

# MINUTES OF 2017 ANNUAL SHAREHOLDERS' MEETING OF ACER INCORPORATED

(Translation)

*The translation is intended for reference only and nothing else. The Chinese text of the Minutes of 2017 Annual Shareholders' Meeting shall govern any and all matters related to the interpretation of the subject matter stated herein.*

**Time and Date of Meeting:** 9:00 a.m., June 21, 2017

**Place of Meeting:** 4F., No. 99, Sec. 1, Xintai 5<sup>th</sup> Rd., Xizhi Dist., New Taipei City

(Place of the Meeting: Farglory International Convention Center)

**Total outstanding shares of ACER (excluding the shares without voting right as stipulated in Article 179 of the Company Law):** 3,058,923,833 shares

**Total shares represented by shareholders present in person or proxy:** 1,681,663,644 shares

**Percentage of shares held by shareholders present in person or proxy:** 54.97%

**The attendance list of the directors:**

George Huang, Jason C.S. Chen, Stan Shih, Hung Rouan Investment Corp. Legal Representative: Carolyn Yeh, Smart Capital Corp. Legal Representative: Philip Peng and F. C. Tseng

**Chairman:** George Huang

**Recorder:** Wayne Chang

The aggregate shareholding of the shareholders present in person or proxy constituted a quorum. The Chairman called the meeting to order.

Chairman's Address :( Omitted)

## **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.

Voting Result:

Directors:

Elected	Elected Shares
Stan Shih	1,523,392,046
George Huang	1,446,817,786
Jason Chen	1,441,580,041
Hung Rouan Investment Corp. Legal Representative: Carolyn Yeh	1,442,277,329
Smart Capital Corp.	1,438,790,641

Independent Directors

Elected	Elected Shares
F. C. Tseng	1,457,626,359
Ji-Ren Lee	1,458,150,110
San-Cheng Chang (Simon Chang)	1,467,436,046
Ching-Hsiang Hsu (Charles Hsu)	1,458,731,474

Speech from shareholders: shareholder registered number 0097058 had question about the meeting procedure, the questions were responded by the attorney Chairman assigned.

## 2.Report Items

- (1) To Report the Business of 2016  
Explanatory Notes: Please refer to Attachment 2.
- (2) Audit Committee's Review Report  
Explanatory Notes: Please refer to Attachment 3.
- (3) To Report the Share Buyback  
Explanatory Notes: Please refer to Attachment 4.

Speech from shareholders: shareholder registered number 0097058, 0722032, 908372, 0741057, 877226, 0722032, 0655020, and 866224 had questions about the meeting procedure, new business development, payback of treasury stock, financial statements, marketable securities held, and intangible asset impairment, the questions were responded by the Chairman and the assigned.

### 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 and Attachment 5, 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.

Voting Results: Shares present at the time of voting: 1,681,063,245 (votes casted electronically: 754,897,989 votes)

Voting Results*		% of the total represented share present
Votes in favor:	1,507,088,735 votes (584,580,893 votes)	89.65%
Votes against :	572,741 votes (572,741 votes)	0.03%
Votes invalid or abstained:	173,401,769 votes (169,744,355 votes)	10.32%

\*including votes casted electronically (number in brackets)

RESOLVED, that the above proposal be and hereby was approved as proposed.

Speech from shareholders: shareholder registered number 0097058, 0722032, and 866224 had questions about financial statements and board directors' and managements' remuneration, the questions were responded by the Chairman and the assigned.

#### 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

Voting Results: Shares present at the time of voting: 1,681,063,245 (votes casted electronically: 754,897,989 votes)

Voting Results*	% of the total represented share present
Votes in favor: 1,517,317,808 votes (594,920,524 votes)	90.26%
Votes against : 1,024,458 votes (913,900 votes)	0.06%
Votes invalid or abstained: 162,720,979 votes (159,063,565 votes)	9.68%

\*including votes casted electronically (number in brackets)

RESOLVED, that the above proposal be and hereby was approved as proposed.

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.

Voting Results: Shares present at the time of voting: 1,681,063,245 (votes casted electronically: 754,897,989 votes)

Voting Results*		% of the total represented share present
Votes in favor:	1,509,684,324 votes (587,033,582 votes)	89.81%
Votes against :	8,992,737 votes (8,992,737 votes)	0.53%
Votes invalid or abstained:	162,386,184 votes (158,871,670 votes)	9.66%

\*including votes casted electronically (number in brackets)

RESOLVED, that the above proposal be and hereby was approved as proposed.

#### 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, for the "Comparison Table of Acer's Procedures Governing Acquiring or Disposing of Assets Before and After Revision."
- (2) Please discuss.

Voting Results: Shares present at the time of voting: 1,681,063,245 (votes casted electronically: 754,897,989 votes)

Voting Results*		% of the total represented share present
Votes in favor:	1,517,680,968 votes (595,173,126 votes)	90.28%
Votes against :	797,838 votes (797,838 votes)	0.05%
Votes invalid or abstained:	162,584,439 votes (158,927,025 votes)	9.67%

\*including votes casted electronically (number in brackets)

RESOLVED, that the above proposal be and hereby was approved as proposed.

