE “COMPANY”)

Regulations for the Conduct of Shareholders’ Meetings

1. These Regulations shall govern the conduct of Shareholders’ Meetings of the Company.

2. Shareholders in attendance, or their proxies, shall sign for their attendance on an attendance card. The number of shares in attendance shall be counted according to the number of shares represented by those attendance cards so submitted.

3. Attendance and votes of Shareholders’ Meetings shall be counted based upon the number of shares in attendance. The present shares shall be calculated in accordance with the attendance book or the attendance cards as submitted, plus the shares exercising voting right by the way of electronic transmission.

4. The location of Shareholders’ Meetings shall be either where the Company is located, or any other place deemed convenient for the shareholders to attend and proper for holding such meeting. The Shareholders’ Meetings shall be held no earlier than 9 a.m. and no later than 3 p.m. on the designated meeting date.

5. The Board of Directors shall call the Shareholders’ Meetings. The chairman of the Board of Directors shall preside over the meeting. If the chairman of the Board of Directors is not available for the meeting then the vice-chairman of the Board of Directors shall act on his/her behalf to preside over the meeting. If neither the chairman nor the vice-chairman of the Board of Directors is available for the meeting, the chairman shall designate a director of the Board of Directors to act on his/her behalf to preside over the meeting. The Board of Directors shall elect a director to act on the chairman’s behalf if the chairman appoints no designee. Other than the Board of Directors, a person entitled by law to call a Shareholders’ Meeting shall preside over the meeting, if and when such meeting is called.

6. The Company may designate legal attorneys, certified-public-accountants, and management officers to attend the meetings.

7. The Shareholders’ Meetings shall be recorded in their entirety by video or audio recording equipment, and such records shall be kept on file for one year following each of the meeting respectively.

8. The person who presides over the meeting shall call the meeting in session upon the designated time of the meeting. However, such person may announce postponement of the meeting if at the designated time shares in attendance fail to exceed half of the issued and outstanding shares of the Company. Postponement in a meeting shall be announced no more than two times with the total time up to one hour. If, after the second postponement in the meeting, shares in attendance are less than a quorum but more than one-thirds of the issued and outstanding shares, the shareholders may still proceed such meeting in accordance with Article 175 of the Company Law to adopt provisional resolutions. Before the meeting is adjourned, if shares in attendance have reached a required quorum, the person presiding over the meeting may, in accordance with Article 174 of the applicable Company Law, submit those provisional resolutions so adopted for a final resolution at the meeting.

9. If Shareholders’ Meeting is called by the Board of Directors, the Board of Directors shall set the agenda of the meeting. The meeting shall proceed in compliance with the agenda so set by the Board of Directors unless otherwise changed by resolution adopted by the meeting. During the meeting, the person presiding over the meeting may allocate an appropriate amount of time for recess. Unless otherwise adopted by a resolution, the person presiding over the meeting may not adjourn the meeting prior to the end of the proceedings (special proposal included) of the meeting. If the chairman declares the adjournment of the meeting in a manner in violation of such rules governing the proceedings of meetings, a new chairman of the meeting may be elected by a resolution to be adopted by a majority of the voting rights represented by the shareholders attending the said meeting to continue the proceedings of the meeting.

10. A shareholder in attendance who wishes to make an oral statement at the meeting shall first submit an oral statement

form, in stating the main purpose of his/her statement, his/her name and shareholder's account number, and the person to preside over the meeting shall determine the order of such oral statements to be made. Shareholder in attendance submitting an oral statement form but without making an actual oral statement shall be deemed as making no any oral statement. In the event of any conflict between the contents of the oral statement form and the actual oral statement, the actual oral statement shall prevail. Any other the shareholders shall not interfere in any way when a shareholder is making his/her oral statement. The person presiding over the meeting shall stop any such interference.

11. Unless otherwise approved by the person presiding over the meeting, each shareholder may make oral statements only twice for a same proposal or matter under deliberation; and each oral statement shall not exceed 5 minutes. Otherwise, the person presiding over the meeting may stop the shareholder from making further statements.

12. A legal entity acting as a proxy for a shareholder to attend the meeting may appoint only one representative to attend the meeting. If more than one representative is appointed to attend the meeting, only one person elected among them can make oral statements on each proposal respectively.

13. The person presiding over the meeting may reply to the oral statements, or may designate appropriate person to reply to the oral statements made by shareholders in attendance.

14. The person presiding over the meeting may announce conclusion of discussion of a proposal as he/she may deem appropriate and may submit the proposal for adopting a resolution.

15. The person presiding over the meeting shall appoint persons among the shareholders in attendance to audit the voting process. The person presiding over the meeting shall also appoint persons to count the votes. The result of the vote shall be announced immediately, and a record of the same shall be made accordingly.

16. Unless otherwise provided in the Company Law or the Company's Articles of Incorporation, a proposal may be adopted as a resolution by a majority of the shares in attendance voting in favor thereof. A resolution shall be deemed adopted if no opposition is raised when the person presiding over the meeting makes an oral inquiry to the shareholders concerning the acceptance of the same, and such resolution shall have the same effect as a vote by ballot.

17. The person presiding over the meeting shall determine the order of voting on amendment proposals or substituted proposals accompanying with their original proposals. As soon as one of those proposals is adopted as a resolution, other proposals in conflict regarding the same matter shall be deemed denied and shall require no further vote.

18. The person presiding over the meeting may direct monitors (or security guards) to maintain order at the meeting. Monitors (or security guards) shall wear a badge marked "SECURITY" or "MONITOR" when performing their duties at the meetings.

19. In the event of force majeure, the person presiding over the meeting may suspend a meeting and may announce at a later time when the meeting shall be resumed as he/she deems appropriate; or the shareholders shall make a resolution at the meeting to resume the meeting within 5 days without the need to make any further written notices or published announcements to shareholders.

20. The applicable Company Law, its relevant regulations, and the Company's Articles of Incorporation shall govern any matter not provided herein.

21. These Regulations, and any amendments thereto, shall become effective upon approval by the shareholders.

22. Approved by the General Shareholders' Meeting held on May 15, 1990.

    First Amendment approved by the General Shareholders' Meeting held on April 26, 1996.

    Second Amendment approved by the General Shareholders' Meeting held on May 29, 1998.

    Third Amendment approved by the General Shareholders' Meeting held on June 11, 2003.

    Fourth Amendment approved by the General Shareholders' Meeting held on June 15, 2012.

INDEX

A. Meeting Procedure

- Call the Meeting to Order
- Election Item
- Report Items
- Proposed Resolutions
- Extemporary Motion
- Meeting Adjourned

B. Meeting Agenda

Time: 9:00 a.m.,Wednesday, June 21, 2017

Place: Farglory International Convention Center

(4F., No. 99, Sec. 1, Xintai 5th Rd. ,Xizhi Dist., New Taipei City)

1. Election Item

To Elect Nine Directors (Including Four Independent Directors) of the Company

2. Report Items (Non-Voting)

(1) To Report the Business of 2016

(2) Audit Committee's Review Report

(3) To Report the Share Buyback

3. Proposed Resolutions

(1) To Acknowledge 2016 Financial Statements and Business Report

(2) To Approve the Appropriate of Retained Earnings for 2016 Losses

(3) To Approve the Proposal of Cash Distribution from the Capital Surplus

(4) To Approve the Amendment to the Company's Internal Regulations: Acquiring or Disposing of Assets

(5) To Release Non-Compete Restrictions on Newly-Elected Directors and their Representatives

4. Extemporary Motion

5. Meeting Adjourned

1. Election Item

Proposal: To Elect Nine Directors (Including Four Independent Directors) of the Company. (Proposed by the Board of Directors)

Explanatory Notes:

(1) Since the tenure of all current nine directors of the Company (including three independent directors) will expire in June 2017, it is to re-elect all directors (including five ordinary directors and four independent directors) at the General Shareholders' Meeting this year in accordance with the Company's Articles of Incorporation. The tenure of directors to be elected shall commence on June 21, 2017 and expire on June 20, 2020, for three-year term and are eligible for re-election. The Audit Committee will be constituted by all the independent directors.

(2) The List of Candidates for Directors and Independent Directors is attached as Attachment 1 which was approved by the Board of Director on May 11, 2017. (Please refer to pages 13 to 15)

Voting Result:

2. Report Items (Non-Voting)

(1) To Report the Business of 2016

Explanatory Notes: Please refer to Attachment 2, pages 16 to 17 .

(2) Audit Committee's Review Report

Explanatory Notes: Please refer to Attachment 3, page 18 .

(3) To Report the Share Buyback

Explanatory Notes: Please refer to Attachment 4, page 19 .

3. Proposed Resolutions

Item 1

Proposal: To Acknowledge 2016 Financial Statements and Business Report. (Proposed by the Board of Directors)

Explanatory Notes:

(1) Acer's 2016 Financial Statements, including the Balance Sheets, Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flow have been audited by independent auditors, Huei-Chen Chang and Tzu-Chieh Tang of KPMG.

(2) The 2016 Business Report and the aforementioned financial statements are attached as Attachment 2, pages 16 to 17 and Attachment 5, pages 20 to 40, which have been approved by the Audit Committee and resolved by the Board of Directors with resolution and are hereby submitted for ratification.

(3) Please discuss.

Resolution:

Item 2

Proposal: To Approve the Appropriate of Retained Earnings for 2016 Losses. (Proposed by the Board of Directors)

Explanatory Notes:

(1) The beginning balance of the un-appropriated retained earnings of the Company in 2016 is NT$0. After deducting net loss after tax of 2016 (NT$4,900,295,586), the deficit to be compensated is NT$4,900,295,586. It is proposed to compensate the deficit by the legal reserve of NT$145,189,854, the special reserve of NT$1,306,708,685 and capital surplus NT$3,448,397,047. After the compensation, the ending balance of the un-appropriated retained earnings is NT$0.

(2) The Statement of Deficit Compensated for 2016 is shown below.

(3) Please discuss.

Acer Incorporated
2016 Statement of Deficit Compensated

	Unit : NT$
Beginning Balance of Un-appropriated Retained Earnings	0
Deduct : 2016 Net Loss after Tax	(4,900,295,586)
Deficit to be compensated in 2016	(4,900,295,586)
Compensation Items:	
Legal Reserve	145,189,854
Special Reserve	1,306,708,685
Capital Surplus	3,448,397,047
Ending Balance of Un-appropriated Retained Earnings	0

Resolution:

Item 3

Proposal: To Approve the Proposal of Cash Distribution from the Capital Surplus. (Proposed by the Board of Directors)

Explanatory Notes:

(1) According to Article 241 of the Company Act, it is proposed to distribute a cash dividend of NT$1,538,378,914 from the portion that paid-in capital in excess of par value for common stock issued by the Company. The cash dividend will be distributed to the shareholders whose names and respective shares are in the shareholders' register on the record date for ex-dividend. NT$0.5 per share is tentatively set (Rounded down to full NT dollar and the fractional amounts will be aggregately recognized as the Company's other income).

(2) Should ratio of distribution of cash dividend needs adjustment before record date of distribution due to amendment to laws or regulations, a request by competent authorities, or any change to number of the outstanding shares, it is proposed to authorize the Board of Directors with full power to adjust the distribution ratio.

(3) Subject to this cash distribution approved by the General Shareholders' Meeting, it is proposed the General Shareholders' Meeting to authorize the Board of Directors with full power to determine the record date for the cash distribution from capital surplus.

(4) Please discuss.

Resolution:

Item 4

Proposal: To Approve the Amendment to the Company's Internal Regulations: Acquiring or Disposing of Assets. (Proposed by the Board of Directors)

Explanatory Notes:

(1) To comply with "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" amended on February 9, 2017 pursuant to ruling issued by the Financial Supervisory Commission, R.O.C. (Ref. no.: Jin Guan Zheng Fa Zi 1060001296), it is proposed to amend the Company's "Procedures Governing Acquiring or Disposing of Assets". Please refer to Attachment 6, pages 41 to 45, for the "Comparison Table of Acer's Procedures Governing Acquiring or Disposing of Assets Before and After Revision."

(2) Please discuss.

Resolution:

Item 5

Proposal: To Release Non-Compete Restrictions on Newly-Elected Directors and their Representatives. (Proposed by the Board of Directors)

Explanatory Notes:

(1) Pursuant to Article 209 of the Company Act, a director engaging, either for himself or on behalf of another person, in activities that are within the scope of the company's business, shall explain to the Shareholders' Meeting the essential contents of such activities and obtain its approval for conducting such activities.

(2) It is proposed to request the General Shareholders' Meeting to release the non-compete restrictions on newly-elected directors or their representatives, who participate in the operations of another company that engages in the same or similar business scope as the Company.

(3) Please refer to Attachment 7, pages 46 to 47, for the Concurrent Positions of Director and Independent Director Candidates.

(4) Please discuss.

