

acer

Acer Inc.

Agenda of 2018 General Shareholders' Meeting [Translation]



Held on June 15, 2018
www.acer-group.com

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

Disclaimer

This is a translation of the 2018 General Shareholders' Meeting Agenda of Acer Incorporated (the "Company"). The translation is intended for reference only and nothing else, the Company hereby disclaims any and all liabilities whatsoever for the translation. The Chinese text of the Agenda shall govern any and all matters related to the interpretation of the subject matter stated herein.

ACER INCORPORATED (THE "COMPANY")

Regulations for the Conduct of Shareholders' Meeting

1. These Regulations shall govern the conduct of Shareholders' Meetings of the Company.
2. Each shareholders or his/her/its proxy attending the Shareholders' Meeting shall sign the attendance card for their attendance. The number of shares in attendance of the Shareholders' Meeting shall be calculated based upon the number of shares signed in according to the attendance cards so submitted.
3. The attendance and votes at the Shareholders' Meeting shall be based upon the number of shares in attendance. The shares in attendance shall be calculated in accordance with the attendance book or the attendance cards submitted, plus the shares exercising voting right by the way of electronic transmission.
4. The Shareholders' Meeting shall be held at the location of the Company, or a place which is convenient for the shareholders to attend and proper for holding such meeting. The Shareholders' Meeting shall be held no earlier than 9 a.m. and no later than 3 p.m. on the designated meeting date.
5. The Shareholders' Meeting shall be called by the Board of Directors. The chairman of the Board of Directors shall preside over the meeting. If the chairman of the Board of Directors takes a leave or is not available for the meeting then the vice-chairman of the Board of Directors shall act on his/her behalf to preside over the meeting. If neither the chairman nor the vice-chairman of the Board of Directors is available for the meeting, or no vice-chairman is elected, the chairman shall designate a director of the Board of Directors to act on his/her behalf to preside over the meeting. The Board of Directors shall elect a director to act on the chairman's behalf if the chairman does not appoint a designee. In the event that a Shareholders' Meeting is called by a person other than the Board of Directors who is entitled by law to call a Shareholders' Meeting, that person shall preside over the meeting.
6. The Company may designate attorneys, certified-public-accountants, or relevant personnel to attend the Shareholders' Meeting.
7. The Shareholders' Meeting shall be recorded in their entirety by video or audio recording equipment, and such records shall be kept on file for one year following each such meeting.
8. The person who presides over the Shareholders' Meeting shall call the meeting in session at the designated time of the meeting. However, such person may announce a postponement of the meeting if at the designated time shares in attendance fail to exceed half of the total issued and outstanding shares of the Company. Such a postponement of meeting shall not be made more than two times, with postponement(s) limiting to one hour in aggregate. If, after second such postponement, shares in attendance are less than a quorum but more than one-thirds of the total issued and outstanding shares, the shareholders may proceed with such meeting pursuant to Article 175 of the Company Act to adopt provisional resolutions. Before the meeting is adjourned, if shares in attendance have reached a required quorum, the person presiding over the meeting may, pursuant to Article 174 of the Company Act, submit those provisional resolutions so adopted for a final resolution at the meeting.
9. If Shareholders' Meeting is called by the Board of Directors, the Board of Directors shall set the agenda of the meeting. The meeting shall proceed in accordance with the agenda so set by the Board of Directors unless otherwise changed by a resolution adopted at the meeting. During the meeting, the person presiding over the meeting may allocate an appropriate amount of time for recess. Unless otherwise adopted by a resolution, the person presiding over the meeting may not adjourn the meeting prior to the end of the agenda of the meeting. If the person presiding over the meeting declares the adjournment of the meeting in a manner in violation of the applicable rules governing the proceedings of meetings, a new chairman of the meeting may be elected by a resolution adopted by a majority of the voting rights represented by the shareholders attending said meeting to continue the proceeding of the meeting.

10. A shareholder in attendance who wishes to make an oral statement at the Shareholders' Meeting shall first submit an oral statement form, stating the gist of his/her statement, his/her name and shareholder's account number. The person presiding over the meeting shall determine the order to make such oral statements. Shareholder in attendance who submits an oral statement form but fail to make an oral statement shall be deemed to have not made any statement. In the event of any conflict between the contents of the oral statement form and the actual oral statement, the actual oral statement shall prevail. No shareholders shall interfere with the shareholder who is making oral statement in any way unless the chairman of the meeting or the speaking shareholder gives his/her consent. The person presiding over the meeting shall stop any such interference.
11. Unless otherwise approved by the person presiding over the meeting, each shareholder may make oral statements only twice for a same proposal or addressing matter under deliberation; and the length each oral statement shall not exceed 5 minutes. Otherwise, the person presiding over the meeting may stop the shareholder from making further statements.
12. A legal entity acting as a proxy for a shareholder to attend the meeting may appoint only one representative to attend the meeting. If more than one representatives are appointed by such legal entity to attend the meeting, only one person elected among them may make oral statements on the same proposal.
13. The person presiding over the meeting may reply to the oral statements, or may designate appropriate person to reply to the oral statements made by shareholders in attendance.
14. The person presiding over the meeting may declare the suspension of discussing of a proposal as he/she may deem appropriate and may submit the proposal for adopting a resolution.
15. The person presiding over the meeting shall appoint persons among the shareholders in attendance to supervise the voting process. The person presiding over the meeting shall also appoint persons to count the votes. The result of the voting shall be announced immediately, and a record of the same shall be made accordingly.
16. Unless otherwise provided for in the Company Act or the Company's Articles of Incorporation, a proposal may be adopted as a resolution by a majority of the shares in attendance voting in favor thereof. A resolution shall be deemed adopted if no opposition is raised when the person presiding over the meeting makes an oral inquiry to the shareholders concerning the acceptance of the same, and such resolution shall have the same effect as a voting by ballot.
17. The person presiding over the meeting shall determine the order of voting on amendment proposals or substituted proposals accompanying with their original proposals. As soon as one of those proposals is adopted as a resolution, other proposals in conflict regarding the same matter shall be deemed denied and shall require no further voting.
18. The person presiding over the meeting may direct monitors (or security guards) to maintain order at the meeting. Monitors (or security guards) shall wear a badge marked "SECURITY" or "MONITOR" when performing their duties at the meetings.
19. In the event of force majeure during the meeting, the person presiding over the meeting may suspend a meeting and may announce at a later time when the meeting shall be resumed as he/she deems appropriate; or the shareholders shall make a resolution at the meeting to resume the meeting within 5 days without the need to make any further written notices or published announcements to shareholders.
20. The applicable provisions of the Company Act and the Company's Articles of Incorporation shall govern any matter not provided herein.
21. These Regulations and any amendments thereto, shall become effective upon approval by the shareholders.
22. Approved by the General Shareholders' Meeting held on May 15, 1990.
First Amendment approved by the General Shareholders' Meeting held on April 26, 1996.
Second Amendment approved by the General Shareholders' Meeting held on May 29, 1998.
Third Amendment approved by the General Shareholders' Meeting held on June 11, 2003.
Fourth Amendment approved by the General Shareholders' Meeting held on June 15, 2012.

TABLE OF CONTENT

A. Meeting Procedure	5
B. Meeting Agenda	6
1. Report Items	7
2. Proposed Items for Recognition and Discussion	8
3. Extemporaneous Motion	13
C. Attachment	14
1. Business Report for FY2017	14
2. Audit Committee's Review Report	15
3. Comparison Table of Acer's Regulations Governing Procedures for Board of Directors Meetings	16
4. Financial Statements for FY 2017	18
D. Appendix	38
1. Articles of Incorporation of Acer Incorporated	38
2. Acer's Regulations Governing Procedures for Board of Directors Meetings (Upon being Amended)	44
3. Impact of Stock Dividend Issuance on the Company's Business Performance, Earnings per Share and Shareholder Return Rate	49
4. Shareholdings of All Directors	50

A. Meeting Procedure

- Call the Meeting to Order
- Report Items
- Proposed Items for Recognition and Discussion
- Extemporaneous Motion
- Meeting Adjourned

B. Meeting Agenda

Time: 9:00 a.m., Friday, June 15, 2018

Place: Farglory International Convention Center

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

1. Report Items

- (1) Business Report for FY2017
- (2) Audit Committee's Review Report
- (3) Report on the Amendments to the Company's Regulations Governing Procedure for Board of Directors Meetings
- (4) Report on Execution of FY2017 Employees' Profit Sharing Bonus and Board Directors' Compensation

2. Proposed Items for Recognition and Discussion

- (1) To Approve the 2017 Financial Statements and Business Report
- (2) To Approve the Proposal for Profit & Loss Appropriation of 2017
- (3) To Approve the Cash Distribution from Capital Surplus
- (4) To Approve the Plan for Enlisting the Future IPO and Listing Projects of Certain Subsidiaries of the Company, the Company Proposes that It and the Affiliate Entities Controlled by It Be Allowed To Dispose of Their Shareholding in Said Subsidiaries in One or More Transactions or Waive Their Rights To Subscribe the New Shares To Be Issued by Such Subsidiaries in Capital Increase by Cash