## 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, for the Concurrent Positions of Director and Independent Director Candidates.
- (4) Please discuss.

Voting Results: Shares present at the time of voting: 1,681,063,245 (votes casted electronically: 754,897,989 votes)

Voting Results*		% of the total represented share present
Votes in favor:	1,503,278,301 votes (580,770,459 votes)	89.42%
Votes against :	2,653,470 votes (2,653,470 votes)	0.16%
Votes invalid or abstained:	175,131,474 votes (171,474,060 votes)	10.42%

\*including votes casted electronically (number in brackets)

RESOLVED, that the above proposal be and hereby was approved as proposed.

### 4. Extemporary Motion

Speech from shareholders: shareholder registered number 0655020, 0741057 and 866224 had questions and comments about the directions of company and business development, smart phone product and intangible asset impairment, the questions were responded by the Chairman and the assigned.

### 5. Meeting Adjourned : 1:10 p.m.

Note: This document is extracted from the meeting; the details are subject to the audio and video recording.

## 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	<ol style="list-style-type: none"> <li>1. Honorary Chairman, Acer</li> <li>2. Independent Director, TSMC</li> <li>3. Director, Wistron</li> <li>4. Director, Nan Shan Life Insurance Co., Ltd.</li> <li>5. Director, Qisda</li> <li>6. Director, Hung Rouan Investment Corp.( * )</li> <li>7. Director, Idealive International Co. Ltd.( * )</li> <li>8. Director, Egis Technology Inc.</li> <li>9. Director, iD Innovation Inc.( * )</li> <li>10. Director, Dragon Investment Co., Ltd. ( * )</li> <li>11. Director, DIGITIMES Inc.( * )</li> <li>12. Director, Public Television Service Foundation.( * )</li> <li>13. Chairman, Stans Foundation( * )</li> <li>14. Director, Rongxin Management Consultants Co., Ltd( * )</li> <li>15. Director, Bingyu Co., Ltd.( * )</li> <li>16. Director, CTS Inc.</li> </ol>	69,024,395 shares
George Huang (Acct. No:0000005)	MSEE, National Chiao Tung University, Taiwan	Co-Founder and CFO, Acer Group	<ol style="list-style-type: none"> <li>1. Chairman, Acer</li> <li>2. Independent Director, PChome Online Inc.</li> <li>3. Independent Director, Bio Net Corp.</li> <li>4. Independent Director, Taiwan Taxi Co., LTD.</li> <li>5. Supervisor, Motech Industries Inc.</li> <li>6. Supervisor, Les Enphants Co., Ltd.</li> <li>7. Supervisor, Apacer Technology Inc.</li> </ol>	8,767,642 shares
Jason Chen (Acct. No:0857788)	Master in Business Administration, Missouri- Columbia University, USA	Senior Vice President of Worldwide Sales and Mar- keting, TSMC	<ol style="list-style-type: none"> <li>1. Director and CEO, Acer</li> <li>2. Chairman, Mu-jin Investment Co., Ltd.( * )</li> </ol>	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	<ol style="list-style-type: none"> <li>1. Director, Acer</li> <li>2. Chairman, iDSoftcapotal Inc.( * )</li> <li>3. Chairman, Hung Rouan Investment Corp. ( * )</li> <li>4. Director, IP Fund Six Co., Ltd.( * )</li> <li>5. Director, iD Innovation Inc.( * )</li> <li>6. Supervisor, ID Reengineering Fund Inc.( * )</li> <li>7. Director, Stans Foundation( * )</li> <li>8. Director, Noordhoff Craniofacial Foundation( * )</li> <li>9. Director, Cardinal Shan Foundation( * )</li> <li>10. Director, Sinyuan Foundation( * )</li> <li>11. Director, Fu Jen Catholic University( * )</li> <li>12. Supervisor, Shengxin Co., Ltd( * )</li> <li>13. Chairman, Rongxin Management Consultants Co., Ltd( * )</li> <li>14. Chairman, Bingyu Co., Ltd.( * )</li> </ol>	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	<ol style="list-style-type: none"> <li>1. President, Vanguard International Semiconductor Corp.</li> <li>2. Deputy CEO, TSMC</li> </ol>	<ol style="list-style-type: none"> <li>1. Independent Director, Acer</li> <li>2. Vice Chairman, TSMC</li> <li>3. Chairman, TSMC China Company Ltd.</li> <li>4. Chairman, Global Unichip Corp.</li> <li>5. Vice Chairman, Vanguard International Semiconductor Corp.</li> </ol>	0 shares
Ji-Ren Lee (Acct. No: 0857786)	Doctoral Degree in Business Administration University, Illinois, USA	<ol style="list-style-type: none"> <li>1. Vice Dean of Education and Resource Development , National Taiwan University College of Management</li> <li>2. CEO, EMBA National Taiwan University</li> </ol>	<ol style="list-style-type: none"> <li>1. Independent Director, Acer</li> <li>2. Professor, Department of International Business,National Taiwan University( * )</li> <li>3. Independent Director, Delta Electronics, Inc.</li> <li>4. Independent Director, E.Sun Financial Holdings Co., Ltd.</li> <li>5. Independent Director, Wowprime Corp.</li> <li>6. Member of Compensation Committee , Nien Hsing Textile Co., Ltd.</li> <li>7. Member of Compensation Committee , MediaTek Inc.</li> </ol>	0 shares
San-Cheng Chang (Simon Chang) (Acct. No: 0157790)	Doctoral Degree in Civil and Environmental Engineering, Cornell University	<ol style="list-style-type: none"> <li>1. Premier, and Vice Premier</li> <li>2. Minister, Ministry of Science and Technology</li> <li>3. Councilors, Executive Yuan</li> </ol>	<ol style="list-style-type: none"> <li>1. Chairman, Taiwan Mobile Foundation( * )</li> <li>2. President,BeingNet Alliance( * )</li> <li>3. President, Institute for Biotechnology and Medicine Industry( * )</li> <li>4. Honorary President, School of Big Data Management, Soochow University( * )</li> <li>5. Dean,Hacker College, National Chiao Tung University( * )</li> </ol>	322 shares
Ching-Hsiang Hsu (Charles Hsu) (Acct. No: 0916903)	Ph.D. in Electrical Engineering, University of Illinois	<ol style="list-style-type: none"> <li>1. Chairman, Research Institute of Electronics Engineering, Tsing-Hua University</li> <li>2. Director, Incubation Center, Tsing-Hua University</li> <li>3. Researcher, IBM T.J. Watson Research Center</li> </ol>	<ol style="list-style-type: none"> <li>1. Chairman ,eMemory Technology Inc.</li> <li>2. Chairman, iMQ Technology Inc. ( * )</li> <li>3. Director, Hui-Wang Investment Co., Ltd.( * )</li> <li>4. Director,Powerflash Technology Corp. ( * )</li> <li>5. Director, Powerchip Technology Corp.</li> <li>6. Director, SyntronixCorp.( * )</li> <li>7. Director, Meichu IntelligenceCorp.( * )</li> <li>8. Executive Director, Taipei Computer Association( * )</li> </ol>	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 responsibility 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\$7.21 billion), 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.