Resolution:

4. Extemporary Motion

5. Meeting Adjourned

C. Attachment

Attachment 1

Acer Incorporated
LIST OF DIRECTOR CANDIDATES

Name	Academic Background	Experience	All Current Position (Note 1)	Shareholdings (Note 2)
Stan Shih (Acct. No:0000002)	BSEE, National Chiao Tung University, Taiwan	Co-Founder, Chairman President and CEO, Acer Group	1. Honorary Chairman, Acer 2. Independent Director, TSMC 3. Director, Wistron 4. Director, Nan Shan Life Insurance Co., ltd. 5. Director, Qisda 6. Director, Hung Rouan Investment Corp.(＊) 7. Director, Idealive International Co. Ltd.(＊) 8. Director, Egis Technology Inc. 9. Director, iD Innovation Inc.(＊) 10. Director, Dragon Investment Co., Ltd. (＊) 11. Director, DIGITIMES Inc.(＊) 12. Director, Public Television Service Foundation.(＊) 13. Chairman, Stans Foundation(＊) 14. Director, Rongxin Management Consultants Co., Ltd(＊) 15. Director, Bingyu Co., Ltd.(＊) 16. Director, CTS Inc.	69,024,395 shares
George Huang (Acct. No:0000005)	MSEE, National Chiao Tung University, Taiwan	Co-Founder and CFO, Acer Group	1. Chairman, Acer 2. Independent Director, PChome Online Inc. 3. Independent Director, Bio Net Corp. 4. Independent Director, Taiwan Taxi Co., LTD. 5. Supervisor, Motech Industries Inc. 6. Supervisor, Les Enphants Co., Ltd. 7. Supervisor, Apacer Technology Inc.	8,767,642 shares
Jason Chen (Acct. No:0857788)	Master in Business Administration, Missouri-Columbia University, USA	Senior Vice President of Worldwide Sales and Marketing, TSMC	1. Director and CEO, Acer 2. Chairman, Mu-Jin Investment Co., Ltd.(＊)	3,564,080 shares (Note 3)

Name	Academic Background	Experience	All Current Position (Note 1)	Shareholdings (Note 2)
Hung Rouan Investment Corp. Legal Representative: Carolyn Yeh (Acct. No:0005978)	Bachelor Degree, Fu Jen Catholic University	CAO, Acer	1. Director, Acer 2. Chairman, iDSoftcapotal Inc.(*) 3. Chairman, Hung Rouan Investment Corp. (*) 4. Director, IP Fund Six Co., Ltd.(*) 5. Director, iD Innovation Inc.(*) 6. Supervisor, ID Reengineering Fund Inc.(*) 7. Director, Stans Foundation(*) 8. Director, Noordhoff Craniofacial Foundation(*) 9. Director, Cardinal Shan Foundation(*) 10. Director, Sinyuan Foundation(*) 11. Director, Fu Jen Catholic University(*) 12. Supervisor, Shengxin Co., Ltd(*) 13. Chairman, Rongxin Management Consultants Co., Ltd(*) 14. Chairman, Bingyu Co., Ltd.(*)	73,629,933 shares
Smart Capital Corp. (Acct. No: 0545878)	NA	NA	Director, Acer	12,228 shares

Note 1: The mark of (*) refers to Non-Publicly Traded Company.

Note 2: Shareholdings as of April 23, 2017.

Note 3: Including the shares of 1,008,600 which held by the investment company wholly owned by Mr. Jason Chen himself.

LIST OF INDEPENDENT DIRECTOR CANDIDATES

Name	Academic Background	Experience	All Current Position (Note1)	Shareholdings (Note2)
F. C. Tseng (Acct. No: 0771487)	Ph.D.in Electrical Engineering, National Cheng kung University	1. President, Vanguard International Semiconductor Corp. 2. Deputy CEO, TSMC	1. Independent Director, Acer 2. Vice Chairman, TSMC 3. Chairman, TSMC China Company Ltd. 4. Chairman, Global Unichip Corp. 5. Vice Chairman, Vanguard International Semiconductor Corp.	0 shares
Ji-Ren Lee (Acct. No: 0857786)	Doctoral Degree in Business Administration University, Illinois, USA	1. Vice Dean of Education and Resource Development , National Taiwan University College of Management 2. CEO, EMBA National Taiwan University	1. Independent Director, Acer 2. Professor, Department of International Business,National Taiwan University(∗) 3. Independent Director, Delta Electronics, Inc. 4. Independent Director, E.Sun Financial Holdings Co., Ltd. 5. Independent Director, Wowprime Corp. 6. Member of Compensation Committee , Nien Hsing Textile Co., Ltd. 7. Member of Compensation Committee , MediaTek Inc.	0 shares
San-Cheng Chang (Simon Chang) (Acct. No: 0157790	Doctoral Degree in Civil and Environmental Engineering, Cornell University	1. Premier, and Vice Premier 2. Minister, Ministry of Science and Technology 3. Councilors, Executive Yuan	1. Chairman, Taiwan Mobile Foundation(∗) 2. President,BeingNet Alliance(∗) 3. President, Institute for Biotechnology and Medicine Industry(∗) 4. Honorary President, School of Big Data Management, Soochow University(∗) 5. Dean,Hacker College, National Chiao Tung University(∗)	322 shares
Ching-Hsiang Hsu (Charles Hsu) (Acct. No: 0916903)	Ph.D. in Electrical Engineering, University of Illinois	1. Chairman, Research Institute of Electronics Engineering, Tsing-Hua University 2. Director, Incubation Center, Tsing-Hua University 3. Researcher, IBM T.J. Watson Research Center	1. Chairman ,eMemory Technology Inc. 2. Chairman, iMQ Technology Inc. (∗) 3. Director, Hui-Wang Investment Co., Ltd.(∗) 4. Director,Powerflash Technology Corp. (∗) 5. Director, Powerchip Technology Corp. 6. Director, SyntronixCorp.(∗) 7. Director, Meichu IntelligenceCorp.(∗) 8. Executive Director, Taipei Computer Association(∗)	0 shares

Note 1: The mark of (∗) refers to Non-Publicly Traded Company.

Note 2:Shareholdings as of April 23, 2017.

Attachment 2

Business Report to Shareholders

In 2016 Acer celebrated its 40th anniversary and four decades ago, with our passion to change the world, we introduced microprocessor technology to Taiwan and thus helped to establish and progress the island's high-tech industry. With our innovations, such as Micro-Professor I, the Dragon Chinese Input Method and Aspire PCs, we have played a key role in transforming Taiwan into a technology powerhouse, with thriving PC and semiconductor industries, and establishing it as a major player on the world stage. But more than being a leader in the industry, Acer takes pride in being a catalyst of change and progress.

With the evolution of technology and the emergence of mobile computing, the established model of PC usage in the last 30 years is being subverted and we are now entering the era of the Internet of Things. Acer has prevailed throughout its journey and will leverage its unique experience to transform in the ICT industry that holds new challenges as well as opportunities. At the same time, Acer remains firmly committed to corporate social responsibly and sustainable development. In 2016, for the third year running, Acer was included in both the Dow Jones Sustainability Indices (DJSI) and the MSCI Global Sustainability Indexes. What's more, Acer was also included on the new FTSE4Good Emerging Index.

Acer reported 2016 consolidated revenue of NT$232.72 billion (US$7.21billion), loss of share of NT$1.62, net loss (or loss after tax) of NT$4.90 billion (US$151.81 million) and net asset value per share of NT$19.01. However, excluding the impairment charge of NT$6.36 billion (US$197.16 million) that was approved in December, pro-forma net income (or profits after tax) would be NT$1.46 billion (US$ 45.35 million) with EPS of NT$0.48. The impairment charge did not impact the Company's operations and is expected to result in amortization expense reduction of approximately NT$230 million (US$7.13 million) in 2017. These results show Acer is healthy and stable overall.

Whether the core IT products business or new businesses, all are working, facing challenges, restructuring and transforming together and have their sights set on achieving operational excellence, continued profitability and a stronger Acer brand.

In the past three years, we have invested NT$30 billion into new business initiatives in line with the direction of our corporate transformation. These initiatives include areas such as artificial intelligence, smart cities, healthcare, education and automotive to name a few. While this will influence profitability, these investments are crucial in setting the foundations for our future success in the era of the Internet of Things.

While the PC industry continues to slow down, Acer's PC business is stable; this is in part to its strong product mix and offering to address various regional customer needs, as well as its innovations in the areas of gaming PCs, and ultra-thin and 2-in-1 notebooks. Along with other factors, we have gradually realized a double-digit annual gross profit margin and continue to maintain momentum. In addition, Acer is also investing resources into the fast-growing area of Virtual Reality (VR), working with key partners from various industries to bring new VR technologies and experiences to the market, and other areas such Artificial Intelligence and Deep Learning.

For Acer's core IT products business, beyond its continued commitment to innovate in products and technologies, it is focusing on niche product categories with higher margins as a basis for profit, such as gaming, while also enhancing its brand image to drive the momentum of its transformation.

Regarding our new businesses, which encompass BYOC™ (Build Your Own Cloud) and cloud-related businesses, they will continue to strengthen cooperation with partners, all the while continuing to offer diversified and integrated services to expand Acer's business scope, such as abPBX for unified communications, grandPad for senior care, Pawbo for pet care, Xplova for bicycle computing, and MPS in the area of mobile electric power systems for cars and other applications.

Acer is indebted to you the shareholder, as you have cheered us on during the last 40 years. Three years after we began our transformation, we are beginning to see the light at the end of the tunnel, signally that we are walking in the right direction. Thank you once again for your support and confidence in us as we journey into the future.

George Huang

George Huang

Acer Chairman

Attachment 3

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2016 Business Report, Financial Statements, and proposal for deficit compensated. 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 Appropriate of Retained Earnings proposal 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: F.C. Tseng

March 29, 2017

Attachment 4

Shares Buyback Report

(1) In accordance with Article 28-2 of the Securities and Exchange Act.

(2) The BOD approved to repurchase the Company's own shares on Dec. 20, 2016, and the execution report is as follows:

Term of Buyback	The First Buyback in Year 2016
Purpose of Buyback	To Maintain the Company's Credit and Shareholders' Equity
Announced Period of Buyback	Dec. 21, 2016 to Feb. 20, 2017
Estimated Number of Shares to Buyback	100,000,000 shares
Announced Price Range of Buyback	NT$10 to NT$19 (Repurchase continued if the market price was below the stated price)
Volume of Bought back	0 shares
Actual Period of Buyback	-
Monetary Amount of Shares Bought back	-
Average Repurchase Price Per Share	-
Number of Shares Had Been Written Off and Transferred	-
Number of the Company Shares Held In Accumulation	-
Number of The Company Shares Held In Accumulation Out of The Total Number Shares Issued (%)	-

Independent Auditors' Report

To the Board of Directors
Acer Incorporated:

Opinion

We have audited the consolidated financial statements of Acer Incorporated and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the consolidated statements of comprehensive income, 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, 2016 and 2015, 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, International Accounting Standards, interpretations as well as related guidance endorsed 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 significant 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, 2016 are stated as follows:

1. Revenue recognition

   Refer to Note 4(q) "Revenue recognition" for the significant accounting policies on recognizing revenue, and Note 5(a) "Critical accounting judgments and key sources of estimation 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

Refer to Note 4(h) "Inventories" for the significant inventory accounting policies, Note 5(b) "Critical accounting judgments and key sources of estimation uncertainty" for estimation uncertainty of inventory valuation and Note 6(g) "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

Refer to Note 4(n) "Impairment of non-financial assets" for the significant accounting policies on goodwill impairment, Note 5(c) "Critical accounting judgments and key sources of estimation uncertainty" for estimation uncertainty of goodwill impairment and Note 6(k) "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 for properly allocating the assets to the respective cash-generating units; 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, 2016 and 2015, 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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, interpretation as well as related guidance endorsed 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 consolidated 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 30, 2017

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

ACER INCORPORATED AND ITS SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2016		December 31, 2015	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents	$ 44,289,673	27	44,621,527	26
1110	Financial assets at fair value through profit or loss－current	1,577,442	1	791,575	-
1125	Available-for-sale financial assets－current	100,025	-	93,313	-
1147	Investments in debt instrument with no active market－current	32,279	-	-	-
1170	Notes and accounts receivable, net	44,230,305	27	48,173,027	28
1180	Accounts receivable from related parties	81,975	-	52,749	-
1200	Other receivables	738,719	-	1,309,972	1
1210	Other receivables from related parties	6,737	-	276	-
1220	Current income tax assets	587,864	-	818,938	-
130X	Inventories	39,095,487	24	34,043,598	20
1470	Other current assets	3,122,630	2	3,044,802	2
	Total current assets	133,863,136	81	132,949,777	77
	Non-current assets:				
1510	Financial assets at fair value through profit or loss－non-current	70,340	-	-	-
1523	Available-for-sale financial assets－non-current	4,272,766	3	3,159,771	2
1546	Investments in debt instrument with no active market－non-current	178,238	-	-	-
1550	Investments accounted for using equity method	416,343	-	155,992	-
1600	Property, plant and equipment	4,321,152	3	4,827,412	3
1760	Investment property	1,180,317	1	1,192,699	1
1780	Intangible assets	18,595,922	11	26,609,427	15
1840	Deferred income tax assets	662,277	-	838,146	-
1900	Other non-current assets	1,152,928	1	1,065,370	1
1980	Other financial assets－non-current	960,643	-	943,609	1
	Total non-current assets	31,810,926	19	38,792,426	23
	Total assets	**$ 165,674,062**	**100**	**171,742,203**	**100**

