MINUTES OF 2018 ANNUAL SHAREHOLDERS' MEETING

OF ACER INCORPORATED

(Translation)

The translation is intended for reference only and nothing else. The Chinese text of the Minutes of 2018 Annual Shareholders' Meeting shall govern any and all matters related to the interpretation of the subject matter stated herein.

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)

Total outstanding shares of ACER (excluding the shares without voting right as stipulated in Article 179 of the Company Law): 3,054,693,833 shares

Total shares represented by shareholders present in person or proxy: 1,831,218,514 shares

Percentage of shares held by shareholders present in person or proxy: 59.9%

The attendance list of the directors: Jason Chen, Stan Shih, Hung Rouan Investment Corp. Legal Representative: Carolyn Yeh, George Huang, Smart Capital Corp. Legal Representative: Philip Peng and Ching-Hsiang Hsu

Chairman: Jason Chen

Recorder: Wayne Chang

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

Chairman's Address: (Omitted)

1. **Report Items**
   (1) To Report the Business of 2017
   Explanatory Notes: Please refer to Attachment 1.
   (2) Audit Committee's Review Report
   Explanatory Notes: Please refer to Attachment 2.
   (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, 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 and Attachment 4 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: Shares present at the time of voting: 1,831,218,514 (votes casted electronically: 926,737,228 votes)

Voting Results*	% of the total represented share present
Votes in favor: 1,624,161,934 votes (720,721,802 votes)	88.69%
Votes against : 406,988 votes (406,988 votes)	0.02%
Votes invalid or abstained: 206,649,592 votes (205,608,438 votes)	11.29%

*including votes casted electronically (number in brackets)
RESOLVED, that the above proposal be and hereby was approved as proposed.

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	(2,534,028,198)
Ending Balance of Un-appropriated Retained Earnings	0

Jason Chen	Jason Chen Meggy Chen	Sophia Chen
Chairman of Board	Corporate Officers	Accounting Officer

Resolution: Shares present at the time of voting: 1,831,218,514 (votes casted electronically: 926,737,228 votes)

Voting Results*	% of the total represented share present
Votes in favor: 1,634,304,047 votes (730,864,915 votes)	89.24%
Votes against : 482,039 votes (481,039votes)	0.03%
Votes invalid or abstained: 196,432,428 votes (195,391,274 votes)	10.73%

*including votes casted electronically (number in brackets)

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

Item 3

Proposal: To Approve the 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: Shares present at the time of voting: 1,831,218,514 (votes casted electronically: 926,737,228 votes)

Voting Results*	% of the total represented share present
Votes in favor: 1,634,473,272votes (730,901,123votes)	89.25%
Votes against : 539,101 votes (463,015votes)	0.03%
Votes invalid or abstained: 196,206,141 votes (195,373,090 votes)	10.72%

*****including votes casted electronically (number in brackets)

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

Speech from shareholders: shareholder registered number 0499794 had questions about cash distribution be made from the capital surplus derived from the Company's issuance of common stock above par value, the questions were responded by the Chairman and the assigned.

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: Shares present at the time of voting: 1,831,218,514 (votes casted electronically: 926,737,228 votes)

Voting Results*	% of the total represented share present
Votes in favor: 1,632,111,502votes (728,747,456votes)	89.12%
Votes against : 1,149,429 votes (1,149,429votes)	0.06%
Votes invalid or abstained: 197,957,583 votes (196,840,343 votes)	10.82%

*****including votes casted electronically (number in brackets)

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

Speech from shareholders: shareholder registered number 0499794 had questions about new shares issued by the Planned IPO Subsidiary, the questions were responded by the Chairman

3.Extemporary Motion

Speech from shareholders: shareholder registered number 0499794 and 0726048 had questions about directions of company and business development, competitor, financial information, and the plan for enlisting the future IPO ,the questions were responded by the Chairman.

4.Meeting Adjourned: 10:00 a.m.

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

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 WCIT[1] 2018. In data security, ACSI (Acer Cyber Security Inc.) received ISO 17025 certification, and became Taiwan's first and only private security operation center (SOC). To stimulate innovation, Acer allows its businesses and subsidiaries the freedom to explore and discover markets to expand in, with the clear direction of first stabilizing operations, and then taking steps toward profitability.

Besides managing its operations, corporate social responsibility is another of Acer's focuses, and we have constantly been recognized by renowned sustainability indices around the world. Acer was listed on DJSI's Emerging

[1] World Congress on Information Technology (WCIT)

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.

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 Meeting

After Revision	Before Revision	Rationale
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	**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. (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	Amendment made in accordance with the Financial Supervisory Commission order, dated July 28, 2017 (Ref. No. Chin-Kuan-Cheng-Fa-Tzu-No. 1060027112).