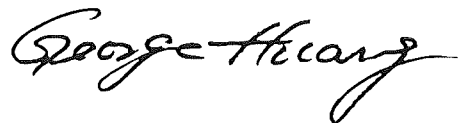
While the PC industry continues to slow down, Acer's PC business is stable; this is in part to its strong product mix and offering to address various regional customer needs, as well as its innovations in the areas of gaming PCs, and ultra-thin and 2-in-1 notebooks. Along with other factors, we have 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 ser-

vices 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.

A handwritten signature in black ink that reads "George Huang". The signature is written in a cursive, flowing style with a prominent loop at the end of the last name.

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 (%)	-

## Attachment 5

### 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)**

<b>Assets</b>		<b>December 31, 2016</b>		<b>December 31, 2015</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Current assets:</b>					
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	<u>3,122,630</u>	<u>2</u>	<u>3,044,802</u>	<u>2</u>
<b>Total current assets</b>		<b><u>133,863,136</u></b>	<b><u>81</u></b>	<b><u>132,949,777</u></b>	<b><u>77</u></b>
<b>Non-current assets:</b>					
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	<u>960,643</u>	<u>-</u>	<u>943,609</u>	<u>1</u>
<b>Total non-current assets</b>		<b><u>31,810,926</u></b>	<b><u>19</u></b>	<b><u>38,792,426</u></b>	<b><u>23</u></b>
<b>Total assets</b>		<b><u>\$ 165,674,062</u></b>	<b><u>100</u></b>	<b><u>171,742,203</u></b>	<b><u>100</u></b>