3. Extemporary Motion

4. Meeting Adjourned

1. Report Items

- (1) To Report the Business of 2017
Explanatory Notes: Please refer to Attachment 1, page 14.
- (2) Audit Committee's Review Report
Explanatory Notes: Please refer to Attachment 2, page 15.
- (3) To Report the Amendments of the Company's Regulations Governing Procedure for Board of Directors Meetings
Explanatory Notes:
In accordance with the Financial Supervisory Commission order, Ref. No. Chin-Kuan-Cheng-Fa-Tzu-No.1060027112, dated July 28, 2017, which amends the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies", the Company has amended its "Regulations Governing Procedures for Board of Directors Meetings" by the resolution of the Company's Board of Directors meeting on August 10, 2017. Please refer to Attachment 3, pages 16 to 17, for the amended "Regulations Governing Procedures for Board of Directors Meetings" and "Comparison Table of Acer's Regulations Governing Procedures for Board of Directors Meetings".
- (4) To Report 2017 Employees' Profit Sharing Bonus and Board Directors' Compensation
Explanatory Notes:
 - i. The Board of Directors approved the proposal of employees' 2017 profit sharing bonus and Board Directors' compensation on March 21, 2018. The employees' profit sharing bonus and Board Directors' compensation are to be distributed in cash.
 - ii. The total amount of employees' 2017 profit sharing bonus is NT\$121,048,749.
 - iii. The total amount of Board Directors' 2017 compensation is NT\$4,262,925.

2. Proposed Items for Recognition and Discussion

Item 1

Proposal: To Approve the 2017 Financial Statements and Business Report. (Proposed by the Board of Directors)

Explanatory Notes:

- (1) Acer's 2017 Financial Statements, including the Balance Sheets, Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flow have been audited by CPA Huei-Chen Chang and CPA Tzu-Chieh Tang of KPMG.
- (2) The 2017 Business Report and the aforementioned financial statements are attached as Attachment 1, page 14 and Attachment 4, pages 18 to 37, which have been approved by the Audit Committee and by the Board of Directors via resolution and are hereby submitted for recognition.
- (3) Please discuss.

Resolution:

Item 2

Proposal: To Approve the Proposal for Profit & Loss Appropriation of 2017. (Proposed by the Board of Directors)

Explanatory Notes:

- (1) The beginning balance of the un-appropriated retained earnings of the Company is NT\$0 in 2017. After adding thereto the NT\$2,815,586,887 net income after tax for 2017, and setting aside NT\$281,558,689 as legal reserve and NT\$2,534,028,198 as special reserve in compliance with the applicable laws, the ending balance of the un-appropriated retained earnings is NT\$0.
- (2) No shareholders stock dividends or cash dividends will be distributed for 2017.
- (3) The 2017 Statement of Profit & Loss Appropriation is shown below.
- (4) Please discuss.

Acer Incorporated 2017 Statement of Profit & Loss Appropriation

Unit : NT\$

Beginning Balance of Un-appropriated Retained Earnings	0
Plus: 2017 Net Income after Tax	2,815,586,887
Deduct: Legal Reserve	(281,558,689)
Deduct: Special Reserve	<u>(2,534,028,198)</u>
 Ending Balance of Un-appropriated Retained Earnings	 <u><u>0</u></u>

Jason Chen
Chairman of Board

Jason Chen
Meggy Chen
Corporate Officers

Sophia Chen
Accounting Officer

Resolution:

Item 3

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

Explanatory Notes:

- (1) In accordance with Article 241 of the Company Act, it is proposed that a cash distribution of NT\$2,153,551,980 be made from the capital surplus derived from the Company's issuance of common stock above par value. The cash will be distributed to the shareholders according to the shares holding recorded in the shareholders' registrar on the record date for ex-dividend, at a ratio of NT\$0.7 per share (Rounded down to full NT dollar with the fractional amounts being aggregately recognized as the Company's other income).
- (2) Should the approved cash distribution ratio require any adjustment due to amendment of laws or regulations, request by competent authority, or any change of the numbers of the issued and outstanding shares, it is proposed that the General Shareholders' Meeting authorize the Board of Directors with full power to adjust the distribution ratio.
- (3) It is proposed that the General Shareholders' Meeting authorize the Board of Directors with full power to determine the record date for the cash distribution from capital surplus.
- (4) Please discuss.

Resolution:

Item 4

Proposal: To approve the plan for enlisting the future IPO and listing projects of certain subsidiaries of the Company, the Company proposes that it and the affiliate entities controlled by it be allowed to dispose of their shareholding in said subsidiaries in one or more transactions or waive their rights to subscribe the new shares to be issued by such subsidiaries in capital increase by cash. (Proposed by the Board of Directors)

Explanatory Notes:

- (1) In order to continuous advancing Acer group's transformation plan and to enlisting the Company's subsidiaries, which include StarVR Corporation, Acer Cyber Security Incorporated, Acer ITS Inc., Altos Computing Inc., Acer e-Enabling Service Business Inc., Weblink International Inc. and International Smart Union Corporation (collectively "Planned IPO Subsidiaries" hereinafter), and for their business operation and development, talent attraction and retention, integration of resources within and outside the group, lure of strategic investors or financial investors, and the planning of shareholding diversification for the Planned IPO Subsidiaries, it is proposed that, under the condition that the Company and the affiliate entities controlled by or subordinated to the Company (collectively "the Company and its Affiliates" hereinafter) maintain the controlling power (see, explanatory note (3) below) of the Planned IPO Subsidiaries, the Company and its Affiliates be allowed to sell their shareholding in the Planned IPO Subsidiaries and/or waive their rights to subscribe the new shares issued by the Planned IPO Subsidiaries in whole or in part, and dispose of their shareholding in the Planned IPO Subsidiaries by any of the following manners in one or a number of phases:

a. Waiver of rights to subscribe the new shares issued by the Planned IPO Subsidiaries in capital increase by cash:

The issuing price of the shares to be issued by each Planned IPO Subsidiary in a capital increase by cash should not be lower than the relevant Planned IPO Subsidiary's per share book value in the then most-current CPA audited or reviewed financial reports issued before the relevant Planned IPO Subsidiary's board of directors resolves to conduct the capital increase by cash. With the business operation and development of the Planned IPO Subsidiaries and the talent attraction and retention for enhancing their operation performance in mind, the Company and its Affiliates may, in addition to reserving ten to fifteen percent of each Planned IPO Subsidiary's newly issued shares for its employees' subscription and allocating certain shares for the public offering and underwriting as required by Article 28-1 of the Securities and Exchange Act and the related regulations, waive their rights to subscribe the new shares issued by the Planned IPO Subsidiary in capital increase by cash, or cause the Planned IPO Subsidiary to seek specific persons to offer to subscribe the shares to the extent that the right to subscribe thereof has been waived by the Company and its Affiliates. In principle, the specific persons making such offer to subscribe the new shares should be the Company's qualified shareholders, the employees of the Company and its Affiliates and the strategic investors and financial investors that may create synergies to the business operation of the Planned IPO Subsidiary. A "qualified shareholders" of the Company should refer to those shareholders recorded on the Company's shareholder registrar on the effective date of the then most-current lock-up period and those shareholders who are, at least, entitled to subscribe one thousand shares of the Planned IPO Subsidiary or the multiple of such unit based on their shareholding percentage in the Company (the Company's shareholders may combine their fractional shares for calculation based on the applicable rules at that time). However, the actual offering prices, the selection of the specific persons and the processing timeframe etc. should be determined by the resolutions of the relevant Planned IPO Subsidiary's board of directors.

b. Disposal of the shareholding in the Planned IPO Subsidiaries:

The prices of which the Company and its Affiliates' disposal the shares of each Planned IPO Subsidiary should not be lower than the per share book value in the then most-current CPA audited or reviewed financial reports of the relevant Planned IPO Subsidiary issued before the Company's board of directors resolves to dispose of such shares (however, if the relevant shares have been traded on over-the-counter market, the disposal prices should not be lower than the then market prices). With the Planned IPO Subsidiary's business operation and development and the talent attraction and retention for enhancing its operation performance in mind,

the transaction counterparts to whom the Company and its Affiliates dispose of the Planned IPO Subsidiary's shares should, in principle, be the Planned IPO Subsidiary's employees, the Company and its Affiliates' employees and the strategic investors and financial investors that may create synergies to the business operation of the Planned IPO Subsidiary. It is proposed that this General Shareholders' Meeting authorizes the Board of Directors with full power and authority to decide and execute all the related matters pertaining to the actual transaction prices, the selection of counterparts and the processing timeframe etc. based upon the then market condition and each Planned IPO Subsidiary's operation situation, and pursuant to the then effective "Procedures Governing Acquiring or Disposing of Assets" of the Company.