After Revision	Before Revision	Rationale
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	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	

After Revision	Before Revision	Rationale
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 ~~each Independent Director~~ <u>there shall be at least one independent director attending board meetings</u> in person<u>; and all independent directors shall attend</u> any <u>board</u> meeting concerning a matter <u>specified in paragraph 1</u> 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	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 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.	

After Revision	Before Revision	Rationale
opinion in advance, which shall be recorded in the meeting minutes.		
Article 21 The Procedures were enacted by Board of Directors on December 29, 2006. [omitted] The fourth amendment was made on August 10, 2017.	**Article 21** The Procedures were enacted by Board of Directors on December 29, 2006. [omitted]	Adding the date of amendment (based on the resolution date of the board of directors meeting.

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)

		December 31, 2017		December 31, 2016	
	Assets	**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	3,078,330	2	3,122,630	2
	Total current assets	126,294,298	80	133,863,136	81
	Non-current assets:				
1510	Financial assets at fair value through profit or loss—non-current	-	-	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	998,817	1	960,643	-
	Total non-current assets	31,318,473	20	31,810,926	19
	Total assets	$ 157,612,771	100	165,674,062	100

See accompanying notes to financial statements.

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

ACER INCORPORATED AND ITS SUBSIDIARIES

Consolidated Balance Sheets (Continued)

December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2017		December 31, 2016	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings	$ 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	2,807,010	2	2,754,355	2
	Total current liabilities	93,239,933	59	105,421,675	64
	Non-current liabilities:				
2540	Long-term debt	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	2,010,545	1	1,820,676	1
	Total non-current liabilities	6,397,432	4	2,573,909	1
	Total liabilities	99,637,365	63	107,995,584	65
	Equity (note 6(t) & (u)):				
3110	Common stock	30,765,028	19	30,807,328	19
3200	Capital surplus	29,852,184	19	34,743,105	21
	Retained earnings:				
3310	Legal reserve	-	-	145,190	-
3320	Special reserve	-	-	1,306,709	1
3351	Unappropriated earnings (accumulated deficit)	2,815,587	2	(4,900,296)	(3)
3400	Other equity	(3,198,500)	(2)	(1,512,785)	(1)
3500	Treasury stock	(2,914,856)	(2)	(2,914,856)	(2)
	Equity attributable to shareholders of the Company	57,319,443	36	57,674,395	35
36XX	**Non-controlling interests**	655,963	1	4,083	-
	Total equity	57,975,406	37	57,678,478	35
	Total liabilities and equity	**$ 157,612,771**	**100**	**165,674,062**	**100**

See accompanying notes to financial statements.

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

ACER INCORPORATED AND 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	25,361,234	11	23,212,458	10
	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	21,900,478	9	22,299,539	9
6500	**Other operating income and loss－net**	208,978	-	279,594	-
	Operating income	3,669,734	2	1,192,513	1
	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	(230,602)	(1)	(5,916,838)	(3)
7900	**Income (loss) before taxes**	3,439,132	1	(4,724,325)	(2)
7950	**Income tax expense**	642,399	-	176,415	-
	Net income (loss)	2,796,733	1	(4,900,740)	(2)
	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	-
		(24,395)	-	(12,881)	-
8360	**Items that may be reclassified subsequently to profit or loss**				
8361	Exchange differences on translation of foreign operations	(2,132,038)	(1)	(2,493,748)	(1)
8362	Change in fair value of available-for-sale financial assets	457,886	-	756,795	-
8370	Share of other comprehensive income of associates and joint ventures (note 6 (19))	741	-	(2,875)	-
8399	Income tax benefit related to items that may be reclassified subsequently to profit or loss	18	-	353	-
		(1,673,393)	(1)	(1,739,475)	(1)
	Other comprehensive income (loss) for the year, net of taxes	(1,697,788)	(1)	(1,752,356)	(1)
	Total comprehensive income (loss) for the year	**$ 1,098,945**	**-**	**(6,653,096)**	**(3)**
	Net income (loss) attributable to:				
8610	Shareholders of the Company	$ 2,815,587	1	(4,900,296)	(2)
8620	Non-controlling interests	(18,854)	-	(444)	-
		$ 2,796,733	**1**	**(4,900,740)**	**(2)**
	Total comprehensive income (loss) attributable to:				
8710	Shareholders of the Company	$ 1,115,222	-	(6,654,809)	(3)
8720	Non-controlling interests	(16,277)	-	1,713	-
		$ 1,098,945	**-**	**(6,653,096)**	**(3)**
	Earnings (loss) per share (in New Taiwan dollars)) :				
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	Total	Treasury stock	Total	Non-controlling interests	Total equity
Balance at January 1, 2016	$ 30,854,428	36,232,755	93,166	838,498	520,235	1,451,899	1,437,412	(1,104,565)	(64,376)	(39,966)	228,505	(2,914,856)	65,852,731	2,370	65,855,101
Appropriation approved by the stockholders:															
Legal reserve	-	-	52,024	-	(52,024)	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	468,211	(468,211)	-	-	-	-	-	-	-	-	-	-
Other changes in capital surplus:															
Change in equity of investments in associates	-	(19,743)	-	-	-	-	-	-	-	-	-	-	(19,743)	-	(19,743)
Cash distributed from capital surplus	-	(1,517,007)	-	-	-	-	-	-	-	-	-	-	(1,517,007)	-	(1,517,007)
Compensation cost arising from restricted shares of stock issued to employees	-	-	-	-	-	-	-	-	-	13,223	13,223	-	13,223	-	13,223
Retirement of restricted shares of stock issued to employees	(47,100)	47,100	-	-	-	-	-	-	-	-	-	-	-	-	-
Net loss in 2016	-	-	-	-	(4,900,296)	(4,900,296)	-	-	-	-	-	-	(4,900,296)	(444)	(4,900,740)
Other comprehensive income (loss) for the period	-	-	-	-	-	-	(2,498,427)	756,795	(12,881)	-	(1,754,513)	-	(1,754,513)	2,157	(1,752,356)
Total comprehensive income (loss) for the period	-	-	-	-	(4,900,296)	(4,900,296)	(2,498,427)	756,795	(12,881)	-	(1,754,513)	-	(6,654,809)	1,713	(6,653,096)
Balance at December 31, 2016	30,807,328	34,743,105	145,190	1,306,709	(4,900,296)	(3,448,397)	(1,061,015)	(347,770)	(77,257)	(26,743)	(1,512,785)	(2,914,856)	57,674,395	4,083	57,678,478
Appropriation approved by the stockholders:															
Decrease in legal reserve to offset accumulated deficits	-	-	(145,190)	-	145,190	-	-	-	-	-	-	-	-	-	-
Decrease in special reserve to offset accumulated deficits	-	-	-	(1,306,709)	1,306,709	-	-	-	-	-	-	-	-	-	-
Decrease in capital surplus to offset accumulated deficits	-	(3,448,397)	-	-	3,448,397	3,448,397	-	-	-	-	-	-	-	-	-
Other changes in capital surplus:															
Change in equity of investments in subsidiaries and associates	-	28,571	-	-	-	-	-	-	-	-	-	-	28,571	19	28,590
Cash distributed from capital surplus	-	(1,515,071)	-	-	-	-	-	-	-	-	-	-	(1,515,071)	-	(1,515,071)
Changes in ownership interests in subsidiaries	-	1,653	-	-	-	-	-	-	-	-	-	-	1,653	(1,653)	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	649,886	649,886
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	19,893	19,893
Compensation cost arising from restricted shares of stock issued to employees	-	-	-	-	-	-	-	-	-	14,650	14,650	-	14,650	-	14,650
Retirement of restricted shares of stock issued to employees	(42,300)	42,300	-	-	-	-	-	-	-	-	-	-	-	-	-
Stock option compensation cost of subsidiary	-	23	-	-	-	-	-	-	-	-	-	-	23	12	35
Net income in 2017	-	-	-	-	2,815,587	2,815,587	-	-	-	-	-	-	2,815,587	(18,854)	2,796,733
Other comprehensive income (loss) for the period	-	-	-	-	-	-	(2,141,146)	459,805	(19,024)	-	(1,700,365)	-	(1,700,365)	2,577	(1,697,788)
Total comprehensive income (loss) for the period	-	-	-	-	2,815,587	2,815,587	(2,141,146)	459,805	(19,024)	-	(1,700,365)	-	1,115,222	(16,277)	1,098,945
Balance at December 31, 2017	$ 30,765,028	29,852,184	-	-	2,815,587	2,815,587	(3,202,161)	112,035	(96,281)	(12,093)	(3,198,500)	(2,914,856)	57,319,443	655,963	57,975,406

See accompanying notes to financial statements.

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

ACER INCORPORATED AND 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)

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

See accompanying notes to financial statements.