(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	
		Amount	%	Amount	%
<b>Liabilities and Equity</b>					
<b>Current liabilities:</b>					
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	<u>2,754,355</u>	<u>2</u>	<u>3,384,408</u>	<u>2</u>
	<b>Total current liabilities</b>	<u>105,421,675</u>	<u>64</u>	<u>102,576,092</u>	<u>60</u>
<b>Non-current liabilities:</b>					
2550	Provisions—non-current	60,520	-	94,946	-
2570	Deferred income tax liabilities	692,713	-	1,437,179	1
2600	Other non-current liabilities	<u>1,820,676</u>	<u>1</u>	<u>1,778,885</u>	<u>1</u>
	<b>Total non-current liabilities</b>	<u>2,573,909</u>	<u>1</u>	<u>3,311,010</u>	<u>2</u>
	<b>Total liabilities</b>	<u>107,995,584</u>	<u>65</u>	<u>105,887,102</u>	<u>62</u>
<b>Equity:</b>					
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	<u>(2,914,856)</u>	<u>(2)</u>	<u>(2,914,856)</u>	<u>(2)</u>
	<b>Equity attributable to shareholders of the Company</b>	<u>57,674,395</u>	<u>35</u>	<u>65,852,731</u>	<u>38</u>
36XX	<b>Non-controlling interests</b>	<u>4,083</u>	<u>-</u>	<u>2,370</u>	<u>-</u>
	<b>Total equity</b>	<u>57,678,478</u>	<u>35</u>	<u>65,855,101</u>	<u>38</u>
	<b>Total liabilities and equity</b>	<u>\$ 165,674,062</u>	<u>100</u>	<u>171,742,203</u>	<u>100</u>

(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	<u>209,511,703</u>	<u>90</u>	<u>238,891,080</u>	<u>91</u>
	Gross profit	<u>23,212,458</u>	<u>10</u>	<u>24,884,122</u>	<u>9</u>
	<b>Operating expenses :</b>				
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	<u>2,048,469</u>	<u>1</u>	<u>2,089,306</u>	<u>1</u>
	Total operating expenses	<u>22,299,539</u>	<u>9</u>	<u>24,221,971</u>	<u>9</u>
6500	Other operating income and loss — net	<u>279,594</u>	<u>-</u>	<u>276,457</u>	<u>-</u>
	Operating income	<u>1,192,513</u>	<u>1</u>	<u>938,608</u>	<u>-</u>
	<b>Non-operating income and loss:</b>				
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	<u>(6,364,244)</u>	<u>(3)</u>	<u>-</u>	<u>-</u>
	Total non-operating income and loss	<u>(5,916,838)</u>	<u>(3)</u>	<u>(92,051)</u>	<u>-</u>
7900	Income (losses) before taxes	(4,724,325)	(2)	846,557	-
7950	Income tax expense	<u>176,415</u>	<u>-</u>	<u>242,762</u>	<u>-</u>
	Net income (losses)	<u>(4,900,740)</u>	<u>(2)</u>	<u>603,795</u>	<u>-</u>
	<b>Other comprehensive income (losses):</b>				
8310	<b>Items that will not be reclassified subsequently to profit or loss</b>				
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	<u>29,720</u>	<u>-</u>	<u>12,130</u>	<u>-</u>
		<u>(12,881)</u>	<u>-</u>	<u>(92,391)</u>	<u>-</u>
8360	<b>Items that may be reclassified subsequently to profit or loss</b>				
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	<u>353</u>	<u>-</u>	<u>623</u>	<u>-</u>
		<u>(1,739,475)</u>	<u>(1)</u>	<u>(736,758)</u>	<u>-</u>
	Other comprehensive income (losses) for the year, net of taxes	<u>(1,752,356)</u>	<u>(1)</u>	<u>(829,149)</u>	<u>-</u>
	Total comprehensive income (losses) for the year	<u>\$ (6,653,096)</u>	<u>(3)</u>	<u>(225,354)</u>	<u>-</u>
	<b>Net income (losses) attributable to:</b>				
8610	Shareholders of the Company	\$ (4,900,296)	(2)	603,680	-
8620	Non-controlling interests	<u>(444)</u>	<u>-</u>	<u>115</u>	<u>-</u>
		<u>\$ (4,900,740)</u>	<u>(2)</u>	<u>603,795</u>	<u>-</u>
	<b>Total comprehensive income (losses) attributable to:</b>				
8710	Shareholders of the Company	\$ (6,654,809)	(3)	(225,467)	-
8720	Non-controlling interests	<u>1,713</u>	<u>-</u>	<u>113</u>	<u>-</u>
		<u>\$ (6,653,096)</u>	<u>(3)</u>	<u>(225,354)</u>	<u>-</u>
	<b>Earnings (losses) per share (in New Taiwan dollars) :</b>				
9750	Basic earnings (losses) per share	\$	<u>(1.62)</u>		<u>0.20</u>
9850	Diluted earnings (losses) per share	\$	<u>(1.62)</u>		<u>0.20</u>