- (2) As to the share release necessary for the Planned IPO Subsidiaries' application for listing on the emerging stock market or the Taiwan Stock Exchange or the Taipei Exchange, the Company and its Affiliates should allocate a certain portion of shares for the leading securities firms to underwrite or should use a greenshoe (over-allotment) procedure pursuant to the applicable laws and regulations and the related rules that govern the IPO procedures. The number of shares being allocated and the prices thereof should be determined by negotiation with the underwriters based on the applicable laws and regulations, the related rules governing the IPO procedures, then market conditions and each Planned IPO Subsidiary's operation situation.
- (3) Upon completion of the aforesaid share release and/or waiver of rights to subscribe new shares issued by Planned IPO Subsidiaries in capital increase by cash, the Company and its Affiliates' direct and/or indirect shareholding in each of the Planned IPO Subsidiaries should not be less than 50% in aggregate, so that the Company and its Affiliates may maintain the controlling power and exploit the group synergy.
- (4) As to matters in relation to the aforesaid share release of the Planned IPO Subsidiaries and/or waiver of the rights to subscribe new shares issued by the Planned IPO Subsidiaries in capital increase by cash, it is proposed to the General Shareholders' Meeting that the Board of Directors be authorized to execute all the related matters with full power and authority.
- (5) Please discuss.

Resolution:

3. Extemporaneous Motion

4. Meeting Adjourned

C. Attachment

Attachment 1

Business Report for FY2017

Dear Shareholders,

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

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

As for the development of new business initiatives, Acer has continued to strengthen cooperation with alliance partners for the Internet of Things, and pursued a variety of service integration solutions. Our subsidiaries are also gaining global recognition for their services: in the area of smart transportation, Acer ITS' roadside smart parking meter solution won the Global ICT Excellence Award at WCIT¹ 2018. In data security, ACSI (Acer Cyber Security Inc.)

received ISO 17025 certification, and became Taiwan's first and only private security operation center (SOC). To stimulate innovation, Acer allows its businesses and subsidiaries the freedom to explore and discover markets to expand in, with the clear direction of first stabilizing operations, and then taking steps toward profitability.

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

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

Sincerely,

Jason Chen
Chairman and CEO
Acer Inc.

¹World Congress on Information Technology (WCIT)

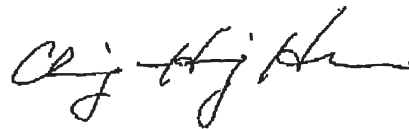
Attachment 2

Audit Committee's Review Report

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

Acer Incorporated

Convener of the Audit Committee: Ching-Hsiang, Hsu



March 21, 2018

Attachment 3

Comparison Table of Acer's Regulations Governing Procedures for Board of Directors Meetings

After Revision	Before Revision	Rationale
<p>Article 7</p> <p>1. The Company shall submit the following items for discussion by the board of directors:</p> <p>(1) Corporate business plan.</p> <p>(2) Annual and semi-annual financial reports. However, half-year financial reports which are not required by law to be audited by accountants are excluded.</p> <p>(3) Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Act <u>and an assessment of the effectiveness of internal control system.</u></p> <p>(4) Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, and endorsements or guarantees for others.</p> <p>(5) The offering, issuance, or private placement of any equity-type securities.</p> <p>(6) The appointment or discharge of a financial, accounting, or internal audit officer.</p> <p>(7) Donation to associated person or material donation to non-associated person; however, donations for charitable purposes in case of emergency arising from major natural disaster may be submitted for approval in the next Board meeting.</p> <p>(8) Any matter required by Article 14-3 of the Securities and Exchange Act or any other law, regulation, or bylaw to be approved by resolution at a shareholders' meeting or board of directors meeting, or any such significant matter as may be prescribed by the competent authority.</p>	<p>Article 7</p> <p>1. The Company shall submit the following items for discussion by the board of directors:</p> <p>(1) Corporate business plan.</p> <p>(2) Annual and semi-annual financial reports. However, half-year financial reports which are not required by law to be audited by accountants are excluded.</p> <p>(3) Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Act.</p> <p>(4) Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, and endorsements or guarantees for others.</p> <p>(5) The offering, issuance, or private placement of any equity-type securities.</p> <p>(6) The appointment or discharge of a financial, accounting, or internal audit officer.</p> <p>(7) Donation to associated person or material donation to non-associated person; however, donations for charitable purposes in case of emergency arising from major natural disaster may be submitted for approval in the next Board meeting.</p> <p>(8) Any matter required by Article 14-3 of the Securities and Exchange Act or any other law, regulation, or bylaw to be approved by resolution at a shareholders' meeting or board of directors meeting, or any such significant matter as may be prescribed by the competent authority.</p>	<p>Amendment made in accordance with the Financial Supervisory Commission order, dated July 28, 2017 (Ref. No. Chin-Kuan-Cheng-Fa- Tzu-No. 1060027112).</p>

After Revision	Before Revision	Rationale
<p>2. The “associated person” in paragraph (7) of the previous paragraph refers to the associated person as defined in the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”. The material donation to non-associated person means donation on each account exceeding, or accumulated donation to one single person within one year exceeding, NT\$100 million, or 1% of the net revenue or 5% of the paid-in capital in the latest audited financial reports.</p> <p>3. The “one year” as set out in the previous paragraph means the one year period immediately preceding the date of the respective Board meeting; however, such one year period shall not apply to donation which has been approved by the Board.</p> <p>4. The agenda items set out in the 1st paragraph shall be specified in the notice of the reasons for calling a Board meeting; none of them may be raised by an extraordinary motion except in the case of an emergency or legitimate reason.</p> <p>5. Where there is an independent director appointed by the Company, the application of these Regulations shall be handled in accordance with the applicable laws and regulations when it is otherwise specified thereof; and each Independent Director <u>there shall be at least one independent director attending board meetings in person; and all independent directors shall attend any board meeting concerning a matter specified in paragraph 1 that requires a resolution by the board of directors under Article 14-3 of the Securities and Exchange Act,</u> or shall appoint another independent director to attend as his or her proxy. If an independent director objects to or expresses reservations about the matter, it shall be recorded in the board meeting minutes; an independent director intending to express objection or reservations but unable to attend the meeting in person shall, unless there is some legitimate reason to do otherwise, issue a written opinion in advance, which shall be recorded in the meeting minutes.</p>	<p>2. The “associated person” in paragraph (7) of the previous paragraph refers to the associated person as defined in the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”. The material donation to non-associated person means donation on each account exceeding, or accumulated donation to one single person within one year exceeding, NT\$100 million, or 1% of the net revenue or 5% of the paid-in capital in the latest audited financial reports.</p> <p>3. The “one year” as set out in the previous paragraph means the one year period immediately preceding the date of the respective Board meeting; however, such one year period shall not apply to donation which has been approved by the Board.</p> <p>4. The agenda items set out in the 1st paragraph shall be specified in the notice of the reasons for calling a Board meeting; none of them may be raised by an extraordinary motion except in the case of an emergency or legitimate reason.</p> <p>5. Where there is an Independent Director appointed by the Company, the application of these Regulations shall be handled in accordance with the applicable laws and regulations when it is otherwise specified thereof; and each Independent Director shall attend in person any meeting concerning a matter that requires a resolution by the board of directors under Article 14-3 of the Securities and Exchange Act, or shall appoint another Independent Director to attend as his or her proxy. If an Independent Director objects to or expresses reservations about the matter, it shall be recorded in the board meeting minutes; an Independent Director intending to express objection or reservations but unable to attend the meeting in person shall, unless there is some legitimate reason to do otherwise, issue a written opinion in advance, which shall be recorded in the meeting minutes.</p>	
<p>Article 21</p> <p>The Procedures were enacted by Board of Directors on December 29, 2006. [omitted]</p> <p><u>The fourth amendment was made on August 10, 2017.</u></p>	<p>Article 21</p> <p>The Procedures were enacted by Board of Directors on December 29, 2006. [omitted]</p>	<p>Adding the date of amendment (based on the resolution date of the board of directors meeting).</p>

Attachment 4

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, 2017 and 2016, and the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were 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, 2017 are stated as follows:

1. Revenue recognition

Refer to Note 4(r) “Revenue recognition” for the significant accounting policies on recognizing revenue, and Note 5(a) “Critical accounting judgments and key sources of estimation 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(f) "Inventories" for the related disclosures.