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

ACER INCORPORATED AND ITS SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2016		December 31, 2015	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings	$ 103,000	-	2,584,377	2
2120	Financial liabilities at fair value through profit or loss－current	112,606	-	318,934	-
2170	Notes and accounts payable	52,866,900	32	42,736,897	25
2180	Accounts payable to related parties	3,514	-	10,285	-
2200	Other payables	37,104,994	22	38,795,055	23
2250	Provisions－current	6,476,306	4	6,979,705	4
2321	Current portion of bonds payable	-	-	5,966,431	3
2322	Current portion of long-term debt	6,000,000	4	1,800,000	1
2399	Other current liabilities	2,754,355	2	3,384,408	2
	Total current liabilities	105,421,675	64	102,576,092	60
	Non-current liabilities:				
2550	Provisions－non-current	60,520	-	94,946	-
2570	Deferred income tax liabilities	692,713	-	1,437,179	1
2600	Other non-current liabilities	1,820,676	1	1,778,885	1
	Total non-current liabilities	2,573,909	1	3,311,010	2
	Total liabilities	107,995,584	65	105,887,102	62
	Equity:				
3110	Common stock	30,807,328	19	30,854,428	18
3200	Capital surplus	34,743,105	21	36,232,755	21
	Retained earnings:				
3310	Legal reserve	145,190	-	93,166	-
3320	Special reserve	1,306,709	1	838,498	1
3351	Unappropriated earnings (accumulated deficit)	(4,900,296)	(3)	520,235	-
3400	Other reserves	(1,512,785)	(1)	228,505	-
3500	Treasury stock	(2,914,856)	(2)	(2,914,856)	(2)
	Equity attributable to shareholders of the Company	57,674,395	35	65,852,731	38
36XX	**Non-controlling interests**	4,083	-	2,370	-
	Total equity	57,678,478	35	65,855,101	38
	Total liabilities and equity	**$ 165,674,062**	**100**	**171,742,203**	**100**

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

ACER INCORPORATED AND ITS SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2016 and 2015

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

		2016		2015	
		Amount	%	Amount	%
4000	**Revenue**	$ 232,724,161	100	263,775,202	100
5000	**Cost of revenue**	209,511,703	90	238,891,080	91
	Gross profit	23,212,458	10	24,884,122	9
	Operating expenses :				
6100	Selling expenses	16,097,142	7	17,701,583	7
6200	Administrative expenses	4,153,928	1	4,431,082	1
6300	Research and development expenses	2,048,469	1	2,089,306	1
	Total operating expenses	22,299,539	9	24,221,971	9
6500	**Other operating income and loss ─ net**	279,594	-	276,457	-
	Operating income	1,192,513	1	938,608	-
	Non-operating income and loss:				
7010	Other income	435,145	-	476,684	-
7020	Other gains and losses ─ net	280,488	-	(228,810)	-
7050	Finance costs	(250,257)	-	(340,454)	-
7060	Share of profits (losses) of associates and joint ventures	(17,970)	-	529	-
7675	Loss on impairment of intangible assets	(6,364,244)	(3)	-	-
	Total non-operating income and loss	(5,916,838)	(3)	(92,051)	-
7900	**Income (losses) before taxes**	(4,724,325)	(2)	846,557	-
7950	**Income tax expense**	176,415	-	242,762	-
	Net income (losses)	(4,900,740)	(2)	603,795	-
	Other comprehensive income (losses):				
8310	**Items that will not be reclassified subsequently to profit or loss:**				
8311	Remeasurements of defined benefit plans	(42,601)	-	(104,521)	-
8349	Income tax benefit related to items that will not be reclassified subsequently to profit or loss	29,720	-	12,130	-
		(12,881)	-	(92,391)	-
8360	**Items that may be reclassified subsequently to profit or loss:**				
8361	Exchange differences on translation of foreign operations	(2,496,623)	(1)	252,979	-
8362	Change in fair value of available-for-sale financial assets	756,795	-	(990,360)	-
8399	Income tax benefit related to items that may be reclassified subsequently to profit or loss	353	-	623	-
		(1,739,475)	(1)	(736,758)	-
	Other comprehensive income (losses) for the year, net of taxes	(1,752,356)	(1)	(829,149)	-
	Total comprehensive income (losses) for the year	**$ (6,653,096)**	**(3)**	**(225,354)**	
	Net income (losses) attributable to:				
8610	Shareholders of the Company	$ (4,900,296)	(2)	603,680	
8620	Non-controlling interests	(444)	-	115	-
		$ (4,900,740)	**(2)**	**603,795**	
	Total comprehensive income (losses) attributable to:				
8710	Shareholders of the Company	$ (6,654,809)	(3)	(225,467)	-
8720	Non-controlling interests	1,713	-	113	-
		$ (6,653,096)	**(3)**	**(225,354)**	**-**
	Earnings (losses) per share (in New Taiwan dollars) :				
9750	Basic earnings (losses) per share	**$ (1.62)**		**0.20**	
9850	Diluted earnings (losses) per share	**$ (1.62)**		**0.20**	

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

ACER INCORPORATED AND ITS SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

	Attributable to shareholders of the Company														
			Retained earnings				Other reserves								
	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, 2015	$ 27,965,678	34,098,396	-	-	903,649	903,649	1,183,808	(114,205)	28,015	(251,710)	845,908	(3,186,038)	60,627,593	2,257	60,629,850
Appropriation approved by the stockholders:															
Legal reserve	-	-	93,166	-	(93,166)	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	838,498	(838,498)	-	-	-	-	-	-	-	-	-	-
Other changes in capital surplus:															
Change in equity of investments in associates	-	(4,662)	-	-	-	-	-	-	-	-	-	-	(4,662)	-	(4,662)
Issuance of new shares for cash	3,000,000	2,400,000	-	-	-	-	-	-	-	-	-	-	5,400,000	-	5,400,000
Retirement of treasury stock	(100,000)	(115,752)	-	-	(55,430)	(55,430)	-	-	-	-	-	271,182	-	-	-
Retirement of restricted shares of stock issued to employees	(11,250)	11,250	-	-	-	-	-	-	-	-	-	-	-	-	-
Compensation cost arising from restricted shares of stock issued to employees	-	(156,477)	-	-	-	-	-	-	-	211,744	211,744	-	55,267	-	55,267
Net income in 2015	-	-	-	-	603,680	603,680	-	-	-	-	-	-	603,680	115	603,795
Other comprehensive income (losses) in 2015	-	-	-	-	-	-	253,604	(990,360)	(92,391)	-	(829,147)	-	(829,147)	(2)	(829,149)
Total comprehensive income (losses) in 2015	-	-	-	-	603,680	603,680	253,604	(990,360)	(92,391)	-	(829,147)	-	(225,467)	113	(225,354)
Balance at December 31, 2015	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:															
Cash distributed from capital surplus	-	(1,517,007)	-	-	-	-	-	-	-	-	-	-	(1,517,007)	-	(1,517,007)
Change in equity of investments in associates	-	(19,743)	-	-	-	-	-	-	-	-	-	-	(19,743)	-	(19,743)
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 losses in 2016	-	-	-	-	(4,900,296)	(4,900,296)	-	-	-	-	-	-	(4,900,296)	(444)	(4,900,740)
Other comprehensive income (losses) in 2016	-	-	-	-	-	-	(2,498,427)	756,795	(12,881)	-	(1,754,513)	-	(1,754,513)	2,157	(1,752,356)
Total comprehensive income (losses) in 2016	-	-	-	-	(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

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

ACER INCORPORATED AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

	2016	2015
Cash flows from operating activities:		
Income (losses) before income taxes	$ (4,724,325)	846,557
Adjustments for:		
Depreciation	613,178	684,885
Amortization	851,398	1,000,991
Interest expense	250,257	340,454
Interest income	(210,263)	(227,438)
Dividend income	(224,882)	(249,246)
Share-based compensation cost	13,223	131,912
Effects of exchange rate changes on investments in debt instrument with no active market	11,597	-
Effects of exchange rate changes on bonds payable	-	(103,634)
Share of profits (losses) of associates and joint venture	17,970	(529)
Loss on disposal of property, plant and equipment and investment property, net	7,800	12,045
Gain on disposal of intangible assets	-	(24,107)
Other investment loss (gain)	5,861	(23,613)
Impairment loss on non-financial assets	6,364,244	-
Gain on repurchase of bonds payable	-	(446,429)
Total profit and loss	7,700,383	1,095,291
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Derivative financial assets and liabilities	(936,275)	1,303,264
Notes and accounts receivable	3,942,722	10,994,704
Receivables from related parties	(29,226)	(28,912)
Inventories	(5,072,154)	2,535,275
Other receivables and other current assets	498,796	(110,650)
Non-current accounts receivable	(33,429)	46,725
Net changes in operating assets	(1,629,566)	14,740,406
Net changes in operating liabilities:		
Notes and accounts payable	10,130,003	(12,087,515)
Payables to related parties	(7,856)	(3,379)
Other payables and other current liabilities	(2,364,099)	(3,354,855)
Provisions	(537,825)	(2,025,547)
Other non-current liabilities	(810)	75,062
Net changes in operating liabilities	7,219,413	(17,396,234)
Total changes in operating assets and liabilities	5,589,847	(2,655,828)
Cash provided by (used in) operations	8,565,905	(713,980)
Interest received	193,954	227,762
Income taxes paid	(488,234)	(379,349)
Net cash provided by (used in) operating activities	8,271,625	(865,567)

(English Translation of Financial Report Originally Issued in Chinese)

ACER INCORPORATED AND ITS SUBSIDIARIES (Continued)

Consolidated Statements of Cash Flows

For the years ended December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

	2016	2015
Cash flows from investing activities:		
Purchase of available-for-sale financial assets	(429,439)	(345,581)
Proceeds from disposal of available-for-sale financial assets	16,884	52,261
Proceeds from capital return of available-for-sale financial assets	40,948	114,104
Purchase of investments in debt instrument with no active market	(332,094)	-
Increase in advances to related parties	(6,461)	(267)
Acquisition of investments accounted for using equity method	(295,056)	(30,552)
Additions to property, plant and equipment	(164,670)	(267,654)
Proceeds from disposal of property, plant and equipment and investment property	13,111	57,138
Additions to intangible assets	(5,070)	(62,930)
Proceeds from disposal of intangible assets	-	44,643
Decrease (increase) in other non-current financial assets and other non-current assets	(183,818)	1,439
Dividend received	224,882	250,150
Net cash used in investing activities	(1,120,783)	(187,249)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	(2,481,377)	2,267,377
Repurchase of bonds payable	(6,000,000)	(3,677,046)
Increase in long-term debt	6,000,000	-
Repayment of long-term debt	(1,800,000)	(5,400,000)
Issuance of new shares for cash	-	5,400,000
Cash distributed from capital surplus	(1,517,007)	-
Interest paid	(208,722)	(194,790)
Net cash used in financing activities	(6,007,106)	(1,604,459)
Effects of foreign exchange rate changes	(1,475,590)	(279,849)
Net decrease in cash and cash equivalents	(331,854)	(2,937,124)
Cash and cash equivalents at beginning of year	44,621,527	47,558,651
Cash and cash equivalents at end of year	$ **44,289,673**	**44,621,527**

Independent Auditors' Report

To the Board of Directors of Acer Incorporated:

Opinion

We have audited the accompanying parent company only financial statements of Acer Incorporated (the "Company"), which comprise the parent company only balance sheets as of December 31, 2016 and 2015, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2016 and 2015, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2016 and 2015, and its parent company only financial performance and its parent company only cash flows for the years ended December 31, 2016 and 2015 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

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 Parent Company Only Financial Statements section of our report. We are independent of the Company 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 parent company only financial statements of the current period. These matters were addressed in the context of our audit of parent company only 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 Company's parent company only financial statements for the year ended December 31, 2016 are stated as follows:

1. Revenue recognition:

   Refer to Note 4(q) "Revenue recognition" for the significant accounting policies, and Note 5(a) "Critical accounting judgments and key sources of estimation uncertainty" related to estimation of sales returns and allowances.

Description of key audit matter:

The Company engaged primarily in the sale of brand-name IT products. Revenue is recognized depending on the various trade term agreed with customers; as a result, there is a 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 under business practice is subject to management's judgment, which has significant uncertainty. Consequently, revenue cut-off in the appropriate period and accrual of sales allowances and returns have been identified as one of key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our audit procedures, among others, included testing the design and operating effectiveness of Company'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 the accrual calculation 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

Refer to Note 4(g) "Inventories" for the significant accounting policies, Note 5(b) "Critical accounting judgments and key sources of estimation uncertainty" related to 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 competition of market, the Company's product price may fluctuate rapidly. Furthermore, the products and components may be stocked over customers' demands thus becoming obsolete. As a result, the estimation of net realizable value is subject to management's judgments, which has significant uncertainty. Accordingly, the valuation of inventories has been identified as one of key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our audit procedures, among others, included evaluating whether valuation of inventories was accounted for in accordance with the Company'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

Refer to Note 4(n) "Impairment of non-financial assets" for the significant accounting policies, Note 5(c) "Critical accounting judgments and key sources of estimation uncertainty" related to Impairment of goodwill and Note 6(k) "Intangible assets" for the related disclosures.

Description of key audit matter:

Goodwill resulted from past acquisition of subsidiaries which is included in the carrying amount of investments in subsidiaries in the parent company only financial statements, are subject to impairment test annually or at the time there are indications that the 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 is complex and with significant uncertainty. Accordingly, the assessment of impairment of goodwill has been identified as one of key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our audit procedures, among others, included assessing management's identification of cash-generating units and the assets have been appropriately allocated to the respective cash-generating units; 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, involving valuation expert to evaluate the appropriateness of the weighted-average cost of capital used and its underlying assumptions; and assessing adequacy of the Company's disclosure of its policy on impairment of non-financial assets (including goodwill) and other related disclosures.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company'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 Company 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 Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only 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 parent company only 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 parent company only 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 Company'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 Company'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 parent company only 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 Company to cease to continue as a going concern.