(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											Total equity		
	Retained earnings					Other reserves					Treasury stock		Non-controlling interests	
	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 employees		Total		Total
<b>Balance at January 1, 2015</b>	\$ 27,965,678	34,098,396	-	-	903,649	903,649	1,183,808	(114,205)	28,015	(251,710)	845,908	60,627,593	2,257	60,629,850
Appropriation approved by the stockholders:														
Legal reserve	-	-	95,166	-	(95,166)	-	-	-	-	-	-	-	-	-
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)	-	-	603,680	603,680	-	-	-	211,744	211,744	55,267	115	55,267
Net income in 2015	-	-	-	-	-	603,680	253,604	(990,360)	(92,391)	-	(829,147)	603,680	(2)	603,795
Other comprehensive income (losses) in 2015	-	-	-	-	-	603,680	253,604	(990,360)	(92,391)	-	(829,147)	603,680	(2)	(829,149)
Total comprehensive income (losses) in 2015	-	-	-	-	-	603,680	253,604	(990,360)	(92,391)	-	(829,147)	603,680	(2)	(829,149)
<b>Balance at December 31, 2015</b>	30,854,428	36,232,755	93,166	838,498	520,235	1,451,899	1,437,412	(1,104,565)	(64,376)	(59,966)	228,505	65,852,731	2,370	65,855,101
Appropriation approved by the stockholders:														
Legal reserve	-	-	32,024	-	(32,024)	-	-	-	-	-	-	-	-	-
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
Retirement of restricted shares of stock issued to employees	(47,100)	47,100	-	-	(4,900,296)	(4,900,296)	-	-	-	-	-	-	-	-
Net losses in 2016	-	-	-	-	(4,900,296)	(4,900,296)	(2,498,427)	756,795	(13,881)	-	(1,754,513)	(4,900,296)	(444)	(4,900,740)
Other comprehensive income (losses) in 2016	-	-	-	-	(4,900,296)	(4,900,296)	(2,498,427)	756,795	(13,881)	-	(1,754,513)	(4,900,296)	(444)	(4,900,740)
Total comprehensive income (losses) in 2016	-	-	-	-	(4,900,296)	(4,900,296)	(2,498,427)	756,795	(13,881)	-	(1,754,513)	(4,900,296)	(444)	(4,900,740)
<b>Balance at December 31, 2016</b>	\$ 30,807,328	34,745,105	145,190	1,306,709	(4,900,296)	(3,448,597)	(1,061,015)	(547,770)	(77,257)	(26,743)	(1,517,785)	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
<b>Cash flows from operating activities:</b>		
<b>Income (losses) before income taxes</b>	\$ (4,724,325)	846,557
<b>Adjustments for:</b>		
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)
<b>Total profit and loss</b>	<b>7,700,383</b>	<b>1,095,291</b>
<b>Changes in operating assets and liabilities:</b>		
<b>Net changes in operating assets:</b>		
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
<b>Net changes in operating assets</b>	<b>(1,629,566)</b>	<b>14,740,406</b>
<b>Net changes in operating liabilities:</b>		
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
<b>Net changes in operating liabilities</b>	<b>7,219,413</b>	<b>(17,396,234)</b>
<b>Total changes in operating assets and liabilities</b>	<b>5,589,847</b>	<b>(2,655,828)</b>
Cash provided by (used in) operations	8,565,905	(713,980)
Interest received	193,954	227,762
Income taxes paid	(488,234)	(379,349)
<b>Net cash provided by (used in) operating activities</b>	<b>8,271,625</b>	<b>(865,567)</b>

(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)

	<u>2016</u>	<u>2015</u>
<b>Cash flows from investing activities:</b>		
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
<b>Net cash used in investing activities</b>	<u>(1,120,783)</u>	<u>(187,249)</u>
<b>Cash flows from financing activities:</b>		
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)
<b>Net cash used in financing activities</b>	<u>(6,007,106)</u>	<u>(1,604,459)</u>
<b>Effects of foreign exchange rate changes</b>	<u>(1,475,590)</u>	<u>(279,849)</u>
<b>Net decrease in cash and cash equivalents</b>	(331,854)	(2,937,124)
<b>Cash and cash equivalents at beginning of year</b>	44,621,527	47,558,651
<b>Cash and cash equivalents at end of year</b>	<u>\$ 44,289,673</u>	<u>44,621,527</u>

## **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)

Assets		December 31, 2016		December 31, 2015	
		Amount	%	Amount	%
<b>Current assets:</b>					
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	<u>299,972</u>	-	<u>376,664</u>	-
<b>Total current assets</b>		<u>56,336,952</u>	<u>43</u>	<u>53,406,125</u>	<u>40</u>
<b>Non-current assets:</b>					
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	<u>166,469</u>	-	<u>174,350</u>	-
<b>Total non-current assets</b>		<u>73,677,841</u>	<u>57</u>	<u>80,064,959</u>	<u>60</u>
<b>Total assets</b>		<u>\$ 130,014,793</u>	<u>100</u>	<u>133,471,084</u>	<u>100</u>

(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)