Description of key audit matter:

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

How the matter was addressed in our audit:

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

3. Impairment of goodwill

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

Description of key audit matter:

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

How the matter was addressed in our audit:

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

Other Matter

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

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

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

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

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

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

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

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

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

2. Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remained solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determined that a matter should not be 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 21, 2018

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
ACER INCORPORATED AND ITS SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

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

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
ACER INCORPORATED AND ITS SUBSIDIARIES

Consolidated Balance Sheets (Continued)

December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

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

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
ACER INCORPORATED AND ITS SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Loss)

For the years ended December 31, 2017 and 2016

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

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

See accompanying notes to financial statements.

(English Translation of Consolidated and Report Originally Issued in Chinese)
ACER INCORPORATED AND ITS SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the years ended December 31, 2017 and 2016
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent													
	Retained earnings					Other equity interest								
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings (accumulated deficit)	Total	Foreign currency translation differences	Unrealized gain (loss) from available-for-sale financial assets	Remeasurements of defined benefit plans	Unearned compensation cost arising from restricted shares of stock issued to employees	Treasury stock	Total	Non-controlling interests	Total equity
Balance at January 1, 2016	\$ 30,854,428	36,232,735	93,166	838,498	520,235	1,451,899	1,437,412	(1,104,565)	(64,376)	(39,966)	(2,914,856)	65,852,731	2,370	65,855,101
Appropriation approved by the stockholders:														
Legal reserve	-	-	52,024	-	(52,024)	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	468,211	(468,211)	-	-	-	-	-	-	-	-	-
Other changes in capital surplus:														
Change in equity of investments in associates	-	(19,743)	-	-	-	-	-	-	-	-	-	(19,743)	-	(19,743)
Cash distributed from capital surplus	-	(1,517,007)	-	-	-	-	-	-	-	-	-	(1,517,007)	-	(1,517,007)
Compensation cost arising from restricted shares of stock issued to employees	-	-	-	-	-	-	-	-	-	13,223	-	13,223	-	13,223
Retirement of restricted shares of stock issued to employees	(47,100)	47,100	-	-	-	-	-	-	-	-	-	-	-	-
Net loss in 2016	-	-	-	-	(4,900,296)	(4,900,296)	-	-	-	-	-	(4,900,296)	(444)	(4,900,740)
Other comprehensive income (loss) for the period	-	-	-	-	-	-	(2,498,427)	756,795	(12,881)	-	-	(1,754,513)	2,157	(1,752,356)
Total comprehensive income (loss) for the period	-	-	-	-	(4,900,296)	(4,900,296)	(2,498,427)	756,795	(12,881)	-	-	(6,654,809)	1,713	(6,653,096)
Balance at December 31, 2016	30,807,328	34,743,105	145,190	1,306,709	(4,900,296)	(3,448,397)	(1,061,015)	(347,770)	(77,257)	(26,743)	(2,914,856)	57,674,395	4,083	57,678,478
Appropriation approved by the stockholders:														
Decrease in legal reserve to offset accumulated deficits	-	-	(145,190)	-	145,190	-	-	-	-	-	-	-	-	-
Decrease in special reserve to offset accumulated deficits	-	-	-	(1,306,709)	1,306,709	-	-	-	-	-	-	-	-	-
Decrease in capital surplus to offset accumulated deficits	-	(3,448,397)	-	-	3,448,397	-	-	-	-	-	-	-	-	-
Other changes in capital surplus:														
Change in equity of investments in subsidiaries and associates	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash distributed from capital surplus	-	28,571	-	-	-	-	-	-	-	-	-	28,571	19	28,590
Changes in ownership interests in subsidiaries	-	(1,515,071)	-	-	-	-	-	-	-	-	-	(1,515,071)	-	(1,515,071)
Acquisition of subsidiaries	-	1,653	-	-	-	-	-	-	-	-	-	1,653	(1,653)	-
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	649,886	649,886
Compensation cost arising from restricted shares of stock issued to employees	-	-	-	-	-	-	-	-	-	-	-	-	19,893	19,893
Retirement of restricted shares of stock issued to employees	-	-	-	-	-	-	-	-	-	14,650	-	14,650	-	14,650
Stock option compensation cost of subsidiary	(42,300)	42,300	-	-	-	-	-	-	-	-	-	-	-	-
Net income in 2017	-	-	-	-	2,815,587	2,815,587	-	-	-	-	-	23	12	35
Other comprehensive income (loss) for the period	-	-	-	-	-	-	(2,141,146)	459,805	(19,024)	-	-	2,815,587	(18,854)	2,796,733
Total comprehensive income (loss) for the period	-	-	-	-	2,815,587	2,815,587	(2,141,146)	459,805	(19,024)	-	-	(1,700,365)	2,577	(1,697,788)
Balance at December 31, 2017	\$ 30,765,028	29,852,184	-	-	2,815,587	2,815,587	(3,202,161)	112,035	(96,281)	(12,093)	(2,914,856)	57,319,443	655,963	57,975,406

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
ACER INCORPORATED AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

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

See accompanying notes to financial statements.

(English Translation of Financial Report Originally Issued in Chinese)

ACER INCORPORATED AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows (Continued)

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

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

See accompanying notes to financial statements.

Independent Auditors' Report

To the Board of Directors

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, 2017 and 2016, and the parent-company-only statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, 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, 2017 and 2016, and its parent-company-only financial performance and its parent-company-only cash flows for the years then ended 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 significant 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 the 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, 2017 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 Company 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 Company 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 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 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(g) "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(f) "Inventories" for the related disclosures.

Description of key audit matter:

Inventories are measured at the lower of cost and net realizable value. Due to the rapid development of technology and fierce market competition, the Company's product price may fluctuate rapidly. Furthermore, the stocks for products and components may exceed customers' demands thus becoming obsolete. These factors expose the Company 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 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 on goodwill impairment, Note 5(c) "Critical accounting judgments and key sources of estimation uncertainty" for estimation uncertainty of goodwill impairment and Note 6(j) "Intangible assets" for the related disclosures.

Description of key audit matter:

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

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain audit procedures including, among others, assessing the basis used by management for identifying the cash-generating units and whether book value of assets belonging to respective cash-generating units have been completely covered; assessing the appropriateness of the valuation model and key assumptions (in particular projected sales growth rate and weighted-average cost of capital) used by the management in measuring the recoverable amount; assessing the historical reasonableness of management's estimates of business forecasts, and performing a sensitivity analysis of key assumptions. In addition to the above audit procedures, we have also involved a valuation specialist to evaluate the appropriateness of the weighted-average cost of capital used and its underlying assumptions; and assessing the adequacy of the Company's disclosures 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 the 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 Parent-Company-Only Audit of the 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 Company 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 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)

Notes to Readers

The accompanying financial statements are intended only to present the financial position, results of operations, and cash flows in accordance with the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the Financial Supervisory Commission of the Republic of China. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and consolidated financial statements shall prevail.

(English Translation of Financial Report Originally Issued in Chinese)

ACER INCORPORATED

Balance Sheets

December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

		<u>December 31, 2017</u>		<u>December 31, 2016</u>	
Assets		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Current assets:					
1100	Cash and cash equivalents	\$ 13,708,705	12	14,176,410	11
1110	Financial assets at fair value through profit or loss – current	58,407	-	1,036,508	1
1125	Available-for-sale financial assets – current	67,077	-	59,326	-
1147	Investments in debt instrument without an active market – current	227,243	-	-	-
1170	Notes and accounts receivable, net	4,246,340	4	4,516,293	3
1180	Accounts receivable from related parties	14,186,704	12	22,587,062	17
1200	Other receivables	341,721	-	401,885	-
1210	Other receivables from related parties	260,738	-	850,786	1
1220	Current income tax assets	1,875	-	2,649	-
130X	Inventories	13,344,712	11	12,406,061	10
1470	Other current assets	<u>194,784</u>	<u>-</u>	<u>299,972</u>	<u>-</u>
Total current assets		<u>46,638,306</u>	<u>39</u>	<u>56,336,952</u>	<u>43</u>
Non-current assets:					
1510	Financial assets at fair value through profit or loss – non-current	-	-	70,340	-
1523	Available-for-sale financial assets – non-current	3,244,501	3	2,757,771	3
1546	Investments in debt instrument without an active market – non-current	-	-	165,326	-
1550	Investments accounted for using equity method	66,001,978	56	67,276,895	52
1600	Property, plant and equipment	1,358,581	1	1,396,807	1
1760	Investment property	1,288,312	1	1,302,018	1
1780	Intangible assets	261,992	-	320,315	-
1840	Deferred income tax assets	47,725	-	39,469	-
1900	Other non-current assets	109,598	-	182,431	-
1980	Other financial assets – non-current	<u>149,704</u>	<u>-</u>	<u>166,469</u>	<u>-</u>
Total non-current assets		<u>72,462,391</u>	<u>61</u>	<u>73,677,841</u>	<u>57</u>
Total assets		<u>\$ 119,100,697</u>	<u>100</u>	<u>130,014,793</u>	<u>100</u>

See accompanying notes to financial statements.