5. Evaluated the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only 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 Company to express an opinion on the parent company only 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 parent company only 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 partner on the audit resulting in this independent auditors' report are Huei-Chen, Chang and Tzu-Chieh, Tang.

KPMG

Taipei, Taiwan (Republic of China)
March 30, 2017

(English Translation of Financial Report Originally Issued in Chinese)

ACER INCORPORATED

Balance Sheets

December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2016		December 31, 2015	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents	$ 14,176,410	11	23,536,375	18
1110	Financial assets at fair value through profit or loss－current	1,036,508	1	517,062	-
1125	Available-for-sale financial assets－current	59,326	-	51,755	-
1170	Notes and accounts receivable, net	4,516,293	3	3,745,174	3
1180	Accounts receivable from related parties	22,587,062	17	14,240,875	11
1200	Other receivables	401,885	-	555,615	-
1210	Other receivables from related parties	850,786	1	1,168,238	1
1220	Current income tax assets	2,649	-	136,987	-
130X	Inventories	12,406,061	10	9,077,380	7
1470	Other current assets	299,972	-	376,664	-
	Total current assets	56,336,952	43	53,406,125	40
	Non-current assets:				
1510	Financial assets at fair value through profit or loss－non-current	70,340	-	-	-
1523	Available-for-sale financial assets－non-current	2,757,771	3	2,053,437	2
1546	Investments in debt instrument with no active market－non-current	165,326	-	-	-
1550	Investments accounted for using equity method	67,276,895	52	74,254,478	56
1600	Property, plant and equipment	1,396,807	1	1,470,937	1
1760	Investment property	1,302,018	1	1,314,199	1
1780	Intangible assets	320,315	-	552,978	-
1840	Deferred income tax assets	39,469	-	15,900	-
1900	Other non-current assets	182,431	-	228,680	-
1980	Other financial assets－non-current	166,469	-	174,350	-
	Total non-current assets	73,677,841	57	80,064,959	60
	Total assets	**$ 130,014,793**	**100**	**133,471,084**	**100**

(English Translation of Financial Report Originally Issued in Chinese)

ACER INCORPORATED

Balance Sheets (Continued)

December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2016		December 31, 2015	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings	$ -	-	1,800,000	1
2120	Financial liabilities at fair value through profit or loss－current	-	-	175,138	-
2170	Notes and accounts payable	44,215,338	34	34,283,848	26
2180	Accounts payable to related parties	135,603	-	76,579	-
2200	Other payables	19,552,565	15	18,689,002	14
2220	Other payables to related parties	125,063	-	219,135	-
2250	Provisions－current	695,494	1	625,107	1
2230	Current income tax liabilities	67,341	-	195,970	-
2321	Current portion of bonds payable	-	-	5,966,431	5
2322	Current portion of long-term debt	6,000,000	5	1,800,000	1
2399	Other current liabilities	22,845	-	2,377,373	2
	Total current liabilities	70,814,249	55	66,208,583	50
	Non-current liabilities:				
2570	Deferred income tax liabilities	568,188	-	564,339	-
2600	Other non-current liabilities	957,961	1	845,431	1
	Total non-current liabilities	1,526,149	1	1,409,770	1
	Total liabilities	72,340,398	56	67,618,353	51
	Equity				
3110	Common stock	30,807,328	24	30,854,428	23
3200	Capital surplus	34,743,105	26	36,232,755	27
	Retained earnings:				
3310	Legal reserve	145,190	-	93,166	-
3320	Special reserve	1,306,709	1	838,498	1
3351	Unappropriated earnings (accumulated deficit)	(4,900,296)	(4)	520,235	-
3400	Other reserves	(1,512,785)	(1)	228,505	-
3500	Treasury stock	(2,914,856)	(2)	(2,914,856)	(2)
	Total equity	57,674,395	44	65,852,731	49
	Total liabilities and equity	**$ 130,014,793**	**100**	**133,471,084**	**100**

(English Translation of Financial Report Originally Issued in Chinese)

ACER INCORPORATED

Statements of Comprehensive Income

For the years ended December 31, 2016 and 2015

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

		2016		2015	
		Amount	%	Amount	%
4000	**Revenue**	$ 175,496,371	100	196,086,936	100
5000	**Cost of revenue**	168,574,782	96	187,687,155	96
	Gross profit before realized gross profit on sales to subsidiaries, associates and joint venture	6,921,589	4	8,399,781	4
5920	Realized gross profit on sales to subsidiaries, associates and joint venture	58,999	-	56,619	-
	Gross profit	6,980,588	4	8,456,400	4
	Operating expenses:				
6100	Selling expenses	3,598,714	2	3,491,812	2
6200	Administrative expenses	859,091	-	895,457	-
6300	Research and development expenses	1,565,526	1	1,797,859	1
		6,023,331	3	6,185,128	3
6500	**Other operating income and loss ─ net**	96,034	-	96,326	-
	Operating income	1,053,291	1	2,367,598	1
	Non-operating income and loss:				
7010	Other income	176,162	-	226,172	-
7020	Other gains and losses ─ net	34,401	-	193,673	-
7050	Finance costs	(125,305)	-	(289,169)	-
7060	Share of losses of subsidiaries, associates and joint venture	(5,869,390)	(4)	(1,827,113)	(1)
7675	Loss on impairment of intangible assets	(149,641)	-	-	-
		(5,933,773)	(4)	(1,696,437)	(1)
7900	**Income (losses) before taxes**	(4,880,482)	(3)	671,161	-
7950	**Income (losses) tax expense**	19,814	-	67,481	-
	Net income (losses)	(4,900,296)	(3)	603,680	-
	Other comprehensive income (losses):				
8310	**Items that will not be reclassified subsequently to profit or loss:**				
8311	Remeasurements of defined benefit plans	(136,564)	-	(75,541)	-
8330	Share of other comprehensive income (losses) of subsidiaries, associates and joint ventures accounted for using equity method	100,467	-	(29,692)	-
8349	Income tax benefit related to items that will not be reclassified subsequently to profit or loss	23,216	-	12,842	-
		(12,881)	-	(92,391)	-
8360	**Items that may be reclassified subsequently to profit or loss:**				
8361	Exchange differences on translation of foreign operations	(2,498,780)	(1)	252,981	-
8362	Change in fair value of available-for-sale financial assets	739,256	-	(853,678)	-
8380	Share of other comprehensive income (losses) of subsidiaries, associates and joint ventures accounted for using equity method	17,539	-	(136,682)	-
8399	Income tax benefit related to items that may be reclassified subsequently to profit or loss	353	-	623	-
		(1,741,632)	(1)	(736,756)	-
	Other comprehensive losses for the year, net of taxes	(1,754,513)	(1)	(829,147)	-
	Total comprehensive losses for the year	**$ (6,654,809)**	**(4)**	**(225,467)**	
	Earnings (losses) per share (in New Taiwan dollars) :				
9750	Basic earnings (losses) per share	$	**(1.62)**		**0.20**
9850	Diluted earnings (losses) per share	$	**(1.62)**		**0.20**

(English Translation of Financial Report Originally Issued in Chinese)
ACER INCORPORATED
Statements of Changes in Equity
For the years ended December 31, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars)

			Retained earnings				Other reserves						
	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 equity
Balance at January 1, 2015	$ 27,965,678	34,098,396	-	-	903,649	903,649	1,183,808	(114,205)	28,015	(251,710)	845,908	(3,186,038)	60,627,593
Appropriation approved by the stockholders:													
Legal reserve	-	-	93,166	-	(93,166)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	838,498	(838,498)	-	-	-	-	-	-	-	-
Other changes in capital surplus:													
Change in equity of investments in associates	-	(4,662)	-	-	-	-	-	-	-	-	-	-	(4,662)
Issuance of new shares for cash	3,000,000	2,400,000	-	-	-	-	-	-	-	-	-	-	5,400,000
Retirement of treasury stock	(100,000)	(115,752)	-	-	(55,430)	(55,430)	-	-	-	-	-	271,182	-
Retirement of restricted shares of stock issued to employees	(11,250)	11,250	-	-	-	-	-	-	-	-	-	-	-
Compensation cost arising from restricted shares of stock issued to employees	-	(156,477)	-	-	-	-	-	-	-	211,744	211,744	-	55,267
Net income in 2015	-	-	-	-	603,680	603,680	-	-	-	-	-	-	603,680
Other comprehensive income (losses) in 2015	-	-	-	-	-	-	253,604	(990,360)	(92,391)	-	(829,147)	-	(829,147)
Total comprehensive income (losses) in 2015	-	-	-	-	603,680	603,680	253,604	(990,360)	(92,391)	-	(829,147)	-	(225,467)
Balance at December 31, 2015	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
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)
Cash distributed from capital surplus	-	(1,517,007)	-	-	-	-	-	-	-	-	-	-	(1,517,007)
Retirement of restricted shares of stock issued to employees	(47,100)	47,100	-	-	-	-	-	-	-	-	-	-	-
Compensation cost arising from restricted shares of stock issued to employees	-	-	-	-	-	-	-	-	-	13,223	13,223	-	13,223
Net losses in 2016	-	-	-	-	(4,900,296)	(4,900,296)	-	-	-	-	-	-	(4,900,296)
Other comprehensive income (losses) in 2016	-	-	-	-	-	-	(2,498,427)	756,795	(12,881)	-	(1,754,513)	-	(1,754,513)
Total comprehensive income (losses) in 2016	-	-	-	-	(4,900,296)	(4,900,296)	(2,498,427)	756,795	(12,881)	-	(1,754,513)	-	(6,654,809)
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**

For the years ended December 31, 2016 and 2015, remuneration for directors of $12,500 and $15,640, respectively, have been deducted from the total comprehensive income.
For the years ended December 31, 2016 and 2015, employee bonus of $0 and $28,200, respectively, have been deducted from the total comprehensive income.

(English Translation of Financial Report Originally Issued in Chinese)

ACER INCORPORATED

Statements of Cash Flows

For the years ended December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

		2016	2015
Cash flows from operating activities:			
Income (losses) before income taxes	$	(4,880,482)	671,161
Adjustments for:			
Depreciation		121,426	169,256
Amortization		86,641	152,318
Interest expense		125,305	289,169
Interest income		(58,105)	(68,212)
Dividend income		(118,057)	(157,960)
Share-based compensation cost		13,223	55,267
Effects of exchange rate changes on bonds payable		-	(103,634)
Effects of exchange rate changes on investments in debt instrument with no active market		11,597	-
Share of losses of subsidiaries, associates and joint venture		5,869,390	1,827,113
Gain on disposal of property, plant and equipment and investment property, net		(779)	(230)
Gain on disposal of intangible assets		(4)	(24,107)
Other investment gain		(11,160)	(75,615)
Impairment loss on non-financial assets		149,641	-
Realized profit from sales to subsidiaries, associates and joint venture		(58,999)	(56,619)
Gain on purchase of bond payable		-	(446,429)
Total profit and loss		6,130,119	1,560,317
Changes in operating assets and liabilities:			
Net changes in operating assets:			
Derivative financial assets and liabilities		(638,664)	263,973
Notes and accounts receivable		(771,119)	1,051,025
Receivables from related parties		(8,346,186)	5,562,049
Inventories		(3,348,946)	1,604,385
Other receivables and other current assets		230,411	514,141
Net changes in operating assets		(12,874,504)	8,995,573
Net changes in operating liabilities:			
Notes and accounts payable		9,931,490	(11,541,909)
Payables to related parties		(35,047)	(36,334)
Other payables and other current liabilities		(1,498,671)	1,818,960
Provisions		70,387	(371,248)
Other non-current liabilities		(22,388)	(10,323)
Net changes in operating liabilities		8,445,771	(10,140,854)
Total changes in operating assets and liabilities		(4,428,733)	(1,145,281)
Cash provided by (used in) operations		(3,179,096)	1,086,197
Interest received		28,964	68,485
Income taxes paid		(10,257)	(24,445)
Net cash provided by (used in) operating activities		(3,160,389)	1,130,237

(English Translation of Financial Report Originally Issued in Chinese)

ACER INCORPORATED (Continued)

Statements of Cash Flows

For the years ended December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

	2016	2015
Cash flows from investing activities:		
Proceeds from disposal of available-for-sale financial assets	-	48,146
Proceeds from capital return of available-for-sale financial assets	23,751	83,550
Purchase of investments in debt instrument with no active market	(286,903)	-
Acquisition of investments accounted for using equity method	(1,532,000)	(1,894,000)
Proceeds from disposal of investments accounted for using equity method	147,718	-
Proceeds from capital return of investments accounted for using equity method	-	38,703
Additions to property, plant and equipment	(18,932)	(26,078)
Proceeds from disposal of property, plant and equipment and investment property	1,494	1,687
Decrease in advances to related parties	330,323	67,908
Additions to intangible assets	(561)	(52,920)
Proceeds from disposal of intangible assets	313	44,643
Decrease in other non-current financial assets and other non-current assets	42,380	26,668
Dividend received	305,622	428,936
Net cash used in investing activities	(986,795)	(1,232,757)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	(1,800,000)	1,800,000
Repurchase of bonds payable	(6,000,000)	(3,677,046)
Increase in long-term debt	6,000,000	-
Repayment of long-term debt	(1,800,000)	(5,400,000)
Issuance of new shares for cash	-	5,400,000
Cash distributed from capital surplus	(1,540,501)	-
Interest paid	(72,280)	(108,907)
Net cash used in financing activities	(5,212,781)	(1,985,953)
Net decrease in cash and cash equivalents	(9,359,965)	(2,088,473)
Cash and cash equivalents at beginning of year	23,536,375	25,624,848
Cash and cash equivalents at end of year	**$ 14,176,410**	**23,536,375**