		<u>December 31, 2016</u>		<u>December 31, 2015</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<b>Liabilities and Equity</b>					
<b>Current liabilities:</b>					
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	<u>22,845</u>	<u>-</u>	<u>2,377,373</u>	<u>2</u>
	<b>Total current liabilities</b>	<u>70,814,249</u>	<u>55</u>	<u>66,208,583</u>	<u>50</u>
<b>Non-current liabilities:</b>					
2570	Deferred income tax liabilities	568,188	-	564,339	-
2600	Other non-current liabilities	<u>957,961</u>	<u>1</u>	<u>845,431</u>	<u>1</u>
	<b>Total non-current liabilities</b>	<u>1,526,149</u>	<u>1</u>	<u>1,409,770</u>	<u>1</u>
	<b>Total liabilities</b>	<u>72,340,398</u>	<u>56</u>	<u>67,618,353</u>	<u>51</u>
<b>Equity</b>					
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	<u>(2,914,856)</u>	<u>(2)</u>	<u>(2,914,856)</u>	<u>(2)</u>
	<b>Total equity</b>	<u>57,674,395</u>	<u>44</u>	<u>65,852,731</u>	<u>49</u>
	<b>Total liabilities and equity</b>	<u>\$ 130,014,793</u>	<u>100</u>	<u>133,471,084</u>	<u>100</u>

## (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
<b>Gross profit before realized gross profit on sales to subsidiaries, associates and joint venture</b>	6,921,589	4	8,399,781	4
5920 Realized gross profit on sales to subsidiaries, associates and joint venture	58,999	-	56,619	-
<b>Gross profit</b>	6,980,588	4	8,456,400	4
<b>Operating expenses:</b>				
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 <b>Other operating income and loss — net</b>	96,034	-	96,326	-
<b>Operating income</b>	1,053,291	1	2,367,598	1
<b>Non-operating income and loss:</b>				
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 <b>Income (losses) before taxes</b>	(4,880,482)	(3)	671,161	-
7950 <b>Income (losses) tax expense</b>	19,814	-	67,481	-
<b>Net income (losses)</b>	(4,900,296)	(3)	603,680	-
<b>Other comprehensive income (losses):</b>				
8310 <b>Items that will not be reclassified subsequently to profit or loss</b>				
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 <b>Items that may be reclassified subsequently to profit or loss</b>				
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)	-
<b>Other comprehensive losses for the year, net of taxes</b>	(1,754,513)	(1)	(829,147)	-
<b>Total comprehensive losses for the year</b>	\$ (6,654,809)	(4)	(225,467)	-
<b>Earnings (losses) per share (in New Taiwan dollars) :</b>				
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				Treasury stock	Total equity		
	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
<b>Balance at January 1, 2015</b>	\$ 27,965,678	34,098,396	-	-	903,649	903,649	1,183,808	(114,205)	28,015	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	-	55,267
Net income in 2015	-	-	-	-	603,680	603,680	253,604	(990,360)	(92,391)	(829,147)	-	603,680
Other comprehensive income (losses) in 2015	-	-	-	-	603,680	603,680	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)
<b>Balance at December 31, 2015</b>	<b>30,854,428</b>	<b>36,232,755</b>	<b>93,166</b>	<b>838,498</b>	<b>520,235</b>	<b>1,451,899</b>	<b>1,437,412</b>	<b>(1,104,565)</b>	<b>(64,376)</b>	<b>228,505</b>	<b>(2,914,856)</b>	<b>65,832,731</b>
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	-	-	-	-	(4,900,296)	(4,900,296)	(2,498,437)	756,795	(12,881)	13,223	-	(4,900,296)
Net losses in 2016	-	-	-	-	(4,900,296)	(4,900,296)	(2,498,437)	756,795	(12,881)	(1,754,513)	-	(6,654,809)
Other comprehensive income (losses) in 2016	-	-	-	-	(4,900,296)	(4,900,296)	(2,498,437)	756,795	(12,881)	(1,754,513)	-	(6,654,809)
Total comprehensive income (losses) in 2016	-	-	-	-	(4,900,296)	(4,900,296)	(2,498,437)	756,795	(12,881)	(1,754,513)	-	(6,654,809)
<b>Balance at December 31, 2016</b>	<b>\$ 30,807,328</b>	<b>34,743,105</b>	<b>145,190</b>	<b>1,306,709</b>	<b>(4,900,296)</b>	<b>(3,448,397)</b>	<b>(1,061,015)</b>	<b>(347,770)</b>	<b>(77,257)</b>	<b>(1,512,785)</b>	<b>(2,914,856)</b>	<b>57,674,395</b>

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
<b>Cash flows from operating activities:</b>		
Income (losses) before income taxes	\$ (4,880,482)	671,161
<b>Adjustments for:</b>		
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	<u>6,130,119</u>	<u>1,560,317</u>
<b>Changes in operating assets and liabilities:</b>		
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	<u>(12,874,504)</u>	<u>8,995,573</u>
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	<u>8,445,771</u>	<u>(10,140,854)</u>
Total changes in operating assets and liabilities	<u>(4,428,733)</u>	<u>(1,145,281)</u>
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)
<b>Net cash provided by (used in) operating activities</b>	<u>(3,160,389)</u>	<u>1,130,237</u>

(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)

	<u>2016</u>	<u>2015</u>
<b>Cash flows from investing activities:</b>		
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	<u>305,622</u>	<u>428,936</u>
<b>Net cash used in investing activities</b>	<u>(986,795)</u>	<u>(1,232,757)</u>
<b>Cash flows from financing activities:</b>		
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	<u>(72,280)</u>	<u>(108,907)</u>
<b>Net cash used in financing activities</b>	<u>(5,212,781)</u>	<u>(1,985,953)</u>
<b>Net decrease in cash and cash equivalents</b>	(9,359,965)	(2,088,473)
<b>Cash and cash equivalents at beginning of year</b>	<u>23,536,375</u>	<u>25,624,848</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>\$ 14,176,410</u></u>	<u><u>23,536,375</u></u>

## Attachment 6

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

Before Revision	After Revision	Rationale
<p><b>Article 5. Procedures for Approval of Acquisition or Disposal of Assets</b></p> <p>1. Methods and the Reference Basis for the Decision on Price</p> <p style="padding-left: 20px;">(omitted)</p> <p>2. Amount and Level of Authorization</p> <p style="padding-left: 20px;">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:</p> <p style="padding-left: 40px;">(1)[omitted]</p> <p style="padding-left: 40px;">(2)[omitted]</p> <p style="padding-left: 40px;">(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.</p> <p>[the rest is omitted]</p>	<p><b>Article 5. Procedures for Approval of Acquisition or Disposal of Assets</b></p> <p>1. Methods and the Reference Basis for the Decision on Price</p> <p style="padding-left: 20px;">(omitted)</p> <p>2. Amount and Level of Authorization</p> <p style="padding-left: 20px;">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:</p> <p style="padding-left: 40px;">(1)[omitted]</p> <p style="padding-left: 40px;">(2)[omitted]</p> <p style="padding-left: 40px;">(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\$50100 million shall be approved by the Board of Directors.</p> <p>[the rest is omitted]</p>	<p>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".</p>
<p><b>Article 6 The Standards for Public Announcement</b></p> <p>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:</p> <p style="padding-left: 20px;">(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</p>	<p><b>Article 6 The Standards for Public Announcement</b></p> <p>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:</p> <p style="padding-left: 20px;">(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</p>	<p>Amendments of "Regulations Governing the Acquisition and Disposal of Assets by Public Companies"</p>

Before Revision	After Revision	Rationale
<p>under repurchase and resale agreements, or subscription or redemption of domestic money market funds shall not be applied.</p> <p>(2) [omitted]</p> <p>(3) [omitted]</p> <p>(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:</p> <p>(a) purchase and sale of government bond.</p> <p>(b) trading of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds.</p> <p>(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.</p> <p>(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.</p> <p>2. [omitted]</p> <p>3. [omitted]</p> <p>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.</p> <p>5. [omitted]</p> <p>6. [omitted]</p>	<p>under repurchase and resale agreements, or subscription or <u>buyback/redemption of domestic money market funds issued by domestic securities investment trust enterprises</u> shall not be applied.</p> <p>(2) [omitted]</p> <p>(3) [omitted]</p> <p>(4) <u>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:</u></p> <p>(a) <u>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.</u></p> <p>(b) <u>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.</u></p> <p>(5) <u>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.</u></p> <p>(6) asset transactions other than those provided in the preceding items (1) <del>to (5)</del>, <del>(2)</del> and <del>(3)</del>, 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:</p> <p>(a) purchase and sale of government bond.</p> <p>(b) trading of bonds under repurchase/resale agreements, or subscription or <u>buyback/redemption of domestic money market funds issued by domestic securities investment trust enterprises.</u></p> <p>(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.</p>	<p>Amendment of Article 235, 235-1 and 240 of Company Act regarding employees' compensation.</p>

Before Revision	After Revision	Rationale
	<p>(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.</p> <p>2. [omitted]</p> <p>3. [omitted]</p> <p>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 <u>within 2 days commencing immediately from the date of knowing of the error or omission.</u></p> <p>5. [omitted]</p> <p>6. [omitted]</p>	
<p><b>Article 10 Appraisal Report of Professional Appraisal Institutions</b></p> <p>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:</p> <p>[the rest is omitted]</p>	<p><b>Article 10 Appraisal Report of Professional Appraisal Institutions</b></p> <p>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 <u>institution</u> 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:</p> <p>[the rest is omitted]</p>	Ditto

Before Revision	After Revision	Rationale
<p><b>Article 11 Certified Public Accountant's Opinions</b></p> <p>1. [omitted]</p> <p>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.</p> <p>3. [omitted]</p>	<p><b>Article 11 Certified Public Accountant's Opinions</b></p> <p>1. [omitted]</p> <p>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 <u>institution</u>-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.</p> <p>3. [omitted]</p>	Ditto
<p><b>Article 12</b></p> <p>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:</p> <p>[the rest is omitted]</p>	<p><b>Article 12</b></p> <p>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 <u>buyback/redemption of domestic money market funds issued by domestic securities investment trust enterprises</u>, 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:</p> <p>[the rest is omitted]</p>	Ditto
<p><b>Article 20</b></p> <p>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.</p>	<p><b>Article 20</b></p> <p>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. <u>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.</u></p>	

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

## Attachment 7

### Concurrent Positions of Director Candidates

Name	All Current Position
Stan Shih	<ol style="list-style-type: none"> <li>1. Honorary Chairman, Acer</li> <li>2. Independent Director, TSMC</li> <li>3. Director, Wistron</li> <li>4. Director, Nan Shan Life Insurance Co., ltd.</li> <li>5. Director, Qisda</li> <li>6. Director, Hung Rouan Investment Corp.</li> <li>7. Director, Idealive International Co. Ltd.</li> <li>8. Director, Egis Technology Inc.</li> <li>9. Director, iD Innovation Inc.</li> <li>10. Director, Dragon Investment Co., Ltd..</li> <li>11. Director, DIGITIMES Inc.</li> <li>12. Director, Public Television Service Foundation.</li> <li>13. Chairman, Stans Foundation</li> <li>14. Director, Rongxin Management Consultants Co., Ltd</li> <li>15. Director, Bingyu Co., Ltd.</li> <li>16. Director, CTS Inc.</li> </ol>
George Huang	<ol style="list-style-type: none"> <li>1. Chairman, Acer</li> <li>2. Independent Director, PChome Online Inc.</li> <li>3. Independent Director, Bio Net Corp.</li> <li>4. Independent Director, Taiwan Taxi Co., LTD.</li> <li>5. Supervisor, Motech Industries Inc.</li> <li>6. Supervisor, Les Enphants Co., Ltd.</li> <li>7. Supervisor, Apacer Technology Inc.</li> </ol>
Jason Chen	<ol style="list-style-type: none"> <li>1. Director and CEO, Acer</li> <li>2. Chairman, Mu-jin Investment Co., Ltd.</li> </ol>
Hung Rouan Investment Corp. Legal Representative: Carolyn Yeh	<ol style="list-style-type: none"> <li>1. Director, Acer</li> <li>2. Chairman, iSoftcapotal Inc.</li> <li>3. Chairman, Hung Rouan Investment Corp.</li> <li>4. Director, IP Fund Six Co., Ltd.</li> <li>5. Director, iD Innovation Inc.</li> <li>6. Supervisor, ID Reengineering Fund Inc.</li> <li>7. Director, Stans Foundation</li> <li>8. Director, Noordhoff Craniofacial Foundation</li> <li>9. Director, Cardinal Shan Foundation</li> <li>10. Director, Sinyuan Foundation</li> <li>11. Director, Fu Jen Catholic University</li> <li>12. Supervisor, Shengxin Co., Ltd</li> <li>13. Chairman, Rongxin Management Consultants Co., Ltd</li> <li>14. Chairman, Bingyu Co., Ltd.</li> </ol>
Smart Capital Corp	Director, Acer



## Concurrent Positions of Independent Director Candidates

Name	All Current Position
F. C. Tseng	<ol style="list-style-type: none"> <li>1. Independent Director, Acer</li> <li>2. Vice Chairman, TSMC</li> <li>3. Chairman, TSMC China Company Ltd.</li> <li>4. Chairman, Global Unichip Corp.</li> <li>5. Vice Chairman, Vanguard International Semiconductor Corp.</li> </ol>
Ji-Ren Lee	<ol style="list-style-type: none"> <li>1. Independent Director, Acer</li> <li>2. Professor, Department of International Business, National Taiwan University</li> <li>3. Independent Director, Delta Electronics, Inc.</li> <li>4. Independent Director, E.Sun Financial Holdings Co., Ltd.</li> <li>5. Independent Director, Wowprime Corp.</li> <li>6. Member of Compensation Committee, Nien Hsing Textile Co., Ltd.</li> <li>7. Member of Compensation Committee, MediaTek Inc.</li> </ol>
San-Cheng Chang (Simon Chang)	<ol style="list-style-type: none"> <li>1. Chairman, Taiwan Mobile Foundation</li> <li>2. President, BeingNet Alliance</li> <li>3. President, Institute for Biotechnology and Medicine Industry</li> <li>4. Honorary President, School of Big Data Management, Soochow University</li> <li>5. Dean, Hacker College, National Chiao Tung University</li> </ol>
Ching-Hsiang Hsu (Charles Hsu)	<ol style="list-style-type: none"> <li>1. Chairman, eMemory Technology Inc.</li> <li>2. Chairman, iMQ Technology Inc.</li> <li>3. Director, Hui-Wang Investment Co., Ltd.</li> <li>4. Director, Powerflash Technology Corp.</li> <li>5. Director, Powerchip Technology Corp.</li> <li>6. Director, Syntronix Corp.</li> <li>7. Director, Meichu Intelligence Corp.</li> <li>8. Executive Director, Taipei Computer Association</li> </ol>