(English Translation of Financial Report Originally Issued in Chinese)

ACER INCORPORATED

Balance Sheets (Continued)

December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

		<u>December 31, 2017</u>		<u>December 31, 2016</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Liabilities and Equity					
Current liabilities:					
2120	Financial liabilities at fair value through profit or loss – current	326,006	-	-	-
2170	Notes and accounts payable	34,216,562	29	44,215,338	34
2180	Accounts payable to related parties	94,524	-	135,603	-
2200	Other payables	17,226,533	15	19,552,565	15
2220	Other payables to related parties	1,146,233	1	125,063	-
2250	Provisions – current	728,546	-	695,494	1
2230	Current income tax liabilities	128,512	-	67,341	-
2322	Current portion of long-term debt	2,700,000	3	6,000,000	5
2399	Other current liabilities	<u>142,911</u>	<u>-</u>	<u>22,845</u>	<u>-</u>
	Total current liabilities	<u>56,709,827</u>	<u>48</u>	<u>70,814,249</u>	<u>55</u>
Non-current liabilities:					
2540	Long-term debt	3,300,000	3	-	-
2570	Deferred income tax liabilities	788,259	-	568,188	-
2600	Other non-current liabilities	813,161	1	957,961	1
2622	Long-term accounts payable to related parties	<u>170,007</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Total non-current liabilities	<u>5,071,427</u>	<u>4</u>	<u>1,526,149</u>	<u>1</u>
	Total liabilities	<u>61,781,254</u>	<u>52</u>	<u>72,340,398</u>	<u>56</u>
Equity					
3110	Common stock	30,765,028	26	30,807,328	24
3200	Capital surplus	29,852,184	25	34,743,105	26
	Retained earnings:				
3310	Legal reserve	-	-	145,190	-
3320	Special reserve	-	-	1,306,709	1
3351	Unappropriated earnings (accumulated deficit)	2,815,587	2	(4,900,296)	(4)
3400	Other equity	(3,198,500)	(3)	(1,512,785)	(1)
3500	Treasury stock	<u>(2,914,856)</u>	<u>(2)</u>	<u>(2,914,856)</u>	<u>(2)</u>
	Total equity	<u>57,319,443</u>	<u>48</u>	<u>57,674,395</u>	<u>44</u>
	Total liabilities and equity	<u>\$ 119,100,697</u>	<u>100</u>	<u>130,014,793</u>	<u>100</u>

See accompanying notes to financial statements.

(English Translation of Financial Report Originally Issued in Chinese)

ACER INCORPORATED

Statements of Comprehensive Income

For the years ended December 31, 2017 and 2016

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

		2017		2016	
		Amount	%	Amount	%
4000	Revenue	\$ 174,273,511	100	175,496,371	100
5000	Cost of revenue	165,762,193	95	168,574,782	96
	Gross profit before realized gross profit on sales to subsidiaries, associates and joint venture	8,511,318	5	6,921,589	4
5920	Realized (unrealized) gross profit on sales to subsidiaries, associates and joint venture	(37,114)	-	58,999	-
	Gross profit	8,474,204	5	6,980,588	4
	Operating expenses:				
6100	Selling expenses	2,746,507	1	3,598,714	2
6200	Administrative expenses	1,262,074	1	859,091	-
6300	Research and development expenses	1,545,541	1	1,565,526	1
		5,554,122	3	6,023,331	3
6500	Other operating income and loss — net	107,859	-	96,034	-
	Operating income	3,027,941	2	1,053,291	1
	Non-operating income and loss:				
7010	Other income	290,090	-	176,162	-
7020	Other gains and losses — net	260,352	-	34,401	-
7050	Finance costs	(217,933)	-	(125,305)	-
7060	Share of losses of subsidiaries, associates and joint venture	(334,231)	-	(5,869,390)	(4)
7675	Loss on impairment of intangible assets	-	-	(149,641)	-
		(1,722)	-	(5,933,773)	(4)
7900	Income (loss) before taxes	3,026,219	2	(4,880,482)	(3)
7950	Less: Income tax expense	210,632	-	19,814	-
	Net income (loss)	2,815,587	2	(4,900,296)	(3)
	Other comprehensive income (loss):				
8310	Items that will not be reclassified subsequently to profit or loss				
8311	Remeasurements of defined benefit plans	(48,457)	-	(136,564)	-
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	21,195	-	100,467	-
8349	Income tax benefit related to items that will not be reclassified subsequently to profit or loss	8,238	-	23,216	-
		(19,024)	-	(12,881)	-
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign operations	(2,141,164)	(1)	(2,498,780)	(1)
8362	Change in fair value of available-for-sale financial assets	494,936	-	739,256	-
8380	Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using equity method	(35,131)	-	17,539	-
8399	Income tax benefit related to items that may be reclassified subsequently to profit or loss	18	-	353	-
		(1,681,341)	(1)	(1,741,632)	(1)
		(1,700,365)	(1)	(1,754,513)	(1)
	Other comprehensive losses for the year, net of taxes				
	Total comprehensive income (loss) for the year	\$ 1,115,222	1	(6,654,809)	(4)
	Earnings (loss) per share (in New Taiwan dollars) :				
9750	Basic earnings (loss) per share	\$ 0.93		(1.62)	
9850	Diluted earnings (loss) per share	\$ 0.93		(1.62)	

See accompanying notes to financial statements.

(English Translation of Financial Report Originally Issued in Chinese)
STATEMENTS OF COMPREHENSIVE INCOME

Statements of Changes in Equity
For the years ended December 31, 2017 and 2016
(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings					Other equity					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		Treasury stock
Balance at January 1, 2016	\$ 30,854,428	36,232,755	93,166	838,498	520,235	1,451,899	1,437,412	(1,104,565)	(64,376)	(39,966)	(2,914,856)	65,852,731
Appropriation approved by the stockholders:												
Legal reserve	-	-	52,024	-	(52,024)	-	-	-	-	-	-	-
Special reserve	-	-	-	468,211	(468,211)	-	-	-	-	-	-	-
Other changes in capital surplus:												
Change in equity of investments in associates	-	(19,743)	-	-	-	-	-	-	-	-	-	(19,743)
Cash distributed from capital surplus	-	(1,517,007)	-	-	-	-	-	-	-	-	-	(1,517,007)
Retirement of restricted shares of stock issued to employees	(47,100)	47,100	-	-	-	-	-	-	-	-	-	-
Compensation cost arising from restricted shares of stock issued to employees	-	-	-	-	-	-	-	-	-	13,223	-	13,223
Net loss in 2016	-	-	-	-	(4,900,296)	(4,900,296)	(2,498,427)	756,795	(12,881)	-	-	(4,900,296)
Other comprehensive income (loss) for the period	-	-	-	-	(4,900,296)	(4,900,296)	(2,498,427)	756,795	(12,881)	-	-	(1,754,513)
Total comprehensive income (loss) for the period	-	-	-	-	(4,900,296)	(4,900,296)	(1,061,015)	(347,770)	(77,257)	(26,743)	-	(6,654,809)
Balance at December 31, 2016	30,807,328	34,743,105	145,190	1,306,709	(4,900,296)	3,448,397	(1,061,015)	(347,770)	(77,257)	(26,743)	(2,914,856)	57,674,395
Appropriation approved by the stockholders:												
Decrease in legal reserve to offset accumulated deficits	-	-	(145,190)	-	145,190	-	-	-	-	-	-	-
Decrease in special reserve to offset accumulated deficits	-	-	-	(1,306,709)	1,306,709	-	-	-	-	-	-	-
Decrease in capital surplus to offset accumulated deficits	-	(3,448,397)	-	-	3,448,397	3,448,397	-	-	-	-	-	-
Other changes in capital surplus:												
Cash dividends from capital surplus	-	(1,515,071)	-	-	-	-	-	-	-	-	-	(1,515,071)
Changes in equity of investments in subsidiaries and associates	-	30,247	-	-	-	-	-	-	-	-	-	30,247
Retirement of restricted shares of stock issued to employees	(42,300)	42,300	-	-	-	-	-	-	-	-	-	-
Compensation cost arising from restricted shares of stock issued to employees	-	-	-	-	2,815,587	2,815,587	-	-	-	14,650	-	14,650
Net income in 2017	-	-	-	-	2,815,587	2,815,587	(2,141,146)	459,805	(19,024)	-	-	2,815,587
Other comprehensive income (loss) for the period	-	-	-	-	2,815,587	2,815,587	(2,141,146)	459,805	(19,024)	-	-	(1,700,365)
Total comprehensive income (loss) for the period	-	-	-	-	2,815,587	2,815,587	(3,202,161)	112,035	(96,281)	(12,093)	-	1,115,222
Balance at December 31, 2017	\$ 30,765,028	29,852,184	-	-	2,815,587	2,815,587	(3,202,161)	112,035	(96,281)	(12,093)	(2,914,856)	57,319,443

For the years ended December 31, 2017 and 2016, remuneration for directors of \$18,363 and \$12,500, respectively, have been deducted from the total comprehensive income. For the years ended December 31, 2017 and 2016, employee bonus of \$121,049 and \$ 0, respectively, have been deducted from the total comprehensive income.