Attachment 6

Acer Incorporated
Procedures Governing the Acquisition or Disposal of Assets
(Before and After Revision Chart)

Before Revision	After Revision	Rationale
Article 5. Procedures for Approval of Acquisition or Disposal of Assets 1. Methods and the Reference Basis for the Decision on Price (omitted) 2. Amount and Level of Authorization In-charge department of the Company shall decide within its authority on the acquisition and disposal of assets in the following situations; provided, however, that matters governed by Article 185 of the Company Act shall be approved by the shareholders' meeting in advance: (1)[omitted] (2)[omitted] (3) The acquisition or disposal of other fixed assets shall be decided by the Company's Chairman before its execution, except that the transaction of which the amount is above NT$50 million shall be approved by the Board of Directors. [the rest is omitted]	**Article 5. Procedures for Approval of Acquisition or Disposal of Assets** 1. Methods and the Reference Basis for the Decision on Price (omitted) 2. Amount and Level of Authorization In-charge department of the Company shall decide within its authority on the acquisition and disposal of assets in the following situations; provided, however, that matters governed by Article 185 of the Company Act shall be approved by the shareholders' meeting in advance: (1)[omitted] (2)[omitted] (3) The acquisition or disposal of other fixed assets shall be decided by the Company's Chairman before its execution, except that the transaction of which the amount is above NT$~~50~~100 million shall be approved by the Board of Directors. [the rest is omitted]	To adjust the amount of authorization for other fixed assets based on the relaxing of the criteria for public announcement regarding the equipment transactions for business use between non-related parties in accordance with newly amended "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".
Article 6 The Standards for Public Announcement 1. For acquisition or disposal of the Company's assets as provided below, the Company shall announce the same at the website designated by the Competent Authority in a form stipulated by the Competent Authority based on its nature, within two days commencing immediately from the date of occurrence of said matter: (1) acquisition or disposal of real estate from related party; or the acquisition or disposal of other assets other than real estate from related party and the transaction amount reaches 20% of the Company's paid-in capital, 10% of the Company's total assets or NT$300 million or more; provided, however, that trading of government bonds or bonds	**Article 6 The Standards for Public Announcement** 1. For acquisition or disposal of the Company's assets as provided below, the Company shall announce the same at the website designated by the Competent Authority in a form stipulated by the Competent Authority based on its nature, within two days commencing immediately from the date of occurrence of said matter: (1) acquisition or disposal of real estate from related party; or the acquisition or disposal of other assets other than real estate from related party and the transaction amount reaches 20% of the Company's paid-in capital, 10% of the Company's total assets or NT$300 million or more; provided, however, that trading of government bonds or bonds	Amendments of "Regulations Governing the Acquisition and Disposal of Assets by Public Companies"

Before Revision	After Revision	Rationale
under repurchase and resale agreements, or subscription or redemption of domestic money market funds shall not be applied. (2) [omitted] (3) [omitted] (4) asset transactions other than those provided in the preceding items (1), (2) and (3), or investment in Mainland China, the transaction amount reaches 20% of the Company's paid-in capital or NT$300 million or more; provided, however, that the following situations are not applied: (a) purchase and sale of government bond. (b) trading of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds. (c) where the type of asset acquired or disposed is equipment/machinery for business use, the counterparty is not a related party, and the transaction amount is less than NT$500 million. (d) where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on a leased land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction is less than NT$500 million. 2. [omitted] 3. [omitted] 4. Where there is an error or omission in an item required to be announced according to regulations at the time of announcement and correction is required, all the items shall be again publicly announced and reported in their entirety. 5. [omitted] 6. [omitted]	under repurchase and resale agreements, or subscription or buyback/redemption of ~~domestic~~ money market funds issued by domestic securities investment trust enterprises shall not be applied. (2) [omitted] (3) [omitted] (4) acquisition or disposal of equipment for business use, the counterparty is not a related party, and the transaction amount ~~is less than NT$500 million.~~ reaches the follows: (a) the transaction amount is NT$500 million or more in the event the paid-in capital of the Company is less than NT$10 billion. (b) the transaction amount is NT$1 billion or more in the event the paid-in capital of the Company is NT$10 billion or more. (5) where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on a leased land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction is NT$500 million or more. (6) asset transactions other than those provided in the preceding items (1) to (5)~~, (2) and (3)~~, or investment in Mainland China, the transaction amount reaches 20% of the Company's paid-in capital or NT$300 million or more; provided, however, that the following situations are not applied: (a) purchase and sale of government bond. (b) trading of bonds under repurchase/resale agreements, or subscription or buyback/redemption of ~~domestic~~ money market funds issued by domestic securities investment trust enterprises. (c) where the type of asset acquired or disposed is equipment/machinery for business use, the counterparty is not a related party, and the transaction amount is less than NT$500 million.	Amendment of Article 235, 235-1 and 240 of Company Act regarding employees' compensation.

Before Revision	After Revision	Rationale
	~~(d) where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on a leased land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction is less than NT$500 million.~~ 2. [omitted] 3. [omitted] 4. Where there is an error or omission in an item required to be announced according to regulations at the time of announcement and correction is required, all the items shall be again publicly announced and reported in their entirety within 2 days commencing immediately from the date of knowing of the error or omission. 5. [omitted] 6. [omitted]	
Article 10 Appraisal Report of Professional Appraisal Institutions In acquiring or disposing of real estates or equipment, where the transaction amount reaches 20% of the company's paid-in capital or NT$300 million or more, the Company, unless otherwise transacted with a government agency, engaging others to build on its own land, engaging others to build on leased land, or acquiring or disposing of equipment for business use, the Company shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraisal institution and shall further comply with the following provisions: [the rest is omitted]	**Article 10 Appraisal Report of Professional Appraisal Institutions** In acquiring or disposing of real estates or equipment, where the transaction amount reaches 20% of the company's paid-in capital or NT$300 million or more, the Company, unless otherwise transacted with a government institution ~~agency~~, engaging others to build on its own land, engaging others to build on leased land, or acquiring or disposing of equipment for business use, the Company shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraisal institution and shall further comply with the following provisions: [the rest is omitted]	Ditto

Before Revision	After Revision	Rationale
Article 11 Certified Public Accountant's Opinions 1. [omitted] 2. In acquiring or disposing membership certificate or intangible assets and the transaction amount reaches 20% of the Company's paid-in capital or NT$300 million or more, the Company, unless transacted with a government agency, shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation. 3. [omitted]	**Article 11 Certified Public Accountant's Opinions** 1. [omitted] 2. In acquiring or disposing membership certificate or intangible assets and the transaction amount reaches 20% of the Company's paid-in capital or NT$300 million or more, the Company, unless transacted with a government institution ~~agency~~, shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation. 3. [omitted]	Ditto
Article 12 The acquisition or disposal of real estate from related parties, or the acquisition or disposal of other assets other than real estate from related party, and the transaction amount reaches 20% of the Company's paid-in capital, 10% of the Company's total assets or NT$300 million or more; provided, unless trading of government bonds or bonds under repurchase and resale agreements or subscription or redemption of domestic money market funds, the Company shall submit information provided below to the audit committee for approval of more than half of all audit committee members and then submit the same to the Board of Directors for further approval before signing the contracts and payments: [the rest is omitted]	**Article 12** The acquisition or disposal of real estate from related parties, or the acquisition or disposal of other assets other than real estate from related party, and the transaction amount reaches 20% of the Company's paid-in capital, 10% of the Company's total assets or NT$300 million or more; provided, unless trading of government bonds or bonds under repurchase and resale agreements or subscription or buyback/redemption of ~~domestic~~ money market funds issued by domestic securities investment trust enterprises, the Company shall submit information provided below to the audit committee for approval of more than half of all audit committee members and then submit the same to the Board of Directors for further approval before signing the contracts and payments: [the rest is omitted]	Ditto
Article 20 Before convening the meeting for the Board of Directors for a resolution, the Company engaging in a merger, split, acquisition or share transfer shall retain accountants, attorneys or securities underwriters to provide opinions on the reasonableness of the share conversion rates, acquisition price or the cash or other assets distributed to shareholders, and submit the opinions to the Board of Directors to discuss for approval.	**Article 20** Before convening the meeting for the Board of Directors for a resolution, the Company engaging in a merger, split, acquisition or share transfer shall retain accountants, attorneys or securities underwriters to provide opinions on the reasonableness of the share conversion rates, acquisition price or the cash or other assets distributed to shareholders, and submit the opinions to the Board of Directors to discuss for approval. Provided, when the Company merge its Subsidiary in which the Company holds, directly or indirectly, 100% of the shares outstanding or total capital, or a merger of its subsidiaries in which the Company holds, directly or indirectly, 100% of the shares outstanding or total capital, the foregoing experts' opinions is not required.	

Before Revision	After Revision	Rationale
Article 29 [omitted] The seventh amendment was enacted on June 23, 2015.	Article 29 [omitted] The eighth amendment was enacted on June 21, 2017.	Adding the date of approval of shareholder's meeting.

Attachment 7

Concurrent Positions of Director Candidates

Name	All Current Position
Stan Shih	1. Honorary Chairman, Acer 2. Independent Director, TSMC 3. Director, Wistron 4. Director, Nan Shan Life Insurance Co., ltd. 5. Director, Qisda 6. Director, Hung Rouan Investment Corp. 7. Director, Idealive International Co. Ltd. 8. Director, Egis Technology Inc. 9. Director, iD Innovation Inc. 10. Director, Dragon Investment Co., Ltd.. 11. Director, DIGITIMES Inc. 12. Director, Public Television Service Foundation. 13. Chairman, Stans Foundation 14. Director, Rongxin Management Consultants Co., Ltd 15. Director, Bingyu Co., Ltd. 16. Director, CTS Inc.
George Huang	1. Chairman, Acer 2. Independent Director, PChome Online Inc. 3. Independent Director, Bio Net Corp. 4. Independent Director, Taiwan Taxi Co., LTD. 5. Supervisor, Motech Industries Inc. 6. Supervisor, Les Enphants Co., Ltd. 7. Supervisor, Apacer Technology Inc.
Jason Chen	1. Director and CEO, Acer 2. Chairman, Mu-Jin Investment Co., Ltd.
Hung Rouan Investment Corp. Legal Representative: Carolyn Yeh	1. Director, Acer 2. Chairman, iDSoftcapotal Inc. 3. Chairman, Hung Rouan Investment Corp. 4. Director, IP Fund Six Co., Ltd. 5. Director, iD Innovation Inc. 6. Supervisor, ID Reengineering Fund Inc. 7. Director, Stans Foundation 8. Director, Noordhoff Craniofacial Foundation 9. Director, Cardinal Shan Foundation 10. Director, Sinyuan Foundation 11. Director, Fu Jen Catholic University 12. Supervisor, Shengxin Co., Ltd 13. Chairman, Rongxin Management Consultants Co., Ltd 14. Chairman, Bingyu Co., Ltd.
Smart Capital Corp	Director, Acer

Concurrent Positions of Independent Director Candidates

Name	All Current Position
F. C. Tseng	1. Independent Director, Acer 2. Vice Chairman, TSMC 3. Chairman, TSMC China Company Ltd. 4. Chairman, Global Unichip Corp. 5. Vice Chairman, Vanguard International Semiconductor Corp.
Ji-Ren Lee	1. Independent Director, Acer 2. Professor, Department of International Business, National Taiwan University 3. Independent Director, Delta Electronics, Inc. 4. Independent Director, E.Sun Financial Holdings Co., Ltd. 5. Independent Director, Wowprime Corp. 6. Member of Compensation Committee , Nien Hsing Textile Co., Ltd. 7. Member of Compensation Committee , MediaTek Inc.
San-Cheng Chang (Simon Chang)	1. Chairman, Taiwan Mobile Foundation 2. President,BeingNet Alliance 3. President, Institute for Biotechnology and Medicine Industry 4. Honorary President, School of Big Data Management, Soochow University 5. Dean,Hacker College, National Chiao Tung University
Ching-Hsiang Hsu (Charles Hsu)	1. Chairman,eMemory Technology Inc. 2. Chairman,iMQ Technology Inc. 3. Director, Hui-Wang Investment Co., Ltd. 4. Director,Powerflash Technology Corp. 5. Director,Powerchip Technology Corp. 6. Director, SyntronixCorp. 7. Director, Meichu IntelligenceCorp. 8. Executive Director, Taipei Computer Association

D. Appendix

Appendix 1

Acer Incorporated

Articles of Incorporation

CHAPTER I – GENERAL PROVISIONS

Article 1 This Company shall be incorporated in accordance with the Company Law, and shall be called Acer Incorporated

Article 2 The scope of business of this Company shall include the following:

(1) F113050 Wholesale of Computing and Business Machinery Equipment;

(2) F213030 Retail Sale of Computing and Business Machinery Equipment;

(3) F118010 Wholesale of Computer Software;

(4) I301010 Software Design Services;

(5) I301020 Data Processing Services;

(6) G902011 Type II Telecommunications Enterprise;

(7) F401010 International Trade;

(8) JA02010 Electric Appliance and Audiovisual Electric Products Repair Shops

(9) JE01010 Rental and Leasing Business;

(10) CC01030 Electric Appliance and Audiovisual Electric Products Manufacturing

(11) CC01070 Telecommunication Equipment and Apparatus Manufacturing;

(12) CC01110 Computers and Computing Peripheral Equipment Manufacturing

(13) CD01060 Aircraft and Parts Manufacturing;

(14) E701030 Restrained Telecom Radio Frequency Equipment and Materials Construction;

(15) F401021 Restrained Telecom Radio Frequency Equipment and Materials Import;

(16) F113070 Wholesale of Telecom Instruments;

(17) IZ13010 Internet Identify Services;

(18) F108031 Wholesale of Drugs, Medical Goods;

(19) F208031 Retail Sale of Medical Equipments;

(20) ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

Article 3 This Company may, for its business operations or other investment matters, make endorsements or issue guarantees.