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)

		December 31, 2017		December 31, 2016	
	Assets	**Amount**	**%**	**Amount**	**%**
	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	194,784	-	299,972	-
	Total current assets	46,638,306	39	56,336,952	43
	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	149,704	-	166,469	-
	Total non-current assets	72,462,391	61	73,677,841	57
	Total assets	$ 119,100,697	100	130,014,793	100

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)

		December 31, 2017		December 31, 2016	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	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	142,911	-	22,845	-
	Total current liabilities	56,709,827	48	70,814,249	55
	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	170,007	-	-	-
	Total non-current liabilities	5,071,427	4	1,526,149	1
	Total liabilities	61,781,254	52	72,340,398	56
	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	(2,914,856)	(2)	(2,914,856)	(2)
	Total equity	57,319,443	48	57,674,395	44
	Total liabilities and equity	$ 119,100,697	100	130,014,793	100

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)

Code		2017 Amount	2017 %	2016 Amount	2016 %
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 subisidiaries, 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)
	Other comprehensive losses for the year, net of taxes	(1,700,365)	(1)	(1,754,513)	(1)
	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						
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings (accumulated deficit)	Total	Foreign currency translation differences	Unrealized gain (loss) from available-for-sale financial assets	Remeasurements of defined benefit plans	Unearned compensation cost arising from restricted shares of stock issued to employees	Total	Treasury stock	Total equity
Balance at January 1, 2016	$ 30,854,428	36,232,755	93,166	838,498	520,235	1,451,899	1,437,412	(1,104,565)	(64,376)	(39,966)	228,505	(2,914,856)	65,852,731
Appropriation approved by the stockholders:													
Legal reserve	-	-	52,024	-	(52,024)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	468,211	(468,211)	-	-	-	-	-	-	-	-
Other changes in capital surplus:													
Change in equity of investments in associates	-	(19,743)	-	-	-	-	-	-	-	-	-	-	(19,743)
Cash distributed from capital surplus	-	(1,517,007)	-	-	-	-	-	-	-	-	-	-	(1,517,007)
Retirement of restricted shares of stock issued to employees	(47,100)	47,100	-	-	-	-	-	-	-	-	-	-	-
Compensation cost arising from restricted shares of stock issued to employees	-	-	-	-	-	-	-	-	-	13,223	13,223	-	13,223
Net loss in 2016	-	-	-	-	(4,900,296)	(4,900,296)	-	-	-	-	-	-	(4,900,296)
Other comprehensive income (loss) for the period	-	-	-	-	-	-	(2,498,427)	756,795	(12,881)	-	(1,754,513)	-	(1,754,513)
Total comprehensive income (loss) for the period	-	-	-	-	(4,900,296)	(4,900,296)	(2,498,427)	756,795	(12,881)	-	(1,754,513)	-	(6,654,809)
Balance at December 31, 2016	30,807,328	34,743,105	145,190	1,306,709	(4,900,296)	(3,448,397)	(1,061,015)	(347,770)	(77,257)	(26,743)	(1,512,785)	(2,914,856)	57,674,395
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	-	-	-	-	-	-	-	-	-	14,650	14,650	-	14,650
Net income in 2017	-	-	-	-	2,815,587	2,815,587	-	-	-	-	-	-	2,815,587
Other comprehensive income (loss) for the period	-	-	-	-	-	-	(2,141,146)	459,805	(19,024)	-	(1,700,365)	-	(1,700,365)
Total comprehensive income (loss) for the period	-	-	-	-	2,815,587	2,815,587	(2,141,146)	459,805	(19,024)	-	(1,700,365)	-	1,115,222
Balance at December 31, 2017	$ 30,765,028	29,852,184	-	-	2,815,587	2,815,587	(3,202,161)	112,035	(96,281)	(12,093)	(3,198,500)	(2,914,856)	57,319,443

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)

	2017	2016
Cash flows from operating activities:		
Income (loss) before income taxes	$ 3,026,219	(4,880,482)
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	37,114	(58,999)
Total profit and loss	454,861	6,130,119
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	165,383	230,411
Net changes in operating assets	9,244,267	(12,874,504)
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	131	(22,388)
Net changes in operating liabilities	(12,185,245)	8,445,771
Total changes in operating assets and liabilities	(2,940,978)	(4,428,733)
Cash provided by (used in) operations	540,102	(3,179,096)
Interest received	82,054	28,964
Income taxes refunded (paid)	71,384	(10,257)
Net cash provided by (used in) operating activities	693,540	(3,160,389)

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)

	2017	2016
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	241,831	305,622
Net cash used in investing activities	(398,709)	(986,795)
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	(223,157)	(72,280)
Net cash used in financing activities	(762,536)	(5,212,781)
Net decrease in cash and cash equivalents	(467,705)	(9,359,965)
Cash and cash equivalents at beginning of year	14,176,410	23,536,375
Cash and cash equivalents at end of year	$ **13,708,705**	**14,176,410**

See accompanying notes to financial statements.