See accompanying notes to financial statements.

(English Translation of Financial Report Originally Issued in Chinese)**ACER INCORPORATED****Statements of Cash Flows****For the years ended December 31, 2017 and 2016****(Expressed in Thousands of New Taiwan Dollars)**

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Income (loss) before income taxes	\$ <u>3,026,219</u>	<u>(4,880,482)</u>
Adjustments for:		
Depreciation	82,761	121,426
Amortization	67,589	86,641
Interest expense	217,933	125,305
Interest income	(107,821)	(58,105)
Dividend income	(182,269)	(118,057)
Share-based compensation cost	14,650	13,223
Effects of exchange rate changes on investments in debt instrument without an active market	(7,000)	11,597
Share of losses of subsidiaries, associates and joint venture	334,231	5,869,390
Gain on disposal of property, plant and equipment	(1,893)	(779)
Gain on disposal of intangible assets	(32)	(4)
Other investment gain	-	(11,160)
Loss on disposal of investments accounted for using equity method	209	-
Gain on bargain purchase	(1,130)	-
Intangible assets reclassified to expenses	519	-
Impairment loss on non-financial assets	-	149,641
Unrealized (realized) profit from sales to subsidiaries, associates and joint venture	<u>37,114</u>	<u>(58,999)</u>
Total profit and loss	<u>454,861</u>	<u>6,130,119</u>
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Derivative financial assets and liabilities	1,374,447	(638,664)
Notes and accounts receivable	269,953	(771,119)
Receivables from related parties	8,400,358	(8,346,186)
Inventories	(965,874)	(3,348,946)
Other receivables and other current assets	<u>165,383</u>	<u>230,411</u>
Net changes in operating assets	<u>9,244,267</u>	<u>(12,874,504)</u>
Net changes in operating liabilities:		
Notes and accounts payable	(9,998,776)	9,931,490
Payables to related parties	(18,909)	(35,047)
Other payables and other current liabilities	(2,200,743)	(1,498,671)
Provisions	33,052	70,387
Other non-current liabilities and long-term payables to related parties	<u>131</u>	<u>(22,388)</u>
Net changes in operating liabilities	<u>(12,185,245)</u>	<u>8,445,771</u>
Total changes in operating assets and liabilities	<u>(2,940,978)</u>	<u>(4,428,733)</u>
Cash provided by (used in) operations	540,102	(3,179,096)
Interest received	82,054	28,964
Income taxes refunded (paid)	<u>71,384</u>	<u>(10,257)</u>
Net cash provided by (used in) operating activities	<u>693,540</u>	<u>(3,160,389)</u>

See accompanying notes to financial statements.

(English Translation of Financial Report Originally Issued in Chinese)

ACER INCORPORATED

Statements of Cash Flows (Continued)

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	<u>2017</u>	<u>2016</u>
Cash flows from investing activities:		
Proceeds from capital return of available-for-sale financial assets	455	23,751
Purchase of investments in debt instrument without an active market	-	(286,903)
Acquisition of investments accounted for using equity method	(1,279,994)	(1,532,000)
Proceeds from disposal of investments accounted for using equity method	-	147,718
Additions to property, plant and equipment	(16,004)	(18,932)
Proceeds from disposal of property, plant and equipment	4,377	1,494
Decrease in advances to / finance receivables from related parties	560,867	330,323
Additions to intangible assets	(2,137)	(561)
Proceeds from disposal of intangible assets	2,298	313
Decrease in other non-current financial assets and other non-current assets	89,598	42,380
Dividend received	<u>241,831</u>	<u>305,622</u>
Net cash used in investing activities	<u>(398,709)</u>	<u>(986,795)</u>
Cash flows from financing activities:		
Decrease in short-term borrowings	-	(1,800,000)
Repurchase of bonds payable	-	(6,000,000)
Increase in long-term debt	3,300,000	6,000,000
Repayment of long-term debt	(3,300,000)	(1,800,000)
Increase in loans from related parties	999,000	-
Cash distributed from capital surplus	(1,538,379)	(1,540,501)
Interest paid	<u>(223,157)</u>	<u>(72,280)</u>
Net cash used in financing activities	<u>(762,536)</u>	<u>(5,212,781)</u>
Net decrease in cash and cash equivalents	<u>(467,705)</u>	<u>(9,359,965)</u>
Cash and cash equivalents at beginning of year	<u>14,176,410</u>	<u>23,536,375</u>
Cash and cash equivalents at end of year	<u><u>\$ 13,708,705</u></u>	<u><u>14,176,410</u></u>

See accompanying notes to financial statements.

D. Appendix

Appendix 1

Articles of Incorporation of Acer Incorporated

CHAPTER I – GENERAL PROVISIONS

- Article 1 This Company shall be incorporated in accordance with the Company Law, and shall be called Acer Incorporated.
- Article 2 The scope of business of this Company shall include the following:
- (1) F113050 Wholesale of Computing and Business Machinery Equipment;
 - (2) F213030 Retail Sale of Computing and Business Machinery Equipment;
 - (3) F118010 Wholesale of Computer Software;
 - (4) I301010 Software Design Services;
 - (5) I301020 Data Processing Services;
 - (6) G902011 Type II Telecommunications Enterprise;
 - (7) F401010 International Trade;
 - (8) JA02010 Electric Appliance and Audiovisual Electric Products Repair Shops
 - (9) JE01010 Rental and Leasing Business;
 - (10) CC01030 Electric Appliance and Audiovisual Electric Products Manufacturing
 - (11) CC01070 Telecommunication Equipment and Apparatus Manufacturing;
 - (12) CC01110 Computers and Computing Peripheral Equipment Manufacturing
 - (13) CD01060 Aircraft and Parts Manufacturing;
 - (14) E701030 Restrained Telecom Radio Frequency Equipment and Materials Construction;
 - (15) F401021 Restrained Telecom Radio Frequency Equipment and Materials Import;
 - (16) F113070 Wholesale of Telecom Instruments;
 - (17) IZ13010 Internet Identify Services;
 - (18) F108031 Wholesale of Drugs, Medical Goods;
 - (19) F208031 Retail Sale of Medical Equipments;
 - (20) ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.
- Article 3 This Company may, for its business operations or other investment matters, make endorsements or issue guarantees.

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

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

CHAPTER II – CAPITAL STOCK

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

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

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

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

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

CHAPTER III – SHAREHOLDERS' MEETINGS

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

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

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

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

CHAPTER IV – DIRECTORS AND COMMITTEE

- Article 12** This Company shall have seven (7) ~ eleven (11) directors, to be elected from the nominees listed in the roster of director with the candidate nomination system. The term of office for directors and supervisors shall be three (3) years. The directors are eligible for re-election. The total capital stock held by all directors shall not be less than the percentage provided by the competent authority. The Company may buy the Responsibility Insurance for the Directors who have to be responsible for the damages caused by their duties.
- The Company shall establish three (3) or more independent directors to be included in the number of directors designated in the preceding paragraph. The elections for independent directors shall proceed with the candidate nomination system; the shareholders shall elect independent directors from among the nominees listed in the roster of independent director candidates.
- Article 12-1** The Company shall establish an Audit Committee, which shall consist of all independent directors. The Audit Committee or the members of Audit Committee shall be responsible for those responsibilities of Supervisors specified under the ROC Company Law, Securities and Exchange Act and other relevant laws and regulations.
- Article 13** The Board of Directors shall consist of directors of the company, and the chairman of the Board of Directors shall be elected by a majority of directors in attendance at a meeting attended by over two-thirds of the Board of Directors. The chairman of the Board of Directors shall represent this Company in external matters. The Board of Directors shall place any kinds of committee includes and so on.
- The meeting of the Board of Directors shall be convened in accordance with Article 204 of the Company Law; the notice of the meeting may be made by electronic mail or facsimile transmission.
- Article 14** The board of directors shall have the following authority:
- (1) To audit and supervise annual operation plan,
 - (2) To determine the budget and review final accounts,
 - (3) To propose earnings appropriation or make up for loss,
 - (4) To propose increase or decrease capital plan,
 - (5) To consider significant capital expenditure plans,
 - (6) To establish branch offices or terminate branch offices,
 - (7) To propose and discuss amendments to the Articles of Incorporation,
 - (8) To decide important contracts or other important matters,
 - (9) To decide whether to invest in other business or whether to dispose of shares of investment business,
 - (10) To review the major dealings between the Company its related partners (including affiliated companies),
 - (11) To appoint or remove the president and/or the vice president,
 - (12) To dispose of or purchase important property and approve the bylaws, and
 - (13) Other authorities granted by shareholders or in accordance with the law.
- Article 15** Where the chairman of the board of directors is on leave or cannot exercise his powers or perform his duties for any reason, an acting chairman shall be designated in accordance with Article 208 of the Company Law. Where a director is unable to attend the meeting of the board of directors, he may appoint another director as his proxy to attend the meeting by issuing a letter of proxy. Each director can act as a proxy for only one other director.