Article 4 The total amount of investment made by this Company shall be exempt from the restriction under Article 13 of the Company Law.

Article 5 The headquarters of this Company shall be located in Taipei City, Taiwan, R.O.C. If the Company considers it necessary, it may, by a resolution adopted at a meeting by the board of directors, set up branch offices in Taiwan or abroad.

CHAPTER II – CAPITAL STOCK

Article 6 The total amount of this Company capital stock is NT$ forty (40) billion divided into 4 billion shares at par value of NT$10 per share, within which the board of directors is authorized to issue shares in installments. NT$ two and half billion of the aforesaid total capital stock, divided into 250 million shares each at a par value of NT$10, is reserved for exercising stock options.

Article 6-1 To issue employee stock options that the exercise price may be lower than the closing price of this Company stocks as of the issue date, this Company must have obtained the consent of at least two-thirds of the voting rights represented at a shareholders meeting attended by shareholders representing a majority of the total issued shares.

To transfer shares to employees at less than the average actual repurchase price, this Company must have obtained the consent of at least two-thirds of the voting rights present at the most recent shareholders meeting attended by shareholders representing a majority of total issued shares.

Article 7 After approval for registration, the share certificates of this Company shall be issued in registered form, signed by, and affixed with the seals of, at least three directors of this Company, and authenticated by the competent registrar.

Article 8 All matters concerning shares shall be handled in accordance with the regulations of the competent authority except as otherwise provided by law.

CHAPTER III – SHAREHOLDERS' MEETINGS

Article 9 Shareholders' meetings of this Company are classified into (1) regular meetings and (2) special meetings. The board of directors shall convene regular meetings within six months after the close of each fiscal year. Special meetings shall be convened, whenever deemed necessary in accordance with the law.

Article 10 Where a shareholder is unable to attend a meeting; such shareholder may appoint a proxy by using the proxy form provided by this Company, which shall specify the scope of proxy and be signed and sealed by the shareholder. Where one person has been appointed to act as proxy for more than two shareholders, unless such person is engaged in the trust business, the votes exercised by such person which exceeding three percent (3%) of all the issued and outstanding capital stock of this Company shall not be counted.

The above-mentioned proxies shall be delivered to this Company five (5) days before the shareholders' meeting. In such a case, only the proxy received earlier shall be effective.

Article 11 Except as otherwise provided by the Company Law, a resolution may be adopted by the holders of a simple majority of the votes of the issued and outstanding capital stock represented at a shareholders' meeting at which the holders of a majority of issued and outstanding capital stock are present.

CHAPTER IV – DIRECTORS AND COMMITTEE

Article 12 This Company shall have seven (7) ~ eleven (11) directors, to be elected from the nominees listed in the roster of director with the candidate nomination system. The term of office for directors and supervisors shall be three (3) years. The directors are eligible for re-election. The total capital stock held by all directors shall not be less than the percentage provided by the competent authority. The Company may buy the Responsibility Insurance for the Directors who have to be responsible for the damages caused by their duties.

The Company shall establish three (3) or more independent directors to be included in the number of directors designated in the preceding paragraph. The elections for independent directors shall proceed with the candidate nomination system; the shareholders shall elect independent directors from among the nominees listed in the roster of independent director candidates.

Article 12-1 The Company shall establish an Audit Committee, which shall consist of all independent directors. The Audit Committee or the members of Audit Committee shall be responsible for those responsibilities of Supervisors specified under the ROC Company Law, Securities and Exchange Act and other relevant laws and regulations.

Article 13 The Board of Directors shall consist of directors of the company, and the chairman of the Board of Directors shall be elected by a majority of directors in attendance at a meeting attended by over two-thirds of the Board of Directors. The chairman of the Board of Directors shall represent this Company in external matters. The Board of Directors shall place any kinds of committee includes and so on.

The meeting of the Board of Directors shall be convened in accordance with Article 204 of the Company Law; the notice of the meeting may be made by electronic mail or facsimile transmission.

Article 14 The board of directors shall have the following authority:

(1) To audit and supervise annual operation plan,

(2) To determine the budget and review final accounts,

(3) To propose earnings appropriation or make up for loss,

(4) To propose increase or decrease capital plan,

(5) To consider significant capital expenditure plans,

(6) To establish branch offices or terminate branch offices,

(7) To propose and discuss amendments to the Articles of Incorporation,

(8) To decide important contracts or other important matters,

(9) To decide whether to invest in other business or whether to dispose of shares of investment business,

(10) To review the major dealings between the Company its related partners (including affiliated companies),

(11) To appoint or remove the president and/or the vice president,

(12) To dispose of or purchase important property and approve the bylaws, and

(13) Other authorities granted by shareholders or in accordance with the law.

Article 15 Where the chairman of the board of directors is on leave or cannot exercise his powers or perform his duties for any reason, an acting chairman shall be designated in accordance with Article 208 of the Company Law. Where a director is unable to attend the meeting of the board of directors, he may appoint another director as his proxy to attend the meeting by issuing a letter of proxy. Each director can act as a proxy for only one other director.

Article 16 Unless otherwise provided for in the Company Law, resolutions of the board of directors shall be adopted by one-half of the directors at a meeting attended by one-half of the directors.

Article 16-1 The Board of Directors is authorized to determine the compensation recommended by the Remuneration Committee for the directors, taking into account the extent and value of the services provided for the management of the Corporation and the standards of the industry within the R.O.C. and overseas, no matter whether the Company has profit or suffered loss.

Where there is profit in each fiscal year, after covering the accumulated losses, not more than one percent (1%) 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.

CHAPTER V – MANAGERS

Article 17 This Company may have one CEO, several presidents and vice presidents. The appointment, removal, and compensation of the president and vice presidents shall be made in accordance with Article 29 of the Company Law.

CHPATER VI – ACCOUNTING

Article 18 At the end of each business fiscal year, the following reports shall be prepared by the board of directors, and shall be submitted to the shareholders' meeting for approval:

1. Business Report;
2. Financial Report;
3. Proposal of Appropriation of Net Profit or the Covering of Losses.

Article 19 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.

Article 20 Where there is profit at the end of each fiscal year, after covering the accumulated losses, at least 5% 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.

Article 21 Where this Company has earnings at the end of the fiscal year, after paying all relevant taxes, making up losses of previous year, this Company shall first set aside ten percent (10%) of said earnings as legal reserve, except that such legal reserve amounts to the total authorized capital. Thereafter, this Company shall set aside or reverse a special reserve in accordance with the applicable laws and regulations.

The remainder together with previous year amount, after an amount is reserved for operation needs, shall be allocated to shareholders as bonuses. Except distribution of reserve in accordance with competent laws and regulations, the Company shall not pay dividends or bonuses when there is no profit.

CHAPTER VII – SUPPLEMENTARY PROVISIONS

Article 22 The Company Law and related regulations shall govern any matter not provided in the Articles of Incorporation.

Article 23 These Articles of Incorporation were approved on June 19, 1979

The first amendment was approved on December 17, 1980
The second amendment was approved on September 10, 1981
The third amendment was approved on August 10, 1983
The fourth amendment was approved on September 2, 1983
The fifth Amendment was approved on May 10, 1985
The sixth amendment was approved on August 1, 1985
The seventh amendment was approved on October 1, 1986
The eighth amendment was approved on April 2, 1987
The ninth amendment was approved on November 15, 1987
The tenth amendment was approved on March 15, 1989
The eleventh amendment was approved on April 26, 1989
The twelfth amendment was approved on October 15, 1989
The thirteenth amendment was approved on November 22, 1989
The fourteenth amendment was approved on February 23, 1990
The fifteenth amendment was approved on May 15, 1990
The sixteenth amendment was approved on August 1, 1990
The seventeenth amendment was approved on December 27, 1990
The eighteenth amendment was approved on June 22, 1991
The nineteenth amendment was approved on December 10, 1991
The twentieth amendment was approved on June 10, 1992
The twenty-first amendment was approved on October 23, 1992
The twenty-second amendment was approved on February 17, 1993
The twenty-third amendment was approved on May 31, 1993
The twenty-fourth amendment was approved on March 24, 1994
The twenty-fifth amendment was approved on April 26, 1996
The twenty-sixth amendment was approved on April 26, 1996
The twenty-seventh amendment was approved on June 25, 1997
The twenty-eighth amendment was approved on May 29, 1998
The twenty-ninth amendment was approved on May 28, 1999
The thirtieth amendment was approved on May 23, 2000
The thirty-first amendment was approved on May 17, 2001
The thirty-second amendment was approved on December 17, 2001
The thirty-third amendment was approved on June 19, 2002
The thirty-fourth amendment was approved on June 17, 2004

The thirty-fifth amendment was approved on June 14, 2005
The thirty-sixth amendment was approved on June 15, 2006
The thirty-seventh amendment was approved on June 14, 2007
The thirty-eighth amendment was approved on June 13, 2008
The thirty-ninth amendment was approved on June 18, 2010
The fortieth amendment was approved on June 15, 2012
The forty-first amendment was approved on June 19, 2013. These amendments to Acer's Articles of Incorporation shall be enforced and applied from June 2014 of expiration of the term currently being served by the Board of Directors or Supervisors
The forty-second amendment was approved on June 18, 2014
The forty-third amendment was approved on June 24, 2016

Appendix 2

Acer Incorporated

Regulations Governing Election of Directors

Article 1 Unless otherwise prescribed by the Company Law, relevant laws and regulations, or the Company's Articles of Incorporation, these Regulations shall govern the election of the Company's directors.

Article 2 Company's directors shall be elected from those shareholders who are on the candidate list for director positions announced by the Company by adopting the candidate nomination system.

Article 3 Company's directors shall be elected through cumulative voting

Article 4 When electing the Company's directors, each share shall be entitled to one vote for each director to be elected. The holder of the shares may cast all votes for one candidate, or may distribute the votes among several candidates.

Article 5 The candidates for independent directors or non-independent directors who receive the most votes for the position of director, with voting rights separately calculated for independent and non-independent director positions, shall win the election separately, and such number shall be in compliance with the number of positions for director provided for in the Articles of Incorporation. In the event two or more candidates receive the same number of votes beyond a quota, the winner shall be determined by drawing lots. One lot may be drawn by the chairman for each of the absentees.

Article 6 (Deleted)

Article 7 The board of directors shall, upon preparing the ballots, have the ballots numbered in a series and enter the voting power on each ballot.

Article 8 During the election, the chairman shall appoint vote inspectors and vote counters from among the shareholders in attendance to take charge of inspecting and counting the votes.

Article 9 A ballot box shall be provided by the board of directors and shall be kept in public view by the monitor before the vote.

Article 10 Voters shall fill in candidate's name and shareholder's account number on the ballot, and if candidate is not a shareholder, the candidate's ROC Identification Card Number (or for foreigner candidates, the candidate's passport number); voters shall drop the ballots into the ballot box. In the event a legal entity is a candidate, both the full registered name of the legal entity and the name of its legal representative shall be entered on the ballot.

Article 11 A ballot shall be null and void if such ballot:

1. Is not dropped into the ballot box;
2. Is not on a ballot prepared by the Company;
3. Is not filled out by voter and is blank;
4. Contains the name of a candidate who is a shareholder, but his or her shareholder's account number and the name under which the shares are registered, do not comply with the register of shares;
5. Contains any words or notations other than the candidate's name or the shareholder's account number;
6. Contains any alteration to the candidate's name, shareholder's account number, and voting power;
7. Contains words or marks which are illegible or unrecognizable; or
8. Contains the name of a candidate, but fails to list the shareholder's account number, or his or her ROC Identification Card Number (or Passport Number) so as to identify such person.

Article 12 The vote inspector and vote counter shall monitor the opening of the ballots, and the chairman shall announce the results immediately thereafter.

Article 13 These Regulations and any amendments hereto shall enter into force when approved by a resolution at a Shareholders' Meeting.

Article 14 These regulations were enacted on February 17, 1993

The first amendment was made on December 17, 2001

The second amendment was made on June 19, 2002

The third amendment was made on June 18, 2014 acer

Appendix 3

Acer Incorporated

Procedures Governing the Acquiring or Disposing of Assets

(Before Amendment)

Article 1 Purpose and Legal Basis

To enhance the management of the Company's "Procedures Governing Acquiring or Disposing of Assets," these Procedures are adopted and amended in accordance with the Securities and Exchange Law, "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" and relevant laws and regulations.

Article 2 Scope of "assets" as used in these Procedures is as follows:

1. Investments in stocks, government bonds, corporate bonds, financial debentures, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities, etc.
2. Real estate (including land, houses and buildings, investment property, rights to use land, and construction enterprise inventory) and equipment.
3. Membership certificates.
4. Intangible assets, such as patent right, copyright, trademark right, franchise, etc.
5. Derivative products.
6. Assets acquired or disposed by mergers, splits, acquisition or share transfer in accordance with laws.
7. Other major assets.

Article 3 Definition

Terms used in these Procedures are defined as follows:

1. "Derivative Products": means forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts, and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term "forward contracts" does not include insurance contracts, fulfillment contracts, after-sales service contracts, long-term leasing contracts and long-term purchase (sale) contracts.
2. "Assets Acquired or Disposed Through Mergers, Splits, Acquisitions or Share transfer Pursuant to Laws": means assets acquired or disposed through mergers, splits, acquisitions in accordance with the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts or, or to share transfer from another company through issuance of the Company's new shares as the consideration therefor (hereinafter "share transfer") under Paragraph 8 of Article 156 of the Company Act.
3. "Related Party" and "Subsidiary": means which is provided pursuant to Regulations Governing the Preparation of Financial Reports by Securities Issuers.
4. "Date of occurrence of the event": means the date of contract signing, date of payment, date of consignment trading, date of transfer, date of resolution of Board of Directors, or other date which can confirm the counterparty and trading amount (whichever date is earlier); provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.

5. "Professional appraiser": refers to a real property appraiser or other person duly authorized by an act of law to engage in the value appraisal of real property or other fixed assets.
6. "Mainland area investment": refers to investments in China approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.

Article 4 Procedures of Evaluation and Operation for the Acquisition or Disposal of Assets

1. Acquisition or Disposal of Securities
   (1) For securities acquired or disposed of in the centralized exchange market or OTC exchange, the operating department shall submit items such as the reasons for the proposed acquisition or disposal, targeted assets, and price reference, etc. to the in-charge department for the decision.
   (2) For securities not acquired or disposed of in the centralized exchange market or OTC exchange, the operating department shall submit items such as the reasons for the proposed acquisition or disposal, targeted assets, counterparties, price of transfer, receipt and payment terms, and price reference, etc. to the in-charge department for the decision.
2. For acquisition or disposal of real estates, other fixed assets, membership certificates, intangible assets, and assets acquired or disposed of by mergers, splits, acquisition or share transfer in accordance with laws, the operating department shall submit items such as the reasons for the proposed acquisition or disposal, targeted assets, counterparties, price of transfer, receipt and payment terms, and price reference, etc. to the in-charge department for the decision.
3. For evaluation of derivative products, the finance manager shall hold periodic meetings with relevant persons examining operational strategies and performances. In principle, trading position and performances shall be reported to the chief treasury officer weekly, reported to the chief financial officer monthly and reported to the general manager quarterly.
4. Relevant operations for acquisition or disposal of assets shall be handled in accordance with the Company's regulations relating to the internal control system.

Article 5 Procedures for Approval of Acquisition or Disposal of Assets

1. Methods and the Reference Basis for the Decision on Price
   (1) For securities purchased and sold in the centralized exchange market or OTC exchange, the price shall be determined according to market price at the time of transaction. For securities not acquired or disposed of in the centralized exchange market or OTC exchange, the price shall be determined by reference to net worth per share, profitability, potential for future development, and then transaction price.
   (2) The acquisition or disposal of real estate and other fixed assets shall be carried out by price comparison, price negotiation, or bidding. As to the price of real estate, it shall be determined by reference to the publicly announced current value, appraised current value, and actual transaction price in the vicinity.
   (3) For acquisition or disposal of membership certificate, the price shall be comprehensively evaluated by reference to future anticipated added-value and produced benefit.
   (4) For acquisition of disposal of intangible assets such as patent right, copyright, trademark right, and franchise, the price shall be determined by reference to elements such as future anticipated profit, levels of technology development and innovation, legal protected conditions, circumstances of license and implementation, production cost or implementation cost, in addition thereto, the relevant elements of right owners and licensees shall also be overall considered.

Article 5

2. Amount and Level of Authorization

In-charge department of the Company shall decide within its authority on the acquisition and disposal of assets in the following situations; provided, however, that matters governed by Article 185 of the Company Act shall be approved by the shareholders' meeting in advance:

(1) Unless otherwise provided below, the acquisition or disposal of securities shall be approved by the Board of Directors before its execution:

(a) the Company's Chairman is authorized by the Board of Directors to decide and execute project of which amount is within NT$50 million, and said matter is brought up to and ratified by the Board of Directors later.

(b) for acquisition or disposal of securities purchased and sold in the centralized exchange market or OTC exchange, the Company's Chairman is authorized by the Board of Directors to decide and execute project of which amount is within NT$300 million, and said matter is brought up to and ratified by the Board of Directors later.

(c) the finance manager is authorized to execute short-term idle fund to invest in short-term securities such as government bond, domestic bond fund, financial debentures, monetary fund, and US Treasury Bond with each single transaction or the daily total amount not exceeding NT$300 million; the approval of the head of treasury department is required for amount between NT300 million to 600 million; the approval of the chief financial officer is required for amount between NT$600 million and NT1.2 billion; the approval of the chief executive officer is required for amount between NT 1.2 billion and NT 1.5 billion; and the approval of the Company's Chairman is required for amount exceeding NT$1.5 billion.

(2) The acquisition or disposal of real estate shall be approved by the Board of Directors before its execution, except that the Company's Chairman is authorized by the Board of Directors to execute project of which the amount is less than NT$50 million and be brought up to and ratified by the Board of Directors later.

(3) The acquisition or disposal of other fixed assets shall be decided by the Company's Chairman before its execution, except that the transaction of which the amount is above NT$50 million shall be approved by the Board of Directors.

(4) Regulations are enacted, in accordance with the Company's development of turnover and variation of risk position, for the process of the license of acquisition or disposal of derivative products.

(5) The acquisition or disposal of patent rights, copyrights, trademark rights, franchise rights, and other intangible assets shall be decided by the Company's Chairman before its execution, except that the transaction of which the amount is above NT$300 million shall be approved by the Board of Directors.

3. Operating Department

Finance department is the operating department for securities and derivative product investments; the using department and relevant in-charge departments are the operating departments for investments in real estate, other fixed assets, intangible assets, membership certificate and assets acquired or disposed of through mergers, splits, acquisition or share transfer.

Article 6 The Standards for Public Announcement

1. For acquisition or disposal of the Company's assets as provided below, the Company shall announce the same at the website designated by the Competent Authority in a form stipulated by the Competent Authority based on its nature, within two days commencing immediately from the date of occurrence of said matter:

(1) acquisition or disposal of real estate from related party; or the acquisition or disposal of other assets other than real estate from related party and the transaction amount reaches 20% of the Company's paid-in capital, 10% of the Company’s total assets or NT$300 million or more; provided, however, that trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds shall not be applied.

(2) proceeding mergers, splits, acquisition or share transfer.

(3) engaging in derivative products transactions and the loss reaching the maximum loss limit amount of the total or individual contract as provided in relevant procedures.

(4) asset transactions other than those provided in the preceding items (1), (2) and (3), or investment in Mainland China, the transaction amount reaches 20% of the Company’s paid-in capital or NT$300 million or more; provided, however, that the following situations are not applied:

(a) purchase and sale of government bond.

(b) trading of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds.

(c) where the type of asset acquired or disposed is equipment/machinery for business use, the counterparty is not a related party, and the transaction amount is less than NT$500 million.

(d) where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on a leased land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction is less than NT$500 million.

2. The transaction amount in the preceding paragraph is calculated in accordance with the methods provided below:

(1) the amount of any individual transaction.

(2) the transaction amount accumulated within one year with the same counterparty in the acquisition or disposal of the targeted assets of the same type.

(3) the amount accumulated (the transaction amount for acquisition and disposal are separately accumulated) within one year in the acquisition or disposal of real estate within the same development project.

(4) the amount accumulated (the transaction amount for acquisition and disposal are separately accumulated) within one year in the acquisition or disposal of the same securities.

“Within one year” as used in this paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Procedures need not be counted toward the transaction amount.

3. The Company shall monthly report the transaction of the derivative products engaged by it and its subsidiaries not categorized as domestic public companies up to the end of the previous month by entering the information in the stipulated form to the website designated by the Competent Authority for filing of information before the 10th date of each month.

4. Where there is an error or omission in an item required to be announced according to regulations at the time of announcement and correction is required, all the items shall be again publicly announced and reported in their entirety.

5. Unless otherwise provided by other laws, the Company acquiring or disposing assets shall retain all relevant contracts, meeting minutes, registry, appraisal reports, and opinions of accountants, attorneys and security underwriters for at least 5 years.

6. After announcing and filing the transaction in accordance with these Procedures, the Company shall make a public announcement of relevant information in the website designated by the Competent Authority within two days commencing immediately from the date of occurrence of said matter:

   (1) The executed relevant contracts of the original transaction have been changed, terminated or ceased.

   (2) Mergers, splits, acquisition or share transfer have not been completed in the anticipated timeframe as provided in the contracts.

   (3) Any change in the content of the original announcement and filing.

Article 7 Scope and Amount of Acquisition or Disposal of Assets

1. Apart from acquisition of assets for business use, the Company may invest or purchase real estate and securities for non-business use, the limitations on amounts are set forth as follows:

   (1) Total investment in real estate for non-business use shall not exceed 40% of the summation of shareholder's equity and long-term liabilities of the Company as certified by the accountant.

   (2) Total investment in securities shall not exceed the shareholder's equity of the Company as certified by the accountant.

   (3) Investment in a single security shall not exceed 40% of the shareholder's equity of the Company as certified by the accountant.

2. As to the Company and subsidiaries which the Company integrally holds more than (including) 50% shares, the limitations on amounts of acquisition or disposal of assets shall not violate rules provided herein below:

   (1) shall not purchase real estate for non-business use.

   (2) total investment in securities shall not exceed 40% of the shareholder's equity of the Company as certified by the accountant.

   (3) investment in a single security shall not exceed 20% of the shareholder's equity of the Company as certified by the accountant.

Article 8 Control Procedures for Acquisition or Disposal of Assets of the Company's Subsidiaries

1. For the acquisition or disposal of assets by subsidiaries invested by the Company, either one of the following shall be processed in advance:

   (1) The acquisition or disposal shall be approved and executed by the Company's Board of Director and relevant departments of the Company in accordance with these Procedures, and the Company's subsidiaries shall cooperate to handle relevant matters; or

   (2) the subsidiaries' "Procedures Governing Acquiring or Disposing of Assets" shall be enacted and executed in accordance with regulations; and filed with the Company's Board of Director for approval. Any amendment thereto shall be subject to the same procedures.

2. Where subsidiaries of the Company not categorized as domestic public companies whose acquisition or disposal of assets reach the thresholds of public announcement under these Procedures, the Company shall also make a public announcement with copies to relevant competent authorities in accordance with these Procedures.

3. The paid-in capital or total assets of the Company shall be the standard for determining whether or not a subsidiary under the preceding paragraph is subject to Paragraph 1 of Article 6 (in the event the type of transaction reaches 20% of paid-in capital or 10% of total assets).

Article 9 Punishment of Violation of the Procedure

If relevant employees and personnel of the Company violate these Procedures, they will be subject to Articles 37 and 38 of the Company's "Personnel Administration Regulations".

Article 10 Appraisal Report of Professional Appraisal Institutions

In acquiring or disposing of real estates or equipment, where the transaction amount reaches 20% of the company's paid-in capital or NT$300 million or more, the Company, unless otherwise transacted with a government agency, engaging others to build on its own land, engaging others to build on leased land, or acquiring or disposing of equipment for business use, the Company shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraisal institution and shall further comply with the following provisions:

1. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted to the Board of Directors for approval in advance. The same procedure shall be followed for any future changes to the terms and conditions of the transaction.

2. Where the transaction amount is NT$1 billion or more, appraisals from two or more professional appraisers shall be obtained.•

3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a CPA shall be engaged to render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:• :

   (1) the discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.

   (2) the discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.

4. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser institution and execution date of the contract; provided, however, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.

Article 11 Certified Public Accountant's Opinions

1. The Company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the transaction amount reaches 20% of the Company's paid-in capital or NT$300 million or more, a certified public accountant shall be retained prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Competent Authority.

2. In acquiring or disposing membership certificate or intangible assets and the transaction amount reaches 20% of the Company's paid-in capital or NT$300 million or more, the Company, unless transacted with a government agency, shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation.

3. Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.

Article 11-1 In addition that handling of the acquisition or disposal of assets between the Company and related party shall proceed with relevant approval procedures and evaluate the reasonableness of terms of the transaction in accordance with these Procedures, where the transaction amount reaches 10% of the Company's total assets or more, appraisal report or CPA's opinion shall also be required in accordance with Articles 10 through the preceding Article.

When judging whether counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

Article 11-2 The transaction amount in the preceding three Articles are calculated in accordance to Paragraph 2 of Article 6; "within one year" as used refers to the year preceding the date of occurrence of the current transaction. Items duly obtained appraisal report or accountant opinion in accordance with these Procedures need not be counted toward the transaction amount.