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

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

Where there is profit in each fiscal year, after covering the accumulated losses, not more than one percent (1%) of the profit shall be distributed as remuneration of directors; the standard for distribution of remuneration will be recommended by Remuneration Committee and determined by the Board of Directors.

CHAPTER V – MANAGERS

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

CHAPTER VI – ACCOUNTING

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

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

Article 19 As the industry prosperity and the trends rapidly changed, the dividends strategy of the Company depends on yearly earnings and external environments, therefore, cash dividends of this Company shall be distributed at least ten percent of yearly dividends for complying with related regulations.

Article 20 Where there is profit at the end of each fiscal year, after covering the accumulated losses, at least 5% of the profit shall be distributed as employees' compensation.

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

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

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

CHAPTER VII – SUPPLEMENTARY PROVISIONS

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

Article 23 These Articles of Incorporation were approved on June 19, 1979
The first amendment was approved on December 17, 1980
The second amendment was approved on September 10, 1981
The third amendment was approved on August 10, 1983
The fourth amendment was approved on September 2, 1983
The fifth Amendment was approved on May 10, 1985
The sixth amendment was approved on August 1, 1985
The seventh amendment was approved on October 1, 1986
The eighth amendment was approved on April 2, 1987
The ninth amendment was approved on November 15, 1987
The tenth amendment was approved on March 15, 1989
The eleventh amendment was approved on April 26, 1989
The twelfth amendment was approved on October 15, 1989
The thirteenth amendment was approved on November 22, 1989
The fourteenth amendment was approved on February 23, 1990
The fifteenth amendment was approved on May 15, 1990
The sixteenth amendment was approved on August 1, 1990
The seventeenth amendment was approved on December 27, 1990
The eighteenth amendment was approved on June 22, 1991
The nineteenth amendment was approved on December 10, 1991
The twentieth amendment was approved on June 10, 1992
The twenty-first amendment was approved on October 23, 1992
The twenty-second amendment was approved on February 17, 1993
The twenty-third amendment was approved on May 31, 1993
The twenty-fourth amendment was approved on March 24, 1994
The twenty-fifth amendment was approved on April 26, 1996
The twenty-sixth amendment was approved on April 26, 1996
The twenty-seventh amendment was approved on June 25, 1997
The twenty-eighth amendment was approved on May 29, 1998
The twenty-ninth amendment was approved on May 28, 1999
The thirtieth amendment was approved on May 23, 2000
The thirty-first amendment was approved on May 17, 2001
The thirty-second amendment was approved on December 17, 2001
The thirty-third amendment was approved on June 19, 2002
The thirty-fourth amendment was approved on June 17, 2004
The thirty-fifth amendment was approved on June 14, 2005
The thirty-sixth amendment was approved on June 15, 2006

The thirty-seventh amendment was approved on June 14, 2007

The thirty-eighth amendment was approved on June 13, 2008

The thirty-ninth amendment was approved on June 18, 2010

The fortieth amendment was approved on June 15, 2012

The forty-first amendment was approved on June 19, 2013. These amendments to Acer's Articles of Incorporation shall be enforced and applied from June 2014 of expiration of the term currently being served by the Board of Directors or Supervisors

The forty-second amendment was approved on June 18, 2014

The forty-third amendment was approved on June 24, 2016

Appendix 2

Acer's Regulations Governing Procedures for Board of Directors Meetings (Upon being Amended)

- Article 1 In order to establish a sound governance system, to promote the integrity of the supervising function and to strengthen the management power of the Company, these "Regulations Governing Procedure for Board of Directors Meetings" (these Regulations) are executed to be followed by the Company.
- Article 2 The main agenda items, operational procedures, required content of meeting minutes, public announcements, and other compliance requirements for Board meetings of the Company shall be handled in accordance with these Regulations.
- Article 3 The Board of Directors shall meet at least quarterly. The reasons for calling a Board meeting shall be notified to each director at least seven days in advance. In emergency circumstances, however, a Board meeting may be called on shorter notice. The notice of Board meeting in this Article may be sent via electronic means with respective Board member's consent.
- Article 4 A Board meeting shall be held at the location and during the business hours of the Company, or at a place and time convenient to all directors and suitable for holding such a meeting.
- Article 5
1. The Board of Directors of the Company hereby appoints the "Secretary Office of the Board" (the "Secretary") to be in charge of and handle the administrative affairs for the Board, including preparation of the Board meetings.
 2. The Secretary shall prepare agenda items for the Board meetings and provide sufficient pre-meeting materials, to be sent together with the notice of the meeting.
 3. The Secretary shall make appropriate and sufficient supplement at all time when requested by any one of the members of the Board with respect to any proposal, report, representation or other matters to be discussed by, reported to or presented before the Board meetings. By a resolution adopted by the Board, instituted by one member of the Board, for the cause of insufficiencies in the supporting documents and information pertaining to a proposal before the Board, the deliberation of such proposal may be deferred to the next Board meeting.
- Article 6 Agenda items for Board meetings shall be in accordance with the applicable laws, regulations and the Company's Articles of Incorporation; and agenda items for regular board of directors meetings shall include at least the following:
- (1) Reports:
 - (i) Minutes of the last meeting and actions arising.
 - (ii) Reporting on important financial and business matters.
 - (iii) Reporting on internal audit activities.
 - (iv) Other important matters to be reported.
 - (2) Discussions:
 - (i) Items discussed and continued from the last meeting.
 - (ii) Items for discussion at this meeting.
 - (3) Extraordinary motions.

Article 7

1. The Company shall submit the following items for discussion by the board of directors:
 - (1) Corporate business plan.
 - (2) Annual and semi-annual financial reports. However, half-year financial reports which are not required by law to be audited by accountants are excluded.
 - (3) Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Act and an assessment of the effectiveness of internal control system.
 - (4) Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, and endorsements or guarantees for others.
 - (5) The offering, issuance, or private placement of any equity-type securities.
 - (6) The appointment or discharge of a financial, accounting, or internal audit officer.
 - (7) Donation to associated person or material donation to non-associated person; however, donations for charitable purposes in case of emergency arising from major natural disaster may be submitted for approval in the next Board meeting.
 - (8) Any matter required by Article 14-3 of the Securities and Exchange Act or any other law, regulation, or bylaw to be approved by resolution at a shareholders' meeting or board of directors meeting, or any such significant matter as may be prescribed by the competent authority.
2. The "associated person" in paragraph (7) of the previous paragraph refers to the associated person as defined in the "Regulations Governing the Preparation of Financial Reports by Securities Issuers". The material donation to non-associated person means donation on each account exceeding, or accumulated donation to one single person within one year exceeding, NT\$100 million, or 1% of the net revenue or 5% of the paid-in capital in the latest audited financial reports.
3. The "one year" as set out in the previous paragraph means the one year period immediately preceding the date of the respective Board meeting; however, such one year period shall not apply to donation which has been approved by the Board.
4. The agenda items set out in the 1st paragraph shall be specified in the notice of the reasons for calling a Board meeting; none of them may be raised by an extraordinary motion except in the case of an emergency or legitimate reason.
5. Where there is an independent director appointed by the Company, the application of these Regulations shall be handled in accordance with the applicable laws and regulations when it is otherwise specified thereof and there shall be at least one independent director attending board meetings in person; and all independent directors shall attend any board meeting concerning a matter specified in paragraph 1 that requires a resolution by the board of directors, or shall appoint another independent director to attend as his or her proxy. If an independent director objects to or expresses reservations about the matter, it shall be recorded in the board meeting minutes; an independent director intending to express objection or reservations but unable to attend the meeting in person shall, unless there is some legitimate reason to do otherwise, issue a written opinion in advance, which shall be recorded in the meeting minutes.

Article 8

Apart from matters referred to in paragraph 1 of the preceding article, which are required to be submitted for discussion by the board of directors, when the board of directors delegates any exercise of its powers pursuant to laws or regulations or the company's articles of incorporation, matters such as the level and substance of the delegation shall be concretely and specifically set out.

Article 9

1. When a Board meeting is held, an attendance book shall be made ready for signature by directors attending the meeting and materials related to the Board meetings shall be made available for reference by the Secretary.
2. All Board directors shall attend Board meetings in person; if attendance in person is not possible, they may, in a manner compliant with the Company's Articles of Incorporation, appoint another director to attend in their place. Attendance via tele- or video-conference is deemed as attendance in person.
3. A director appointing another director to attend a Board meeting in his or her place shall in each case give to that director a written proxy stating the scope of authorization with respect to the reasons for meeting.
4. A proxy under the preceding two paragraphs may accept a proxy from one person only.

- Article 10
1. The Board meetings shall be called and chaired by the Chairman of the Board. However, the first meeting of each newly elected Board of Directors shall be called and chaired by the director who received votes representing the largest portion of voting rights at the shareholders' meeting in which the directors were elected; if there are two or more directors so entitled to call the meeting, they shall choose one person by and from among themselves to do so.
 2. When the Chairman of the Board is on leave or for any reason is unable to exercise the powers of the Chairman, a director designated by the Chairman shall do so in place of the Chairman, or, if there is no designated director, by a director elected by and from among themselves.
- Article 11
- When holding a Board meeting, the Company may, as necessary for the agenda items of the meeting, notify the staff from subsidiary(ies) to attend the meeting as nonvoting participants. When necessary, the Company may also invite certificated public accounts, attorneys, or other professionals to attend as nonvoting participants and give explanations. However, such nonvoting participants shall leave the Board meeting during discussion and voting process of the Board.
- Article 12
1. When the time of a meeting has arrived and one-half all Board directors are not present, the meeting Chairman may announce postponement of the meeting time, provided that only two postponements, in combined total of not more than one hour, may be made. If the quorum is still not met after two such delays, the Chairman shall re-call the meeting following the procedures provided in Article 3.
 2. The term "all Board directors" as used in the preceding paragraph and in Article 17, paragraph 2, subparagraph (2) shall be calculated as the number of directors then in office.
- Article 13
1. The proceedings of a Board meeting shall be conducted in a predetermined order of agenda items as stated in the meeting notice. However, the order may be changed with the approval of a majority of directors present at the meeting.
 2. Before the predetermined agenda items under the preceding paragraph as well as extraordinary motions, the meeting Chairman may not declare the meeting closed unless with the approval of a majority of directors present at the meeting.
 3. If at any time during the proceeding of a Board meeting the directors sitting at the meeting are not more than half of the directors present at the meeting, then upon motion by the directors sitting at the meeting, the Chairman shall declare a suspension of meeting, in which case the preceding article shall apply mutatis mutandis.
- Article 14
1. When the Chairman at a Board meeting is of the opinion that a matter has been sufficiently discussed to a degree of putting to a vote, the Chairman may announce the discussion closed and bring the matter to vote.
 2. Each director shall have one vote. The method of voting on matters at Board meetings will be designated by the Chairman. However, if directors sitting at the meeting disagree the designated method of voting, the Chairman shall inquire directors sitting at the meeting and designates the method of voting according to the majority opinion:
 - (1) to vote by a show of hands or to vote by voting implements.
 - (2) to vote by roll-call.
 - (3) to vote by a ballot.
 - (4) to vote by any other method.
 3. When a matter comes to a vote at a Board meeting, if upon inquiry by the Chairman no director voices an objection, the matter is deemed approved, as if it has been approved by vote.
 4. When necessary, persons for supervising the casting of votes and the counting for resolutions shall be designated by the Chairman, provided, however, that the person supervises the casting of vote shall be a director. The result of resolution(s) shall be announced in the meeting and recorded in the meeting minutes.
- Article 15
1. Except as otherwise stated in the applicable laws and regulations, a resolution on a matter at a Board meeting requires the approval of a majority of the directors present at the meeting that shall be attended by a majority of all directors.
 2. When the same resolutions have other revised or substituted resolution, the Chairman shall combine the revised or substituted resolution with the original one and decide the order to vote. If one of them has been resolved, other resolutions are deemed to vote and they are no needed to vote again.

- Article 16
1. If a Board director or the juristic person which he/she represents has a personal interest in an agenda item, such director shall explain its key content in the respective Board meeting; if such personal interest is likely to prejudice the interest of the Company, such director is prohibited from participating in discussion of or voting on the relevant agenda item, and further, shall recuse himself/herself by leaving the meeting during discussion and voting on that item and may not act as another director's proxy to exercise voting rights on that matter.
 2. In passing a resolution at a Broad of Directors' Meeting, where a Board director is prohibited by the preceding paragraph from exercising voting rights shall not be counted in the number of votes of directors present at the meeting.
- Article 17
1. Minutes shall be prepared of the discussions at Board meetings; the meeting minutes shall record the following factually in accordance with the applicable laws and regulations:
 - (1) Session (or year), time, and place of meeting.
 - (2) Name of the meeting chair.
 - (3) Attendance of directors at the meeting, specifying the names and number of members present, excused, and absent.
 - (4) Names and titles of those attending the meeting as nonvoting participants.
 - (5) Name of minutes taker.
 - (6) Matters reported on.
 - (7) Agenda items: specify the resolution method and result for each proposal, the summary of the comments made by directors, experts, or any others at the meeting, and the name of, and explanation to the key content of the personal interest of, the director(s) with personal interest as provided in Article 16, paragraph 1 above, the reason for recusal or non-recusal of such director(s) and the execution thereof, and specify any objections or reservations expressed by directors, experts, or any others at the meeting that has been included in records or stated in writing, and any opinion issued in writing by an independent director under paragraph 5 of Article 7.
 - (8) Extraordinary motions: specify the name of the mover, the resolution method and result for each motion, the summary of the comments made by directors, experts, or any others at the meeting, and the name of, and explanation to the key content of the personal interest of, the director(s) with personal interest as provided in Article 16, paragraph 1 above, the reason for recusal or non-recusal of such director(s) and the execution thereof, and specify any objections or reservations expressed by directors, experts, or any others at the meeting that has been included in records or stated in writing.
 - (9) Other matters required to be recorded.
 2. In the event that the Company appoints independent directors or establishes an audit committee, any of the following matters in relation to a resolution passed at a Board meeting shall be stated in the meeting minutes and within two days of the meeting be published on an information reporting website designated by the competent authority:
 - (1) Any matter about which an independent director expresses an objection or reservation that has been included in records or stated in writing.
 - (2) Any matter adopted with the approval of two-thirds or more of all Board directors without having been passed by the audit committee.
 3. The attendance book forms a part of the minutes for each Board meeting and shall be preserved permanently.
 4. The minutes of a Board meeting shall bear the signature or seal of both the meeting Chairman and the minutes taker; a copy of the minutes shall be distributed to each director within 20 days after the meeting and well preserved as important company records during the existence of the Company.
 5. The production and distribution of the meeting minutes may be done in electronic form.
- Article 18
1. For the official record the Secretary shall take full record in either audio or video (with audio) formats of the entire proceedings, processes, and discussion of any and all Board meetings, and preserve and safe-keep such records, might be preserved in electronic forms, for at least five years.
 2. If before the end of the preservation period referred to in the preceding paragraph a lawsuit arises with respect to a resolution of a Board meeting, the relevant audio or video recordings shall be preserved for a further period, in which case the preceding paragraph does not apply.
 3. Where a Board meeting is held via tele- or video-conference, the audio or video recordings of the meeting form a part of the meeting minutes and shall be preserved permanently.

Article 19 The directors shall carry out fiduciary duty of loyalty as well as duty of due diligence; and shall, in compliance with the laws and the Incorporation, participate in the operations of the Board of Directors.

Article 20 These Regulations and amendments shall come into force after resolved by the Board of Directors.

Article 21 The Procedures were enacted by Board of Directors on December 29, 2006
The first amendment was made on August 28, 2008
The second amendment was made on October 24, 2012
The third amendment was made on March 27, 2014, and come into force upon the expiration of current supervisors' tenure in June, 2014
The fourth amendment was made on August 10, 2017

Appendix 3

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

Not Applicable

Appendix 4

Shareholdings of All Directors as of April 17, 2018

Title	Name	Number of Shares
Chairman	Jason Chen	3,789,529 (Note 1)
Director	Stan Shih	51,024,395
Director	George Huang	8,767,642
Director	Hung Rouan Investment Corp. Legal Representative: Carolyn Yeh	73,629,933
Director	Smart Capital Corp.	12,228
Independent Director	F.C. Tseng	0
Independent Director	Ji-Ren Lee	0
Independent Director	San-Cheng Chang	530,322
Independent Director	Ching-Hsiang Hsu	0
TOTAL		137,754,049 (Note 2)

Note 1: Including the shares of 1,234,049 which held by the investment company wholly owned by Mr. Jason Chen himself.

Note 2: (1) The current number of issued shares in the Company as of April 17, 2018 is 3,076,502,828 common shares.

(2) The Company's directors shall hold at least 73,836,068 shares to comply with the "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies".



Printed on eco-friendly paper with soy ink.