Article 12 The acquisition or disposal of real estate from related parties, or the acquisition or disposal of other assets other than real estate from related party, and the transaction amount reaches 20% of the Company's paid-in capital, 10% of the Company's total assets or NT$300 million or more; provided, unless trading of government bonds or bonds under repurchase and resale agreements or subscription or redemption of domestic money market funds, the Company shall submit information provided below to the audit committee for approval of more than half of all audit committee members and then submit the same to the Board of Directors for further approval before signing the contracts and payments:

1. the purpose, necessity and the anticipated benefit of the acquisition or disposal of assets.
2. reasons for choosing the related party as a trading counterparty.
3. with respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Articles 13 and 14.
4. the date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the Company and the related party.
5. monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
6. An appraisal report from a professional appraiser or a CPA's opinion obtained in accordance with these Procedures.
7. Restrictive covenants and other important stipulations associated with the transaction.

The transaction amount in the preceding paragraph is calculated in accordance with Paragraph 2 of Article 6; "within one year" as used in these Procedures refers to the year preceding the date of occurrence of the current transaction. Items duly approved by more than half of all audit committee members and submit to the Board of Directors for further approval in accordance with these Procedures need not be counted toward the transaction amount.

Article 13 The Company purchases real estate from a related party shall comply with methods provided below to evaluate the reasonableness of the transaction cost:

1. Based on the transaction price of the related party plus necessary interest on funding and the cost to be borne by the buyer according to law. "Necessary interest on funding" shall be imputed based on the weighted average interest rate of the funding borrowed by the Company in the year of purchase of the asset.
2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, however, that the actual cumulative amount loaned by the financial institution shall have been 70% or more of the financial institution's appraised loan value of the property and the period of the loan shall have been one (1) year or more. However, this shall not apply where the financial institution is a related party of one of the trading counterparties.
3. Where both the land and building on the property in question are purchased in one transaction, the cost of the transaction may be reached by respectively evaluating such land and building based on either of the methods described above.

4. The Company acquires real property from a related party and appraises the cost of the real property in accordance with the preceding Paragraphs 1, 2 and 3 shall also engage a CPA to check the appraisal and render a specific opinion.

5. Where the Company acquires real property from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Article 12 and the preceding four paragraphs do not apply:

(1) the related party acquires real estate through inheritance or as a gift.

(2) more than five (5) years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction.•

(3) the real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the Company's own land or on leased land.

Article 14 When the results evaluated by the Company in accordance with paragraphs 1, 2 and 3 of the preceding Article are all lower than the transaction price, the matter shall be handled in accordance with Article 15; provided, however, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:

1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions: • :

(1) Where undeveloped land is appraised in accordance with the means in the preceding Article, and buildings according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.

(2) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.

(3) Completed leasing transactions by unrelated parties for other floors of the same property within the preceding year, where the transaction terms are similar after calculation of reasonable price discrepancies among floors in accordance with standard property leasing market practices.

2. Where the Company acquiring real property from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.

Completed transactions for neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property.

Article 15 Where the Company acquires real property from a related party and the results of appraisals conducted in accordance with Articles 13 and 14 are all lower than the transaction price or there are evidences showing that the aforesaid transaction is a non-arm’s length transaction, the following steps shall be done:

1. a special reserve shall be set aside against the difference between the real property transaction price and the appraised cost.
2. the audit committee handling the matter pursuant to Article 218 of the Company Act.
3. actions taken pursuant to the preceding subparagraphs 1 and 2 shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and prospectus.

After setting aside a special reserve pursuant to the preceding paragraph, the Company may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or the assets have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the Competent Authority has given its consent.

Transaction of Derivative Products

Article 16 The Company engages in transactions of derivative products shall pay strict attention to control of the following important risk management and auditing matters, and incorporate them into their Procedures:

1. Trading principles and strategies: shall include the types of derivatives that may be traded, operating or hedging strategies, segregation of duties, essentials of performance evaluation, total amount of derivatives contracts that may be traded, and the maximum loss limit on total trading and for individual contracts.•
2. Risk management measures.
3. Internal auditing system.
4. Regular evaluation methods and the handling of irregular circumstances.

Article 17 The Company engaging in derivatives trading shall adopt the following risk management measures:

1. The scope of risk management shall include the risk management of credit, market price, liquidity, cash flows, operation and legal risks.
2. Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.
3. Risk measurement, monitoring, and control personnel shall be assigned to a different department that the personnel in the preceding subparagraph and shall report to the Board of Directors or high-level managers with no responsibility for trading or position decision-making.
4. Derivatives trading positions held shall be evaluated at least once per week; however, positions for hedge trades required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted to high-level managers authorized by the Board of Directors.•
5. Other important risk management measures.

Article 18 Principles of Supervision and Management of the Board of Directors:

1. Assign high-level managers to pay continuous attention to monitoring and controlling derivatives trading risk.
2. Periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the Company's permitted scope of tolerance..

The Principles of Supervision and Control of the High-Level Managers Authorized by the Board of Directors:

1. Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with these Procedures and the “Rules to Engage in the Transaction of Derivative Products” stipulated by the Company.
2. When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the Board of Directors; where the Company has independent directors, an independent director shall be present at the meeting and express an opinion.

The Company shall report to the next meeting of the Board of Directors after it authorizes the relevant personnel to handle derivative trading in accordance with its Procedures for Engaging in Derivatives Trading.

Article 19 The Company shall establish a log book in which details of the types and amounts of derivatives trading engaged in, Board of Directors approval dates, and the matters required to be carefully evaluated under Subparagraph 4 of Article 17, Subparagraph 2 of Paragraph 1 and Subparagraph 1 of Paragraph 2 of Article 18 shall be recorded in detail.

The Company’s internal auditors shall periodically check the suitability of internal controls on derivative transactions and conduct a monthly audit of compliance of the trading departments with the Procedures to Engage in the Transaction of Derivative Products, and prepare an audit report. If any material violation is discovered, the audit committee shall be notified in writing.

Mergers, Splits, Acquisitions and Share Transfer among Enterprises

Article 20 Before convening the meeting for the Board of Directors for a resolution, the Company engaging in a merger, split, acquisition or share transfer shall retain accountants, attorneys or securities underwriters to provide opinions on the reasonableness of the share conversion rates, acquisition price or the cash or other assets distributed to shareholders, and submit the opinions to the Board of Directors to discuss for approval.

Article 21 Prior to convening the shareholders' meeting, the Company participating in a merger, split or acquisition shall prepare a public report to shareholders detailing important contractual content and matters relating to the merger, demerger, or acquisition and include it along with the expert opinion referred to in the preceding Article when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, however, where another act exempts the Company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply.

If the shareholders' meeting of any company (including the Company) participating in the merger, split or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the Company shall immediately make a public announcement explaining the reasons for such occurrence, the follow-up measures to be taken, and the anticipated date for convening of the next shareholders' meeting(s).

Article 22 Unless otherwise provided by other laws or the Competent Authority is notified in advance of extraordinary circumstances and grants consent, the Company shall convene the board meetings and shareholders' meetings and pass resolutions regarding merger, split or acquisition and relevant matters on the same day with companies participating in a merger, split, acquisition or share transfer.

When participating in a merger, split, acquisition, or transfer of another company's shares, the Company shall prepare a full written record of the information requested by the Competent Authority and retain it for reference.

When participating in a merger, split, acquisition, or transfer of another company's shares, the Company shall, within 2 days commencing immediately from the date of passage of a resolution by the Board of Directors, report (in the prescribed format and via the Internet-based information system) the information requested by the Competent Authority for recordation.

Where any of the companies participating in a merger, split, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the Company shall sign an agreement with such company whereby the latter is required to abide by Paragraphs 2 and 3 of Article 22.

Article 23 All persons participating in or knowing of plan of the Company's merger, split, acquisition or share transfer shall issue a written undertaking of nondisclosure, and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or share transfer.

Article 24 In the Company's participating in a merger, split, acquisition or share transfer, the share conversion rates or the acquisition price may not be arbitrarily changed unless under the following circumstances, and conditions for change shall be provided in the merger, split, acquisition or share transfer contract:

1. Cash capital increase, issuance of convertible corporate bonds, distribution of stock dividends, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.
2. Acts affecting the Company's finances or operations, such as disposal of major assets.
3. Occurrence of major disasters, major technological transformations, or other events affecting the Company's shareholders' equity or the Company's securities prices.
4. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock according to laws.
5. Increase, decrease, or change in the entities, or number thereof, participating in the merger, split, acquisition or share transfer.
6. Other conditions for change have been provided in the contract and publicly disclosed.

Article 25 In the Company's participation in a merger, split, acquisition or share transfer, the contract shall specify the rights and obligations of the companies participating in the merger, split, acquisition or share transfer and shall also specify the following particulars:

1. Handling of breach of agreement.
2. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
3. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
4. The manner of handling changes in the number of participating entities or companies.
5. The scheduled timetable for execution of the plan, and scheduled timeframe for completion.
6. The relevant procedures for handling failure to complete within such timeframe, such as the anticipated date for convening of the shareholders' meeting(s) pursuant to laws.

Article 26 Following public disclosure of information about the Company's participating in merger, split, acquisition or share transfer, if the Company has an intention to undertake a further merger, split, acquisition or share transfer with another company, any procedures or legal actions already carried out by the Company under the original merger, split, acquisition or share transfer plan shall be carried out anew except conditions that the number of the participating companies decreases and the companies' shareholders' meeting has made a resolution and authorized the Board of Directors the right for modification, the Company is exempt from convening the shareholders' meeting for another resolution.

Article 27 If the companies participating in the merger, split, acquisition or share transfer are categorized as non-public companies, the Company shall enter into an agreement with them whereby the latter is required to abide by Articles 22, 23 and 26.

Article 28 Others

1. Matters not provided herein shall be governed by the relevant laws and regulations and relevant internal rules of the Company. If the Procedures of Acquisition or Disposal of Assets in the original ruling is amended by the competent authority, the Company shall apply the provisions in the new ruling.
2. These Procedures shall be approved by more than half of all audit committee members and submitted to the Board of Directors for further approval and reported to the shareholders' meeting for approval. The same procedures shall apply with any amendment hereto. If a director holds dissenting opinions of Company's matters and there were records for it or in written stating, the Company shall submit materials of the director's dissenting opinions to the audit committee.
3. For the Company's matters which shall be approved by the Board of Directors pursuant to these Procedures or other laws, where a director holds dissenting opinions on the Company's matters and there were relevant records or made in writing, the Company shall submit materials of the director's dissenting opinions to audit committee.
4. When the Company reports the transaction of acquisition or disposal of assets pursuant to the preceding two paragraphs to the Board of Directors for discussion, in case the position of independent director is established in accordance with the law, the Board of Directors shall fully take each independent director's opinions into consideration. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.
5. If approval of more than half of all audit committee members as required in Paragraph 2 is not obtained, these Procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.
6. The terms "all audit committee members" in these Procedures and "all directors" in the preceding paragraph shall be calculated as the actual number of persons currently holding those positions.
7. Where an audit committee is established in accordance with the law, the provisions set out in Subparagraph 2 of Paragraph 1 of Article 15 shall apply mutatis mutandis to the independent director as the member of audit committee; and the other the provisions regarding supervisors shall apply mutatis mutandis to the audit committee.

8. Another stricter management principles may be drafted by the Company's Chairman in accordance with these Procedures and be effective after approval by the Board of Directors with two-thirds vote at a meeting attended by more than two-thirds of the directors. The same procedure shall apply to any amendment thereto.
9. Where the Company's share is no-par stock or its par value per share is not the NT$10, the transaction amount calculation related to 20% of the paid-in capital under Articles 6, 8 and Article 10 to Article 12 shall be calculated based on 10% of equity attributable to owners of the parent company.
10. For calculation of 10% of total assets under these Procedures, the total assets stated in the most recent parent company only financial report prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.

Article 29 The Procedures were enacted on July 28, 1995.

The first amendment was made on October 27, 1995.

The second amendment was made on November 18, 1999.

The third amendment was made on June 11, 2003.

The fourth amendment was made on June 13, 2008.

The fifth amendment was made on June 15, 2012.

The sixth amendment was made on June 18, 2014.

The seventh amendment was enacted on June 23, 2015.

Appendix 4

Impact of Stock Dividend Issuance on the Company's Business Performance, Earnings per Share and Return on Shareholders' Investment:

Not Applicable

Appendix 5

Shareholdings of All Directors as of April 23, 2017

Title	Name	Number of Shares
Chairman	George Huang	8,767,642
Director	Stan Shih	69,024,395
Director	Jason Chen	3,564,080 (Note 1)
Director	Hsin-I Lin	0
Director	Hung Rouan Investment Corp. Legal Representative: Carolyn Yeh	73,629,933
Director	Smart Capital Corp. Legal Representative: Philip Peng	12,228
Independent Director	F.C. Tseng	0
Independent Director	Ji-Ren Lee	0
Independent Director	Chin-Cheng Wu	0
TOTAL		154,998,278 (Note 2)

Note 1: Including the shares of 1,008,600 which held by the investment company wholly owned by Mr. Jason Chen himself.

Note 2: (1) The current number of issued shares in the Company as of April 23, 2017 is 3,080,732,828 common shares.

(2) The Company's directors shall hold at least 73,937,587 shares to comply with the "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies".