ACER INCORPORTED
2018 ANNUAL REPORT

www.acer-group.com

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APPENDIX

1. Name, Title and Contact Details of Company's Spokespersons:

Principal	Meggy Chen	CFO	+886-2-2696-1234	Meggy.Chen@acer.com
Deputy	Wayne Chang	Manager	+886-2-2719-5000	Wayne.Chang@acer.com

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

Office	Address	Tel
Acer Inc. Registered Address	7F.-5, No.369, Fuxing N. Rd., Songshan Dist., Taipei City 105, Taiwan	+886-2-2719-5000
Acer Inc. (Xizhi Office)	8F., No.88, Sec. 1, Xintai 5th Rd., Xizhi Dist., New Taipei City 221, Taiwan	+886-2-2696-1234
Acer Inc. (Hsinchu Branch)	3F., No.139, Minzu Rd., East Dist., Hsinchu City 300, Taiwan	+886-3-534-9490
Acer Inc. (Taichung Branch)	3F., No.371, Sec. 1, Wenxin Rd., Nantun Dist., Taichung City 408, Taiwan	+886-4-2250-3355
Acer Inc. (Kaohsiung Branch)	4F.-6, No.38, Xinguang Rd., Lingya Dist., Kaohsiung City 802, Taiwan	+886-7-338-8386
Acer Inc. (Shipping & Warehouse Management Center)	No.28, Neixin Rd., Luzhu Dist., Taoyuan City 338, Taiwan	+886-3-324-5100

3. Address and Contact Details of Acer Shareholders' Services

Address: 7F.-5, No.369, Fuxing N. Rd., Songshan Dist., Taipei City 105, Taiwan
Tel: +886-2-2719-5000
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4. Address and Contact Details of Auditing CPAs in the Most Recent Year

Name: Huei-Chen Chang and Tzu-Chieh Tang at KPMG
Address: 68F., No.7, Sec. 5, Xinyi Rd., Xinyi Dist., Taipei City 110, Taiwan
Tel: +886-2-8101-6666
Website: www.kpmg.com.tw

5. Overseas Securities Exchange

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

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

ConceptD

ConceptD CP7271K P | ConceptD 900

ConceptD CP3271U P | ConceptD 500

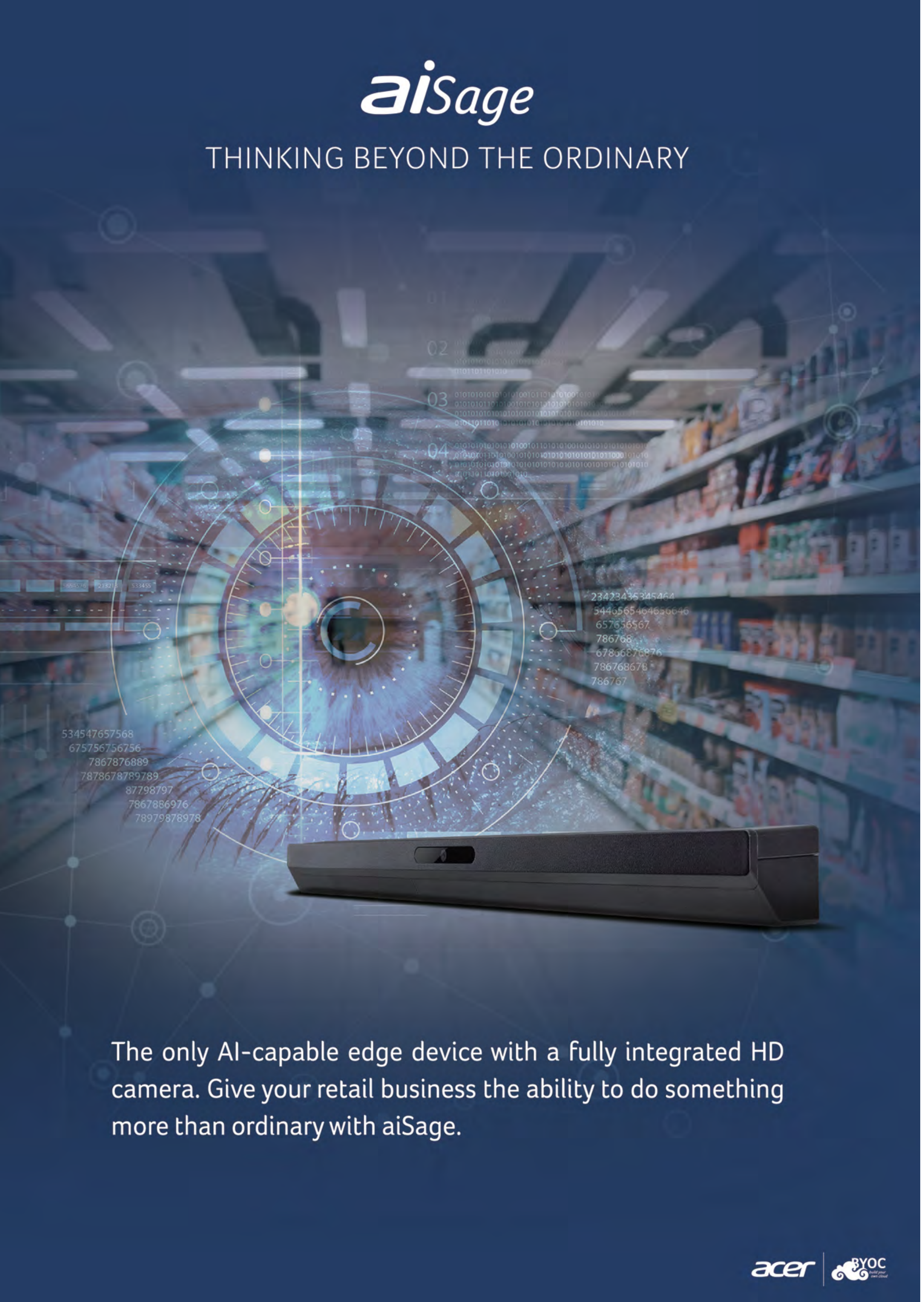

PREDATOR
PREDATOR CG437K
PREDATOR ORION 5000
PREDATOR HELIOS 700
SUMMON YOUR STRENGTH

<1 KG

BREAKING NEW
GROUND IN ULTRATHIN
Swift 7

TravelMate P6

Acer Chromebook 715



DISCLAIMER

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

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Business Report to Shareholders

1

Business Report to Shareholders

It has been another fruitful year filled with opportunities and challenges as Acer engages in dual transformation with our core business and new initiatives. I am pleased to share that our efforts and achievements in 2018 concluded with growth in both revenue and profitability. Acer's 2018 consolidated revenues reached NT$242.27 billion with 2.1 percent growth year-over-year; Net income reached NT$3.06 billion, up 8.7 percent year-over-year; and earnings per share (EPS) were NT$1.01, the highest in eight years.

While Acer's gaming business achieved substantial revenue growth, in the latter part of the year, our operations were impacted by global CPU supply shortages for PCs. Meanwhile, we are excited to see other products and businesses showing growth, such as AOPEN, Weblink International, Acer Cyber Security, digital displays and gadgets. We will continue the pursuit of technological innovation and leading-edge design, broaden our business boundaries from PCs to new markets, and create multiple growth engines.

Underscoring the importance we place on research and development, in 2018 Acer ranked among the top three in the number of Taiwan patent applications with 476 filings, up 25 percent from the previous year. Among these patents, we have innovative and breakthrough technologies such as our advanced thermal solutions that enable Acer products to run at peak performance without overheating; these include our AeroBlade 3D metal fans applied in gaming notebooks, and IceTunnel cooling system for gaming desktops. Acer's thin-and-light notebooks, gaming and education lines all captured attention with multiple industry and media awards. Furthermore, we are innovating in other aspects of designs that complete the total user experience, such as software and packaging, which were recognized and awarded by the iF Design Awards of Germany.

In the Chrome OS segment, Acer ranked No. 1 for Chromebooks worldwide in Q4 2018 with 31 percent market share. We offer the most complete selection of screen sizes and form factors for a variety of usage needs. Acer is also strengthening its presence in the Chrome for Enterprise space with our merger of AOPEN that has created great synergy. We now offer commercial grade Chrome OS products which are more ruggedized in design and built very differently from consumer devices.

Acer's participation in esports games has been action-packed. We were the official monitor provider of the 2018 League of Legends World Championships. In the third quarter, we kicked off our second Asia Pacific Predator league tournament where 3,530 teams competed over five months and battled for the league championship. Through such events, Acer will engage new audiences while continuing to bring technologies, innovations and game-changing designs first to market.

For AI-based technology, servers by our subsidiary, Altos Computing, which integrate other software and services to provide a variety of solutions have won a dozen major high-performance computing (HPC) tenders globally in 2018. In the realm of smart cities, Acer ITS successfully initiated Taiwan's first roadside Smart Parking Meter BOT project in collaboration with the Tainan city government, with parking meters implemented along a total of 2,000 spaces across the city.

Venturing into technology for the future, Acer's Value Lab has collaborated with one of Taiwan's top automakers, Luxgen, to showcase the vision of artificial intelligence (AI) and autonomous driving technology with a level 4-ready self-driving concept car. Acer is stepping up the development further by cooperating with the National Yang-Ming University School of Medicine to improve the passenger experience, where the physiological state of passengers during the technology development stage is monitored to improve comfortability of the ride even during unexpected situations. On top of these, there are many other exciting initiatives being developed.

For long-term business sustainability, Acer's pursuit to make a positive impact to our society and environment has made significant headway in 2018. In addition to the on-going engagement with our partners and suppliers to act responsibly, 50 percent of electricity consumption from Acer's global operations comes from green energy. We also initiated several programs to encourage global employees to take part in caring for our environment. With sustainable development embedded in the company culture, and the determination to innovate in all aspects of our technology, management and operations, we persist in giving back to our communities and exceling in our corporate social responsibilities (CSR). Moreover, to put into clearer perspective of Acer's impact on the environment and society, we continued to adopt the True Value methodology that quantifies in financial terms the costs and benefits. This serves as a guidance on taking the relevant risk control measures and weighing business opportunities.

We have made significant strides in the past year, and we are already moving full-steam ahead to explore and conquer new challenges. On behalf of all Acer employees, allow me to express our deepest appreciation to our shareholders for your support. I look forward to planting the seeds for new opportunities in another fruitful year together!

Sincerely,

Jason Chen

Chairman and CEO

1.1 Acer's Core Values

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

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

Core Value	Rational Meaning	Emotional Meaning
Passion	Be ready to change the world with a positive, enthusiastic, dare-to-dream and determined attitude.	• Serve as a bridge between people and technology. Be open to try new ideas, methods, and applications. • Endeavor to face challenges, break through bottlenecks and create value. • Sharpen professionalism to pursue excellence with dedication and enjoyment in work to keep one step ahead of our competitors. • Care for, delegate to, and support people. • Influence people through a positive attitude. • Face up to difficulties and solve them in innovative and realistic ways.
User-centric	Never forget that we are here to create value for end-users. Always think about the benefits we can bring them in everything you do.	• Explore users' habits and requirements by putting yourself in their position, and using the knowledge gained to design impressive products and services. • Base your decisions on sound research into users' requirements. • Listen to customers and understand the market trends from their point-of-view. • Create systems for evaluating users' needs and experience. • Build up a mechanism for developing products and services that meet global needs.
Innovation	Create unique competitive advantages and look for value-based innovations in everything you do.	• When engaged with product or service innovation, always consider users' needs and what they value to assure customer stickiness. • Remain curious and aggressive in the course of innovation. If you have criticism, make sure it is constructive. • Consider the commercial value of your proposed innovations or improvements. • Give equal consideration to cost, quality and the value that the innovation will deliver to end users. • Collaborate with strategic partners, and share cutting-edge knowledge to create value.
Teamwork	Communicate, create consensus and collaborate as one team. Place the groups' interests above the individual's interests and work toward a common goal.	• Use the five 5Cs (Communication x3, Consensus, Commitment) to enhance communication and collaboration. • Specify performance indicators that are mutually agreed by the teams, and then devote all team-members' efforts to achieve the goals. • Put the team's interests above an individual's interests. • Enhance interactions, respect and trust between teams. • Focus on the value chain as the highest priority in collaboration for maximizing customer value.
Balance of Interests	Work together to create value, overcome difficulties and construct a model that balances the interests of all stakeholders.	• Keep promises and build trust-based relationships with stakeholders. Make an effort to overcome difficulties and construct a model that balances different parties' interests. • Form collaborative relationships that balance the six aspect values: tangible versus intangible; direct versus indirect; present versus future. • Value the balance among associated groups (environment, social, and cultural). • Motivate employees and partners and establish long-term partnerships.

Core Value	Rational Meaning	Emotional Meaning
Integrity	Abide by corporate governance, regulations and standards of business conduct not because we are required to, but because it is the right thing to do.	• Follow the codes of conduct or social norms when performing duties and always serve as a role model for others. • Never appropriate public resources for private use. • Never reveal or leak confidential information when inappropriate. • Be aware of and stop any behavior that may violate regulations or social codes.

1.2 2018 Operating Report

1.2.1 Operating Results and Earning Abilities

Financial Information (Consolidated)

Unit: NTD Thousands

Item		2017	2018
Operating Results	Operating revenue	237,274,883	242,270,406
	Gross profit	25,361,234	25,828,199
	Net income (loss) attributable to shareholders of the Company	2,815,587	3,060,429
Earning Abilities	Return on assets (%)	1.85	1.95
	Return on equity (%)	4.84	4.96
	Net income ratio (%)	1.18	1.20
	EPS (NTD)	0.93	1.01

In 2018, operating revenue was NT$242.3 billion with 2.11% growth year-over-year. Gross profit was NT$25.8 billion with 1.84% growth year-over-year. Net income reached 3.1 billion up 8.70% year-over-year. In 2018, EPS was NT$1.01, an increase NT$0.08 from the 2017 level of NT$0.93 Due to growth in both revenue and profitability, return on assets, return on equity and net income ratio were all growth in 2018.

1.2.2. Budget Expenditure in 2019

Not applicable

1.3 2019 Business Plan

1.3.1 Business Strategy

A. Focus on the gaming PC market with industry-leading thermal technologies and powerful performance to elevate brand premium.
B. Create a portfolio of products tailored for different market preferences and needs; in addition to gaming PCs, focus on ultra-thin & light notebooks, Chromebooks, and all-in-one PCs.
C. Become a corporate group with multiple-growth engines, with subsidiaries going public to foster entrepreneurship as an important step to achieving the goal, and exploring new realms and partnerships.
D. Integrate cloud services with software and hardware solutions for enterprise customers. Provide AI-ready solutions that leverage big data analytics, and target businesses regarding the Internet of Things (IoT), such as digital signage, smart transportation and smart health.
E. Efficiently utilize resources within company and among subsidiaries, enhance internal communications on Company's global efforts in bridging the digital divide and environmental sustainability.

1.3.2 Business Goals

A. Enhance brand premium by focusing on high-value and high-margin market segments.
B. Evolve with the PC landscape, focus on niche areas with high growth potential and that are profitable, and create differentiation and value to fulfill and exceed people's needs.
C. Explore new market domains to broaden our business boundaries in the traditional PC business and beyond.
D. Enable enterprise customers to build their own secure, managed, scalable and hybrid cloud services.
E. Increase operating income, build sustainable operations, promote the interests of shareholders, and strengthen corporate social responsibility.

1.3.3 Business Planning and Marketing Strategy

A. Provide a comprehensive gaming portfolio with PCs for hardcore to casual gamers, complete with peripherals and gadgets. Engage with world-class e-sports events as well as host own events of regional scale promoting the Predator gaming brand.
B. Be first-to-market with new technologies, develop leading and world-firsts in design innovations, such as the world's thinnest and lightest notebooks, world's first curved screen gaming laptop, as examples.
C. Through both in-house research and partnerships, explore and expand to different verticals where there is synergy with our core competencies.
D. For the cloud business, focus efforts on optimizing key products and accelerating the development of innovative services for the enterprise segment.
E. Enhance corporate social responsibility, create value, and pursue sustainable operations, in collaboration with the supply chain and customers.

1.3.4 Future Development Strategy

A. Develop gaming PCs, gadgets, content, and artificial intelligence (AI).
B. Expand the gaming segment with new gadgets and technology innovations like the metal-blade AeroBlade 3D fans that help PCs stay cool, as well as incorporating latest industry technology to deliver best-in-class user experiences.
C. Seek opportunities in the commercial market, providing products and solutions to meet the rigid demands from different markets; the current commercial business portfolio includes Chromebooks, servers, and cloud solutions.
D. Continue transforming from a PC-oriented company to a sustainable technology group through new developments in areas such as AI and the cloud.
E. Uphold corporate social responsibilities, realize a sustainable business mindset, and give back to society and shareholders.

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

A. Respect international laws and regulations on information privacy and security, such as GDPR, especially in the realms of AI and cloud services.

B. Step up IT security and preparedness in the event of cyber security risks, which have become prevalent in the growing digitization of business operations and consumer user habits.

C. Observe the China-US trade war impacts and follow all local regulations including the US Trade Act 301. Continue to monitor socioeconomic situations, and dynamically adjust regional business strategies according to local developments.

D. Closely observe the currency fluctuation of emerging markets and remain watchful over the global financial market dynamics, in addition to foreign exchange hedging to minimize related risks.

E. Keep abreast with the evolving digital infrastructure developments brought about by the combination of AI and blockchain, and the new applications, opportunities and challenges this brings across industries.

2 Company In General

2.1 Founded date: August 1, 1976

2.2 Brief Account of the Company

1976 – 1986

- Commercialized microprocessor technology

1987 – 2000

- Created the Acer brand name and went global

2001 – 2007

- Transformed from manufacturing to a marketing and sales company

2008 – 2013

- Enhanced worldwide presence with a multi-brand strategy

2014 – Beyond

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

1976

- Founded under the name "Multitech" with NT$1 million (US$25,000) in capital, focusing on trade, product design, and consultancy in the use of microprocessor technologies. (Aug. 1, 1976).

1978

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

1979

- Expanded the business to central and southern Taiwan.
- Designed Taiwan's first mass-produced computer for export.

1980

- Designed the Dragon Computer Terminal, the Chinese language adaptation for computers.

1981

- Established its manufacturing operations at the Hsinchu Science-based Industrial Park in Taiwan.
- Debuted the MicroProfessor-I as the Company's first branded product.

1982

- Unveiled the MicroProfessor-II as Taiwan's first 8-bit home computer.

1984

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

1984

- Established Acer Peripherals, Inc. (now BenQ Corp.) .

1985

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

1986

- Beat IBM to offer 32-bit PCs.

1987

- Created the "Acer" name.

1988

- Completed Acer Inc. initial public offering (April 1988)

1989

- Formed the TI-Acer DRAM joint venture with Texas Instruments.

1990

- Launched Acer's first notebook.
- Acquired Altos Computer Systems, a manufacturer of multi-user and networked systems for commercial markets.

1991

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

1992

- Co-founder Stan Shih introduced the Smiling Curve concept.

1995

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

1998

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

2000

- As part of its second re-engineering, the OEM business unit was split off to create Wistron Corp., an independent design and IT manufacturing company.

2001

- Began the transformation from manufacturing to a marketing and sales company.
- Introduced the MegaMicro e-Enabling services, an e-business model that integrates IT equipment, network, management platforms, and application software to create a Mega e-Infrastructure and Micro e-services.

2002

- Inaugurated the Product Value Labs to enhance Acer's customer-centric focus and integrated technologies that add value to people's lives.
- TravelMate C100 was the first convertible Tablet PC available in the worldwide market with pen input.

2004

- Acer Co-founder Stan Shih retired from the Group.

2005

- J.T. Wang assumed the position of Chairman and CEO, while Gianfranco Lanci stepped into the role of Corporate President.
- Launched Ferrari 4000, the first carbon-fiber notebook available in the worldwide market.
- Became the No. 1 brand in EMEA and Western Europe for notebooks.

2006

- Became a Sponsor of Scuderia Ferrari.

2007

- Completed the merger of Gateway, Inc.

2008

- Announced the acquisition of E-ten and plan to enter the smart handheld market.
- Acquired Packard Bell Inc. through the takeover of Gateway Inc.
- Launched the Aspire Gemstone Blue notebooks, the first to feature full HD widescreen LCDs and latest generation Dolby® Surround sound.
- Launched the Aspire One, Acer's first mobile internet device.

2009

- Launched the Aspire Timeline notebooks – thin and light with all-day battery life.
- BusinessWeek named Acer among the "10 Hottest Tech Companies of 2009."
- Launched the high-end and stylish Liquid smartphones.
- Became the world No. 2 company in Total PCs.

2010

- Launched the green Aspire Timeline notebook - free from PVC and BFR materials
- Provided and managed computing facilities for the Vancouver 2010 Olympic Winter Games.
- Integrated Founder Tech's PC sales team and channels in the China market.
- Announced expansion to Chongqing in western China, creating a new global IT manufacturing center and Acer's second China base.

2011

- Acquired US-based iGware for investment in cloud technology.
- Debuted the first Ultrabook™ with the Aspire S3.
- Jim Wong assumes to role of Corporate President and J.T. Wang takes the role of CEO in addition to Acer Chairman.
- Launched the ICONIA tablet PCs.

2012

- Unveiled the world's thinnest Ultrabook™ with theAspire S5.
- Announced the Aspire Timeline Ultra Series, extending mainstream notebook features with Ultrabook™ trend.
- Supplied all computing equipment for the London 2012 Olympic Games and earned high appraisals from the assembly.

2013

- Launched B6 and V6 series monitors made with post-consumer recycled plastic.
- Held the fifth annual Corporate Social Responsibility Forum to continue exploring and leading the global trend of sustainable management.
- Set up a Transformation Committee with Acer co-founders Stan Shih as Chairman and George Huang as Executive Secretary.
- Elected Stan Shih as company Chairman and interim Corporate President.
- Announced Build Your Own Cloud (BYOC™) and the transition to a "hardware + software + services" company.

2014

- Appointed Jason Chen as Corporate President and CEO (Jan. 1, 2014).
- Invested 7 million shares in PChome Group's third-party payment business.
- Delivered the world's first 4k2k monitor, XB280HK.
- Debuted the Liquid Leap as company's first wearable device.
- George Huang succeeded Stan Shih as Chairman; Acer's Board invites Stan Shih to become Honorary Chairman.
- Expanded Acer's Chrome devices to include the Chromebox desktop PC.
- Debuted on Dow Jones Sustainability Emerging Markets Index and listed on MSCI Global Sustainability Indexes for environmental, social and governance.

2015

- As sponsor of Taiwan's First IAAF certified marathon – Wan Jin Shi – Acer's BYOC™ provided runner tracking service.
- Reported first full year of profitability since the third transformation.
- Announced industry's first Chromebase all-in-one desktop with touch display.
- Revealed new back-to-school product range at the inaugural "next@acer" global press conference in New York.
- Announced the availability of the Predator gaming product line at the next@acer event at IFA Berlin.
- Acquired GPS cycling computer brand, Xplova, to expand reach in the sports industry.
- Launched the CloudProfessor IoT training kit.
- Acer subsidiary MPS Energy and Studio X-Gene announced new electric all-terrain vehicle.

2016

- BYOC™ received ISO 27001 certification and passed HIPAA audit.
- Reported second year of profitability in fiscal 2015 since the start of latest transformation with 9.4% gross profit margin.
- Regrouped new and core businesses to accelerate corporate transformation.
- Announced strategic partnership with GrandPad to tap into the senior care market.
- Unveiled the industry's first cycling computer with intelligent video recording applications as part of new businesses expansion.
- Began research and developments into the virtual reality realm.
- Revealed the world's first curved-screen gaming notebook, the Predator 21 X.
- Acquired Pawbo and stepped into the petware market.
- Celebrated its 40th anniversary with a series of forums and events.
- Named official sponsor for the 2016 League of Legends World Championships and All-Star esports events.

2017

- Unveiled smart transportation solutions that include smart parking, and the service-oriented and intelligent mixology robot solution at Smart City Expo in Taiwan.
- Rolled out new ultrathin gaming notebooks with advanced thermal technology.
- The Board appointed Jason Chen as Chairman and CEO, Meggy Chen as Corporate Chief Financial Officer, and approved the formation of a new Investment Committee.
- Announced the Predator Orion 9000 series gaming desktop, its most powerful to date, and Predator accessories to complete the premium gaming experience.
- Sponsored Wan Jin Shi Marathon for the third consecutive year with event registration system and apps.
- Sponsored 13,000 smartwatches to athletes and sports delegation members participating in the Summer Universiade Taiwan, together with MediaTek Inc. and EasyCard Corp.
- Expanded its digital signage business by participating in the private placement of AOPEN shares to reach 40.55% ownership.
- The Board approved to separate the data center from Acer Cyber Security Inc. and form a new company called Acer e-Enabling Data Center Inc.

2018

- Launched the world's thinnest laptop, Swift 7 (SF714-51T), measuring at just 8.98 mm thin.
- Hosted the first APAC Predator League 2018 tournament, with participation from eight countries and finals held in Jakarta, Indonesia.
- Won 12 iF Design Awards for product hardware, software and packaging designs and a record 13 Red Dot design awards.
- Won the 'Global ICT Excellence Award - Private Sector Excellence' at the WCIT 2018 for Acer ITS' smart parking meter solution.
- Reported fiscal 2017 results with operating income NT$3.67 billion, triple that of previous year, and 10.7% gross profit margin, the highest in 14 years.
- Announced the powerful Predator Orion 5000 gaming desktop, featuring a transparent side panel to show off powerful internals and is EMI-compliant to protect from potential electromagnetic interference; and expanded the gaming accessory line including the Predator Thronos chair.
- Chromebooks make impact with the debut of the first 15-inch 360-degree convertible design, and the Chromebook 11 capturing Gold at Computex d&i Awards.
- Announced new servers powered by NVIDIA Tesla GPUs at GTC Taiwan 2018.
- Announced the world's lightest 15-inch notebook with the Swift 5 weighing just 990 grams.
- Introduced the Acer OJO 500 Windows Mixed Reality headset.
- Unveiled a level 4-ready self-driving concept car in collaboration with one of Taiwan's top automakers and Luxgen car.

- Named Proud Partner and Official Monitor Provider of the 2018 League of Legends World Championship, the third consecutive year in supporting one of the world's top esports events.
- Listed on the Dow Jones Sustainability Indices for fifth straight year; on the FTSE4Good Emerging Index for the third year; and in the new subcategory FTSE4Good TIP Taiwan ESG Index supported by the Taiwan Stock Exchange.
- Appointed Tiffany Huang and Jerry Kao as Co-chief Operating Officers to directly support the Chairman and CEO in the delegation of corporate direction and strategy to enhance company operations.

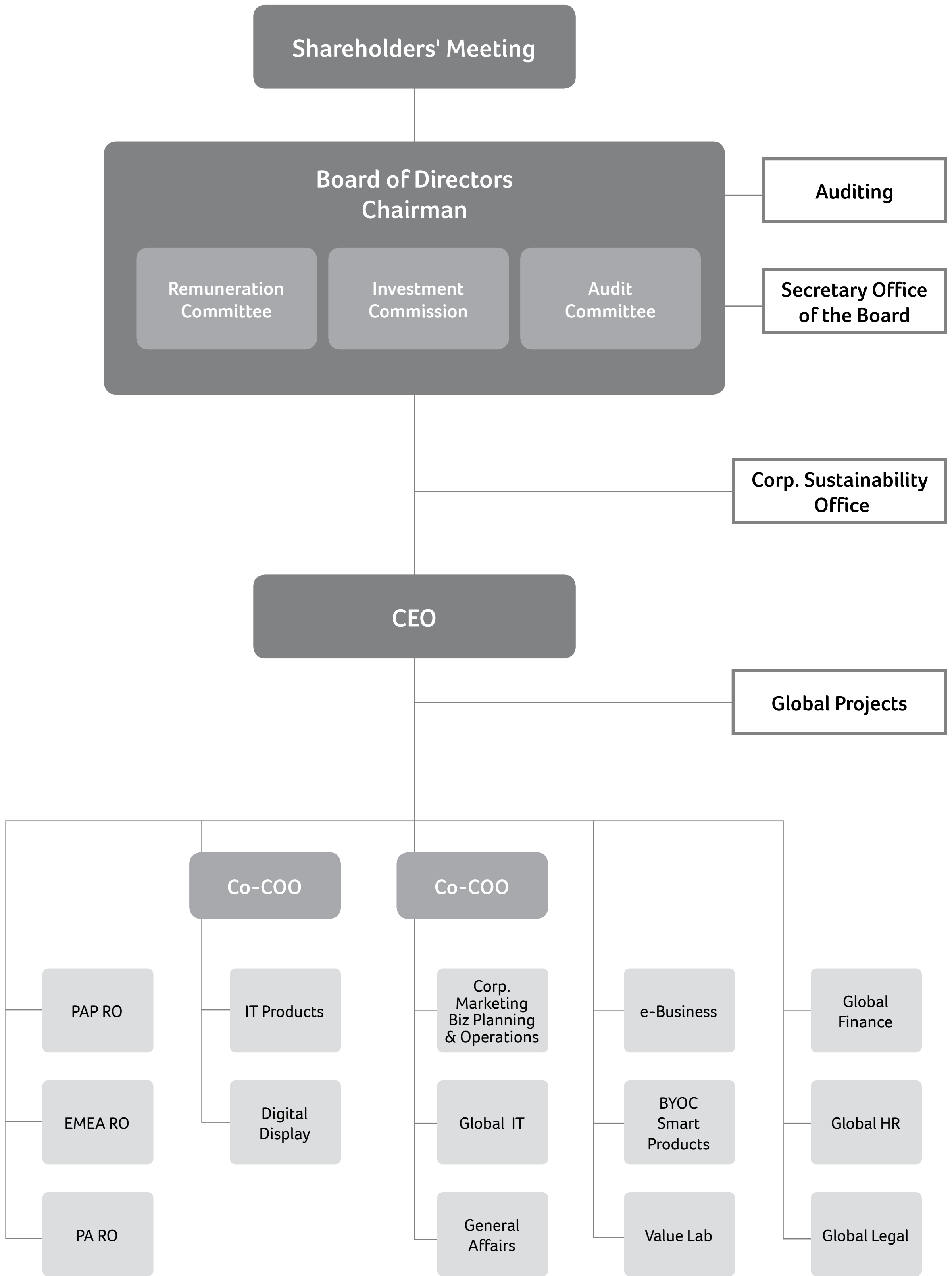
2019

- Unveiled new gaming notebook, Predator Triton 900 that flips, extends, or reclines with a CNC-machined Ezel Aero Hinge™.
- Hosted the grand finals of the second Asia Pacific Predator League tournament in Thailand, which started in Q3 2018 with a total of 3,530 teams' participation.
- Widely acclaimed products won the iF Design awards of Germany – including the Predator Triton 900 and Swift 7 notebooks, and Predator Thronos gaming chair.
- The Swift 5 and Swift 7 thin-and-light notebooks, Acer Chromebook 11, Chromebook 715, Predator XB3 monitor, and aiSage edge-computing device won Red Dot 2019 awards of Germany for design excellence.

3 Corporate Governance Report

3.1 Organization of the Company

3.1.1 Department Functions



3.1.2 Corporate Functions

Auditing

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

Secretary Office of the Board

- To handle the administrative affairs and agenda of the Board and every functional committees' meetings, as well as assist in relevant matters with respect to the Board or Board members' responsibilities and authorities in accordance with competent laws, regulations or the Company's Articles of Incorporation.

Corp. Sustainability Office

- Strategic planning and management in corporate sustainability with the aim of fulfilling corporate social responsibilities

Global Projects

- Global key project planning and execution

PAP RO

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

EMEA RO

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

PA RO

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

Digital Display Business

- Managing global monitors, and projectors product lines business

IT Products Business

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

e- Business

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

BYOC Smart Products Business

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

Server Products Business

- Managing server products line business

Corporate Marketing, Business Planning & Operations

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

Value Lab

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

Global IT

- Corporate information infrastructure and information systems management

Global Finance

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

Global HR

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

Global Legal

- Regulation compliance, company governance, corporate and legal affairs such as intellectual property management.

General Affairs

- General affairs, transportation services, office facilities management

3.2 Information Regarding Board of Directors and Key Managers

3.2.1 Board of Directors (April 16, 2019)

Title	Nationality or Registration	Name	Gender	Date of Election	Term	Accumulative Term	Date of First Election (Note 2)	Shares Held When Elected		Shares Held at Present		Shares Held by Spouse & Minors		Shares Held by the Other's		Education	Current Position(s) in Other Companies	Spouse or Immediate Family Holding Managerial Position		
								Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage			Title	Name	Relation-ship
Chairman	R.O.C	Jason Chen	Male	06/21/2017	3 Years	Since June 2014	06/18/2014	2,555,480	0.08	2,633,480	0.09	0	0	1,664,056	0.05	Global Marketing Sales Senior Vice General Manager, TSMC Business Administration Master, University of Missouri	1. Chairman, Mu-Jin Investment Co., Ltd. 2. Chairman, Mu-Shi Investment Co.,Ltd. 3. Other (Note 1)	-	-	-
Director	R.O.C	Stan Shih	Male	06/21/2017	3 Years	Since July 1979	12/17/2001	69,024,395	2.24	49,662,395	1.62	5,399,225	0.18	0	0	Chairman, ACER Graduate Institute of Electronics Engineering of National Chiao Tung University	1. Independent Director, TSMC 2. Director, Nan Shan Life Insurance Co., ltd. 3. Director, Hung Rouan Investment Corp. 4. Director, Egis Technology Inc. 5. Director, iD Innovation Inc. 6. Chairman, Dragon Investment Co., Ltd.. 7. Director, DIGITIMES Inc. 8. Director, Public Television Service Foundation. 9. Chairman, Stans Foundation 10. Director, Rongxin Management Consultants Co., Ltd 11. Director, Bingyu Co., Ltd. 12. Director, CTS Inc. 13. Chairman, Cloud Gate Culture and Arts Foundation 14. Director, NSFG Foundation 15. Chairman, CHEW'S Culture Foundation	Director President	Carolyn Yeh Maverick Shih	Wife Son
Director	R.O.C	George Huang	Male	06/21/2017	3 Years	July 1979~Feburary 1993 Since June 2014	06/14/2005	8,767,642	0.29	8,267,642	0.29	1,602,819	0.05	0	0	Director, ACER Bachelor, Institute of Communication Engineering of National Chiao Tung University	1. Independent Director, PChome Online Inc. 2. Independent Director, Bio Net Corp. 3. Director, Motech Industries Inc. 4. Supervisor, Les Enphants Co., Ltd. 5. Supervisor, Apacer Technology Inc.	-	-	-
Director	R.O.C	Hung Rouan Investment Corp.	-	06/21/2017	3 Years	Since June 2005	06/14/2005	73,629,933	2.39	73,629,933	2.39	0	0	0	0	-	-	-	-	-
Legal Representative of Director	R.O.C	Carolyn Yeh (Representative of Hung Rouan Investment Corp.)	Female	06/21/2017	3 Years	Since June 2014	06/14/2005	6,839,225	0.22	5,399,225	0.18	49,662,395	1.62	0	0	Chief Administrative Officer of Acer Co. Ltd. Bachelor, Department of Business Administration of Fu Jen Catholic University	1. Chairman, iDSoftcapotal Inc. 2. Chairman, Hung Rouan Investment Corp. 3. Director, IP Fund Six Co., Ltd. 4. Director, iD Innovation Inc. 5. Director, Stans Foundation 6. Director, Noordhoff Craniofacial Foundation 7. Director, Cardinal Shan Foundation 8. Director, Sinyuan Foundation 9. Director, Fu Jen Catholic University 10. Supervisor, Shengxin Co., Ltd 11. Chairman, Rongxin Management Consultants Co., Ltd 12. Chairman, Bingyu Co., Ltd. 13. Supervisor, jerngsing Co., Ltd.	Director President	Stan Shih Maverick Shih	Husband Son
Director	R.O.C	Smart Capital Corp.	-	06/21/2017	3 Years	Since June 2005	06/14/2005	12,228	0	12,228	0	0	0	0	0	-	-	-	-	-
Legal Representative of Director	R.O.C	Philip Peng (Representative of Smart Capital Corp.)	Male	06/21/2017	3 Years	Since June 2005	06/14/2005	0	0	1,319,469	0.04	258,007	0.01	0	0	CFO, ACER MBA, National Chengchi University	1. Independent Director, AU Optronics Corp. 2. Independent Director, Apacer Technology Inc. 3. Director, Aopen Inc. 4. Director, Wistron Information & Services Corp. 5. Director, Wistron NeWeb Corporation 6. Director, Wistron ITS Corporation. 7. Director and President, iDSoftcapotal Inc. 8. Chairman, Smart Capital Corp. 9. Chairman, IoB Investment Management Inc. 10. Director, Dragon Investment Co., Ltd.. 11. Supervisor, iD Innovation Inc.	-	-	-

Title	Nationality or Registration	Name	Gender	Date of Election	Term	Accumulative Term	Date of First Election (Note 2)	Shares Held When Elected		Shares Held at Present			Shares Held by Spouse & Minors		Shares Held by the Other's		Education	Current Position(s) in Other Companies	Spouse or Immediate Family Holding Managerial Position		
								Number	Percentage	Number	Percentage		Number	Percentage	Number	Percentage			Title	Name	Relation-ship
Independent Director	R.O.C	F.C. Tseng	Male	06/21/2017	3 Years	Since June 2011	06/15/2011	0	0	0	0		0	0	0	0	Deputy CEO, TSMC Ph.D, National Cheng Kung University	1. Director, TSMC 2. Chairman, TSMC China Company Ltd. 3. Chairman, Global Unichip Corp. 4. Vice Chairm an, Vanguard International Semiconductor Corp. 5. Chairman, TSMC Education and Culture Foundation	-	-	-
Independent Director	R.O.C	Ji-Ren Lee	Male	06/21/2017	3 Years	Since June 2014	06/18/2014	0	0	0	0		0	0	0	0	Associate Dean, College of Management Educational and Resource Development of National Taiwan University Business Administration Doctor, University of Illinois at Urbana-Champaign	1. Professor, Department of International Business, National Taiwan University 2. Independent Director, Delta Electronics, Inc. 3. Independent Director, E.Sun Financial Holdings Co., Ltd. 4. Member of Remuneration Committee, MediaTek Inc.	-	-	-
Independent Director	R.O.C	San-Cheng Chang	Male	06/21/2017	3 Years	Since June 2017	06/21/2017	322	0	530,322	0.02		6,444	0	0	0	President, the Executive Yuan Civil Engineering Doctor, Cornell University	1. Chairman, Taiwan Mobile Foundation 2. Director, Taiwan Mobile Co., Ltd. 3. Independent Director, Winbond Electronics Corp. 4. Director, Xue Xue Company 5. President, Institute for Biotechnology and Medicine Industry 6. Director, Help-Save-A-Pet Fund 7. Director, Cancer Care Foundation	-	-	-
Independent Director	R.O.C	Ching-Hsiang Hsu	Male	06/21/2017	3 Years	Since June 2017	06/21/2017	0	0	0	0		0	0	0	0	Institute of Electronics Director, National Tsing Hua University Electrical Doctor, University of Illinois	1. Chairman ,eMemory Technology Inc. 2. Chairman, iMQ Technology Inc. 3. Director,Powerflash Technology Corp. 4. Independent Director, Materials Analysis Technology Inc. 5. Director, National Applied Research Laboratories 6. Executive Director, Taipei Computer Association	-	-	-

Note 1: Appointed by Company to be Director and/or President of certain subsidiaries. For further details, please refer to pages 140 to 149.

Note 2: The Date that the Director was first elected when Acer has been a public offering Company.

Major Shareholders of Acer's Institutional Shareholders (April 16, 2019)

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

Note: There is no instituion which is the major shareholder to these Major shareholder of the Company's institutional shareholders

Board of Directors (BOD) Diversity Policy

Acer Group constantly pay attention to corporate governance, our BOD Diversity Policy is included into Chapter III Enhancing the Function of Board of Directors of "Acer Incorporated Corporate Governance Best-Practice Principles".

The board of directors of the Company shall direct company strategies, supervise the management, and be responsible to the shareholders meetings. Procedures and arrangement relating to corporate governance shall ensure that, in exercising its authority, the board of directors will comply with laws, regulations, articles of incorporation, and the resolutions of shareholders meetings of the Company.

Regarding the structure of the board of directors, the Company shall determine an appropriate number of board members not less than five persons, in consideration of its business scale, the shareholding of its major shareholders and practical operational needs.

The composition of the board of directors shall be determined by taking diversity into consideration. It is advisable that directors concurrently serving as company officers not exceed one-third of the total number of the board members, and that an appropriate policy on diversity based on the Company's business operations, operating dynamics, and development needs be formulated and include, without being limited to, the following two general standards:

1. Basic requirements and values: Gender, age, nationality, and culture.
2. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, and technology), professional skills, and industry experience.

All members of the board shall have the necessary knowledge, skill, and experience to perform their duties. To achieve the ideal goal of corporate governance, the board of directors shall possess the following abilities:

1. Ability to make operational judgment.
2. Ability to perform accounting and financial analysis.
3. Ability to conduct management administration.
4. Ability to conduct crisis management.
5. Industrial knowledge.
6. International market perspective.
7. Ability to lead.
8. Ability to make decisions.

This Policy may make the Board function be more effective. The nomination and selection of board members of the Company is in accordance with the Company's Articles. In addition, there is nomination system to ensure the diversity and independence of the board members. The Company expects to invite and nominate one or more female candidates in the next board election (will be held in 2020), and to select directors with different professional knowledge, for providing different perspectives and contributions to facilitate the Board function.

The implement of the BOD Diversity Policy:

1. The proportion of the directors who also acting as employees is 22.22%; the proportion of the directors who also acting as Independent Directors is 44.44%; and the proportion of the female directors is 11.11%.
2. Director specializing in operation and sales of Global brand products and services: Jason Chen
3. Director who be devoted in innovation, public and social services: Stan Shih
4. Director specializing in e-business and having successfully promoted the business's transformation: George Huang
5. Director who be devoted in human education, public and social services: Carolyn Yeh
6. Director having the professional financial background in business and investment: Philip Peng
7. Director specializing in semiconductor industry and devoted in education, public and social activities: F.C. Tseng
8. Director specializing in strategic organization and business management: Ji-Ren Lee
9. Director specializing in information security and operation of national business, and who had been Premier of Taiwan: San-Cheng Chang
10. Director specializing in semiconductor industry and having outstanding contribution on the R&D to non-volatile semiconductor component: Ching-Hsiang Hsu

The backgrounds of current Directors:

	The Diversities and abilities to the Board of Director	
Jason Chen	Male	Operational Judgment, Management Administration, Crisis Management, Industrial Knowledge of the Company, International Market Perspective, and Ability to Lead and Decisions-Making.
Stan Shih	Male	Operational Judgment, Management Administration, Crisis Management, Industrial Knowledge of the Company, International Market Perspective, and Ability to Lead and Decisions-Making.
George Huang	Male	Operational Judgment, Accounting and Finance, Management Administration, Crisis Management, Industrial Knowledge of the Company, International Market Perspective, and Ability to Lead and Decisions-Making.
Carolyn Yeh (Representative of Hung Rouan Investment Corp.)	Female	Operational Judgment, Accounting and Finance, Management Administration, Crisis Management, Industrial Knowledge of the Company, International Market Perspective, and Ability to Lead and Decisions-Making.
Philip Peng (Representative of Smart Capital Corp.)	Male	Operational Judgment, Accounting and Finance, Management Administration, Crisis Management, Industrial Knowledge of the Company, International Market Perspective, and Ability to Lead and Decisions-Making.
F.C. Tseng	Male	Operational Judgment, Accounting and Finance, Management Administration, Crisis Management, Industrial Knowledge of Semiconductor, International Market Perspective, and Ability to Lead and Decisions-Making.
Ji-Ren Lee	Male	Operational Judgment, Accounting and Finance, Management Administration, Crisis Management, Industrial Knowledge of the Company, International Market Perspective, and Ability to Lead and Decisions-Making.
San-Cheng Chang	Male	Operational Judgment, Management Administration, Crisis Management, Industrial Knowledge of the Company, International Market Perspective, and Ability to Lead and Decisions-Making.
Ching-Hsiang Hsu	Male	Operational Judgment, Management Administration, Crisis Management, Industrial Knowledge of Semiconductor, International Market Perspective, and Ability to Lead and Decisions-Making.

Professional qualifications and independence analysis of directors and supervisors

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

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

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

3.2.2 Key Managers (April 16, 2019)

Title	Nationality or Registration	Name	Gender	Date of Accession	Shares Held Directly		Shares Held by Spouse & Minors			Shares Held by the Other's		Education	Current Position(s) in Other Companies	Spouse or Immediate Family Holding Position as President or Vice President		
					Number	Percentage	Number	Percentage		Number	Percentage			Title	Name	Relationship
Chairman & CEO	R.O.C	Jason Chen	Male	01/01/2014	2,633,480	0.09	0	0		1,644,056	0.05	Global Marketing Sales Senior Vice General Manager, TSMC Business Administration Master, University of Missouri	1. Chairman, Mu-Jin Investment Co., Ltd. 2. Chairman, Mu-Shi Investment Co.,Ltd. 3. Other (Note)	-	-	-
Co-COO	R.O.C	Tiffany Huang	Female	01/01/2013	280,817	0.01	90	0		0	0	AVP of Acer PCGO Supply Chain Operations; acting Operation Analysis Officer of Corp. President Office Bachelor, Department of law of National Chung Hsing University	(Note)	-	-	-
Co-COO	R.O.C	Jerry Kao	Male	12/01/2014	343,375	0.01	0	0		0	0	VP of Acer Note Book Business Group MBA, National Chung Hsing University	(Note)	-	-	-
Corp.VP & President	France	Emmanuel Fromont	Male	01/01/2011	190,000	0.01	0	0		0	0	VP, Acer EMEA, Packard Bell Division MBA, University of Southern California (USC)	(Note)	-	-	-
President	R.O.C	Ben Wan	Male	05/16/2002	146,388	0	0	0		0	0	Chairman & CEO of ARC Consulting Company MBA, University of Southern California	(Note)	-	-	-
President	R.O.C	Maverick Shih	Male	01/24/2014	10,076,733	0.33	13,172,880	0.43		0	0	Special Assistant to General Manager, Acer Cloud Technology Business GroupElectrical Doctor, University of Southern California	(Note)	-	-	-
President	USA	Gregg Prendergast	Male	09/01/2015	163,000	0.01	0	0		0	0	American East Director, Texas Instruments Business Bachelor, Temple University	(Note)	-	-	-
President	R.O.C	Andrew Hou	Male	03/25/2016	139,500	0	19	0		0	0	Vice General Manager, Lite-On Technology Corporation Computer Science Master, Syracuse University	(Note)	-	-	-
President	R.O.C	Victor Chien	Male	03/25/2016	97,506	0	11	0		0	0	Associate General Manager, Zenitron Corporation Control Engineering and Management Science Bachelor, National Chiao Tung University	(Note)	-	-	-
CTO	R.O.C	RC Chang	Male	09/01/2015	63,135	0	0	0		0	0	Department of Computer Science Professor, National Chiao Tung University Computer engineering Doctor, National Chiao Tung University	(Note)	-	-	-
Corp. CFO	R.O.C	Meggy Chen	Female	07/01/2017	207,265	0.01	0	0		0	0	AVP of Acer Global Treasury Business Administration Master, UCLA Anderson School of Management	(Note)	-	-	-
Accounting Officer	R.O.C	Sophia Chen	Female	07/01/2017	12,680	0	0	0		0	0	CFO of Acer Pan Asia Pacific Region Business Administration Master, University of Pittsburgh	(Note)	-	-	-

Note: Appointed by Company to be Director and/or President of certain subsidiaries. For further details, please refer to pages 140 to 149.

3.2.3 Remuneration of Directors, President, and Vice Presidents

3.2.3.1 Remuneration of Directors

Unit: NT$ thousands

Title (Note)	Name	Remuneration									Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
		Base Compensation (A)		Severance Pay (B)		Reward of Directors (C)		Business execution expenses (D)					Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation (G)						
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
																	Cash	Stock	Cash	Stock			
Chairman	Jason Chen	15,000	15,000	0	0	6,911	6,911	1,380	1,380		0.76%	0.76%	22,084	103,253	297	297	0	0	0	0	1.49%	4.14%	None
Director	Stan Shih																						
Director	George Huang																						
Director	Hung Rouan Investment Corp.(Representative: Carolyn Yeh)																						
Director	Smart Capital Corp. (Representative: Philip Peng)																						
Independent Director	F.C. Tseng																						
Independent Director	Ji-Ren Lee																						
Independent Director	San-Cheng Chang																						
Independent Director	Ching-Hsiang Hsu																						

Note: In addition to the above remuneration, director remuneration shall be disclosed as follows when received from companies included in the consolidated financial statements in the most recent year to compensate directors for their services, such as being independent consultant.

Range of Remuneration	Name of Directors				
	Total of (A+B+C+D)			Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements
Under NT$ 2,000,000	Stan Shih, Jason Chen	Stan Shih, Jason Chen			
NT$2,000,001 ~ NT$5,000,000	Hung Rouan Investment Corp., Smart Capital Corp., George Huang, F.C. Tseng, Ji-Ren Lee, San-Cheng Chang, Ching-Hsiang Hsu	Hung Rouan Investment Corp., Smart Capital Corp., George Huang, F.C. Tseng, Ji-Ren Lee, San-Cheng Chang, Ching-Hsiang Hsu		Jason Chen, Hung Rouan Investment Corp., Smart Capital Corp., George Huang, F.C. Tseng, Ji-Ren Lee, San-Cheng Chang, Ching-Hsiang Hsu	Hung Rouan Investment Corp., Smart Capital Corp., George Huang, F.C. Tseng, Ji-Ren Lee, San-Cheng Chang, Ching-Hsiang Hsu
NT$5,000,001 ~ NT$10,000,000					
NT$10,000,001 ~ NT$15,000,000					
NT$15,000,001 ~ NT$30,000,000				Stan Shih	Stan Shih
NT$30,000,001~ NT$50,000,000					
NT$50,000,001 ~ NT$100,000,000					Jason Chen
Over NT$100,000,000					
Total	9	9		9	9

3.2.3.2 Remuneration of Supervisors

Not applicable

3.2.3.3 Remuneration of the President and Vice Presidents

Unit: NT$ thousands

Title	Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)			Employee Compensation (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation Paid to the President and Vice Presidents from an Invested Company Other than the Company's Subsidiary
		The company	Companies in the con solidated financial statements	The company	Companies in the con solidated financial statements	The company	Companies in the con solidated financial statements		The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
										Stock	Cash	Stock			
Chairman & CEO	Jason Chen	52,796	111,664	3,423	8,065	91,620	228,699		0	0	0	0	4.83%	11.38%	None
Co-COO	Tiffany Huang														
Co-COO	Jerry Kao														
Corp. VP & President	Emmanuel Fromont														
President	Ben Wan														
President	Maverick Shih														
President	Gregg Prendergast														
President	Andrew Hou														
President	Victor Chien														
CTO	RC Chang														
Corp. CFO	Meggy Chen														
Accounting Officer	Sophia YL Chen														

Note: The above salary includes the estimated amount of the unpaid leave, bonus, special fee and the salary part which is recognized by the "share-based payment"

Range of Remuneration	Name of President and Vice Presidents	
	The company	Companies in the consolidated
Under NT$ 2,000,000	Emmanuel Fromont, Gregg Prendergast	
NT$2,000,001 ~ NT$5,000,000	Jason Chen	
NT$5,000,001 ~ NT$10,000,000	Maverick Shih, Sophia YL Chen	Maverick Shih, Sophia YL Chen
NT$10,000,001 ~ NT$15,000,000	Ben Wan, RC Chang	Ben Wan, RC Chang
NT$15,000,001 ~ NT$30,000,000	Tiffany Huang, Jerry Kao, Andrew Hou, Victor Chien, Meggy Chen	Tiffany Huang, Jerry Kao, Andrew Hou, Victor Chien, Meggy Chen
NT$30,000,001 ~ NT$50,000,000		Gregg Prendergast
NT$50,000,001 ~ NT$100,000,000		Jason Chen, Emmanuel Fromont
Over NT$100,000,000		
Total	12	12

The distribution of Profit Sharing as employee's compensation to President and Vice Presidents: None

3.2.3.4 Compare and explain the company's and all companies in the consolidated statement in the past two years of the total amount of remuneration of the company's directors, supervisors, general managers and deputy general managers as the percentage of the net profit after tax and after having explained the policies, standards, combination of remuneration; setting remuneration procedures; and the relevance of the business performance and the future risks.

(1) The remuneration of the company's director as the percentage of the net profit after tax in the last two years:

Title	2017 (Company)	2017 (All companies in the consolidated statement)	2018 (Company)	2018 (All companies in the consolidated statement)
Director	0.69%	0.69%	0.76%	0.76%

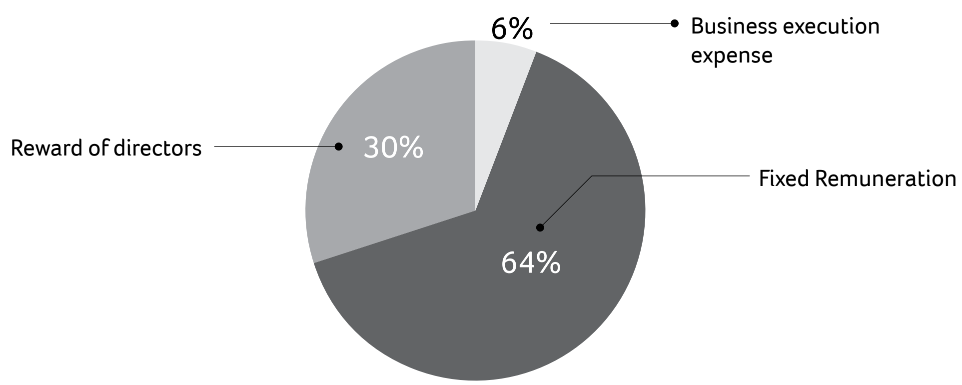
Note: It does not include relevant remuneration to the director who holds a concurrent position as an employee.

1. Policy, Standard and Combination of the Remuneration

The directors' remuneration of the Company is based on the provisions of the Company's Articles of Incorporation; in accordance with the directors' participation in the company's operations and the value of their contributions. The Remuneration Committee refers to the standard of peers in the same industry and submits to the Board of Directors for resolution and issue payment after passing the resolution, and reports to the shareholders during the annual meeting in accordance with the law. The remuneration of the directors includes fixed remuneration, reward of directors, and business execution expenses (travel expenses included). When the company makes profit that year, the profit less an amount reserved to make up for the accumulative losses and no more than 0.8% of that balance is allocated to the directors as the reward. Regardless of fixed remuneration, business execution expenses and reward of directors, they are subject to the standards of the high-tech industry and are submitted by the Remuneration Committee to the Board of Directors for resolution and issue payment after passing the resolution.

In addition, according to the principle of remuneration paid by the company's remuneration committee and the board of directors, the director concurrently served as an employee would not be awarded with other director's remuneration (i.e. fixed remuneration and reward of directors) except for the business execution expenses.

The combination of Director's remuneration of 2018 is as follows:



2. Remuneration setting procedures

According to the first paragraph of Article 16-1 of the Company's Articles of Incorporation, , when the company makes any profit that year, the profit less an amount reserved to make up for the accumulative losses and no more than 0.8% of that balance is allocated to the directors as the reward. The method of allocation is submitted by the Remuneration Committee to the board of directors to decide.

3. The relevance of the business performance and the future risks

The directors' remuneration is stipulated in the company's Articles of Incorporation, and the non-fixed remuneration part is based on the company's annual profitability and is directly related to the company's operating performance. In addition, considering the directors' responsibilities, the company's operating performance and the standard of the peers in the same industry, fixed remuneration is set to avoid the negligence in assessing the future risks resulting from pursuing short-term operation profits. The Remuneration Committee also regularly evaluates and reviews the remuneration of the Board of Directors and reports the results to the Board for discussion to ensure it is balanced with the company's sustainable business operation.

(2) The remuneration of the company's general manager and deputy general manager as the percentage of the net profit after tax in the last two years:

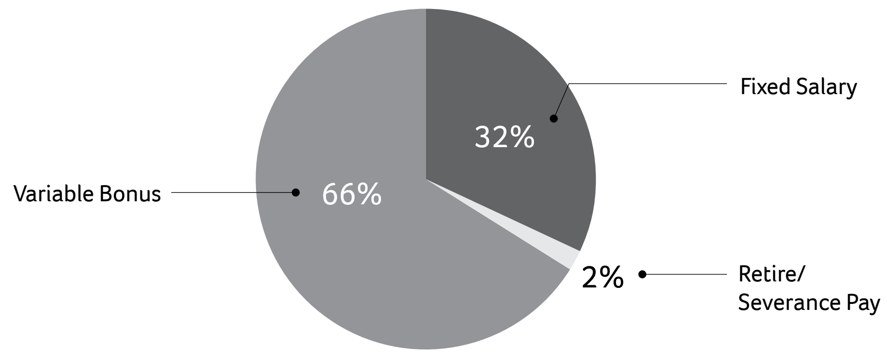
Title	2017 (Company)	2017 (All companies in the consolidated statement)	2018 (Company)	2018 (All companies in the consolidated statement)
General Manager and Deputy General Manager	4.84%	11.32%	4.83%	11.38%

1. Policy, Standard and Combination of the Remuneration

The remuneration of the company to the manager is mainly divided into fixed salary, variable bonus and retire/severance pay; fixed salary is the monthly salary agreed with the employee, and the variable bonus is further divided into short-term bonus and long-term bonus.

Short-term bonuses are awarded when the annual performance has reached the target and in accordance with the Article 20 of the Company's Articles of Incorporation. The short-term bonus considers the performance and contribution in the current year. The remuneration committee will consider the factors such as the responsibilities of the job, the overall market of the industry and the market standard, report to the board of directors for approval. Upon approval, the annual bonus of the company will be released according to the times and date announced.

The long-term bonus is for the period of three years or more, and the profit of the shareholders' investment in the company's stock is used as the standard for issuing the bonus which connects with the interests of the shareholders.



2. Remuneration setting procedures

The manager's remuneration is dealt in accordance with the company's Articles of Incorporation and the relevant provisions of the company. The human resources unit submits the manager's remuneration to the remuneration committee. After reviewing and approving by the remuneration committee, it is submitted to the board of directors for verification.

3. The relevance of the business performance and the future risks

Employees' remuneration is dealt in accordance with the regulations and the results of the year's business operations. The standards, structure and system of, will be reviewed and adjusted at any time depending on the actual operating conditions and the changes in relevant regulations. The remuneration committee of the Company also regularly assesses the current status of the remuneration of the Manager and provides recommendations to the Board of directors for referencing and discussion to ensure the consideration of the overall remuneration.

3.3 Corporate Governance Status

3.3.1 Meetings Held by the Board of Directors

The Board of Directors held five meetings from Jan. 1, 2018 to Dec. 31, 2018. The record of the Directors' attendances is shown below:

Title	Name	No. of Meetings Attended	No. of Meetings Attended by Proxy	Meeting Attendance Rate(%)	Note
Chairman	Jason Chen	5	0	100%	
Director	Stan Shih	5	0	100%	
Director	George Huang	5	0	100%	
Director	Carolyn Yeh (Representative of Hung Rouan Investment Corp.)	5	0	100%	
Director	Philip Peng (Representative of Smart Capital Corp.)	5	0	100%	
Independent Director	F.C. Tseng	4	1	80%	
Independent Director	Ji-Ren Lee	5	0	100%	
Independent Director	San-Cheng Chang	5	0	100%	
Independent Director	Ching-Hsiang Hsu	4	1	80%	

Other matters that are required to be disclosed:

1. If any of below listed-circumstances of operation of Board Meeting occurs, it's necessary to be disclosed, including dates of board meetings, sessions, the contents of motions, all independent opinions from Independent Directors and the Company's response to such Independent Directors' opinions:
   (1) The matters shall be submitted to the board of directors for approval by resolution in accordance with Article 14-3 of the Securities and Exchange Act.
   (2) In addition to the above (1) mentioned matters, the matters that any independent director objected or expressed reservations which have been recorded or stated in a written statement.

BOD Meeting Date and Session	Content of Motions and Follow-up (if any)	Matters under Article 14-3 of the Taiwan SEA	Objection or Reservation by any Independent Director
2018.03.21 First 2018 BOD Meeting	To Engage and Appoint CPAs to Review and Audit Acer Financial Statements	V	None
	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 Entitles 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.	V	None
	To Approve Acer Subsidiaries' Internal Rules	V	None
	To Approve the Company's Corporate Guarantees	V	None
	To Approve the Company and Worldwide Subsidiaries' Loaning Funds to Others	V	None
	The Company's response to Independent Director's Objection or Reservation: N/A		
	Resolution: Members of the Board Present Unanimously Approved Above Proposed Items.		
2018.05.09 Second 2018 BOD Meeting	To Approve the Company's Corporate Guarantees	V	None
	To Approve the Company and Worldwide Subsidiaries' Loaning Funds to Others	V	None
	The Company's response to Independent Director's Objection or Reservation: N/A		
	Resolution: Members of the Board Present Unanimously Approved Above Proposed Items.		
2018.08.08 Third 2018 BOD Meeting	To Amend The "Internal Control Systems of Shareholder Services Unit"which is one of the Company's Internal Control Systems	V	None
	To Approve the spin-off of Gadget Product Business Unit to be a Newly Established Subsidiary	V	None
	To Approve the Company's Corporate Guarantees	V	None
	To Approve the Company and Worldwide Subsidiaries' Loaning Funds to Others	V	None
	The Company's response to Independent Director's Objection or Reservation: N/A		
	Resolution: Members of the Board Present Unanimously Approved Above Proposed Items.		
2018.11.07 Fourth 2018 BOD Meeting	To Approve The Plan of Shareholder Diversification of Weblink International Inc. Which plans to Go Public.	V	None
	To Adjust Investment Structure of Certain Subsidiaries and Affiliates	V	None
	To Approve the Company's Corporate Guarantees	V	None
	To Approve the Company and Worldwide Subsidiaries' Loaning Funds to Others	V	None
	The Company's response to Independent Director's Objection or Reservation: N/A		
	Resolution: Members of the Board Present Unanimously Approved Above Proposed Items.		

2. The Execution Situation of Board Members Abstaining From Discussing and Voting on any Matters Where There is a Conflict of Interest

BOD Meeting Date and Session	Content of Motions	Execution Situation
2018.03.21 First 2018 BOD Meeting	To Approve the Budget for 2017 Employees and Board of Directors' Compensation	1. The Principle and Amount for Independent Director Compensation: All independent directors abstained from discussion and voting due to conflict of interest; and it has been approved unanimously by other board members who present at the meeting. 2. The Principle and Amount for Other Director Compensation: Other board of directors abstained from discussion and voting due to conflict of interest; and it has been approved unanimously by all independent directors who present at the meeting.
	To Approve the Officers 2017 Target Bonus of and 2018 Acer Group Global Salary Increase Proposal	Chairman & Corp. CEO Jason Chen and BYOC Consultant Stan Shih abstained from discussion and voting due to conflict of interest; and it has been approved unanimously by other board of directors who present at the meeting.
2018.05.09 Second 2018 BOD Meeting	To Approve Strategic Investments	Board of Director Stan Shih and Carolyn Yeh abstained from discussion and voting due to conflict of interest; and it has been approved unanimously by other board of directors who present at the meeting.
	To Approve the Principle of 2017 Profit Bonuses Distribution and the Special Contribution Bonus	1. Principle of 2017 Profit Bonuses Distribution: Chairman & Corp. CEO Jason Chen and BYOC Consultant Stan Shih abstained from discussion and voting due to conflict of interest; and it has been approved unanimously by other board of directors who present at the meeting. 2. 2. Special Contribution Bonus: Board of Director George Huang abstained from discussion and voting due to conflict of interest, and it has been approved unanimously by other board of directors who present at the meeting.
	Encouraging Officers Acer Share Long-Term Holding Program	Chairman & Corp. CEO Jason Chen and BYOC Consultant Stan Shih abstained from discussion and voting due to conflict of interest; and it has been approved unanimously by other board of directors who present at the meeting.
2018.11.07 Fourth 2018 BOD Meeting	To Approve the Donation to Acer Foundation	Chairman Jason Chen, Board of Director Stan Shih, Carolyn Yeh and George Huang abstained from discussion and voting after explained the conflict of interest in accordance with Article 206 of Taiwan Company Act; and this Item has been approved unanimously by other board of directors who present at the meeting.
	To Approve the Budget for 2019 Officers' Target Bonus	Chairman Jason Chen, Board of Director Stan Shih and Carolyn Yeh abstained from discussion and voting after explained the conflict of interest in accordance with Article 206 of Taiwan Company Act; and this Item has been approved unanimously by other board of directors who present at the meeting.
	To Approve Acer Group Global 2019 Salary Increase Proposal	Chairman Jason Chen, Board of Director Stan Shih and Carolyn Yeh abstained from discussion and voting after explained the conflict of interest in accordance with Article 206 of Taiwan Company Act; and this Item has been approved unanimously by other board of directors who present at the meeting.

3. The Target and Execation of Strengthening Board of Directors' Functions in current and most recent year:

The Board of Directors has established following functional committees to actively strengthen board of director functions and implement good corporate governance through every functional committees' teamwork.

(1) For the purpose of building sound remuneration system of board of director and officer, the Remuneration Committee was established in August 2011 based on Board resolution in accordance with Taiwan Securities and Exchange Act and relevant Authority' ruling, it consists by three independent directors.

(2) For the purpose of good corporate governance, the Audit Committee was established in June 2014 after board of director re-election by the shareholders meeting; it consists of all independent directors in accordance with Taiwan Securities and Exchange Act and Company Act.

(3) For the purpose of previewing the investment, joint venture, M&A regarding new business and other strategic investment, the Investment Committee was established in June 2017 by board resolution in accordance with the Company's Articles of Incorporation; it consists of 5 board of directors, and at least 2 of 5 members shall be independent directors.

"Acer's Corporate Governance Best-Practice Principles" have been amended in 2017 and 2019 to strengthen board of directors' function and duties, and we set up a series of targets to enhance board functions, such as the attendance rate of board meeting, an appropriate policy on diversity of board members, and board of directors' performance evaluation, etc.

The performance assessment result of the Board has been publicly disclosed on Acer Group website in accordance with Acer's "Measures for Performance Evaluation of the Board of Directors" from 2017. For details, please visit: https://www.acer-group.com.

3.3.2 Operational Situation of the Audit Committee

The Audit Committee held four meetings from Jan. 1, 2018 to Dec. 31, 2018. The record of the Members' attendances is shown below:

Title	Name	No. of Meetings Attended	No. of Meetings Attended by Proxy	Meeting Attendance Rate(%)	Note
Independent Director	Ching-Hsiang Hsu	3	1	75%	
Independent Director	F.C. Tseng	4	0	100%	
Independent Director	Ji-Ren Lee	4	0	100%	
Independent Director	San-Cheng Chang	4	0	100%	

Other matters that are required to be disclosed:

1. If any of below listed-circumstances of operation of Audit Committee occurs, it's necessary to be disclosure, including dates of board meetings, sessions, the contents of motions, Audit Committee's resolution and the Company's response to such Audit Committee's opinions:

(1) The matters shall be submitted to Audit Committee for approval and then submitted to the Board for approval by resolution in accordance with Article 14-5 of the Securities and Exchange Act.

(2) In addition to above (1) mentioned matters, any resolution made by over two-third of the board of directors but not approved by Audit Committee.

Audit Committee Meeting Date and Session	Content of Motions	Matters under Article 14-5 of the Taiwan SEA	Resolution made by over two-third of the board of directors but not approved by Audit Committee
2018.03.21 First 2018 Audit committee	To Approve the 2017 Financial Statements and Business Report	V	None
	To approve Acer FY2017 Statement of Internal Control System	V	None
	To Approve the Proposal for FY2017 Profit & Loss Appropriation	V	None
	To Engage and Appoint CPAs to Review and Audit Acer Financial Statements	V	None
	Resolution made by Audit Committee: above mentioned items have been approved unanimously by all Audit Committee members who present at the meeting.		
	Response to the Audit Committee opinions: The board of directors supported and approved all the items proposed by Audit Committee.		
2018.05.09 Second 2018 Audit committee	To Approve the Company's Corporate Guarantees	V	None
	To Approve the Company and Worldwide Subsidiaries' Loaning Funds to Others	V	None
	The Company's response to Independent Director's Objection or Reservation: N/A		
	Resolution: Members of the Board Present Unanimously Approved Above Proposed Items.		
2018.08.08 Third 2018 Audit committee	To Approve the Second Quarter of FY2018 Consolidated Financial Statements	V	None
	To Amend The "Internal Control Systems of Shareholder Services Unit" which is one of the Company's Internal Control Systems	V	None
	To Approve the plan of Shareholder diversification of Acer ITS and Weblink which plan to go Public	V	None
	To Approve the spin-off of Gadget Product Business Unit to be a Newly Established Subsidiary	V	None
	To Approve the Subsidiaries' Procedures Governing Loaning Funds to Others	V	None
	Resolution made by Audit Committee: above mentioned items have been approved unanimously by all Audit Committee members who present at the meeting.		
	Response to the Audit Committee opinions: The board of directors supported and approved all the items proposed by Audit Committee.		

Audit Committee Meeting Date and Session	Content of Motions	Matters under Article 14-5 of the Taiwan SEA	Resolution made by over two-third of the board of directors but not approved by Audit Committee
2018.11.07 Fourth 2018 Audit committee	To Approve the Third Quarter of FY2018 Consolidated Financial Statements	V	None
	To Approve the Acer's 2019 Annual Audit Plan	V	None
	To Approve the Plan of Shareholder Diversification of Acer Cyber Security which Plan to Go Public	V	None
	To Approve the Plan of Shareholder Diversification of Weblink which Plan to Go Public	V	None
	To Adjust Investment Structure of Certain Subsidiaries and Affiliates	V	None
	To Approve FY2019 Meeting Agenda of Audit Committee	V	None
	Resolution made by Audit Committee: above mentioned items have been approved unanimously by all Audit Committee members who present at the meeting.		
	Response to the Audit Committee opinions: The board of directors supported and approved all the items proposed by Audit Committee.		

2. The Execution Situation of Audit Committee Members Abstaining From Discussing and Voting on any Matters Where There is a Conflict of Interest: None

3. Communication Among Independent Directors and the Company's Chief Internal Auditor and CPAs:

(1) The Company Chief Internal Auditor monthly reports internal audit execution situation to independent directors; and in addition, the Chief Internal Auditor regularly process internal audit report in the quarterly held Audit Committee meeting. She communicates with Audit Committee members about the internal audit results and the improvement; and immediate report will be made to Audit Committee members for special case and circumstances if any.

(2) Audit Committee members and Chief Internal Auditor have good communication, the communication are summarized as below:

Date	Keys of Communication	Communitive Results
2018.03.21	1. Fy2017 Internal Audit and Fraud Investigation Report 2. FY2017 Statement of Internal Control System	The Independent Directors had no rejection and expressed reservation after consulting with the internal chief audit officer for the related contents and details to the item(s).
2018.05.09	2018 Q1 Internal Audit and Fraud Investigation Report	The Independent Directors had no rejection and expressed reservation after consulting with the internal chief audit officer for the related contents and details to the item(s).
2018.08.08	1. 2018 Q2 Internal Audit and Fraud Investigation Report 2. The "Internal Control Systems of Shareholder Services Unit" which is one of the Company's Internal Control Systems	The Independent Directors had no rejection and expressed reservation after consulting with the internal chief audit officer for the related contents and details to the item(s).
2018.11.07	1. 2018 Q3 Internal Audit and Fraud Investigation Report 2. 2018 Annual Audit Plan	The Independent Directors had no rejection and expressed reservation after consulting with the internal chief audit officer for the related contents and details to the item(s).

(3) The CPAs the Company appointed regularly process audit or reviewing result report in the quarterly held Audit Committee meeting, and the matters to be communicated with independent directors required by laws and regulations. CPAs will immediate report to Audit Committee members for special case and circumstances if any.

(4) Audit Committee members and CPAs have good communication, the communication are summarized as below:

Date	Keys of Communication	Communitive Results
2018.03.21	1. Results of Auditing FY2017 Financial Statement 2. Update of Relevant laws and regulations	The Independent Directors had no rejection and expressed reservation after consulting with the internal chief audit officer for the related contents and details to the item(s).
2018.05.09	1. Results of Reviewing 2018 Q1 Financial Statement 2. Update of Relevant laws and regulations	The Independent Directors had no rejection and expressed reservation after consulting with the internal chief audit officer for the related contents and details to the item(s)
2018.08.08	1. Results of Reviewing 2018 Q2 Financial Statement 2. Update of the laws and regulations with respect to corporate governance.	The Independent Directors had no rejection and expressed reservation after consulting with the internal chief audit officer for the related contents and details to the item(s)
2018.11.07	1. Results of Reviewing 2018 Q3 Financial Statement 2. Update of Relevant laws and regulations	The Independent Directors had no rejection and expressed reservation after consulting with the internal chief audit officer for the related contents and details to the item(s)

3.3.3 Situation of Supervisor's participation in Board Operation

Not Applicable

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

Evalvation Items	Enforcement Status			Discrepancy between the corporate governance principles implemented by the Company and the Principles, and the reason for the discrepancy
	Yes	No	Summary	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"?	✔		The Company has enacted Acer's "Corporate Governance Best-Practice Principles" to establish sound corporate governance systems.	No discrepancy
2. Shareholding structure & shareholders' rights				
(1) Does the company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure?	✔		The Company has enacted related procedures to handle the shareholders' proposals, disputes and litigations, and designated the Office of Shareholders' Affairs, Investment Relations Unit, and Legal Unit to take care to these issues in accordance with these procedures.	No discrepancy
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	✔		The Company holds information on the identities of major shareholders and its ultimately controlling persons.	No discrepancy
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	✔		The Company has established the appropriate risk control mechanism and firewalls according to Internal Controlling Systems and related procedures such as rules of supervision over subsidiaries, rules governing endorsement and guarantee, and the rules governing acquisitions and dispositions of assets, etc.	No discrepancy
(4) Does the company establish internal rules against insiders trading with undisclosed information?	✔		The Company enacted Regulations on Insider Trading to prevent any illegal activities in terms of insider trading.	No discrepancy
3. Composition and Responsibilities of the Board of Directors				
(1) Does the Board develop and implement a diversified policy for the composition of its members?	✔		The Company has set the diversity policy of the board of directors by of issued and valid Acer's Corporate Governance Best Practice Principles.	No discrepancy
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	✔		Acer has set up Audit Committee, Remuneration Committee, and Investment Committee. Acer is willing to set up other functional committees depends on practical needs.	No discrepancy
(3) Does the company establish a standard to measure the performance of the Board, and implement it annually?	✔		The Company has formulated rules and procedures for board of directors' performance assessments, and that each year we conduct regularly scheduled performance assessments of the board of directors.	No discrepancy

Evalvation Items	Enforcement Status			Discrepancy between the corporate governance principles implemented by the Company and the Principles, and the reason for the discrepancy
	Yes	No	Summary	
(4) Does the company regularly evaluate the independence of CPAs?	✔		1. The annual evaluation by the CPA is one of the main duties of the Audit Committee, and being passed by the Board of Directors meeting. 2. The Audit Committee comprehensively evaluates the independence of CPA based on CPA's Statement of Independence and items stated in relevant regulations. The important evaluation items are summarized as following: (1) Whether the management of the Company will respect objective and challenging audit procedures. (2) Whether CPA's non-audit service may affect the independence of CPA's auditing. (3) Whether CPA firm enacts independence rules and request the itself, staffs and any other person to keep independence in accordance with the Norm of Professional Ethics for CPA, and prohibit insider trading, misusing internal information or any behavior which the security or capital market may be misleading. (4) Whether the CPA mandatory rotation is applied and implemented to the lead auditor and review auditor in accordance with competent regulations.	No discrepancy
4. Does a TWSE/TPEx listed company set up a full/part-time corporate governance unit or personnel to be in charge of corporate governance affairs including, but not limited to, providing directors and supervisors with required information for business execution, handling relevant matters with board meetings and shareholders meetings according to the laws, processing corporate registration and amendment registration, and preparing minutes of board meetings and shareholders meetings?	✔		Acer practices its corporate governance under Chairman and Corp President & CEO's supervision. The Company's Global Finance, Legal, HR, Corporate Sustainability Office and Internal Auditors handle related matters as following summary: 1. Developing and designing a competent system to improve transparency, compliance and implementation of internal auditing. 2. Preparing and providing Shareholder's meeting notice, agenda and meeting minute within the prescribed period. 3. Sending the board of directors (including independent directors, Audit Committee and other functional committees) the notice, information and materials which will be discussed in the meeting at least 7 days in advance.	No discrepancy

Evalvation Items	Enforcement Status			Discrepancy between the corporate governance principles implemented by the Company and the Principles, and the reason for the discrepancy
	Yes	No	Summary	
			Providing and updating the status of applicable laws and regulations related to the Company's operation and business to assist the board of directors (including independent director) in compliance. The Company will appoint a chief corporate governance officer as the head of the corporate governance before 30th June, 2019 to tackle with the related issues.	
5. Does the company establish a communication channel and build a designated section on its website for stakeholders, as well as handle all the issues they care for in terms of corporate social responsibilities?	✔		The Company has established the appropriate communication channels with suppliers, buyers, banks, investors and other stakeholders, including a stakeholders section on our website. Also, the "Stakeholder Grievance Mechanism" has been disclosed on Acer Inc.'s official website (http://www.acer-group.com) and there is a public E-mail Box (Whistleblower.acer@acer.com) handled by a dedicated officer.	No discrepancy
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?		✔	The Company's Office of Shareholders' Affairs will take charge in the shareholders' proposal and disputes in accordance with Regulations Governing the Administration of Shareholder Services of Public Companies.	The Company has designated the Office of Shareholders' Affairs to handle the shareholders' proposal and disputes.
7. Information Disclosure				
(1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	✔		The Company has set up Acer Group website (http://www.acer-group.com) containing the information regarding its finance and operations. The Company also discloses the enforcement of corporate governance in the shareholders' meeting and other institutional investor meetings.	No discrepancy
(2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	✔		The Company has one speaker, one acting speaker and a designated team to be responsible for gathering and disclosing relevant information.	No discrepancy

Evalvation Items	Enforcement Status			Discrepancy between the corporate governance principles implemented by the Company and the Principles, and the reason for the discrepancy
	Yes	No	Summary	
8. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	✔		The Company has actively participated in community or charitable activities. • The Company has set up an exclusive web site for the new labor pension system containing information for employees regarding the laws and regulations, and to offer assistance. • In additional to the training courses required by authorities, the Company also held related training courses for members of the Board. • The Company has clearly set forth in the rules for the proceedings of Board meetings, that a director shall voluntarily abstain from voting on a proposal involved with his/her own interests. • It's stipulated in Acer's "Corporate Governance Best-Practice Principles" that in case the Chairman also acts as the President or the Chairman and President are spouses or relatives within one degree of consanguinity, it is advisable that the number of independent directors be increased accordingly, and there will be 4 independent directors of the Company on 2019. • The Company has purchase liability insurance for directors and officers. • The relevant information has been disclosed on Acer Inc.'s official website (http://www.acer-group.com).	No discrepancy

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

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

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

3.3.5 The Establishment and Enforcement of Remuneration Committee

A. Remuneration Committee held four meetings from Jan. 1, 2018 to Dec. 31, 2018. The record of their attendance is shown below:

Title	Name	No. of Meetings Attended	No. of Meetings Attended by Proxy	Meeting Attendance Rate(%)	Remark
Independent Director	Ji-Ren Lee	4	0	100%	Note
Independent Director	F.C. Tseng	4	0	100%	
Independent Director	Ching-Hsiang Hsu	3	1	75%	

Other mentionable items:

1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None
2. Resolutions of the remuneration committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None

B. Responsibilities of the Remuneration Committee

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

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

C. Professional Qualifications and Independence Analysis of Remuneration Committee Members

Title	Criteria / Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note)								Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member	Remark
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8		
Independent Director	Ji-Ren Lee	✔		✔	✔	✔	✔	✔	✔	✔	✔	✔	2	
Independent Director	F.C. Tseng			✔	✔	✔	✔	✔	✔	✔	✔	✔		
Independent Director	Ching-Hsiang Hsu			✔	✔	✔	✔	✔	✔	✔	✔	✔		

Note: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of affiliated companies. Not applicable in cases where the person is an independent director of the parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three sub-paragraphs.
5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution which has a financial or business relationship with the Company.
7. Not a professional individual, who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
8. Not a person of any conditions defined in Article 30 of the Company Law.

3.3.6 Code of Ethics and Business Conduct

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

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

Items	Enforcement Status			Discrepancy between the corporate governance principles implemented by the Company and the Principles, and the reason for the discrepancy
	Yes	No	Summary	
1. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures				
(1) Are the Company's guidelines on corporate conduct and ethics provided in internal policies and disclosed publicly? Have the Board of Directors and the management team demonstrated their commitments to implement the policies?	✔		Integrity is the most important core value of Acer's culture. The Board of Directors and the management team are dedicated to enforcing the Company's guideline on corporate conduct and ethics.	No discrepancy
(2) Has the company established relevant policies for preventing any unethical conduct? Are the implementation of the relevant procedures, guidelines and training mechanism provided in the policies?	✔		It is Acer Group's policy to fully comply with all laws and regulations governing our people and operations around the world and to conform to the highest legal and ethical standards. The Company has adopted Our "Standards of Business Conduct (SBC) ", "Anti-bribery and anti-corruption policy" and other relevant procedure. Furthermore, we arrange new employee orientation and on-the-job training for our employees to prevent any unethical conduct. Most importantly, our Internal Audit Unit would conduct regular audits to raise overall awareness, detect potential misconduct and monitor the procedures compliance.	No discrepancy
(3) Has the company establishes appropriate measures against the acts listed in Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies or other higher potential unethical conducts in the relevant policies?	✔		In order to prevent any unethical conduct, we have enacted several policies and guidelines, such as Standards of Business Conduct, Antitrust and Fair Competition Guidelines, Anti-bribery and Anti-corruption Policy, Regulations on Insider Trading, and Rules Governing Management of Personal Data, etc. In addition, our Legal Unit is responsible to review the contracts to prevent potential illegal risk (including request our vendors to sign integrity letters), and Audit Unit may check relevant business relationship irregularly.	No discrepancy

Items	Enforcement Status			Discrepancy between the corporate governance principles implemented by the Company and the Principles, and the reason for the discrepancy
	Yes	No	Summary	
2. Corporate Conduct and Ethics Compliance Practice				
(1) Has the company conducted investigation regarding unethical records with whomever the Company doing business with, and included business conduct and ethics related clauses in the business contracts.	✔		In addition to sending emails to our customers and suppliers to inform them about our ethical policy, in order to further enhance our commitment to ethical practice, we also request our contractors, vendors, suppliers and service providers to sign a letter of undertaking to demand compliance with our ethical policy.	No discrepancy
(2) Has the Company set up dedicated unit in charge of promotion and execution of the company's corporate conduct and ethics?	✔		Acer Group has committed ourselves to meeting high standards of law and ethics compliance to carry out our business. The management is required to establish a paragon of placing a high value of corporate conduct and ethics. Under the supervision of the board of directors, HR, Legal, Internal Auditor, Finance, and other cross-functional teams co-work to promote the Company's corporate conduct and ethics and urge all employees and stakeholders to act up to the corporate conduct and ethics. For the concrete implementation of the code of conduct and ethics, the pertinent compliance status will be reported to Audit Committee and the Board of Directors meeting by Chief Internal Auditor. The core implementation is summarized as follows: 1. Reviewing contractual terms and conditions to avoid dealing with someone who has negative record regarding corporate conduct and ethics. 2. Promoting the Company's cooperative parties to sign Acer's integrity declaration and undertaking (or including similar terms and conditions in the contracts) 3. Disseminating Acer's corporate conduct and ethics relevant policies to every employee. 4. Requesting anyone who participates in important project to sign non-disclosure agreement and promise not to disclose the Company's trade secret or other significant information to third party. 5. Promoting other project with respect to the corporate conduct and ethics.	No discrepancy
(3) Has the Company established policies to prevent conflicts of interest and provided appropriate communication and complaint channels?	✔		We have enacted "Acer Group Standards of Business Conduct" to prevent conflicts of interest and provide whistleblower mailbox on our website (http://www.acer-group.com/public/Investor_Relations/corporate.htm).	No discrepancy
(4) Has the Company established effective accounting and internal control systems for the implementation of policies, and the internal or external auditors audit such execution and compliance.	✔		Acer's Internal Control Systems are management processes designed by the managers, passed by the board of directors, and implemented by the board of directors, managers, and other employees for purpose of promoting sound operations of the Company. Our financial reports are also audited by external auditors regularly.	No discrepancy
(5) Does the Company provide training regarding ethic compliance practice regularly?	✔		It is Acer Group policy to fully comply with all laws and regulations governing our people and operations around the world and to conform to the highest legal and ethical standards. Our Standards of Business Conduct (SBC) are formulated to guide the way Acer Group employees behave with each other, our customers, business partners, our shareholders and the communities where Acer Group does business. Within their first month, new staff are put through training to better understand the company's Standards of Business Conduct (including instruction on labor rights, freedom of expression, sexual harassment prevention, and corruption prevention), thus helping them become fully integrated parts of the team.	No discrepancy
3. Channels for reporting any ethical irregularities				
(1) Has the Company established policy and channels in terms of reporting ethical irregularities and designated competent personnel to handle such matters?	✔		In order to enhance corporate governance, Acer provides a whistleblower mailbox on our website (http://www.acer-group.com/public/Investor_Relations/corporate.htm) for people to report any threats of involvement of fraudulence, corruption, violation of Acer's Standards of Business Conduct, any illegal conducts or conducts violated corporate governance by Acer employee. The audit office, which functions directly under the board of directors, will handle the report exclusively.	No discrepancy

Items	Enforcement Status			Discrepancy between the corporate governance principles implemented by the Company and the Principles, and the reason for the discrepancy
	Yes	No	Summary	
(2) Has the Company established policy and security mechanisms regarding the procedures for responding to the reports of ethical irregularities?	✔		Acer has established policy and security mechanisms regarding the procedures for responding to the reports of ethical irregularities.	No discrepancy
(3) Has the Company established measures to protect the identity of the informer?	✔		The Company has taking measures to protect the identity of the informer.	No discrepancy
4. Information Disclosure				
(1) Has the Company published information relating to the Company's corporate conduct and ethics on its website or Market Observation Post System?	✔		The Company has published information relating to the Company's corporate conduct and ethics on our website (www.acer-group.com) and Market Observation Post System.	No discrepancy
5. If the company has established corporate governance policies based on TSE Corporate Conduct and Ethics Best Practice Principles, please describe any discrepancy between the policies and their implementation: No discrepancy				
6. Other important information to facilitate better understanding of the company's corporate conduct and ethics compliance practices (e.g., promote and demonstrate the company's commitment to ethical standard and provide training to its business partners; review the company's corporate conduct and ethics policy). For details on the implementation of Acer's Corporate Conduct and Ethics, please refer to "Acer's Corporate Governance Best-Practice Principles ".				

3.3.7 Disclosure to the Company's Corporate Governance Principles

The Company has enacted "Corporate Governance Best-Practice Principles" and related internal rules. You are welcome to visit Acer Group website (http://www.acer-group.com) and Mops (http://mops.twse.com.tw)

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

Name of Licenses	Numbers	
	Internal Auditor	Financial Officer
Certified Public Accountants (CPA)	0	3
US Certified Public Accountants (US CPA)	1	0
Certified Internal Auditor (CIA)	1	3
BS7799/ISO 27001 Lead Auditor	1	0

Board of Director Training Status

Training Time		Sponsoring Organization	Course	Training Hours	Training Participants (Board of Directors)
From	To				
2018.03.21	2018.03.21	Taiwan Corporate Governance Association	Current Development of Corporate Governance and Prospect of Taiwan IPO Market	3	Jason Chen, Stan Shih, George Huang, Carolyn Yeh, Philip Peng, F.C. Tseng, Ji-Ren Lee, San-Cheng Chang
2018.05.09	2018.05.09	Taiwan Corporate Governance Association	Influence of International Political and Economic Situation on Taiwan's ICT Industry	3	Jason Chen, Stan Shih, George Huang, Carolyn Yeh, Philip Peng, F.C. Tseng, Ji-Ren Lee, San-Cheng Chang,Ching-Hsiang Hsu
2018.08.02	2018.08.02	Taiwan Corporate Governance Association	Artificial intelligence and the future	3	F.C. Tseng
2018.08.08	2018.08.08	Taiwan Corporate Governance Association	Update of Important Laws and Regulations with respect to Corporate Governance	1.5	Jason Chen, Stan Shih, George Huang, Carolyn Yeh, Philip Peng, F.C. Tseng, Ji-Ren Lee, San-Cheng Chang, Ching-Hsiang Hsu
2018.11.07	2018.11.07	Taiwan Corporate Governance Association	2019 World Trade Outlook - Observation of the US-China Trade War	1.5	Jason Chen, Stan Shih, George Huang, Carolyn Yeh, Philip Peng, F.C. Tseng, Ji-Ren Lee, San-Cheng Chang, Ching-Hsiang Hsu

3.3.9 Statement of Internal Control System

3.3.9.1 A Statement on Internal Control

Date: March 20, 2019

Based on the findings of a self-assessment, Acer Incorporated (hereinafter, the "Company") states the following with regard to its internal control system during year 2018 :

1. The Company is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and managers. The Company has established such a system aimed at providing reasonable assurance regarding the achievement of objectives in the following categories: (1) effectiveness and efficiency of operations (including profitability, performance, and safe-guarding of assets), (2) reliability, timeliness, transparency, and regulatory compliance of reporting, and (3) compliance with applicable laws, regulations and bylaws.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three objectives mentioned above. Moreover, the effectiveness of an internal control system may be subject to changes of environment or circumstances. Nevertheless, the internal control system of the Company contains self-monitoring mechanisms, and the Company promptly takes corrective actions whenever a deficiency is identified.
3. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" promulgated by the Securities and Futures Bureau of the Financial Supervisory Commission (hereinafter, the "Regulations"). The criteria adopted by the Regulations identify five constituent elements of internal control based on the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communications, and (5) monitoring activities. Each constituent element further contains several items. Please refer to the Regulations for details.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the results of the evaluation mentioned in the preceding paragraph, the Company believes that, as of December 31, 2018, its internal control system (including its supervision of subsidiaries), was effective in design and operation, and reasonably assured the achievement of the above-stated objectives.
6. This Statement will be an essential content of the Company's Annual Report for the year 2018 and Prospectus, and will be publicly disclosed. Any false-hood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchanged Act.
7. This Statement has been passed by the Board of Directors in their meeting held on March 20, 2019, with 0 of the 9 attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Acer Incorporated

CEO

Chairman of the Board of Directors

3.3.9.2 Where a CPA has been hired to carry out a special audit of the internal control system, furnish the CPA audit report

None

3.3.10 For the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, disclose any sanctions imposed in accordance with the law upon the company or its internal personnel, any sanctions imposed by the company upon its internal personnel for violations of internal control system provisions, principal deficiencies, and the state of any efforts to make improvements

None

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

Resolutions of the Board of Directors' Meeting

Date	Meeting	Major Resolutions
2018.03.21	First 2018 BOD Meeting	• To report 2017 employees' profit sharing bonus and directors' compensation • To Approve the 2017 Financial Statements and Business Report • To approve the Acer's Statement of Internal Control System for 2017 • To Approve the Proposal for Profit & Loss Appropriation of 2017 • To Approve the Cash Distribution from Capital Surplus • To Approve the Appointment CPAs of KPMG as the Auditors of Acer Incorporated • To Approve the Proposal That for Enlisting the Future IPO Plan by the Company's Certain Subsidiaries to Be Listed on Taiwan Stock Exchange or Taipei Exchange, the Company and Its Affiliates May Dispose Their Shareholding In Such Subsidiaries In A Number of Times and May Waive Their Rights to Subscribe for New Shares Issued from Such Subsidiaries' Capital Increase in Cash • To Convene the 2018 General Shareholders' Meeting

Date	Meeting	Major Resolutions
		• To Approve the Amendments of the Subsidieryies'Internal Rules • To Approve the Company's Corporate Guarantees • To Adoption of the Company and Worldwide Subsidiaries' Lending of Capital to others • Proposal of target bonus for the executives of the Year 2017 and Acer Group Global Salary Increase Proposal of the Year of 2018
2018.05.09	Second 2018 BOD Meeting	• To Approve the First Quarter of FY2018 Consolidated Financial Statements • To Propose the plan of shareholding diversification of subsidiaries, Acer Cyber Security Incorporated and Weblink International Inc. • To Approve Strategic Investments • To Approve the Company's Corporate Guarantees • To Adoption of the Company and Worldwide Subsidiaries' Lending of Capital to others • Proposal of the principle of the 2017 Profit bonuses distribution and the allocation of special contribution bonuses to senior executives • To Propose the plan of encouraging internal managers to hold long-term shareholding
2018.06.15	First 2018 Special Meeting	• To Set the Record Date for the Cash Distribution from Capital Surplus
2018.08.08	Third 2018 BOD Meeting	• To Approve the Second Quarter of FY2018 Consolidated Financial Statements • To Amend The "Internal Control Procedure of Stock Affairs Unit" • To Propose the plan of shareholding diversification of subsidiaries, Acer ITS Inc. and Weblink International Inc. • Proposal of the spin-off of Gadget Product Business as a newly established subsidiary company • To Approve the Company's Corporate Guarantees • To Adoption of the Company and Worldwide Subsidiaries' Lending of Capital to others
2018.11.07	Fourth 2018 BOD Meeting	• To Approve the Third Quarter of FY2018 Consolidated Financial Statements • Proposal of Set the Record Date of Capital Reduction by Redeeming and Cancelling a Portion of Restricted Stock Awards ("RSA") Initially Issued in 2014. • To Aprove the 2019 Business Plan • To Approve the Acer's Annual Audit Plan for 2019 • To Propose the plan of shareholding diversification of Acer Cyber Security Incorporated • To Propose the plan of shareholding diversification of Weblink International Inc. • Proposal of structural adjustmentof the subsidiereis • Donation of Acer Foundation • To Approve the Company's Corporate Guarantees • To Adoption of the Company and Worldwide Subsidiaries' Lending of Capital to others • To Propose the 1st Tier Organization and Leader Appointment • Proposal of target bonus for the executives of the Year 2019 • Acer Group Global Salary Increase Proposal of the Year of 2019

Implementation of Resolutions in 2018 General Shareholders' Meeting

Major Resolutions	Carries out the situation
1. To Approve the 2017 Financial Statements and Business Report	The shareholder resolution was adopted and approved as proposed.
2. To Approve the Proposal for Profit & Loss Appropriation of 2017	The shareholder resolution was adopted and approved as proposed.
3. To Approve the Cash Distribution from Capital Surplus	To set July 12, 2018 and August 9, 2018 as the record date and the distribution date of ex-dividend respectively. (Distribution ratio for cash dividend : NT$0.7 per share)
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	The shareholder resolution was adopted and approved as proposed.

3.3.12 Where, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, a director or supervisor has expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof

None

3.3.13 summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, of the company's chairman, general manager, principal accounting officer, principal financial officer, chief internal auditor, and principal research and development officer

None

3.4 Information Regarding the Company's Audit Fee and Independence

3.4.1 Audit Fee

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Note
KPMG	Chang, Huei Chen	2018.01.01~2018.12.31	
	Tang, Tzu-Chieh		

Accounting Firm		Audit Fee	Non-audit Fee	Total
1	Under NT$ 2,000,000			
2	NT$2,000,001~ NT$4,000,000			
3	NT$4,000,001 ~ NT$6,000,000			
4	NT$6,000,001 ~ NT$8,000,000		✔	
5	NT$8,000,001 ~ NT$10,000,000			
6	Over NT$10,000,000	✔		✔

A. When non-audit fees paid to the certified public accountant, to the accounting firm of the certified public accountant, and/or to any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid thereto, the amounts of both audit and non-audit fees as well as details of non-audit services shall be disclosed: Not applicable

B. When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: Not applicable

C. When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 15 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed: Not applicable

3.5 Information on replacement of certified public accountant

Not applicable

3.6 The company's chairperson, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm

None

3.7 Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

Title	Name	2018		As of April 16, 2019	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman & CEO	Jason Chen	78,000	0	0	0
Director	Stan Shih	0	0	(1,440,000) (Note)	0
Director	George Huang	(500,000) (Note)	0	0	0
Director	Hung Rouan Investment Corp.	0	0	0	0
Legal Representative of Director	Carolyn Yeh (Representative of Hung Rouan Investment Corp.)	0	0	(1,440,000) (Note)	0
Director	Smart Capital Corp.	0	0	0	0
Legal Representative of Director	Philip Peng (Representative of Smart Capital Corp.)	(30,000)	0	0	0
Independent Director	F.C. Tseng	0	0	0	0
Independent Director	Ji-Ren Lee	0	0	0	0
Independent Director	San-Cheng Chang	0	0	0	0
Independent Director	Ching-Hsiang Hsu	0	0	0	0
Co-Chief Operating Officer	Tiffany Huang	186,000	0	0	0
Co-Chief Operating Officer	Jerry Kao	137,000	0	0	0

Title	Name	2018		As of April 16, 2019	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Corp.VP & President	Emmanuel Fromont	190,000	0	0	0
President	Ben Wan	116,000	0	0	0
President	Maverick Shih	79,000	0	0	0
President	Gregg Prendergast	163,000	0	0	0
President	Andrew Hou	99,500	0	0	0
President	Victor Chien	97,500	0	0	0
CTO	RC Chang	111,000	0	0	0
Corp. CFO	Meggy Chen	97,500	0	0	0
Accounting Officer	Sophia Chen	11,750	0	0	0

Note: The decrease of shares resulted from a gift to a relative rather than a sale.

Shares Trading information

None

Shares Pledge information

None

3.8 Relationship among the Top Ten Shareholders (April 16, 2019)

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remark
	Shares	%	Shares	%	Shares	%	Shares	Relationship	
Hung Rouan Investment Corp.	73,629,933	2.39%	0	0.00%	0	0.00%	Stan Shih	The spouse of this company's Director	-
Stan Shih(Note)	49,662,395	1.62%	5,399,225	0.18%	0	0.00%	Hung Rouan Investment Corp.	This company's Chairman is the spouse of the stakeholder to this company	-
VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	45,986,897	1.50%	0	0.00%	0	0.00%	-	-	-
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	45,085,682	1.47%	0	0.00%	0	0.00%	-	-	-
Management Board of Public Service Pension Fund	33,461,600	1.09%	0	0.00%	0	0.00%	-	-	-
Norges Bank	31,996,473	1.04%	0	0.00%	0	0.00%	-	-	-
Acer GDR	29,290,605	0.95%	0	0.00%	0	0.00%	-	-	-
Dimensional Emerging Markets Value Fund	26,653,109	0.87%	0	0.00%	0	0.00%	-	-	-
Polunin Developing Countries Fund, LLC	23,170,197	0.75%	0	0.00%	0	0.00%	-	-	-
Government of Singapore	22,537,578	0.73%	0	0.00%	0	0.00%	-	-	-

Note: The total share proportion hold by all family members of Stan Shih is 6.03%.

3.9 Ownership of Shares in Affiliated Enterprises (December 31, 2018)

Unit: shares/ %

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors/ Supervisors/Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
Acer European Holdings SA	150,000	100.00%	0	0.00%	150,000	100.00%
Acer Worldwide Incorporated	1,326,193,289	100.00%	0	0.00%	1,326,193,289	100.00%
Boardwalk Capital Holdings Limited	1,263,432,141	92.02%	109,639,200	7.98%	1,373,071,341	100.00%
Acer Digital Services (B.V.I.) Holding Corp	2,246,408	100.00%	0	0.00%	2,246,408	100.00%
Acer Digital Service Co.	128,281,861	100.00%	0	0.00%	128,281,861	100.00%
Cross Century Investment Limited	company limited	100.00%	0	0.00%	company limited	100.00%
Acer Holdings International, Incorporated	33,550,000	100.00%	0	0.00%	33,550,000	100.00%
Acer SoftCapital Incorporated	43,066,668	100.00%	0	0.00%	43,066,668	100.00%
Weblink International Inc.	68,358,360	97.33%	0	0.00%	68,358,360	97.33%
Acer Greater China (B.V.I.) Corp.	163,369,005	100.00%	0	0.00%	163,369,005	100.00%
E-TEN Information Systems Co., Ltd	20,000,000	100.00%	0	0.00%	20,000,000	100.00%
Acer Cyber Security Incorporated	10,999,000	87.09%	0	0.00%	10,999,000	87.09%
Acer BeingWare Holding Inc.	176,367,567	100.00%	0	0.00%	176,367,567	100.00%
Sertec (Beijing) Ltd.	company limited	100.00%	0	0.00%	company limited	100.00%
Acer China Venture Corp.	company limited	100.00%	0	0.00%	company limited	100.00%
Acer China Venture Partnership	partnership	93.33%	partnership	6.67%	partnership	100.00%
StarVR Corporation	30,627,786	63.52%	0	0.00%	30,627,786	63.52%
AOPEN Inc.	28,970,000	40.55%	2,084,725	2.92%	31,054,725	43.47%
Acer e-Enabling Data Center Incorporated	186,592,616	100.00%	0	0.00%	186,592,616	100.00%
Bluechip Infotech Pty Ltd	1,225,000	33.39%	570,000	15.54%	1,795,000	48.93%
GadgeTek Inc.	4,500,000	83.64%	0	0.00%	4,500,000	83.64%
Highpoint Service Network Corporation	5,000,000	100.00%	0	0.00%	5,000,000	100.00%
Acer Synergy Tech Corp.	7,000,000	91.74%	0	0.00%	7,000,000	91.74%
Smart Frequency Technology Inc.	13,200,000	55.00%	0	0.00%	13,200,000	55.00%
Aegis Semiconductor Technology Inc.	1,202,840	19.39%	1,626,519	26.21%	2,829,359	45.60%

4 Capital and Shares

4.1 Sources of Capital

4.1.1 Sources of Capital (April 16, 2019)

Unit: Share/NTD Thousands

Date	Price of Issuance	Authorized Common stock		Paid-in Common stock		Note
		Shares	Value	Shares	Value	
November, 2018	Share/NTD10	3,500,000,000	35,000,000	3,074,933,828	30,749,338	-

Unit: Share

Shares Category	Authorized capital			Note
	Issued shares	Non-issued	Total	
Common shares	3,074,933,828	425,066,172	3,500,000,000	-

4.1.2 Shareholding Structure (April 16, 2019)

Unit: Share

Category Number	Government Institution	Financial Institution	Other Institution	Individual	FINI and Foreign Investors	Total
No. of Shareholders	6	45	564	320,073	954	321,642
Shares	3,834,094	13,387,192	184,314,342	1,909,685,673	963,712,527	3,074,933,828
Percentage	0.12%	0.44%	5.99%	62.12%	31.33%	100.00%

4.1.3 Distribution of Shareholdings (April 16, 2019)

Par value NTD 10

Category	The Number of Shareholders	Shares	Percentage
1~999	114,443	29,671,769	0.95%
1,000~5,000	142,488	322,009,886	10.46%
5,001~10,000	31,865	243,365,237	7.91%
10,001~15,000	11,070	136,496,013	4.44%
15,001~20,000	6,468	117,654,196	3.83%
20,001~30,000	5,706	141,578,645	4.64%
30,001~50,000	4,437	174,296,073	5.67%
50,001~100,000	2,911	205,364,266	6.68%
100,001~200,000	1,247	172,606,448	5.61%
200,001~400,000	518	143,460,275	4.67%
400,001~600,000	147	71,647,052	2.33%
600,001~800,000	77	53,937,619	1.75%
800,001~1,000,000	32	28,278,268	0.92%
1,000,001 and above	233	1,234,568,081	40.14%
Total	321,642	3,074,933,828	100.00%

Preferred shares: None

4.1.4 List of Major Shareholders (April 16, 2019)

Item / Name	Shares	Percentage
Hung Rouan Investment Corp.	73,629,933	2.39%
Stan Shih	49,662,395	1.62%
VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	45,986,897	1.50%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	45,085,682	1.47%
Management Board of Public Service Pension Fund	33,461,600	1.09%
Norges Bank	31,996,473	1.04%
Acer GDR	29,290,605	0.95%
Dimensional Emerging Markets Value Fund	26,653,109	0.87%
Polunin Developing Countries Fund, LLC	23,170,197	0.75%
Government of Singapore	22,537,578	0.73%

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

Unit: NTD

Period / Item			2017	2018	Until Mar. 31, 2019
Market Price Per Share	Highest		24.90	33.75	21.05
	Lowest		13.00	18.65	17.15
	Average		15.95	23.85	19.72
Net Value Per Share	Before Distribution		18.92	19.24	-
	After Distribution		18.92	Un-appropriated	-
Earning Per Share	Weighted Average Share Numbers		3,026,277 Thousand shares	Un-appropriated	-
	Earning Per Share	Current	0.93	Un-appropriated	-
		Adjusted	0.93	Un-appropriated	-
Dividend Per Share	Cash Dividend (NTD)		0.70(note)	Un-appropriated	-
	Stock Dividend	Retained Earning (%)	0	Un-appropriated	-
		Capital Surplus (%)	0	Un-appropriated	-
	Accumulated unpaid dividends		0	Un-appropriated	-
Return on Investment Analysis	P/E Ratio		17.15	Un-appropriated	-
	P/D Ratio		22.79	Un-appropriated	-
	Cash Dividend Yield		4.39%	Un-appropriated	-

Note: The cash distribution at NT$0.7 dollars per share from the capital surplus had been approved by the shareholders in 2018.

4.1.6 Dividend Policy and the Execution

4.1.6.1 Proposed Distribution of Dividends

Due to rapid changes of the industrial situation and development trend, the Company's dividend strategy depends on annual earnings and external environments, therefore, the Company adopts balance dividend policy in accordance with relevant laws and regulations: Cash dividends shall be distributed at least ten percent of total annual dividends, such policy has been approved at the General Shareholder's Meeting held on June 17, 2004.

4.1.6.2 Dividends the Company Proposed to 2019 General Shareholders Meeting

The Board of Directors proposed FY2018 dividends to 2019 General Shareholders Meeting as following:

(1) The beginning balance of the un-appropriated retained earnings of the Company is NT$0 in 2018. After plus the net income after tax of 2018 and the impact caused by the new accounting standards applied and the disposal of fair value through other comprehensive income financial assets, set aside legal reserve ad special reserve in accordance with applicable laws and regulations, the total accumulative retained earnings available for appropriation is NT$2,373,276,341. It is proposed to distribute NT$2,367,699,047 as the dividends to the shareholders, the ending balance of the unappropriated retained earnings is NT$5,577,294, which is reserved for distribution in the future.

(2) It is proposed to distribute the cash dividend of NT$2,367,699,047 to the shareholders whose names and respective shares are in the shareholders' register on the record date for ex-dividend, at a ratio of NT$0.77 per share. (Rounded down to NT$1.0 and the residue will be calculated as the Company's other income)

(3) Should the cash distribution be adjusted due to the amendment of laws or regulations, a request by competent authorities, or any change of the numbers of outstanding share, subject to the approved distribution, it is proposed the General Shareholders' Meeting to authorize the Board of Directors with full power to adjust the distribution ratio.

(4) The record date for ex-dividend is temporarily set on July 11, 2019, and the distribution date is set on August 7, 2019. Should the dates above be adjusted due to the amendment of laws or regulations, a request by competent authorities, it is proposed the General Shareholders' Meeting to authorize the Board of Directors with full power to adjust accordingly.

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

Not Applicable.

4.1.8 Compensation of Employees, Directors, and Supervisors:

1. Remuneration of the Board of Directors and Employee Compensation Stipulated in Acer's Articles of Incorporation

(1) Remuneration of the Board of Directors:

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

(2) Employees' Compensation Resulted from Annual Earnings:

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

The employees' compensation in the previous section may be distributed in the form of either cash or stock bonus, and may be distributed to the employees of subsidiaries of this Company. Qualification requirements of the employees who are entitled to receive the employees' compensation may be specified by the Board of Directors.

2. The standard of accruing employee compensation and remuneration of the Board of Directors and Supervisors, the standard of distributing employees' compensation in the form of stock bonus, and the accounting treatment of difference between the actual distribution amount and the accrued amount:

The Company accrues employee compensation and remuneration of the Board of Directors proportionally from the pre-tax income which referred in Acer's Articles of Incorporation before deducting employee compensation and remuneration of the Board of Directors. Should there be any differences between the actual distribution amount and the accrued amount after the annual financial statements is made and ratified, the difference should be treated as changes in accounting estimates and adjusted in the following year.

3. Distribution of Remuneration of the Board of Directors and Employee Compensation:

(1) The total amount of employees' compensation distributed in the form of either cash or stock bonus, and Remuneration of the Board of Directors. Should there be any differences between the actual distribution amount and the accrued amount after the annual financial statements is made and ratified, the revealing differences, causes and treatment:

The total amount of employees' 2018 profit sharing bonus is NT$163,312,536, and the total amount of Board Directors' 2018 compensation is NT$6,910,504. The Board of Directors approved the proposal of employees' 2018 profit sharing bonus and Board Directors' compensation on March 20, 2019. The employees' profit sharing bonus and Board Directors' compensation are to be distributed in cash.

There is no difference between the actual distribution amount and the accrued amount.

(2) The proportion that the amount of employees' compensation distributed in stock bonus to net income stated in this year financial statement or individual financial reports, and the total amount employee compensation: N/A

4. The actual distribution to the remunerations to employees, Directors and Supervisors in 2018(including distributed shares, amount and price of shares.) Should there be any differences between the actual distribution amount and the accrued amount after the annual financial statements is made and ratified, the revealing differences, causes and treatment:

	2018		
	Dividend Distribution Proposed by the BOD	Actual Dividend Distribution	
		Amount	Share
Remunerations to Employees is paid in cash	NTD121,048,749	NTD 121,048,749	-
Remunerations to Employees is paid in stock	NTD 0	NTD 0	0 Share
Remunerations to Directors	NTD 4,262,925	NTD 4,262,925	-
Total	NTD 125,311,674	NTD 125,311,674	0 Share

4.1.9 Buyback of Treasury Stock

None

4.2 Corporate Bonds

None

4.3 Special Shares

None

4.4 Global Depository Receipts (GDRs) Issuance (March 31, 2019)

Description \ Date of issuance			November 1,1995	July 23, 1997
Date of issuance			November 1,1995	July 23, 1997
Location of issuance and transaction			London	London
Total amount of issuance			US$220,830,000	US$160,600,000
Unit price of issuance			US$32.475	US$40.15
Total number of units issued			6,800,000units	4,000,000units
Sources of valuable securities demonstrated			Capital increased in cash	Capital increased in cash
Number of valuable securities demonstrated			Each unit stands for Acer's 5 common shares	Each unit stands for Acer's 5 common shares
Rights and obligations of GDR holders			Same as Acer's common shareholders	Same as Acer's common shareholders
Consignee			None	None
Depository organization			Citicorp	Citicorp
Custodian organization			Citibank Taipei Branch	Citibank Taipei Branch
Balance not retrieved			5,858,102 units of Global Deposit Receipt as representing 29,290,605 shares of common stocks	
Method to allocate fees incurred during the period of issuance and existence			The expenses incurred by issuance being taken to offset premium reserve. Expenses incurred during existence being taken as expenses of the current term.	The expenses incurred by issuance being taken to offset premium reserve. Expenses incurred during existence being taken as expenses of the current term.
Any key issue for the depository and custodian agreements			None	None
Market Price Per Share	2018	Highest	US$ 5.51	
		Lowest	US$ 3.05	
		Average	US$ 3.97	
	Until March 31, 2019	Highest	US$ 3.40	
		Lowest	US$ 2.84	
		Average	US$ 3.19	

4.5 Employee Stock Options

None

4.6 Restricted Stock Awards (March 31, 2019)

Type of Restricted Stock Awards	2014 1st Employee Restricted Stock Awards
Date of Effective Registration	August 26,2014
Issue Date	August 26,2014
Number of new shares issued	17,460,000 shares (Note)
Issue Price (NT$)	None
Issued RSA Shares as a Percentage of Shares Issued	0.56 %
Vesting Conditions of Restricted Stock Awards	3. These Employee Restricted Stock Awards ("RSA") are granted to the heads of departments and above (including the head of the departments), and the vesting conditions are described as follows： 1.1 Company overall performance： (1) RSA can be issued as long as two of the following three company KPIs are reached in the previous year at the time of the schedule; (2) the three KPIs in year 2014 are set in absolute targets, and as long as two of the three KPIs are reached,100% shares can be issued, and none will be issued if KPIs reached less than two. (3) KPIs of year 2015 and beyond are set in high, medium, and low standards, with three KPIs to reach at least two of the higher standards for the basis of issuance, up to the high standard can be issued 100% of shares, up to the medium standard can be issued 65% of shares, up to low standard can be issued 40% of shares, shares do not issue if less than two KPIs are reached. For example, if the three KPIs of 2015 are reached in high, medium and low standards, the RSA should be issued as the medium criteria, 65% shares will be awarded in this case since the medium standard is reached for at least two KPIs. (4) In addition to the annual guideline of year 2014 is absolute and not distinguished in high, medium, low standards, the KPIs are based on the growth rate or increase of the actual operating results of the previous year since 2015. (5) Detailed KPI standards are described below:

KPIs	2014	2015 & after
Net Revenue	Turnover up to TWD340 billion	High Standard: Growth 15% Medium Standard: Growth 10% Low Standard: Growth 5%
Operation Income	Turn loss into gain	High Standard: Increase TWD 3 billion Medium Standard: Increase TWD 2 billion Low Standard: Increase TWD 1 billion
EPS	Turn loss into gain	High Standard: Increase TWD 1 per share Medium Standard: Increase TWD 0.5 per share Low Standard: Increase TWD 0.3 per share

1.2 Employees Personal Performance:

(1) On the basis of the company's overall performance to calculate the number of shares can be issued, personal performance is added to calculate the actual number of shares issued to individual according to the following criteria:

Performance \ Timeframe	1st year	2nd year	3rd year	4th year
The performance appraisal is excellent or above; Rate of 90% or above	100% shares	100% shares	100% shares	100% shares
The performance appraisal is good or above; Rate of 80% or above	80% shares	80% shares	80% shares	80% shares
The performance appraisal is below average	0	0	0	0

(2) If the shares which are assigned to restrict the rights of employees cannot be divided into four periods according to the above methods, the remainder will be placed in the first phase. For example, if 8550 shares are provided, the number of shares divided in four years will be 2139 shares, 2137 shares, 2137 shares and 2137 shares.

(3) Calculation of the above-mentioned shares (maturity of shares X company's overall performance issuance standard x individual performance issuance criteria) as of the unit, less than 1 share is rounded down unconditionally. For example, 2139 shares x 65% x 80% = 1112.28 shares were rounded down to 1112 shares.

2. Assigned to the long-term commitment and special contributors (reported by the relevant units, after review by the Human Resources Unit, and approved by the Board), both the conditions to "limit the rights of employees new shares" after the length of service as a guideline, its time and the proportion of the following:

Performance \ Timeframe	1st year	2nd year	3rd year	4th year
The performance appraisal is excellent or above; Rate of 90% or above	100% shares	100% shares	100% shares	100% shares
The performance appraisal is good or above; Rate of 80% or above	80% shares	80% shares	80% shares	80% shares
The performance appraisal is below average	0	0	0	0

Restricted rights of employees Restricted Stock Awards

1. The employee shall not, except for inheritance, sell, pledge, transfer, give to others, set up, or otherwise dispose of the new shares after the employees have been granted new shares without achieving the acquired conditions. If the employee meets the conditions, the entrusted Trust custodian shall allocate the shares from the trust account to the individual collection and insurance account of the employee.
2. The rights of shareholders' meetings, proposals, speeches, voting and the right to vote shall be the same as those issued by the company since the appointment of the employees and entrusted to the custodian of the trust. The new stock restricting the rights of employees can still participate in the distribution of shares, but the rights and interests of the shares are not limited by the conditions.
3. Employees are assigned under these measures to restrict the rights of employees of new shares, before the acquisition of the acquired conditions, other rights include, but are not limited to: dividends, dividends, capital reserve distribution rights, cash replenishment of the equity, etc., with the same rights as the common shares which company has issued.
4. The Company shall cease the transfer date, the cash dividend stop transfer date, the shareholders under article 165-3 of the Company law, or any other period of statutory suspension of transfer in accordance with the facts to the base date of the right assignment, during which the acquired conditions shall be reached, It has the time and procedure of lifting the limitation of stock to be carried out in accordance with the trust custody contract or the relevant regulations.

Custody Status of Restricted Stock Awards	The delivery of trust custody, such as the delivery of trust custody, by the company or the person designated by the company on behalf of the staff and the stock Trust custodian signed a trust contract.
Measures to be Taken When Vesting Conditions are not Met	1. If following circumstances occur within four years of the allocation of new shares that limit employee rights and the company has allocated a share that has not yet been acquired, then the company shall/should/must recover it from the employees without compensation. (1) Voluntary-resignation, retirement (2) Dismissal or repatriation due to labor factors (3) Voluntary transfer to the affiliated company/enterprises 2. Employee on approved leave without pay/leave of absence within the four years of new share issuance is considered in the category of unfulfilled vested conditions of employee rights, the new shares may be restored after reinstatement. The vested period for which the employee's rights are restricted to new shares shall be deferred according to the period during which the employee is not employed, and shall be approved in accordance with subparagraph (3.) of this article. 3. If the company's overall performance indicators or individual performance indicators fail to meet the vested conditions in any year before the expiration of the new employee's rights, the company shall be allocated the shares that have not yet been acquired, and the company shall recover from employees without compensation.
Number of New Restricted Employee Shares that have been Redeemed or Bought Back	11,634,000 Shares
Number of Released New Restricted Employee Shares	5,826,000 Shares
Number of Unreleased New Restricted Shares	0 Share(Note)
Ratio of Unreleased New Restricted Shares to Total Issued Shares (%)	0%
Impact on possible dilution of shareholdings	It's no significant impact on the existing shareholders' equity

Note: This time to the Financial Supervisory Commission Securities and Futures Bureau to declare the issuance of limited staff rights of the total issue of 50,000,000 shares, issued a total of 17,460,000 shares on August 26th ,2014.

List of Executives Receiving New Restricted Employee Shares and the Top Ten Employees & Consultants with New Restricted Employee Shares (March 31, 2019)

	Title	Name	No. of New Restricted Shares	New Restricted Shares as a Percentage of Shares Issued	Released				Unreleased			
					No. of Shares	Issued Price (NT$)	Amount (NT$ thousands)	Released Restricted Shares as a Percentage of Shares Issued	No. of Shares	Issued Price (NT$)	Amount (NT$ thousands)	Released Restricted Shares as a Percentage of Shares Issued
Executive officers	Chairman & CEO	Jason Chen	2,100,000 Shares	0.068%	866,250 Shares (Note 1)	0	0	0.028%	0 Share	0	0	0%
	Corp. VP & President	Emmanuel Fromont										
	Co-COO	Tiffany Huang										
	Co-COO	Jerry Kao										
	President	Ben Wan										
	President	Maverick Shih										
	President	Gregg Prendergast										
	President	Andrew Hou										
	President	Victor Chien										
	CTO	RC Chang										
	Corp. CFO	Meggy Chen										
	Accounting Officer	Sophia YL Chen										
Employees	BYOC Consultant	Stan Shih	2,040,000 Shares	0.066%	817,800 Shares (Note 2)	0	0	0.027%	0 Share	0	0	0%
	General Counsel	Lydia Wu										
	Corp. Chief People Officer	Andy HT Lin										
	Channel GM	Dave Lin										
	CIO	Ann Lin										
	AVP	David Kuan										
	AVP	Andrew Chuang										
	AVP	Dave Lin										
	Director	JF Yang										
	Corp. Sustainability Officer	Richard Lai										

Note 1: The number of shares that have been lifted does not include 1,233,750 units of cancelled shares

Note 2: The number of shares that have been lifted does not include 1,222,200 units of cancelled shares

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

None

4.8 Issuance of New Shares by Cash

None

Acer's Business Formula

5

5.1 Business content

5.1.1 Business Scope

5.1.1.1 Business Portfolio

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

The revenue contribution by Acer's PC business is led by notebooks with 60 percent share, followed by desktops with 14 percent share, displays (PC monitors and projectors) with 13 percent share.

5.1.1.2 Industry Highlights

1. Status and Opportunity: AIoT is the convergence of artificial intelligence (AI) and internet of things (IoT) technologies and solutions, which leads to smarter networks and systems that are becoming ever more capable of solving problems across a diverse number of industry verticals. AIoT, devices must directly connect to the cloud, and thereby opening the way for a wider scope of innovation. AI adds value to IoT with big data analytics and machine learning to more sophisticated decision making, while IoT brings the additional benefits of connectivity, signaling, and data exchange to AI. Medical, smart transportation or cities are such examples of the various new possibilities that arise through AIoT.
2. Upstream to Downstream Suppliers: Acer's upstream suppliers include the CPU, chipset, graphics chip, DRAM, and other semiconductor industries, as well as system programing and software industries. The midstream suppliers include motherboard, chassis, keyboard, monitor displays, optoelectronics, hard disk, battery, power supply, and other computer peripherals industries. The downstream suppliers include notebook, desktop, projector, server and other OEM/ODM system assembly industries.
3. Trends: Acer's IT product business includes notebook and desktop PCs, projectors, monitors, digital signage, gadgets and other smart devices. While continuing to research and innovate to enhance its product offerings, Acer will also dedicate more resources to high-margin products such as gaming PCs and gadgets to optimize investments. With the prevalence of AIoT, Acer is actively investing in new businesses, including software and devices for cloud applications, along with people-centric services to integrate ICT devices to create new solutions and business models.

   Through its subsidiary, Altos Computing, it supplies servers integrated with other software and services to offer a wide range of solutions, and has won 12 high-performance computing (HPC) tenders in 2018. Acer is also stepping up its presence in the digital signage and Chrome for enterprise markets.
4. Competition: The PC industry continues to demand thinner, lighter, and mobile devices. Acer has successfully introduced a series of notebooks weighing under 1 kg and measuring less than 1 cm thin. Gaming competition is also rigorous. Acer stands out from competition by introducing generation after generation of its advanced thermal cooling solutions to enable machines to run at peak performance.

5.1.1.3 Technology and R&D

In 2018, Acer spent NT$2.56 billion on research and development, which accounted for 1.06% of total revenues, focusing on user interface, industrial design, ICT related hardware and software, cloud, and gaming technology. In addition, the company is building on its existing PC business and expanding into new areas that can seamlessly integrate PCs with new software applications, and also integrate cloud platforms with cloud services to complete the transition to a "hardware + software + services" company. With a focus on differentiated and high-margin products, Acer adopts an efficient product-mix strategy that tailors to the needs of individual markets.

Underscoring the importance we place on research and development, in 2018 Acer was ranked among the top 3 in the number of Taiwan patent applications with 476 filings, up 25 percent from the previous year.

With the commitment in designing for customer needs, Acer is proud to have received many international design awards for excellence in 2018 and made progress in the development of new technologies for the future:

Design Awards

- Three 2018 Good Design Awards of Japan - The award-winning products are the Acer OJO 500 Windows Mixed Reality headset, Swift 7 ultrathin laptop, and Acer Chromebook 11.
- Acer Chromebook 11 clinched Gold at the Computex d&i Awards 2018, the most coveted honor. Three more products also won the d&i award – Acer Chromebox, Swift 7 and Switch 7 Black Edition notebooks.
- Multiple Computex Best Choice Awards in the fields of IoT, gaming, and consumer tech with the Acer Air Monitor, Acer Windows Mixed Reality Headset, and Acer Leap Beads.
- 13 Red Dot Design Awards 2018 of Germany, setting Acer's historical high. Award-winning entries are:
  - ➢ Gaming line - Predator Triton 700 notebook, Predator Galea 500 headset, Nitro 5 notebook, Nitro RG0 and VG0 series monitors
  - ➢ Notebooks - Swift 5, Spin 5 convertible, Swift 7
  - ➢ Chrome OS devices - Chromebox CXI3, Chromebook Tab 10
  - ➢ Desktops – Veriton N series
  - ➢ Projectors – VL7860 and C200
- 12 iF Design Awards 2018 of Germany – led by Acer's gaming devices, software and packaging designs: Predator Orion 9000 desktop, Predator Triton 700 notebook, Predator X27 monitor, Predator X34P monitor, PredatorSense™ software and Predator Gaming Gadget packaging design. Other award winners are the Swift 7 notebook, Aspire S 24 all-in-one desktop, VG0 series gaming monitor, Holo360 and Vision360 cameras, and Pawbo Wagtag pet tracker.

New Technologies

- In the realm of smart cities, Acer's subsidiary Acer ITS won the "Global ICT Excellence Award - Private Sector Excellence," which is regarded as the Olympics of the global ICT industry, for its smart parking meter solution. This solution has become Taiwan's first roadside Smart Parking Meter build–operate–transfer (BOT) project in collaboration with the Tainan city government, with parking meters implemented along 2,000 spaces across the city.
- Venturing into technology for the future, Acer's Value Lab collaborated with one of Taiwan's top automakers to showcase the vision of artificial intelligence (AI) and autonomous driving technology with a level 4-ready self-driving concept car. Acer stepped up the development further by cooperating with Taiwan's National Yang-Ming University School of Medicine to improve the passenger experience, where the physiological state of passengers during the technology development stage is monitored to improve comfortability of the ride even during unexpected situations.

5.1.1.4 Long and Short Term Business Plan

Acer is engaging in dual transformation with its core business and new initiatives. It will continue to optimize the foundations of existing product lines and innovations, along with the development of software applications, integrating cloud platforms and cloud services.

Expanding its business boundaries, Acer aims to identify and incubate micro trends, followed by the scale up of feasible technologies, to ultimately create multiple growth engines for the company's future.

5.1.2 Market Highlights

5.1.2.1 Market Analysis

1. Market Share of PC Products

Acer's 2018 revenue breakdown by regional operations were: Pan Asia Pacific with 38 percent share, EMEA with 35 percent share, and Pan America with 27 percent share. In worldwide PC shipments (Source: IDC), Acer ranked No. 4 for total PCs with 7 percent share, No. 5 for notebooks with 8 percent share, and No. 4 for desktops with 4 percent share.

2. The Future of Market Demand and Supply

According to IDC, the growth of global PC shipments has officially reached saturation. However, the gradual development of 5G has brought about the emergence of related IoT applications. In esports, its core development is based around the user experience and what is otherwise known as the "Gaming 3.0" era in Taiwan. In addition to hardware development, brand companies must embrace those opportunities arising from the huge esports ecosystem with diversified business models and innovative applications.

Under this market condition, Acer will continue to focus on high-growth products, such as Chromebooks, thin-and-light notebooks, and gaming PCs; in addition, the new brand "ConceptD" launched in 2019 for "creators" is expected to inject fresh energy into the overall stagnant PC industry. In 2018, Acer gaming products, Chromebooks, and among others, have reaped fruitful results. Acer ranked No. 1 in worldwide gaming notebooks with 46 percent growth year-on-year (source: GFK and NPD, 2018), and No. 1 worldwide for Chromebooks with 31 percent market share (source: IDC for Q4, 2018). In the year ahead, the company will continue to observe users' needs and identify micro-trends that have the potential to create a new blue ocean of opportunities. In parallel to focusing on its core PC products, Acer will persist in developing multiple growth engines, and integrate "software + hardware + services" to become a forward-looking company.

3. Competitive Advantage

Acer is engaging in a dual transformation of its core business and new initiatives. Underscoring the importance the company places on research and development, in 2018 Acer ranked among the top three in the number of Taiwan patent applications with 476 filings for design.

In addition, its R&D takes into account of the design thinking process and key technologies, creating a competitive advantage for the company and resulting in the launch of numerous highly competitive and innovative products. In new business developments, Acer has shifted away from traditional computer hardware manufacturers' mindset. Its Value Lab has gradually invested more resources in developing artificial intelligence, big data and more, while exploring new business models to create opportunities for growth. Acer also has a number of subsidiaries in diverse scopes of business including information security, smart transportation, servers, digital signage solutions, and are just some examples of its multiple growth engines.

In terms of sales channel reach, Acer has a presence in over 160 countries and a lean organization for effective and fast decision making. Its R&D, design, marketing, sales, and services all adopt a global strategy, which is the company's advantage.

4. Advantages, Disadvantages and Counter Measures

Advantages

(1) The traditional PC market is stagnating, segmentation of the market has become the mainstream. Acer focuses on PCs in the areas of thin-and-light, gaming, creators, Chromebooks, and more, for different users' needs. Market segments are further divided to address specific users, for example, gaming PCs for hardcore and casual gamers.

(2) Facing the rapidly changing market dynamics, innovation and entrepreneurship pave the way to the future. Ranking in the top three in the number of Taiwan patent applications with 476 filings, among these, Acer was one of the top 10 domestic companies in the design patent category. These achievements demonstrate that design and innovation are Acer's competitive edge.

(3) With a presence in over 160 countries, Acer has a comprehensive network of sales channels, and a lean organization for effective and fast decision making.

(4) Corporate social responsibilities: Acer and its subsidiaries adhere to the brand spirit of "innovative caring." The three key pillars of CSR are sustainable operations, financial transparency, and caring for the environment, while keeping a balance of stakeholders and company interests, lifting the brand image of Acer as a whole.

Disadvantages and Countermeasures:

(1) The volatile and rapidly changing ICT industry presents a challenge to forecast the future PC demand with accuracy.

Actions: Continue to adopt "dual transformation" as the core strategy, explore different markets and launch products for different applications, identify micro trends for a blue ocean of opportunities. In addition to core PC businesses, fulfill the needs of more user groups and market segments; Acer is expanding its offering to smart wearable devices, smart parking solutions, information security and others, to discover new opportunities.

(2) Market volatility may result in greatly fluctuating demands.

Actions: Acer and its subsidiaries will continue to adopt the channel business model and strengthen cooperation with key suppliers and distributors, while continuously optimizing the monitoring of market demands. In addition, e-commerce sales models have been adopted to directly serve consumers and understand their preferences.

5.1.2.2 Key Products and Manufacturing Process

1.Current product and service offering

(1) Notebook PCs

(2) Desktop PCs

(3) LCD monitors

(4) Projectors

(5) Servers

(6) Gaming

(7) Gadgets

(8) Mixed reality devices

(9) Cloud services and edge-computing devices

(10) E-business and services

(11) Commercial software

(12) Digital signage solutions

2.Manufacturing process

Acer and its subsidiaries outsource all manufacturing, and are not directly involved in the manufacturing processes. However, to fulfill its responsibilities as a corporate citizen, and to support global standards in strictly controlling the use of harmful environmental substances, the company released the "Guidelines for the Control of Restricted Substances", which suppliers required to adhere to in the restriction of harmful substances including chemicals. Since July 1, 2006, all Acer products have complied with the European Union's Restriction of Hazardous Substances (RoHS) and with the RoHS Recast to ban four types of phthalates. In addition, the company's products are designed to reduce environmental impact from stages from design, packaging, transportation, usage, through to recycling for the goal of reducing harmful impacts on the environment. For example, in 2018, Acer achieved 100 percent use of recycled paper for its products, saving the earth's resources.

5.1.3 Production Process of Key Products

Acer has long-term cooperation with reputable firms, in and out of Taiwan, for the supply for raw materials. In addition, the company joined the Electronic Industry Citizenship Coalition in 1997, which later became the Responsible Business Alliance (RBA), and continues to be an active participant in the organization's actions. The company strictly prohibits suppliers from using components and finished products produced with raw materials obtained illegally or via inhumane ways; or purchasing tantalum, tin, tungsten and gold (known as 3TG) from sources with direct or indirect funding or benefits from armed groups of the Congo or neighboring countries. Acer also updated the "Responsible Raw Materials Purchasing Policy" in 2017 by expanding the scope of mineral management beyond 3TG and Congo to ensure minerals management is consistent with the OECD's guidance for mineral supply chains in conflict-affected and high-risk areas. The company requires suppliers to provide mineral procurement policies and processes, and shoulder the responsibility of social and environmental protection.

Since 2016, the company has expanded its supplier responsibility management to the second-tier supplier (i.e. the supplier of suppliers), and plans to expand to third-tier suppliers in 2021 to promote a positive cycle for sustainable future.

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

(1) Key Buyers for Acer Group: None

(2) Key Suppliers for Acer Group

Unit: NTD Thousands

Item	2017				2018			
	From	Amount	Percentage of total net purchase (%)	Relationship with Acer Inc.	From	Amount	Percentage of total net purchase (%)	Relationship with Acer Inc.
1	Supplier C	33,151,860	20.08	None	Supplier A	27,032,448	16.81	None
2	Supplier D	20,318,907	12.30	None	Supplier C	26,096,605	16.22	None
3	Supplier A	20,241,280	12.26	None	Supplier D	22,443,623	13.95	None
	Others	91,421,223	55.36		Others	85,303,623	53.02	
	Total Net Purchase	165,133,270	100.00		Total Net Purchase	160,876,299	100.00	

Note: The key suppliers are not significant change for 2018.

5.1.5 Production Value in the Last Two Years: Not applicable.

5.1.6 The Sales Value in the Last Two Years:

Unit: NTD Thousands

Year / Major production	2017		2018	
	Domestic Sales	Foreign Sales	Domestic Sales	Foreign Sales
Computer	6,561,454	178,477,796	6,801,548	176,159,653
Peripherals & Others	18,511,502	33,724,131	24,090,391	35,218,814
Total	25,072,956	212,201,927	30,891,939	211,378,467

5.2 Keys to a Sustainable Future

Engaging in dual transformation for core IT business and new initiatives, Acer continues to pursue business growth and expansion, and upholds the following business philosophy and strategies:

5.2.1 Focus on competitive IT products with high margin including the gaming PC market

Combining the strength and scale of its core products business with the innovation and integration capabilities of new businesses, Acer is transforming into a "hardware + software + services" company. In addition, Acer is reinforcing its core competencies: entrepreneurship, innovation, talent cultivation and brand value, and aims to deepen the qualities of "trust", "innovation" and "excellence" associated with the Acer brand. The company will continue to push for operational growth through an efficient mix of people-centric products with unique designs and innovative technologies that create high margins and address the market needs.

The gaming line of powerful devices with advanced thermal cooling technologies and sensational designs like the Predator Thronos gaming chair are creating statements with their premium quality and high performance. Participation in esports events like League of Legends World Championships and hosting its own Asia Pacific Predator League has enabled Acer to engage new audiences while bringing game-changing designs first to market.

In the PC market, Acer seeks to focus on segments with high growth potential; such as the thin and light notebooks, Chromebooks, and displays, where Acer as delivered many award-winning innovations.

5.2.2 Internalize the Wang-dao philosophy into the corporate culture, and create value based on profitability first

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

5.2.3 Transforming with effective strategies

Acer diligently builds on the synergy of partnerships and utilize resources to effectively operate and grow its business. It also uses creative marketing thinking and tools, working in concert between the global headquarters and regional offices to understand local market conditions and customers preferences.

5.3 Employees

5.3.1 Global Human Asset Management

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

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

-Human Asset Analysis by Manpower, Average Age and Years of Employment

Date / Category	End of 2016	End of 2017	End of 2018	March of 2019
Manpower	7,033	7,046	7,338	7,305
Average Age	37.4	38.7	39.6	39.8
Average Years of Employment	7.7	8.0	8.4	8.5
Male (%)	64.7%	63.8%	62.8%	62.5%
Female (%)	35.3%	36.2%	37.2%	37.5%

-Human Asset Analysis by Job Function

Date / Job Function	End of 2016	End of 2017	End of 2018	March of 2019
General Management	202	183	202	199
Sales & Product Marketing	2,323	2,205	2,233	2,206
Customer Service	1,997	1,866	1,831	1,849
Research & Development	859	1,035	1,172	1,153
Sales Support	851	859	957	990
Administration	801	898	943	908
Total	7,033	7,046	7,338	7,305

- Human Asset Analysis by Education Level

Date / Education Level	End of 2016	End of 2017	End of 2018	March of 2019
Doctor of Philosophy	1.1%	1.1%	1.8%	1.8%
Master's Degree	40.0%	38.6%	28.0%	28.0%
Bachelor's Degree	42.2%	42.8%	42.0%	42.0%
Vocational Study	14.1%	15.9%	26.1%	26.1%
Senior High School or below	2.6%	1.6%	2.1%	2.1%
Total	100.0%	100.0%	100.0%	100.0%

5.3.2 Recruitment

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

5.3.3 Continuing Learning and Growth

People Development and Career Growth

For sustaining Acer's competitiveness in multiple business arenas, Acer introduces multiple growth engines by creating new business entities and proceeding toward stock exchange market. In 2018, in aligning with the project of developing top leaders for business venture, a series of trainings were held for developing top leaders in the capacity of corporate governance, business acumen, accounting and financial analysis, industry trend analysis, global business operation, team leadership, and decision-making.

For the efforts to implement the trainings in 2018, we followed the corporate strategic development direction to develop the organizational capabilities of core and new business for optimizing the synergy of a fleet of teams. We, therefore, laid the emphasis on the development of trending knowledge, technology and business opportunities, digital marketing proficiency, and continued to enhance the capabilities in integrating hardware, software, and services, with the aim to creating values and boosting profitability, ultimately leading to higher brand premium.

- In management training we were positioned to enhance people management skills, including people selection and interview skills, goal setting, management communication, coaching skills, motivating and retaining people, and performance management skills, in order to lead the team-members in more effective way.
- For professional field training, the trend analysis forums were systematically held, helping the product development teams understand the end-users' requirements and grasp the trending direction, so that they may apply it to the new product development or solutions provided.
- In shaping more competitive brand premium, we were committed to exploring the new trend of serving end-users. In 2018, with the trend development focus, we held the trainings or seminars about AI tech, social media tactics, smart tech applied in innovative services and information securities.
- As for general education and training, by guiding staff in their application of the latest technological trends to marketing and sales, we were able to make our workforce more effective and more efficient. Directed by our core values, we continued to promote the full range of skills, including fostering innovation, improving cross-team cooperation, project management and Business English communication skills.

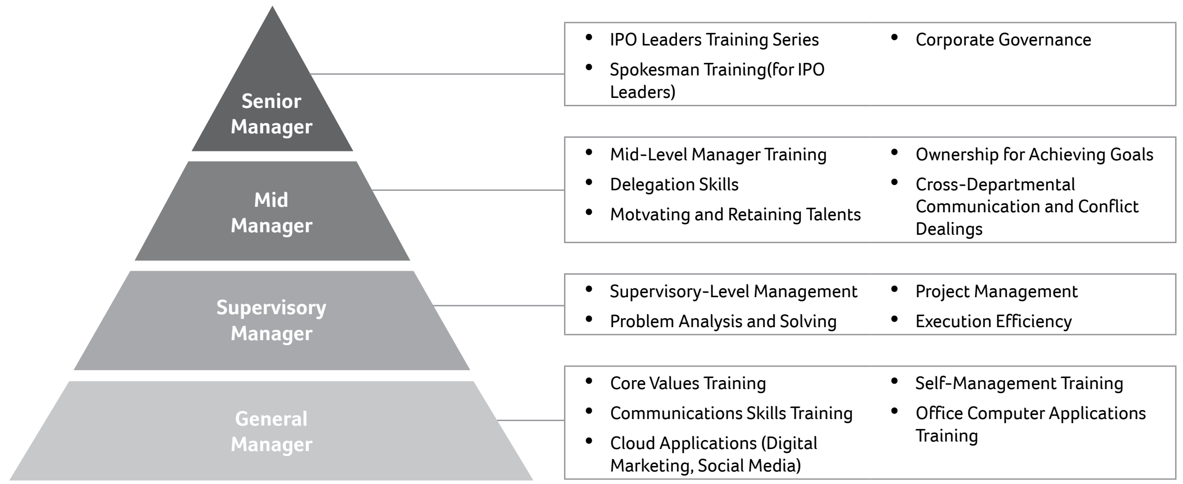
To ensure the quality implementation of such training, all trainings were conducted in accordance with the "Management Process of Internal and External Training." In 2018, a global total of 22,542 attendees participated in such training, accounting for 96,108 man-hours. All training was done in accordance with the principles of operational necessity, gender equality, and equal opportunity.

Multiple Approaches of Learning and Development

Each employee was provided with multiple development paths to enhance the profession. For example, from company within, such opportunities can be found as on-the-job training, coaching, job rotation, speech, online learning. For the company outside, they included profession club seminars, short-term intensive training hosted by the prestigious universities or training institutions.

For developing the senior leaders, we got rid of the traditional learning and took highly interactive learning approach, for example, we invited the senior professionals who served in Acer to share the experience of business operation in the past. For example, the forum of global company merging experience, where they had in-depth discussion triggered among these managers. With the experience sharing, we passed on the Acer's business operation culture and belief, in the expectation of reducing trials and errors and further enhancing the business capabilities.

Management Systems



1. Managerial Training

For the training at senior level, in 2018, we held a series of trainings for IPO leaders to develop the leaders holding the key positions. In addition, to emphasize the concept of corporate governance, we invited a lawyer from a law consulting firm specializing in the field to host the training of the corporate governance and the Securities and Exchange Act of Taiwan, and invited Professor Ji-Ren Lee of Taiwan of College of Management in National Taiwan University to share the practices of remuneration committee of the Board of Directors.

With regard to strengthening mid and supervisory-level management's managerial capabilities, we continued our focus on the human touch awareness in managerial competencies. For the managers' training, it was planned in two phases. The first phase equipped the managers with the competencies in management communication, coaching, performance management for enhancing the performance of the team and individuals, and the second phase helped the managers develop the skills in selecting the best talents, goal setting, motivating and retaining talents, and performance management in practices.

In EMEA, to advance the leadership for the senior managers, some of EMEA managers were assigned to attend the five-day senior leadership training of London Business School, and the management programs at Lausanne's International Institute for Management Development (IMD). We were endeavored to assisting these leaders to understand the latest trend of management and help make full use of their advantages under the condition of VUCA (Volatility, Uncertainty, Complexity and Ambiguity) environment to make quick and appropriate responses.

In Pan America Regional Office, to promote the notion of free trade and fair competition, we held the anti-trust training for the senior managers and PM/BM; Besides, to call attention to the importance of privacy protection, including the collection, use, protection of personal data, we held the training of privacy act enacted by the State of California. For reinforcing our leadership skills in the field of customer service quality department, we held the experience sharing forums of dealing with difficult customers. Also, for strengthening the workplace safety of warehouses, the forklift training was held.

In Pan Asia Regional Office, we organized top sales training (3 days) for Indian sales team to enhance their selling skills, with a total of 264 persons having attended. In Malaysia, we held the training of selling skills and help the teams to the get familiarized with key features of the products, with a total of 576 persons having attended. In Thailand, for assuring customer service and satisfaction, the Customer Service Quality Training was held, attracting 71 persons to attend. For enhancing the selling skills for the team of Oceanic areas (Australia and New Zealand), we included the 9 senior top managers to attend the workshop of leadership skills in selling teams.

2. Professional Training

This system provided the technical training required by the Company's various departments, as well as seminars by specialist speakers given to help keep staff up on the latest trends in product development. In 2018, marked the start of our series of seminars on business trends, with a team of senior analysis from the Institute for Information Industry, they were invited each month to discuss with production-line staff analyses and observations on IoT consumer trends. These seminars covered topics including AI applications in medical industries, the trend and development of smart cars, the development of LPWA (Low-Power Wide-Area), and the trend of Brain Informatics. Each department also held its own experience sharing sessions, with many focusing on implementing consumer insights in product concepts or discussing how to make business opportunities through product innovation.

3. General Training

The focuses of our general education courses were on English communication skills, for example, Business English listening- Strategy and Tactics, the Mostly-used Sentence Patterns of Business English, the tone accent of English, etc. For employing the technical tools for enhancing work efficiency, we held the BI analysis Report using Excel and essential functions of Excel.

We also continued to promote stronger core competencies and basic professional skills through courses covering areas like improving workplace communication and the protection and use of patents. In marketing, we covered areas including digital marketing success secrets, the method of story-telling for effective selling and the IT product trends by examining CES (Consumer Electronics Show) 2018. In order to promote the awareness in the area of securing personal data, we continued holding General Data Protection Regulations (GDPR) training. To strengthen corporate governance, regulate risks, and assure business ethics, we conducted the training of Anti-Bribery and Anti-Corruption.

4. New Employee Training

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

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

5. Performance Management and Development

The goal of Acer's performance management and development system is to improve performance at individual, departmental and organizational levels, and includes goal setting, delegation, communication & coaching, the link between performance & remuneration, and career development. In 2018, the proportion of Acer's global employees involved in performance evaluations approached 80%.

5.3.4 Compensation

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

5.3.5 Welfare

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

5.3.6 Pension

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

5.3.7 Employee Relations

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

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

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

5.3.8 Acer Employee Management

Standards of Business Conduct

Acer has formulated the Standards of Business Conduct (SBC) to serve as the guide to regulate the interactions between the employees and the parties of customers, vendors, stakeholders, or communities. The Standards are set based on Acer's Core Values—Passion, Customer-centric, Innovation, Teamwork, Balance of Interests, and Integrity—to regulate the behaviors in fair competition, work environment with care and respect, intellectual properties, interest conflicts, legal payments, acceptance of customary business amenities, or political contributions.

For any questions regarding SBC raised by the employees, Acer management, global HR headquarters, and global legal headquarters are available for both staff and external inquiries. For any matters related to the likelihood of violating SBC, the employees or any external parties may also resort to the units mentioned above directly for clarification. In the event that the SBC is violated, the situation will be handled according to the severity of the violation, with serious cases subject to disciplinary action and even dismissal.

SBC regulates the proper behavior clearly when encountering with interest conflicts, or accepting proper offers etc., and provides a mechanism for controlling the potential risks resulted from bribery or corruption. Acer makes internal audits periodically on the process flow of daily operation, reducing the possibilities of bribery or corruptions cases effectively.

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

• Sexual Harassment Prevention Measures

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

• Declaration of Secrecy and Intellectual Property Rights

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

5.4 Important Contracts

Nature of Contracts	Contracting Parties	Beginning and Ending Dates of Contracts	Major Content	Restrictive Clauses
Software License Agreement	Microsoft Inc.	Aug.1, 2019 until triggering the terminating terms of this Agreement	Obtain license from Microsoft for using certain software	Confidential Non-assignable
Patent License Agreement	IBM Corporation	Oct. 29, 2003 until the end of related patents period Nov 22, 2006 until the end of related patents period	Cross license arrangements for certain patents	Confidential
Syndicated Loan Agreement	A bank group led bythe arrangers, Bank of Taiwan, Chinatrust, Taiwan Cooperative, Megabank, Taipei Fubon, Taishin, Bank SinoPac, DBS, Chang Hwa, Landbank, Taiwan Business, KGI and Agricultural Bank of Taiwan	Being effective on April 29, 2016, and terminated on 24th Aug, 2018 due to the total repayment	A maximum syndicated financing amount of NTD12 billion	Confidential, Non-assignable, Specific financial ratio covenants

Corporate Social Responsibility

6

Corporate Social Responsibility

Acer's corporate social responsibility mission aligns the Company's CSR strategy with the Company's new development direction and the core spirit of the brand:

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

Acer's CSR policy covers three axes: integrated sustainable governance, pioneering green innovation, and comprehensive sustainable impact.

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

Acer's efforts in CSR continue to be recognized by top-notch sustainability indices. In 2018, the Company was selected for the fifth consecutive year as a component stock of MSCI's Global Sustainability ESG Indexes and Dow Jones Sustainability Index (DJSI) Emerging Markets Index. Acer was included in the FTSE4Good Emerging Index for the third straight year, and listed in the new subcategory FTSE4Good TIP Taiwan ESG Index.

In 2008, Acer stablished the Corporate Sustainability Office (CSO) as an establishment directly in charge of Acer Group's CSR affairs. In line with the Company's new group-based strategy, a number of subsidiaries have become listed companies. As a result, our CSR governance structure faces changes, and thus we continue to review our CSR framework. In 2017, in response to the transformation of the company and changes in the global environment, we further adjusted our sustainability mission and CSR policy, ensuring we are fully equipped to make good on our commitments to development that is sustainable on both the corporate and social levels. In 2018, the Company undertook a comprehensive review of CSR framework, reorganizing the 2012-established Global Corporate Social Responsibility Committee (GCSRC) into the Corporate Sustainability Committee (CSC) to integrate corporate social responsibility strategies and enhance Acer's ESG performance.

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

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6.1 Environment, Safety and Health Management

6.1.1 The Environmental Protection

1. Energy and Climate Change

We continue to implement the Acer Integrated Energy and Climate Change Policy. We have also formulated long-term carbon reduction targets in line with the methodology proposed by the Science Based Targeting initiative, and we expect to accomplish in 2050 an 80% reduction in Scope 1 and Scope 2 carbon emissions from the baseline year of 2009. In 2018, in line with GHG Protocol principles, we recalculated our benchmark for annual emissions based on structural changes.

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

On the green electricity front, in 2017 Acer continued to expand our use of renewable energy in more operating locations, gradually expanding the use of renewable energy to achieve our medium-term goal of reducing carbon emissions by 60% by 2020.

2. Green Product Management

Acer's green product policy is:

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

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

Acer supports the concept of resource recycling. In 2018, we continued to use recycled plastics in display units and all-in-one computers, including the B6, V6, B7, & V7 lines of displays and our all-in-one desktop models.

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

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

Acer not only supports the concept of resource recycling, but also actively strives to use post-consumer recycled plastics (PCR) in our products. At the same time, with regard to the materials that are most likely to create problems of pollution or occupational safety in the recycling process, we work with plastics manufacturers and upstream recyclers to conform to international standards of quality, environmental safety, occupational health and safety, and responsible recycling (R2), earning international export licenses and recycling service provision qualifications from local governments.

3.Office Carbon Reduction

Acer's energy consumption primarily comes from office electricity usage. Each year we collect data on electricity usage from our offices around the world to facilitate prompt adaptations. We also aim to reduce electricity usage through the use of green electricity, improved office equipment, and stronger power management, coupled with ongoing assessment and planning of energy conservation measures. Acer Taiwan's total solar power generation reached 3.258 million kWh in 2018, enough to supply about 930 households for one year. The Acer eDC Longtan office, meanwhile, deactivated the power transformers for some floors after an electricity demand assessment, resulting in an annual saving of approximately 348,000 kWh.

The main source of electricity consumption in our offices is air conditioning and lighting. Given this, in 2018 we changed out air conditioning equipment in two office areas, including the Zhizun Building at Acer Taiwan Aspire Park, and high-consumption lighting in six office areas including our Xizhi headquarters, in addition to undertaking renovations at four office areas, including Xizhi, to make use of energy-saving lighting. In addition, our office areas continue to pursue stronger power management, including the use of monitoring systems to adjust the hours air conditioners are active, adjusting the temperature of water emitted by air conditioner chiller on a seasonal basis, and using lighting systems that automatically shut off during lunch breaks and after hours to control energy consumption.

6.1.2 Safety and Health

1. Environmental Safety and Health Management

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

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

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

In 2018, most of Acer's Taiwan business units passed new ISO 14001:2015 environmental management system review and have continued to receive third-party certification. Some of our subsidiaries also passed ISO 14001:2015 review.

2. Working Environment and Employee Safety

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

3. Emergency Accident Operation

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

4. Employee Health

Acer always cares about the health of colleagues. We keep promoting health management and promotion. In 2017, Acer applied for extended Healthy Workplace Certification. In 2018, Acer received the "sports enterprise certification from the minister of Education's Sports Administration" for the second consecutive year, further demonstrating our commitment to providing healthy workplaces.

Moreover, in order to strengthen workplace health promotion, we also hold afternoon lunch talks on health; offer weight loss classes, smoking cessation classes, and physical fitness tests; hold sports competitions; set up health stations; and promote articles on health and wellbeing.

6.2 Supply Chain Management

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

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

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

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

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

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

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

In 2017 and 2018, Acer's responsible minerals sourcing program completed the transformation to this renewed focus. Acer has identified and prioritized minerals for inclusion in our responsible sourcing strategy and they currently include Conflict Minerals or 3TG from the DRC and its adjoining countries, cobalt from the DRC and tin from Indonesia. Acer will continue to reassess its priority minerals as well as be involved in the refining of the procedures to identify Conflict-Affected and High-Risk Areas (CAHRAs). In 2018, Acer issued its first consolidated responsible minerals report, outlining the steps taken to conduct due diligence on all priority minerals.

In order to review suppliers' SER performance, we established the acer suppliers CSR scorecard. Through the mechanism, we could know and track suppliers' environmental, social and governmental risks in early time and assist the suppliers to conduct the necessary measures to reduce or mitigate the risks. To implement acer suppliers' environmental and social responsibility, our suppliers have to conduct the risk assessment and management to their next-tier suppliers according to the RBA code of conduct. Besides, they have to conduct on-site audit to the suppliers with high risk. We called the mentioned management “Acer RBA 2.0.” We include the performance by the suppliers in the evaluation of CSR scorecard. In 2018, we continued to carry out vendor CSR scorecard evaluations, including overall carbon management, carbon reduction results, and green energy adoption status, using this to further improve the ability of our overall supply chain to respond to climate change.

6.3 Communication

6.3.1 Communication with Stakeholders

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

6.3.2 Supplier CSR Communication Meeting

Every year, Acer invites representatives of our major vendors to participate in annual CSR Communication Meetings, sharing the latest global trends in corporate sustainability and emphasizing Acer's requirements of and goals for supply chain CSR management performance. At the 2017 Supplier CSR Communication Meeting, we announced a list of banned and restricted chemical substances, including substances that may impact the external environment or the health of operators. In 2018, with a focus on circular economy, we invited the plastics recycler in our supply chain to share their practical operations and experiences to enhance the overall supply chain's awareness of the topic and its gradual implementation in Acer's circular economy goal.

6.3.3 Customer Relations

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

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

- Global web site download and actively update service
- Call center support center / technical support
- Direct service center
- Authorized service center and professional system repair company
- International Traveler Warranty service center
- Acer Web Master

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

6.4 Community Involvement

6.4.1. Acer Volunteer Team

The Acer Volunteer Team was established in 2004 for the purpose of giving employees a channel to contribute their spare time and energy to public welfare service. Apart from providing opportunities for interaction and friendship between employees from different departments and backgrounds, the volunteer service also bring Acer employees new life experiences and personal growth through the activities. The focused areas of the Volunteer Team include digital inclusion, charity and philanthropy, international volunteer work, and environmental conservation. Our volunteer teams have also created many opportunities to give back to the community through volunteer experiences, organizing a number of activities for both staff and their families to promote concepts

of charity. In the past, such activities have included recruiting IT volunteers, working to protect mountains and the oceans, second-hand item donation drives, blood drives, electronics recycling, working with people with dementia, promoting carbon reduction and energy saving to address climate change, and helping both disadvantaged children and the elderly.

6.4.2 Acer Foundation

Acer Foundation is committed to promote digital opportunity since its establishment.

In the first semester of the 2017 academic year, we joined forces with the Global Views Educational Foundation on a full-scale upgrade of our bookmobiles and digital vans in the “Reading for Hope x Cloud Professor Bookmobiles” project. In this, we took not only traditional books, but also five to eight Acer Cloud Professor IoT smart “Cloud Professor + GigoToys” sets into campuses to foster a combination of reading habits and programming language knowledge for the new era. In the 2017 academic year, we visited 112 rural elementary and junior high schools, helping some 6,000 students. In addition, we held four Cloud Professor teacher training sessions were held, focused on education in programming and IoT, with approximately 210 teachers participating. Over the course of that same academic year, our four vehicles covered 175,199 km and helped foster over 1,000 “reading kings.” We also invited volunteers from universities and other walks of life to form reading volunteer teams to head into rural communities as storytellers for the local children.

In addition to this, for several years Acer has organized the Longterm Smile Competition. In 2018, this competition was restructured to incorporate smart technologies and IoT, relaunching as the Longterm Smile Internet of Beings Competition. With its first holding in this incarnation in 2018, the competition has continued to promote Taiwanese startup innovation.

To encourage today's youth to unleash their creative potential in the modern digital era, the Acer Foundation has for the second time worked with the National Taiwan Science Education Center to hold the BeingLife Creativity Competition. This time, the competition attracted outstanding works from over 600 teams, from which a shortlist was compiled through judging interviews which looked at the students' insight into contemporary social issues. Each competing piece was the result of students' observations of modern life and attempts to incorporate technology in innovative ways, using cloud computing to solve everyday problems and showcasing the value of the Internet of Things in creating an “Internet of Beings.

6.5 Enforcement of Corporate Social Responsibility by the Company

Assessment Items	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary Description	
1.Exercising Corporate Governance				
(1) Does the company declare its corporate social responsibility policy and examine the results of the implementation?	✔		Acer Corporate Social Responsibility Policy: • Integrated Sustainable Governance: Deepening CSR governance and stakeholder engagement, as well as strengthening the overall management and transparent disclosure of both financial and non-financial performance • Pioneering Green Innovation: Incorporating low-carbon, sustainable, and cyclically innovative technologies and concepts into products and services, taking the lead in smart cities and the development of a new green economy • Comprehensive Sustainable Impact: Creating real corporate value and leveraging our influence on vendors and partners to help the overall industry move toward a sustainable future We formulate the action plans based on the corporate social responsibility policy and regularly review the performance. Please view Acer Corporate Responsibility Report for details.	No discrepancy
(2) Is there any training about Corporate Social Responsibility (CSR) conducted regularly?	✔		Acer conducts Corporate Social Responsibility (CSR) training according to planned schedule. In 2018, the CSR trainings includes: • Green product training • RBA training • GHG training • Acer's management system on environment safety, and health • Facet analysis of significant environmental impact • ISO 14001/ OHSAS 18001-- regulations and implementation	No discrepancy
(3) Does the company establish exclusively (or concurrently) dedicated units to be in charge the corporate social responsibility policies and report to the Board of Directors?	✔		In 2008, Acer stablished the Corporate Sustainability Office (CSO) as an establishment directly in charge of Acer Group's CSR affairs. The Office is in charge of promoting campaigns on companywide sustainability issues. Since then, we take into account stakeholders' suggestions to establish longer term CSR targets and strategies to internalize CSR programs throughout the whole global organization and suppliers. In 2015, to deepen corporate responsibility governance and business strategy combination, we adjusted the corporate sustainability office affiliated with the chairman from Corp. President & CEO. In 2017, in response to the transformation of the company and changes in the global environment, we further adjusted our sustainability mission and CSR policies, ensuring we are fully equipped to make good on our commitments to development that is sustainable on both the corporate and social levels. In 2018, the Company undertook a comprehensive review of CSR framework, reorganizing the 2012-established Global Corporate Social Responsibility Committee (GCSRC) into the Corporate Sustainability Committee (CSC) to integrate corporate social responsibility strategies and enhance Acer's ESG performance.	No discrepancy
(4) Have the critical factors of corporate social responsibility been clearly articulated in the performance appraisal system, with fair and effective rewarding or penalty system followed?	✔		Acer promulgates Standards of Business Conduct (SBC) as the guidelines to regulate the employees' behavior in doing business. It is essential for each employee to abide by SBC. We require a new employee attend the training, emphasizing the importance of abiding by the regulations. The standards of SBC, the core essence of CSR in doing business, are built-in Acer's performance appraisal system, which helps managerial staff to monitor the status of exercising the regulations. For any behavior that violates the regulations of SBC, the disciplinary actions will be taken, including an employment dismissal.	No discrepancy
2. Fostering a Sustainable Environment				
(1) Does the company endeavors to utilize all resources more efficiently and uses renewable materials which have a low impact on the environment?	✔		Acer strives to lower the environmental impacts of our operation and products, and keeps improving the efficiency of resource usage. The major achievements of 2018 include: a. Use of Post-Consumer Recycled Plastics Acer supports the concept of resource recycling, and as such we actively strive to use post-consumer recycled plastics (PCR) in our products. At the same time, with regard to the materials that are most likely to create problems of pollution or occupational safety in the recycling process, we work with plastics manufacturers and upstream recyclers to conform to international standards of quality, environmental safety, occupational health and safety, and responsible recycling (R2), earning international export licenses and recycling service provision qualifications from local governments. b. Use of recycled paper in packaging Acer carefully considers the materials we use in our packaging, with packaging design emphasizing recyclability and making use of easily recyclable materials a priority. In 2018, some 8% of all desktop computers shipped used molded pulp or folded paper packaging. Acer's desktop computer models use brown carton inserts and boxes of 100% recycled paper pulp. The notebook computers also use 100% recycled EPE foam and 100% recycled paper for their packaging, minimizing its negative impact on the environment. On top of this, all of the posters included with products are produced with Forest Stewardship Council certified paper, while all printing uses environmentally friendly water-based and soy inks.	No discrepancy
(2) Does the company establish proper environmental-management systems based on the characteristics of their industries?	✔		Acer adopted international standards ISO 14001 to establish the environmental management system and keep maintaining the validity of the Certificate. In 2018, all of Acer's Taiwan business units passed new ISO 14001:2015 environmental management system review and have continued to receive third-party certification. Some of our subsidiaries have also passed ISO 14001:2015 review.	No discrepancy

Assessment Items	Implementation Status: Yes	No	Summary Description	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
(3) Does the company monitor the impact of climate change on its operations and establish company strategies for energy conservation and carbon and greenhouse gas reduction?	✔		We have also formulated long-term carbon reduction targets in line with the methodology proposed by the Science Based Targeting initiative, and we expect to accomplish in 2050 an 80% reduction in Scope 1 and Scope 2 carbon emissions from the baseline year of 2009. In 2018, in line with GHG Protocol principles, we recalculated our benchmark for annual emissions based on structural changes. Please view Acer Corporate Responsibility Report for details.	No discrepancy
3. Preserving Public Welfare				
(1) Are there any human right policies or processes formulated in the company in response to the request of International Bill of Human Rights?	✔		The Standards of Business Conduct requires each site of Acer worldwide follow the principles of labor rights, which are both internationally or locally-regulated, including general labor laws, equal opportunity and transparency in recruitment process, with no discrimination of race, gender, age, religion, or nationality, in pursuit of our value emphasizing that right man should be in the right position. Besides, employing a child labor is forbidden. We have sound human resources management systems, for example, clear employment contracts, work rules, or human resources regulations, to ensure the legitimate rights and benefits of an employee being well-protected.	No discrepancy
(2) Are there any complaint channels created for employees, and are the complaints properly handled?	✔		Acer sets up whistleblower.acer@acer.com, encouraging people inside and outside the company to directly report any incidences of fraud, corruption, breaches of the Standards of Business Conduct, or any other activity that is illegal or a counter to good corporate governance. Through this, personnel, legal, or auditing departments can be notified, with each report passed on to the appropriate authorities for confidential investigation.	No discrepancy
(3) Does the company provide safe and healthy work environments for its employees, and organizes training on safety and health for its employees on a regular basis?	✔		In order to build a good working environment and ensure colleague health and safety, the Acer Taiwan headquarters has launched an ESH (Environment, Safety, and Health) management system. This team has a total of 44 members, 43 of whom are elected representatives, thus accomplishing 97.7% labor representation. At the same time, in order to make sure internal communications are smooth, the Company has set up Employee Representative Meetings, made up of regional representatives elected by employees. Meetings are elected held quarterly to discuss topics including health and safety issues and improvement follow-up. In order to strengthen staff understanding of health and safety, we take advantage of all available channels for communications, as well as holding annual training and education programs tailored to different groups, passing on knowledge, improving focus on health and safety, and further advancing the creation of a culture of health and safety that can adapt to emergency situations.	No discrepancy

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

Assessment Items	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary Description	
(8) Has the company assessed the suppliers' records for the impact on the environment and society?	✔		Since 2013, we have carried out supplier CSR scorecard evaluations, reviewing the implementation of CSR among our suppliers and performance therein. Since 2014, these have been part of quarterly business review meetings focused on major product lines and key components and provided to senior management of Acer and our suppliers, serving as a driving influence behind our bilateral business relationships. In 2018, we continued to carry out vendor CSR scorecard evaluations, including overall carbon management, carbon reduction results, and green energy adoption status, using this to further improve the ability of our overall supply chain to respond to climate change. Please view Acer Corporate Responsibility Report for details.	No discrepancy
(9) The company contracts with its major suppliers, such as whether to include supplier when it comes to violations of its corporate social responsibility policy, and there is a significant impact on the environment and society, may at any time terminate or cancel the terms of the contract?	✔		Under our current-existing supply agreements with main suppliers, it contains provisions of compliance of laws and relevant Corporate Social Responsibility regulations such as the RBA code of conduct. In the event that a supplier breaches to the above-mentioned provisions, we are entitled to exercise any and all rights given by the supply agreements, including without limitation, the right to terminate such supply agreement.	No discrepancy
4. Enhancing Information Disclosure				
(1) Does the company disclose the relevant and reliable information relating to their corporate social responsibility in the website and the Market Observation Post System?	✔		We disclose our CSR information and CR report on the below website: http://www.acer-group.com/public/Sustainability/index.html	No discrepancy

5. If the Company has established corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies", please describe any discrepancy between the principles and their implementation:

To boost Acer's overall competitiveness, fulfill its corporate responsibility in the social, economic and environmental aspects, and make Acer a leading brand-name in the history, the Standards of Business Conduct (SBC) were revised and promulgated in 2009 that serve as behavioral guidelines to Acer global employees providing them principles of conducting business at worldwide. They serve as a guideline for decision-making and action with regard to fair competition, respect for the environment; intellectual property rights; conflicts of interests; the banning of improper payments, gifts, or hospitalities; political contributions and activities; and so forth.

In 2017, we revised and announced the part of the protection of human rights in the SBC. The enactment of the SBC no only protects Acer's global business interest in a legitimate manner but also helps to enhance its service quality for customers, partners, and the communities. We also establish Anti-Bribery and Anti-Corruption Policy, Antitrust and Fair Competition Guidelines, Regulations on Insider Trading, Rules Governing Management of Personal Data, and Subject Regulations of Prevention, Complaint and Punishment of Sexual Harassment to bring the practice of corporate responsibility into our daily operation.

6. Other important information to facilitate better understanding of the Company's corporate social responsibility practices:

More information can be found at:
1. Acer Sustainability website: http://www.acer-group.com/public/Sustainability/index.htm
2. Acer Foundation website: http://www.acerfoundation.org.tw/english/index.php

7. If the products or corporate social responsibility reports have received assurance from external institutions, they should state so below:

Acer engaged KPMG to perform an independent limited assurance in accordance with ISAE 3000 on 2018 acer corporate responsibility report, of which GRI Standard Core option was applied.

7

Financial Standing

7.1 Five-Year Consolidated Financial Information

7.1.1 Condensed Balance Sheet

Financial Information (Consolidated)

Unit: NTD Thousands

Item \ Period		2014 (Restated)	2015	2016	2017	2018
Current assets		150,885,170	132,949,777	133,863,136	126,294,298	123,120,995
Property, plant and equipment		5,484,061	4,827,412	4,321,152	4,106,559	3,846,752
Intangible assets		26,727,547	26,609,427	18,595,922	17,184,151	17,311,344
Other assets		7,998,259	7,355,587	8,893,852	10,027,763	9,710,319
Total assets		191,095,037	171,742,203	165,674,062	157,612,771	153,989,410
Current liabilities	Before Distribution	117,755,891	102,576,092	105,421,675	93,239,933	86,816,928
	After Distribution	117,755,891	104,093,099	106,936,746	95,360,731	Un-appropriated
Non-Current liabilities		12,709,296	3,311,010	2,573,909	6,397,432	8,186,196
Total Liabilities	Before Distribution	130,465,187	105,887,102	107,995,584	99,637,365	95,003,124
	After Distribution	130,465,187	107,404,109	109,510,655	101,758,163	Un-appropriated
Equity attributable to Shareholders of the Company		60,627,593	65,852,731	57,674,395	57,319,443	58,268,094
Common stock		27,965,678	30,854,428	30,807,328	30,765,028	30,749,338
Capital surplus	Before Distribution	34,098,396	36,232,755	34,743,105	29,852,184	27,913,351
	After Distribution	34,098,396	34,715,748	29,779,637	27,731,386	Un-appropriated
Retained Earnings	Before Distribution	903,649	1,451,899	(3,448,397)	2,815,587	5,901,450
	After Distribution	903,649	1,451,899	0	2,815,587	Un-appropriated
Other equity		845,908	228,505	(1,512,785)	(3,198,500)	(3,381,189)
Treasury Stock		(3,186,038)	(2,914,856)	(2,914,856)	(2,914,856)	(2,914,856)
Non-controlling interests		2,257	2,370	4,083	655,963	718,192
Total equity	Before Distribution	60,629,850	65,855,101	57,678,478	57,975,406	58,986,286
	After Distribution	60,629,850	64,338,094	56,163,407	55,854,608	Un-appropriated

Financial Information (Unconsolidated)

Unit: NTD Thousands

Item / Period		2014 (Restated)	2015	2016	2017	2018
Current assets		64,492,594	53,406,125	56,336,952	46,638,306	44,854,355
Property, plant and equipment		1,679,960	1,470,937	1,396,807	1,358,581	1,355,056
Intangible assets		666,744	552,978	320,315	261,992	229,136
Other assets		78,921,395	78,041,044	71,960,719	70,841,818	72,121,938
Total assets		145,760,693	133,471,084	130,014,793	119,100,697	118,560,485
Current Liabilities	Before Distribution	74,437,302	66,208,583	70,814,249	56,709,827	54,079,626
	After Distribution	74,437,302	67,725,590	72,329,320	58,830,625	Un-appropriated
Non-Current liabilities		10,695,798	1,409,770	1,526,149	5,071,427	6,212,765
Total Liabilities	Before Distribution	85,133,100	67,618,353	72,340,398	61,781,254	60,292,391
	After Distribution	85,133,100	69,135,360	73,855,469	63,902,052	Un-appropriated
Equity attributable to Shareholders of the company		60,627,593	65,852,731	57,674,395	57,319,443	58,268,094
Common stock		27,965,678	30,854,428	30,807,328	30,765,028	30,749,338
Capital surplus	Before Distribution	34,098,396	36,232,755	34,743,105	29,852,184	27,913,351
	After Distribution	34,098,396	34,715,748	29,779,637	27,731,386	Un-appropriated
Retained Earnings	Before Distribution	903,649	1,451,899	(3,448,397)	2,815,587	5,901,450
	After Distribution	903,649	1,451,899	0	2,815,587	Un-appropriated
Other equity		845,908	228,505	(1,512,785)	(3,198,500)	(3,381,189)
Treasury Stock		(3,186,038)	(2,914,856)	(2,914,856)	(2,914,856)	(2,914,856)
Total equity	Before Distribution	60,627,593	65,852,731	57,674,395	57,319,443	58,268,094
	After Distribution	60,627,593	64,335,724	56,159,324	55,198,645	Un-appropriated

7.1.2 Condensed Statement of Comprehensive Income

Financial Information (Consolidated)

Unit: NTD Thousands

Item / Period	2014	2015	2016	2017	2018
Revenue	329,684,271	263,775,202	232,724,161	232,274,883	242,270,406
Gross profit	28,942,184	24,884,122	23,212,458	25,361,234	25,828,199
Operating income	2,707,665	938,608	1,192,513	3,669,734	3,738,489
Non-operating income and (expenses)	(93,246)	(92,051)	(5,916,838)	(230,602)	513,891
Income (loss) before taxes	2,614,419	846,557	(4,724,325)	3,439,132	4,252,380
Income (loss) from continued segment	1,790,584	603,795	(4,900,740)	2,796,733	2,901,960
Income (loss) from discontinued segment	0	0	0	0	0
Net income (loss)	1,790,584	603,795	(4,900,740)	2,796,733	2,901,960
Other comprehensive income (loss)	2,438,464	(829,149)	(1,752,356)	(1,697,788)	(192,878)
Total comprehensive income (loss)	4,229,048	(225,354)	(6,653,096)	1,098,945	2,709,082
Net income (loss) attributable to shareholders of the Company	1,790,690	603,680	(4,900,296)	2,815,587	3,060,429
Net income (loss) attributable to non-controlling interests	(106)	115	(444)	(18,854)	(158,469)
Total comprehensive income (loss) attributable to shareholders of the Company	4,229,180	(225,467)	(6,654,809)	1,115,222	2,876,293
Total comprehensive income (loss) attributable to non-controlling interests	(132)	113	1,713	(16,277)	(167,211)
EPS (in New Taiwan Dollars)	0.66	0.20	(1.62)	0.93	1.01

Consolidated financial statements for each year have been audited by CPA.

Financial Information (Unconsolidated)

Unit: NTD Thousands

Item \ Period	2014	2015	2016	2017	2018
Revenue	246,625,093	196,086,936	175,496,371	174,273,511	177,953,077
Gross profit	7,461,999	8,456,400	6,980,588	8,474,204	8,470,193
Operating income	98,417	2,367,598	1,053,291	3,027,941	2,726,867
Non-operating income and (expenses)	1,969,475	(1,696,437)	(5,933,773)	(1,722)	1,185,723
Income (loss) before taxes	2,067,892	671,161	(4,880,482)	3,026,219	3,912,590
Income (loss) from continued segment	1,790,690	603,680	(4,900,296)	2,815,587	3,060,429
Income (loss) from discontinued segment	0	0	0	0	0
Net income (loss)	1,790,690	603,680	(4,900,296)	2,815,587	3,060,429
Other comprehensive income (loss)	2,438,490	(829,147)	(1,754,513)	(1,700,365)	(184,136)
Total comprehensive income (loss)	4,229,180	(225,467)	(6,654,809)	1,115,222	2,876,293
EPS (in New Taiwan Dollars)	0.66	0.20	(1.62)	0.93	1.01

Financial statements for each year have been audited by CPA.

7.1.3 CPAs' and Auditors' Opinions

CPAs and opinions in the past five years

Year	Name of CPA(s)	Auditors' Opinion
2014	Tzu-Chieh Tang, Wei-Ming Shih	An Unqualified Opinion
2015	Tzu-Chieh Tang, Wei-Ming Shih	An Modified Unqualified Opinion
2016	Huei-Chen Chang, Tzu-Chieh Tang	An Unqualified Opinion
2017	Huei-Chen Chang, Tzu-Chieh Tang	An Unqualified Opinion
2018	Huei-Chen Chang, Tzu-Chieh Tang	An Unqualified Opinion with the paragraph on emphasis of matter

7.2 Five-Year Financial Analysis

Financial Information (Consolidated)

Item \ Period			2014	2015	2016	2017	2018
Financial Ratio	Total liabilities to total assets(%)		68.27	61.65	65.19	63.22	61.69
	Long-term funds to Net fixed assets (%)		1,337.31	1,432.78	1,394.36	1,567.56	1,746.21
Ability to Payoff Debt	Current ratio(%)		128.13	129.61	126.98	135.45	141.82
	Quick Ratio(%)		94.52	93.45	86.93	88.99	89.02
	Interest protection		5.01	3.49	(17.88)	16.23	25.26
Ability to Operate	A/R turnover (times)		5.44	4.91	5.03	5.20	5.13
	A/R turnover days		67.09	74.33	72.56	70.19	71.15
	Inventory turnover (times)		8.33	6.76	5.73	5.35	5.27
	A/P turnover (times)		5.47	4.90	4.38	4.43	5.23
	Inventory turnover days		43.81	53.99	63.69	68.22	69.25
	Fixed assets turnover (times)		56.76	51.16	50.88	56.31	60.92
	Total assets turnover (times)		1.73	1.45	1.38	1.47	1.55
Earning Ability	Return on assets(%)		1.22	0.49	(2.78)	1.85	1.95
	Return on equity(%)		3.06	0.95	(7.93)	4.84	4.96
	To Pay-in Capital (%)	Operating income	9.68	3.04	3.87	11.93	12.16
		PBT	9.35	2.74	(15.34)	11.18	13.83
	Net income ratio(%)		0.54	0.23	(2.11)	1.18	1.20
	EPS(NTD)		0.66	0.20	(1.62)	0.93	1.01
Cash Flow(%)	Cash flow ratio		4.78	(0.84)	7.85	(8.06)	(2.46)
	Cash flow adequacy ratio		53.18	18.83	40.90	(26.72)	20.94
	Cash reinvestment ratio		10.33	(1.71)	13.58	(16.40)	(7.34)
Leverage	Operating leverage		10.65	25.94	18.62	6.07	6.68
	Financial leverage		1.32	1.57	1.27	1.07	1.05

Analysis of Deviation over 20%:

Interest protection, PBT to Pay-in Capital %: mainly due to increase in income before taxes and net income.

Cash flow ratio, cash flow adequacy ratio, cash reinvestment ratio: mainly due to decrease in cash flows from operating activities.

Financial Information (Unconsolidated)

Item		Period	2014	2015	2016	2017	2018
Financial Ratio	Total liabilities to total assets(%)		58.41	50.66	55.64	51.87	50.85
	Long-term funds to Net fixed assets (%)		4,245.54	4,572.77	4,238.28	4,592.36	4,758.54
Ability to Payoff Debt	Current ratio(%)		86.64	80.66	79.56	82.24	82.94
	Quick Ratio(%)		71.57	66.38	61.61	58.37	57.53
	Interest protection		5.13	3.32	(37.95)	14.89	32.79
Ability to Operate	A/R turnover (times)		10.04	9.21	7.78	7.65	7.93
	A/R turnover days		36.35	39.63	46.92	47.71	46.03
	Inventory turnover (times)		20.67	18.98	15.69	12.87	12.59
	A/P turnover (times)		5.27	4.67	4.28	4.21	5.01
	Inventory turnover days		17.66	19.23	23.26	28.35	28.99
	Fixed assets turnover (times)		145.78	124.46	122.39	126.50	131.15
	Total assets turnover (times)		1.72	1.40	1.33	1.40	1.50
Earning Ability	Return on assets(%)		1.54	0.60	(3.64)	2.41	2.66
	Return on equity(%)		3.06	0.95	(7.93)	4.90	5.30
	To Pay-in Capital (%)	Operating income	0.35	7.67	3.42	9.84	8.87
		PBT	7.39	2.18	(15.84)	9.84	12.72
	Net income ratio(%)		0.73	0.31	(2.79)	1.62	1.72
	EPS(NTD)		0.66	0.20	(1.62)	0.93	1.01
Cash Flow(%)	Cash flow ratio		5.62	1.71	(4.46)	1.22	(9.66)
	Cash flow adequacy ratio		158.50	96.08	31.37	53.14	(23.75)
	Cash reinvestment ratio		5.77	1.65	(7.69)	(1.28)	(11.10)
Leverage	Operating leverage		73.24	3.50	6.36	2.81	3.02
	Financial leverage		(0.24)	1.14	1.14	1.08	1.05

Analysis of Deviation over 20%:

Interest protection, PBT to Pay-in Capital %: mainly due to increase in income before taxes and net income.

Cash flow ratio, cash flow adequacy ratio, cash reinvestment ratio: mainly due to decrease in cash flows from operating activities.

1. Financial Ratio

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

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

2. Ability to Pay off debt

(1) Current ratio=Current Assets/Current liability

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

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

3. Ability to Operate

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

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

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

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

(5) Inventory turnover day=365/Inventory turnover

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

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

4. Earning Ability

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

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

(3) Net income ratio=PAT/Net sales

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

5. Cash Flow

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

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

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

6. Leverage

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

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

7.3 Audit Committee Review Report

The Board of Directors has prepared the Company's 2018 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 20, 2019

7.4 Consolidated Financial Statements Audited by CPAs of the Past Year

Please refer to Appendix I.

7.5 Parent-Company-Only Financial Statements Audited by CPAs of the Past Year

Please refer to Appendix II.

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

None

8 Review of Financial Position, Management Performance and Risk Management

8.1 Financial position (Consolidated Financial Statements)

Major impact on financial position

Unit: NTD Thousands

Item \ Period	2018	2017	Difference	
			Amount	%
Current assets	123,120,995	126,294,298	(3,173,303)	(2.51)
Property, plant and equipment	3,846,752	4,106,559	(259,807)	(6.33)
Intangible assets	17,311,344	17,184,151	127,193	0.74
Other assets	9,710,319	10,027,763	(317,444)	(3.17)
Total assets	153,989,410	157,612,771	(3,623,361)	(2.30)
Current liabilities	86,816,928	93,239,933	(6,423,005)	(6.89)
Non-current liabilities	8,186,196	6,397,432	1,788,764	27.96
Total liabilities	95,003,124	99,637,365	(4,634,241)	(4.65)
Capital stock	30,749,338	30,765,028	(15,690)	(0.05)
Capital surplus	27,913,351	29,852,184	(1,938,833)	(6.49)
Retained earnings	5,901,450	2,815,587	3,085,863	109.60
Other equity interest	(3,381,189)	(3,198,500)	(182,689)	5.71
Treasury stock	(2,914,856)	(2,914,856)	0	0.00
Equity attributable to shareholders of the Company	58,268,094	57,319,443	948,651	1.66
Total equity	58,986,286	57,975,406	1,010,880	1.74

Analysis of Deviation over 20%:

Non-current liabilities: The increase was mainly due to reclassification from current liabilities to non-current liabilities.

Retained earnings: The increase was mainly due to increase in net income in 2018.

8.2 Financial performance (Consolidated Financial Statements)

Major impact on financial performance

Unit: NTD Thousands

Item \ Period	**2018**	**2017**	**Difference**	
			Amount	**%**
Revenue	242,270,406	237,274,883	4,995,523	2.11
Cost of revenue	(216,442,207)	(211,913,649)	(4,528,558)	2.14
Gross profit	25,828,199	25,361,234	466,965	1.84
Operating expenses	(22,256,745)	(21,900,478)	(356,267)	1.63
Other operating income and expenses-net	167,035	208,978	(41,943)	(20.07)
Operating income	3,738,489	3,669,734	68,755	1.87
Non-operating income and loss	513,891	(230,602)	744,493	(322.85)
Income before taxes	4,252,380	3,439,132	813,248	23.65
Income tax expense	(1,350,420)	(642,399)	(708,021)	110.22
Net income	2,901,960	2,796,733	105,227	3.76
Other comprehensive loss , net of taxes	(192,878)	(1,697,788)	1,504,910	(88.64)
Total comprehensive income	2,709,082	1,098,945	1,610,137	146.52
Net income attributable to shareholders of the Company	3,060,429	2,815,587	244,842	8.70
Total comprehensive income attributable to shareholders of the Company	2,876,293	1,115,222	1,761,071	157.91

Analysis of Deviation over 20%:

1. Other operating income and loss-net: The decrease was mainly due to lower rental income in 2018.
2. Non-operating income and loss: The increase was mainly due to net income from foregin currency exchange gain(loss) and gain on financial assets and liabilities at fair value though profit in 2018.
3. Income before taxes: The increase was mainly due to highter income before taxes in 2018.
4. Other comprehensive loss for the year, net of taxes: The increase was mainly due to decrease in currency exchange loss arising from translation of foreign operations in 2018.

8.3 Cash flows (Consolidated Financial Statements)

8.3.1 Major impact on cash flows

Unit: NTD Thousands

Item \ Period	2018	2017	Financial ratio change
Cash flows from operating activities	(2,132,143)	(7,512,783)	(71.62)
Cash flows from investing activities	(142,151)	(190,048)	(25.20)
Cash flows from financing activities	(4,621,360)	(1,804,278)	156.13

Analysis of cash flows in 2018:

NT$21 billion net cash used in operating activities: mainly from income before income taxes, increased in inventories and repayment of notes and accounts payable.

NT$1 billion net cash used in investing activities: mainly from additions to property, plant and equipment and intangible assets, and dividends received.

NT$46 billion net cash used in financing activities: mainly from cash dividends paid from capital surplus.

Analysis of cash flows in 2017:

NT$75 billion net cash used in operating activities: mainly from income before income taxes, and repayment of notes and accounts payable.

NT$2 billion net cash used in investing activities: mainly from additions to property, plant and equipment, acquisition of investments accounted for using equity method and received from acquisition of subsidiaries.

NT$18 billion net cash used in financing activities: mainly from cash dividends paid from capital surplus.

8.3.2 Remedial actions for liquidity shortfall:

Remedial actions are not required

8.3.3 Analysis of cash liquidity for next year

Not applicable

8.4 Major capital expenditures and impact on financial and business in recent years

None

8.5 Long-term investment policy and results

The investments accounted for using equity method are for strategic purpose. The share of losses of associates and joint ventures amounted to NT$ 133,896 thousands on consolidated statements mainly due to transformation. Acer will continue to focus on strategic purpose thought adequate and prudent assessment.

8.6 Risk Management

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

1.Interest Rate Fluctuation

ECB is restrained in their monetary policy due to soft growth and low inflation. The economic data does not support FED to take more aggressive monetary policy. As FED is more dovish in rate hiking, Central Bank of the Republic of China (Taiwan) is unlikely to raise interest rate. Short-term TWD and foreign currency deposits remain to be the most common used instruments for Acer to optimize return while reducing risk.

2.Exchange Rate

EUR may weaken in 2019 due to soft growth of economy and possible bouts of heightened political risk in Eurozone. USD would be the natural outperformer in slowing global economy. US-China trade tensions have become a key driver of USD-RMB. The monetary policies of major economies influence the stability of the currencies in emerging markets. Acer will maintain its strategy to meticulously hedge its foreign positions to minimize the impacts on earnings caused by foreign exchange rate fluctuations.

3.Inflation

According to recent IMF World Economic Outlook, An escalation of trade tensions, deeper-than-envisaged slowdown in China, and expectations of slower global growth lead to negative implications for global commodity prices. Consumer price inflation has generally remained contained. Appropriate measures will be taken accordingly to minimize impacts on business operation if need.

8.6.2 The Policy Regarding High-Risk/Highly Leveraged Investments, Lending, Endorsements, and Guarantees for Other Parties; The Main Reasons for the Profits/Losses Generated Thereby; And Response Measures To Be Taken In The Future

Company will use high-safety, high-liquidity, and fixed-income financial instruments provided by financial institutions with high credit rating for the utilization of short-term idle funds. Company will use investment of leading and relative industry for the utilization of long-term idle funds.

Company does not engage in lending, endorsements and guarantees, unless for its subsidiaries; provides, if there is any necessities to lend, endorse, and guarantee to other parties for business purpose, it shall be done in accordance with Company's "Procedures for to Lending Funds to Other Parties" and "Procedures for Endorsement and Guarantee."

As of December 31, 2018, the aggregated amount of guarantees provided is NTD 25,283,411,000, among which NTD 3,153,244,000 was actually used.

Company does not engage in financial derivative transactions unless for hedging purpose. ; If Company engages in financial derivative transactions for business purpose, it shall be done in accordance with Company's "Regulations of Foreign Exchange Risk Management and Structured Deposit."

8.6.3 Research and Development Plan in the Future and Estimated Expense

Company and its affiliates focus on keeping invest in researching and developing (R&D) computers and accessories & peripherals, self-driving system, smart medicine and healthcare, battery management system, smart retail, etc., and technology of big data, relevant software of artificial intelligence application in the near future. The plans are summarized as follows:

Research item	Patents Received in 2018
Artificial intelligence	R&D of algorithm, application and service of machine learning and artificial intelligence.
Smart medicine and healthcare	To develop assistant tools and service of artificial intelligence diagnosis, and wearable of physiology monitor by Acer's deep learning and big data system technologies, as well as cooperation with hospital's huge amount of data and medical knowledge.
Big data technology	Data mining, data cleaning, big data management, machine learning and advance analysis of big data.
Self-driving system	Self-driving system: Apply the algorithms of machine learning and artificial intelligence to combine the technologies of multi-sensor perception, localization, dynamic path planning, development of multi-purpose self-driving system. Leverage machine learning and fulfill the vision of Mobility as a Service (MaaS).

It is estimated expense around 0.8%~1.5% of 2019 total revenue for all R&D plans.

8.6.4 Impacts associated with domestic and international important policies and regulation changes to Company's financial and business and the response measures to be taken in the future

As of the date of print of this annual financial report, the relevant domestic and international important policies and regulation changes have no immediate, obvious and significant expected impacts on the Company's finances and business. Company continues to pay attention to domestic and international important policies and regulation changes to evaluate the impacts timely and then take appropriate steps to protect the Company's finance and business.

8.6.5 Impact Associated with Changes in technology and industry to Company's financial and business and the response measures to be taken in the future

Nowadays, the Information and Communication Industry and relevant technologies change more and more rapid, which, though, causes no immediately foreseeable, significant and negative impacts on the company's finance and business, Company still focus on the changes in these categories. Except self-developing technologies, Company cooperates with partners in Joint-Development and Joint-Business, and develops new business to foresee the future trendy to technologies and changes of business as well. Meanwhile, Acer's dual transformation with multiple growth engines has resulted in healthy operations for businesseswill ambitiously strengthen its performance and new business development. Moreover, Company will focus on gaming PCs, Chrome solutions, commercial business growth, in addition to new initiatives including AOPEN, ACSI, and more, as its main growth energy to maintain Acer's energy of innovation and progress.

8.6.6 The Impacts of enterprise crisis management from Changes in Corporate Reputation and the response measures to be taken in the future

Company has transformed manufacturing into a brand company of information and communication products and service, thus, it focuses on global operations and supply chain management, which results in the shift of the scope of corporate crisis management. Via multi-vendor strategies to separate the risks of cooperation with a single partner, the inventory management of Company will be more resilient. In addition, due to the uncertain global situation, crisis and challenges may occur at any time, Company actively strengthens the awareness of crisis management, develops preventive measures to avoid the occurrence of crisis, and establishes risk management mechanism. If a crisis should be encountered, the losses of risk could be reduced to ensure Company will be evergreen.

8.6.7 Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken

None

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

None

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

None

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

None

8.6.11 Impact and Potential Risks to Company Management Team Change

None

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

1. The status of the dispute as of the date of printing of this annual report:
   (1) A US company filed a lawsuit against Acer in the superior court of California based on cause of actions for misappropriation of trade secrets and breach of a non-disclosure agreement. Acer has engaged external law firms to deal such litigation. So far, the final verdict is still unpredictable; however, Acer has properly accrued provisions based on development of the aforesaid lawsuit. Thus, Acer foresees no immediate material adverse effect on the Acer's business operations and finance.
   (2) Acer from time to time receives notices from third parties asserting that Acer has infringed certain patents or demands Acer obtain certain patents licenses. Although Acer does not expect that outcome of the notices, individually or collectively, will have a material adverse effect on Acer's financial position or operation, given the outcome of legal proceedings are difficult to foresee, relevant settlements may affect Acer's result of operation or cash flow in a particular period.
2. In year 2018 and as of the date of printing of this annual report, any Acer director, supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10% were not involved in any material litigious, non-litigious or administrative disputes of which the result could materially affect shareholders' equity or the prices of Acer's securities.
3. In year 2018 and as of the date of printing of this annual report, any subsidiaries and affiliates controlled by Acer were not involved in any material litigious, non-litigious or administrative disputes of which the result could materially affect Acer shareholders' equity or the prices of Acer's securities.

8.6.13 Other important risks

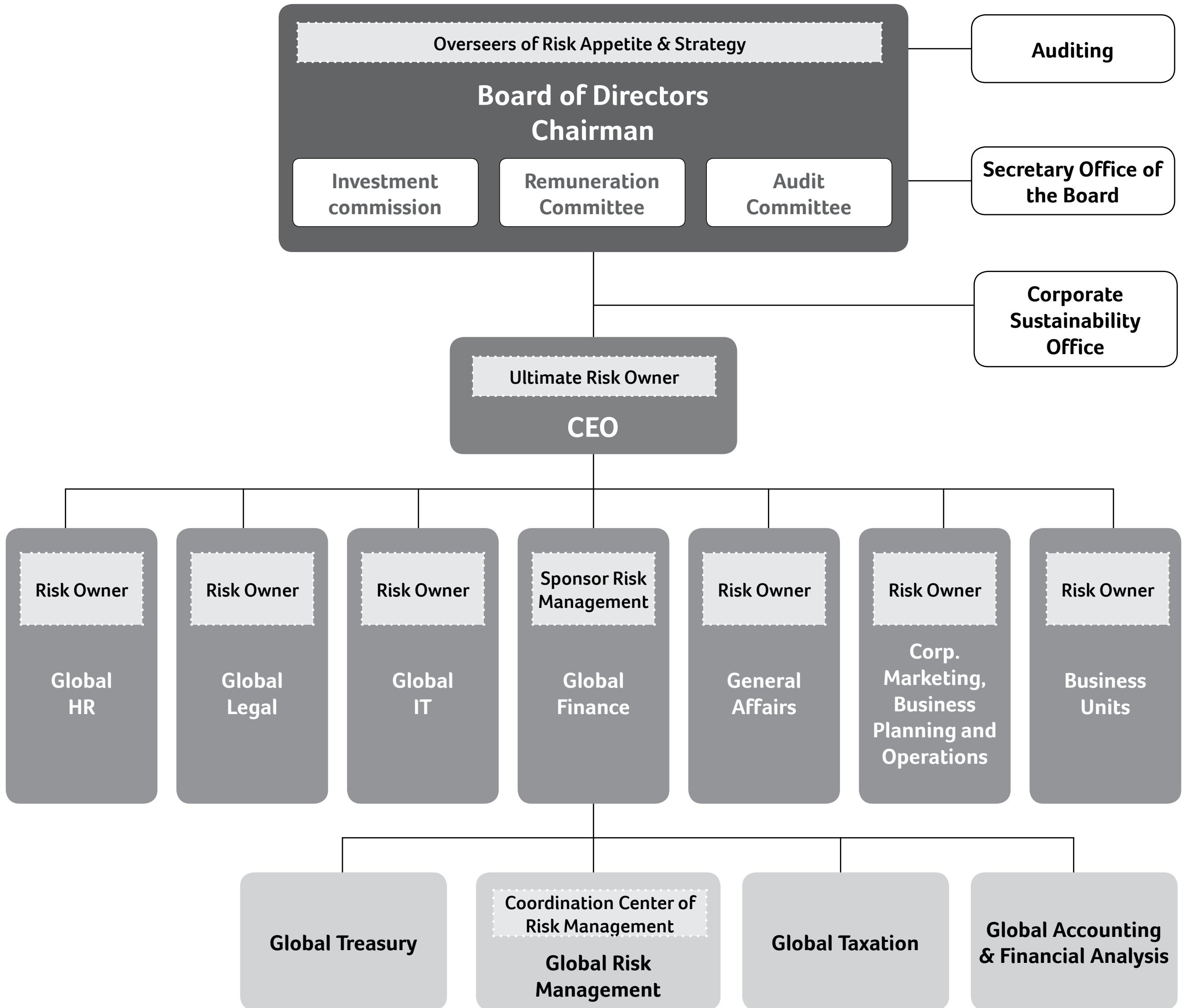
Acer's Risk Management Organizational Structure

In late 2012, Acer established the Risk Management Working Group, the membership of which spans the Legal, Finance, Human Resource, Supply Chain Management, Enterprise Communication, Marketing, QA & Services, IT, Environmental Safety and Health, Asset Management, all Product Business Groups, and the Corporate Sustainability Office. Every year, the working group holds regular meetings, inviting members of various working groups to engage in identifying, assessing, and discussing risks the Company may face in three aspects: economic, environmental, and social.

Additionally, in 2018 Acer reorganized the former Global Corporate Social Responsibility Committee (GCSRC) into the Corporate Sustainability Committee (CSC); the Risk Management Working Group is a unit under the CSC. We believe that this reorganization will not only further strengthen our existing risk management practices, but also help in building a corporate culture with a strong awareness of risk management through the participation of top-level management from various departments and business units.

Chart of Acer's Risk Management Organizational Structure

Acer's Risk Management Framework



- The Board of Directors determines the strategic direction of risk management in order to improve and strengthen corporate governance; At the same time, in response to various operational risks, relevant measures and designated units of responsibility are set out and progress on the implementation of risk management items reported by the various committees and management levels is monitored, with internal management functions further strengthened to boost the effectiveness of risk management.
- Management is responsible for supervising and complying with risk management strategies and conducting regular assessments of effectiveness.
- Audit Office regularly reviews and monitors internal control processes, annual audit plan, etc.
- The Corporate Sustainability Office is responsible for identification and management of sustainability risks using various analytical methods to identify operational risks, including risk management of forward-looking social and environmental issues, and formulating follow-up management plans to mitigate the impact of these risks on organizational operations.
- The Global Human Resources Headquarters is responsible for implementing the planning, organization, instruction, control, and coordination of HR policies, including hiring, performance, and compensation in order to accomplish enterprise developing goals and the creation of highly adaptable organizational systems.

- The Global Legal Headquarters is responsible for legal risk management, reviewing and processing contract disputes, and so on to reduce legal risk.
- The Global Information Technology Headquarters is responsible for the building and planning of overall information systems and information security management.
- Global Financial Headquarters:
  - ✔ The Global Accounting and Business Analysis Head Office is responsible for verifying and checking global transactions, ensuring the validity of transactions and reliability of financial statements. It is also responsible for responding to related risks through business analysis and planning, financial information integration, and investment management.
  - ✔ The Global Funds Head Office is responsible for financial planning, relevant financial risk sharing, and insurance allocation.
  - ✔ The Global Taxation Head Office is responsible for international investment framework planning and tax-related risk planning, management, and response.
  - ✔ The Global Risk Management Head Office is responsible for coordinating the Group's global credit risk, operational risk, and other related risk management and insurance allocation services.
- The General Affairs Head Office is responsible for environmental health and safety policy and management of potential risks to Group assets.
- The Global Brand Marketing and Strategic Operations Center is responsible for risk management strategy planning, execution, and follow-up improvement relating to business intelligence and market analysis, supply chain risk management, brand and PR risk management, and quality control.

Risk Identification and Management

The Risk Management Working Group uses risk mapping to assess potential threats to the Company's future operations based on the likelihood of various risks and the extent of the damage were they to occur, classifying the risks and ensuring proper prioritization of risk management strategies. At the same time, we use sensitivity analysis and stress testing to undertake further quantitative analysis of each risk item and examine whether there is a high correlation between risk factors.

The Risk Management Working Group aggregates the results of these analyses and tests, then drafting follow-up action plans and reporting to the convener of the group. In 2018, the Risk Management Working Group identified a total of 67 risk items, of which 10, in areas including IP and associated litigation risk, information security risk, and extreme climate risk, were categorized as medium-high risk or higher. Designated personnel from the relevant departments are responsible for the drafting of follow-up risk management strategies related implementation plans with regard to risk items identified and analyzed, including commonly used response methods such as loss prevention planning, avoidance, separation & duplication, transfer, and retention. In addition, they also assess appropriate resource inputs, execution priorities, methods for follow-up progress tracking. At the same time, risk contingency plans and crisis management mechanisms are developed to reduce the possible adverse effects of various potential risks on operations. Significant risk information is also reported to the Audit Committee. Report content includes:

- Response to the GDPR
- Reporting on liability insurance for directors and managers
- Information security controls
- Corporate CSR risk management

Bringing together all of the above, we continue to actively implement relevant risk management practices, employing a forward-looking outlook on prevention and a cautious approach to the risks and challenges facing the Company both now and in the future. The Audit Committee also aggregates risk environment, risk management priorities, risk assessment, and response measures, with the chair reporting this to the board.

Severity (Impact) / Frequency (Possibility)	Negligible-1	Negligible-2	Minor-3	Minor-4	Moderate-5	Moderate-6	Significant-7	Significant-8	Severe-9	Severe-10
10										
9										
8								I		
7								K		
6							J	C		
5			H				B	D,E		
4										
3								F		
2					A			G		
1										

Extreme
Hight
Considerable
Moderate
Low

Note:

1. The risk identification/analysis process begins in Q4 each year and is completed in Q1 the following year.
2. The risk map is based on the results of assessment of the risk levels of 2018 risk items.
3. Some risk items are presented by category.

A	Supply chain related risk	Relates to reliability or otherwise of sourcing and supplier management of environment and labor rights risks
B	IP and litigation risk	Includes patent litigation filed by competitors regarding intellectual property
C	Interest rate risk	Impairment of property value due to exchange rate fluctuations
D	Credit risk	Risks relating to payee's ability or willingness to repay
E	Tax risk	Potential risks due to changes in tax regulations
F	Inventory management risk	Includes risks caused by slow inventory turnover
G	Liability risks for directors and managers	Potential liability risks produced by the execution of directorial and managerial duties
H	Human resources related risk	Risks such as labor shortages, loss of high-level management talent, or human rights issues

I	Information security risk	Losses arising from leaks of personal information, malicious programs, computer viruses, or hackers
J	Business interruption risk	Losses due to interruption of business caused by accidents
K	Extreme climate risk	Risks due to global warming and various extreme climate phenomena

Emerging Risks

With regard to the many emerging risks identified by the Risk Management Working Group in 2018, including trade protectionism, information security, and extreme climate, we additionally have invited staff from relevant departments for in-depth discussions and focused thinking in order to assess the potential adverse effects on the Company's future operations. In response to information security risk, the Risk Management Working Group not only summarizes patterns of potential losses (including loss of goodwill, interruptions to operations, and data leakage), but also works with the IT Department to consolidate the basic capital operation principles and plans laid out below, as well as the gradual implementation of the ISO 27001 international information security specification standard. Beyond this, in 2018 Acer organized a global cyber insurance policy, not only from consideration of risk transfer, but also in hopes of making use of the international insurance market to receive further assistance and resources from external information security experts. Into the future, we intend to continue paying attention to the developmental trends in information security risk and continuously review and improve the relevant operating principles.

- Review externally oriented services
- Make use of principle of least privilege and encryption
- Identify and protect endpoint security
- Pay attention to application security
- Educational users
- Find and protect the weakest link
- Pay attention to the latest information security standards and attack methods

Acer will continue to focus on long-term trends and threats relating to global warming and extreme climate phenomena. Currently, our Supply Chain Management Department is assessing changes in low temperature that may be encountered during transportation along particular routes, discussing and cooperating with shipping companies to enact feasible preventive measures based on the type and characteristics of products.

With regard to future trends and potential negative impacts of trade protectionism risk, such as trade protectionism and related trade barriers between countries and the imposition of tariffs on goods not produced domestically to alleviate trade deficits, ICT products produced in Asia are likely to become a point of focus, becoming a bargaining chip in trade negotiations and even causing changes in pricing that may affect sales. The Risk Management Working Group has collated the types of losses that may occur (including a decline in sales or market share due to political/economic instability, labor-related costs due to migration of production bases, and so forth). We will closely monitor long-term development trends in trade protectionism and the subsequent impacts, while also continuing to expand into new niche markets and sales channels so as to distribute operational risks and reduce the impact and uncertainty so caused.

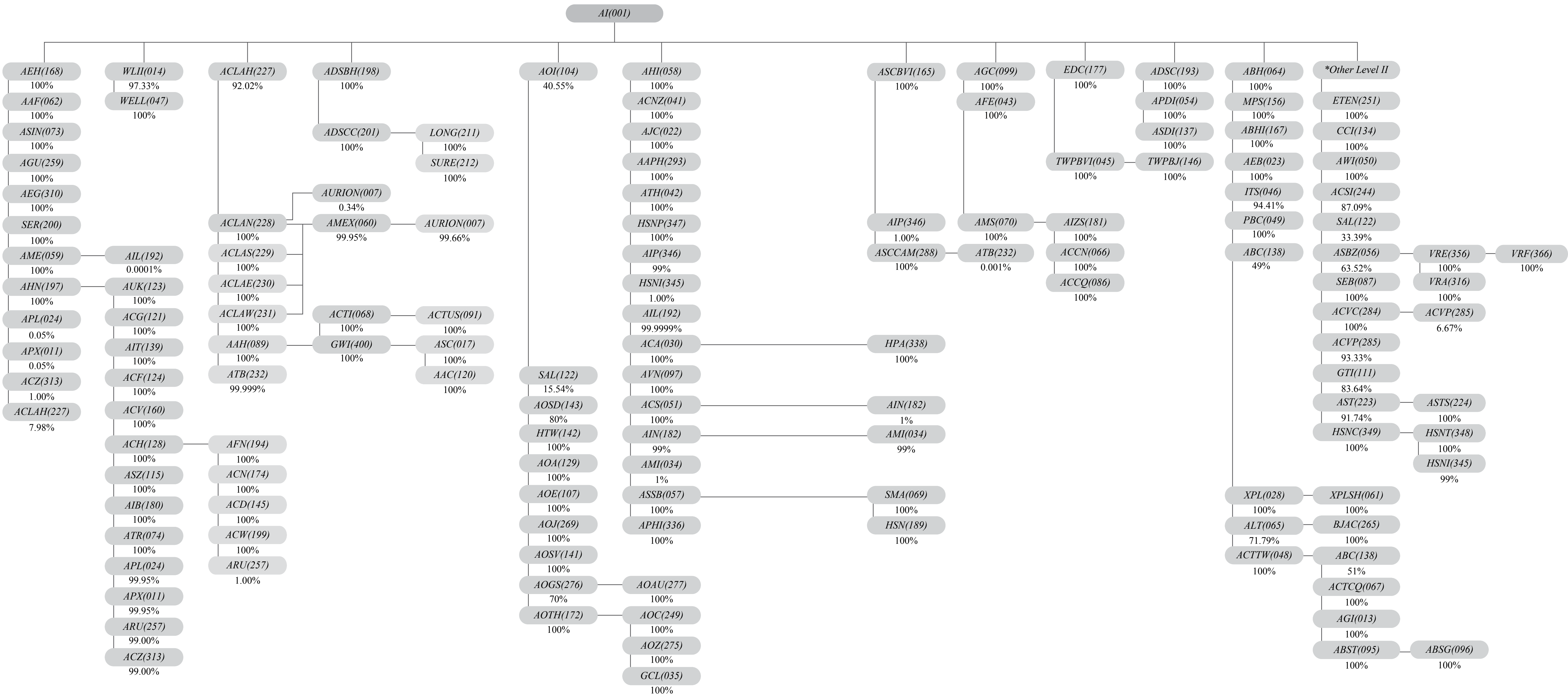
8.7 Other Necessary Supplement: None

Special Notes

1. Information related to the company's affiliates

1.1 Organization Chart of Subsidiaries

As of December 31, 2018



1.2 Acer Subsidiaries

As of December 31, 2018
In thousands of NT(Foreign currency)$

No.	Company Code	Brief Name	Company	Date of Incorporation	Place of Registration	Capital Stock		Exchange Rate	Business Activities
						Currency	Amount		
0	001	AI	Acer Incorporated	1976/8/1	Taiwan	NTD	30,749,338	1.00	Sale of brand-name IT products
1	007	AURION TECH.	Aurion Technoligia, S.A. de C.V.	1987/9/17	Mexico	MXN	301	1.56	Service company
2	011	APX	Asplex Sp. z o.o.	2009/5/15	Poland	PLN	100	8.22	Repair and maintenance of brand-name IT products
3	013	AGI	Acer Gerontechnology Inc.	2016/10/24	Taiwan	NTD	29,000	1.00	Development of userfriendly IoT device
4	014	WLII	Weblink International Inc.	1977/12/22	Taiwan	NTD	702,366	1.00	Sale of computers and communication products
5	017	ASC	Acer Service Corporation	2005/9/12	U.S.A.	USD	0	30.73	Repair and maintenance of IT products
6	022	AJC	Acer Japan Corp.	1988/2/9	Japan	JPY	200,000	0.28	Sale of brand-name IT products
7	023	AEB	Acer e-Enabling Service Business Inc.	2012/2/22	Taiwan	NTD	320,000	1.00	Cloud ticketing system, electronic book, online payment service, customized system development and integration services, and sale of commercial and cloud application software and technical services
8	024	APL	Acer Poland sp. z o.o.	2010/11/25	Poland	PLN	100	8.22	Marketing of brand-name IT products
9	028	XPL	Xplova Inc.	2008/9/5	Taiwan	NTD	44,013	1.00	Design, development and sale of smart bicycle speedometer
10	030	ACA	Acer Computer Australia Pty. Limited	1989/9/21	Australia	AUD	67,296	21.66	Sale of brand-name IT products
11	034	AMI	PT. Acer Manufacturing Indonesia	2013/1/12	Indonesia	IDR	2,300,000	0.00	Assembly of brand-name IT products
12	035	GCL	Great Connection LTD.	1993/6/1	H.K.	HKD	300	3.92	Sale of computer, apparatus system, and peripheral equipment
13	041	ACNZ	Acer Computer New Zealand Limited	1993/8/18	New Zealand	NZD	12,179	20.65	Sale of brand-name IT products
14	042	ATH	Acer Computer Co., Ltd.	1993/10/29	Thailand	THB	200,000	0.94	Sale of brand-name IT products
15	043	AFE	Acer Computer (Far East) Limited	1986/9/30	H.K.	HKD	95,220	3.92	Sale of brand-name IT products

No.	Company Code	Brief Name	Company	Date of Incorporation	Place of Registration	Capital Stock		Exchange Rate	Business Activities
						Currency	Amount		
16	045	TWPBVI	TWI International Inc.	1997/6/20	B.V.I.	USD	11,068	30.73	Investment and holding activity
17	046	ITS	Acer ITS Inc.	2017/9/21	Taiwan	NTD	363,385	1.00	Programs and services of intelligent transportation and electronic ticketing
18	047	WELL	Wellife Inc.	2015/12/22	Taiwan	NTD	10,000	1.00	Matchmaking of professional services, platform of client service and sale of products, and providing of professional seminars and courses
19	048	ACTTW	Acer Cloud Technology (Taiwan) Inc.	2016/6/6	Taiwan	NTD	643,138	1.00	Development of Internet of Beings and cloud technology, and integration of cloud technology, software and hardware
20	049	PBC	Pawbo, Inc.	2014/10/1	Taiwan	NTD	58,247	1.00	Pet interaction device and social networking service
21	050	AWI	Acer Worldwide Incorporated	1988/12/9	B.V.I.	USD	132,619	30.73	Investment and holding activity
22	051	ACS	Acer Computer (Singapore) Pte. Ltd.	1990/11/29	Singapore	SGD	3,985	22.55	Sale of brand-name IT products
23	054	APDI	Acer Property Development Inc.	1989/7/27	Taiwan	NTD	29,577	1.00	Property development
24	056	ASBZ	StarVR Corporation	2016/10/3	Taiwan	NTD	482,180	1.00	Solutions provider of B2B virtual reality
25	057	ASSB	Acer Sales and Services SDN BHD	1990/9/18	Malaysia	MYR	30,969	7.44	Sale of brand-name IT products
26	058	AHI	Acer Holdings International, Incorporated	1991/4/8	B.V.I.	USD	33,550	30.73	Investment and holding activity
27	059	AME	Acer Computer (M.E.) Limited	1992/4/16	B.V.I.	USD	2,335	30.73	Sale of brand-name IT products
28	060	AMEX	Acer Computec Mexico, S.A. de C.V.	1998/6/1	Mexico	MXN	1,374,595	1.56	Sale of brand-name IT products
29	061	XPLSH	Xplova (Shanghai) Ltd.	2016/5/17	China	RMB	2,000	4.47	Sale of smart bicycle speedometer and operating social platform for bicycle riding and sports
30	062	AAF	Acer Africa (Proprietary) Limited	1994/11/29	South Africa	ZAR	368	2.14	Marketing, repair and maintenance of brand-name IT products
31	064	ABH	Acer BeingWare Holding Inc.	2016/5/17	Taiwan	NTD	1,763,676	1.00	Investment and holding activity
32	065	ALT	Altos Computing Inc.	2016/9/20	Taiwan	NTD	56,000	1.00	High performance computing, cloud computing, software-defined storage, and IT solution

No.	Company Code	Brief Name	Company	Date of Incorporation	Place of Registration	Capital Stock		Exchange Rate	Business Activities
						Currency	Amount		
33	066	ACCN	Acer Computer (Shanghai) Ltd.	2005/10/31	China	RMB	16,168	4.47	Sale of brand-name IT products
34	067	ACTCQ	Acer Cloud Technology(Chongqing) Ltd.	2015/7/21	China	RMB	31,325	4.47	Design, development, sales, and advisory of computer software and hardware
35	068	ACTI	Acer Cloud Technology Inc.	2012/1/12	U.S.A.	USD	6,155	30.73	Investment and holding activity
36	069	SMA	Servex (Malaysia) Sdn Bhd	1991/6/25	Malaysia	MYR	4,748	7.44	Sale of computers and communication products
37	070	AMS	Acer Market Services Limited	1992/12/8	H.K.	HKD	1,218,039	3.92	Investment and holding activity
38	073	ASIN	Acer Sales International SA	2015/5/8	Switzerland	USD	105	30.73	Sale of brand-name IT products
39	074	ATR	Acer Bilisim Teknolojileri Limited Sirketi	2014/3/20	Turkey	TRY	100	5.81	Marketing of brand-name IT products
40	086	ACCQ	Acer (Chongqing) Ltd.	2010/11/9	China	RMB	991,050	4.47	Sale of brand-name IT products
41	087	SEB	Sertec (Beijing) Ltd.	2017/4/14	China	RMB	1,000	4.47	Repair and maintenance of IT products
42	089	AAH	Acer American Holdings Corp.	2007/10/15	U.S.A.	USD	0	30.73	Investment and holding activity
43	091	ACTUS	Acer Cloud Technology (US), Inc.	2016/8/15	U.S.A.	USD	2	30.73	Cloud technology service and research, development, and design of IoT platform
44	095	ABST	Acer Being Signage Inc.	2017/5/17	Taiwan	NTD	300,000	1.00	Technical service and research of aBeing cloud digital content management
45	096	ABSG	Acer Being Signage GmbH	2016/12/15	Germany	EUR	6,029	35.24	Technical service and research of aBeing cloud digital content management
46	097	AVN	Acer Vietnam Co., Ltd.	2000/1/10	Vietnam	VND	53,613,170	0.00	Sale of brand-name IT products
47	099	AGC	Acer Greater China (B.V.I.) Corp.	1999/11/25	B.V.I.	USD	163,369	30.73	Investment and holding activity
48	104	AOI	AOPEN Inc.	1996/12/1	Taiwan	NTD	714,480	1.00	Sale, manufacture, import and export of commercial computer products, software, components, peripheral equipment and apparatus; repair and maintenance service of computer products
49	107	AOE	AOPEN Computer B.V.	1997/12/1	Netherlands	EUR	18	35.24	Sale of computer, apparatus system, and peripheral equipment
50	111	GTI	GadgeTek Inc.	2018/9/27	Taiwan	NTD	53,800	1.00	Sale of computer, communication, and consumer electronics peripherals

No.	Company Code	Brief Name	Company	Date of Incorporation	Place of Registration	Capital Stock		Exchange Rate	Business Activities
						Currency	Amount		
51	115	ASZ	Acer Computer (Switzerland) AG	1997/12/1	Switzerland	CHF	50	31.26	Sale of brand-name IT products
52	120	AAC	Acer America Corporation	1984/5/4	U.S.A.	USD	42,292	30.73	Sale of brand-name IT products
53	121	ACG	ACER Computer GmbH	1987/5/17	Germany	EUR	14,561	35.24	Sale of brand-name IT products
54	122	SAL	Bluechip Infotech Pty Ltd	1996/12/13	Australia	AUD	4,035	21.66	Sale of peripheral and software system
55	123	AUK	Acer U.K. Limited	1988/5/9	U.K.	GBP	9,072	39.20	Sale of brand-name IT products
56	124	ACF	Acer Computer France S.A.S.U.	1987/9/3	France	EUR	13,609	35.24	Sale of brand-name IT products
57	128	ACH	Acer Computer B.V.	1988/5/9	Netherlands	EUR	2,612	35.24	Sale of brand-name IT products
58	129	AOA	AOPEN America Inc.	1997/12/1	U.S.A.	USD	15,000	30.73	Sale of computer, apparatus system, and peripheral equipment
59	134	CCI	Cross Century Investment Limited	1997/11/11	Taiwan	NTD	880,000	1.00	Investment and holding activity
60	137	ASDI	Aspire Service & Development Inc.	1997/10/13	Taiwan	NTD	225,931	1.00	Property development
61	138	ABC	Acer Being Communication Inc.	2014/12/16	Taiwan	NTD	40,600	1.00	Software design service
62	139	AIT	Acer Italy S.R.L.	1996/2/19	Italy	EUR	802	35.24	Sale of brand-name IT products
63	141	AOSV	Aopen SmartVision Incorporated	2002/2/1	Taiwan	NTD	40,000	1.00	Sale of computer, apparatus system, and peripheral equipment
64	142	HTW	Heartware Alliance And Intergation Limited	2015/8/1	H.K.	HKD	100	3.92	Software development and agency
65	143	AOSD	AOPEN SmartView Incorporated	2018/10/9	Taiwan	NTD	25,000	1.00	Sale of computer, apparatus system, and peripheral equipment
66	145	ACD	Acer Denmark A/S	1991/10/1	Denmark	DKK	1,000	4.72	Marketing of brand-name IT products
67	146	TWPBJ	Acer Third Wave Software (Beijing) Co. Ltd	1997/12/3	China	RMB	24,659	4.47	Sale of commercial and cloud application software and technical and services
68	156	MPS	MPS Energy Inc.	2015/7/31	Taiwan	NTD	72,487	1.00	Research, development, and sale of batteries
69	160	ACV	Acer Austria GmbH	1992/7/30	Austria	EUR	218	35.24	Marketing of brand-name IT products
70	165	ASCBVI	Acer SoftCapital Incorporated	1997/12/2	B.V.I.	USD	32,300	30.73	Investment and holding activity

No.	Company Code	Brief Name	Company	Date of Incorporation	Place of Registration	Capital Stock		Exchange Rate	Business Activities
						Currency	Amount		
71	167	ABHI	Acer Being Health Inc.	2018/4/25	Taiwan	NTD	50,000	1.00	Intelligent medical examination and data analysis, the medical big data, and exchange of health management and information
72	168	AEH	Acer European Holdings SA	1996/12/28	Cyprus	EUR	131	35.24	Investment and holding activity
73	172	AOTH	AOPEN Technology Inc.	1999/5/1	B.V.I.	USD	50	30.73	Sale of computer, apparatus system, and peripheral equipment
74	174	ACN	Acer Computer Norway AS	1994/11/22	Norway	NOK	6,531	3.56	Marketing, repair and maintenance of brand-name IT products
75	177	EDC	Acer e-Enabling Data Center Incorporated	2017/12/31	Taiwan	NTD	1,865,926	1.00	Data center and cloud services
76	180	AIB	Acer Computer Iberica, S.A.	1995/3/16	Spain	EUR	855	35.24	Sale of brand-name IT products
77	181	AIZS	Acer Information (Zhong Shan) Co., Ltd.	1999/4/26	China	RMB	12,416	4.47	Sale of brand-name IT products
78	182	AIN	PT. Acer Indonesia	1999/6/2	Indonesia	IDR	2,077,485	0.00	Sale of brand-name IT products
79	189	HSN	HigHPoint Service Network Sdn Bhd	1999/7/16	Malaysia	MYR	500	7.44	Repair and maintenance of IT products
80	192	AIL	Acer India Private Limited	1999/9/9	India	INR	78,804	0.44	Sale of brand-name IT products
81	193	ADSC	Acer Digital Service Co.,	1999/10/5	Taiwan	NTD	1,282,819	1.00	Investment and holding activity
82	194	AFN	Acer Computer Finland Oy	1996/10/25	Finland	EUR	8	35.24	Marketing, repair and maintenance of brand-name IT products
83	197	AHN	Acer Europe B. V.	1996/11/15	Netherlands	EUR	3,321	35.24	Investment and holding activity
84	198	ADSBH	Acer Digital Services (B.V.I.) Holding Corp	1999/11/25	B.V.I.	USD	225	30.73	Investment and holding activity
85	199	ACW	Acer Computer Sweden AB	1996/5/21	Sweden	SEK	100	3.47	Marketing of brand-name IT products
86	200	SER	Sertec 360 SA	2014/8/26	Switzerland	EUR	82	35.24	Repair and maintenance of IT products
87	201	ADSCC	Acer Digital Services (Cayman Islands) Corp.	1999/11/26	Cayman Islands	USD	110	30.73	Investment and holding activity
88	211	LONG	Longwick Enterprises Inc.	2010/11/10	Seychelles	USD	200	30.73	Investment and holding activity
89	212	SURE	S. Excel. Co., Ltd.	2011/1/1	Samoa	USD	100	30.73	Investment and holding activity

No.	Company Code	Brief Name	Company	Date of Incorporation	Place of Registration	Capital Stock		Exchange Rate	Business Activities
						Currency	Amount		
90	223	AST	Acer Synergy Tech Corp.	2017/9/13	Taiwan	NTD	76,300	1.00	System integration service
91	224	ASTS	Shanghai AST Technology Service Ltd.	2018/6/15	China	RMB	4,400	4.47	System integration service
92	227	ACLAH	Boardwalk Capital Holdings Limited	2000/6/26	B.V.I.	USD	1,373,071	30.73	Investment and holding activity
93	228	ACLAN	ACLA Holdings North, LLC	1999/11/10	U.S.A.	USD	-	30.73	Investment and holding activity
94	229	ACLAS	ACLA Holding South, LLC	1999/11/10	U.S.A.	USD	-	30.73	Investment and holding activity
95	230	ACLAE	ACLA Holding East, LLC	1999/11/10	U.S.A.	USD	-	30.73	Investment and holding activity
96	231	ACLAW	ACLA Holding West, LLC	1999/11/10	U.S.A.	USD	-	30.73	Investment and holding activity
97	232	ATB	AGP Tecnologia em Informatica do Brasil Ltda.	2009/8/6	Brazil	BRL	249,467	7.92	Sale of brand-name IT products
98	244	ACSI	Acer Cyber Security Incorporated	1990/5/29	Taiwan	NTD	126,296	1.00	Electronic data supply, processing and storage services
99	249	AOC	AOPEN International (ShangHai) Co., Ltd	2000/7/1	China	RMB	39,244	4.47	Sale of computer, apparatus system, and peripheral equipment
100	251	ETEN	E-ten Information System Co., Ltd.	1986/3/27	Taiwan	NTD	200,000	1.00	Research, design and sale of smart handheld products
101	257	ARU	Acer Marketing Services LLC	2009/7/1	Russia	RUB	20,000	0.44	Marketing of brand-name IT products
102	259	AGU	AGP Insurance (Guernsey) Limited	2009/10/1	Guernsey	EUR	5,000	35.24	Insurance captive
103	265	BJAC	Beijing Altos Computing Ltd.	2018/3/1	China	RMB	4,400	4.47	Programs and services of intelligent transportation and electronic ticketing
104	269	AOJ	AOPEN Japan Inc.	2000/10/1	Japan	JPY	10,000	0.28	Sale of computer, apparatus system, and peripheral equipment
105	275	AOZ	AOPEN Information Products (Zhongshan) Inc.	2001/4/1	China	RMB	104,954	4.47	Manufacture and sale of computer parts and components
106	276	AOGS	AOPEN GLOBAL SOLUTIONS PTY LTD.	2013/11/1	Australia	AUD	150	21.66	Sale of computer, apparatus system, and peripheral equipment

No.	Company Code	Brief Name	Company	Date of Incorporation	Place of Registration	Capital Stock		Exchange Rate	Business Activities
						Currency	Amount		
107	277	AOAU	AOPEN Australia & New Zealand Pty Ltd	2013/11/1	Australia	AUD	0	21.66	Sale of computer, apparatus system, and peripheral equipment
108	284	ACVC	Acer China Venture Corp	2017/4/19	China	RMB	5,000	4.47	Fund company management
109	285	ACVP	Acer China Venture Partnership	2017/8/9	China	RMB	15,000	4.47	Investment fund
110	288	ASCCAM	ASC Cayman, Limited	2001/7/9	Cayman Islands	USD	100	30.73	Investment and holding activity
111	293	AAPH	Acer Asia Pacific Sdn Bhd	2007/11/14	Malaysia	USD	1,000	30.73	Sale of brand-name IT products
112	310	AEG	Acer Europe SA	2002/4/1	Switzerland	EUR	1,164	35.24	Sale of brand-name IT products
113	313	ACZ	Acer Czech Republic s.r.o.	2002/4/8	Czech	CZK	2,000	1.37	Marketing, repair and maintenance of brand-name IT products
114	316	VRA	StarVR America Corporation	2018/4/25	U.S.A.	USD	-	30.73	Solutions provider of B2B virtual reality
115	336	APHI	Acer Philippines, Inc.	2003/1/1	Philippines	PHP	13,510	0.58	Sale of brand-name IT products
116	338	HPA	HigHPoint Australia Pty Ltd	2003/2/1	Australia	AUD	500	21.66	Repair and maintenance of brand-name IT products
117	345	HSNI	PT HSN Tech Indonesia	2018/11/15	Indonesia	IDR	-	0.00	Repair and maintenance of IT products
118	346	AIP	Acer Infotech Pvt Ltd	2018/6/21	India	INR	-	0.44	Sale of brand-name IT products
119	347	HSNP	HigHPoint Services Network Philippines, Inc.	2018/8/28	Philippines	PHP	-	0.58	Repair and maintenance of IT products
120	348	HSNT	HigHPoint Service Network (Thailand) Co., Ltd	2018/11/7	Thailand	THB	613	0.94	Repair and maintenance of IT products
121	349	HSNC	HigHPoint Service Network Corporation	2018/9/14	Taiwan	NTD	50,000	1.00	Repair and maintenance of IT products
122	356	VRE	StarVR Europe SA	2018/4/10	Switzerland	EUR	84	35.24	Research and development in solutions of B2B virtual reality
123	366	VRF	StarVR France SAS	2018/10/11	France	EUR	10	35.24	Research and development in solutions of B2B virtual reality
124	400	GWI	Gateway, Inc.	1991/1/14	U.S.A.	USD	0	30.73	Investment and holding activity

1.3 A company assumed to be controlled, subordinated or there would be same shareholders with the parent company: None

1.4 The business and operating scope of the Company's affiliates:

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

1.5 Operational Highlights of Acer's Subsidiaries

As of December 31, 2018
Unit: NT$ thousands, except EPS (NT$)

No.	Company Code	Brief Name	Company	Capital Stock	Assets	Liabilities	Net Worth	Net Revenues	Income (Loss) from Operation	Net Income (Loss)	Basic Earning (Loss) Per Share
0	001	AI	Acer Incorporated	30,749,338	118,560,485	60,292,391	58,268,094	177,953,077	2,726,867	3,060,429	1.01
1	007	AURION TECH.	Aurion Technoligia, S.A. de C.V.	470	42,909	25,096	17,813	59,550	12,094	10,758	35.74
2	011	APX	Asplex Sp. z o.o.	822	919,300	384,384	534,915	2,088,752	15,669	(2,027)	(1,013.50)
3	013	AGI	Acer Gerontechnology Inc.	29,000	202,259	169,650	32,609	229,647	13,841	13,869	4.78
4	014	WLII	Weblink International Inc.	702,366	3,882,914	2,548,457	1,334,456	12,405,847	87,027	97,047	1.38
5	017	ASC	Acer Service Corporation	0	363,243	523,184	(159,941)	539,283	9,057	9,473	9,473.15
6	022	AJC	Acer Japan Corp.	56,036	824,123	1,554,951	(730,829)	2,586,228	28,355	30,664	1,341.25
7	023	AEB	Acer e-Enabling Service Business Inc.	320,000	2,346,414	1,954,044	392,370	4,149,496	101,895	88,472	2.76
8	024	APL	Acer Poland sp. z o.o.	822	23,496	2,071	21,425	61,616	2,934	2,377	1,188.30
9	028	XPL	Xplova Inc.	44,013	30,354	8,252	22,102	32,969	(20,676)	(20,916)	(4.75)
10	030	ACA	Acer Computer Australia Pty. Limited	1,457,879	2,997,260	2,693,257	304,003	6,929,139	72,431	60,701	0.90
11	034	AMI	PT. Acer Manufacturing Indonesia	4,912	123,390	81,546	41,844	1,248,792	18,931	14,056	56.23
12	035	GCL	Great Connection LTD.	1,177	7,662	3,786	3,876	93	17	10	0.03
13	041	ACNZ	Acer Computer New Zealand Limited	251,487	545,525	410,420	135,105	1,033,401	4,850	1,250	0.10
14	042	ATH	Acer Computer Co., Ltd.	188,460	1,924,766	1,332,676	592,090	6,807,863	47,690	69,646	3.48
15	043	AFE	Acer Computer (Far East) Limited	373,651	285,097	389,778	(104,681)	895,458	(120,572)	(120,693)	(1.27)
16	045	TWPBVI	TWI International Inc.	340,149	1,177	0	1,177	0	(63)	(3,068)	(0.28)
17	046	ITS	Acer ITS Inc.	363,385	390,568	105,156	285,412	158,484	(94,972)	(94,839)	(2.61)
18	047	WELL	Wellife Inc.	10,000	21,621	22,758	(1,137)	64,504	(4,398)	(4,388)	(4.39)

No.	Company Code	Brief Name	Company	Capital Stock	Assets	Liabilities	Net Worth	Net Revenues	Income (Loss) from Operation	Net Income (Loss)	Basic Earning (Loss) Per Share
19	048	ACTTW	Acer Cloud Technology (Taiwan) Inc.	643,138	610,877	192,716	418,161	346,609	(45,706)	(216,195)	(3.36)
20	049	PBC	Pawbo, Inc.	58,247	36,570	8,581	27,989	15,076	(30,098)	(30,258)	(5.19)
21	050	AWI	Acer Worldwide Incorporated	4,075,790	317,471	0	317,471	0	(3,201)	360	0.00
22	051	ACS	Acer Computer (Singapore) Pte. Ltd.	89,869	674,630	398,107	276,523	2,319,131	16,216	18,006	4.52
23	054	APDI	Acer Property Development Inc.	29,577	141,115	36,188	104,927	16,946	4,002	3,615	1.22
24	056	ASBZ	StarVR Corporation	482,180	121,543	73,192	48,351	15,148	(132,788)	(413,529)	(8.58)
25	057	ASSB	Acer Sales and Services SDN BHD	230,260	1,408,839	490,761	918,078	3,373,947	28,741	89,444	2.89
26	058	AHI	Acer Holdings International, Incorporated	1,031,092	9,488,438	245,396	9,243,042	0	(723)	478,068	14.25
27	059	AME	Acer Computer (M.E.) Limited	71,762	139,442	62,198	77,243	105,027	73,322	74,189	31.77
28	060	AMEX	Acer Computec Mexico, S.A. de C.V.	2,148,255	1,404,579	1,194,761	209,818	2,518,529	16,874	(15,324)	(0.01)
29	061	XPLSH	Xplova (Shanghai) Ltd.	8,938	8,438	1,504	6,933	1,369	(938)	(894)	N.A.
30	062	AAF	Acer Africa (Proprietary) Limited	788	142,195	25,650	116,545	129,917	6,820	19,569	0.53
31	064	ABH	Acer BeingWare Holding Inc.	1,763,676	1,471,650	146	1,471,504	0	(406)	(264,011)	(1.50)
32	065	ALT	Altos Computing Inc.	56,000	256,262	187,101	69,161	265,747	(15,876)	11,958	2.14
33	066	ACCN	Acer Computer (Shanghai) Ltd.	72,237	4,665,794	3,992,559	673,236	12,706,705	(213,120)	(125,564)	N.A.
34	067	ACTCQ	Acer Cloud Technology(Chongqing) Ltd.	139,959	63,809	772	63,037	22,858	(20,077)	(24,423)	N.A.
35	068	ACTI	Acer Cloud Technology Inc.	189,165	665,342	8,598	656,745	4,535	(83,304)	(317,098)	(0.00)
36	069	SMA	Servex (Malaysia) Sdn Bhd	35,302	778,412	103,421	674,991	3,398,899	18,687	18,914	3.98
37	070	AMS	Acer Market Services Limited	4,779,682	5,105,924	0	5,105,924	0	(1,437)	373,577	0.31
38	073	ASIN	Acer Sales International SA	3,231	5,653,718	5,165,777	487,941	23,049,348	(39,885)	(114,915)	(5.75)
39	074	ATR	Acer Bilisim Teknolojileri Limited Sirketi	581	10,395	3,675	6,720	27,541	975	2,055	2,055.48

No.	Company Code	Brief Name	Company	Capital Stock	Assets	Liabilities	Net Worth	Net Revenues	Income (Loss) From Operation	Net Income (Loss)	Basic Earning (Loss) Per Share
40	086	ACCQ	Acer (Chongqing) Ltd.	4,427,992	5,783,513	1,803,834	3,979,679	11,118,701	532,369	499,658	N.A.
41	087	SEB	Sertec (Beijing) Ltd.	4,468	19,519	13,989	5,530	64,396	835	732	N.A.
42	089	AAH	Acer American Holdings Corp.	0	26,641,190	8,098	26,633,092	0	(2)	225,094	250,104.70
43	091	ACTUS	Acer Cloud Technology (US), Inc.	61	72,889	13,128	59,761	0	(166,831)	(166,270)	(42.64)
44	095	ABST	Acer Being Signage Inc.	300,000	132,371	10,416	121,956	44,903	2,602	(156,606)	(5.22)
45	096	ABSG	Acer Being Signage GmbH	212,471	343,031	319,039	23,992	175,755	(157,534)	(157,614)	(26.14)
46	097	AVN	Acer Vietnam Co., Ltd.	70,838	121,847	79,223	42,624	263,171	1,035	1,311	N.A.
47	099	AGC	Acer Greater China (B.V.I.) Corp.	5,020,820	5,011,743	1,576	5,010,167	0	(2,702)	256,703	1.57
48	104	AOI	AOPEN Inc.	714,480	1,245,910	478,640	767,270	987,721	(55,401)	(13,453)	(0.19)
49	107	AOE	AOPEN Computer B.V.	640	132,621	155,997	(23,375)	427,150	7,287	6,476	161,911.66
50	111	GTI	GadgeTek Inc.	53,800	184,244	125,894	58,350	46,544	1,200	150	0.03
51	115	ASZ	Acer Computer (Switzerland) AG	1,563	887,004	698,616	188,388	2,603,877	22,768	18,663	373,257.82
52	120	AAC	Acer America Corporation	1,299,771	26,551,697	17,194,526	9,357,171	55,854,466	447,242	449,314	144.94
53	121	ACG	ACER Computer GmbH	513,138	8,667,050	6,437,120	2,229,929	24,294,677	155,486	71,684	N.A.
54	122	SAL	Bluechip Infotech Pty Ltd	87,422	628,759	413,146	215,614	2,096,398	14,323	2,248	0.61
55	123	AUK	Acer U.K. Limited	355,586	3,127,204	1,979,080	1,148,124	7,889,567	51,040	42,764	4.71
56	124	ACF	Acer Computer France S.A.S.U.	479,598	4,745,187	3,005,292	1,739,895	10,121,870	55,280	52,397	20.11
57	128	ACH	Acer Computer B.V.	92,060	2,145,659	1,406,636	739,022	6,272,522	40,773	22,356	85.58
58	129	AOA	AOPEN America Inc.	460,995	135,881	302,154	(166,273)	720,298	16,973	17,428	1.16
59	134	CCI	Cross Century Investment Limited	880,000	304,284	100	304,184	0	(132)	5,900	N.A.
60	137	ASDI	Aspire Service & Development Inc.	225,931	275,840	53,685	222,155	154,970	(24)	(727)	(0.03)
61	138	ABC	Acer Being Communication Inc.	40,600	30,258	3,976	26,282	1,164	(11,435)	(10,945)	(2.70)
62	139	AIT	Acer Italy S.R.L.	28,264	2,409,594	1,460,344	949,250	5,497,794	53,326	13,978	N.A.
63	141	AOSV	Aopen SmartVision Incorporated	40,000	33,128	(5,992)	39,120	1,053	118	915	0.23

No.	Company Code	Brief Name	Company	Capital Stock	Assets	Liabilities	Net Worth	Net Revenues	Income (Loss) From Operation	Net Income (Loss)	Basic Earning (Loss) Per Share
64	142	HTW	Heartware Alliance And Intergation Limited	392	1,145	79	1,066	326	115	119	1.19
65	143	AOSD	AOPEN SmartView Incorporated	25,000	24,910	10	24,900	0	(100)	(100)	(0.04)
66	145	ACD	Acer Denmark A/S	4,720	33,815	12,246	21,569	75,201	3,727	2,623	26,228.72
67	146	TWPBJ	Acer Third Wave Software (Beijing) Co. Ltd	110,177	141,473	144,860	(3,388)	245,980	7,163	(3,025)	N.A.
68	156	MPS	MPS Energy Inc.	72,487	81,566	17,332	64,234	5,370	(9,134)	(8,253)	(1.14)
69	160	ACV	Acer Austria GmbH	7,683	33,053	7,246	25,807	28,374	1,346	1,010	N.A.
70	165	ASCBVI	Acer SoftCapital Incorporated	992,676	1,137,576	75	1,137,501	0	(224)	30,323	0.70
71	167	ABHI	Acer Being Health Inc.	50,000	49,945	53	49,893	0	(118)	(107)	(0.02)
72	168	AEH	Acer European Holdings SA	4,626	17,259,863	158,883	17,100,979	269,790	18,417	394,097	2,680.93
73	172	AOTH	AOPEN Technology Inc.	1,537	570,404	353,835	216,569	1,013,068	(3,618)	3,990	79.80
74	174	ACN	Acer Computer Norway AS	23,229	59,891	26,568	33,323	206,992	2,111	1,633	250.11
75	177	EDC	Acer e-Enabling Data Center Incorporated	1,865,926	1,866,115	132,600	1,733,515	452,914	(131,085)	(133,365)	(0.71)
76	180	AIB	Acer Computer Iberica, S.A.	30,147	1,852,642	905,928	946,714	4,320,433	25,062	19,019	133.62
77	181	AIZS	Acer Information (Zhong Shan) Co., Ltd.	55,475	211,323	773	210,549	0	(253)	1,386	N.A.
78	182	AIN	PT. Acer Indonesia	4,437	1,808,483	1,129,840	678,643	6,842,227	75,071	57,470	191.57
79	189	HSN	HigHPoint Service Network Sdn Bhd	3,718	219,608	77,899	141,709	582,789	22,510	17,432	34.86
80	192	AIL	Acer India Private Limited	34,714	5,959,610	5,548,504	411,105	11,276,377	40,038	57,337	0.73
81	193	ADSC	Acer Digital Service Co.,	1,282,819	1,728,129	19,954	1,708,175	0	(356)	(32,073)	(0.25)
82	194	AFN	Acer Computer Finland Oy	296	47,709	8,559	39,150	73,766	2,451	1,825	36,500.95
83	197	AHN	Acer Europe B. V.	117,032	10,971,739	11,244	10,960,495	0	(11,965)	348,494	2,098.82
84	198	ADSBH	Acer Digital Services (B.V.I.) Holding Corp	6,904	(299,678)	0	(299,678)	0	(135)	(190)	(0.08)

No.	Company Code	Brief Name	Company	Capital Stock	Assets	Liabilities	Net Worth	Net Revenues	Income (Loss) From Operation	Net Income (Loss)	Basic Earning (Loss) Per Share
85	199	ACW	Acer Computer Sweden AB	347	44,848	6,539	38,310	46,060	2,002	1,536	1,535.66
86	200	SER	Sertec 360 SA	2,901	220,529	148,064	72,465	498,737	25,392	20,267	20,267.34
87	201	ADSCC	Acer Digital Services (Cayman Islands) Corp.	3,379	(301,662)	0	(301,662)	0	0	(51)	(0.01)
88	211	LONG	Longwick Enterprises Inc.	6,147	(301,710)	0	(301,710)	0	(24)	(51)	(0.26)
89	212	SURE	S. Excel. Co., Ltd.	3,073	2,799	307,331	(304,531)	0	(29)	(27)	(0.27)
90	223	AST	Acer Synergy Tech Corp.	76,300	528,662	430,669	97,993	880,698	26,402	21,893	2.87
91	224	ASTS	Shanghai AST Technology Service Ltd.	19,659	21,193	1,329	19,865	3,308	327	206	N.A.
92	227	ACLAH	Boardwalk Capital Holdings Limited	42,198,602	28,112,717	29,839	28,082,877	0	(144)	242,295	0.18
93	228	ACLAN	ACLA Holdings North, LLC	0	0	0	0	0	0	0	N.A.
94	229	ACLAS	ACLA Holding South, LLC	0	0	0	0	0	0	0	N.A.
95	230	ACLAE	ACLA Holding East, LLC	0	0	0	0	0	0	0	N.A.
96	231	ACLAW	ACLA Holding West, LLC	0	0	0	0	0	0	0	N.A.
97	232	ATB	AGP Tecnologia em Informatica do Brasil Ltda.	1,975,385	3,890,984	2,970,702	920,282	8,528,538	50,024	18,569	0.07
98	244	ACSI	Acer Cyber Security Incorporated	126,296	552,708	337,584	215,125	509,893	71,318	57,988	4.59
99	249	AOC	AOPEN International (ShangHai) Co., Ltd	175,340	54,262	34,834	19,428	178,337	2,066	967	N.A.
100	251	ETEN	E-ten Information System Co., Ltd.	200,000	2,148,787	148,030	2,000,757	168,129	(165,064)	(48,315)	(2.42)
101	257	ARU	Acer Marketing Services LLC	8,863	36,849	81,324	(44,475)	133,701	(26,782)	(29,809)	N.A.
102	259	AGU	AGP Insurance (Guernsey) Limited	176,208	965,781	86,352	879,429	56,373	49,980	54,766	10.95
103	265	BJAC	Beijing Altos Computing Ltd.	19,659	96,071	45,481	50,590	213,231	42,022	30,810	N.A.
104	269	AOJ	AOPEN Japan Inc.	2,802	44,996	15,501	29,495	71,170	2,860	2,465	12,325.00

No.	Company Code	Brief Name	Company	Capital Stock	Assets	Liabilities	Net Worth	Net Revenues	Income (Loss) From Operation	Net Income (Loss)	Basic Earning (Loss) Per Share
105	275	AOZ	AOPEN Information Products (Zhongshan) Inc.	468,932	433,337	141,850	291,488	518,823	2,278	6,552	N.A.
106	276	AOGS	AOPEN GLOBAL SOLUTIONS PTY LTD.	3,250	32,050	11	32,039	0	(4)	7,044	46.96
107	277	AOAU	AOPEN Australia & New Zealand Pty Ltd	2	89,856	60,443	29,413	193,190	16,667	7,899	78,990.00
108	284	ACVC	Acer China Venture Corp	22,340	16,933	1,033	15,900	0	(6,214)	(5,684)	N.A.
109	285	ACVP	Acer China Venture Partnership	67,020	67,021	13	67,008	0	(30)	(13)	N.A.
110	288	ASCCAM	ASC Cayman, Limited	3,073	1,378	0	1,378	0	(81)	(81)	(0.81)
111	293	AAPH	Acer Asia Pacific Sdn Bhd	30,733	437,029	83,834	353,195	3,367,363	127,621	131,184	39.51
112	310	AEG	Acer Europe SA	41,008	17,859,681	15,587,918	2,271,763	77,297,371	4,176	126,283	76,535.05
113	313	ACZ	Acer Czech Republic s.r.o.	2,740	146,213	72,652	73,561	563,251	4,475	6,384	N.A.
114	316	VRA	StarVR America Corporation	0	0	0	0	0	0	0	N.A.
115	336	APHI	Acer Philippines, Inc.	7,900	451,041	414,680	36,361	1,479,847	18,956	1,412	10.45
116	338	HPA	HigHPoint Australia Pty Ltd	10,832	0	(26,129)	26,129	0	0	0	0.00
117	345	HSNI	PT HSN Tech Indonesia	0	0	0	0	0	0	0	0.00
118	346	AIP	Acer Infotech Pvt Ltd	0	7,564	406	7,158	0	0	0	0.00
119	347	HSNP	HigHPoint Services Network Philippines, Inc.	0	6,176	0	6,176	0	(0)	(22)	(0.20)
120	348	HSNT	HigHPoint Service Network (Thailand) Co., Ltd	577	1,179	86	1,094	0	(84)	(84)	(1.67)
121	349	HSNC	HigHPoint Service Network Corporation	50,000	50,374	832	49,543	594	(384)	(457)	(0.09)
122	356	VRE	StarVR Europe SA	2,971	3,575	1,980	1,595	0	(7,840)	(37,218)	(372.18)
123	366	VRF	StarVR France SAS	352	27,841	56,934	(29,093)	0	(29,750)	(29,750)	(2,975.04)
124	400	GWI	Gateway, Inc.	0	20,842,375	315,834	20,526,541	71	4,065	473,859	4,738,593.96

1.6 Rosters of Directors, Supervisors, and Presidents of Acer's Subsidiaries

No.	Company Code	Brief Name	Company	Title	Name	Number of shares (in thousands)	Percentage of Ownership
1	007	AURION TECH.	Aurion Technoligia, S.A. de C.V.	Director	Germano Couy, Gregg Prendergast, Francisco Ascencio	301,000	99.95%
				President	Germano Couy		
2	011	APX	Asplex Sp. z o.o.	Director	Mustafa Ozbilen, Emmanuel Fromont, Tai Chi Shih	2,000	100.00%
				President	-		
3	013	AGI	Acer Gerontechnology Inc.	Director	Maverick Shih, Jason Chen, Jerry Lin	2,900,000	100.00%
				President	-		
				Supervior	Dick Tan		
4	014	WLII	Weblink International Inc.	Director	Jason Chen, Dave Lin, Meggy Chen, Maverick Shih, Andrew Hou	68,358,360	97.33%
				President	Dave Lin		
				Supervior	Sophia YL Chen, Doris Lin		
5	017	ASC	Acer Service Corporation	Director	Gregg Prendergast, Ming Wang, Meggy Chen	1,000	100.00%
				President	Gregg Prendergast		
6	022	AJC	Acer Japan Corp.	Director	Andrew Hou, Meggy Chen, Bob Sen	22,862	100.00%
				President	-		
				Supervior	Sophia YL Chen, Ryan Yen		
7	023	AEB	Acer e-Enabling Service Business Inc.	Director	Ben Wan, Maverick Shih, Meggy Chen	32,000,000	100.00%
				President	Ben Wan		
				Supervior	Sophia YL Chen		
8	024	APL	Acer Poland sp. z o.o.	Director	Emmanuel Fromont, Tai Chi Shih, Lukasz.Lopuszynski	2,000	100.00%
				President	-		
9	028	XPL	Xplova Inc.	Director	Ben Wan, Meggy Chen, Lydia Wu	4,401,289	100.00%
				President	-		
				Supervior	Sophia YL Chen		
10	030	ACA	Acer Computer Australia Pty. Limited	Director	Darren Simmons, Sophia YL Chen, Andrew Hou	67,295,984	100.00%
				President	-		
11	034	AMI	PT. Acer Manufacturing Indonesia	Director	Herbet Ang, Meggy Chen, Andrew Hou, Parman Iskak	250,000	100.00%
				President	-		
12	035	GCL	Great Connection LTD.	Director	Dale Tsai, Edward Chen	300,000	40.55%
				President	-		

No.	Company Code	Brief Name	Company	Title	Name	Number of shares (in thousands)	Percentage of Ownership
13	041	ACNZ	Acer Computer New Zealand Limited	Director	Darren Simmons, Sophia YL Chen, Andrew Hou	12,178,861	100.00%
				President	-		
14	042	ATH	Acer Computer Co., Ltd.	Director	Alan Chiang, Andrew Hou, Sophia YL Chen	20,000,000	100.00%
				President	-		
15	043	AFE	Acer Computer (Far East) Limited	Director	Jason Chen, Meggy Chen	95,220,000	100.00%
				President	-		
16	045	TWPBVI	TWI International Inc.	Director	Maverick Shih	11,067,861	100.00%
				President	-		
17	046	ITS	Acer ITS Inc.	Director	Ben Wan, Meggy Chen, Andy HT Lin, Maverick Shih, Lydia Wu	34,307,799	94.41%
				President	Kenny Yu		
				Supervior	Sophia YL Chen, Doris Lin		
18	047	WELL	Wellife Inc.	Director	Dave Lin, Meggy Chen, Lydia Wu	1,000,000	97.33%
				President	-		
				Supervior	Sophia YL Chen		
19	048	ACTTW	Acer Cloud Technology (Taiwan) Inc.	Director	Maverick Shih, Jason Chen, Meggy Chen	64,313,816	100.00%
				President	-		
				Supervior	Sophia YL Chen		
20	049	PBC	Pawbo, Inc.	Director	Ben Wan, Meggy Chen, Lydia Wu	5,824,713	100.00%
				President	-		
				Supervior	Sophia YL Chen		
21	050	AWI	Acer Worldwide Incorporated	Director	Sophia YL Chen, Meggy Chen	1,326,193,289	100.00%
				President	-		
22	051	ACS	Acer Computer (Singapore) Pte. Ltd.	Director	Andrew Hou, Pin Gek Nea, Sophia YL Chen	3,985,385	100.00%
				President	-		
23	054	APDI	Acer Property Development Inc.	Director	JF Yang, Meggy Chen, BJ Lin	2,957,742	100.00%
				President	-		
				Supervior	Sophia YL Chen		
24	056	ASBZ	StarVR Corporation	Director	Bo Andersson Klint, Jason Chen, Jerry Kao, Emmanuel Marquez	30,627,786	63.52%
				President	Ted Chiou		
				Independent Director	Robert Kung, Andrew Chang, Manju Hegde		

No.	Company Code	Brief Name	Company	Title	Name	Number of shares (in thousands)	Percentage of Ownership
25	057	ASSB	Acer Sales and Services SDN BHD	Director	Tek Yoong Kon, Ricky Tan, Andrew Hou	30,969,332	100.00%
				President	-		
26	058	AHI	Acer Holdings International, Incorporated	Director	Meggy Chen, Jason Chen	33,550,000	100.00%
				President	-		
27	059	AME	Acer Computer (M.E.) Limited	Director	Paul Collins, Tai Chi Shih	2,335,000	100.00%
				President	-		
28	060	AMEX	Acer Computec Mexico, S.A. de C.V.	Director	Germano Couy, Gregg Prendergast, Francisco Ascencio	1,373,840,957	99.95%
				President	Germano Couy		
29	061	XPLSH	Xplova (Shanghai) Ltd.	Director	Ben Wan, Lydia Wu, Mercury Kuo	N.A.	100.00%
				President	-		
				Supervior	Sophia YL Chen		
30	062	AAF	Acer Africa (Proprietary) Limited	Director	Emmanuel Fromont, Riaad Mangera, Tai Chi Shih	36,800,000	100.00%
				President	-		
31	064	ABH	Acer BeingWare Holding Inc.	Director	Jason Chen, Meggy Chen, Lydia Wu	176,367,567	100.00%
				President	-		
				Supervior	Sophia YL Chen		
32	065	ALT	Altos Computing Inc.	Director	Jason Chen, Meggy Chen, Andrew Hou, Tiffany Huang, Ted Chiou	4,020,000	71.79%
				President	Jackie Lee		
				Supervior	Sophia YL Chen, Doris Lin		
33	066	ACCN	Acer Computer (Shanghai) Ltd.	Director	Andrew Hou, Jason Chen, Jim Liu	N.A.	100.00%
				President	Jinghua Song		
				Supervior	Sophia YL Chen		
34	067	ACTCQ	Acer Cloud Technology(Chongqing) Ltd.	Director	Maverick Shih, Jason Chen, Meggy Chen	N.A.	100.00%
				President	Ann Lin		
				Supervior	Dick Tan		
35	068	ACTI	Acer Cloud Technology Inc.	Director	Maverick Shih, Meggy Chen, Jason Chen	32,000,000,000,001	100.00%
				President	Maverick Shih		
36	069	SMA	Servex (Malaysia) Sdn Bhd	Director	Tek Yoong Kon, Ricky Tan	4,748,000	100.00%
				President	-		
37	070	AMS	Acer Market Services Limited	Director	Meggy Chen	1,218,717,000	100.00%
				President	-		

No.	Company Code	Brief Name	Company	Title	Name	Number of shares (in thousands)	Percentage of Ownership
38	073	ASIN	Acer Sales International SA	Director	Paul Collins, Tai Chi Shih, Grigory Nizovsky	20,000,000	100.00%
				President	Grigory Nizovsky		
39	074	ATR	Acer Bilisim Teknolojileri Limited Sirketi	Director	Emmanuel Fromont, Grigory Nizovsky, Tai Chi Shih	1,000	100.00%
				President	-		
40	086	ACCQ	Acer (Chongqing) Ltd.	Director	Andrew Hou, Jim Liu, Jason Chen	N.A.	100.00%
				President	Andrew Hou		
				Supervisor	Sophia YL Chen		
41	087	SEB	Sertec (Beijing) Ltd.	Director	Jinghua Song, Victor Soon, Andrew Hou	N.A.	100.00%
				President	Victor Soon		
				Supervisor	Jim Liu		
42	089	AAH	Acer American Holdings Corp.	Director	Gregg Prendergast, Jason Chen, Meggy Chen	900	100.00%
				President	-		
43	091	ACTUS	Acer Cloud Technology (US), Inc.	Director	Maverick Shih, Dick Tan	3,899,800	100.00%
				President	Wei Ding		
44	095	ABST	Acer Being Signage Inc.	Director	Maverick Shih, Jason Chen, Meggy Chen	30,000,000	100.00%
				President	-		
				Supervior	Dick Tan		
45	096	ABSG	Acer Being Signage GmbH	Director	Maverick Shih, Wayne Ma, Peter Schlichter	6,029,000	100.00%
				President	-		
46	097	AVN	Acer Vietnam Co., Ltd.	Director	Andrew Hou, Tony Vo, Sophia YL Chen	N.A.	100.00%
				President	Tony Vo		
47	099	AGC	Acer Greater China (B.V.I.) Corp.	Director	Jason Chen, Meggy Chen	163,369,005	100.00%
				President	-		
48	104	AOI	AOPEN Inc.	Director	Jason Chen, Maverick Shih, Frank Lin, Dale Tsai, Victor Chien, Smart Capital Corp.	28,970,000	40.55%
				President	-		
				Independent Director	Gordon Kuo, Steve Tso, Andrew Chang		
49	107	AOE	AOPEN Computer B.V.	Director	Dale Tsai, Jack Chou, Edward Chen	40	40.55%
				President	Jack Chou		
50	111	GTI	GadgeTek Inc.	Director	Jerry Kao, Meggy Chen, Lydia Wu	4,500,000	83.64%
				President	-		
				Supervior	Sophia YL Chen		

No.	Company Code	Brief Name	Company	Title	Name	Number of shares (in thousands)	Percentage of Ownership
51	115	ASZ	Acer Computer (Switzerland) AG	Director	Emmanuel Fromont, Tai Chi Shih, Thomas Berli	50	100.00%
				President	-		
52	120	AAC	Acer America Corporation	Director	Jason Chen, Ming Wang, Gregg Prendergast	3,100,000	100.00%
				President	Gregg Prendergast		
53	121	ACG	ACER Computer GmbH	Director	Emmanuel Fromont, Tai Chi Shih, Wilfried Thom	N.A.	100.00%
				President	-		
54	122	SAL	Bluechip Infotech Pty Ltd	Director	Chiang Sheng Hsiung, Ronald Keith Jarvis, Guan-Sheng Renn, Jerry Lin, Yu-Hsiu Chen	1,795,000	39.69%
				President	-		
55	123	AUK	Acer U.K. Limited	Director	Emmanuel Fromont, Tai Chi Shih	9,071,790	100.00%
				President	-		
56	124	ACF	Acer Computer France S.A.S.U.	Director	Jean.Luc.Bayel, Angelo DAmbrosio, Emmanuel Fromont,Tai Chi Shih	2,606,140	100.00%
				President	-		
57	128	ACH	Acer Computer B.V.	Director	Bart Janssen, Emmanuel Fromont, Tai Chi Shih	261,226	100.00%
				President	-		
58	129	AOA	AOPEN America Inc.	Director	Dale Tsai, Jim Chen, Edward Chen	15,000,000	40.55%
				President	Aaron Pompey		
59	134	CCI	Cross Century Investment Limited	Director	Jason Chen, Sophia YL Chen, Meggy Chen	N.A.	100.00%
				President	-		
60	137	ASDI	Aspire Service & Development Inc.	Director	JF Yang, Meggy Chen, BJ Lin	22,593,100	100.00%
				President	-		
				Supervior	Sophia YL Chen		
61	138	ABC	Acer Being Communication Inc.	Director	Jason Chen, Maverick Shih, Po Po	4,060,000	100.00%
				President	-		
				Supervior	Sophia YL Chen		
62	139	AIT	Acer Italy S.R.L.	Director	Marco Cappella, Emmanuel Fromont, Tai Chi Shih, Marco Peverelli, Roberta Matrone, Giovanni Borgini	N.A.	100.00%
				President	-		
63	141	AOSV	Aopen SmartVision Incorporated	Director	Dale Tsai, Richard Lin, Steve YU	4,000,000	40.55%
				President	-		
				Supervior	Edward Chen		

No.	Company Code	Brief Name	Company	Title	Name	Number of shares (in thousands)	Percentage of Ownership
64	142	HTW	Heartware Alliance And Intergation Limited	Director	Dale Tsai, Steve Yu	100,000	40.55%
				President	-		
65	143	AOSD	AOPEN SmartView Incorporated	Director	Victor Chien, Jason Chen, Dale Tsai	2,000,000	32.44%
				President	-		
				Supervior	Edward Chen		
66	145	ACD	Acer Denmark A/S	Director	Tai Chi Shih, Niels Erik Bjørling, Emmanuel Fromont	100	100.00%
				President	-		
67	146	TWPBJ	Acer Third Wave Software (Beijing) Co. Ltd	Director	Ben Wan	N.A.	100.00%
				President	-		
68	156	MPS	MPS Energy Inc.	Director	Jason Chen, Maverick Shih, Meggy Chen	7,248,736	100.00%
				President	-		
				Supervior	Dick Tan		
69	160	ACV	Acer Austria GmbH	Director	Emmanuel Fromont, Michael Stuhr, Tai Chi Shih	N.A.	100.00%
				President	-		
70	165	ASCBVI	Acer SoftCapital Incorporated	Director	Meggy Chen, Jason Chen	43,066,668	100.00%
				President	-		
71	167	ABHI	Acer Being Health Inc.	Director	RC Chang, Jason Chen, Meggy Chen	5,000,000	100.00%
				President	-		
				Supervior	Sophia YL Chen		
72	168	AEH	Acer European Holdings SA	Director	Emmanuel Fromont, Bruno Pelletier, Tai Chi Shih, Jason Chen, Meggy Chen	147,000	100.00%
				President	-		
73	172	AOTH	AOPEN Technology Inc.	Director	Dale Tsai, Edward Chen	50,000	40.55%
				President	-		
74	174	ACN	Acer Computer Norway AS	Director	Emmanuel Fromont, Anne-Mette Guthus, Tai Chi Shih, Wilfried Thom	6,531	100.00%
				President	-		
75	177	EDC	Acer e-Enabling Data Center Incorporated	Director	Maverick Shih, Rex Wu, Meggy Chen	186,592,616	100.00%
				President	-		
				Supervior	Sophia YL Chen		
76	180	AIB	Acer Computer Iberica, S.A.	Director	Ivana Clemente, Emmanuel Fromont, Tai Chi Shih	142,338	100.00%
				President	-		

No.	Company Code	Brief Name	Company	Title	Name	Number of shares (in thousands)	Percentage of Ownership
77	181	AIZS	Acer Information (Zhong Shan) Co., Ltd.	Director	KV Cheng, Meggy Chen, Sophia YL Chen	N.A.	100.00%
				President	-		
				Supervior	Jim Liu		
78	182	AIN	PT. Acer Indonesia	Director	Herbet Ang, Parman Iskak, Andrew Hou, Meggy Chen, Ryan Yen	300,000	100.00%
				President	Herbet Ang		
79	189	HSN	HigHPoint Service Network Sdn Bhd	Director	Tek Yoong Kon, Ricky Tan	500,000	100.00%
				President	-		
80	192	AIL	Acer India Private Limited	Director	Sophia YL Chen, Andrew Hou, Harish Kohli	78,803,764	100.00%
				President	-		
81	193	ADSC	Acer Digital Service Co.,	Director	Jason Chen, Meggy Chen, Lydia Wu	128,281,861	100.00%
				President	-		
				Supervior	Sophia YL Chen		
82	194	AFN	Acer Computer Finland Oy	Director	Emmanuel Fromont, Tai Chi Shih, Wilfried Thom	50	100.00%
				President	-		
83	197	AHN	Acer Europe B. V.	Director	Emmanuel Fromont, Els Vandersickel, Tai Chi Shih	166,043	100.00%
				President	-		
84	198	ADSBH	Acer Digital Services (B.V.I.) Holding Corp	Director	Meggy Chen, Sophia YL Chen	2,246,408	100.00%
				President	-		
85	199	ACW	Acer Computer Sweden AB	Director	Emmanuel Fromont, Henrik Frydahl, Tai Chi Shih, Els Vandersickel	1,000	100.00%
				President	-		
86	200	SER	Sertec 360 SA	Director	Tobi Musson, Marcus Kueppers, Emmanuel Fromont, Tai Chi Shih	1,000	100.00%
				President	-		
87	201	ADSCC	Acer Digital Services (Cayman Islands) Corp.	Director	Meggy Chen, Sophia YL Chen	5,005,255	100.00%
				President	-		
88	211	LONG	Longwick Enterprises Inc.	Director	Shun-Ying Lin, Po-Chung Lin	200,000	100.00%
				President	-		
89	212	SURE	S. Excel. Co., Ltd.	Director	Shun-Ying Lin, Po-Chung Lin	100,000	100.00%
				President	-		

No.	Company Code	Brief Name	Company	Title	Name	Number of shares (in thousands)	Percentage of Ownership
90	223	AST	Acer Synergy Tech Corp.	Director	Maverick Shih, Meggy Chen, Jason Chen	7,000,000	91.74%
				President	KS Harn		
				Supervior	Sophia YL Chen		
91	224	ASTS	Shanghai AST Technology Service Ltd.	Director	Lydia Wu, Maverick Shih, Meggy Chen	N.A.	91.74%
				President	KS Harn		
				Supervior	Sophia YL Chen		
92	227	ACLAH	Boardwalk Capital Holdings Limited	Director	Jason Chen, Meggy Chen	1,373,071,341	100.00%
				President	-		
93	228	ACLAN	ACLA Holdings North, LLC	Director	Ming Wang	N.A.	100.00%
				President	Ming Wang		
94	229	ACLAS	ACLA Holding South, LLC	Director	Ming Wang	N.A.	100.00%
				President	Ming Wang		
95	230	ACLAE	ACLA Holding East, LLC	Director	Ming Wang	N.A.	100.00%
				President	Ming Wang		
96	231	ACLAW	ACLA Holding West, LLC	Director	Ming Wang	N.A.	100.00%
				President	Ming Wang		
97	232	ATB	AGP Tecnologia em Informatica do Brasil Ltda.	Director	-	249,466,846	100.00%
				President	Germano Couy, Anderson Kanno		
98	244	ACSI	Acer Cyber Security Incorporated	Director	Maverick Shih, Ben Wan, Meggy Chen	10,999,000	87.09%
				President	Rex Wu		
				Independent Director	MingTo Yu, Chie-Shiang Tong, Sen Chou Lo, Yuan-Chen Sun		
99	249	AOC	AOPEN International (ShangHai) Co., Ltd	Director	Dale Tsai, Richard Lin, Edward Chen	N.A.	40.55%
				President	Sunny Liao		
100	251	ETEN	E-ten Information System Co., Ltd.	Director	Ben Wan, Jason Chen, Maverick Shih	20,000,000	100.00%
				President	Ben Wan		
				Supervior	Meggy Chen		
101	257	ARU	Acer Marketing Services LLC	Director	Tai Chi Shih, Julia Volodina, Dmitry Kravchenko, Bruno Pelletier	N.A.	100.00%
				President	-		

No.	Company Code	Brief Name	Company	Title	Name	Number of shares (in thousands)	Percentage of Ownership
102	259	AGU	AGP Insurance (Guernsey) Limited	Director	David Allen, Christopher Andersen, Alfredo Crespi, Meggy Chen, Christian Greisberger	5,000,000	100.00%
				President	-		
103	265	BJAC	Beijing Altos Computing Ltd.	Director	Jason Chen, Meggy Chen, Jinghua Song	N.A.	71.79%
				President	Jinghua Song		
				Supervior	Sophia YL Chen		
104	269	AOJ	AOPEN Japan Inc.	Director	Dale Tsai, Edward Chen, Frank Huang	200	40.55%
				President	-		
				Supervior	Julin Tai		
105	275	AOZ	AOPEN Information Products (Zhongshan) Inc.	Director	Dale Tsai	N.A.	40.55%
				President	Steve Yu		
				Supervior	Edward Chen		
106	276	AOGS	AOPEN GLOBAL SOLUTIONS PTY LTD.	Director	Dale Tsai, Edward Chen, Stephen Borg	105,000	28.39%
				President	-		
107	277	AOAU	AOPEN Australia & New Zealand Pty Ltd	Director	Dale Tsai, Edward Chen, Stephen Borg	100	28.39%
				President	Stephen Borg		
108	284	ACVC	Acer China Venture Corp	Director	Conrad Hung, Jerry Lin, Jason Chen	N.A.	100.00%
				President	-		
				Supervior	Meggy Chen		
109	285	ACVP	Acer China Venture Partnership	Director	Conrad Hung	N.A.	100.00%
				President	-		
110	288	ASCCAM	ASC Cayman, Limited	Director	Sophia YL Chen, Meggy Chen	100,000	100.00%
				President	-		
111	293	AAPH	Acer Asia Pacific Sdn Bhd	Director	Jason Chen, Tek Yoong Kon, Ricky Tan, Andrew Hou	3,319,995	100.00%
				President	-		
112	310	AEG	Acer Europe SA	Director	Emmanuel Fromont, Jason Chen, Tai Chi Shih	1,650	100.00%
				President	-		
113	313	ACZ	Acer Czech Republic s.r.o.	Director	Emmanuel Fromont, Tomas Cech, Tai Chi Shih	N.A.	100.00%
				President	-		
114	316	VRA	StarVR America Corporation	Director	Ted Chiou, Meggy Chen	N.A.	100.00%
				President	-		

No.	Company Code	Brief Name	Company	Title	Name	Number of shares (in thousands)	Percentage of Ownership
115	336	APHI	Acer Philippines, Inc.	Director	Manuel Wong, Ryan Yen, Andrew Hou, Susan M Santos, Yolanda S. Sebastian	135,101	100.00%
				President	Manuel Wong		
116	338	HPA	HigHPoint Australia Pty Ltd	Director	Darren Simmons	500,000	100.00%
				President	-		
117	345	HSNI	PT HSN Tech Indonesia	Director	Parman Iskak, Andrew Hou, Ryan Yen	1,000,000	100.00%
				President	Herbet Ang		
118	346	AIP	Acer Infotech Pvt Ltd	Director	Harish Kohli, Alok Dubey	16,250,000	100.00%
				President	-		
119	347	HSNP	HigHPoint Services Network Philippines, Inc.	Director	Manuel Wong, Ryan Yen, Andrew Hou, Susan M Santos, Yolanda S. Sebastian	106,000	100.00%
				President	Manuel Wong		
120	348	HSNT	HigHPoint Service Network (Thailand) Co., Ltd	Director	Nitipat Praweenwongwuthi, Alan Chiang, Andrew Hou	24,499	100.00%
				President	-		
121	349	HSNC	HigHPoint Service Network Corporation	Director	Andrew Hou, Lydia Wu, Meggy Chen	5,000,000	100.00%
				President	-		
				Supervior	Sophia YL Chen		
122	356	VRE	StarVR Europe SA	Director	Guido Wennemer, Ted Chiou, Meggy Chen	100,000	63.52%
				President	-		
123	366	VRF	StarVR France SAS	Director	Emmanuel Marquez, Jerry Kao, Ted Chiou	10,000	63.52%
				President	-		
124	400	GWI	Gateway, Inc.	Director	Meggy Chen, Gregg Prendergast, Ming Wang	100	100.00%
				President	-		

2. Where the company has carried out a private placement of securities during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, disclose the date on which the placement was approved by the board of directors or by a shareholders meeting, the amount thus approved, the basis for and reasonableness of the pricing, the manner in which the specified persons were selected, the reasons why the private placement method was necessary, the targets of the private placement, their qualifications, subscription amounts, subscription price, relationship with the company, participation in the operations of the company, actual subscription (or conversion) price, the difference between the actual subscription (or conversion) price and the reference price, the effect of the private placement on shareholders' equity, and, for the period from receipt of payment in full to the completion of the related capital allocation plan, the status of use of the capital raised through the private placement of securities, the implementation progress of the plan, and the realization of the benefits of the plan

None

3. Status of Acer common shares and GDRs acquired, disposed of, and held by subsidiaries

Unit: NTD Thousands

Name of Investee	Total Amount of Paid-in Capital	Source	Percentage of Acer	Acquired/ disposed date	Acquisitions	Disposal	Gain (Loss)	Number shares(units) and amount as of the Date of this Annual Report	Pledged	Guarantees and endorsements provided by Acer	Financing provide by Acer
CCI	880,000	Generated from operations	100%	During 2018 and as of the Date of this Annual Report	0 share $0	0 share $0	0 share $0	4,773,731 shares $171,324	None	None	None
AWI	4,017,039	Generated from operations	100%	During 2018 and as of the Date of this Annual Report	0 share $0	0 share $0	0 share $0	12,729,869 shares $522,237	None	None	None
AWI	4,017,039	Generated from operations	100%	During 2018 and as of the Date of this Annual Report	0 share $0	0 share $0	0 share $0	GDR(note) 4,987,459units $1,969,617	None	None	None
ETEN	200,000	Generated from operations	100%	During 2018 and as of the Date of this Annual Report	0 share $0	0 share $0	0 share $0	4,305,395shares $251,678	None	None	None

Note: Each unit stands for Acer's 5 common shares.

4. Other matters that require additional description

None

If any of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, such situations shall be listed one by one

None

Appendix I

2018 Consolidated Financial Statements

Stock Code:2353

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Financial Statements
With Independent Auditors' Report
For the Years Ended December 31, 2018 and 2017

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

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Representation Letter

The entities that are required to be included in the combined financial statements of Acer Incorporated as of and for the year ended December 31, 2018 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 "Consolidated Financial Statements" endorsed by the Financial Supervisory Commission. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Acer Incorporated and subsidiaries do not prepare a separate set of combined financial statements.

Hereby declare

Acer Incorporated
Jason Chen
Chairman
March 20, 2019

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Independent Auditors' Report

To the Board of Directors
Acer Incorporated:

Opinion

We have audited the consolidated financial statements of Acer Incorporated and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, 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 developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") 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 Auditors' 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.

Emphasis of Matter

We draw attention to Note 3(a) to the consolidated financial statements which describes that the Group initially adopted the IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" on January 1, 2018, with no restatement of comparative period financial statements. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2018 are stated as follows:

1. Revenue recognition

   Refer to Note 4(r) for the accounting policies on recognizing revenue, and Note 5(a) for uncertainty of accounting estimations and assumptions for 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 estimating 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) for the accounting policies on inventory valuation, Note 5(b) for uncertainty of accounting estimations and assumptions for inventory valuation and Note 6(h) for the details of related disclosures.

   Description of key audit matter:

   Inventories are measured at the lower of cost and net realizable value. Due to the rapid innovation 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) for the accounting policies on goodwill impairment, Note 5(c) for uncertainty of accounting estimations and assumptions for goodwill impairment and Note 6(n) for the evaluation of goodwill impairment.

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, 2018 and 2017, on which we have issued unmodified audit opinion with the paragraph on emphasis of matter and unmodified audit opinion, respectively.

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, IFRIC, SIC 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 (including members of the Audit Committee) are responsible for overseeing the Group's financial reporting process.

Auditors' 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 auditors' 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 aggregated, 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 exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess 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. Obtain 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. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, base 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 auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate 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. Obtain 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 remain solely responsible for our audit opinion.

We communicate 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 identify during our audit.

We also provide 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 determine 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 describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

KPMG

Taipei, Taiwan (Republic of China)
March 20, 2019

Notes to Readers

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

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

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

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2018		December 31, 2017	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 27,283,038	18	33,970,331	22
1110	Financial assets measured at fair value through profit or loss－current (note 6(b))	435,574	-	170,803	-
1120	Financial assets measured at fair value through other comprehensive income－current (note 6(c))	88,989	-	-	-
1125	Available-for-sale financial assets－current (note 6(d))	-	-	118,329	-
1140	Contract assets－current (note 6(z))	396,235	-	-	-
1147	Investments in debt instrument without an active market－current (note 6(e))	-	-	232,466	-
1170	Notes and accounts receivable, net (notes 6(f) & (z))	47,491,595	31	46,761,383	30
1180	Accounts receivable from related parties (notes 6(f) & (z) and 7)	34,623	-	126,903	-
1200	Other receivables (notes 6(g) and 7)	1,097,802	1	1,024,005	1
1220	Current income tax assets	460,334	-	570,537	-
130X	Inventories (note 6(h))	42,076,409	27	40,079,221	25
1460	Non-current assets held for sale, net (note 6(i))	-	-	161,990	-
1470	Other current assets (note 6(o))	3,756,396	3	3,078,330	2
	Total current assets	123,120,995	80	126,294,298	80
	Non-current assets:				
1510	Financial assets measured at fair value through profit or loss－non-current (note 6(b))	44,894	-	-	-
1517	Financial assets measured at fair value through other comprehensive income－non-current (note 6(c))	4,340,457	3	-	-
1523	Available-for-sale financial assets－non-current (note 6(d))	-	-	5,252,341	3
1546	Investments in debt instrument without an active market－non-current (note 6(e))	-	-	308,444	-
1550	Investments accounted for using equity method (note 6(j))	875,861	-	569,405	-
1600	Property, plant and equipment (notes 6(l) and 8)	3,846,752	2	4,106,559	3
1760	Investment property (note 6(m))	1,122,385	1	1,141,199	1
1780	Intangible assets (note 6(n))	17,311,344	11	17,184,151	11
1840	Deferred income tax assets (note 6(v))	890,458	1	656,478	-
1900	Other non-current assets (notes 6(o) & (u))	1,432,482	1	1,101,079	1
1980	Other financial assets－non-current (note 8)	1,003,782	1	998,817	1
	Total non-current assets	30,868,415	20	31,318,473	20
	Total assets	**$ 153,989,410**	**100**	**157,612,771**	**100**

See accompanying notes to consolidated financial statements.

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

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Balance Sheets (Continued)

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2018		December 31, 2017	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (notes 6(p) and 8)	$ 657,040	-	482,894	-
2120	Financial liabilities measured at fair value through profit or loss－current (note 6(b))	272,085	-	621,947	-
2130	Contract liabilities－current (note 6(z))	821,374	1	-	-
2170	Notes and accounts payable (note 7)	40,079,353	26	42,750,982	27
2200	Other payables (note 6(ab))	24,420,154	16	37,219,141	24
2250	Provisions－current (notes 6(s) and 9)	5,239,352	4	6,656,001	4
2322	Current portion of long-term debt (notes 6(r) and 8)	4,112	-	2,701,958	2
2365	Refund liabilities－current	12,703,866	8	-	-
2399	Other current liabilities (note 6(q))	2,619,592	2	2,807,010	2
	Total current liabilities	86,816,928	57	93,239,933	59
	Non-current liabilities:				
2527	Contract liabilities－non-current (note 6(z))	1,405,350	1	-	-
2540	Long-term debt (notes 6(r) and 8)	3,315,976	2	3,300,499	2
2550	Provisions－non-current (notes 6(s) and 9)	36,241	-	45,692	-
2570	Deferred income tax liabilities (note 6(v))	1,749,191	1	1,040,696	1
2600	Other non-current liabilities (notes 6(q) & (u))	1,679,438	1	2,010,545	1
	Total non-current liabilities	8,186,196	5	6,397,432	4
	Total liabilities	95,003,124	62	99,637,365	63
	Equity(notes 6(c), (w) & (x)):				
3110	Common stock	30,749,338	20	30,765,028	19
3200	Capital surplus	27,913,351	18	29,852,184	19
	Retained earnings:				
3310	Legal reserve	281,559	-	-	-
3320	Special reserve	2,534,028	2	-	-
3351	Unappropriated earnings	3,085,863	2	2,815,587	2
3400	Other equity	(3,381,189)	(2)	(3,198,500)	(2)
3500	Treasury stock	(2,914,856)	(2)	(2,914,856)	(2)
	Equity attributable to shareholders of the Company	58,268,094	38	57,319,443	36
36XX	**Non-controlling interests**	718,192	-	655,963	1
	Total equity	58,986,286	38	57,975,406	37
	Total liabilities and equity	**$ 153,989,410**	**100**	**157,612,771**	**100**

See accompanying notes to consolidated financial statements.

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

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

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

		2018		2017	
		Amount	**%**	**Amount**	**%**
4000	**Net revenue (notes 6(s), (z) & (aa), 7 and 14)**	$ 242,270,406	100	237,274,883	100
5000	**Cost of revenue (notes 6(h), (l), (n), (s), (t) & (u), 7 and 12)**	(216,442,207)	(89)	(211,913,649)	(89)
	Gross profit	25,828,199	11	25,361,234	11
	Operating expenses (notes 6(f), (l), (m), (n), (s), (t), (u), (x) & (ab), 7 and 12):				
6100	Selling expenses	(15,234,252)	(6)	(14,855,347)	(6)
6200	General and administrative expenses	(4,462,573)	(2)	(4,547,263)	(2)
6300	Research and development expenses	(2,559,920)	(1)	(2,497,868)	(1)
	Total operating expenses	(22,256,745)	(9)	(21,900,478)	(9)
6500	**Other operating income and expenses, net (notes 6(t) & (ac), and 7)**	167,035	-	208,978	-
	Operating income	3,738,489	2	3,669,734	2
	Non-operating income and loss:				
7010	Other income (note 6(ad))	606,843	-	525,760	-
7020	Other gains and losses — net (notes 6(b), (e), (k), (t) & (ad), and 7)	216,232	-	(574,381)	(1)
7050	Finance costs (note 6(ad))	(175,288)	-	(225,832)	-
7060	Share of profits (losses) of associates and joint ventures (note 6(j))	(133,896)	-	(38,629)	-
7673	Reversal of impairment loss on property, plant and equipment (note 6(l))	-	-	82,480	-
	Total non-operating income and loss	513,891	-	(230,602)	(1)
7900	**Income before taxes**	4,252,380	2	3,439,132	1
7950	**Income tax expense (note 6(v))**	(1,350,420)	(1)	(642,399)	-
	Net income	2,901,960	1	2,796,733	1
	Other comprehensive income (loss) (notes 6(j), (u), (v) & (w)):				
8310	**Items that will not be reclassified subsequently to profit or loss:**				
8311	Remeasurements of defined benefit plans	682	-	(35,445)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(593,723)	-	-	-
8349	Income tax related to items that will not be reclassified subsequently to profit or loss	22,695	-	11,050	-
		(570,346)	-	(24,395)	-
8360	**Items that may be reclassified subsequently to profit or loss:**				
8361	Exchange differences on translation of foreign operations	385,004	-	(2,132,038)	(1)
8362	Change in fair value of available-for-sale financial assets	-	-	457,886	-
8370	Share of other comprehensive income (loss) of associates	(3,940)	-	741	-
8399	Income tax related to items that may be reclassified subsequently to profit or loss	(3,596)	-	18	-
		377,468	-	(1,673,393)	(1)
	Other comprehensive loss, net of taxes	(192,878)	-	(1,697,788)	(1)
	Total comprehensive income for the year	**$ 2,709,082**	**1**	**1,098,945**	**-**
	Net income attributable to:				
8610	Shareholders of the Company	$ 3,060,429	1	2,815,587	1
8620	Non-controlling interests	(158,469)	-	(18,854)	-
		$ 2,901,960	**1**	**2,796,733**	**1**
	Total comprehensive income (loss) attributable to:				
8710	Shareholders of the Company	$ 2,876,293	1	1,115,222	-
8720	Non-controlling interests	(167,211)	-	(16,277)	-
		$ 2,709,082	**1**	**1,098,945**	**-**
	Earnings per share (in New Taiwan dollars) (note 6(y)):				
9750	Basic earnings per share	**$**	**1.01**		**0.93**
9850	Diluted earnings per share	**$**	**1.01**		**0.93**

See accompanying notes to consolidated financial statements.

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

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Attributable to shareholders of the Company															
			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 financial assets measured at fair value through other comprehensive income	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 attributable to owners of parent	Non-controlling interests	Total equity
Balance at January 1, 2017	$ 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
Net income for the year	-	-	-	-	2,815,587	2,815,587	-	-	-	-	-	-	-	2,815,587	(18,854)	2,796,733
Other comprehensive income (loss) for the year	-	-	-	-	-	-	(2,141,146)	-	459,805	(19,024)	-	(1,700,365)	-	(1,700,365)	2,577	(1,697,788)
Total comprehensive income (loss) for the year	-	-	-	-	2,815,587	2,815,587	(2,141,146)	-	459,805	(19,024)	-	(1,700,365)	-	1,115,222	(16,277)	1,098,945
Appropriation approved by the stockholders:																
Decrease in legal reserve to offset accumulated deficit	-	-	(145,190)	-	145,190	-	-	-	-	-	-	-	-	-	-	-
Decrease in special reserve to offset accumulated deficit	-	-	-	(1,306,709)	1,306,709	-	-	-	-	-	-	-	-	-	-	-
Decrease in capital surplus to offset accumulated deficit	-	(3,448,397)	-	-	3,448,397	3,448,397	-	-	-	-	-	-	-	-	-	-
Cash distributed from capital surplus	-	(1,515,071)	-	-	-	-	-	-	-	-	-	-	-	(1,515,071)	-	(1,515,071)
Change in equity of investments in associates	-	28,571	-	-	-	-	-	-	-	-	-	-	-	28,571	19	28,590
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	649,886	649,886
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19,893	19,893
Changes in ownership interests in subsidiaries	-	1,653	-	-	-	-	-	-	-	-	-	-	-	1,653	(1,653)	-
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 subsidiaries	-	23	-	-	-	-	-	-	-	-	-	-	-	23	12	35
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
Effects of retrospective application	-	-	-	-	(7,231)	(7,231)	-	112,035	(112,035)	-	-	-	-	(7,231)	2,021	(5,210)
Adjusted balance at January 1, 2018	30,765,028	29,852,184	-	-	2,808,356	2,808,356	(3,202,161)	112,035	-	(96,281)	(12,093)	(3,198,500)	(2,914,856)	57,312,212	657,984	57,970,196
Net income for the year	-	-	-	-	3,060,429	3,060,429	-	-	-	-	-	-	-	3,060,429	(158,469)	2,901,960
Other comprehensive income (loss) for the year	-	-	-	-	-	-	390,996	(601,596)	-	26,464	-	(184,136)	-	(184,136)	(8,742)	(192,878)
Total comprehensive income (loss) for the year	-	-	-	-	3,060,429	3,060,429	390,996	(601,596)	-	26,464	-	(184,136)	-	2,876,293	(167,211)	2,709,082
Appropriation approved by the stockholders:																
Legal reserve	-	-	281,559	-	(281,559)	-	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	2,534,028	(2,534,028)	-	-	-	-	-	-	-	-	-	-	-
Cash distributed from capital surplus	-	(2,120,798)	-	-	-	-	-	-	-	-	-	-	-	(2,120,798)	-	(2,120,798)
Change in equity of investments in associates	-	44,225	-	-	-	-	-	-	-	-	-	-	-	44,225	(19)	44,206
Changes in ownership interests in subsidiaries	-	32,647	-	-	-	-	-	-	-	-	-	-	-	32,647	9,734	42,381
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	105,682	105,682
Issuance of common stock from exercise of employee stock options by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	61,987	61,987
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	100,600	-	-	-	-	-	-	-	-	-	-	-	100,600	52,050	152,650
Retirement of restricted shares of stock issued to employees	(15,690)	1,892	-	-	-	-	-	-	-	-	13,798	13,798	-	-	-	-
Compensation cost arising from restricted shares of stock issued to employees	-	-	-	-	-	-	-	-	-	-	(1,705)	(1,705)	-	(1,705)	-	(1,705)
Stock option compensation cost of subsidiaries	-	1,857	-	-	-	-	-	-	-	-	-	-	-	1,857	97	1,954
Disposal of investments accounted for using equity method	-	744	-	-	-	-	22,019	-	-	-	-	22,019	-	22,763	-	22,763
Cash dividends paid to non-controlling interests by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,112)	(2,112)
Disposal of financial assets measured at fair value through other comprehensive income	-	-	-	-	32,665	32,665	-	(32,665)	-	-	-	(32,665)	-	-	-	-
Balance at December 31, 2018	$ 30,749,338	27,913,351	281,559	2,534,028	3,085,863	5,901,450	(2,789,146)	(522,226)	-	(69,817)	-	(3,381,189)	(2,914,856)	58,268,094	718,192	58,986,286

See accompanying notes to consolidated financial statements.

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

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from operating activities:		
Income before income tax	$ 4,252,380	3,439,132
Adjustments for:		
Adjustments to reconcile profit (loss):		
Depreciation	423,898	508,866
Amortization	415,818	563,486
Net loss on financial assets measured at fair value through profit or loss	496,558	-
Effects of exchange rate changes in investments in debt instrument without an active market	-	(7,000)
Interest expense	175,288	225,832
Interest income	(358,954)	(304,605)
Dividend income	(247,889)	(221,155)
Share-based compensation cost	249	14,685
Share of losses of associates and joint ventures	133,896	38,629
Loss on disposal of property, plant and equipment and non-current assets held for sale	3,475	5,817
Property, plant and equipment and intangible assets reclassified to expenses	453	602
Gain on disposal of intangible assets	-	(32)
Loss (gain) on disposal of investments accounted for using equity method	33,158	(690)
Impairment loss on financial assets	-	3,061
Gain on bargain purchase	(6,385)	(1,130)
Reversal of impairment loss on property, plant and equipment	-	(82,480)
Other investment loss	3,696	36,183
Total adjustments for profit and loss	1,073,261	780,069
Changes in operating assets and liabilities:		
Changes in operating assets:		
Derivative financial instruments measured at fair value through profit or loss	(606,239)	1,986,320
Contract assets	(383,613)	-
Notes and accounts receivable	(523,043)	(2,264,268)
Receivables from related parties	92,280	(44,928)
Inventories	(2,434,278)	(817,920)
Other receivables and other current assets	(147,231)	(54,430)
Non-current accounts receivable	-	33,429
Other non-current assets	4,968	(157,297)
Changes in operating assets	(3,997,156)	(1,319,094)
Changes in operating liabilities:		
Notes and accounts payable	(2,897,116)	(10,344,889)
Refund liabilities	(784,304)	-
Other payables and other current liabilities	338,917	(202,344)
Provisions	(144,977)	125,554
Contract liabilities	498,459	-
Other non-current liabilities	52,880	127,706
Changes in operating liabilities	(2,936,141)	(10,293,973)
Total changes in operating assets and liabilities	(6,933,297)	(11,613,067)
Total adjustments	(5,860,036)	(10,832,998)
Cash used in operations	(1,607,656)	(7,393,866)
Interest received	359,771	247,245
Income taxes paid	(884,258)	(366,162)
Net cash used in operating activities	(2,132,143)	(7,512,783)

(Continued)

See accompanying notes to consolidated financial statements.

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

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Continued)

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from investing activities:		
Purchase of financial assets measured at fair value through other comprehensive income	(86,605)	-
Proceeds from disposal of financial assets measured at fair value through other comprehensive income	62,576	-
Proceeds from capital return of financial assets measured at fair value through other comprehensive income	31,883	-
Proceeds from repayments of financial assets measured at fair value through profit or loss	16,580	-
Proceeds from disposal of financial assets measured at fair value through profit or loss	8,458	-
Purchase of available-for-sale financial assets	-	(314,312)
Proceeds from capital return of available-for-sale financial assets	-	15,691
Purchase of investments in debt instrument without an active market	-	(12,698)
Proceeds from repayments of investments in debt instrument without an active market	-	10,229
Acquisition of investments accounted for using equity method	(151,500)	(295,714)
Proceeds from disposal of investments accounted for using equity method	557	899
Proceeds from disposal of non-current assets held for sale	163,974	-
Additions to property, plant and equipment	(230,598)	(282,394)
Proceeds from disposal of property, plant and equipment	9,787	24,121
Additions to intangible assets	(218,040)	(38,846)
Proceeds from disposal of intangible assets	-	1,749
Net cash received from (paid for) acquisition of subsidiaries	(1,071)	496,674
Increase in other non-current financial assets	(4,965)	(38,174)
Dividends received	256,813	242,727
Net cash flows used in investing activities	(142,151)	(190,048)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	98,492	(50,828)
Increase in long-term debt	22,669	3,300,000
Repayment of long-term debt	(2,704,109)	(3,300,334)
Cash distributed from capital surplus	(2,120,798)	(1,515,071)
Cash dividends paid to non-controlling interests by subsidiaries	(2,112)	-
Capital injection from non-controlling interest	-	19,893
Issuance of common stock from exercise of employee stock options by subsidiaries	61,987	-
Increase in non-controlling interests	183,931	-
Interest paid	(161,420)	(257,938)
Net cash flows used in financing activities	(4,621,360)	(1,804,278)
Effect of foreign exchange rate changes	208,361	(812,233)
Net decrease in cash and cash equivalents	(6,687,293)	(10,319,342)
Cash and cash equivalents at beginning of period	33,970,331	44,289,673
Cash and cash equivalents at end of period	$ **27,283,038**	**33,970,331**

See accompanying notes to consolidated financial statements.

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

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

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

1. Organization and business

Acer Incorporated (the "Company") was incorporated on August 1, 1976, as a company limited by shares under the laws of the Republic of China ("R.O.C.") and registered under the Ministry of Economic Affairs, R.O.C.

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

2. Authorization of the Consolidated Financial Statements

These consolidated financial statements were authorized for issuance by the Board of Directors on March 20, 2019.

3. Application of New and Revised Accounting Standards and Interpretations

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

In preparing the accompanying consolidated financial statements, the Group has adopted the following International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS"), and Interpretations that have been issued by the International Accounting Standards Board ("IASB") (collectively, "IFRSs") and endorsed by the FSC, with effective date from January 1, 2018.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 *Classification and Measurement of Share-based Payment Transactions*	January 1, 2018
Amendments to IFRS 4 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*	January 1, 2018
IFRS 9 *Financial Instruments*	January 1, 2018
IFRS 15 *Revenue from Contracts with Customers*	January 1, 2018
Amendment to IAS 7 *Statement of Cash Flows—Disclosure Initiative*	January 1, 2017
Amendment to IAS 12 *Income Taxes—Recognition of Deferred Tax Assets for Unrealized Losses*	January 1, 2017
Amendments to IAS 40 *Transfers of Investment Property*	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 *Foreign Currency Transactions and Advance Consideration*	January 1, 2018

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Except for the following items, the initial application of the above IFRSs did not have any material impact on the consolidated financial statements. The extent and impact of changes are as follows:

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

IFRS 15 establishes a five-step model framework to determine the method, timing and amount of revenue recognized. This Standard replaces the existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations. The Group applies this standard retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application. The Group elected not to restate the comparative information for the prior reporting period; but instead, continues to apply IAS 11, IAS 18 and the related Interpretations for comparative reporting period. The Group recognizes the cumulative effect upon the initial application of this Standard as an adjustment to the opening balance of its retained earnings on January 1, 2018.

The Group uses the practical expedients for completed contracts, meaning, it need not restate those contracts that have been completed on January 1, 2018.

The following are the nature and impacts on the changes of accounting policies:

Under IAS 18, revenue for the sale of goods was recognized when the related significant risks and rewards of ownership of the goods have been transferred to the customers, the revenue and the cost incurred, or to be incurred, can be measured reliably, the economic benefits of the transaction will probably flow to the Group, and there is neither continuing managerial involvement to the degree usually associated with ownership nor effect control over the goods sold. Under IFRS 15, revenue is recognized when a customer obtains control of the goods.

For certain contracts that give customers rebates or marketing support, revenue is recognized under IAS 18 when relevant allowance could be reasonably estimated and all revenue recognition criteria were met. Under IFRS 15, revenue is recognized for these contracts to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. A refund liability is recognized for the estimated sales allowance and presented separately in the statement of financial position.

1) Impacts on financial statements

The following tables summarize the impacts of adopting IFRS 15 on the Group’ s consolidated financial statements.

	December 31, 2018			January 1, 2018			
Impacted line items on the consolidated balance sheet	**Balance prior to the adoption of IFRS 15**	**Impact of changes in accounting policies**	**Balance upon adoption of IFRS 15**	**Balance prior to the adoption of IFRS 15**	**Impact of changes in accounting policies**	**Balance upon adoption of IFRS 15**	**Note**
Notes and accounts receivable, net	$ 47,887,830	(396,235)	47,491,595	46,761,383	(12,622)	46,748,761	Note 1
Contract assets－current	-	396,235	396,235	-	12,622	12,622	Note 1
Inventories	42,524,954	(448,545)	42,076,409	40,079,221	(578,467)	39,500,754	Note 2
Other current assets	3,307,851	448,545	3,756,396	3,078,330	578,467	3,656,797	Note 2
Impact on assets		$ -			-		

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Impacted line items on the consolidated balance sheet	December 31, 2018 Balance prior to the adoption of IFRS 15	Impact of changes in accounting policies	Balance upon adoption of IFRS 15	January 1, 2018 Balance prior to the adoption of IFRS 15	Impact of changes in accounting policies	Balance upon adoption of IFRS 15	Note
Contract liabilities－current	$ -	(821,374)	(821,374)	-	(608,275)	(608,275)	Note 1
Other payables	(36,170,574)	11,750,420	(24,420,154)	(37,219,141)	13,126,578	(24,092,563)	Note 2
Other current liabilities	(3,440,966)	821,374	(2,619,592)	(2,807,010)	424,369	(2,382,641)	Note 1
Provisions－current	(6,192,798)	953,446	(5,239,352)	(6,656,001)	1,281,123	(5,374,878)	Note 2
Refund liabilities－current	-	(12,703,866)	(12,703,866)	-	(13,488,170)	(13,488,170)	Note 2
Contract liabilities－non-current	-	(1,405,350)	(1,405,350)	-	(1,119,990)	(1,119,990)	Note 1
Other non-current liabilities	(3,084,788)	1,405,350	(1,679,438)	(2,010,545)	384,365	(1,626,180)	Note 1
Impact on liabilities		-			-		

Impacted line items on the consolidated statement of cash flows	For the year ended December 31, 2018 Balance prior to the adoption of IFRS 15	Impact of changes in accounting polices	Balance upon adoption of IFRS 15
Cash flows from operating activities:			
Income before income tax	$ 4,252,380	-	4,252,380
Adjustments:			
Changes in operating assets and liabilities:			
Contract assets	-	(383,613)	(383,613)
Notes and accounts receivable, net	(906,656)	383,613	(523,043)
Inventories	(2,304,356)	(129,922)	(2,434,278)
Other receivables and other current assets	(277,153)	129,922	(147,231)
Contract liabilities	-	498,459	498,459
Other payables and other current liabilities	(640,236)	979,153	338,917
Provisions	(472,654)	327,677	(144,977)
Refund liabilities	-	(784,304)	(784,304)
Other non-current liabilities	1,073,865	(1,020,985)	52,880
Impact on net cash flows provided by (used in) operating activities		$ -	

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Note 1: For certain contracts, the Group recognizes revenue when it satisfied a performance obligation but does not have an unconditional right to the considerations. Under IFRS 15, contract assets and revenue are recognized for such situation, different from accounts receivable and revenue recognized prior to the adoption of IFRS 15. On the other hand, for certain contracts, the Group has received a part of the considerations but does not satisfy its obligations. Under IFRS 15, contract liabilities are recognized for such situation, different from deferred revenues or other payables recognized under other current liabilities or other non-current liabilities prior to the adoption of IFRS 15. Both of them were presented under other current liabilities or other non-current liabilities.

Note 2: Prior to the adoption of IFRS 15, rebate payables were recognized under other payables, and allowance for sales returns were recognized under provisions. Under IFRS 15, both of them are recognized under refund liabilities. Right to goods to be returned was recognized under inventories prior to the adoption of IFRS 15. Under IFRS 15, it is presented under other current assets.

(ii) IFRS 9 *Financial Instruments*

IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* which contains classification and measurement of financial instruments, impairment, and hedge accounting.

As a result of the adoption of IFRS 9, the Group adopted the consequential amendments to IFRS 7 *Financial Instruments: Disclosures* that are applied to disclosures about 2018 but generally have not been applied to comparative information.

The details of new significant accounting policies and the nature and effect of the changes to IFRS 9 are as follows:

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (“FVOCI”) and fair value through profit or loss (“FVTPL”). The classification of financial assets under IFRS 9 is generally based on the business model in which financial assets are managed and their contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available-for-sale. Under IFRS 9, if a hybrid contract contains a host that is within the scope of IFRS 9, the embedded derivatives would not be separated from the host contract; instead, the entire hybrid contract is assessed for classification. Please refer to note 4(g) for an explanation of how the Group classifies and measures its financial assets and accounts for related gains and losses under IFRS 9.

The adoption of IFRS 9 has not had any significant impact on the Group’s accounting policies on financial liabilities.

(Continued)

2) Impairment of financial assets

IFRS 9 replaces the "incurred loss" model in IAS 39 with a forward-looking "expected credit loss" ("ECL") model. The new impairment model applies to financial assets measured at amortized cost, contract assets, and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39. Please refer to note 4(g) for more details.

3) Transition

The adoption of IFRS 9 has generally been applied retrospectively, except as described below:

- Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognized in retained earnings and other equity on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, and therefore, is not comparable to the information presented for 2018 under IFRS 9.

- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of financial assets and financial liabilities previously designated as measured at FVTPL.
  - The designation of investments in equity instruments not held for trading as measured at FVOCI.

- If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, the Group shall assume that the credit risk on the asset had no significant increase since its initial recognition.

4) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the measurement categories and carrying amounts under IAS 39 and IFRS 9 for each class of the Group's financial assets as of January 1, 2018. There is no change in the categories and carrying amounts for financial liabilities.

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	IAS 39		IFRS 9		
	Measurement categories	**Carrying Amount**	**Measurement categories**	**Carrying Amount**	**Note**
Financial Assets					
Cash and cash equivalents	Loans and receivables	$ 33,970,331	Amortized cost	33,970,331	Note 4
Derivative instruments	Held-for-trading	167,770	Mandatorily measured at FVTPL	167,770	
	FVTPL	3,033	Mandatorily measured at FVTPL	-	Note 1
Debt instruments	Loan and receivables (Investments in debt instrument without an active market－convertible bonds and convertible notes)	232,466	Mandatorily measured at FVTPL	286,414	Note 1
	Loans and receivables (Investments in debt instrument without an active market－right of profit-sharing)	308,444	Mandatorily measured at FVTPL	313,945	Note 2
Equity instruments	Available-for-sale	5,370,670	FVOCI	5,370,670	Note 3
Receivables, net	Loans and receivables	47,911,442	Amortized cost	47,850,665	Note 4
	Loans and receivables (interest receivable)	849	Mandatorily measured at FVTPL	-	Note 1
Other financial assets (Refundable deposits)	Loans and receivables	998,817	Amortized cost	998,817	Note 4

Note1: Convertible bonds and its conversion right were previously categorized as investments in debt instrument without an active market amounting to $232,466 and financial asset measured at fair value through profit or loss amounting to $3,033, respectively, under IAS 39. The cash flows of these financial assets are not solely payments of principal and interest on the principal amount outstanding. Therefore, the Group has classified these assets at the date of initial application of IFRS 9 as mandatorily measured at FVTPL amounting to $286,414, and has eliminated the interest receivables amounting to $849. As a result, an increase of $50,066 in retained earnings on January 1, 2018 was recognized.

Note2: Under IAS 39, the right of profit-sharing was categorized as investments in debt instrument without an active market. The financial asset was managed and monitored on a fair value basis, and therefore, it has been classified as mandatorily measured at FVTPL under IFRS 9. An increase of $5,501 in the carrying amount of the aforementioned financial asset was recognized after the measurement of its fair value, resulting in the increase of $3,480 in retained earnings and $2,021 in non-controlling interests on January 1, 2018.

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Note3: These equity instruments represent investments that the Group intends to hold for long-term strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVOCI.

Note4: Notes receivable, accounts receivable, other receivables (including receivables from related parties) and other financial assets that were previously classified as loans and receivables under IAS 39 are now classified as financial assets measured at amortized cost upon the initial application of IFRS 9. In addition, an allowance for impairment of $60,777 was recognized in retained earnings on January 1, 2018.

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on January 1, 2018.

	IAS 39 Carrying Amount as of December 31, 2017	Reclassifications	Remeasurements	IFRS 9 Carrying Amount as of January 1, 2018	Retained earnings effect on January 1, 2018	Other equity effect on January 1, 2018	Adjustment in non-controlling interests
Financial assets measured at FVTPL							
Beginning balance of FVTPL (IAS 39)	$ 170,803	-	-	170,803	-	-	-
Additions – debt instruments:							
From loans and receivables (Investments in debt instrument without an active market and interest receivable)	-	541,759	55,567	597,326	53,546	-	2,021
Total	$ 170,803	541,759	55,567	768,129	53,546	-	2,021
Financial assets measured at FVOCI							
Beginning balance (IAS 39)	$ -	-	-	-	-	-	-
Additions:							
From available-for-sale	5,370,670	-	-	5,370,670	-	-	-
Total	$ 5,370,670	-	-	5,370,670	-	-	-
Financial assets measured at amortized cost							
Beginning balance of cash and cash equivalents, investments in debt instrument without an active market, receivables and other financial asset (IAS 39)	$ 83,422,349	-	-	83,422,349	-	-	-
Adjustments for allowance of impairment	-	-	(60,777)	(60,777)	(60,777)	-	-
Reclassified to FVTPL	-	(541,759)	-	(541,759)	-	-	-
Total	$ 83,422,349	(541,759)	(60,777)	82,819,813	(60,777)	-	-

There is no material impact on the Group's basic and diluted earnings per share for the year ended December 31, 2018.

(iii) Amendments to IAS 7 *Disclosure Initiative*

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

To satisfy the new disclosure requirements, the Group presents a reconciliation between the beginning and ending balances for liabilities with changes arising from financing activities in note 6(ah).

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

According to Ruling No. 1070324857 issued by the FSC on July 17, 2018, commencing from 2019, the Company is required to adopt the IFRSs that have been endorsed by the FSC with effective date from January 1, 2019. The related new, revised or amended standards and interpretations are set out below:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 *Leases*	January 1, 2019
IFRIC 23 *Uncertainty over Income Tax Treatments*	January 1, 2019
Amendments to IFRS 9 *Prepayment features with negative compensation*	January 1, 2019
Amendments to IAS 19 *Plan Amendment, Curtailment or Settlement*	January 1, 2019
Amendments to IAS 28 *Long-term interests in associates and joint ventures*	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

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

(i) IFRS 16 *Leases*

IFRS 16 replaces the existing leases guidance, including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard, i.e., the lessors will continue to classify leases as finance or operating leases.

1) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Group can choose to apply either of the following:

- IFRS 16 definition of lease to all its contracts; or
- a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Group plans to apply IFRS 16 definition of lease to all its contracts upon transition.

2) Transition

As a lessee, the Group can apply the standard using either of the following:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

The Group plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment in the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group chooses to elect the following practical expedients:

- apply a single discount rate to a portfolio of leases with similar characteristics;
- apply the exemption, and not to recognize the right-of-use assets and lease liabilities with lease term that ends within 12 months at the date of initial application;
- exclude the initial direct costs from measuring the right-of-use assets at the date of initial application; and
- use hindsight to determine the lease term while the contract contains options to extend or terminate the lease.

3) So far, the most significant impact identified is that the Group will have to recognize the right-of-use assets and lease liabilities for the operating leases of its offices and warehouses, which will result in an increase of $2,490,700 in its right-of-use assets and lease liabilities on January 1, 2019. Besides, The Group does not expect the adoption of IFRS 16 to have any impact on its ability to comply with the maximum leverage threshold loan covenant. Also, the Group is not required to make any adjustments for leases in which the Group is the intermediate lessor in a sub-lease.

(ii) IFRIC 23 *Uncertainty over Income Tax Treatments*

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.

If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

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So far, the Group assessed that the adoption of the new interpretation will not have significant impacts. However, the actual impacts of adopting the amended standards and new interpretations may change depending on the economic conditions and events which may occur in the future.

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

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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 *Definition of a Business*	January 1, 2020
Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture*	Effective date to be determined by IASB
IFRS 17 *Insurance Contracts*	January 1, 2021
Amendments to IAS 1 and IAS 8 *Definition of Material*	January 1, 2020

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

Issuance / Release Dates	Standards or Interpretations	Content of amendment
October 31, 2018	Amendments to IAS 1 and IAS 8 *Definition of Material*	The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards.

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

4. Summary of significant accounting policies

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

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

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

1) Financial instruments measured at fair value through profit or loss (including derivative financial instruments);
2) Financial assets measured at fair value through other comprehensive income (Available-for-sale financial assets measured at fair value) ; and
3) Net defined benefit liability measured at present value of defined benefit obligation less the fair value of plan assets.

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

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

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

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

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

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

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

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

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

			Percentage of Ownership	
Name of Investor	**Name of Investee**	**Main Business and Products**	**December 31, 2018**	**December 31, 2017**
The Company	Acer Greater China (B.V.I.) Corp. (“AGC”, British Virgin Islands)	Investment and holding activity	100.00 %	100.00 %
AGC	Acer Market Services Limited (“AMS”, Hong Kong)	Investment and holding activity	100.00 %	100.00 %
AGC	Acer Computer (Far East) Limited (“AFE”, Hong Kong)	Sale of brand-name IT products	100.00 %	100.00 %
AMS	Acer Information (Zhong Shan) Co., Ltd. (“AIZS”, China)	Sale of brand-name IT products	100.00 %	100.00 %
AMS	Acer Computer (Shanghai) Ltd. (“ACCN”, China)	Sale of brand-name IT products	100.00 %	100.00 %
AMS	Acer (Chongqing) Ltd. (“ACCQ”, China)	Sale of brand-name IT products	100.00 %	100.00 %
The Company	Acer European Holdings SA (“AEH”, Switzerland)	Investment and holding activity	100.00 %	100.00 %
AEH	Acer Europe B.V. (“AHN”, the Netherlands)	Investment and holding activity	100.00 %	100.00 %
ASIN	Acer CIS Incorporated (“ACR”, British Virgin Islands)	Sale of brand-name IT products	-	100.00 %
AEH	Acer Computer (M.E.) Limited (“AME”, British Virgin Islands)	Sale of brand-name IT products	100.00 %	100.00 %
AEH	Acer Africa (Proprietary) Limited (“AAF”, South Africa)	Marketing, repair and maintenance of brand-name IT products	100.00 %	100.00 %
AEH	AGP Insurance (Guernsey) Limited (“AGU”, Guernsey)	Insurance captive	100.00 %	100.00 %

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Name of Investor	Name of Investee	Main Business and Products	Percentage of Ownership December 31, 2018	Percentage of Ownership December 31, 2017
AEH	Acer Sales International SA ("ASIN", Switzerland)	Sale of brand-name IT products	100.00 %	100.00 %
AEH and AHN	Acer Europe SA ("AEG", Switzerland)	Sale of brand-name IT products	100.00 %	100.00 %
AEH and AHN	Sertec 360 SA ("SER", Switzerland)	Repair and maintenance of IT products	100.00 %	100.00 %
AHN	Acer Computer France S.A.S.U. ("ACF", France)	Sale of brand-name IT products	100.00 %	100.00 %
AHN	Acer U.K. Limited ("AUK", the United Kingdom)	Sale of brand-name IT products	100.00 %	100.00 %
AHN	Acer Italy S.R.L. ("AIT", Italy)	Sale of brand-name IT products	100.00 %	100.00 %
AHN	Acer Computer GmbH ("ACG", Germany)	Sale of brand-name IT products	100.00 %	100.00 %
AHN	Acer Austria GmbH ("ACV", Austria)	Marketing of brand-name IT products	100.00 %	100.00 %
AHN	Acer Czech Republic S.R.O. ("ACZ", Czech Republic)	Marketing, repair and maintenance of brand-name IT products	100.00 %	100.00 %
AHN	Acer Computer Iberica, S.A. ("AIB", Spain)	Sale of brand-name IT products	100.00 %	100.00 %
AHN	Acer Computer (Switzerland) AG ("ASZ", Switzerland)	Sale of brand-name IT products	100.00 %	100.00 %
AHN	Acer Slovakia s.r.o. ("ASK", Slovakia)	Sale of brand-name IT products	-	100.00 %
AHN	Asplex Sp. z.o.o. ("APX", Poland)	Repair and maintenance of brand-name IT products	100.00 %	100.00 %
AHN	Acer Marketing Services LLC ("ARU", Russia)	Marketing of brand-name IT products	100.00 %	100.00 %
AHN	Acer Poland sp. z.o.o. ("APL", Poland)	Marketing of brand-name IT products	100.00 %	100.00 %
AHN	Acer Bilisim Teknolojileri Limited Sirketi ("ATR", Turkey)	Marketing of brand-name IT products	100.00 %	100.00 %
AHN	Acer Computer B.V. ("ACH", the Netherlands)	Sale of brand-name IT products	100.00 %	100.00 %
ACH	Acer Computer Norway AS ("ACN", Norway)	Marketing, repair and maintenance of brand-name IT products	100.00 %	100.00 %
ACH	Acer Computer Finland Oy ("AFN", Finland)	Marketing, repair and maintenance of brand-name IT products	100.00 %	100.00 %
ACH	Acer Computer Sweden AB ("ACW", Sweden)	Marketing of brand-name IT products	100.00 %	100.00 %
ACH	Acer Denmark A/S ("ACD", Denmark)	Marketing of brand-name IT products	100.00 %	100.00 %
The Company and AEH	Boardwalk Capital Holdings Limited ("Boardwalk", British Virgin Islands)	Investment and holding activity	100.00 %	100.00 %
Boardwalk	Acer Computec Mexico, S.A. de C.V. ("AMEX", Mexico)	Sale of brand-name IT products	99.95 %	99.95 %
Boardwalk	Acer American Holdings Corp. ("AAH", U.S.A.)	Investment and holding activity	100.00 %	100.00 %
Boardwalk	AGP Tecnologia em Informatica do Brasil Ltda. ("ATB", Brazil)	Sale of brand-name IT products	100.00 %	100.00 %
AMEX	Aurion Tecnologia, S.A. de C.V. ("Aurion", Mexico)	Service company	99.95 %	99.95 %

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ACER INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Name of Investor	Name of Investee	Main Business and Products	Percentage of Ownership	
			December 31, 2018	December 31, 2017
AAH	Acer Cloud Technology Inc. (“ACTI”, U.S.A.)	Investment and holding activity	100.00 %	100.00 %
ACTI	Acer Cloud Technology (US), Inc. (“ACTUS”, U.S.A.)	Cloud technology service and research, development, and design of IoT platform	100.00 %	100.00 %
AAH	Gateway, Inc. (“GWI”, U.S.A.)	Investment and holding activity	100.00 %	100.00 %
GWI	Acer America Corporation (“AAC”, U.S.A.)	Sale of brand-name IT products	100.00 %	100.00 %
GWI	Acer Service Corporation (“ASC”, U.S.A.)	Repair and maintenance of brand-name IT products	100.00 %	100.00 %
The Company	Acer Holdings International, Incorporated (“AHI”, British Virgin Islands)	Investment and holding activity	100.00 %	100.00 %
AHI	Acer Computer Co., Ltd. (“ATH”, Thailand)	Sale of brand-name IT products	100.00 %	100.00 %
AHI	Acer Japan Corp. (“AJC”, Japan)	Sale of brand-name IT products	100.00 %	100.00 %
AHI	Acer Computer Australia Pty. Limited (“ACA”, Australia)	Sale of brand-name IT products	100.00 %	100.00 %
AHI	Acer Sales and Services SDN BHD (“ASSB”, Malaysia)	Sale of brand-name IT products	100.00 %	100.00 %
AHI	Acer Asia Pacific Sdn Bhd (“AAPH”, Malaysia)	Sale of brand-name IT products	100.00 %	100.00 %
AHI	Acer Computer (Singapore) Pte. Ltd. (“ACS”, Singapore)	Sale of brand-name IT products	100.00 %	100.00 %
AHI	Acer Computer New Zealand Limited (“ACNZ”, New Zealand)	Sale of brand-name IT products	100.00 %	100.00 %
AHI	PT. Acer Indonesia (“AIN”, Indonesia)	Sale of brand-name IT products	100.00 %	100.00 %
AIN	PT. Acer Manufacturing Indonesia (“AMI”, Indonesia)	Assembly of brand-name IT products	100.00 %	100.00 %
AHI	Acer India Private Limited (“AIL”, India)	Sale of brand-name IT products	100.00 %	100.00 %
AHI	Acer Vietnam Co., Ltd. (“AVN”, Vietnam)	Sale of brand-name IT products	100.00 %	100.00 %
AHI	Acer Philippines, Inc. (“APHI”, Philippines)	Sale of brand-name IT products	100.00 %	100.00 %
AHI	Highpoint Services Network Philippines, Inc. (“HSNP”, Philippines)	Repair and maintenance of IT products	100.00 %	-
AHI	Acer Infotech Pvt Ltd. (“AIP”, India)	Sale of brand-name IT products	100.00 %	-
ASSB	HighPoint Service Network Sdn Bhd (“HSN”, Malaysia)	Repair and maintenance of IT products	100.00 %	100.00 %
ASSB	Servex (Malaysia) Sdn Bhd (“SMA”, Malaysia)	Sale of computers and communication products	100.00 %	100.00 %
The Company	Weblink International Inc. (“WLII”, Taiwan)	Sale of computers and communication products	97.33 %	99.79 %
WLII	Weblink (H.K.) International Ltd. (“WHI”, Hong Kong)	Sale of computers and communication products	-	99.79 %

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ACER INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Name of Investor	Name of Investee	Main Business and Products	Percentage of Ownership December 31, 2018	Percentage of Ownership December 31, 2017
WLII	Wellife Inc. ("WELL", Taiwan)	Matchmaking of professional services, platform of client service and sale of products, and providing of professional seminars and courses	97.33 %	99.79 %
The Company and WLII	Acer Synergy Tech Corp. ("AST", Taiwan) (Formerly International Smart Union Corporation)	System integration service	91.74 %	99.79 %
AST	Shanghai AST Technology Service Ltd. ("ASTS", China)	System integration service	91.74 %	-
The Company	Acer Digital Service Co., ("ADSC", Taiwan)	Investment and holding activity	100.00 %	100.00 %
ADSC	Acer Property Development Inc. ("APDI", Taiwan)	Property development	100.00 %	100.00 %
ADSC	Aspire Service & Development Inc. ("ASDI", Taiwan)	Property development	100.00 %	100.00 %
The Company	Acer Worldwide Incorporated ("AWI", British Virgin Islands)	Investment and holding activity	100.00 %	100.00 %
The Company	Cross Century Investment Limited ("CCI", Taiwan)	Investment and holding activity	100.00 %	100.00 %
The Company	Acer Digital Services (B.V.I.) Holding Corp. ("ADSBH", British Virgin Islands)	Investment and holding activity	100.00 %	100.00 %
ADSBH	Acer Digital Services (Cayman Islands) Corp. ("ADSCC", Cayman Islands)	Investment and holding activity	100.00 %	100.00 %
ADSCC	Longwick Enterprises Inc. ("LONG", Seychelles)	Investment and holding activity	100.00 %	100.00 %
LONG	S. Excel. Co., Ltd. ("SURE", Samoa)	Investment and holding activity	100.00 %	100.00 %
The Company	Acer SoftCapital Incorporated ("ASCBVI", British Virgin Islands)	Investment and holding activity	100.00 %	100.00 %
ASCBVI	ASC Cayman, Limited ("ASCCAM", Cayman Islands)	Investment and holding activity	100.00 %	100.00 %
The Company	E-ten Information Systems Co., Ltd. ("ETEN", Taiwan)	Research, design and sale of smart handheld products	100.00 %	100.00 %
The Company	Acer BeingWare Holding Inc. ("ABH", Taiwan)	Investment and holding activity	100.00 %	100.00 %
ABH	Acer Cloud Technology (Taiwan) Inc. ("ACTTW", Taiwan)	Development of Internet of Beings and cloud technology, and integration of cloud technology, software and hardware	100.00 %	100.00 %
ABH	Altos Computing Inc. ("ALT", Taiwan)	High performance computing, cloud computing, software-defined storage, and IT solution	71.79 %	100.00 %
ALT	Beijing Altos Computing Ltd. ("BJAC", China)	High performance computing, cloud computing, software-defined storage, and IT solution	71.79 %	-

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Name of Investor	Name of Investee	Main Business and Products	Percentage of Ownership December 31, 2018	Percentage of Ownership December 31, 2017
ABH	MPS Energy Inc. ("MPS", Taiwan)	Research, development, and sale of batteries	100.00 %	100.00 %
ABH	Acer e-Enabling Service Business Inc. ("AEB", Taiwan)	Cloud ticketing system, electronic book, online payment service, customized system development and integration services, and sale of commercial and cloud application software and technical services	100.00 %	100.00 %
ABH	Acer ITS Inc. ("ITS", Taiwan)	Programs and services of intelligent transportation and electronic ticketing	94.41 %	100.00 %
ABH	Acer Being Health Inc. ("ABHI", Taiwan)	Intelligent medical examination and data interpretation analysis, medical big data, and health management and related information exchange	100.00 %	-
ACTTW	Acer Gerontechnology Inc. ("AGI", Taiwan)	Development of user-friendly IoT device	100.00 %	100.00 %
ACTTW	Acer Cloud Technology (Chongqing) Ltd. ("ACTCQ", China)	Design, development, sale, and advisory of computer software and hardware	100.00 %	100.00 %
ACTTW and ABH	Acer Being Communication Inc. ("ABC", Taiwan)	Software design service	100.00 %	51.00 %
ACTTW	Acer Being Signage Inc. ("ABST", Taiwan)	Technical service and research of aBeing cloud digital content management	100.00 %	100.00 %
ABST	Acer Being Signage GmbH ("ABSG", Germany)	Technical service and research of aBeing cloud digital content management	100.00 %	100.00 %
ABH and AEB	Xplova Inc. ("XPL", Taiwan)	Design, development and sale of smart bicycle speedometer	100.00 %	100.00 %
XPL	Xplova (Shanghai) Ltd. ("XPLSH", China)	Sale of smart bicycle speedometer and operating social platform for bicycle riding and sports	100.00 %	100.00 %
ABH and AEB	Pawbo, Inc. ("PBC", Taiwan)	Pet interaction device and social networking service	100.00 %	100.00 %
The Company	Acer Cyber Security Incorporated ("ACSI", Taiwan) (Formerly Acer Cyber Center Services Inc.)	Cyber security service	87.09 %	100.00 %
The Company	Acer e-Enabling Data Center Incorporated ("EDC", Taiwan)	Data center and cloud services	100.00 %	100.00 %
EDC and ACSI	TWP International Inc. ("TWPBVI", British Virgin Islands)	Investment and holding activity	100.00 %	100.00 %

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Name of Investor	Name of Investee	Main Business and Products	Percentage of Ownership December 31, 2018	Percentage of Ownership December 31, 2017
TWPBVI	Acer Third Wave Software (Beijing) Co. Ltd ("TWPBJ", China)	Sale of commercial and cloud application software and technical service	100.00 %	100.00 %
The Company	Acer China Venture Corp ("ACVC", China)	Fund company management	100.00 %	100.00 %
The Company and ACVC	Acer China Venture Partnership ("ACVP", China)	Investment fund	100.00 %	100.00 %
The Company	Sertec (Beijing) Ltd. ("SEB", China)	Repair and maintenance of IT products	100.00 %	100.00 %
The Company	StarVR Corporation ("ASBZ", Taiwan)	Solutions provider of B2B virtual reality	63.52 %	66.67 %
ASBZ	StarVR Europe SA ("VRE", Switzerland)	Research of solutions to B2B virtual reality	63.52 %	-
VRE	StarVR France SAS ("VRF", France)	Research of solutions to B2B virtual reality	63.52 %	-
The Company	AOPEN Inc. ("AOI", Taiwan)	Sale, manufacture, import and export of commercial computer products, software, components, peripheral equipment and apparatus; repair and maintenance service of computer products	40.55 %	40.55 %
AOI	AOPEN America Inc. ("AOA", U.S.A.)	Sale of computer, apparatus system, and peripheral equipment	40.55 %	40.55 %
AOI	AOPEN Computer B.V. ("AOE", the Netherlands)	Sale of computer, apparatus system, and peripheral equipment	40.55 %	40.55 %
AOI	AOPEN Technology Inc. ("AOTH", British Virgin Islands)	Sale of computer, apparatus system, and peripheral equipment	40.55 %	40.55 %
AOI	AOPEN Japan Inc. ("AOJ", Japan)	Sale of computer, apparatus system, and peripheral equipment	40.55 %	40.55 %
AOI	Aopen SmartVision Incorporated ("AOSV", Taiwan) (Formerly Great Connection Corporation)	Sale of computer, apparatus system, and peripheral equipment	40.55 %	40.55 %
AOI	Heartware Alliance and Integration Limited ("HTW", Hong Kong)	Software development and agency	40.55 %	40.55 %
AOI	AOPEN GLOBAL SOLUTIONS PTY LTD. ("AOGS", Australia)	Sale of computer, apparatus system, and peripheral equipment	28.39 %	28.39 %
AOI	AOPEN SmartView Incorporated ("AOSD", Taiwan)	Sale of computer, apparatus system, and peripheral equipment	32.44 %	-
AOTH	Great Connection LTD. ("GCL", Hong Kong)	Sale of computer, apparatus system, and peripheral equipment	40.55 %	40.55 %
AOTH	AOPEN International (ShangHai) Co., Ltd ("AOC", China)	Sale of computer, apparatus system, and peripheral equipment	40.55 %	40.55 %
AOTH	AOPEN Information Products (Zhongshan) Inc. ("AOZ", China)	Manufacture and sale of computer parts and components	40.55 %	40.55 %

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Name of Investor	Name of Investee	Main Business and Products	Percentage of Ownership December 31, 2018	Percentage of Ownership December 31, 2017
AOGS	AOPEN Australia & New Zealand Pty Ltd (“AOAU”, Australia)	Sale of computer, apparatus system, and peripheral equipment	28.39 %	28.39 %
The Company and AOI	Bluechip Infotech Pty Ltd. (“Bluechip”, Australia)	Sale of computer peripherals and software system	39.69 %	Note 6(j)
The Company	GadgeTek Inc. (“GTI", Taiwan)	Sale of peripheral 3C products	83.64 %	-
The Company	Highpoint Service Network Corporation (“HSNC”, Taiwan)	Repair and maintenance of IT products	100.00 %	-
HSNC	Highpoint Service Network (Thailand) Co., Ltd (“HSNT”, Thailand)	Repair and maintenance of IT products	100.00 %	-
HSNC	PT HSN Tech Indonesia (“HSNI”, Indonesia)	Repair and maintenance of IT products	100.00 %	-

HSNP, AIP, ASTS, BJAC, ABHI, VRE, VRF, AOSD, GTI, HSNC, HSNT, and HSNI were newly established subsidiaries or were acquired during 2018. Formerly, Bluechip was an associate accounted for using equity method; the Group acquired additional interest in Bluechip and obtained control over it in the first quarter of 2018; accordingly, Bluechip was included in the accompanying consolidated financial statements from the date the control commenced.

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

In 2018, the subsidiaries, ACR, ASK and WHI, were liquidated. In 2017, the subsidiaries, Beijing Acer Information Co., Ltd. (BJAI), Acer BSEC Incorporated (AUA), and Acer Hellas Limited Liability Company of Marketing and Sale Services (AGR) were liquidated. Since the dates the control ceased, the aforesaid subsidiaries were excluded from the accompanying consolidated financial statements.

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

(d) Foreign currency

(i) Foreign currency transactions

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

ACER INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

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

(ii) Foreign operations

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

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

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

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

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

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

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

(i) It is expected to be settled in the normal operating cycle;
(ii) It is held primarily for the purpose of trading;
(iii) It is due to be settled within twelve months after the reporting period; or

(Continued)

(iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

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

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

(g) Financial instruments

(i) Financial assets (applicable commencing January 1, 2018)

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income ("FVOCI"), and fair value through profit or loss ("FVTPL"). A regular way purchase or sale of financial assets is recognized and derecognized on a trade-date basis.

The Group shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method, less any impairment losses. Interest income, foreign exchange gains and losses, and recognition (reversal) of impairment loss are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

ACER INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

2) Financial assets measured at fair value through other comprehensive income

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Foreign exchange gains and losses, interest income calculated using the effective interest method, and impairment losses deriving from debt investments, are recognized in profit or loss; whereas dividends deriving from equity investments are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of an investment. Other changes in the carrying amount of financial assets measured at FVOCI are recognized in other comprehensive income and accumulated in other equity as unrealized gain (loss) from financial assets measured at fair value through other comprehensive income. On derecognition, gains and losses accumulated in other equity of debt investments are reclassified to profit or loss. However, gains and losses accumulated in other equity of equity investments are reclassified to retained earnings instead of profit or loss.

Dividend income derived from equity investments is recognized on the date that the Group's right to receive the dividends is established (usually the ex-dividend date).

3) Financial assets measured at fair value through profit or loss

All financial assets not classified as measured at amortized cost or at FVOCI described as above are measured at FVTPL, including derivative financial assets and non-derivative financial assets (e.g., convertible bond and right of profit-sharing). On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are initially recognized at fair value. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, they are measured at fair value, any changes therein, including any dividend and interest income, are recognized in profit or loss.

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4) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivables, and other financial assets) and contract assets.

The Group measures loss allowances for accounts receivable, contract assets and other financial assets at an amount equal to lifetime expected credit loss ("ECL"), except for the following financial assets which are measured using 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e., the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. The information includes both quantitative and qualitative information and analysis based on the Group's historical experience and credit assessment, as well as forward-looking information.

ECLs are probability-weighted estimate of credit losses over the expected life of financial assets. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The recognition or reversal of the loss allowance is recognized in profit or loss.

The gross carrying amount of a financial asset is written off, either partially or in full, to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

5) Derecognition of financial assets

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

On derecognition of a debt instrument in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and accumulated in "other equity–unrealized gain (loss) from financial assets measured at fair value through other comprehensive income" is recognized in profit or loss, and included in non-operating income and loss.

On derecognition of a debt instrument other than in its entirety, the Group allocates the previous carrying amount of the debt instrument between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received or receivable for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss, and included in non-operating income and loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

(ii) Financial assets (applicable before January 1, 2018)

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

1) Financial assets at fair value through profit or loss

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

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

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

2) Loans and receivables

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

3) Available-for-sale financial assets

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

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

4) Impairment of financial assets

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

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

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

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

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

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

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

5) Derecognition of financial assets

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

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

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

(iii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

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

2) Financial liabilities measured at fair value through profit or loss

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

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

At initial recognition, the financial liability is recognized at fair value, and any attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any interest expense, are recognized in profit or loss and included in non-operating income and loss.

3) Financial liabilities measured at amortized cost

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

4) Derecognition of financial liabilities

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

5) Offsetting of financial assets and liabilities

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

(iv) Derivative financial instruments and hedge accounting (applicable commencing January 1, 2018)

The Group uses derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are initially measured at fair value. Any attributable transaction costs thereof are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss and included in non-operating income and loss, unless the derivative financial instruments are designated as effective hedging instruments, in which the timing of the recognition in profit or loss depends on the nature of the hedge relationship. If the valuation of a derivative instrument results in a positive fair value, it is classified as a financial asset; otherwise, it is classified as a financial liability.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract that is a non-financial asset are not closely related to the embedded derivatives and the host contract is not measured at FVTPL.

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

The Group shall discontinue hedge accounting prospectively only when the hedging relationship (or a part of a hedging relationship) ceases to meet the qualifying criteria (after taking into account any rebalancing of the hedging relationship, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised.

1) Fair value hedge

Changes in the fair value of a hedging instrument that is qualified as a fair value hedge are recognized in profit or loss (or other comprehensive income, if the hedging instrument hedges an equity instrument measured at FVOCI).

2) Cash flow hedge

When a derivative is designated and qualified as a cash flow hedging instrument, the effective portion of changes in the fair value is recognized in other comprehensive income and accumulated in “other equity —gains (losses) on hedging instruments”, and is limited to the cumulative change in fair value of the hedged item from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss, and included in non-operating income and loss.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the same periods when the hedged item is recognized in profit or loss, and are included in the same account in the statements of comprehensive income as the hedged item.

(v) Derivative financial instruments and hedge accounting (applicable before January 1, 2018)

Except for the following items, the Group applied the same accounting policies as applicable commencing January 1, 2018.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risk of the host contract are not closely related to the embedded derivatives and the host contract is not measured at FVTPL.

For all cash flow hedges including hedges of expected transactions recognized in non-financial assets or non-financial liabilities, amounts previously recognized in other comprehensive income, and accumulated in equity, are reclassified to profit or loss in the same periods when expected cash flow of hedged items are recognized in profit or loss. In addition, for the cash flow hedge that is discontinuing before January 1, 2018, changes in fair value of forward position are recognized in profit or loss.

(h) Inventories

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

(i) Non-current assets held for sale

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

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

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

(j) Investments accounted for using equity method

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

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

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

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

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

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

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

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

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

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

(k) Property, plant and equipment

(i) Recognition and measurement

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

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

(ii) Reclassification to investment property

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

(iii) Subsequent costs

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

(iv) Depreciation

Depreciation is calculated on the cost of assets less their residual values and is recognized on a straight line basis over the estimated useful lives. When an item of property, plant and equipment comprises significant individual components for which different depreciation methods or useful lives are appropriate, each component is depreciated separately. Land is not depreciated. The depreciation is recognized in profit or loss.

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

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

(l) Investment property

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

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

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

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(m) Leases

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

(i) The Group as lessor

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

(ii) The Group as lessee

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

(n) Intangible assets

(i) Goodwill

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

(ii) Trademarks

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

(iii) Other intangible assets

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

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

(o) Impairment of non-financial assets

(i) Goodwill

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

(ii) Other tangible and intangible assets

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

The recoverable amount for an individual asset or a CGU is the higher of its fair value less costs to sell or its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the evaluation of current market on the time values of money and on the risks specific to the asset. When the recoverable amount of an asset or a CGU is less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount, and an impairment loss is recognized in profit or loss immediately.

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

Intangible assets with indefinite useful lives or those not yet available for use are tested annually for impairment. An impairment loss is recognized for the excess of the asset' s carrying amount over its recoverable amount.

(p) Provisions

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

(i) Warranties

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

(ii) Sales return provision

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

(iii) Others

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

(q) Treasury stock

Common stock repurchased by the Group treated as treasury stock (a contra-equity account) is reported at acquisition cost (including all directly accountable costs). When treasury stock is sold, the excess of sales proceeds over cost is accounted for as capital surplus－treasury stock. If the sales proceeds are less than cost, the deficiency is accounted for as a reduction of the remaining balance of capital surplus－treasury stock. If the remaining balance of capital surplus－treasury stock is insufficient to cover the deficiency, the remainder is recorded as a reduction of retained earnings. The cost of treasury stock is computed using the weighted-average cost of different types of repurchase.

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If treasury stock is retired, the weighted-average cost of the retired treasury stock is written off against the par value and the capital surplus premium, if any, of the stock retired on a pro rata basis. If the weighted-average cost written off exceeds the sum of the par value and the capital surplus, the difference is accounted for as a reduction of capital surplus－treasury stock, or a reduction of retained earnings for any deficiency where capital surplus－treasury stock is insufficient to cover the difference. If the weighted-average cost written off is less than the sum of the par value and capital surplus, if any, of the stock retired, the difference is accounted for as an increase in capital surplus－treasury stock.

(r) Revenue recognition

(i) Revenue from contracts with customers (applicable commencing January 1, 2018)

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

1) Sale of goods

The Group recognizes revenue when control of the products has been transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The Group recognizes revenue based on the price specified in the contract, net of the estimated volume discounts and rebates. Accumulated experience is used to estimate the discounts and rebates using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A refund liability is recognized for expected sales discounts and rebate payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with a credit term ranged from 30 to 90 days, which is consistent with the market practice.

Some subsidiaries of the Group grant their customers the right to return the products within 90 days. Therefore, they reduce revenue by the amount of expected returns and recognize a refund liability and a right to the returned goods. Accumulated experience is used to estimate such returns at the time of sale. At each reporting date, the Group reassesses the estimated amount of expected returns.

The Group's obligation to provide a refund for faulty goods under the standard warranty terms is recognized as a provision for warranty. Please refer to note 6(s) for more explanation.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

2) Revenue from service rendered

The Group provides system implementation or integration services to enterprise customers. Revenue from providing services is recognized in the accounting periods in which the services are rendered. For performance obligations that are satisfied over time, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. The proportion of services provided is determined based on the portion of the work performed, the time passed by, or the milestone reached.

Estimates of revenues, costs, or extent of progress toward completion, are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by the management.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the accumulated revenue recognized by the Group exceed the payments, a contract asset is recognized. If the payments exceed the accumulated revenue recognized, a contract liability is recognized.

3) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and the payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(ii) Revenue recognition (applicable before January 1, 2018)

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

1) Sale of goods

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

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

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

2) Services

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

3) Rental income, interest income, and dividend income

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

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

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

(iii) Contract costs (applicable commencing January 1, 2018)

1) Incremental costs of obtaining a contract

The Group recognizes the incremental costs of obtaining a contract with a customer as an asset if the Group expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred, regardless of whether the contract was obtained, shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Group applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the Group otherwise would have recognized is one year or less.

2) Costs to fulfil a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (e.g., IAS 2 *Inventories*, IAS 16 *Property, Plant and Equipment* or IAS 38 *Intangible Assets*), the Group recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

General and administrative costs, costs of wasted materials, labor or other resources to fulfil the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Group cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations (or partially satisfied performance obligations) are recognized as expenses when incurred.

(s) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

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

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(iii) Short-term employee benefits

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

(t) Share-based payment

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

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

(u) Government grant

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

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

Government grant is recognized in other gains and losses.

(v) Income taxes

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

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

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

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

(Continued)

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

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

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

(w) Business combinations

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

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

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

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

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

(x) Earnings per share (“EPS”)

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

(y) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group’ s chief operating decision maker, who decides on the allocation of resources to the segment and assesses its performance for which discrete financial information is available.

5. Critical Accounting Judgments and Key Sources of Estimation and Assumption Uncertainty

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

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

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

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

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

(b) Valuation of inventory

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

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

(c) Impairment of goodwill

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

6. Significant account disclosures

(a) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand	$ 5,024	5,133
Bank deposits	16,414,413	20,030,640
Time deposits	10,863,601	13,934,558
	$ 27,283,038	**33,970,331**

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

	December 31, 2018	December 31, 2017
Financial assets held for trading－current:		
Derivatives－Foreign currency forward contracts	$ -	167,770
Financial assets measured at fair value through profit or loss－current:		
Conversion rights of investments in convertible bonds	-	3,033
	$ -	**170,803**

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	December 31, 2018	December 31, 2017
Financial assets mandatorily measured at fair value through profit or loss:		
Derivative instruments not used for hedging		
Foreign currency forward contracts	$ 424,147	-
Non-derivative financial assets		
Convertible bonds	11,427	-
Right of profit-sharing in VR parks	44,894	-
	$ 480,468	**-**
Current	$ 435,574	-
Non-current	44,894	-
	$ 480,468	**-**
Financial liabilities held for trading－current:		
Derivatives－Foreign currency forward contracts	**$ (272,085)**	**(621,947)**

Please refer to note 6(ad) for the amounts of gain (loss) recognized related to financial assets measured at fair value.

Convertible bonds held by the Company were issued by StarBreeze Publishing AB (“StarBreeze”). StarBreeze filed for reconstruction with the court due to its shortage of liquidity, and the court approved the application in 2018. Accordingly, the Group recognized a loss of $255,345 (arising from the fair value measurement of the convertible bonds) which was presented in other gains and losses in the accompanying consolidated statements of comprehensive income.

ASBZ, a subsidiary of the Company, entered into separate agreements with StarBreeze and Enterspace AB, with a total investment amount of US$10,500 thousand, for the development of VR parks to obtain its profit-sharing right. In 2018, the Group amended the expected amount of net profit shared and recognized a loss of $244,633 (arising from the fair value measurement of the profit-sharing right) which was presented in other gains and losses in the accompanying consolidated statements of comprehensive income.

(Continued)

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The Group entered into derivative contracts to manage foreign currency exchange risk arising from operating activities. At each reporting date, the outstanding foreign currency forward contracts that did not conform to the criteria for hedge accounting consisted of the following (the contract amount was presented in USD; the contracts were classified as mandatorily measured at FVTPL on December 31, 2018, and were classified as financial assets held for trading on December 31, 2017):

(i) Foreign currency forward contracts

December 31, 2018			
Contract amount (in thousands)		**Currency**	**Maturity period**
USD	74,559	AUD / USD	2019/01~2019/07
USD	13,586	EUR / CHF	2019/01~2019/05
USD	7,988	EUR / NOK	2019/01~2019/03
USD	9,610	EUR / SEK	2019/01~2019/06
USD	405,735	EUR / USD	2019/01~2019/05
USD	2,350	EUR / NTD	2019/01
USD	19,607	EUR / PLN	2019/03~2019/05
USD	67,262	GBP / USD	2019/01~2019/05
USD	12,356	NZD / USD	2019/01~2019/06
USD	12,305	USD / CAD	2019/01
USD	6,000	USD / CLP	2019/03~2019/04
USD	74,000	USD / CNY	2019/01~2019/04
USD	3,500	USD / COP	2019/01~2019/02
USD	15,250	USD / IDR	2019/01~2019/02
USD	175,779	USD / INR	2019/01~2019/07
USD	49,655	USD / JPY	2019/01~2019/09
USD	29,200	USD / MXN	2019/01~2019/04
USD	15,700	USD / MYR	2019/01~2019/03
USD	682,400	USD / NTD	2019/01~2019/02
USD	4,900	USD / PHP	2019/01~2019/03
USD	38,774	USD / RUB	2019/01~2019/02
USD	5,500	USD / SGD	2019/01~2019/02
USD	40,000	USD / THB	2019/01~2019/03
USD	200	USD / VND	2019/01

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December 31, 2017			
Contract amount (in thousands)		Currency	Maturity period
USD	69,124	AUD / USD	2018/01~2018/08
USD	2,417	EUR / DKK	2018/01
USD	15,459	EUR / CHF	2018/01~2018/05
USD	8,481	EUR / NOK	2018/01~2018/05
USD	5,712	EUR / SEK	2018/01~2018/05
USD	322,678	EUR / USD	2018/01~2018/05
USD	58,800	GBP / USD	2018/01~2018/05
USD	9,839	NZD / USD	2018/01~2018/06
USD	68,929	USD / CAD	2018/01~2018/05
USD	9,500	USD / CLP	2018/01~2018/05
USD	71,000	USD / CNY	2018/01~2018/03
USD	4,000	USD / COP	2018/01~2018/02
USD	23,600	USD / IDR	2018/01~2018/02
USD	155,801	USD / INR	2018/01~2018/07
USD	32,000	USD / JPY	2018/01~2018/07
USD	43,150	USD / MXN	2018/01~2018/04
USD	15,400	USD / MYR	2018/01~2018/02
USD	651,900	USD / NTD	2018/01
USD	5,400	USD / PHP	2018/01~2018/04
USD	40,185	USD / RUB	2018/01~2018/04
USD	1,500	USD / SGD	2018/01
USD	38,000	USD / THB	2018/01~2018/03

(ii) Foreign currency option contracts

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

(Continued)

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(c) Financial assets measured at fair value through other comprehensive income

	December 31, 2018
Equity investments measured at fair value through other comprehensive income	
Domestic listed stock	$ 3,160,183
Unlisted stock	1,269,263
	$ 4,429,446
Current	$ 88,989
Non-current	4,340,457
	$ 4,429,446

The Group designated the investments shown above as financial assets measured at fair value through other comprehensive income because these equity instruments are held for long-term strategic purposes and not for trading. These investments were classified as available-for-sale financial assets on December 31, 2017.

In 2018, certain financial assets measured at FVOCI were disposed at a fair value of $429,747, resulting a gain of $32,665. The realized gain accumulated in other comprehensive income has been transferred to retained earnings.

(d) Available-for-sale financial assets

	December 31, 2017
Domestic listed stock	$ 3,619,007
Unlisted stock	1,751,663
	$ 5,370,670
Current	$ 118,329
Non-current	5,252,341
	$ 5,370,670

(e) Investments in debt instrument without an active market

	December 31, 2017
Convertible bond and convertible notes	$ 232,466
Right of profit-sharing in VR parks	308,444
	$ 540,910
Current	$ 232,466
Non-current	308,444
	$ 540,910

Investments in debt instrument shown above were classified as financial assets measured at fair value through profit or loss on December 31, 2018. Please refers to note 6(b).

The Group recognized an impairment loss on the right of profit-sharing in VR parks amounting to $3,061, which was included in other gains or losses in 2017 based on the present value of the net future cash inflows.

(f) Notes and accounts receivable, net (measured at amortized cost)

	December 31, 2018	December 31, 2017
Notes receivable	$ 386,107	539,595
Accounts receivable	47,291,790	46,396,275
Accounts receivable from related parties	34,623	126,903
	47,712,520	47,062,773
Less: loss allowance	(186,302)	(174,487)
	$ 47,526,218	**46,888,286**

The Group applies the simplified approach to provide for its expected credit losses, i.e., the use of lifetime expected loss provision for all receivables on December 31, 2018. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics, and days past due, as well as incorporated forward looking information. Analysis of expected credit losses on notes and accounts receivable (including receivables from related parties) as of December 31, 2018 was as follows:

	Gross carrying amount	Weighted-average loss rate	Loss allowance
Current	$ 42,857,126	0.09%	(38,205)
Past due 1-30 days	4,013,447	0.58%	(23,120)
Past due 31-60 days	584,128	4.08%	(23,858)
Past due 61-90 days	85,716	10.41%	(8,922)
Past due 91-180 days	75,916	29.43%	(22,343)
Past due 181 days or over	96,187	72.62%	(69,854)
	$ 47,712,520		**(186,302)**

As of December 31, 2017, the Group applied the incurred loss model to measure the loss allowance for notes and accounts receivable. The aging analysis of notes and accounts receivable which were past due but not impaired was as follows:

	December 31, 2017
Past due 1-30 days	$ 4,467,737
Past due 31-60 days	555,299
Past due 61-90 days	74,466
Past due 91 days or over	71,582
	$ 5,169,084

(Continued)

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

Movements of the allowance for notes and accounts receivable was as follows:

		2017	
	2018	Individually assessed impairment	Collectively assessed impairment
Balance at January 1 (per IAS 39)	$ 174,487	103,457	12,648
Adjustment on initial application of IFRS 9	60,777		
Balance at January 1 (per IFRS 9)	235,264		
Impairment losses recognized (reversed)	(798)	28,432	5,750
Acquisition through business combination	3,242	-	44,719
Write-off	(9,849)	(14,867)	(3,123)
Reclassification to other receivables (note 6(g))	(40,141)	-	-
Effect of exchange rate changes	(1,416)	(2,529)	-
Balance at December 31	$ 186,302	114,493	59,994

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

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

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

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(g) Other receivables

	December 31, 2018	December 31, 2017
Reimbursement of advertising expense	$ 393,522	168,072
Purchase discount	205,935	410,972
Others	534,642	444,864
Other receivables from related parties	3,844	97
	1,137,943	1,024,005
Less: loss allowance (note 6(f))	(40,141)	-
	$ 1,097,802	**1,024,005**

As of December 31, 2018, except for other receivables amounting to $40,141, for which the loss allowance is fully provided, no loss allowance was provided for the remaing receivables after management’s assessment.

As of December 31, 2017, the Group expected that other receivables could be collected within one year, and no loss allowance was provided for after management’s assessment.

(h) Inventories

	December 31, 2018	December 31, 2017
Raw materials	$ 12,740,394	12,895,613
Work in process	27,809	27,685
Finished goods and merchandise	19,739,745	18,120,785
Spare parts	955,335	1,045,815
Inventories in transit	8,613,126	7,989,323
	$ 42,076,409	**40,079,221**

For the years ended December 31, 2018 and 2017, the amounts of inventories recognized as cost of revenue were as follows：

	2018	2017
Cost of inventories sold	$ 187,224,854	181,399,087
Inventories transferred to repairing cost	5,879,744	6,409,821
Write-down of inventories	147,579	201,243
	$ 193,252,177	**188,010,151**

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

(i) Non-current assets held for sale

On November 9, 2017, the Company’s Board of Directors resolved to sell GWI’s property and plant located in North Sioux City. The transaction has been completed in January 2018 and the disposal proceeds amounting to $163,974 has been collected.

(Continued)

On December 31, 2017, the original carrying amount of the property and plant was $79,881 (net of accumulated impairment losses of $365,628), and the disposal proceeds amounting to $163,974 after deducting the cost of disposal was $161,990; accordingly, the Group reversed its previously recognized impairment loss amounting to $82,480, to the extent that the increased carrying amount of the property and land did not exceed the carrying amount that would have been determined had no impairment loss been recognized in prior years. The carrying amount after reversal of accumulated impairment losses was reclassified as non-current assets held for sale.

(j) Investments accounted for using equity method

A summary of the Group’s investments in associates and joint ventures at the reporting date is as follows:

	December 31, 2018		December 31, 2017	
Name of Associates and Joint Ventures	**Percentage of ownership**	**Carrying amount**	**Percentage of ownership**	**Carrying amount**
Associates：				
Aegis Semiconductor Technology Inc. (“ATI”)	44.04	$ 6,969	44.04	6,969
GrandPad Inc. (“GrandPAD”)	37.75	246,389	43.28	261,457
ECOM Software Inc. (“ECS”)	33.93	32,643	33.93	28,456
Bluechip Infotech Pty Ltd. (“Bluechip”, note(i))	-	-	36.74	107,622
Innovation and Commercialization Accelerator Inc. (“ICA”)	30.00	15,949	30.00	21,484
Consumer Insights Research (Chongqing) Inc. (“CIR”)	30.00	10,251	30.00	12,370
Piovision International Inc. (“HPT”)	29.41	15,022	30.16	16,271
Kbest Technology Inc. (“KBest”)	29.84	25,616	29.84	91,095
Apex Material Technology Corp. (“AMTC”)	8.14	382,766	-	-
Meldcx Pty Ltd. (“MPL”)	15.81	12,634	16.22	23,309
Others	-	626	-	372
Joint Ventures:				
Smart Frequency Technology Inc. (“SFT”, note(ii))	55.00	126,996	-	-
		$ 875,861		569,405

Note (i): On March 14, 2018, the Company obtained control over Bluechip; therefore, Bluechip became a subsidiary of the Company since then. Please refer to notes 4(c) and note 6(k) for further details.

Note (ii): On August 3, 2018, the Company entered into a joint venture agreement with a third party, whereby the Group and the other party have joint control over SFT. This investment is accounted for using equity method.

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

		2018	2017
Attributable to the Group:			
Net loss	$	(128,892)	(37,791)
Other comprehensive income		(3,940)	741
Total comprehensive income	$	**(132,832)**	**(37,050)**

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

		2018	2017
Attributable to the Group:			
Net loss	$	(5,004)	(838)
Other comprehensive income		-	-
Total comprehensive income	$	**(5,004)**	**(838)**

(k) Acquisition of subsidiaries

(i) Acquisition of Bluechip Infotech Pty Ltd. (Bluechip)

1) The cost of acquisition

In order to strengthen the Group's connection with upstream and downstream industries of 3C products, the Company acquired 152 thousand shares of Bluechip, formerly an associate of the Company, for a cash consideration of $8,739 on March 14, 2018. After the acquisition, the Company's interest in Bluechip increased from 30.23% to 34.52%, and the Group's total ownership of Bluechip reached 50.58% after taking AOI's 16.06% interest in Bluechip into account. The Company therefore became the largest shareholder of Bluechip and obtained control over it since then.

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

Purchase consideration		$ 8,739
Add: Non-controlling interest in the acquiree (proportionate share of the fair value of the identifiable net assets)		105,682
Fair value of pre-existing interest in the acquiree		93,164
Less: Fair value of identifiable assets acquired and liabilities assumed		
Cash and cash equivalents	$ 7,668	
Accounts receivable, net	280,568	
Inventories	201,195	
Other current assets	14,537	
Financial assets measured at fair value through other comprehensive income－non-current	13,157	
Property, plant and equipment	5,729	
Intangible assets	24,759	
Other non-current assets	9,676	
Short-term borrowings	(79,409)	
Accounts payable	(225,487)	
Other current liabilities	(19,968)	
Other non-current liabilities	(18,455)	(213,970)
Gain on bargain purchase		**$ (6,385)**

The Group remeasured the fair value of its existing 46.29% ownership of Bluechip at the acquisition date, and recognized a loss on disposal of investments of $33,158 accordingly. The resulting loss, as well as the gain on bargain purchase of $6,385, were classified under non-operating income and loss in the accompanying 2018 consolidated statement of comprehensive income.

3) Pro forma information

From the acquisition date to December 31, 2018, Bluechip contributed revenue of $2,057,635 and net income of $340 to the Group’s operating results. If the acquisition had occurred on January 1, 2018, the management estimates that consolidated revenue would have been $242,637,498, and consolidated net income after tax would have been $2,895,792.

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

1) The cost of acquisition

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

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

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

The abovementioned gain on bargain purchase of $852 was included in non-operating income and loss in the accompanying 2017 consolidated statement of comprehensive income.

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3) Pro forma information

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

(iii) Acquisition of StarVR Corporation (ASBZ)

1) The cost of acquisition

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

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

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

(Continued)

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

3) Pro forma information

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

(l) Property, plant and equipment

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

	Land	Buildings	Computer and communication equipment	Other equipment	Construction in progress	Total
Cost or deemed cost:						
Balance at January 1, 2018	$ 1,492,420	3,020,847	4,368,313	3,088,479	1,553	11,971,612
Acquisition through business combination (note 6(k))	-	-	27,041	52,848	-	79,889
Additions	-	5,120	67,912	144,874	12,692	230,598
Disposals	-	(684)	(194,832)	(145,008)	-	(340,524)
Reclassification from investment property	1,281	2,361	-	-	-	3,642
Other reclassification and effect of exchange rate changes	(88)	381	24,367	(66,125)	(7,847)	(49,312)
Balance at December 31, 2018	$ 1,493,613	3,028,025	4,292,801	3,075,068	6,398	11,895,905
Balance at January 1, 2017	$ 1,508,489	3,725,781	4,310,786	2,870,852	970	12,416,878
Acquisition through business combination (note 6(k))	-	7,207	28,670	352,011	224	388,112
Additions	-	14,145	157,006	109,809	1,434	282,394
Disposals	(7,998)	(106,934)	(140,968)	(214,714)	-	(470,614)
Reclassification from investment property	39,903	-	-	-	-	39,903
Reclassification to non-current assets held for sale	(51,753)	(591,073)	-	-	-	(642,826)
Other reclassification and effect of exchange rate changes	3,779	(28,279)	12,819	(29,479)	(1,075)	(42,235)
Balance at December 31, 2017	$ 1,492,420	3,020,847	4,368,313	3,088,479	1,553	11,971,612
Accumulated depreciation and impairment loss:						
Balance at January 1, 2018	$ 141,231	1,925,905	3,473,521	2,324,396	-	7,865,053
Acquisition through business combination (note 6(k))	-	-	23,394	50,766	-	74,160
Depreciation	-	74,994	267,134	71,678	-	413,806
Disposals	-	(593)	(187,861)	(136,521)	-	(324,975)
Other reclassification and effect of exchange rate changes	-	(260,710)	257,365	24,454	-	21,109
Balance at December 31, 2018	$ 141,231	1,739,596	3,833,553	2,334,773	-	8,049,153

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	Land	Buildings	Computer and communication equipment	Other equipment	Construction in progress	Total
Balance at January 1, 2017	$ 159,682	2,504,352	3,303,924	2,127,768	-	8,095,726
Acquisition through business combination (note 6(k))	-	5,948	45,832	309,287	-	361,067
Reversal of impairment loss (note 6(i))	-	(82,480)	-	-	-	(82,480)
Depreciation	-	80,172	266,927	147,862	-	494,961
Disposals	-	(102,055)	(137,894)	(200,727)	-	(440,676)
Reclassification from investment property	14,690	-	-	-	-	14,690
Reclassification to non-current assets held for sale	(30,646)	(450,190)	-	-	-	(480,836)
Other reclassification and effect of exchange rate changes	(2,495)	(29,842)	(5,268)	(59,794)	-	(97,399)
Balance at December 31, 2017	**$ 141,231**	**1,925,905**	**3,473,521**	**2,324,396**	**-**	**7,865,053**
Carrying amounts:						
Balance at December 31, 2018	**$ 1,352,382**	**1,288,429**	**459,248**	**740,295**	**6,398**	**3,846,752**
Balance at December 31, 2017	**$ 1,351,189**	**1,094,942**	**894,792**	**764,083**	**1,553**	**4,106,559**

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

(m) Investment property

	Land	Buildings	Total
Cost or deemed cost:			
Balance at January 1, 2018	$ 1,155,710	3,234,411	4,390,121
Reclassification to property, plant and equipment	(1,281)	(2,361)	(3,642)
Balance at December 31, 2018	**$ 1,154,429**	**3,232,050**	**4,386,479**
Balance at January 1, 2017	$ 1,195,613	3,234,411	4,430,024
Reclassification to property, plant and equipment	(39,903)	-	(39,903)
Balance at December 31, 2017	**$ 1,155,710**	**3,234,411**	**4,390,121**
Accumulated depreciation and impairment loss:			
Balance at January 1, 2018	$ 429,034	2,819,888	3,248,922
Depreciation	-	10,092	10,092
Other reclassification	-	5,080	5,080
Balance at December 31, 2018	**$ 429,034**	**2,835,060**	**3,264,094**
Balance at January 1, 2017	$ 443,724	2,805,983	3,249,707
Depreciation	-	13,905	13,905
Reclassification to property, plant and equipment	(14,690)	-	(14,690)
Balance at December 31, 2017	**$ 429,034**	**2,819,888**	**3,248,922**
Carrying amounts:			
Balance at December 31, 2018	**$ 725,395**	**396,990**	**1,122,385**
Balance at December 31, 2017	**$ 726,676**	**414,523**	**1,141,199**
Fair value:			
Balance at December 31, 2018			**$ 1,645,039**
Balance at December 31, 2017			**$ 1,654,828**

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The fair value of the investment property is determined by referring to the market price of similar real estate transaction, the valuation (the inputs used in the fair value measurement were classified to level 3) by an independent appraiser or the value in use of the investment property. The value in use is the present value of the future cash flows from continuous lease activities. On December 31, 2018 and 2017, the estimated discount rate used for calculating the present value of the future cash flows was 6.13% and 4.90%, respectively.

For certain land acquired, the ownership registration has not been transferred to the land acquirer, APDI, a subsidiary of the Company. To protect its interests, APDI has obtained signed deeds of assignment from the titleholders assigning all rights and obligations related to the land to APDI. Additionally, the land title certificates are held by APDI, and APDI has registered its liens thereon.

(n) Intangible assets

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

	Goodwill	Trademarks and trade names	Others	Total
Net balance at January 1, 2018:				
Cost	$ 24,913,482	10,308,445	10,680,053	45,901,980
Accumulated amortization and impairment loss	(8,235,676)	(10,308,445)	(10,173,708)	(28,717,829)
Net balance at January 1, 2018	16,677,806	-	506,345	17,184,151
Additions	-	-	218,040	218,040
Acquisition through business combination (note 6(k))	-	-	24,759	24,759
Disposals	-	-	(150)	(150)
Reclassification	-	-	37,211	37,211
Amortization	-	-	(412,880)	(412,880)
Effect of exchange rate changes	277,341	-	(17,128)	260,213
Net balance at December 31, 2018	**$ 16,955,147**	**-**	**356,197**	**17,311,344**
Net balance at December 31, 2018:				
Cost	$ 25,425,079	10,247,404	10,844,647	46,517,130
Accumulated amortization and impairment loss	(8,469,932)	(10,247,404)	(10,488,450)	(29,205,786)
	$ 16,955,147	**-**	**356,197**	**17,311,344**
Net balance at January 1, 2017:				
Cost	$ 26,488,199	10,339,474	12,362,876	49,190,549
Accumulated amortization and impairment loss	(8,878,494)	(10,326,979)	(11,389,154)	(30,594,627)
Net balance at January 1, 2017	17,609,705	12,495	973,722	18,595,922
Additions	-	-	38,846	38,846
Acquisition through business combination (note 6(k))	-	-	25,308	25,308
Disposals	-	-	(2,319)	(2,319)
Reclassification	-	-	9,395	9,395
Amortization	-	(12,113)	(515,769)	(527,882)
Effect of exchange rate changes	(931,899)	(382)	(22,838)	(955,119)
Net balance at December 31, 2017	**$ 16,677,806**	**-**	**506,345**	**17,184,151**
Net balance at December 31, 2017:				
Cost	$ 24,913,482	10,308,445	10,680,053	45,901,980
Accumulated amortization and impairment loss	(8,235,676)	(10,308,445)	(10,173,708)	(28,717,829)
	$ 16,677,806	**-**	**506,345**	**17,184,151**

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

	2018	2017
Cost of revenue	$ 75,663	4,395
Operating expenses	337,217	523,487
	$ 412,880	**527,882**

(ii) Impairment test on goodwill and other intangible assets

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

	RO-EMEA	RO-PA	RO-PAP	Other CGUs without significant goodwill	Total
Balance at January 1, 2018	$ 9,622,754	1,533,689	5,503,641	17,722	16,677,806
Effect of exchange rate changes	215,134	42,255	19,952	-	277,341
Balance at December 31, 2018	**$ 9,837,888**	**1,575,944**	**5,523,593**	**17,722**	**16,955,147**
Balance at January 1, 2017	$ 10,205,982	1,649,760	5,736,241	17,722	17,609,705
Effect of exchange rate changes	(583,228)	(116,071)	(232,600)	-	(931,899)
Balance at December 31, 2017	**$ 9,622,754**	**1,533,689**	**5,503,641**	**17,722**	**16,677,806**

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

1) The cash flow projections were based on historical operating performance and future financial budgets, covering a period of 5 years, approved by management. Cash flows beyond that 5-year period have been extrapolated using zero growth rate.

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

	RO-EMEA	RO-PA	RO-PAP
December 31, 2018	17.9 %	11.3 %	22.9 %
December 31, 2017	19.4 %	11.1 %	23.3 %

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

Based on the impairment assessments conducted in 2018 and 2017, no impairment losses were recognized as the recoverable amount of CGUs were higher than their carrying amounts.

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

	December 31, 2018	December 31, 2017
Overpaid VAT retained for offsetting against future tax payable	$ 2,443,710	2,259,644
Prepaid income tax	1,254,913	921,297
Prepaid royalty and other prepayments	821,591	824,862
Right to goods to be returned	448,545	-
Others	220,119	173,606
	$ 5,188,878	**4,179,409**
Current	$ 3,756,396	3,078,330
Non-current	1,432,482	1,101,079
	$ 5,188,878	**4,179,409**

(p) Short-term borrowings

	December 31, 2018	December 31, 2017
Unsecured bank loans	$ 613,713	482,894
Secured bank loans	43,327	-
	$ 657,040	**482,894**
Unused credit facilities	**$ 29,622,157**	**29,583,089**
Interest rate	**0.86%~4.88%**	**0.98%~4.30%**

Refer to note 8 for a description of the Group's assets pledged as collateral for bank loans.

(q) Other current liabilities and other non-current liabilities

	December 31, 2018	December 31, 2017
Other current liabilities:		
Income tax payable	$ 1,159,370	955,760
Output VAT	897,381	817,798
Deferred revenue－current	-	424,369
Others	562,841	609,083
	$ 2,619,592	**2,807,010**
Other non-current liabilities:		
Net defined benefit liabilities (note 6(u))	$ 1,455,640	1,429,415
Deferred revenue－non-current	-	384,365
Others	223,798	196,765
	$ 1,679,438	**2,010,545**

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(r) Long-term debt

Type of Loan	Creditor	Credit Line	Term	December 31, 2018	December 31, 2017
Unsecured loan	Bank of Taiwan and other banks	The term tranche of \$6 billion may be withdrawn separately within twelve months from the date of the initial withdrawal; three-year limit, during which, revolving credits are disallowed	The loan is repayable in 6 quarterly installments (\$0.9 billion for the first to the fifth installments, and \$1.5 billion for the sixth installment) starting February 2018. The Company early repaid \$3.3 billion in November 2017, and repaid \$2.7 billion in August 2018.	-	2,700,000
		Revolving tranche of \$6 billion; three-year limit	One-time repayment in full when due. The credit facility has not been used.	-	-
	Bank of Taiwan	The term tranche of \$4 billion may be withdrawn separately within six months from the contract date; revolving credits are allowed.	The interest is paid monthly starting November 2017. The principal will be repaid in lump sum amount when due in September 2020. Interest rate is adjusted quarterly.	3,300,000	3,300,000
Unsecured loan				18,407	-
Secured loan				1,681	2,457
Less: current portion of long-term debt				(4,112)	(2,701,958)
				$ 3,315,976	3,300,499
Unused credit facilities				$ 2,400,000	6,700,000
Interest rate				0.98%～3.92%	0.98%～3.92%

The Company entered into a syndicated loan agreement with Bank of Taiwan (the lead bank of the syndicated loan) and other banks in April 2016. According to the syndicated loan agreements, the Company is required to maintain certain financial ratios calculated based on its annual and semi-annual consolidated financial statements. The Company was in compliance with the financial covenants on December 31, 2017. Furthermore, there were no financial covenants required for the unsecured loan agreements with Bank of Taiwan in November 2017. Please refer to note 6(ad) for related interest expense from the abovementioned bank loans.

Please refer to note 8 for a description of the Group’s assets pledged as collateral for its bank loans.

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(s) Provisions

	Warranties	Litigation	Sales returns	Environmental protection and others	Total
Balance at January 1, 2018	$ 4,985,144	266,120	1,281,123	169,306	6,701,693
Reclassification to refund liabilities upon initial application of IFRS 15 on January 1, 2018	-	-	(1,281,123)	-	(1,281,123)
Additions	5,124,428	7,509	-	109,238	5,241,175
Amount utilized and reversed	(5,255,337)	(12,932)	-	(80,902)	(5,349,171)
Effect of exchange rate changes	(45,880)	7,319	-	1,580	(36,981)
Balance at December 31, 2018	**$ 4,808,355**	**268,016**	**-**	**199,222**	**5,275,593**
Current	$ 4,808,355	264,890	-	166,107	5,239,352
Non-current	-	3,126	-	33,115	36,241
	$ 4,808,355	**268,016**	**-**	**199,222**	**5,275,593**
Balance at January 1, 2017	$ 4,830,430	289,160	1,186,327	230,909	6,536,826
Assumed in a business combination	38,700	-	-	613	39,313
Additions	5,429,579	17,252	4,057,256	100,608	9,604,695
Amount utilized and reversed	(5,289,614)	(19,862)	(3,869,730)	(160,591)	(9,339,797)
Effect of exchange rate changes	(23,951)	(20,430)	(92,730)	(2,233)	(139,344)
Balance at December 31, 2017	**$ 4,985,144**	**266,120**	**1,281,123**	**169,306**	**6,701,693**
Current	$ 4,985,144	262,942	1,281,123	126,792	6,656,001
Non-current	-	3,178	-	42,514	45,692
	$ 4,985,144	**266,120**	**1,281,123**	**169,306**	**6,701,693**

(i) Warranties

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

(ii) Litigation

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

(iii) Sales returns

Expected sales returns are estimated based on historical experience.

(iv) Environmental protection and others

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

(t) Operating lease

(i) Lessee

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

	December 31, 2018	December 31, 2017
Not later than 1 year	$ 753,752	604,211
Later than 1 year but not later than 5 years	1,485,061	1,336,228
Later than 5 years	406,712	382,898
	$ 2,645,525	**2,323,337**

For the years ended December 31, 2018 and 2017, rental expenses of $800,231 and $781,711, respectively, were recognized and included in the cost of revenue and operating expenses.

(ii) Lessor

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

	December 31, 2018	December 31, 2017
Not later than 1 year	$ 55,007	53,858
Later than 1 year but not later than 5 years	45,962	78,086
Later than 5 years	-	873
	$ 100,969	**132,817**

In 2018 and 2017, the rental income from investment property amounted to $69,525 and $64,445, respectively, were recognized and included in other operating income and loss. Related repair and maintenance expenses recognized and included in operating expense were as follows:

	2018	2017
Arising from investment property that generated rental income during the period	$ 31,998	27,001
Arising from investment property that did not generate rental income during the period	27,731	34,326
	$ 59,729	**61,327**

(u) Employee benefits

(i) Defined benefit plans

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

	December 31, 2018	December 31, 2017
Present value of benefit obligations	$ 2,620,657	2,428,616
Fair value of plan assets	(1,165,017)	(999,201)
Net defined benefit liabilities (reported under other non-current liabilities)	**$ 1,455,640**	**1,429,415**

	December 31, 2018	December 31, 2017
Present value of benefit obligations	$ 50,802	43,017
Fair value of plan assets	(76,493)	(73,517)
Net defined benefit assets (reported under other non-current assets)	**$ (25,691)**	**(30,500)**

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

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

1) Composition of plan assets

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

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

As of December 31, 2018 and 2017, the Group's fair value of plan assets, by major categories, were as follows:

	December 31, 2018	December 31, 2017
Cash	$ 609,069	481,557
Equity instruments	342,942	332,136
Instruments with fixed return	72,289	58,661
Real estate	217,210	200,364
	$ 1,241,510	**1,072,718**

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

2) Movements in present value of the defined benefit obligations

	2018	2017
Defined benefit obligations at January 1	$ 2,471,633	2,260,187
Current service costs	199,988	210,124
Interest expense	31,200	28,054
Remeasurement on the net defined benefit liabilities (assets) :		
Actuarial loss (gain) arising from experience adjustments	25,144	61,023
Actuarial loss (gain) arising from changes in demographic assumption	1,866	2,431
Actuarial loss (gain) arising from changes in financial assumption	(18,267)	(8,890)
Benefits paid by the Group and the plan	(80,164)	(145,648)
Past service costs and settlement loss (gain)	(54,638)	203
Liabilities assumed in a business combination	-	63,261
Effect of exchange rate changes	90,693	(19,211)
Contributions by plan participants	4,004	20,099
Defined benefit obligations at December 31	**$ 2,671,459**	**2,471,633**

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3) Movements in fair value of plan assets

	2018	2017
Fair value of plan assets at January 1	$ 1,072,718	965,157
Interest income	9,534	10,363
Remeasurement on the net defined benefit liabilities (assets):		
Return on plan assets (excluding amounts included in net interest expense)	9,425	19,119
Benefits paid by the plan	(73,198)	(135,291)
Contributions by plan participants	4,004	20,099
Contributions by the employer	144,191	123,533
Assets acquired through business combination	-	37,666
Loss on curtailment	(3,377)	-
Effect of exchange rate changes	78,213	32,072
Fair value of plan assets at December 31	**$ 1,241,510**	**1,072,718**

4) Changes in the effect of the asset ceiling

In 2018 and 2017, there was no effect of the asset ceiling.

5) Expenses recognized in profit or loss

	2018	2017
Current service costs	$ 199,988	210,124
Net interest expense	21,666	17,691
Past service costs and settlement loss (gain)	(54,638)	203
Loss on curtailment	3,377	-
	$ 170,393	**228,018**
Classified under operating expense	**$ 170,393**	**228,018**

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

	2018	2017
Cumulative amount at January 1	$ (138,120)	(102,675)
Recognized during the period	682	(35,445)
Cumulative amount at December 31	**$ (137,438)**	**(138,120)**

7) Actuarial assumptions

The principal assumptions of the actuarial valuation were as follows:

	December 31, 2018	December 31, 2017
Discount rate	0.90%~8.19%	0.30%~7.63%
Future salary increases rate	1.00%~6.00%	1.00%~6.00%

The weighted-average duration of the defined benefit plans ranges from 5 years to 27 years. The Group expects to make contribution of $118,423 to the defined benefit plans in the year following December 31, 2018.

8) Sensitivity analysis

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

The following table summarizes the impact of a change in the assumptions on the present value of the defined benefit obligation on December 31, 2018 and 2017.

	December 31, 2018		December 31, 2017	
	0.25% Increase	0.25% Decrease	0.25% Increase	0.25% Decrease
Discount rate	$ (111,459)	112,668	(102,352)	115,350
Future salary change	$ 55,284	(71,357)	61,642	(59,065)

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

(ii) Defined contribution plans

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

For the years ended December 31, 2018 and 2017, the Group recognized pension expenses of $390,521 and $350,873, respectively, in relation to the defined contribution plans.

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(v) Income taxes

(i) Income tax returns of the Group are filed individually by each entity and not on a combined basis. The Company and its subsidiaries incorporated in the R.O.C. are subject to R.O.C. income tax at a rate of 20% and 17% for fiscal years 2018 and 2017, respectively. Foreign subsidiaries are subject to income tax in accordance with their respective local tax law and regulations. The components of income tax expense were as follows:

		2018	2017
Current income tax expense (benefit)			
Current period	$	817,245	471,755
Adjustments for prior years		59,917	(150,444)
		877,162	321,311
Deferred tax expense (benefit)			
Origination and reversal of temporary differences		241,488	3,194,749
Adjustment in tax rate		108,501	-
Change in unrecognized deductible temporary differences and tax losses		123,269	(2,873,661)
		473,258	321,088
Income tax expense	$	**1,350,420**	**642,399**

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

		2018	2017
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit plans	$	(22,695)	(11,050)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		3,596	(18)
	$	**(19,099)**	**(11,068)**

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

		2018	2017
Income before taxes	$	**4,252,380**	**3,439,132**
Income tax using the Company's statutory tax rate	$	850,476	584,652
Effect of different tax rates in foreign jurisdictions		275,442	371,004
Adjustments for prior-year income tax expense		59,917	(150,444)
Change in unrecognized temporary differences and tax losses		123,269	(696,550)
Others		41,316	533,737
	$	**1,350,420**	**642,399**

(Continued)

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(ii) Deferred income tax assets and liabilities

1) Unrecognized deferred income tax assets

	December 31, 2018	December 31, 2017
Tax losses	$ 5,393,658	5,361,238
Loss associated with investments in subsidiaries	3,260,493	2,818,394
Deductible temporary differences	4,047,657	3,768,943
	$ 12,701,808	**11,948,575**

The above deferred income tax assets were not recognized as management believed that it is not probable that future taxable profits will be available against which the Group can utilize the benefits therefrom.

Each entity in the Group is entitled to use tax losses to offset future taxable income in accordance with the respective local tax regulations of each jurisdiction. As of December 31, 2018, the tax affects unrecognized tax losses and the respective expiry years were as follows:

Tax effects of tax losses	Year of expiry
$ 242,843	2019
88,594	2020
372,819	2021
232,135	2022
4,457,267	2023 and thereafter
$ 5,393,658	

2) Unrecognized deferred income tax liabilities

	December 31, 2018	December 31, 2017
Net profits associated with investments in subsidiaries	**$ 3,193,633**	**4,161,413**

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

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3) Recognized deferred income tax assets and liabilities

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

Deferred income tax assets:

	Inventory	Accrued expenses and provisions	Unused tax loss carryforwards	Others	Total
Balance at January 1, 2018	$ 169,233	249,466	114,514	123,265	656,478
Recognized in profit or loss	(7,379)	241,839	(29,004)	25,618	231,074
Recognized in other comprehensive income (loss)	-	-	-	19,728	19,728
Effect of exchange rate changes	-	-	-	(16,822)	(16,822)
Balance at December 31, 2018	**$ 161,854**	**491,305**	**85,510**	**151,789**	**890,458**
Balance at January 1, 2017	$ 160,791	266,522	116,972	117,992	662,277
Recognized in profit or loss	8,442	(17,056)	(2,458)	(19,974)	(31,046)
Recognized in other comprehensive income (loss)	-	-	-	11,068	11,068
Effect of exchange rate changes	-	-	-	14,179	14,179
Balance at December 31, 2017	**$ 169,233**	**249,466**	**114,514**	**123,265**	**656,478**

Deferred income tax liabilities:

	Unremitted earnings from subsidiaries	Unrealized foreign exchange gain and unrealized gain on valuation of financial instruments	Intangible assets	Others	Total
Balance at January 1, 2018	$ 696,886	152,097	181,467	10,246	1,040,696
Recognized through business combination	-	-	-	3,534	3,534
Recognized in profit or loss	741,988	(75,063)	28,445	8,962	704,332
Recognized in other comprehensive income (loss)	-	-	-	629	629
Balance at December 31, 2018	**$ 1,438,874**	**77,034**	**209,912**	**23,371**	**1,749,191**
Balance at January 1, 2017	$ 564,619	8,117	106,126	13,851	692,713
Assumed through business combination	57,863	-	-	78	57,941
Recognized in profit or loss	74,404	143,980	75,341	(3,683)	290,042
Balance at December 31, 2017	**$ 696,886**	**152,097**	**181,467**	**10,246**	**1,040,696**

(iii) No income tax expense was recognized directly in equity for 2018 and 2017.

(iv) Except for 2015, the Company's income tax returns for the years through 2016 were examined and approved by the R.O.C. income tax authorities.

(Continued)

ACER INCORPORATED AND SUBSIDIARIES
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(w) Capital and other equity

(i) Common stock

The Company had issued 17,460 thousand shares of restricted stock to its employees on August 26, 2014. In 2018 and 2017, the Company recalled 1,569 thousand shares and 4,230 thousand shares, respectively, of restricted stock from certain employees due to their resignation and retirement, as well as failing to meet certain vesting conditions. The Board of Directors had approved the capital reductions for retirement of restricted shares issued to employees and the related registration process has been completed.

As of December 31, 2018 and 2017, the Company had issued 5,858 thousand units and 6,446 thousand units, respectively, of global depository receipts (GDRs). The GDRs were listed on the London Stock Exchange, and each GDR represents five common shares.

As of December 31, 2018 and 2017, the Company's authorized shares of common stock consisted of 3,500,000 thousand shares, of which 3,074,934 thousand shares and 3,076,503 thousand shares, respectively, were issued. The par value of the Company's common stock is $10 per share. All issued shares were paid up upon issuance.

Certain shares of common stock were not outstanding as they were held by the Company's subsidiaries or were non-vested restricted stock. The movements in outstanding shares of common stock in 2018 and 2017 were as follows (in thousands of shares):

	2018	**2017**
Balance at January 1	3,026,277	3,026,277
Vested restricted stock	1,911	-
Balance at December 31	**3,028,188**	**3,026,277**

(ii) Capital surplus

	December 31, 2018	**December 31, 2017**
Paid-in capital in excess of par value	$ 11,101,376	13,173,098
Surplus from mergers	16,027,221	16,027,221
Surplus related to treasury stock transactions and cash dividend	340,556	307,802
Difference between consideration and carrying amount of subsidiaries acquired or disposed	100,600	-
Employee share options	90,000	90,000
Surplus from equity-method investments	253,598	173,516
Restricted stock issued to employees	-	80,547
	$ 27,913,351	**29,852,184**

Pursuant to the Company Act, any realized capital surplus is initially used to cover accumulated deficit, and the balance, if any, could be transferred to common stock as stock dividends or distributed by cash based on the original shareholding ratio. Realized capital surplus includes the premium derived from the issuance of shares of stock in excess of par value and donations received by the Company. In accordance with the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers", distribution of stock dividends from capital surplus in any one year shall not exceed 10% of paid-in capital.

(iii) Legal reserve, special reserve, and dividend policy

The Company's Articles of Incorporation stipulate that at least 10% of annual net income, after deducting accumulated deficit, if any, must be retained as legal reserve until such retention equals the amount of paid-in capital. In addition, a special reserve shall be set aside in accordance with applicable laws and regulations. The remaining balance, together with the unappropriated earnings from the previous years, after retaining a certain portion of it for business considerations, can be distributed as dividends to stockholders. Except for the distribution of capital surplus and legal reserve in accordance with applicable laws and regulations, the Company cannot distribute any earnings when there are no retained earnings.

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

Additionally, according to the Company Act, a company shall first retain 10% of its income after taxes as legal reserve until such retention equals the amount of paid-in capital. If a company has no accumulated deficit, it may, pursuant to a resolution approved by the stockholders, distribute its legal reserve by issuing new shares or distributing cash for the portion of legal reserve which exceeds 25% of the paid-in capital.

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

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

On June 15, 2018, the Company's shareholders approved an appropriation of legal reserve and special reserve of $281,559 and $2,534,028, respectively. Additionally, the Company's shareholders decided to distribute cash deriving from the capital surplus of $2,153,552 ($0.7 dollars per share), of which $32,754 was distributed to the subsidiaries holding the Company's common shares.

(Continued)

On June 21, 2017, the Company's shareholders approved a decrease in its special reserve, legal reserve and capital surplus of $1,306,709, $145,190 and $3,448,397, respectively, to offset the accumulated deficit. Additionally, the Company's shareholders decided to distribute cash deriving from the capital surplus of $1,538,379 ($0.5 dollars per share), of which $23,308 was distributed to the subsidiaries holding the Company's common shares. Related information is available on the Market Observation Post System website of the Taiwan Stock Exchange.

The appropriation of 2018 earnings had been proposed by the Company's Board of Directors on March 20, 2019, which included the appropriations of legal reserve and special reserve of $306,043 and $406,544, respectively, as well as the distribution of cash dividends amounting to $2,367,699 (at $0.77 dollars per share).

(iv) Treasury stock

As of December 31, 2018 and 2017, details of the GDRs (for the implementation of an overseas employee stock option plan) held by subsidiary AWI and the Company's common stock held by subsidiaries AWI (to maintain the Company's shareholders' equity), CCI (to maintain the Company's shareholders' equity), and ETEN (resulting from the acquisition of ETEN) were as follows (expressed in thousands of shares):

	December 31, 2018		
	Number of shares	**Carrying amount**	**Market value**
Common stock	21,809	$ 945,239	424,185
GDRs	24,937	1,969,617	475,167
		$ 2,914,856	**899,352**

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

According to the Securities and Exchange Act, treasury stock cannot be collateralized. In addition, treasury shares do not bear shareholder rights prior to being sold to third parties. Moreover, the number of treasury shares shall not exceed 10% of the number of common shares issued. The total amount of treasury stock shall not exceed the sum of retained earnings, paid-in capital in excess of par value, and other realized capital surplus.

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(v) Other equity items (net after tax)

1) Foreign currency translation differences:

		2018	2017
Balance at January 1	$	(3,202,161)	(1,061,015)
Foreign exchange differences arising from translation of foreign operations		394,936	(2,141,887)
Share of other comprehensive income (loss) of associates		(3,940)	741
Foreign exchange differences reclassified to profit or loss as a result of disposal of associates		22,019	-
Balance at December 31	**$**	**(2,789,146)**	**(3,202,161)**

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

		2018	2017
Balance at January 1 (per IAS 39)	$	112,035	(347,770)
Adjustment on initial application of IFRS 9		(112,035)	
Balance at January 1 (per IFRS 9)		-	
Changes in fair value of available-for-sale financial assets		-	459,805
Balance at December 31	**$**	**-**	**112,035**

3) Unrealized gain (loss) from financial assets measured at fair value through other comprehensive income:

		2018
Balance at January 1 (per IAS 39)	$	-
Adjustment on initial application of IFRS 9		112,035
Balance at January 1 (per IFRS 9)		112,035
Change in fair value of financial assets measured at fair value through other comprehensive income		(601,596)
Disposal of financial assets measured at fair value through other comprehensive income		(32,665)
Balance at December 31	**$**	**(522,226)**

4) Remeasurement of defined benefit plans:

		2018	2017
Balance at January 1	$	(96,281)	(77,257)
Change in the period		26,464	(19,024)
Balance at December 31	**$**	**(69,817)**	**(96,281)**

(Continued)

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5) Unearned compensation cost:

		2018	2017
Balance at January 1	$	(12,093)	(26,743)
Change in the period		12,093	14,650
Balance at December 31	**$**	**-**	**(12,093)**

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

		2018	2017
Balance at January 1	$	655,963	4,083
Effects of retrospective application of new IFRSs		2,021	
Adjusted balance at January 1		657,984	
Equity attributable to non-controlling interests:			
Net loss		(158,469)	(18,854)
Compensation cost of stock options issued by subsidiaries		97	12
Issuance of common stock from exercise of employee stock options by subsidiaries		61,987	-
Changes in equity of investments in associates		(19)	-
Changes in ownership interest in subsidiaries		(31,804)	(1,634)
Acquisition of subsidiaries		105,682	649,886
Increase in non-controlling interests		111,664	-
Decrease in non-controlling interests		(18,076)	-
Cash dividends paid to non-controlling interests by subsidiaries		(2,112)	-
Capital injection from non-controlling interests		-	19,893
Foreign currency translation differences		(13,528)	9,867
Unrealized gain (loss) from financial assets measured at fair value through other comprehensive income		7,873	-
Unrealized gain (loss) from available-for-sale financial assets		-	(1,919)
Remeasurement of defined benefit plans		(3,087)	(5,371)
	$	**718,192**	**655,963**

(Continued)

(x) Share-based payment

(i) As of December 31, 2018 and 2017, the Group's share-based payment arrangements were as follows:

Type of arrangement	Grant Date	Numbers of options granted (in thousands of shares)	Contract period	Vesting period
ASBZ – Employee stock option plans ("ESOPs")	2017/12/15	3,580	effective until 2018/01/31	2017/12/15~ 2018/01/22
ACSI –ESOPs	2017/11/27	1,247	2017/11/27~ 2018/11/27	2017/11/27~ 2017/12/27
ACSI – ESOPs	2018/03/19	183	2018/03/19~ 2018/04/27	2018/03/19~ 2018/04/27
AST – ESOPs	2018/01/03	630	2018/01/03~ 2018/01/31	2018/01/03~ 2018/01/31
ITS – ESOPs	2018/02/22	2,000	2018/02/22~ 2018/06/13	First phase: 2018/03/12~ 2018/03/14 Second phase: 2018/06/11~ 2018/06/13

The Group used the Black-Scholes Model in measuring the fair value of its employee stock options. The main inputs to the valuation model were as follows:

	ASBZ – ESOPs	ACSI – ESOPs	AST – ESOPs	ITS – ESOPs
Fair value of options granted (NT$/ share)	0.0756	1.09 / 1.35	0.001	0.0140 / 0.1578
Fair value of stock at grant date (NT$/ share)	23.52	26.58/30.06	8.939	8.40/8.40
Exercise price (NT$/ share)	30.00	28.00/29.05	10.00	10.00/10.00
Expected volatility	43.92%	21.10% / 19.59%	16.27%	44.21% / 33.46%
Expected life (in years)	0.11	0.54 / 0.10	0.08	0.05 / 0.30
Risk-free interest rate	0.34%	0.33% / 0.31%	0.28%	0.30% / 0.33%

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

(ii) Restricted stock to employees

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

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

The movements in number of restricted shares of stock issued (in thousands) in 2018 and 2017 were as follows:

	2018	2017
Balance at January 1	3,360	11,415
Forfeited during the period	(1,449)	(4,140)
Vested shares	(1,911)	(3,915)
Unvested shares at December 31	**-**	**3,360**

The fair value of the restricted stock was $24.15 (in New Taiwan dollars) per share, which was determined by reference to the closing price of the Company's common stock traded on the Taiwan Stock Exchange at the grant date.

(iii) For the years ended December 31, 2018 and 2017, the compensation cost recognized for the abovemetioned share-based payment arrangements amounted to $249 and $14,685, respectively, which was reported in the operating expenses.

(y) Earnings per share ("EPS")

(i) Basic earnings per share

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

	2018	2017
Net income attributable to the shareholders of the Company	**3,060,429**	**2,815,587**
Weighted-average number of ordinary shares outstanding (in thousands)	**3,026,914**	**3,026,277**
Basic earnings per share (in New Taiwan dollars)	**$ 1.01**	**0.93**

(ii) Diluted earnings per share

	2018	2017
Net income attributable to the shareholders of the Company	$ 3,060,429	2,815,587
Weighted-average number of ordinary shares outstanding (in thousands)	3,026,914	3,026,277
Effect of dilutive potential common stock (in thousands):		
Restricted stock issued to employees	2,143	5,163
Effect of employee remuneration in stock	9,387	5,261
Weighted-average shares of common stock outstanding (including effect of dilutive potential common stock)(in thousands)	3,038,444	3,036,701
Diluted earnings per share (in New Taiwan dollars)	$ 1.01	0.93

(z) Revenue from contracts with customers (applicable from January 1, 2018)

(i) Disaggregation of revenue

	2018		
	IT Hardware Products	Others	Total
Primary geographical markets:			
EMEA	$ 84,103,971	-	84,103,971
Pan America	65,252,279	-	65,252,279
Asia Pacific	69,979,097	22,935,059	92,914,156
	$ 219,335,347	22,935,059	242,270,406

Refer to note 6(aa) for details on revenue for 2017.

(ii) Contract balances

	December 31, 2018	January 1, 2018
Notes and accounts receivable (including receivables from related parties)	$ 47,712,520	47,062,773
Less: loss allowance	(186,302)	(235,264)
	$ 47,526,218	46,827,509
Contract assets－current	$ 396,235	12,622
Contract liabilities－current	$ 821,374	608,275
Contract liabilities－non-current	$ 1,405,350	1,119,990

Please refer to note 6(f) for details on notes and accounts receivable and related loss allowance.

The major changes in the balance of contract assets primarily resulted from the timing difference between obtaining the rights to consideration in exchange for transferring products or providing services to a customer and the billing to the customer (i.e., the rights to consideration become unconditional). The major changes in the balance of contract liabilities were due to the timing difference between the satisfaction of performance obligation and the receipt of customer's payment.

The amount of revenue recognized for the year ended December 31, 2018 that was included in the contract liability balance at January 1, 2018, was $609,943.

(aa) Revenue

	2017
Revenue from sale of goods	$ 230,527,987
Revenue from services rendered	5,410,430
Others	1,336,466
	$ 237,274,883

Please refer to note 6(z) for details on revenue for 2018.

(ab) Remuneration to employees and directors

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

For the years ended December 31, 2018 and 2017, the Company accrued its remuneration to employees amounting to $163,313 and $121,049, respectively, and the remuneration for directors of $6,911 and $4,263, respectively. The said amounts, which were recognized as operating expenses, were calculated based on pre-tax net profit for each year before deducting the amount of the remuneration to employees and directors, multiplied by the proposed distribution ratio of remuneration to employees and directors. The difference between accrual and actual payment, if any, will be treated as change in accounting estimate and recognized in profit or loss in the following year.

The aforementioned accrued remunerations to employees and directors were same as the amounts approved by the Board of Directors on March 20, 2019 and March 21, 2018, respectively, which were paid in cash.

Related information is available on the Market Observation Post System website of Taiwan Stock Exchange.

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(ac) Other operating income and loss – net

	2018	2017
Government grants	$ 97,038	100,803
Rental income (note 6(t))	69,997	108,175
	$ **167,035**	**208,978**

(ad) Non-operating income and loss

(i) Other income

	2018	2017
Interest income from bank deposits	$ 358,954	247,049
Interest income from financial assets measured at amortized cost	-	57,556
Dividend income	247,889	221,155
	$ **606,843**	**525,760**

(ii) Other gains and losses

	2018	2017
Foreign currency exchange gain (loss)	$ (1,473,584)	2,335,176
Gain (loss) on financial assets and liabilities measured at fair value through profit or loss (note 6(b))	1,719,111	(2,956,232)
Loss on disposal of property, plant and equipment and non-current assets held for sale	(3,475)	(5,817)
Gain on bargain purchase (note 6(k))	6,385	1,130
Impairment loss of investments in debt instrument without an active market (note 6(e))	-	(3,061)
Gain (loss) on disposal of investments accounted for using equity method (note 6(k))	(33,158)	690
Other investment loss	(3,696)	(36,183)
Others	4,649	89,916
	$ **216,232**	**(574,381)**

(iii) Finance costs

	2018	2017
Interest expense from bank loans	$ **(175,288)**	**(225,832)**

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(ae) Financial instruments and fair value information

(i) Categories of financial instruments

1) Financial assets

	December 31, 2018	December 31, 2017
Financial assets measured at fair value through profit or loss:		
Financial assets mandatorily measured at FVTPL	$ 480,468	-
Held-for-trading	-	170,803
Financial assets measured at fair value through other comprehensive income	4,429,446	-
Available-for-sale financial assets	-	5,370,670
Financial assets measured at amortized cost (loans and receivables):		
Cash and cash equivalents	27,283,038	33,970,331
Notes and accounts receivable and other receivables (including receivables from related parties)	48,624,020	47,912,291
Investments in debt instrument without an active market	-	540,910
Other financial assets – non-current	1,003,782	998,817
	$ 81,820,754	**88,963,822**

2) Financial liabilities

	December 31, 2018	December 31, 2017
Financial liabilities measured at fair value through profit or loss	$ 272,085	621,947
Financial liabilities measured at amortized cost:		
Short-term borrowings	657,040	482,894
Notes and accounts payable (including payables to related parties)	40,079,353	42,750,982
Other payables (including payables to related parties)	20,659,739	33,510,853
Long-term debt (including current portion)	3,320,088	6,002,457
	$ 64,988,305	**83,369,133**

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

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

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

The hierarchy of the abovementioned fair value is as below:

	December 31, 2017			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investments in debt instrument without an active market	$ -	229,488	313,945	543,433

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

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

2) The discount rate is 14.77%, which is based on the WACC of the financial instrument.

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

1) Fair value hierarchy

The following financial instruments are measured at fair value on a recurring basis.

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

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

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

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

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	December 31, 2018			
	Fair value			
	Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured at fair value through profit or loss:				
Foreign currency forward contracts	$ -	424,147	-	424,147
Convertible bonds	-	11,427	-	11,427
Right of profit-sharing	-	-	44,894	44,894
	$ -	435,574	44,894	480,468
Financial assets measured at fair value through other comprehensive income:				
Publicly traded domestic stock	$ 3,160,183	-	-	3,160,183
Non-publicly traded stock	-	-	1,269,263	1,269,263
	$ 3,160,183	-	1,269,263	4,429,446
Financial liabilities measured at fair value through profit or loss:				
Foreign currency forward contracts	$ -	(272,085)	-	(272,085)

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

There were no transfers among fair value hierarchies for the years ended December 31, 2018 and 2017.

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2) Movement in financial assets included Level 3 fair value hierarchy

	2018		2017	
	Financial assets mandatorily measured at fair value through profit or loss	**Financial assets measured at fair value through other comprehensive income**	**Financial assets measured at fair value through profit or loss**	**Available-for-sale financial assets**
Balance at January 1	$ -	-	-	1,253,242
Adjustment on initial application of IFRS 9 on January 1, 2018	313,945	1,751,663		
	313,945	1,751,663		
Total gains or losses:				
Recognized in profit and loss	(244,633)	-	-	(32,843)
Recognized in other comprehensive income	-	(178,419)	-	(41,572)
Acquisition through business combination	-	13,517	-	330,473
Additions	-	86,605	-	314,312
Disposal	(24,418)	(417,692)	-	(15,691)
Effect of exchange rate changes	-	13,589	-	(56,258)
Balance at December 31	**$ 44,894**	**1,269,263**	**-**	**1,751,663**

The abovementioned total gains or losses were included in "other gains and losses", "unrealized gain (loss) from financial assets measured at fair value through other comprehensive income" and "unrealized gain (loss) from available-for-sale financial assets", respectively. The gains or losses attributable to the financial assets held on December 31, 2018 and 2017 were as follows:

	2018	**2017**
Total gains or losses:		
Recognized in profit and loss (included in "other gains and losses")	$ (244,633)	-
Recognized in other comprehensive income (included in "unrealized gain (loss) from available-for-sale financial assets")	-	(41,572)
Recognized in other comprehensive income (included in "unrealized gain (loss) from financial assets measured at fair value through other comprehensive income")	(178,419)	-
	$ (423,052)	**(41,572)**

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

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

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

   c) The fair value of privately held stock in Level 3 fair value hierarchy is estimated by using the market approach and is determined by reference to recent financing activities, valuations of similar companies, market conditions, and other economic indicators.

4) Quantitative information of significant unobservable inputs

Item	Valuation technique	Significant unobservable inputs	Interrelationship between significant unobservable inputs and fair value measurement
Financial assets measured at fair value through other comprehensive income (Available-for-sale financial assets)	Comparable company valuation	Discount for lack of marketability (10%~30%)	The estimated fair value would decrease if the discount for lack of marketability was higher

5) Fair value measurements in Level 3－ sensitivity analysis of reasonably possible alternative assumptions

   The Group’s measurement on the fair value of financial instruments may change if different valuation models or inputs are used. For fair value measurements in Level 3, changing one or more of the assumptions would have the following effects on other comprehensive income:

	Input	Change in assumptions	Other comprehensive income	
			Favorable	Unfavorable
December 31, 2018				
Financial assets measured at fair value through other comprehensive income				
Equity investments without an active market	Discount for lack of marketability	1%	11,431	(11,431)

(Continued)

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	Input	Change in assumptions	Other comprehensive income Favorable	Unfavorable
December 31, 2017				
Available-for-sale financial assets				
Equity investments without an active market	Discount for lack of marketability	1%	12,051	(12,051)

The favorable and unfavorable effects represent the changes in fair value, which is based on a variety of unobservable inputs calculated using a valuation technique. If the fair value of a financial instrument is subject to more than one inputs, the analysis above reflects only the effects of changes in a single input and does not include the interrelationships with another input.

(iv) Offsetting of financial assets and financial liabilities

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

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

December 31, 2018
Financial assets subject to offsetting, enforceable master netting arrangements or similar agreements

	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities offset in the balance sheet	Net amount of financial assets presented in the balance sheet	Amounts not offset in the balance sheet (d)		Net amount
				Financial instruments	Cash collateral received	
	(a)	(b)	(c)=(a)-(b)			(e)=(c)-(d)
Notes and accounts receivable, net	$ 78,851,412	31,359,817	47,491,595	-	-	47,491,595

December 31, 2018
Financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements

	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets offset in the balance sheet	Net amount of financial liabilities presented in the balance sheet	Amounts not offset in the balance sheet (d)		Net amount
				Financial instruments	Cash collateral received	
	(a)	(b)	(c)=(a)-(b)			(e)=(c)-(d)
Notes and accounts payable	$ 71,439,170	31,359,817	40,079,353	-	-	40,079,353

(Continued)

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December 31, 2017

Financial assets subject to offsetting, enforceable master netting arrangements or similar agreements

	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities offset in the balance sheet	Net amount of financial assets presented in the balance sheet	Amounts not offset in the balance sheet (d)		Net amount
				Financial instruments	Cash collateral received	
	(a)	(b)	(c)=(a)-(b)			(e)=(c)-(d)
Notes and accounts receivable, net	$ 80,035,059	33,273,676	46,761,383	-	-	46,761,383

December 31, 2017

Financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements

	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets offset in the balance sheet	Net amount of financial liabilities presented in the balance sheet	Amounts not offset in the balance sheet (d)		Net amount
				Financial instruments	Cash collateral received	
	(a)	(b)	(c)=(a)-(b)			(e)=(c)-(d)
Notes and accounts payable	$ 76,024,658	33,273,676	42,750,982	-	-	42,750,982

(af) Financial risk management

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

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

The Group’s management monitors and reviews the financial activities in accordance with procedures required by relevant regulations and internal controls. Internal auditors undertake reviews of risk management controls and procedures, and the results of which are reported to the Board of Directors on a regular basis.

(i) Credit risk

1) The maximum exposure to credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty of a financial instrument fails to meet its contractual obligations, and arises principally from the Group’s cash and cash equivalents, derivative instruments, receivables from customers, and other receivables. The maximum exposure to credit risk is equal to the carrying amount of the Group’s financial assets.

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2) Concentration of credit risk

The Group primarily sells and markets its multi-branded IT products through distributors in different geographic areas. The Group believes that there is no significant concentration of credit risk due to the Group's large number of customers and their wide geographical spread.

3) Credit risk from receivables

Refer to note 6(f) for credit risk exposure of notes and accounts receivable. Other financial assets at amortized cost includes other receivables (refer to note 6(g)), time deposits (classified as other financial assets), etc. Abovementioned financial assets are considered low-credit-risk financial assets, and thus, the loss allowance are measured using 12-months ECL. Please refer to note 4(g) for descriptions about how the Group determines the credit risk.

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in settling its financial liabilities by delivering cash or another financial assets. The Group manages liquidity risk by monitoring regularly the current and mid- to long-term cash demand, maintaining adequate cash and banking facilities, and ensuring compliance with the terms of the loan agreements. As of December 31, 2018 and 2017, the Group had unused credit facilities of $32,022,157 and $36,283,089, respectively.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments, including principal and interest.

	Contractual cash flows	Within 1 year	1-2 years	2-5 years	Over 5 years
December 31, 2018					
Non-derivative financial liabilities:					
Short-term borrowings carrying floating interest rates	$ 659,252	659,252	-	-	-
Long-term borrowings carrying floating interest rates	3,396,163	47,153	3,340,392	8,618	-
Notes and accounts payable (including related parties)	40,079,353	40,064,177	15,176	-	-
Other payables	20,659,739	18,711,764	1,943,657	4,318	-
	$ 64,794,507	**59,482,346**	**5,299,225**	**12,936**	**-**
Derivative financial instruments:					
Foreign currency forward contracts－settled in gross:					
Outflow	$ 67,436,919	67,436,919	-	-	-
Inflow	(67,695,394)	(67,695,394)	-	-	-
	$ (258,475)	**(258,475)**	**-**	**-**	**-**
December 31, 2017					
Non-derivative financial liabilities:					
Short-term borrowings carrying floating interest rates	$ 483,880	483,880	-	-	-
Long-term borrowings carrying floating interest rates	6,094,618	2,765,560	3,328,738	320	-
Notes and accounts payable (including related parties)	42,750,982	42,718,730	17,076	15,176	-
Other payables	33,510,853	31,903,287	1,607,566	-	-
	$ 82,840,333	**77,871,457**	**4,953,380**	**15,496**	**-**

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	Contractual cash flows	Within 1 year	1-2 years	2-5 years	Over 5 years
Derivative financial instruments:					
Foreign currency forward contracts－settled in gross:					
Outflow	$ 68,231,610	68,231,610	-	-	-
Inflow	(67,780,674)	(67,780,674)	-	-	-
	$ 450,936	**450,936**	**-**	**-**	**-**
Foreign currency option contracts－settled in gross:					
Outflow	127,107	127,107	-	-	-
Inflow	(119,392)	(119,392)	-	-	-
	$ 7,715	**7,715**	**-**	**-**	**-**

The Group does not expect that the cash flows included in the maturity analysis would occur significantly earlier or at significantly different amounts.

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group' s income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group utilizes derivative financial instruments to manage market risk and the volatility of profit or loss. All such transactions are carried out within the guidelines set by the Board of Directors.

1) Foreign currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the Group entities. The foreign currencies used in these transactions are mainly the US dollar (USD), Euro (EUR), Great British Pound (GBP), Australian Dollar (AUD), Russian Ruble (RUB), Indian Rupee (INR), etc.

The Group utilizes foreign currency forward contracts to hedge its foreign currency exposure with respect to its forecast sales and purchases over the following 12 months.

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a) Exposure to foreign currency risk and sensitivity analysis

The Group's exposure to foreign currency risk arises from cash and cash equivalents, notes and accounts receivable (including related-party receivables), notes and accounts payable (including related-party payables), other receivables (including related-party receivables) and other payables that are denominated in foreign currency. At the reporting date, the carrying amounts of the Group's significant monetary assets and liabilities denominated in a currency other than the respective functional currencies of the Group entities and their sensitivity analysis were as follows (including the monetary items that have been eliminated in the accompanying consolidated financial statements):

(in thousands)

	December 31, 2018				
	Foreign currency	Exchange rate	NTD	Change in magnitude	Pre-tax effect on profit or loss
Financial assets					
Monetary items					
EUR	$ 116,774	35.2415	4,115,291	1 %	41,153
USD	754,410	30.7330	23,185,283	1 %	231,853
INR	9,600,425	0.4405	4,228,987	1 %	42,290
AUD	85,158	21.6637	1,844,837	1 %	18,448
Financial liabilities					
Monetary items					
EUR	40,364	35.2415	1,422,488	1 %	14,225
USD	1,728,583	30.7330	53,124,541	1 %	531,245

(in thousands)

	December 31, 2017				
	Foreign currency	Exchange rate	NTD	Change in magnitude	Pre-tax effect on profit or loss
Financial assets					
Monetary items					
GBP	$ 27,665	40.3336	1,115,829	1 %	11,158
EUR	52,458	35.8325	1,879,701	1 %	18,797
USD	1,187,460	29.8480	35,443,306	1 %	354,433
RUB	1,293,499	0.5174	669,256	1 %	6,693
Financial liabilities					
Monetary items					
GBP	18,531	40.3336	747,422	1 %	7,474
EUR	37,658	35.8325	1,349,380	1 %	13,494
USD	2,052,676	29.8480	61,268,273	1 %	612,683

With varieties of functional currencies within the consolidated entities of the Group, the Group disclosed net realized and unrealized foreign exchange gain (loss) on monetary items in aggregate. Please refer to note 6(ad) for further information.

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2) Interest rate risk

The Group's short-term borrowings and long-term debt carried floating interest rates, and the Group has not entered into interest rate swap contracts to convert floating interest rates to fixed interest rates. To manage the interest rate risk, the Group periodically assesses the interest rates of bank loans and maintains good relationships with financial institutions to obtain lower financing costs. The Group also strengthens the management of working capital to reduce the dependence on bank loans as well as the risk arising from fluctuation of interest rates.

The following sensitivity analysis is based on the risk exposure to floating-interest-rate liabilities on the reporting date. The sensitivity analysis assumes the liabilities recorded at the reporting date had been outstanding for the entire period. The change in interest rate reported to the key management in the Group is based on 100 basis points (1%), which is consistent with the assessment made by the key management in respect of the possible change in interest rate.

If the interest rate had been 100 basis points (1%) higher/lower with all other variables held constant, pre-tax income (loss) for the years ended December 31, 2018 and 2017 would have been $39,771 and $64,854, respectively, lower/higher, which mainly resulted from the borrowings with floating interest rates.

3) Other market price risk

The Group is exposed to the risk of price fluctuation in securities market resulting from its investment in publicly traded stocks. The Group supervises the equity price risk actively and manages the risk based on fair value. The Group also has strategic investments in privately held stocks, in which the Group does not actively participate in their trading.

Assuming a hypothetical increase or decrease of 5% in equity prices of the equity investments at each reporting date, the other comprehensive income for the years ended December 31, 2018 and 2017, would have increased or decreased by $221,472 and $268,534, respectively.

(ag) Capital management

In consideration of the industry dynamics and future developments, as well as external environment factors, the Group maintains an optimal capital structure to enhance long-term shareholder value by managing its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, research and development activities, dividend payments, and other business requirements for continuing operations and to reward shareholders and take into consideration the interests of other stakeholders.

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(ah) Changes in liabilities from financing activities

The reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2018	Cash flows	Non-cash changes: Acquisition through business combination	Non-cash changes: Fluctuation of foreign exchange rate	December 31, 2018
Long-term debt	$ 6,002,457	(2,681,440)	-	(929)	3,320,088
Short-term borrowings	482,894	98,492	79,409	(3,755)	657,040
Total liabilities from financing activities	**$ 6,485,351**	**(2,582,948)**	**79,409**	**(4,684)**	**3,977,128**

7. Related-party transactions

(a) Related party name and categories

The followings are related parties that have had transactions with the Group during the reporting periods:

Name of related party	Relationship with the Group
Aegis Semiconductor Technology Inc.	Associates
GrandPad Inc.	Associates
Piovision International Inc.	Associates
Bluechip Infotech Pty Ltd.	Prior to March 14, 2018, Bluechip was an associate of the Group accounted for using equity method. The Group obtained control over Bluechip on March 14, 2018 and Bluechip became one of the consolidated entities since then.
ECOM Software Inc.	Associates
Kbest Technology Inc.	Associates
Meldcx Pty Ltd.	Associates
StarVR Corporation	Prior to October 20, 2017, ASBZ was a joint venture entity of the Group accounted for using equity method. The Group obtained control over ASBZ on October 20, 2017 and ASBZ became one of the consolidated entities since then.
Smart Frequency Technology Inc.	Joint Venture
Erics Co., LTD	The entity's chairman is the second-degree relatives of one of the key management of the Company
iD Softcapital Inc.	The entity's chairman is one of the key management of the Company

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(b) Significant related-party transactions

(i) Revenue

The amounts of significant sales to related parties were as follows:

		2018	2017
Associates	$	50,555	345,482
Joint ventures		844	33,506
Other related parties		5	169
	$	**51,404**	**379,157**

The sales prices and trade term with related parties are not comparable to those with third-party customers for certain transactions due to different product specifications; other than that, the determination of sales prices and payment terms for related parties were not significantly different from those for sales to non-related parties. The credit terms ranged from 30 to 180 days, while the credit terms for routine sales transactions ranged from 30 to 90 days. Receivables from related parties were uncollateralized.

(ii) Purchases

The amounts of significant purchases from related parties were as follows:

		2018	2017
Associates	$	5,510	34,256
Joint ventures		-	18,600
	$	**5,510**	**52,856**

The purchase price with related parties are not comparable to the purchase price with third-party vendors as the specifications of products are different.

(iii) Operating expenses

The operating expenses related to the management consulting service and system maintenance service provided by related parties were as follows:

Account	Related-party categories		2018	2017
Operating expense	Associates	$	3,710	3,710
Operating expense	Other related parties		-	625
		$	**3,710**	**4,335**

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(iv) Receivables from related parties

The receivables from related parties were as follows:

Account	Related-party categories	December 31, 2018	December 31, 2017
Accounts receivable	Associates	$ 33,736	126,903
Accounts receivable	Joint ventures	887	-
Other receivables	Associates	3,826	97
Other receivables	Joint ventures	18	-
		$ 38,467	**127,000**

(v) Payables to related parties

The payables to related parties were as follows:

Account	Related party categories	December 31, 2018	December 31, 2017
Accounts payable to related parties (reported under notes and accounts payable)	Associates	**$ -**	**1,183**

(vi) Lease

The Group leased investment property and rental offices to its related parties. The related rental income was included in "other operating income and loss－net" and summarized as follows:

	2018	2017
Associates	$ 1,818	124
Joint ventures	247	41
	$ 2,065	**165**

(vii) Service income

The service income related to the management consulting service provided to related parties was included in "other gains and losses－net" and summarized as follows:

	2018	2017
Associates	$ 42	48
Joint ventures	321	4,524
Other related parties	-	1,584
	$ 363	**6,156**

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(c) Compensation for key management personnel

	2018	2017
Short-term employee benefits	$ 336,962	289,240
Post-employment benefits	8,065	7,374
Termination benefits	-	3,980
Share-based payments	1,288	2,242
	$ 346,315	302,836

Refer to note 6(x) for the information related to share-based payments.

8. Pledged assets

The carrying values of pledged assets were as follows:

Assets	Pledged to secure	December 31, 2018	December 31, 2017
Cash in bank and time deposits (reported under other financial assets－non-current)	Contract bidding, security for letters of credit, project fulfillment, import tariffs, lease guarantee, etc.	$ 450,824	493,817
Other equipment	Bank loans	1,450	2,457
Bluechip's assets	Bank loans	628,759	-
		$ 1,081,033	496,274

9. Significant commitments and contingencies

(a) The Company has entered into software and royalty license agreements with Microsoft, IBM, and other companies. The Company has fulfilled its obligations according to the contracts.

(b) An American company has filed a lawsuit in California State Court against Acer for violating confidential agreement and trade secret. The Group had appointed outside counsel to handle the case. The lawsuit is still in progress. However, the Group has recognized the litigation provisions based on the development of the aforesaid lawsuit. The management foresees no immediate material adverse effect on the Group' business operations and finance.

(c) In the ordinary course of its business from time to time, the Group received notices from third parties asserting that Acer has infringed certain patents and demanded that Acer should obtain certain patent licenses. Although the Group does not expect that the outcome of any of these legal proceedings (individually or collectively) will have a material adverse effect on the Group's business operations and finance, the litigation is inherently unpredictable. Therefore, the Group could incur judgments or enter into settlements of claims that could adversely affect its operating results or cash flows in a particular period.

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(d) The Group faces various taxation challenges around the world, such as in Australia, India, Indonesia, Mexico, Austria, Italy, etc., due to rapid changes in international tax environment. The Group held different position with various local tax authorities for certain tax audits (including income taxes and business taxes) and has provided the accruals for the cases that met the criteria for recognizing a provision. Nevertheless, the tax disputes are inherently complicated and may take years to be approved by the tax authorities. The ultimate result is unpredictable and could adversely affect the Group's operating results or cash flows in a particular period.

(e) As of December 31, 2018 and 2017, the Company had outstanding stand-by letters of credit provided by the banks totaling $49,978 and $43,319, respectively, for purposes of bids and contracts.

(f) As of December 31, 2018 and 2017, the Group had issued promissory notes amounting to $35,643,325 and $45,376,282, respectively, as collateral for obtaining credit facilities from financial institutions.

10. Significant loss from disaster: None

11. Significant subsequent events: None

12. Others

	2018			2017		
	Cost of revenue	Operating expenses	Total	Cost of revenue	Operating expenses	Total
Employee benefits:						
Salaries	973,604	9,705,813	10,679,417	1,032,126	9,415,271	10,447,397
Insurance	146,257	1,061,198	1,207,455	139,705	970,752	1,110,457
Pension	21,558	539,356	560,914	20,394	558,497	578,891
Remuneration to directors	-	21,911	21,911	-	18,363	18,363
Others	71,999	915,315	987,314	69,268	869,647	938,915
Depreciation	18,983	404,915	423,898	20,009	488,857	508,866
Amortization	75,663	340,155	415,818	14,203	549,283	563,486

13. Additional disclosures

(a) Information on significant transactions:

(i) Financing provided to other parties: See Table 1 attached;

(ii) Guarantees and endorsements provided to other parties: See Table 2 attached;

(iii) Marketable securities held at reporting date (excluding investments in subsidiaries, associates, and jointly controlled entities): See Table 3 attached;

(iv) Marketable securities for which the accumulated purchase or sale amounts for the period exceed $300 million or 20% of the paid-in capital: See Table 4 attached;

(v) Acquisition of real estate at costs which exceeds $300 million or 20% of the paid-in capital: None;

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(vi) Disposal of real estate at prices which exceeds $300 million or 20% of the paid-in capital: None;

(vii) Total purchases from and sales to related parties which exceed $100 million or 20% of the paid-in capital: See Table 5 attached;

(viii) Receivables from related parties which exceed $100 million or 20% of the paid-in capital: See Table 6 attached;

(ix) Information about derivative instruments transactions: See notes 6(b);

(i) Business relationships and significant intercompany transactions: See Table 7 attached;

(b) Information on investees: See Table 8 attached;

(c) Information on investment in Mainland China:

(i) The names of investees in Mainland China, the main businesses and products, paid-in capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investees, share of profits (losses) of investees, ending balance, amount received as earnings distributions from the investment, and limitation on investment: See Table 9 attached;

(ii) Significant direct or indirect transactions with investee companies, the prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: For the Group's significant direct or indirect transactions (eliminated when compiling the consolidated financial report) with investee companies in Mainland China for the year ended December 31, 2018, please refer to "Information on significant transactions" and "Business relationships and significant intercompany transactions" above.

14. Segment information

(a) General information

The Group's reportable segments comprise the device business group ("IT Hardware Products") and other business groups. The IT Hardware Products engages mainly in the research, design, and marketing of personal computers, IT products, and tablet products. Other business groups, which do not meet the quantitative reporting threshold, mainly engage in the activities of e-commerce, cloud services, sales and distribution of smart devices, IT products, new energy devices, and handheld devices, as well as real estate services.

Strategic investment expenditures (such as global branding expenditures, depreciation of the capital expenditures for the strengthening of the global information structure, and non-routine long-term strategic expenditures) are not allocated to reportable segments. Operating profit is used as the measurement for segment profit and the basis for performance evaluation. The reporting amount is consistent with the report used by the chief operating decision maker. There was no material inconsistency between the accounting policies adopted for the operating segments and the significant accounting policies of the Group.

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The Group's operating segment information and reconciliation are as follows:

	2018			
	IT Hardware Products	**Others**	**Adjustments and eliminations**	**Total**
Revenues from external customers	$ 219,335,347	22,935,059	-	242,270,406
Intra-group revenue	2,563,267	463,617	(3,026,884)	-
Total revenues	**$ 221,898,614**	**23,398,676**	**(3,026,884)**	**242,270,406**
Segment profit (loss)	**$ 6,622,239**	**(818,252)**	**(2,065,498)**	**3,738,489**

	2017			
	IT Hardware Products	**Others**	**Adjustments and eliminations**	**Total**
Revenues from external customers	$ 220,012,693	17,262,190	-	237,274,883
Intra-group revenue	2,050,507	238,361	(2,288,868)	-
Total revenues	**$ 222,063,200**	**17,500,551**	**(2,288,868)**	**237,274,883**
Segment profit (loss)	**$ 6,766,326**	**(1,002,777)**	**(2,093,815)**	**3,669,734**

(b) Product and service information

Revenues from external customers are detailed below:

Products and services	**2018**	**2017**
Personal computers	$ 182,961,201	185,039,250
Peripherals and others	59,309,205	52,235,633
	$ 242,270,406	**237,274,883**

(c) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers, and segment assets are based on the geographical location of the assets.

Revenues from external customers are detailed below:

Region	**2018**	**2017**
U.S.A.	$ 55,054,582	52,570,406
Mainland China	14,204,441	15,253,845
Taiwan	30,891,939	25,072,956
Others	142,119,444	144,377,676
	$ 242,270,406	**237,274,883**

Non-current assets:

Region	December 31, 2018	December 31, 2017
U.S.A.	$ 12,146,322	11,802,846
Taiwan	5,926,330	6,180,387
Mainland China	2,188,390	2,405,684
Others	2,130,805	2,192,274
	$ 22,391,847	**22,581,191**

Non-current assets include property, plant and equipment, investment property and intangible assets, and do not include financial instruments, prepaid income taxes, deferred tax assets, and pension fund assets.

(d) Major customers' information

The Group doesn't have a single customer representing at least 10% of revenue in the consolidated statements of comprehensive income.

Acer Incorporated and Subsidiaries
Financing provided to other parties
For the year ended December 31, 2018

Table 1

(Amounts in Thousands of New Taiwan Dollars)

No.	Financing Company	Counter-party	Financial Statement Account (Note 3)	Related Party	Maximum Balance for the Period	Ending Balance	Actually drawndown Amounts	Interest Rate	Nature of Financing (Note 1)	Transaction Amounts	Reasons for Short-term Financing	Loss Allowance	Collateral		Financing Limit for Each Borrowing Company (Note 2)	Financing Company's Total Financing Amount Limits (Note 2)
													Item	Value		
0	The Company	APDI	Other receivables from related parties	Yes	40,000	40,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
0	The Company	ABH	Other receivables from related parties	Yes	30,000	30,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
0	The Company	CCI	Other receivables from related parties	Yes	6,000	6,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
0	The Company	ADSC	Other receivables from related parties	Yes	37,000	37,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
0	The Company	AEB	Other receivables from related parties	Yes	329,000	329,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
0	The Company	ALT	Other receivables from related parties	Yes	19,000	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
0	The Company	XPL	Other receivables from related parties	Yes	17,000	17,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
0	The Company	ACTTW	Other receivables from related parties	Yes	244,000	244,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
0	The Company	ASDI	Other receivables from related parties	Yes	89,000	89,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
0	The Company	ABC	Other receivables from related parties	Yes	17,000	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
0	The Company	MPS	Other receivables from related parties	Yes	16,000	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
0	The Company	ACSI	Other receivables from related parties	Yes	824,000	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
0	The Company	ETEN	Other receivables from related parties	Yes	181,000	181,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
0	The Company	AGI	Other receivables from related parties	Yes	7,000	7,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
0	The Company	ABST	Other receivables from related parties	Yes	100,000	100,000	10,000	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
0	The Company	AST	Other receivables from related parties	Yes	42,000	42,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
1	GWI	AAC	Other receivables from related parties	Yes	173,118	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
1	GWI	AAC	Other receivables from related parties	Yes	387,100	384,163	384,163	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
2	AAH	AAC	Other receivables from related parties	Yes	1,044,680	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
2	AAH	AAC	Other receivables from related parties	Yes	3,375,512	3,349,897	3,349,897	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307

No.	Financing Company	Counter-party	Financial Statement Account (Note 3)	Related Party	Maximum Balance for the Period	Ending Balance	Actually drawndown Amounts	Interest Rate	Nature of Financing (Note 1)	Transaction Amounts	Reasons for Short-term Financing	Loss Allowance	Collateral		Financing Limit for Each Borrowing Company (Note 2)	Financing Company's Total Financing Amount Limits (Note 2)
													Item	Value		
2	AAH	AAC	Other receivables from related parties	Yes	1,099,364	1,091,022	1,091,022	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
3	AIZS	ACCN	Other receivables from related parties	Yes	213,452	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
3	AIZS	ACCN	Other receivables from related parties	Yes	217,463	207,761	207,761	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
4	ACTTW	ABSG	Other receivables from related parties	Yes	10,856	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
4	ACTTW	ABSG	Other receivables from related parties	Yes	7,237	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
4	ACTTW	ABSG	Other receivables from related parties	Yes	72,374	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
4	ACTTW	ABSG	Other receivables from related parties	Yes	59,911	59,911	59,911	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
4	ACTTW	The Company	Other receivables from related parties	Yes	244,000	244,000	45,000	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
5	APDI	The Company	Other receivables from related parties	Yes	40,000	40,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
6	ABH	The Company	Other receivables from related parties	Yes	611,000	611,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
7	CCI	The Company	Other receivables from related parties	Yes	127,000	127,000	107,000	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
7	CCI	ASBZ	Other receivables from related parties	Yes	20,000	20,000	15,000	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
8	ADSC	The Company	Other receivables from related parties	Yes	741,000	741,000	741,000	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
9	AEB	The Company	Other receivables from related parties	Yes	224,000	219,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
10	ALT	The Company	Other receivables from related parties	Yes	19,000	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
11	XPL	The Company	Other receivables from related parties	Yes	17,000	17,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
12	ASDI	The Company	Other receivables from related parties	Yes	89,000	89,000	14,000	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
12	ASDI	APDI	Other receivables from related parties	Yes	50,000	48,000	35,000	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
13	ABC	The Company	Other receivables from related parties	Yes	17,000	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
14	MPS	The Company	Other receivables from related parties	Yes	16,000	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
15	ACSI	The Company	Other receivables from related parties	Yes	824,000	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
16	ITS	The Company	Other receivables from related parties	Yes	117,000	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
17	AGU	AEG	Other receivables from related parties	Yes	723,736	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307

No.	Financing Company	Counter-party	Financial Statement Account (Note 3)	Related Party	Maximum Balance for the Period	Ending Balance	Actually drawndown Amounts	Interest Rate	Nature of Financing (Note 1)	Transaction Amounts	Reasons for Short-term Financing	Loss Allowance	Collateral		Financing Limit for Each Borrowing Company (Note 2)	Financing Company's Total Financing Amount Limits (Note 2)
													Item	Value		
18	ETEN	The Company	Other receivables from related parties	Yes	181,000	181,000	181,000	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
18	ETEN	XPL	Other receivables from related parties	Yes	25,000	25,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
18	ETEN	PBC	Other receivables from related parties	Yes	10,000	10,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
19	AGI	The Company	Other receivables from related parties	Yes	7,000	7,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
20	ABST	The Company	Other receivables from related parties	Yes	100,000	100,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
20	ABST	ABSG	Other receivables from related parties	Yes	22,907	22,907	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
21	AST	The Company	Other receivables from related parties	Yes	28,000	28,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
22	ACG	ABSG	Other receivables from related parties	Yes	71,582	70,483	70,483	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
22	ACG	ABSG	Other receivables from related parties	Yes	70,483	70,483	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
23	AHI	Bluechip	Other receivables from related parties	Yes	24,774	24,586	24,586	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
24	ACCN	SEB	Other receivables from related parties	Yes	8,936	8,936	8,936	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
25	VRE	VRF	Other receivables from related parties	Yes	27,488	27,488	27,488	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307

Note 1: Nature for Financing：

Type 2: Short-term financing purpose

Note 2: The aggregate financing amount shall not exceed 50% of the most recent audited or reviewed net worth of the Company (the amount shown above is based on the net worth as of September 30, 2018), within which the short-term financing amount shall not exceed 20% of the most recent audited or reviewed net worth of the Company.

For an entity which the Company owns more than 50% of its outstanding common shares, the individual financing amounts shall not exceed 10% of the most recent audited or reviewed net worth of the Company.

When a subsidiary is directly or indirectly wholly owned by the Company who provides financing to other parties, the aforementioned limitation of aggregate amount and individual financing amount is applied.

Note 3: The above transactions are eliminated when preparing the consolidated financial statements.

Acer Incorporated and Subsidiaries
Guarantees and endorsements provided to other parties
For the year ended December 31, 2018

Table 2

(Amounts in Thousands of New Taiwan Dollars)

No.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 2)(Note 3)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Note 2)(Note 3)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship (Note 1)										
0	The Company	AJC	2	11,544,523	840,542	840,542	-	-	1.46%	57,722,613	Y		
0	The Company	ATH	2	11,544,523	164,130	162,885	4,059	-	0.28%	57,722,613	Y		
0	The Company	Acer Asia Pacific subsidiaries	2	11,544,523	4,180,680	4,148,955	126,835	-	7.19%	57,722,613	Y		
0	The Company	AEG	2	11,544,523	404,435	402,155	402,155	-	0.70%	57,722,613	Y		
0	The Company	Acer EMEA subsidiaries	2	11,544,523	4,025,840	3,995,290	100,856	-	6.92%	57,722,613	Y		
0	The Company	ACN/ACD/ACW/AFN	2	11,544,523	14,799	13,885	13,885	-	0.02%	57,722,613	Y		
0	The Company	ATB	2	11,544,523	929,040	921,990	281,334	-	1.60%	57,722,613	Y		
0	The Company	Acer Pan America subsidiaries	2	11,544,523	5,264,560	5,224,610	354,284	-	9.05%	57,722,613	Y		
0	The Company	AMEX	2	11,544,523	278,712	276,597	-	-	0.48%	57,722,613	Y		
0	The Company	Acer Greater China subsidiaries	2	11,544,523	1,703,240	1,690,315	96,117	-	2.93%	57,722,613	Y		Y
0	The Company	ACSI	2	11,544,523	305,850	5,850	5,850	-	0.01%	57,722,613	Y		
0	The Company	AEB	2	11,544,523	1,850,000	1,850,000	653,126	-	3.20%	57,722,613	Y		
0	The Company	SMA	2	11,544,523	113,285	111,527	9,845	-	0.19%	57,722,613	Y		
0	The Company	ACA	2	11,544,523	309,680	307,330	307,330	-	0.53%	57,722,613	Y		
0	The Company	AIL	2	11,544,523	2,607,120	2,477,078	623,892	-	4.29%	57,722,613	Y		
0	The Company	ACCN/ACCQ/BJAC/ASTS	2	11,544,523	1,231,112	893,596	-	-	1.55%	57,722,613	Y		Y
0	The Company	AME	2	11,544,523	46,452	46,100	32,711	-	0.08%	57,722,613	Y		
0	The Company	ACTTW	2	11,544,523	61,936	61,466	-	-	0.11%	57,722,613	Y		
0	The Company	AST	2	11,544,523	500,000	500,000	-	-	0.87%	57,722,613	Y		
0	The Company	ABSG	2	11,544,523	367,815	294,631	140,966	-	0.51%	57,722,613	Y		
0	The Company	ITS	2	11,544,523	500,000	500,000	-	-	0.87%	57,722,613	Y		
0	The Company	ASBZ	2	11,544,523	138,310	138,310	-	-	0.24%	57,722,613	Y		
0	The Company	AIP	2	11,544,523	89,322	88,101	-	-	0.15%	57,722,613	Y		
0	The Company	ALT	2	11,544,523	200,000	200,000	-	-	0.35%	57,722,613	Y		
0	The Company	GTI	2	11,544,523	10,000	10,000	-	-	0.02%	57,722,613	Y		
0	The Company	HSNC	2	11,544,523	30,000	30,000	-	-	0.05%	57,722,613	Y		
0	The Company	HSNP	2	11,544,523	30,850	30,733	-	-	0.05%	57,722,613	Y		
0	The Company	HSNI	2	11,544,523	30,850	30,733	-	-	0.05%	57,722,613	Y		
0	The Company	HSNT	2	11,544,523	30,850	30,733	-	-	0.05%	57,722,613	Y		
1	AOI	AOA	2	230,181	13,936	13,830	-	-	1.80%	767,270	Y		

Note 1: Relationships between the endorsement/guarantee provider and the guaranteed party:

Type 2: an entity directly or indirectly owned by the Company over 50%

Note 2: The aggregate endorsement/guarantee amount provided shall not exceed the most recent audited or reviewed net worth of the Company (the amount shown above is based on the net worth as of September 30, 2018).

The endorsement/guarantee provided to individual guarantee party shall not exceed 20% of the most recent audited or reviewed net worth of the Company.

Note 3: The aggregate endorsement/guarantee amount provided shall not exceed the most recent audited or reviewed net worth of AOI (the amount shown above is based on the net worth as of December 31, 2018).

The endorsement/guarantee provided to individual guarantee party shall not exceed 30% of the most recent audited or reviewed net worth of AOI.

Acer Incorporated and Subsidiaries
Marketable securities held
(Excluding investments in subsidiaries, associates, and joint controlled entities)
December 31, 2018

Table 3

(Amounts in Thousands of New Taiwan Dollars / Shares)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	Ending Balance				Maximum ownership during 2018		Note
				Shares/ Units (in thousands)	Carrying Value	Percentage of Ownership	Fair Value	Shares/ Units (in thousands)	Percentage of Ownership	
The Company	Stock: Hon Hai	-	Financial assets measured at fair value through other comprehensive income－current	564	39,908	-	39,908	705	-	
The Company	Stock: Qisda	-	Financial assets measured at fair value through other comprehensive income－non-current	81,713	1,609,740	4.15%	1,609,740	81,713	4.15%	
The Company	Stock: WPG Holdings	-	Financial assets measured at fair value through other comprehensive income－non-current	4,012	148,227	0.24%	148,227	4,360	0.24%	
The Company	Stock: Wistron	-	Financial assets measured at fair value through other comprehensive income－non-current	54,816	1,046,986	1.93%	1,046,986	54,816	1.93%	
The Company	Stock: iDSoftCapital Inc.	-	Financial assets measured at fair value through other comprehensive income－non-current	398	3,675	19.90%	3,675	398	19.90%	
The Company	Stock: World Venture, Inc.	-	Financial assets measured at fair value through other comprehensive income－non-current	8,505	52,047	19.35%	52,047	8,505	19.35%	
The Company	Stock: Dragon Investment Co. Ltd.	-	Financial assets measured at fair value through other comprehensive income－non-current	13,459	21,313	19.94%	21,313	13,459	19.94%	
The Company	Stock: Venture Power	-	Financial assets measured at fair value through other comprehensive income－non-current	15	13	4.15%	13	15	4.15%	
The Company	Convertible bonds: Starbreeze	-	Financial assets measured at fair value through profit or loss－current	-	11,427	-	11,427	-	-	
ADSC	Stock: Wistron	-	Financial assets measured at fair value through other comprehensive income－non-current	13,046	249,181	0.46%	249,181	13,046	0.46%	
ADSC	Stock: PChome Pay	-	Financial assets measured at fair value through other comprehensive income－non-current	12,600	126,000	14.82%	126,000	12,600	14.82%	
ADSC	Stock: Benepet Biomedical Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income－non-current	700	14,000	18.92%	14,000	700	18.92%	
ASCBVI	Stock: ID5 Fund L.P.	-	Financial assets measured at fair value through other comprehensive income－non-current	3,800	171,854	19.39%	171,854	3,800	19.39%	
ASCBVI	Stock: IP Cathay One, L.P.	-	Financial assets measured at fair value through other comprehensive income－non-current	5,442	1,204	8.00%	1,204	5,442	8.00%	
ASCBVI	Stock: ID5 Annex I fund	-	Financial assets measured at fair value through other comprehensive income－non-current	565	8,324	19.15%	8,324	565	19.15%	
ASCBVI	Stock: Trutag	-	Financial assets measured at fair value through other comprehensive income－non-current	1,346	92,214	1.69%	92,214	1,346	1.69%	
ASCBVI	Stock: Gorilla	-	Financial assets measured at fair value through other comprehensive income－non-current	244	61,466	1.92%	61,466	244	2.19%	
ASCBVI	Stock: GCR	-	Financial assets measured at fair value through other comprehensive income－non-current	600	36,880	8.89%	36,880	600	10.00%	
ASCBVI	Stock: Locix	-	Financial assets measured at fair value through other comprehensive income－non-current	1,000	46,100	5.44%	46,100	1,000	6.27%	
ASCBVI	Stock: BoniO	-	Financial assets measured at fair value through other comprehensive income－non-current	463	122,932	14.07%	122,932	463	14.07%	
ASCBVI	Stock: Delight	-	Financial assets measured at fair value through other comprehensive income－non-current	13	61,478	11.50%	61,478	13	11.50%	

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	Ending Balance				Maximum ownership during 2018		Note
				Shares/ Units (in thousands)	Carrying Value	Percentage of Ownership	Fair Value	Shares/ Units (in thousands)	Percentage of Ownership	
AWI	Stock: Acer Inc.	Parent/Subsidiary	Treasury stock	12,730	522,237	0.41%	247,596	12,730	0.41%	
AWI	GDR: Acer Inc.	Parent/Subsidiary	Treasury stock	4,987	1,969,617	0.81%	475,167	4,987	0.81%	
CCI	Stock: China Development Financial Holding Co.	-	Financial assets measured at fair value through other comprehensive income－current	5,049	49,081	0.03%	49,081	5,049	0.03%	
CCI	Stock: Acer Inc.	Parent/Subsidiary	Financial assets measured at fair value through other comprehensive income－non-current	4,774	92,849	0.16%	92,849	4,774	0.16%	
ETEN	Stock: RoyalTek	-	Financial assets measured at fair value through other comprehensive income－non-current	1,015	17,060	2.01%	17,060	1,015	2.01%	
ETEN	Stock: Acer Inc.	Parent/Subsidiary	Financial assets measured at fair value through other comprehensive income－non-current	4,305	83,740	0.14%	83,740	4,305	0.14%	
ETEN	Stock: Abico Shi-pro Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income－non-current	284	2,931	7.89%	2,931	284	7.89%	
WLII	Stock: Antung Trading Co.	-	Financial assets measured at fair value through other comprehensive income－non-current	3,000	67,227	10.00%	67,227	3,000	10.00%	
ACTI	Stock: Physiosigns Inc., DE	-	Financial assets measured at fair value through other comprehensive income－non-current	800	245,864	12.50%	245,864	800	12.50%	
ABST	Stock: PilotTV Holdings	-	Financial assets measured at fair value through other comprehensive income－non-current	2,676	57,461	19.18%	57,461	2,676	19.18%	
ACVP	Stock: Thinputer Technology Corporation	-	Financial assets measured at fair value through other comprehensive income－non-current	-	35,744	13.79%	35,744	-	13.79%	
ACVP	Stock: Shenzhen Mlizhi Technology Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income－non-current	-	30,740	19.99%	30,740	-	19.99%	
Bluechip	Stock: Pier DC Pty Ltd.	-	Financial assets measured at fair value through other comprehensive income－non-current	960	9,796	8.82%	9,796	960	8.82%	

Acer Incorporated and Subsidiaries
Marketable securities for which the accumulated purchase or sale amounts for the period exceed NT$300 million or 20% of the paid-in capital
For the year ended December 31, 2018

Table 4

(Amounts in Thousands of New Taiwan Dollars / Shares)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-Party	Nature of Relationship	Beginning Balance		Acquisitions		Disposal				Ending Balance	
					Shares/ Units (in thousands)	Amount	Shares/ Units (in thousands)	Amount	Shares/ Units (in thousands)	Amount	Carrying Value	Gain (Loss) on Disposal	Shares/ Units (in thousands)	Amount
ACCN	China Merchants Bank CNY Financial Plan	Financial assets measured at fair value through profit or loss－current	China Merchants Bank	None	-	-	965,000	4,376,840	965,000	4,385,668	4,376,840	8,828	-	-
ACCN	Fubon Bank (China) CNY SDRMBC 16030000	Financial assets measured at fair value through profit or loss－current	Fubon Bank (China) Co., Ltd.	None	-	-	5,595,000	25,422,179	5,595,000	25,493,279	25,422,179	71,100	-	-
ACCQ	China Merchants Bank CNY Financial Plan	Financial assets measured at fair value through profit or loss－current	China Merchants Bank	None	-	-	420,000	1,911,376	420,000	1,914,320	1,911,376	2,944	-	-
AHN	AEG	Investments accounted for using equity method	AEH	Parent	1,650	2,122,696	-	-	1,650	2,271,763	2,271,763	-	-	-
AEH	AEG	Investments accounted for using equity method	AHN	Subsidiary	-	-	1,650	2,271,763	-	-	-	-	1,650	2,271,763

Acer Incorporated and Subsidiaries
Total purchases from and sales to related parties which exceed NT$100 million or 20% of the paid-in capital
For the year ended December 31, 2018

Table 5

(Amounts in Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others (Note 1)		Notes/Accounts Receivable or (Payable)		Note
			Purchases/ (Sales)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Company	AAC	Parent/Subsidiary	(Sales)	(50,515,776)	(28.39)%	OA90	-	-	7,579,129	28.68%	
The Company	AAPH	Parent/Subsidiary	(Sales)	(3,062,235)	(1.72)%	OA60	-	-	-	-	
The Company	ACA	Parent/Subsidiary	(Sales)	(5,811,391)	(3.27)%	OA60	-	-	1,797,861	6.80%	
The Company	ACCQ	Parent/Subsidiary	(Sales)	(8,802,986)	(4.95)%	OA60	-	-	708,325	2.68%	
The Company	ACNZ	Parent/Subsidiary	(Sales)	(828,120)	(0.47)%	OA60	-	-	241,942	0.92%	
The Company	ACS	Parent/Subsidiary	(Sales)	(2,052,404)	(1.15)%	OA60	-	-	215,311	0.81%	
The Company	AEG	Parent/Subsidiary	(Sales)	(68,217,538)	(38.33)%	OA60	-	-	4,440,629	16.80%	
The Company	AFE	Parent/Subsidiary	(Sales)	(872,402)	(0.49)%	OA60	-	-	296,727	1.12%	
The Company	AIL	Parent/Subsidiary	(Sales)	(5,267,353)	(2.96)%	OA180	-	-	4,221,850	15.98%	
The Company	AIN	Parent/Subsidiary	(Sales)	(4,972,243)	(2.79)%	OA90	-	-	576,474	2.18%	
The Company	AJC	Parent/Subsidiary	(Sales)	(2,269,934)	(1.28)%	OA180	-	-	1,124,979	4.26%	
The Company	AMI	Parent/Subsidiary	(Sales)	(228,615)	(0.13)%	OA90	-	-	12,077	0.05%	
The Company	APHI	Parent/Subsidiary	(Sales)	(1,179,925)	(0.66)%	OA60	-	-	144,347	0.55%	
The Company	APX	Parent/Subsidiary	(Sales)	(174,841)	(0.10)%	OA60	-	-	13,407	0.05%	
The Company	ASC	Parent/Subsidiary	(Sales)	(122,276)	(0.07)%	OA60	-	-	9,021	0.03%	
The Company	ASSB	Parent/Subsidiary	(Sales)	(3,038,779)	(1.71)%	OA60	-	-	251,933	0.95%	
The Company	ATH	Parent/Subsidiary	(Sales)	(4,611,010)	(2.59)%	OA60	-	-	765,255	2.90%	
The Company	AVN	Parent/Subsidiary	(Sales)	(137,060)	(0.08)%	OA60	-	-	43,118	0.16%	
The Company	ALT	Parent/Subsidiary	(Sales)	(225,803)	(0.13)%	OA60	-	-	154,339	0.58%	
The Company	WLII	Parent/Subsidiary	(Sales)	(2,110,557)	(1.19)%	EM45	-	-	243,284	0.92%	
The Company	AST	Parent/Subsidiary	(Sales)	(172,628)	(0.10)%	OA90	-	-	109,795	0.42%	
The Company	AIL	Parent/Subsidiary	Purchases	136,809	0.08%	OA60	-	-	276	-	
The Company	APHI	Parent/Subsidiary	Purchases	165,015	0.10%	OA60	-	-	(14,714)	(0.04)%	
The Company	EDC	Parent/Subsidiary	Purchases	216,183	0.13%	OA60	-	-	(46,281)	(0.14)%	
The Company	ACTTW	Parent/Subsidiary	Purchases	123,757	0.07%	OA60	-	-	(2,545)	(0.01)%	
The Company	AEB	Parent/Subsidiary	Purchases	674,836	0.40%	EM60	-	-	(30,993)	(0.09)%	
ALT	The Company	Parent/Subsidiary	Purchases	225,803	97.42%	OA60	-	-	(154,339)	(95.53)%	
EDC	The Company	Parent/Subsidiary	(Sales)	(216,183)	(47.73)%	OA60	-	-	46,281	67.43%	

Company Name	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others (Note 1)		Notes/Accounts Receivable or (Payable)		Note
			Purchases/ (Sales)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
ACTTW	The Company	Parent/Subsidiary	(Sales)	(123,757)	(35.70)%	OA60	-	-	2,545	1.80%	
ACTTW	AGI	Parent/Subsidiary	(Sales)	(200,436)	(57.83)%	EM180	-	-	138,434	97.93%	
AEB	The Company	Parent/Subsidiary	(Sales)	(674,836)	(16.26)%	EM60	-	-	30,993	3.52%	
AEB	WLII	Fellow subsidiary	Purchases	143,483	3.74%	EM60	-	-	(39,744)	(4.70)%	
AGI	AOI	Fellow subsidiary	(Sales)	(213,767)	(93.09)%	OA60	-	-	54,819	62.02%	
AGI	ACTTW	Parent/Subsidiary	Purchases	200,436	100.00%	EM180	-	-	(138,434)	(100.00)%	
AOI	AOA	Parent/Subsidiary	(Sales)	(380,775)	(38.55)%	OA60	-	-	100,763	30.19%	
AOI	AOE	Parent/Subsidiary	(Sales)	(325,828)	(32.99)%	OA90	-	-	112,535	33.71%	
AOI	AOTH	Parent/Subsidiary	Purchases	549,334	53.98%	OA60	-	-	57,275	17.16%	
AOI	AGI	Fellow subsidiary	Purchases	213,767	21.00%	OA60	-	-	(54,819)	(18.73)%	
WLII	AEB	Fellow subsidiary	(Sales)	(143,483)	(1.16)%	EM60	-	-	39,744	1.78%	
WLII	The Company	Parent/Subsidiary	Purchases	2,110,557	17.37%	EM45	-	-	(243,284)	(15.88)%	
AST	The Company	Parent/Subsidiary	Purchases	172,628	21.43%	OA90	-	-	(109,795)	(35.43)%	
AAC	AMEX	Fellow subsidiary	(Sales)	(1,827,202)	(3.27)%	OA60	-	-	918,821	10.48%	
AAC	ASC	Fellow subsidiary	(Sales)	(253,698)	(0.45)%	OA60	-	-	10,029	0.11%	
AAC	ATB	Fellow subsidiary	(Sales)	(403,279)	(0.72)%	OA60	-	-	71,223	0.81%	
AAC	The Company	Parent/Subsidiary	Purchases	50,515,776	92.40%	OA90	-	-	(7,579,129)	(92.59)%	
AAPH	AIL	Fellow subsidiary	(Sales)	(1,950,456)	(53.66)%	OA60	-	-	-	-	
AAPH	ASSB	Fellow subsidiary	(Sales)	(120,761)	(3.59)%	OA60	-	-	-	-	
AAPH	ATH	Fellow subsidiary	(Sales)	(1,439,662)	(42.75)%	OA60	-	-	-	-	
AAPH	The Company	Parent/Subsidiary	Purchases	3,062,235	95.68%	OA60	-	-	-	-	
ACA	ACNZ	Fellow subsidiary	(Sales)	(147,471)	(2.13)%	OA60	-	-	64,020	5.11%	
ACA	Bluechip	Fellow subsidiary	(Sales)	(211,895)	(3.06)%	EM30	-	-	17,929	1.43%	
ACA	The Company	Parent/Subsidiary	Purchases	5,811,391	98.39%	OA60	-	-	(1,797,861)	(98.26)%	
ACCN	ACCQ	Fellow subsidiary	(Sales)	(106,875)	(0.84)%	OA60	-	-	121,098	9.39%	
ACCN	ACCQ	Fellow subsidiary	Purchases	11,116,373	90.42%	OA60	-	-	(2,014,452)	(99.77)%	
ACCQ	ACCN	Fellow subsidiary	(Sales)	(11,116,373)	(99.98)%	OA60	-	-	2,014,452	100.00%	
ACCQ	The Company	Parent/Subsidiary	Purchases	8,802,986	72.42%	OA60	-	-	(708,325)	(49.60)%	
ACCQ	ACCN	Fellow subsidiary	Purchases	106,875	0.88%	OA60	-	-	(121,098)	(8.48)%	
ACF	AEG	Fellow subsidiary	(Sales)	(303,489)	(3.00)%	OA60	-	-	754,118	20.25%	
ACF	AEG	Fellow subsidiary	Purchases	8,871,711	90.78%	OA60	-	-	(1,869,324)	(97.52)%	
ACF	APX	Fellow subsidiary	Purchases	138,568	1.42%	OA60	-	-	(11,009)	(0.57)%	
ACG	AEG	Fellow subsidiary	(Sales)	(488,850)	(2.01)%	OA60	-	-	1,807,526	23.53%	
ACG	APX	Fellow subsidiary	(Sales)	(118,240)	(0.49)%	OA60	-	-	16,381	0.21%	

Company Name	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others (Note 1)		Notes/Accounts Receivable or (Payable)		Note
			Purchases/ (Sales)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
ACG	AEG	Fellow subsidiary	Purchases	22,082,010	94.02%	OA60	-	-	(3,780,236)	(98.01)%	
ACG	APX	Fellow subsidiary	Purchases	271,385	1.16%	OA45	-	-	(42,407)	(1.10)%	
ACH	AEG	Fellow subsidiary	(Sales)	(190,042)	(3.03)%	OA60	-	-	412,856	22.85%	
ACH	AEG	Fellow subsidiary	Purchases	5,690,277	93.94%	OA60	-	-	(902,644)	(98.25)%	
ACNZ	ACA	Fellow subsidiary	Purchases	147,471	14.80%	OA60	-	-	(64,020)	(19.83)%	
ACNZ	The Company	Parent/Subsidiary	Purchases	828,120	83.13%	OA60	-	-	(241,942)	(74.93)%	
ACS	The Company	Parent/Subsidiary	Purchases	2,052,404	91.46%	OA60	-	-	(215,311)	(97.35)%	
ACZ	ASIN	Fellow subsidiary	(Sales)	(250,848)	(44.54)%	OA30	-	-	23,126	31.52%	
ACZ	APX	Fellow subsidiary	Purchases	195,162	38.19%	OA90	-	-	(26,040)	(93.14)%	
AEG	ACF	Fellow subsidiary	(Sales)	(8,871,711)	(11.48)%	OA60	-	-	1,869,324	13.83%	
AEG	ACG	Fellow subsidiary	(Sales)	(22,082,010)	(28.57)%	OA60	-	-	3,780,236	27.97%	
AEG	ACH	Fellow subsidiary	(Sales)	(5,690,277)	(7.36)%	OA60	-	-	902,644	6.68%	
AEG	AIB	Fellow subsidiary	(Sales)	(3,736,066)	(4.83)%	OA60	-	-	400,343	2.96%	
AEG	AIT	Fellow subsidiary	(Sales)	(4,957,276)	(6.41)%	OA60	-	-	915,474	6.77%	
AEG	APX	Fellow subsidiary	(Sales)	(596,882)	(0.77)%	OA60	-	-	124,988	0.92%	
AEG	ASIN	Fellow subsidiary	(Sales)	(21,290,215)	(27.54)%	OA60	-	-	3,711,577	27.46%	
AEG	ASZ	Fellow subsidiary	(Sales)	(2,269,570)	(2.94)%	OA60	-	-	346,678	2.56%	
AEG	AUK	Fellow subsidiary	(Sales)	(7,295,708)	(9.44)%	OA60	-	-	1,080,021	7.99%	
AEG	SER	Fellow subsidiary	(Sales)	(452,215)	(0.59)%	OA60	-	-	111,082	0.82%	
AEG	The Company	Parent/Subsidiary	Purchases	68,217,538	90.97%	OA60	-	-	(4,440,629)	(41.81)%	
AEG	ACF	Fellow subsidiary	Purchases	303,489	0.40%	OA60	-	-	(754,118)	(7.10)%	
AEG	ACG	Fellow subsidiary	Purchases	488,850	0.65%	OA60	-	-	(1,807,526)	(17.02)%	
AEG	ACH	Fellow subsidiary	Purchases	190,042	0.25%	OA60	-	-	(412,856)	(3.89)%	
AEG	AIB	Fellow subsidiary	Purchases	253,805	0.34%	OA60	-	-	(397,728)	(3.74)%	
AEG	AIT	Fellow subsidiary	Purchases	255,747	0.34%	OA60	-	-	(406,067)	(3.82)%	
AEG	APX	Fellow subsidiary	Purchases	391,133	0.52%	OA60	-	-	(25,760)	(0.24)%	
AFE	The Company	Parent/Subsidiary	Purchases	872,402	97.92%	OA60	-	-	(296,727)	(98.73)%	
AIB	AEG	Fellow subsidiary	(Sales)	(253,805)	(5.87)%	OA60	-	-	397,728	25.97%	
AIB	AEG	Fellow subsidiary	Purchases	3,736,066	89.85%	OA60	-	-	(400,343)	(95.55)%	
AIB	APX	Fellow subsidiary	Purchases	110,576	2.66%	OA60	-	-	(18,381)	(4.39)%	
AIL	AIN	Fellow subsidiary	(Sales)	(148,796)	(1.32)%	OA60	-	-	23,902	0.81%	
AIL	The Company	Parent/Subsidiary	(Sales)	(136,809)	(1.21)%	OA60	-	-	(276)	(0.01)%	
AIL	The Company	Parent/Subsidiary	Purchases	5,267,353	58.85%	OA180	-	-	(4,221,850)	(93.93)%	
AIL	AAPH	Fellow subsidiary	Purchases	1,950,456	21.79%	OA60	-	-	-	-	

Company Name	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others (Note 1)		Notes/Accounts Receivable or (Payable)		Note
			Purchases/ (Sales)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
AIN	AMI	Parent/Subsidiary	(Sales)	(950,261)	(13.89)%	OA60	-	-	57,704	63.42%	
AIN	The Company	Parent/Subsidiary	Purchases	4,972,243	72.78%	OA90	-	-	(576,474)	(91.82)%	
AIN	AIL	Fellow subsidiary	Purchases	148,796	2.18%	OA60	-	-	(23,902)	(3.81)%	
AIN	AMI	Parent/Subsidiary	Purchases	1,225,609	17.94%	OA90	-	-	(19,877)	(3.17)%	
AIT	AEG	Fellow subsidiary	(Sales)	(255,747)	(4.65)%	OA60	-	-	406,067	17.41%	
AIT	AEG	Fellow subsidiary	Purchases	4,957,276	94.00%	OA60	-	-	(915,474)	(99.02)%	
AJC	The Company	Parent/Subsidiary	Purchases	2,269,934	95.37%	OA180	-	-	(1,124,979)	(98.37)%	
AMEX	AAC	Fellow subsidiary	Purchases	1,827,202	96.44%	OA60	-	-	(918,821)	(100.00)%	
AMI	AIN	Parent/Subsidiary	(Sales)	(1,225,609)	(98.14)%	OA90	-	-	19,877	98.76%	
AMI	AIN	Parent/Subsidiary	Purchases	950,261	76.56%	OA60	-	-	(57,704)	(79.05)%	
AMI	The Company	Parent/Subsidiary	Purchases	228,615	18.42%	OA90	-	-	(12,077)	(16.54)%	
AOTH	AOZ	Parent/Subsidiary	(Sales)	(451,945)	(37.88)%	OA60	-	-	110,562	47.39%	
AOTH	AOI	Parent/Subsidiary	(Sales)	(549,334)	(46.04)%	OA60	-	-	(57,275)	(16.21)%	
AOZ	AOTH	Parent/Subsidiary	(Sales)	(505,145)	(99.22)%	OA60	-	-	128,609	98.35%	
AOA	AOI	Parent/Subsidiary	Purchases	380,775	58.29%	OA90	-	-	(100,763)	(91.73)%	
AOE	AOI	Parent/Subsidiary	Purchases	325,828	96.78%	OA60	-	-	(112,535)	(98.29)%	
AOTH	AOZ	Parent/Subsidiary	Purchases	505,145	39.39%	OA60	-	-	(128,609)	(36.40)%	
AOZ	AOTH	Parent/Subsidiary	Purchases	451,945	92.68%	OA60	-	-	(110,562)	(87.13)%	
APHI	The Company	Parent/Subsidiary	(Sales)	(165,015)	(11.15)%	OA60	-	-	14,714	29.19%	
APHI	The Company	Parent/Subsidiary	Purchases	1,179,925	99.04%	OA60	-	-	(144,347)	(80.87)%	
APX	ACF	Fellow subsidiary	(Sales)	(138,568)	(6.63)%	OA60	-	-	11,009	5.65%	
APX	ACG	Fellow subsidiary	(Sales)	(271,385)	(12.99)%	OA45	-	-	42,407	21.76%	
APX	ACZ	Fellow subsidiary	(Sales)	(195,162)	(9.34)%	OA90	-	-	26,040	13.36%	
APX	AEG	Fellow subsidiary	(Sales)	(391,133)	(18.73)%	OA60	-	-	25,760	13.22%	
APX	AIB	Fellow subsidiary	(Sales)	(110,576)	(5.29)%	OA60	-	-	18,381	9.43%	
APX	ACG	Fellow subsidiary	Purchases	118,240	6.81%	OA60	-	-	(16,381)	(6.89)%	
APX	AEG	Fellow subsidiary	Purchases	596,882	34.38%	OA60	-	-	(124,988)	(52.57)%	
APX	The Company	Parent/Subsidiary	Purchases	174,841	10.07%	OA60	-	-	(13,407)	(5.64)%	
ARU	ASIN	Fellow subsidiary	(Sales)	(133,701)	(100.00)%	OA60	-	-	10,915	100.00%	
ASC	AAC	Fellow subsidiary	Purchases	253,698	35.88%	OA60	-	-	(10,029)	(10.80)%	
ASC	The Company	Parent/Subsidiary	Purchases	122,276	17.29%	OA60	-	-	(9,021)	(9.72)%	
ASIN	ACZ	Fellow subsidiary	Purchases	250,848	1.13%	OA30	-	-	(23,126)	(0.62)%	
ASIN	AEG	Fellow subsidiary	Purchases	21,290,215	96.30%	OA60	-	-	(3,711,577)	(98.72)%	
ASIN	ARU	Fellow subsidiary	Purchases	133,701	0.60%	OA60	-	-	(10,915)	(0.29)%	

Company Name	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others (Note 1)		Notes/Accounts Receivable or (Payable)		Note
			Purchases/ (Sales)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
ASSB	SMA	Parent/Subsidiary	(Sales)	(553,595)	(16.41)%	OA60	-	-	1,833	0.83%	
ASSB	AAPH	Fellow subsidiary	Purchases	120,761	3.86%	OA60	-	-	-	-	
ASSB	The Company	Parent/Subsidiary	Purchases	3,038,779	96.14%	OA60	-	-	(251,933)	(92.22)%	
ASZ	AEG	Fellow subsidiary	Purchases	2,269,570	89.63%	OA60	-	-	(346,678)	(98.45)%	
ATB	AAC	Fellow subsidiary	Purchases	403,279	5.03%	OA60	-	-	(71,223)	(3.50)%	
ATH	AAPH	Fellow subsidiary	Purchases	1,439,662	21.52%	OA60	-	-	-	-	
ATH	The Company	Parent/Subsidiary	Purchases	4,611,010	68.92%	OA60	-	-	(765,255)	(93.18)%	
AUK	AEG	Fellow subsidiary	Purchases	7,295,708	95.60%	OA60	-	-	(1,080,021)	(98.90)%	
AVN	The Company	Parent/Subsidiary	Purchases	137,060	70.24%	OA60	-	-	(43,118)	(86.65)%	
Bluechip	ACA	Fellow subsidiary	Purchases	211,895	9.73%	EM30	-	-	(17,929)	(7.16)%	
SER	AEG	Fellow subsidiary	Purchases	452,215	100.00%	OA60	-	-	(111,082)	(99.51)%	
SMA	ASSB	Parent/Subsidiary	Purchases	553,595	16.67%	OA60	-	-	(1,833)	(3.92)%	

Note 1: The trade terms and price of sales with related parties are not comparable to the trading terms and prices with third-party customers as they are determined by the economic environment and market competition of specific locations. The trading terms of purchase with related parties are not comparable to the trading terms with third-party vendors as the specifications of products are different.

Note 2: The above transactions between parent and subsidiary are eliminated when preparing the consolidated financial statements.

Acer Incorporated and Subsidiaries
Receivables from related parties which exceed NT$100 million or 20% of the paid-in capital
December 31, 2018

Table 6

(Amounts in Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Loss Allowance	Note
					Amount	Action Taken			
The Company	AAC	Parent/Subsidiary	7,579,129	6.82	-		7,565,877		
The Company	ACA	Parent/Subsidiary	1,797,861	3.23	758,836	Under collection	953,203		
The Company	ACCQ	Parent/Subsidiary	708,325	8.82	-		708,325		
The Company	ACNZ	Parent/Subsidiary	241,942	3.42	37,512	Under collection	204,430		
The Company	ACS	Parent/Subsidiary	215,311	9.53	-		215,311		
The Company	AEG	Parent/Subsidiary	4,440,629	27.85	-		4,440,629		
The Company	AFE	Parent/Subsidiary	296,902	3.70	162,036	Under collection	134,866		
The Company	AIL	Parent/Subsidiary	4,221,850	1.25	642,532	Under collection	1,091,078		
The Company	AIN	Parent/Subsidiary	576,474	8.63	-		576,474		
The Company	AJC	Parent/Subsidiary	1,124,979	2.02	-		341,162		
The Company	APHI	Parent/Subsidiary	144,347	10.92	-		144,347		
The Company	ASSB	Parent/Subsidiary	251,933	12.92	-		251,933		
The Company	ATH	Parent/Subsidiary	765,255	6.03	-		765,255		
The Company	ALT	Parent/Subsidiary	155,606	2.50	67,642	Under collection	87,964		
The Company	WLII	Parent/Subsidiary	252,621	8.31	-		252,621		
The Company	AST	Parent/Subsidiary	112,120	3.14	59,237	Under collection	43,747		
ABH	AEB	Parent/Subsidiary	156,775	-	-		-		
AEB	The Company	Parent/Subsidiary	119,359	13.88	-		-		
ACTTW	AGI	Parent/Subsidiary	138,434	2.05	-		82,590		
AOI	AOA	Parent/Subsidiary	100,763	3.92	-		104,093		Note 2
AOI	AOE	Parent/Subsidiary	112,535	3.81	55,336	Under collection	80,549		Note 2
ETEN	The Company	Parent/Subsidiary	182,356	71.08	-		-		
ADSC	The Company	Parent/Subsidiary	745,017	-	-		-		
CCI	The Company	Parent/Subsidiary	107,057	-	-		-		
GTI	The Company	Parent/Subsidiary	100,074	1.98	-		35,244		
AAC	AMEX	Fellow subsidiary	919,005	1.62	304,456	Under collection	385,368		

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Loss Allowance	Note
					Amount	Action Taken			
AAC	ASC	Fellow subsidiary	325,013	13.68	-		10,029		
AAH	AAC	Parent/Subsidiary	4,511,575	-	-		-		
ACCN	ACCQ	Fellow subsidiary	121,098	0.86	-		121,098		
ACCQ	ACCN	Fellow subsidiary	2,014,452	5.74	-		2,014,452		
ACF	AEG	Fellow subsidiary	766,201	0.42	-		75,304		
ACG	AEG	Fellow subsidiary	2,306,197	0.26	-		102,788		
ACH	AEG	Fellow subsidiary	415,237	0.46	-		15,298		
AEG	ACF	Fellow subsidiary	1,869,324	5.31	-		1,858,553		
AEG	ACG	Fellow subsidiary	3,780,281	5.13	-		3,734,522		
AEG	ACH	Fellow subsidiary	902,644	6.92	-		899,233		
AEG	AIB	Fellow subsidiary	400,343	10.56	-		397,933		
AEG	AIT	Fellow subsidiary	915,474	4.64	-		915,474		
AEG	APX	Fellow subsidiary	124,988	5.68	-		124,988		
AEG	ASIN	Fellow subsidiary	3,720,027	5.00	126	Under collection	3,644,728		
AEG	ASZ	Fellow subsidiary	346,678	5.86	51	Under collection	341,354		
AEG	AUK	Fellow subsidiary	1,080,021	6.83	-		858,981		
AEG	SER	Fellow subsidiary	111,082	5.28	-		65,827		
AIB	AEG	Fellow subsidiary	430,911	0.66	-		71,692		
AIT	AEG	Fellow subsidiary	406,067	0.66	-		-		
AIZS	ACCN	Fellow subsidiary	209,966	-	-		-		
AOZ	AOTH	Parent/Subsidiary	128,609	4.20	42,817	Under collection	49,173		
ASCBVI	LONG	Fellow subsidiary	307,330	-	-		-		
ASIN	AEG	Fellow subsidiary	530,585	0.02	-		25,010		
ASZ	AEG	Fellow subsidiary	213,435	0.31	-		11,656		
AUK	AEG	Fellow subsidiary	643,910	0.10	-		21,678		
GWI	AAC	Parent/Subsidiary	384,711	-	-		-		

Note 1: The above transactions between parent and subsidiary are eliminated when preparing the consolidated financial statements.

Note 2: The ending balance of receivables has been deducted by the credit amount of investments accounted for using equity method.

Acer Incorporated and Subsidiaries
Business relationships and significant intercompany transactions
For the year ended December 31, 2018

Table 7

(Amounts in Thousands of New Taiwan Dollars)

Intercomapny relationships and significant intercompany transactions for the year ended December 31, 2018 were as follows:

Number	Company Name	Counter Party	Nature of Relationship	Intercompany Transactions			Percentage of Consolidated Net Revenue or Total Assets
				Account	Amount	Transaction Terms	
0	The Company	AEG	1	Sales	68,217,538	OA60	28.16%
0	The Company	AAC	1	Sales	50,515,776	OA90	20.85%
0	The Company	ACCQ	1	Sales	8,802,986	OA60	3.63%
0	The Company	ACA	1	Sales	5,811,391	OA60	2.40%
0	The Company	AIL	1	Sales	5,267,353	OA180	2.17%
0	The Company	AIN	1	Sales	4,972,243	OA90	2.05%
0	The Company	ATH	1	Sales	4,611,010	OA60	1.90%
0	The Company	AAPH	1	Sales	3,062,235	OA60	1.26%
0	The Company	ASSB	1	Sales	3,038,779	OA60	1.25%
0	The Company	AAC	1	Accounts receivable	7,579,129	OA90	4.92%
0	The Company	AEG	1	Accounts receivable	4,440,629	OA60	2.88%
0	The Company	AIL	1	Accounts receivable	4,221,850	OA180	2.74%
0	The Company	ACA	1	Accounts receivable	1,797,861	OA60	1.17%

Note 1: Parties to the intercompany transactions are identified and numbered as follows:

1. "0" represents the Company.
2. Subsidiaries are numbered from "1".

Note 2: No. 1 represents the transactions from parent company to subsidiary.

No. 2 represents the transactions from subsidiary to parent company.

Note 3: Intercompany relationships and significant intercompany transactions are disclosed only for the amounts that exceed 1% of consolidated net revenue or total assets. The corresponding purchases and accounts payables are not disclosed.

Acer Incorporated and Subsidiaries

Names, Locations, and Related Information of Investees over which The Company Exercises Significant Influence

December 31, 2018

Table 8

(Amounts in Thousands of New Taiwan Dollars/Shares)

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount		Balances as of December 31, 2018			Maximum ownership during 2018		Net Income (Loss) of the Investee	Share of profits/ losses of investee	Note
				December 31, 2018	December 31, 2017	Shares (in thousands)	Percentage of Ownership	Carrying Value	Shares (in thousands)	Percentage of Ownership			
The Company	ADSC	Taiwan	Investment and holding activity	1,746,549	1,746,549	128,282	100.00	1,708,174	128,282	100.00	(32,073)	(32,073)	Parent/Subsidiary
The Company	Boardwalk	British Virgin Islands	Investment and holding activity	41,496,383	41,496,383	1,263,432	92.02	25,795,473	1,263,432	92.02	242,295	222,949	Parent/Subsidiary
The Company	AEH	Switzerland	Investment and holding activity	2,464,262	2,464,262	150	100.00	17,072,262	150	100.00	394,097	394,097	Parent/Subsidiary
The Company	AHI	British Virgin Islands	Investment and holding activity	1,130,566	1,130,566	33,550	100.00	9,243,042	33,550	100.00	478,068	478,068	Parent/Subsidiary
The Company	Bluechip	Australia	Sale of computer peripherals and software system	32,988	24,249	1,225	33.39	68,313	1,225	34.52	2,248	174	Parent/Subsidiary
The Company	AWI	British Virgin Islands	Investment and holding activity	4,069,764	4,069,764	1,326,193	100.00	317,471	1,326,193	100.00	360	360	Parent/Subsidiary
The Company	ASCBVI	British Virgin Islands	Investment and holding activity	1,900,347	1,900,347	43,067	100.00	1,137,501	43,067	100.00	30,323	30,323	Parent/Subsidiary
The Company	CCI	Taiwan	Investment and holding activity	1,299,817	1,299,817	-	100.00	550,229	-	100.00	5,900	5,900	Parent/Subsidiary
The Company	ADSBH	British Virgin Islands	Investment and holding activity	1,175,933	1,175,933	2,246	100.00	(299,677)	2,246	100.00	(190)	(190)	Parent/Subsidiary
The Company	ACSI	Taiwan	Cyber security service	1,188,445	1,242,578	10,999	87.09	187,348	11,500	100.00	57,988	52,898	Parent/Subsidiary
The Company	AGC	British Virgin Islands	Investment and holding activity	5,012,454	4,941,292	163,369	100.00	5,010,165	163,369	100.00	256,703	256,703	Parent/Subsidiary
The Company	WLII	Taiwan	Sale of computers and communication products	1,087,987	1,115,474	68,358	97.33	1,316,492	70,088	99.79	97,047	96,388	Parent/Subsidiary
The Company	ATI	Taiwan	Integrated circuit test service	819,792	819,792	1,203	19.39	3,068	1,203	19.39	-	-	Associate
The Company	ETEN	Taiwan	Research, design and sale of smart handheld products	6,800,751	6,800,751	20,000	100.00	2,000,757	20,000	100.00	(48,315)	(163,236)	Parent/Subsidiary
The Company	ABH	Taiwan	Investment and holding activity	2,128,004	1,919,004	176,368	100.00	1,471,504	236,105	100.00	(264,011)	(264,011)	Parent/Subsidiary
The Company	ASBZ	Taiwan	Solutions provider of B2B virtual reality	311,820	320,000	30,628	63.52	30,713	32,000	66.67	(413,529)	(263,667)	Parent/Subsidiary
The Company	EDC	Taiwan	Data center and cloud services	1,700,466	1,700,466	186,593	100.00	1,565,945	186,593	100.00	(133,365)	(133,365)	Parent/Subsidiary
The Company	AOI	Taiwan	Sale, manufacture, import and export of commercial computer products, software, components, peripheral equipment and apparatus; repair and maintenance service of computer products	333,155	333,155	28,970	40.55	316,531	28,970	40.55	(13,453)	(6,855)	Parent/Subsidiary
The Company	GTI	Taiwan	Sale of peripheral 3C products	45,000	-	4,500	83.64	48,806	4,500	100.00	150	150	Parent/Subsidiary
The Company	HSNC	Taiwan	Repair and maintenance of IT products	50,000	-	5,000	100.00	49,543	5,000	100.00	(457)	(457)	Parent/Subsidiary
The Company	SFT	Taiwan	Research, manufacturing and sale of radio-detection and civilian technology application products related to distance	132,000	-	13,200	55.00	126,996	13,200	55.00	(9,099)	(5,004)	Joint Venture
The Company	AST	Taiwan	System integration service	82,600	-	7,000	91.74	89,902	7,000	91.74	21,893	8,197	Parent/Subsidiary
EDC	TWPBVI	British Virgin Islands	Investment and holding activity	32,298	32,298	11,068	100.00	1,177	11,068	100.00	(3,068)	(3,068)	Parent/Subsidiary
ASBZ	VRE	Switzerland	Research of solutions to B2B virtual reality	38,979	-	100	100.00	1,595	100	100.00	(37,218)	(37,218)	Parent/Subsidiary
HSNC	HSNT	Thailand	Repair and maintenance of IT products	577	-	24	100.00	493	24	100.00	(84)	(84)	Parent/Subsidiary
ADSC	ECS	Taiwan	Business integration system	40,851	40,851	1,244	24.88	23,939	1,244	24.88	26,353	7,326	Associate
ADSC	APDI	Taiwan	Property development	29,577	29,577	2,958	100.00	104,927	2,958	100.00	3,615	3,615	Parent/Subsidiary
ADSC	ASDI	Taiwan	Property development	500,000	500,000	22,593	100.00	222,155	22,593	100.00	(727)	(727)	Parent/Subsidiary
ADSC	Kbest	Taiwan	Development and manufacturing of radio and microwave equipment	129,293	129,293	4,427	28.03	24,064	4,427	28.03	(50,951)	(64,050)	Associate
ASDI	Kbest	Taiwan	Development and manufacturing of radio and microwave equipment	3,997	3,997	286	1.81	1,552	286	1.81	(50,951)	(1,430)	Associate

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount		Balances as of December 31, 2018			Maximum ownership during 2018		Net Income (Loss) of the Investee	Share of profits/ losses of investee	Note
				December 31, 2018	December 31, 2017	Shares (in thousands)	Percentage of Ownership	Carrying Value	Shares (in thousands)	Percentage of Ownership			
WLII	HPT	Taiwan	Retail service of software	23,668	23,668	882	30.22	15,022	882	30.22	6,199	1,873	Associate
WLII	WHI	Hong Kong	Sale of computers and communication products	-	55,895	-	-	-	12,872	100.00	36	36	Parent/Subsidiary
WLII	WELL	Taiwan	Matchmaking of professional services, platform of client service and sale of products, and providing of professional seminars and courses	10,000	10,000	1,000	100.00	(1,137)	1,000	100.00	(4,388)	(4,388)	Parent/Subsidiary
WLII	AST	Taiwan	System integration service	-	70,000	-	-	-	7,000	100.00	21,893	11,843	Fellow subsidiaries
AEH	Boardwalk	British Virgin Islands	Investment and holding activity	3,333,032	3,333,032	109,639	7.98	2,235,224	109,639	7.98	242,295	19,346	Fellow subsidiaries
ACTI	GrandPAD	U.S.A.	Development of user-friendly IoT device	350,477	350,477	436	37.75	246,389	436	43.28	(153,388)	(68,542)	Associate
ABH	AEB	Taiwan	Cloud ticketing system, electronic book, online payment service, customized system development and integration services, and sale of commercial and cloud application software and technical services	334,025	549,650	32,000	100.00	392,370	53,563	100.00	88,472	88,472	Parent/Subsidiary
ABH	ACTTW	Taiwan	Development of Internet of Beings and cloud technology, and integration of cloud technology, software and hardware	1,153,000	1,125,400	64,314	100.00	418,161	112,540	100.00	(216,195)	(216,195)	Parent/Subsidiary
ABH	MPS	Taiwan	Research, development, and sale of batteries	141,711	81,711	7,249	100.00	64,234	16,000	100.00	(8,253)	(8,253)	Parent/Subsidiary
ABH	ALT	Taiwan	High performance computing, cloud computing, software-defined storage, and IT solution	40,200	48,000	4,020	71.79	49,648	4,800	100.00	11,958	7,888	Parent/Subsidiary
ABH	ITS	Taiwan	Programs and services of intelligent transportation and electronic ticketing	394,772	300,000	34,308	94.41	269,462	34,308	94.41	(94,839)	(92,066)	Parent/Subsidiary
ABH	ABHI	Taiwan	Intelligent medical examination and data interpretation analysis, medical big data, and health management and related information exchange	50,000	-	5,000	100.00	49,893	5,000	100.00	(107)	(107)	Parent/Subsidiary
ABH	ABC	Taiwan	Software design service	18,500	-	1,989	49.00	12,878	1,989	49.00	(10,945)	(5,199)	Parent/Subsidiary
ABH	XPL	Taiwan	Design, development and sale of smart bicycle speedometer	38,173	-	4,401	100.00	22,102	4,401	100.00	(20,916)	(15,772)	Parent/Subsidiary
ABH	PBC	Taiwan	Pet interaction device and social networking service	50,676	-	5,825	100.00	27,989	5,825	100.00	(30,258)	(22,688)	Parent/Subsidiary
AEB	XPL	Taiwan	Design, development and sale of smart bicycle speedometer	-	131,640	-	-	-	8,372	100.00	(20,916)	(5,144)	Fellow subsidiaries
AEB	PBC	Taiwan	Pet interaction device and social networking service	-	102,400	-	-	-	6,742	100.00	(30,258)	(7,570)	Fellow subsidiaries
ACTTW	ABC	Taiwan	Software design service	76,371	76,371	2,071	51.00	13,404	2,071	51.00	(10,945)	(5,582)	Parent/Subsidiary
ACTTW	AGI	Taiwan	Development of user-friendly IoT device	29,000	29,000	2,900	100.00	32,609	2,900	100.00	13,869	13,869	Parent/Subsidiary
ACTTW	ABST	Taiwan	Technical service and research of aBeing cloud digital content management	300,000	272,400	30,000	100.00	121,956	30,000	100.00	(156,606)	(156,606)	Parent/Subsidiary
ABST	ABSG	Germany	Technical service and research of aBeing cloud digital content management	202,401	148,347	6,029	100.00	23,992	6,029	100.00	(157,614)	(157,614)	Parent/Subsidiary
AOI	Bluechip	Australia	Sale of computer peripherals and software system	36,915	36,915	570	15.54	31,787	570	16.06	2,248	(1,194)	Fellow subsidiaries
AOI	AOA	U.S.A.	Sale of computer, apparatus system, and peripheral equipment	295,771	295,771	15,000	100.00	(166,273)	15,000	100.00	17,428	17,428	Parent/Subsidiary
AOI	AOE	the Netherlands	Sale of computer, apparatus system, and peripheral equipment	214,094	214,094	1	100.00	(23,375)	1	100.00	6,476	6,476	Parent/Subsidiary
AOI	AOTH	British Virgin Islands	Sale of computer, apparatus system, and peripheral equipment	1,623	1,623	50	100.00	216,570	50	100.00	3,990	3,990	Parent/Subsidiary
AOI	AOJ	Japan	Sale of computer, apparatus system, and peripheral equipment	2,899	2,899	1	100.00	29,495	1	100.00	2,465	2,465	Parent/Subsidiary

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount		Balances as of December 31, 2018			Maximum ownership during 2018		Net Income (Loss) of the Investee	Share of profits/ losses of investee	Note
				December 31, 2018	December 31, 2017	Shares (in thousands)	Percentage of Ownership	Carrying Value	Shares (in thousands)	Percentage of Ownership			
AOI	AOSV	Taiwan	Sale of computer, apparatus system, and peripheral equipment	60,000	60,000	6,000	100.00	39,119	6,000	100.00	915	915	Parent/Subsidiary
AOI	AOGS	Australia	Sale of computer, apparatus system, and peripheral equipment	2,956	2,956	105	70.00	21,428	105	70.00	7,044	4,932	Parent/Subsidiary
AOI	HTW	Hong Kong	Software development and agency	405	405	100	100.00	1,066	100	100.00	119	119	Parent/Subsidiary
AOI	AOSD	Taiwan	Sale of computer, apparatus system, and peripheral equipment	2,000	-	2,000	80.00	19,920	2,000	80.00	(100)	(80)	Parent/Subsidiary
AOI	MPL	Australia	Sale of computer, apparatus system, and peripheral equipment	22,887	23,444	39	39.00	12,634	40	40.00	(21,119)	(9,047)	Associate
AOI	AMTC	Taiwan	Manufacturing and sale of touch display, touch controller and its driver	376,238	-	66,664	20.07	382,766	66,664	20.07	259,205	6,332	Associate
AOTH	GCL	Hong Kong	Sale of computer, apparatus system, and peripheral equipment	2,675	2,675	300	100.00	3,876	300	100.00	10	10	Parent/Subsidiary
AOGS	AOAU	Australia	Sale of computer, apparatus system, and peripheral equipment	3	3	1	100.00	27,984	1	100.00	7,899	7,899	Parent/Subsidiary

Acer Incorporated and Subsidiaries
Information on Investment in Mainland China
For the year ended December 31, 2018

Table 9

(Amounts in Thousands of New Taiwan Dollars)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018	Net Income (Losses) of Investee	% of Ownership of Direct or Indirect Investment	Maximum ownership during 2018		Share of profits/ losses of investee	Carrying Value as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018
					Outflow	Inflow				Shares	Percentage of Ownership			
Acer Third Wave Software (Beijing) Co. Ltd.	Sale of commercial and cloud application software and technical	92,199	2	92,199	-	-	92,199	(3,025)	100.00	-	100.00	(3,025)	(3,388)	-
Acer Information (Zhong Shan) Co.,	Sale of brand-name IT products	46,100	2	-	-	-	-	1,386	100.00	-	100.00	1,386	210,549	-
Acer Computer (Shanghai) Ltd.	Sale of brand-name IT products	61,466	2	61,466	-	-	61,466	(125,564)	100.00	-	100.00	(125,564)	673,236	-
Acer (Chongqing) Ltd.	Sale of brand-name IT products	4,609,950	2	4,732,882 (Note 2)	-	-	4,732,882	499,658	100.00	-	100.00	499,658	3,979,679	-
Acer Cloud Technology (Chongqing) Ltd.	Design, development, sale, and advisory of computer software and	153,665	1	153,665	-	-	153,665	(24,423)	100.00	-	100.00	(24,423)	63,061	-
Innovation and Commercialization Accelerator Inc.	Development, design, manufacturing, sale, and maintenance of intelligent terminal devices	26,808	1	(Note 3)	-	-	(Note 3)	(16,587)	30.00	-	30.00	(4,976)	15,949	-
Xplova (Shanghai) Ltd.	Sale of smart bicycle speedometer and operating social platform for bicycle riding and sports	9,238	1	9,238	-	-	9,238	(894)	100.00	-	100.00	(894)	6,933	-
Consumer Insights Research (Chongqing) Inc.	Collection, analysis and research of data information	13,404	1	(Note 3)	-	-	(Note 3)	(5,994)	30.00	-	30.00	(1,798)	10,251	-
Acer China Venture Corp	Fund company management	22,340	1	22,340	-	-	22,340	(5,684)	100.00	-	100.00	(5,684)	15,899	-
Acer China Venture Partnership	Investment fund	67,020	1	31,276	31,276	-	62,552 (Note 4)	(13)	100.00	-	100.00	(13)	67,008	-
Sertec (Beijing) Ltd.	Repair and maintenance of IT products	4,468	1	4,468	-	-	4,468	732	100.00	-	100.00	732	5,530	-
Beijing Altos Computing Ltd.	High performance computing, cloud computing, software-defined storage, and IT solution	19,659	1	-	19,659	-	19,659	30,810	100.00	-	100.00	30,810	50,469	-
Shanghai AST Technology Service Ltd.	System integration service	19,659	1	-	19,659	-	19,659	206	100.00	-	100.00	206	19,865	-
AOPEN International (ShangHai) Co., Ltd	Sale of computer, apparatus system, and peripheral equipment	161,322	2	161,322	-	-	161,322 (USD 4,800,000)	967	100.00	-	100.00	967	19,428	-
AOPEN Information Products (Zhongshan) Inc.	Manufacture and sale of computer parts and components	450,261	2	450,261	-	-	450,261 (USD 13,500,000)	6,552	100.00	-	100.00	6,552	291,488	-

Note 1: Method of Investment:

Type 1: Direct investment in Mainland China.

Type 2: Indirect investment in Mainland China through a holding company established in other countries.

Note 2: Acer Intellectual (Chongqing) Limited had merged with Acer (Chongqing) Ltd. in 2014, and Acer (Chongqing) Ltd. was the surviving entity from the merger. This amount included the original investment in Acer Intellectual (Chongqing) Limited of $ 122,932 (US $4,000 thousand).

Note 3: Innovation and Commercialization Accelerator Inc. and Consumer Insights Research (Chongqing) Inc. were reinvested by Acer Colud Technology(Chongqing) Ltd.

Note 4: Acer China Venture Partnership was invested by the Company and Acer China Venture Corp of $62,552 and $4,468, respectively.

Investor Company Name	Accumulated Investment in Mainland China as of December 31, 2018 (Note 5)(Note 6)	Investment Amounts Authorized by Investment Commission, MOEA (Note 5)(Note 6)	Upper Limit on Investment Authorized by Investment Commission, MOEA
The Company and Subsidiaries	$5,792,856 (US$188,489,759)	$7,414,714 (US$241,262,284.5)	(Note)

Note 5: In September, 2008, AOI had disposed all shares of JNS Technology Co., Ltd., and the proceeds from the disposal of US$730,000 had been remitted to AOI in March 2010.
AOI has not yet to report to MOEA, therefore, the amout of US$ 1,645,200 was still included the original investment in JNS Technology Co., Ltd.

Note 6: T-Conn Precision(Zhongshan) Co., Ltd., indirectly invested by AOI, had been dissolved and the related liquidation process has been completed. The liquidation proceeds of US$31,549.06 (according to ownership percentage of 19%) has been remitted to Super Elite Ltd., a holding company established in other countries. On March 12, 2010, AOI has obtained MOEA's approval to withdraw its investment. However, the amount of accumulated investment in Mainland China still included the amount of US$57,000 due to the liquidation of capital which has yet to be remitted to Taiwan.

The above amounts were translated into New Taiwan dollars at the exchange rate of US$1＝NT$30.733 as of December 31, 2018.

Note: Since the Company has obtained the Certificate of Headquarter Operation, there is no upper limitation on investment in Mainland China.

Appendix II

2018 Parent-Company-Only Financial Statements

Stock Code:2353

ACER INCORPORATED

Parent-Company-Only Financial Statements
With Independent Auditors' Report
For the Years Ended December 31, 2018 and 2017

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

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Independent Auditors' Report

To the Board of Directors
Acer Incorporated:

Opinion

We have audited the parent-company-only financial statements of Acer Incorporated (the "Company"), which comprise the parent-company-only balance sheets as of December 31, 2018 and 2017, and the parent-company-only statements of comprehensive income, 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, 2018 and 2017, 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 Auditors' 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.

Emphasis of Matter

We draw attention to Note 3(a) to the parent-company-only financial statements which describes that the Company initially adopted the IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" on January 1, 2018, with no restatement of comparative period financial statements. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent-company-only financial statements of the current period. These matters were addressed in the context of our audit of 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, 2018 are stated as follows:

1. Revenue recognition

   Refer to Note 4(q) for the accounting policies on recognizing revenue, and Note 5(a) for uncertainty of accounting estimations and assumptions for 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 estimating 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) for the accounting policies on inventory valuation, Note 5(b) for uncertainty of accounting estimations and assumptions for inventory valuation and Note 6(h) for the details of related disclosures.

Description of key audit matter:

Inventories are measured at the lower of cost and net realizable value. Due to the rapid innovation 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 from investment in subsidiaries

Refer to Note 4(n) for the accounting policies on goodwill impairment, Note 5(c) for uncertainty of accounting estimations and assumptions for goodwill impairment and Note 6(i) for the evaluation of goodwill impairment.

Description of key audit matter:

Goodwill arising from past acquisition of subsidiaries, which are included within the carrying amount of investments accounted for using equity method, 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 (including members of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent-Company-Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent-company-only financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 aggregated, 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 exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess 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. Obtain 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. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, base 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 auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate 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. Obtain sufficient appropriate audit evidence regarding the financial information of the investee companies accounted for using equity method to express an opinion on the parent-company-only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate 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 identify during our audit.

We also provide 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 determine 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 describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

KPMG

Taipei, Taiwan (Republic of China)
March 20, 2019

Notes to Readers

The accompanying parent-company-only financial statements are intended only to present the parent-company-only 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 parent-company-only financial statements are those generally accepted and applied in the Republic of China.

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

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

ACER INCORPORATED

Parent-Company-Only Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 3,625,154	3	13,708,705	12
1110	Financial assets measured at fair value through profit or loss－current (note 6(b))	266,951	-	58,407	-
1120	Financial assets measured at fair value through other comprehensive income－current (note 6(c))	39,908	-	-	-
1125	Available-for-sale financial assets－current (note 6(d))	-	-	67,077	-
1140	Contract assets－current (note 6(u))	84,450	-	-	-
1147	Investments in debt instrument without an active market－current (note 6(e))	-	-	227,243	-
1170	Notes and accounts receivable, net (notes 6(f) & (u))	3,352,271	3	4,246,340	4
1180	Accounts receivable from related parties (notes 6(f) & (u) and 7)	23,075,104	20	14,186,704	12
1200	Other receivables (note 6(g))	574,460	-	341,721	-
1210	Other receivables from related parties (notes 6(g) and 7)	87,697	-	260,738	-
130X	Inventories (note 6(h))	13,591,184	12	13,344,712	11
1470	Other current assets	157,176	-	196,659	-
	Total current assets	44,854,355	38	46,638,306	39
	Non-current assets:				
1517	Financial assets measured at fair value through other comprehensive income－non-current (note 6(c))	2,882,001	3	-	-
1523	Available-for-sale financial assets－non-current (note 6(d))	-	-	3,244,501	3
1550	Investments accounted for using equity method (note 6(i))	67,463,925	57	66,001,978	56
1600	Property, plant and equipment (note 6(j))	1,355,056	1	1,358,581	1
1760	Investment property (note 6(k))	1,269,699	1	1,288,312	1
1780	Intangible assets (note 6(l))	229,136	-	261,992	-
1840	Deferred income tax assets (note 6(q))	327,949	-	47,725	-
1900	Other non-current assets	69,880	-	109,598	-
1980	Other financial assets－non-current (note 8)	108,484	-	149,704	-
	Total non-current assets	73,706,130	62	72,462,391	61
	Total assets	**$ 118,560,485**	**100**	**119,100,697**	**100**

See accompanying notes to parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

ACER INCORPORATED

Parent-Company-Only Balance Sheets (Continued)

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2018		December 31, 2017	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2120	Financial liabilities measured at fair value through profit or loss－current (note 6(b))	183,413	-	326,006	-
2130	Contract liabilities－current (note 6(u))	122,994	-	-	-
2170	Notes and accounts payable	33,237,981	28	34,216,562	29
2180	Accounts payable to related parties (note 7)	131,574	-	94,524	-
2200	Other payables (note 6(w))	15,108,645	13	17,226,533	15
2220	Other payables to related parties (note 7)	1,368,927	1	1,146,233	1
2250	Provisions－current (note 6(n))	758,541	1	728,546	-
2230	Current tax liabilities	359,576	1	128,512	-
2322	Current portion of long-term debt (note 6(m))	-	-	2,700,000	3
2365	Refund liabilities－current	2,611,223	2	-	-
2399	Other current liabilities	196,752	-	142,911	-
	Total current liabilities	54,079,626	46	56,709,827	48
	Non-current liabilities:				
2527	Contract liabilities－non-current (note 6(u))	491,976	-	-	-
2540	Long-term debt (note 6(m))	3,300,000	3	3,300,000	3
2570	Deferred income tax liabilities (note 6(q))	1,450,536	1	788,259	-
2600	Other non-current liabilities (note 6(p))	869,655	1	813,161	1
2622	Long-term payables to related parties (note 7)	100,598	-	170,007	-
	Total non-current liabilities	6,212,765	5	5,071,427	4
	Total liabilities	60,292,391	51	61,781,254	52
	Equity (note 6(r)):				
3110	Common stock	30,749,338	26	30,765,028	26
3200	Capital surplus	27,913,351	24	29,852,184	25
	Retained earnings:				
3310	Legal reserve	281,559	-	-	-
3320	Special reserve	2,534,028	2	-	-
3351	Unappropriated earnings	3,085,863	3	2,815,587	2
3400	Other equity	(3,381,189)	(3)	(3,198,500)	(3)
3500	Treasury stock	(2,914,856)	(3)	(2,914,856)	(2)
	Total equity	58,268,094	49	57,319,443	48
	Total liabilities and equity	**$ 118,560,485**	**100**	**119,100,697**	**100**

See accompanying notes to parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

ACER INCORPORATED

Parent-Company-Only Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

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

		2018		2017	
		Amount	%	Amount	%
4000	**Net revenue (notes 6(u) & (v) and 7)**	$ 177,953,077	100	174,273,511	100
5000	**Cost of revenue (notes 6(h) & (n) and 7)**	(169,518,256)	(95)	(165,762,193)	(95)
	Gross profit before unrealized gross profit on sales to subisidiaries, associates and joint ventures	8,434,821	5	8,511,318	5
5920	Unrealized gross profit on sales to subsidiaries, associates and joint ventures	35,372	-	(37,114)	-
	Gross profit	8,470,193	5	8,474,204	5
	Operating expenses(notes 6(f), (j), (k), (l), (n), (o), (p), (s) & (w), 7 and 12):				
6100	Selling expenses	(3,166,653)	(2)	(2,746,507)	(1)
6200	General and administrative expenses	(1,017,665)	-	(1,262,074)	(1)
6300	Research and development expenses	(1,689,954)	(1)	(1,545,541)	(1)
	Total operating expenses	(5,874,272)	(3)	(5,554,122)	(3)
6500	**Other operating income and expenses, net (notes 6(o) & (x) and 7)**	130,946	-	107,859	-
	Operating income	2,726,867	2	3,027,941	2
	Non-operating income and loss:				
7010	Other income (notes 6(y) and 7)	260,297	-	290,090	-
7020	Other gains and losses — net (notes 6(i) & (y) and 7)	375,077	-	260,352	-
7050	Finance costs (notes 6(m) & (y) and 7)	(123,094)	-	(217,933)	-
7060	Share of profits (losses) of subsidiaries, associates and joint ventures (note 6(i))	673,443	-	(334,231)	-
	Total non-operating income and loss	1,185,723	-	(1,722)	-
7900	**Income before taxes**	3,912,590	2	3,026,219	2
7950	**Income tax expense** (note 6(q))	(852,161)	-	(210,632)	-
	Net income	3,060,429	2	2,815,587	2
	Other comprehensive income (loss) (note 6(r)):				
8310	**Items that will not be reclassified subsequently to profit or loss**				
8311	Remeasurements of defined benefit plans	(54,185)	-	(48,457)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(384,772)	-	-	-
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures	(154,199)	-	21,195	-
8349	Income tax related to items that will not be reclassified subsequently to profit or loss	18,024	-	8,238	-
		(575,132)	-	(19,024)	-
8360	**Items that may be reclassified subsequently to profit or loss**				
8361	Exchange differences on translation of foreign operations	396,272	-	(2,141,164)	(1)
8362	Change in fair value of available-for-sale financial assets	-	-	494,936	-
8380	Share of other comprehensive income of subsidiaries, associates and joint ventures	(1,847)	-	(35,131)	-
8399	Income tax related to items that may be reclassified to profit or loss	(3,429)	-	18	-
		390,996	-	(1,681,341)	(1)
	Other comprehensive loss, net of taxes	(184,136)	-	(1,700,365)	(1)
	Total comprehensive income for the year	**$ 2,876,293**	**2**	**1,115,222**	**1**
	Earnings per share (in New Taiwan dollars) (note 6(t)):				
9750	Basic earnings per share	**$**	**1.01**		**0.93**
9850	Diluted earnings per share	**$**	**1.01**		**0.93**

See accompanying notes to parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

ACER INCORPORATED

Parent-Company-Only Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(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 financial assets measured at fair value through other comprehensive income	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, 2017	$ 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
Net income for the year	-	-	-	-	2,815,587	2,815,587	-	-	-	-	-	-	-	2,815,587
Other comprehensive income (loss) for the year	-	-	-	-	-	-	(2,141,146)	-	459,805	(19,024)	-	(1,700,365)	-	(1,700,365)
Total comprehensive income (loss) for the year	-	-	-	-	2,815,587	2,815,587	(2,141,146)	-	459,805	(19,024)	-	(1,700,365)	-	1,115,222
Appropriation approved by the stockholders:														
Decrease in legal reserve to offset accumulated deficit	-	-	(145,190)	-	145,190	-	-	-	-	-	-	-	-	-
Decrease in special reserve to offset accumulated deficit	-	-	-	(1,306,709)	1,306,709	-	-	-	-	-	-	-	-	-
Decrease in capital surplus to offset accumulated deficit	-	(3,448,397)	-	-	3,448,397	3,448,397	-	-	-	-	-	-	-	-
Cash distributed from capital surplus	-	(1,515,071)	-	-	-	-	-	-	-	-	-	-	-	(1,515,071)
Changes in equity of investments in subsidiaries and associates	-	30,247	-	-	-	-	-	-	-	-	-	-	-	30,247
Compensation cost arising from restricted shares of stock issued to employees	-	-	-	-	-	-	-	-	-	-	14,650	14,650	-	14,650
Retirement of restricted shares of stock issued to employees	(42,300)	42,300	-	-	-	-	-	-	-	-	-	-	-	-
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
Effects of retrospective application	-	-	-	-	(7,231)	(7,231)	-	112,035	(112,035)	-	-	-	-	(7,231)
Adjusted balance at January 1, 2018	30,765,028	29,852,184	-	-	2,808,356	2,808,356	(3,202,161)	112,035	-	(96,281)	(12,093)	(3,198,500)	(2,914,856)	57,312,212
Net income for the year	-	-	-	-	3,060,429	3,060,429	-	-	-	-	-	-	-	3,060,429
Other comprehensive income (loss) for the year	-	-	-	-	-	-	390,996	(601,596)	-	26,464	-	(184,136)	-	(184,136)
Total comprehensive income (loss) for the year	-	-	-	-	3,060,429	3,060,429	390,996	(601,596)	-	26,464	-	(184,136)	-	2,876,293
Appropriation approved by the stockholders:														
Legal reserve	-	-	281,559	-	(281,559)	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	2,534,028	(2,534,028)	-	-	-	-	-	-	-	-	-
Cash distributed from capital surplus	-	(2,120,798)	-	-	-	-	-	-	-	-	-	-	-	(2,120,798)
Changes in equity of investments in associates	-	44,225	-	-	-	-	-	-	-	-	-	-	-	44,225
Changes in ownership interests in subsidiaries	-	34,504	-	-	-	-	-	-	-	-	-	-	-	34,504
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	100,600	-	-	-	-	-	-	-	-	-	-	-	100,600
Compensation cost arising from restricted shares of stock issued to employees	-	-	-	-	-	-	-	-	-	-	(1,705)	(1,705)	-	(1,705)
Retirement of restricted shares of stock issued to employees	(15,690)	1,892	-	-	-	-	-	-	-	-	13,798	13,798	-	-
Disposal of investments accounted for using equity method	-	744	-	-	-	-	22,019	-	-	-	-	22,019	-	22,763
Disposal of financial assets measured at fair value through other comprehensive income	-	-	-	-	32,665	32,665	-	(32,665)	-	-	-	(32,665)	-	-
Balance at December 31, 2018	**$ 30,749,338**	**27,913,351**	**281,559**	**2,534,028**	**3,085,863**	**5,901,450**	**(2,789,146)**	**(522,226)**	**-**	**(69,817)**	**-**	**(3,381,189)**	**(2,914,856)**	**58,268,094**

See accompanying notes to parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

ACER INCORPORATED

Parent-Company-Only Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from operating activities:		
Income before income tax	$ 3,912,590	3,026,219
Adjustments for:		
Adjustments to reconcile profit (loss):		
Depreciation	72,016	82,761
Amortization	41,838	67,589
Effects of exchange rate changes in investments in debt instrument without an active market	-	(7,000)
Interest expense	123,094	217,933
Interest income	(75,548)	(107,821)
Dividend income	(184,749)	(182,269)
Share-based compensation cost	(1,705)	14,650
Share of (profits) losses of subsidiaries, associates and joint ventures	(673,443)	334,231
Gain on disposal of property, plant and equipment	(236)	(1,893)
Gain on disposal of intangible assets	-	(32)
Loss on disposal of investments accounted for using equity method	29,531	209
Gain on bargain purchase	(4,358)	(1,130)
Intangible assets and equipment reclassified to expenses	351	519
Change in unrealized profit on sales to subsidiaries, associates and joint ventures	(35,372)	37,114
Other investment loss	3,696	-
Total profit and loss	(704,885)	454,861
Changes in operating assets and liabilities:		
Changes in operating assets:		
Derivative financial instruments measured at fair value through profit or loss	(87,397)	1,374,447
Contract assets	(84,450)	-
Notes and accounts receivable	891,332	269,953
Receivables from related parties	(8,928,039)	8,400,358
Inventories	(269,224)	(965,874)
Other receivables and other current assets	(192,449)	165,383
Changes in operating assets	(8,670,227)	9,244,267
Changes in operating liabilities:		
Notes and accounts payable	(937,549)	(9,998,776)
Payables to related parties	179,759	(18,909)
Refund liabilities	(258,067)	-
Other payables and other current liabilities	1,559,970	(2,200,743)
Provisions	29,995	33,052
Contract liabilities	(139,182)	-
Other non-current liabilities and long-term payables to related parties	(43,529)	131
Changes in operating liabilities	391,397	(12,185,245)
Total changes in operating assets and liabilities	(8,278,830)	(2,940,978)
Total adjustments	(8,983,715)	(2,486,117)
Cash provided by (used in) operations	(5,071,125)	540,102
Interest received	75,785	82,054
Income taxes (paid) refunded	(226,341)	71,384
Net cash provided by (used in) operating activities	(5,221,681)	693,540

(Continued)

See accompanying notes to parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

ACER INCORPORATED

Parent-Company-Only Statements of Cash Flows (Continued)

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from investing activities:		
Proceeds from capital return of financial assets measured at fair value through other comprehensive income	4,898	-
Proceeds from repayments of financial assets measured at fair value through profit or loss	14,418	-
Proceeds from capital return of available-for-sale financial assets	-	455
Additions to investments accounted for using equity method	(592,056)	(1,279,994)
Proceeds from disposal of investments accounted for using equity method	159,755	-
Additions to property, plant and equipment	(39,371)	(16,004)
Proceeds from disposal of property, plant and equipment	2,825	4,377
Decrease in receivables from related parties	153,289	560,867
Additions to intangible assets	(200)	(2,137)
Proceeds from disposal of intangible assets	524	2,298
Decrease in other non-current financial assets and other non-current assets	80,940	89,598
Cash outflows from business demerger	(65,640)	-
Dividends received	308,272	241,831
Net cash flows from (used in) investing activities	27,654	(398,709)
Cash flows from financing activities:		
Increase in long-term debt	-	3,300,000
Repayment of long-term debt	(2,700,000)	(3,300,000)
Increase in loans from related parties	89,000	999,000
Cash distributed from capital surplus	(2,153,552)	(1,538,379)
Interest paid	(124,972)	(223,157)
Net cash flows used in financing activities	(4,889,524)	(762,536)
Net decrease in cash and cash equivalents	(10,083,551)	(467,705)
Cash and cash equivalents at beginning of period	13,708,705	14,176,410
Cash and cash equivalents at end of period	$ **3,625,154**	**13,708,705**

See accompanying notes to parent-company-only financial statements.

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

1. Organization and business

Acer Incorporated (the "Company") was incorporated on August 1, 1976, as a company limited by shares under the laws of the Republic of China ("R.O.C.") and registered under the Ministry of Economic Affairs, R.O.C.

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

2. Authorization of the Parent-Company-Only Financial Statements

These parent-company-only financial statements were authorized for issuance by the Board of Directors on March 20, 2019.

3. Application of New and Revised Accounting Standards and Interpretations

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

In preparing the accompanying parent-company-only financial statements, the Company has adopted the following International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS"), and Interpretations that have been issued by the International Accounting Standards Board ("IASB") (collectively, "IFRSs") and endorsed by the FSC, with effective date from January 1, 2018.

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

(Continued)

ACER INCORPORATED
Notes to Parent-Company-Only Financial Statements

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

Except for the following items, the initial application of the above IFRSs did not have any material impact on the parent-company-only's financial statements. The extent and impact of changes are as follows:

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

IFRS 15 establishes a five-step model framework to determine the method, timing and amount of revenue recognized. This Standard replaces the existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations. The Company applies this standard retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application. The Company elected not to restate the comparative information for the prior reporting period; but instead, continues to apply IAS 11, IAS 18 and the related Interpretations for comparative reporting period. The Company recognizes the cumulative effect upon the initial application of this Standard as an adjustment to the opening balance of its retained earnings on January 1, 2018.

The Company uses the practical expedients for completed contracts, meaning, it need not restate those contracts that have been completed on January 1, 2018.

The following are the nature and impacts on the changes of accounting policies:

Under IAS 18, revenue for the sale of goods was recognized when the related significant risks and rewards of ownership of the goods have been transferred to the customers, the revenue and the cost incurred, or to be incurred, can be measured reliably, the economic benefits of the transaction will probably flow to the Company, and there is neither continuing managerial involvement to the degree usually associated with ownership nor effect control over the goods sold. Under IFRS 15, revenue is recognized when a customer obtains control of the goods.

For certain contracts that give customers rebates or marketing support, revenue is recognized under IAS 18 when relevant allowance could be reasonably estimated and all revenue recognition criteria were met. Under IFRS 15, revenue is recognized for these contracts to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. A refund liability will be recognized for the estimated sales allowance and presented separately in the statement of financial position.

ACER INCORPORATED

Notes to Parent-Company-Only Financial Statements

1) Impacts on financial statements

The following tables summarize the impacts of adopting IFRS15 on the Company's parent-company-only financial statements.

Impacted line items on the balance sheet	December 31, 2018 Balance prior to the adoption of IFRS 15	December 31, 2018 Impact of changes in accounting policies	December 31, 2018 Balance upon adoption of IFRS 15	January 1, 2018 Balance prior to the adoption of IFRS 15	January 1, 2018 Impact of changes in accounting policies	January 1, 2018 Balance upon adoption of IFRS 15	Note
Notes and accounts receivable, net	$ 3,436,721	(84,450)	3,352,271	4,246,340	-	4,246,340	Note 1
Contract assets－current	-	84,450	84,450	-	-	-	Note 1
Impact on assets		$ -			-		
Other payables	$ (18,334,838)	3,226,193	(15,108,645)	(17,226,533)	3,623,442	(13,603,091)	Note 2
Contract liabilities－current	-	(122,994)	(122,994)	-	(150,830)	(150,830)	Note 1
Refund liabilities－current	-	(2,611,223)	(2,611,223)	-	(2,869,290)	(2,869,290)	Note 2
Contract liabilities－non-current	-	(491,976)	(491,976)	-	(603,322)	(603,322)	Note 1
Impact on liabilities		$ -			-		

Impacted line items on the statement of cash flows	For the year ended December 31, 2018 Balance prior to the adoption of IFRS 15	For the year ended December 31, 2018 Impact of changes in accounting polices	For the year ended December 31, 2018 Balance upon adoption of IFRS 15
Cash flows from operating activities:			
Income before income tax	$ 3,912,590	-	3,912,590
Adjustments:			
Changes in operating assets and liabilities:			
Contract assets	-	(84,450)	(84,450)
Notes and accounts receivable, net	806,882	84,450	891,332
Other payables and other current liabilities	1,162,721	397,249	1,559,970
Refund liabilities	-	(258,067)	(258,067)
Contract liabilities	-	(139,182)	(139,182)
Impact on net cash flows provided by (used in) operating activities		$ -	

(Continued)

ACER INCORPORATED

Notes to Parent-Company-Only Financial Statements

Note 1: For certain contracts, the Company recognizes revenue when it satisfied a performance obligation but does not have an unconditional right to the considerations. Under IFRS 15, contract assets and revenue are recognized for such situation, different from accounts receivable and revenue that would be recognized prior to the adoption of IFRS 15. On the other hand, for certain contracts, the Company has received a part of the considerations but does not satisfy its obligations. Under IFRS 15, contract liabilities are recognized for such situation, different from other payables recognized prior to the adoption of IFRS 15.

Note 2: Prior to the adoption of IFRS 15, rebate payables were recognized under other payables. Under IFRS 15, they are recognized under refund liabilities.

(ii) IFRS 9 *Financial Instruments*

IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* which contains classification and measurement of financial instruments, impairment, and hedge accounting.

As a result of the adoption of IFRS 9, the Company adopted the consequential amendments to IFRS 7 *Financial Instruments: Disclosures* that are applied to disclosures about 2018 but generally have not been applied to comparative information.

The details of new significant accounting policies and the nature and effect of the changes to IFRS 9 are as follows:

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (“FVOCI”), and fair value through profit or loss (“FVTPL”). The classification of financial assets under IFRS 9 is generally based on the business model in which financial assets are managed and their contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available-for-sale. Under IFRS 9, if a hybrid contract contains a host that is within the scope of IFRS 9, the embedded derivatives would not be separated from the host contract; instead, the entire hybrid contract is assessed for classification. Please refer to note 4(f) for an explanation of how the Company classifies and measures its financial assets and accounts for related gains and losses under IFRS 9.

The adoption of IFRS 9 did not have any significant impact on the Company’s accounting policies on financial liabilities.

2) Impairment of financial assets

IFRS 9 replaces the “incurred loss” model in IAS 39 with a forward-looking “expected credit loss” (“ECL”) model. The new impairment model applies to financial assets measured at amortized cost, contract assets, and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39. Please refer to note 4(f) for more details.

ACER INCORPORATED
Notes to Parent-Company-Only Financial Statements

3) Transition

The adoption of IFRS 9 has generally been applied retrospectively, except as described below:

- Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognized in retained earnings and other equity on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, and therefore, is not comparable to the information presented for 2018 under IFRS 9.

- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

  — The determination of the business model within which a financial asset is held.

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

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

- If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, the Company shall assume that the credit risk on the asset had no significant increase since its initial recognition.

4) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the measurement categories and carrying amounts under IAS 39 and IFRS 9 for each class of the Company's financial assets as of January 1, 2018. There is no change in measurement categories and carrying amounts for financial liabilities.

	IAS 39		IFRS 9		
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount	Note
Financial Assets					
Cash and cash equivalents	Loans and receivables	$ 13,708,705	Amortized cost	13,708,705	Note 3
Derivative instruments	Held-for-trading	55,374	Mandatorily measured at FVTPL	55,374	
	FVTPL	3,033	Mandatorily measured at FVTPL	-	Note 1
Debt instruments	Loan and receivables (Investments in debt instrument without an active market)	227,243	Mandatorily measured at FVTPL	281,191	Note 1
Equity instruments	Available-for-sale	3,311,578	FVOCI	3,311,578	Note 2
Receivables, net	Loans and receivables	19,034,654	Amortized cost	19,033,019	Note 3
	Loans and receivables (interest receivable)	849	Mandatorily measured at FVTPL	-	Note 1
Other financial assets (Refundable deposits)	Loans and receivables	149,704	Amortized cost	149,704	Note 3

(Continued)

ACER INCORPORATED
Notes to Parent-Company-Only Financial Statements

Note1: Convertible bonds and conversion right were previously categorized as investments in debt instrument without an active market amounting to $227,243 and financial asset measured at fair value through profit or loss amounting to $3,033, respectively, under IAS 39. The cash flows of these financial assets are not solely payments of principal and interest on the principal amount outstanding. Therefore, the Company has classified these assets at the date of initial application of IFRS 9 as mandatorily measured at FVTPL amounting to $281,191, and has eliminated the interest receivables amounting to $849. As a result, an increase of $50,066 in retained earnings on January 1, 2018 was recognized.

Note2: These equity instruments represent investments that the Company intends to hold for long-term strategic purposes. As permitted by IFRS 9, the Company has designated these investments at the date of initial application as measured at FVOCI.

Note3: Notes receivable, accounts receivable, other receivables (including receivables from related parties) and other financial assets that were previously classified as loans and receivables under IAS 39 are now classified as financial assets measured at amortized cost upon the initial application of IFRS 9. In addition, an allowance for impairment of $1,635 was recognized in retained earnings on January 1, 2018.

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on January 1, 2018.

	IAS 39 Carrying Amount as of December 31, 2017	Reclassifications	Remeasurements	IFRS 9 Carrying Amount as of January 1, 2018	Retained earnings effect on January 1, 2018	Other equity effect on January 1, 2018
Financial assets measured at FVTPL						
Beginning balance of FVTPL (IAS 39)	$ 58,407	-	-	58,407	-	-
Additions – debt instruments:						
From loans and receivables (Investments in debt instrument without an active market and interest receivable)	-	228,092	50,066	278,158	50,066	-
Total	**$ 58,407**	**228,092**	**50,066**	**336,565**	**50,066**	**-**
Financial assets measured at FVOCI						
Beginning balance (IAS 39)	$ -	-	-	-	-	-
Additions:						
From available-for-sale	3,311,578	-	-	3,311,578	-	-
Total	**$ 3,311,578**	**-**	**-**	**3,311,578**	**-**	**-**
Financial assets measured at amortized cost						
Beginning balance of cash and cash equivalents, investments in debt instrument without an active market, receivables and other financial assets (IAS 39)	$ 33,121,155	-	-	33,121,155	-	-
Adjustments for allowance of impairment	-	-	(1,635)	(1,635)	(1,635)	-
Reclassified to FVTPL	-	(228,092)	-	(228,092)	-	-
Total	**$ 33,121,155**	**(228,092)**	**(1,635)**	**32,891,428**	**(1,635)**	**-**

There is no material impact on the Company's basic and diluted earnings per share for the year ended December 31, 2018.

(Continued)

(iii) Amendments to IAS 7 *Disclosure Initiative*

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

To satisfy the new disclosure requirements, the Company presents a reconciliation between the beginning and ending balances for liabilities with changes arising from financing activities in note 6(ac).

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

According to Ruling No. 1070324857 issued by the FSC on July 17, 2018, commencing from 2019, the Company is required to adopt the IFRSs that have been endorsed by the FSC with effective date from January 1, 2019. The related new, revised or amended standards and interpretations are set out below:

New, Revised or Amended Standards and Interpretations	**Effective date per IASB**
IFRS 16 *Leases*	January 1, 2019
IFRIC 23 *Uncertainty over Income Tax Treatments*	January 1, 2019
Amendments to IFRS 9 *Prepayment features with negative compensation*	January 1, 2019
Amendments to IAS 19 *Plan Amendment, Curtailment or Settlement*	January 1, 2019
Amendments to IAS 28 *Long-term interests in associates and joint ventures*	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

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

(i) IFRS 16 *Leases*

IFRS 16 replaces the existing leases guidance, including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as finance or operating leases.

ACER INCORPORATED
Notes to Parent-Company-Only Financial Statements

1) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Company can choose to apply either of the following:

- IFRS 16 definition of lease to all its contracts; or
- a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Company plans to apply IFRS 16 definition of a lease to all its contracts upon transition.

2) Transition

As a lessee, the Company can apply the standard using either of the following:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

The Company plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment in the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Company chooses to elect the following practical expedients:

- apply a single discount rate to a portfolio of leases with similar characteristics;
- apply the exemption, and not to recognize the right-of-use asset and lease liabilities with lease term that ends within 12 months at the date of initial application;
- exclude the initial direct costs from measuring the right-of-use asset at the date of initial application; and
- use hindsight to determine the lease term while the contract contains options to extend or terminate the lease.

(Continued)

ACER INCORPORATED

Notes to Parent-Company-Only Financial Statements

3) So far, the most significant impact identified is that the Company will have to recognize the right-of-use assets and lease liabilities for the operating leases of its offices and warehouses, which will result in an increase of $187,485 in its right-of-use assets and lease liabilities on January 1, 2019. Besides, the Company does not expect the adoption of IFRS 16 to have any impact on its ability to comply with the maximum leverage threshold loan covenant. Also, the Company is not required to make any adjustments for leases in which the Company is the intermediate lessor in a sub-lease.

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

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

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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 *Definition of a Business*	January 1, 2020
Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture*	Effective date to be determined by IASB
IFRS 17 *Insurance Contracts*	January 1, 2021
Amendments to IAS 1 and IAS 8 *Definition of Material*	January 1, 2020

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

Issuance / Release Dates	Standards or Interpretations	Content of amendment
October 31, 2018	Amendments to IAS 1 and IAS 8 *Definition of Material*	The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards.

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

ACER INCORPORATED
Notes to Parent-Company-Only Financial Statements

4. Summary of significant accounting policies

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

(a) Statement of compliance

The Company's accompanying parent-company-only financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

(b) Basis of preparation

(i) Basis of measurement

The accompanying parent-company-only financial statements have been prepared on a historical cost basis except for the following items:

1) Financial instruments measured at fair value through profit or loss (including derivative financial instruments);
2) Financial assets measured at fair value through other comprehensive income (Available-for-sale financial assets measured at fair value); and
3) Net defined benefit liability measured at present value of defined benefit obligation less the fair value of plan assets.

(ii) Functional and presentation currency

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

(c) Foreign currency

(i) Foreign currency transactions

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

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

(ii) Foreign operations

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

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

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

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

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

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

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

(i) It is expected to be settled in the normal operating cycle;
(ii) It is held primarily for the purpose of trading;
(iii) It is due to be settled within twelve months after the reporting period; or

(Continued)

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Notes to Parent-Company-Only Financial Statements

(iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

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

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

(f) Financial instruments

(i) Financial assets (applicable commencing January 1, 2018)

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income ("FVOCI"), and fair value through profit or loss ("FVTPL"). A regular way purchase or sale of financial assets is recognized and derecognized on a trade-date basis.

The Company shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method, less any impairment losses. Interest income, foreign exchange gains and losses, and recognition (reversal) of impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

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2) Financial assets measured at fair value through other comprehensive income

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Foreign exchange gains and losses, interest income calculated using the effective interest method, and impairment losses deriving from debt investments, are recognized in profit or loss; whereas dividends deriving from equity investments are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of an investment. Other changes in the carrying amount of financial assets measured at FVOCI are recognized in other comprehensive income and accumulated in other equity as unrealized gain (loss) from financial assets measured at fair value through other comprehensive income. On derecognition, gains and losses accumulated in other equity of debt investments are reclassified to profit or loss. However, gains and losses accumulated in other equity of equity investments are reclassified to retained earnings instead of profit or loss.

Dividend income derived from equity investments is recognized on the date that the Company's right to receive the dividends is established (usually the ex-dividend date).

3) Financial assets measured at fair value through profit or loss

All financial assets not classified as measured at amortized cost or at FVOCI described as above are measured at FVTPL, including derivative financial assets and non-derivative financial assets (e.g., convertible bond). On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are initially recognized at fair value. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, they are measured at fair value, any changes therein, including any dividend and interest income, are recognized in profit or loss.

(Continued)

4) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivables, and other financial assets) and contract assets.

The Company measures loss allowances for accounts receivable, contract assets and other financial assets at an amount equal to lifetime expected credit loss ("ECL"), except for the following financial assets which are measured using 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. The information includes both quantitative and qualitative information and analysis based on the Company's historical experience and credit assessment, as well as forward-looking information.

ECLs are probability-weighted estimate of credit losses over the expected life of financial assets. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The recognition or reversal of the loss allowance is recognized in profit or loss.

The gross carrying amount of a financial asset is written off, either partially or in full, to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

5) Derecognition of financial assets

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

On derecognition of a debt instrument in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and accumulated in "other equity–unrealized gain (loss) from financial assets measured at fair value through other comprehensive income" is recognized in profit or loss, and included in non-operating income and loss.

On derecognition of a debt instrument other than in its entirety, the Company allocates the previous carrying amount of the debt instrument between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received or receivable for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss, and included in non-operating income and loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

(ii) Financial assets (applicable before January 1, 2018)

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

1) Financial assets at fair value through profit or loss

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

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

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

2) Loans and receivables

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

3) Available-for sale financial assets

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

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

4) Impairment of financial assets

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

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

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

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

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

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

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

5) Derecognition of financial assets

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

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

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

(iii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

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

2) Financial liabilities measured at fair value through profit or loss

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

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

At initial recognition, the financial liability is recognized at fair value, and any attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any interest expense, are recognized in profit or loss and included in non-operating income and loss.

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3) Financial liabilities measured at amortized cost

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

4) Derecognition of financial liabilities

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

5) Offsetting of financial assets and liabilities

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

(iv) Derivative financial instruments and hedge accounting (applicable commencing January 1, 2018)

The Company uses derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are initially measured at fair value. Any attributable transaction costs thereof are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss and included in non-operating income and loss, unless the derivative financial instruments are designated as effective hedging instruments, in which the timing of the recognition in profit or loss depends on the nature of the hedge relationship. If the valuation of a derivative instrument results in a positive fair value, it is classified as a financial asset; otherwise, it is classified as a financial liability.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract that is a non-financial asset are not closely related to the embedded derivatives and the host contract is not measured at FVTPL.

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

The Company shall discontinue hedge accounting prospectively only when the hedging relationship (or a part of a hedging relationship) ceases to meet the qualifying criteria (after taking into account any rebalancing of the hedging relationship, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised.

1) Fair value hedge

Changes in the fair value of a hedging instrument that is qualified as a fair value hedge are recognized in profit or loss (or other comprehensive income, if the hedging instrument hedges an equity instrument measured at FVOCI).

2) Cash flow hedge

When a derivative is designated and qualified as a cash flow hedging instrument, the effective portion of changes in the fair value is recognized in other comprehensive income and accumulated in “other equity — gains (losses) on hedging instruments”, and is limited to the cumulative change in fair value of the hedged item from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss, and included in non-operating income and loss.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the same periods when the hedged item is recognized in profit or loss, and are included in the same account in the statements of comprehensive income as the hedged item.

(v) Derivative financial instruments and hedge accounting (applicable before January 1, 2018)

Except for the following items, the Company applied the same accounting policies as applicable commencing January 1, 2018.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risk of the host contract are not closely related to the embedded derivatives and the host contract is not measured at FVTPL.

For all cash flow hedges including hedges of expected transactions recognized in non-financial assets or non-financial liabilities, amounts previously recognized in other comprehensive income, and accumulated in equity, are reclassified to profit or loss in the same periods when expected cash flow of hedged items are recognized in profit or loss. In addition, for the cash flow hedge that is discontinuing before January 1, 2018, changes in fair value of forward position are recognized in profit or loss.

(g) Inventories

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

(h) Investments in associates and interests in joint venture

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

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

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

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

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

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

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

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

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

(i) Investments in subsidiaries

When preparing the parent-company-only financial statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. Carrying amount of investments in subsidiaries includes goodwill arising from initial recognition less any accumulated impairment losses, which is recognized as a reduction of carry amount. Under equity method, profit or loss and other comprehensive income recognized in parent-company-only financial statement is the same as total comprehensive income attributable to shareholders of the Company in the consolidated financial statements. In addition, changes in equity recognized in parent-company-only financial statement is the same as changes in equity attributable to owners of parent in the consolidated financial statements. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity.

The Company uses acquisition method for acquisitions of new subsidiaries. Goodwill is measured at the excess of the acquisition-date fair value of consideration transferred (including any non-controlling interest in the acquiree) over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed (generally at fair value). If the residual balance is negative, the Company shall re-assess whether it has correctly identified all of the assets acquired and liabilities assumed and recognize any additional assets or liabilities that are identified in that review, and shall recognize a gain on the bargain purchase thereafter. For each acquisition, non-controlling interest in the acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the fair value of the acquiree's identifiable net assets.

In an acquisition of new subsidiary achieved in batches, the previously held equity interest in the acquiree at its acquisition date fair value is remeasured, and the resulting gain or loss, if any, is recognized in profit or loss. For all amounts recognized in other comprehensive income arising from change in equity of acquiree prior to acquisition date, the Company shall treat it on the same basis as if the Company directly dispose of the previously held equity interest. If the amounts previously recognized in other comprehensive income shall be reclassified to profit or loss as would be required while disposal of such interest, the Company shall reclassify it to profit or loss.

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

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

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(j) Property, plant and equipment

(i) Recognition and measurement

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

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

(ii) Reclassification to investment property

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

(iii) Subsequent costs

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

(iv) Depreciation

Depreciation is calculated on the cost of assets less their residual values and is recognized on a straight line basis over the estimated useful lives. When an item of property, plant and equipment comprises significant individual components for which different depreciation methods or useful lives are appropriate, each component is depreciated separately. Land is not depreciated. The depreciation is recognized in profit or loss.

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

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

(k) Investment property

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

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

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

(l) Leases

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

(i) The Company as lessor

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

(ii) The Company as lessee

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

(m) Intangible assets

(i) Goodwill

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

(ii) Trademarks

Trademarks are measured at cost. Subsequent to the initial recognition, trademarks with definite useful lives are carried at cost less accumulated amortization and accumulated impairment losses. Trademarks with indefinite useful lives are carried at cost less any accumulated impairment losses and are tested for impairment annually. The useful life of an intangible asset not subject to amortization is reviewed annually at each financial year-end to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Any change in the useful life assessment from indefinite to definite is accounted for as a change in accounting estimate.

(iii) Other intangible assets

Other separately acquired intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized in profit or loss on a straight-line basis over the following estimated useful lives: patents - 4 to 15 years; acquired software - 1 to 3 years.

The residual value, amortization period, and amortization method are reviewed at least at each financial year-end. Any changes shall be accounted for as changes in accounting estimates.

(n) Impairment of non-financial assets

(i) Goodwill

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

(ii) Other tangible and intangible assets

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

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The recoverable amount for an individual asset or a CGU is the higher of its fair value less costs to sell or its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the evaluation of current market on the time values of money and on the risks specific to the asset. When the recoverable amount of an asset or a CGU is less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount, and an impairment loss is recognized in profit or loss immediately.

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

Intangible assets with indefinite useful lives or those not yet available for use are tested annually for impairment. An impairment loss is recognized for the excess of the asset' s carrying amount over its recoverable amount.

(o) Provisions

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

(i) Warranties

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

(ii) Others

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

(p) Treasury stock

Common stock repurchased by the Company treated as treasury stock (a contra-equity account) is reported at acquisition cost (including all directly accountable costs). When treasury stock is sold, the excess of sales proceeds over cost is accounted for as capital surplus－treasury stock. If the sales proceeds are less than cost, the deficiency is accounted for as a reduction of the remaining balance of capital surplus－treasury stock. If the remaining balance of capital surplus－treasury stock is insufficient to cover the deficiency, the remainder is recorded as a reduction of retained earnings. The cost of treasury stock is computed using the weighted-average cost of different types of repurchase.

(Continued)

If treasury stock is retired, the weighted-average cost of the retired treasury stock is written off against the par value and the capital surplus premium, if any, of the stock retired on a pro rata basis. If the weighted-average cost written off exceeds the sum of the par value and the capital surplus, the difference is accounted for as a reduction of capital surplus－treasury stock, or a reduction of retained earnings for any deficiency where capital surplus－treasury stock is insufficient to cover the difference. If the weighted-average cost written off is less than the sum of the par value and capital surplus, if any, of the stock retired, the difference is accounted for as an increase in capital surplus－treasury stock.

(q) Revenue recognition

(i) Revenue from contracts with customers (policy applicable commencing January 1, 2018)

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

1) Sale of goods

The Company recognizes revenue when control of the products has been transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

The Company recognizes revenue based on the price specified in the contract, net of the estimated volume discounts and rebates. Accumulated experience is used to estimate the discounts and rebates using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A refund liability is recognized for expected sales discounts and rebate payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with a credit term from 30 to 90 days, which is consistent with the market practice.

The Company's obligation to provide a refund for faulty goods under the standard warranty terms is recognized as a provision for warranty. Please refer to note 6(o) for more explanation.

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

2) Revenue from service rendered

The Company provides system implementation or integration services to enterprise customers. Revenue from providing services is recognized in the accounting periods in which the services are rendered. For performance obligations that are satisfied over time, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. The proportion of services provided is determined based on the portion of the work performed, the time passed by, or the milestone reached.

Estimates of revenues, costs, or extent of progress toward completion, are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by the management.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the accumulated revenue recognized by the Company exceed the payments, a contract asset is recognized. If the payments exceed the accumulated revenue recognized, a contract liability is recognized.

3) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and the payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(ii) Revenue recognition (applicable before January 1, 2018)

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

1) Sale of goods

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

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

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

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2) Services

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

3) Rental income, interest income, and dividend income

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

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

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

(iii) Contract costs (applicable commencing January 1, 2018)

1) Incremental costs of obtaining a contract

The Company recognizes the incremental costs of obtaining a contract with a customer as an asset if the Company expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred, regardless of whether the contract was obtained, shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Company applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the Company otherwise would have recognized is one year or less.

2) Costs to fulfil a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 *Inventories*, IAS 16 *Property, Plant and Equipment* or IAS 38 *Intangible Assets*), the Company recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the Company can specifically identify;
- the costs generate or enhance resources of the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

General and administrative costs, costs of wasted materials, labor or other resources to fulfil the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Company cannot distinguish whether the costs relate to unsatisfied

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performance obligations or to satisfied performance obligations (or partially satisfied performance obligations) are recognized as expenses when incurred.

(r) Government grant

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

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

Government grant is recognized in other gains and losses.

(s) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

(Continued)

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

(iii) Short-term employee benefits

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

(t) Share-based payment

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

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

(u) Income taxes

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

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

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

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

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

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

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

(v) Earnings per share ("EPS")

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

(w) Operating segments

The Company discloses the operating segment information in the consolidated financial statements. Therefore, the Company does not disclose the operating segment information in the parent-company-only financial statements.

5. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

The preparation of the parent-company-only financial statements in conformity with the Regulations Governing the Preparation of Financial Reports requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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

(a) Revenue recognition (accrual of sales allowance)

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

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(b) Valuation of inventory

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

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

(c) Impairment of goodwill from investments in subsidiaries

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

6. Significant account disclosures

(a) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand	$ 664	659
Bank deposits	1,155,350	3,071,658
Time deposits	2,469,140	10,636,388
	$ 3,625,154	**13,708,705**

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

	December 31, 2018	December 31, 2017
Financial assets held for trading－current:		
Derivatives－Foreign currency forward contracts	$ -	55,374
Financial assets at fair value through profit or loss－current:		
Conversion rights of investments in convertible bonds	-	3,033
Financial assets mandatorily measured at fair value through profit or loss:		
Derivative instruments not used for hedging		
Foreign currency forward contracts	$ 255,524	-
Non-derivative financial assets		
Convertible bonds	11,427	-
	266,951	-
	$ 266,951	**58,407**

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	December 31, 2018	December 31, 2017
Financial liabilities held for trading－current:		
Derivatives－Foreign currency forward contracts	$ (183,413)	(326,006)

Convertible bonds held by the Company were issued by StarBreeze Publishing AB ("StarBreeze"). StarBreeze filed for reconstruction with the court due to its shortage of liquidity, and the court approved the application in 2018. Accordingly, the Company recognized a loss of $255,345 (arising from the fair value measurement of the convertible bonds) which was presented in other gains and losses in the accompanying parent-company-only statements of comprehensive income.

The Company entered into derivative contracts to manage foreign currency exchange risk arising from operating activities. At each reporting date, the outstanding foreign currency forward contracts that did not conform to the criteria for hedge accounting consisted of the following (the contract amount was presented in USD; the contracts were classified as mandatorily measured at FVTPL on December 31, 2018, and were classified as financial assets held for trading on December 31, 2017) :

(i) Foreign currency forward contracts

December 31, 2018

Contract amount (in thousands)		Currency	Maturity period
USD	681,000	USD / NTD	2019/01
USD	406,661	EUR / USD	2019/01~2019/05
USD	11,456	NZD / USD	2019/01~2019/06
USD	73,641	AUD / USD	2019/01~2019/07
USD	49,655	USD / JPY	2019/01~2019/09
USD	159,217	USD / INR	2019/01~2019/07

December 31, 2017

Contract amount (in thousands)		Currency	Maturity period
USD	650,000	USD / NTD	2018/01
USD	342,678	EUR / USD	2018/01~2018/05
USD	1,739	NZD / USD	2018/05~2018/06
USD	19,124	AUD / USD	2018/06~2018/08

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(c) Financial assets measued at fair value through other comprehensive income

	December 31, 2018
Equity investments at fair value through other comprehensive income	
Domestic listed stock	$ 2,844,861
Unlisted stock	77,048
	$ 2,921,909
Current	$ 39,908
Non-current	2,882,001
	$ 2,921,909

The Company designated the investments shown above financial assets measured as at fair value through other comprehensive income because these equity instruments are held for long-term strategic purposes and not for trading. These investments were classified as available-for-sale financial assets on December 31, 2017.

The Company did not dispose of the investments in 2018.

(d) Available-for-sale financial assets

	December 31, 2017
Domestic listed stock	$ 3,242,483
Unlisted stock	69,095
	$ 3,311,578
Current	$ 67,077
Non-current	3,244,501
	$ 3,311,578

(e) Investments in debt instrument without an active market

	December 31, 2017
Convertible bond	**$ 227,243**

Investments in debt instrument shown above were classified as financial assets measured at fair value through profit or loss on December 31, 2018. Please refers to note 6(b).

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(f) Notes and accounts receivable–net (measured at amortized cost)

	December 31, 2018	December 31, 2017
Notes receivable	$ 15,410	30,551
Accounts receivable	3,339,559	4,228,297
Notes and accounts receivable from related parties	23,075,104	14,186,704
	26,430,073	18,445,552
Less: Loss allowance	(2,698)	(12,508)
	$ 26,427,375	**18,433,044**

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables on December 31, 2018. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics, and days past due, as well as incorporated forward looking information. Analysis of expected credit losses on notes and accounts receivable for trade receivables as of December 31, 2018 was as follows:

	Gross carrying amount	Weighted-average loss rate	Loss allowance
Current	$ 3,024,218	0.06%	(1,901)
Past due 1-30 days	304,645	0.08%	(250)
Past due 31-60 days	11,360	0.77%	(87)
Past due 61-90 days	13,049	0.36%	(47)
Past due 91-180 days	1,137	3.34%	(38)
Past due 181 days or over	560	66.96%	(375)
	$ 3,354,969		**(2,698)**

As of December 31, 2018, no expected credit losses was provided for abovementioned notes and accounts receivable from related parties after the management's assessment.

	Gross carrying amount	Weighted-average loss rate	Loss allowance
Current	$ 20,440,233	-	-
Past due 1-30 days	1,844,757	-	-
Past due 31-60 days	582,276	-	-
Past due 61-90 days	51,651	-	-
Past due 91-180 days	64,429	-	-
Past due 181 days or over	91,758	-	-
	$ 23,075,104		**-**

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As of December 31, 2017, the Company applied the incurred loss model to measure the loss allowance for notes and accounts receivable. The aging analysis of notes and accounts receivable which were past due but not impaired was as follows:

	December 31, 2017
Past due 1-30 days	$ 580,869
Past due 31-60 days	33,123
Past due 61-90 days	10,382
Past due 91 days or over	6,359
	$ 630,733

As of December 31, 2017, the Company's aging analysis of notes and accounts receivable from related parties which were past due but not impaired was as follows:

	December 31, 2017
Past due 1-30 days	$ 62,395
Past due 31-60 days	113
Past due 61-90 days	-
Past due 91 days or over	89,116
	$ 151,624

In principle, the average credit term granted to customers for the sale of goods ranged from 30 to 90 days. While assessing the recoverability of the notes and accounts receivable, the Company consider any changes in the credit quality between the initial transaction date and the reporting date. The allowance for doubtful receivables was assessed by referring to the collectability of receivables based on an individual trade term analysis, the historical payment behavior and current financial condition of customers, credit insurance and the provision for sales returns and allowances. Notes and accounts receivable that were past due but for which the Company had not recognized a specific allowance for doubtful receivables after the assessment were still considered recoverable.

Movements of the allowance for notes and accounts receivable was as follows:

		2017	
	2018	Individually assessed impairment	Collectively assessed impairment
Balance at January 1 (per IAS 39)	$ 12,508	7,056	12,648
Adjustment on initial application of IFRS 9	1,635		
Balance at January 1 (per IFRS 9)	14,143		
Impairment losses reversed	(11,077)	(81)	(7,115)
Write-off	(368)	-	-
Balance at December 31	**$ 2,698**	**6,975**	**5,533**

(Continued)

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Notes to Parent-Company-Only Financial Statements

(g) Other receivables

		December 31, 2018	December 31, 2017
Other receivables from related parties	$	87,697	260,738
Reimbursement of advertising expense		393,522	168,072
Purchase discount		101,337	142,340
Others		79,601	31,309
		662,157	602,459
Less: Loss allowance		-	-
	$	**662,157**	**602,459**

As of December 31, 2018, no loss allowance was provided for other receivables after management's assessment.

As of December 31, 2017, the Company expected that other receivables could be collected within one year, and no loss allowance was provided for after management's assessment.

(h) Inventories

		December 31, 2018	December 31, 2017
Raw materials	$	12,054,086	12,183,186
Finished goods and merchandise		1,297,990	1,013,436
Spare parts		71,579	78,422
Inventories in transit		167,529	69,668
	$	**13,591,184**	**13,344,712**

For the years ended December 31, 2018 and 2017, the amounts of inventories recognized as cost of revenue were as follows：

		2018	2017
Cost of inventories sold	$	154,242,588	149,763,488
Inventories transferred to repairing cost		531,424	503,299
Write-down of (reversal of) inventories		82,558	(76,519)
	$	**154,856,570**	**150,190,268**

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

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(i) Investments accounted for using equity method

A summary of the Company's investments accounted for using equity method is as follows:

	December 31, 2018	December 31, 2017
Subsidiaries	$ 67,325,012	65,921,777
Associates	11,917	80,201
Joint Ventures	126,996	-
	$ 67,463,925	66,001,978

(i) For the information of subsidiaries, please refer to the consolidated financial statements for the year ended December 31, 2018.

(ii) Acquisition of Bluechip Infotech Pty Ltd. (Bluechip)

In order to strengthen the Group's connection with upstream and downstream industries of 3C products, the Company acquired 152 thousand shares of Bluechip, formerly an associate of the Company, for a cash consideration of $8,739 on March 14, 2018. After the acquisition, the Company's interest in Bluechip increased from 30.23% to 34.52%, and the Group's total ownership of Bluechip reached 50.58% after taking AOI's 16.06% interest in Bluechip into account. The Company therefore became the largest shareholder of Bluechip and obtained control over it since then.

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

Purchase consideration		$ 8,739
Add: Non-controlling interest in the acquiree (proportionate share of the fair value of the identifiable net assets)		105,682
Fair value of pre-existing interest in the acquiree		93,164
Less: Fair value of identifiable assets acquired and liabilities assumed		
Cash and cash equivalents	$ 7,668	
Accounts receivable, net	280,568	
Inventories	201,195	
Other current assets	14,537	
Financial assets measured at fair value through other comprehensive income－non-current	13,157	
Property, plant and equipment	5,729	
Intangible assets	24,759	
Other non-current assets	9,676	
Short-term borrowings	(79,409)	
Accounts payable	(225,487)	
Other current liabilities	(19,968)	
Other non-current liabilities	(18,455)	(213,970)
Gain on bargain purchase		$ (6,385)

(Continued)

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The Company remeasured the fair value of its existing 30.23% ownership of Bluechip at the acquisition date, and recognized a loss on disposal of investments of $29,531 accordingly. The resulting loss, as well as the gain on bargain purchase of $6,385, of which $4,358 were attributed to the Company, were classified under non-operating income and loss in the accompanying 2018 parent-company-only statement of comprehensive income.

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

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

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

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

(Continued)

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The above-mentioned gain on bargain purchase of $852 was included in non-operating income and loss in the accompanying 2017 parent-company-only statement of comprehensive income.

(iv) Acquisition of StarVR Corporation (ASBZ)

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

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

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

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

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Notes to Parent-Company-Only Financial Statements

(v) The Company has processed an impairment test for Goodwill of investment in subsidiaries, and there was no impairment as of the test result. Refer to the consolidated financial statements for the year ended December 31, 2018 for the evaluation of goodwill impairment.

(vi) Associates and joint ventures

	December 31, 2018		December 31, 2017	
Name of Associates and Joint Ventures	**Percentage of ownership**	**Carrying amount**	**Percentage of ownership**	**Carrying amount**
Associates:				
Aegis Semiconductor Technology Inc. (“ATI”)	19.39	$ 3,068	19.39	3,068
Bluechip Infotech Pty Ltd. (“Bluechip”, note(i))	-	-	30.23	69,399
Others	-	8,849	-	7,734
Joint Ventures:				
Smart Frequency Technology Inc. (“SFT”, note(ii))	55.00	126,996	-	-
		$ 138,913		**80,201**

Note (i): On March 14, 2018, the Company obtained control over Bluechip; therefore, Bluechip became a subsidiary of the Company since then. Please refer to abovementioned (ii) for further details.

Note (ii): On August 3, 2018, the Company entered into a joint venture agreement with a third party, whereby the Company and the other party have joint control over SFT. This investment is accounted for using equity method.

	2018	**2017**
The Company’s share of net income (loss) of the associates:		
Net income	$ 1,164	890
Other comprehensive income	(1,847)	(105)
Total comprehensive income	**$ (683)**	**785**

	2018	**2017**
The Company’s share of net income (loss) of the joint ventures:		
Net loss	$ (5,004)	(838)
Other comprehensive income	-	-
Total comprehensive income	**$ (5,004)**	**(838)**

(Continued)

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Notes to Parent-Company-Only Financial Statements

(j) Property, plant and equipment

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

	Land	Buildings	Computer and communication equipment	Other equipment	Total
Cost or deemed cost:					
Balance at January 1, 2018	$ 962,261	1,401,612	652,313	259,262	3,275,448
Additions	-	2,830	10,359	26,182	39,371
Disposals	-	-	(68,631)	(4,260)	(72,891)
Reclassification	1,281	8,643	13,399	(386)	22,937
Balance at December 31, 2018	**$ 963,542**	**1,413,085**	**607,440**	**280,798**	**3,264,865**
Balance at January 1, 2017	$ 962,261	1,400,910	731,396	259,535	3,354,102
Additions	-	702	10,339	4,963	16,004
Disposals	-	-	(106,631)	(5,336)	(111,967)
Reclassification	-	-	17,209	100	17,309
Balance at December 31, 2017	**$ 962,261**	**1,401,612**	**652,313**	**259,262**	**3,275,448**
Accumulated depreciation and impairment loss:					
Balance at January 1, 2018	$ 126,540	961,048	598,856	230,423	1,916,867
Depreciation	-	25,326	26,106	10,693	62,125
Disposals	-	-	(67,291)	(3,011)	(70,302)
Reclassification	-	1,202	-	(83)	1,119
Balance at December 31, 2018	**$ 126,540**	**987,576**	**557,671**	**238,022**	**1,909,809**
Balance at January 1, 2017	$ 126,540	936,555	669,181	225,019	1,957,295
Depreciation	-	24,493	34,552	10,010	69,055
Disposals	-	-	(104,877)	(4,606)	(109,483)
Balance at December 31, 2017	**$ 126,540**	**961,048**	**598,856**	**230,423**	**1,916,867**
Carrying amounts:					
Balance at December 31, 2018	**$ 837,002**	**425,509**	**49,769**	**42,776**	**1,355,056**
Balance at December 31, 2017	**$ 835,721**	**440,564**	**53,457**	**28,839**	**1,358,581**

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Notes to Parent-Company-Only Financial Statements

(k) Investment property

	Land	Buildings	Total
Cost or deemed cost:			
Balance at January 1, 2018	$ 1,306,347	3,219,986	4,526,333
Reclassification from property, plant and equipment	(1,281)	(2,361)	(3,642)
Balance at December 31, 2018	**$ 1,305,066**	**3,217,625**	**4,522,691**
Balance at January 1, 2017 (at December 31, 2017)	**$ 1,306,347**	**3,219,986**	**4,526,333**
Accumulated depreciation and impairment loss:			
Balance at January 1, 2018	$ 427,047	2,810,974	3,238,021
Depreciation	-	9,891	9,891
Other reclassification	-	5,080	5,080
Balance at December 31, 2018	**$ 427,047**	**2,825,945**	**3,252,992**
Balance at January 1, 2017	$ 427,047	2,797,268	3,224,315
Depreciation	-	13,706	13,706
Balance at December 31, 2017	**$ 427,047**	**2,810,974**	**3,238,021**
Carrying amounts:			
Balance at December 31, 2018	**$ 878,019**	**391,680**	**1,269,699**
Balance at December 31, 2017	**$ 879,300**	**409,012**	**1,288,312**
Fair value:			
Balance at December 31, 2018			**$ 1,610,930**
Balance at December 31, 2017			**$ 1,620,518**

The fair value of the investment property is determined by referring to the market price of similar real estate transaction, the valuation (the inputs used in the fair value measurement were classified to level 3) by an independent appraiser or the value in use of the investment property. The value in use is the present value of the future cash flows from continuous lease activities. On December 31, 2018 and 2017, the estimated discount rate used for calculating the present value of the future cash flows was 6.13% and 4.90%, respectively.

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Notes to Parent-Company-Only Financial Statements

(l) Intangible assets

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

		Goodwill	Patent	Software	Total
Net balance at January 1, 2018	$	166,604	75,394	19,994	261,992
Additions		-	-	200	200
Disposals		-	-	(524)	(524)
Reclassification		-	-	9,306	9,306
Amortization		-	(25,582)	(16,256)	(41,838)
Net balance at December 31, 2018	$	166,604	49,812	12,720	229,136
Net balance at December 31, 2018:					
Cost	$	166,604	1,360,680	658,246	2,185,530
Accumulated amortization and impairment loss		-	(1,310,868)	(645,526)	(1,956,394)
	$	166,604	49,812	12,720	229,136
Net balance at January 1, 2017:					
Cost	$	166,604	1,360,680	738,921	2,266,205
Accumulated amortization and impairment loss		-	(1,243,718)	(702,172)	(1,945,890)
Net balance at January 1, 2017		166,604	116,962	36,749	320,315
Additions		-	-	2,137	2,137
Disposals		-	-	(2,266)	(2,266)
Reclassification		-	-	9,395	9,395
Amortization		-	(41,568)	(26,021)	(67,589)
Net balance at December 31, 2017	$	166,604	75,394	19,994	261,992
Net balance at December 31, 2017:					
Cost	$	166,604	1,360,680	655,726	2,183,010
Accumulated amortization and impairment loss		-	(1,285,286)	(635,732)	(1,921,018)
	$	166,604	75,394	19,994	261,992

The amortization and impairment loss of intangible assets were included in the line item, operating expense, of the parent-company-only statements of comprehensive income.

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Notes to Parent-Company-Only Financial Statements

(m) Long-term debt

Type of Loan	Creditor	Credit Line	Term	December 31, 2018	December 31, 2017
Unsecured loan	Bank of Taiwan and other banks	The term tranche of $6 billion may be withdrawn separately within twelve months from the date of the initial withdrawal; three-year limit, during which, revolving credits are disallowed.	The loan is repayable in 6 quarterly installments ($0.9 billion for the first to the fifth installments, and $1.5 billion for the sixth installment) starting February 2018. The Company early repaid $3.3 billion in November 2017, and repaid $2.7 billion in August 2018.	-	2,700,000
		Revolving tranche of $6 billion; three-year limit.	One-time repayment in full when due. The credit facility has not been used.	-	-
Unsecured loan	Bank of Taiwan	The term tranche of $4 billion may be withdrawn separately within six months from the contract date; revolving credits are allowed.	The interest is paid monthly starting November 2017. The principal will be repaid in lump sum amount when due in August 2020. Interest rate is adjusted quarterly.	3,300,000	3,300,000
Less: current portion of long-term debt				-	(2,700,000)
				$ 3,300,000	3,300,000
Unused credit facilities				$ 2,400,000	6,700,000
Interest rate				1.30%	1.30%~1.84%

The Company entered into a syndicated loan agreement with Bank of Taiwan (the lead bank of the syndicated loan) and other banks in April 2016. According to the syndicated loan agreements, the Company is required to maintain certain financial ratios calculated based on its annual and semi-annual consolidated financial statements. The Company was in compliance with the financial covenants on December 31, 2017. Furthermore, there were no financial covenants required for the unsecured loan agreements with Bank of Taiwan in November 2017. Please refer to note 6(y) for related interest expense from the abovementioned bank loans.

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Notes to Parent-Company-Only Financial Statements

(n) Provisions

		Warranties	Litigation	Environmental protection	Total
Balance at January 1, 2018	$	453,232	208,936	66,378	728,546
Additions		246,921	-	47,845	294,766
Amount utilized		(233,431)	-	(40,319)	(273,750)
Effect of exchange rate changes		2,784	6,195	-	8,979
Balance at December 31, 2018	**$**	**469,506**	**215,131**	**73,904**	**758,541**
Current	$	469,506	215,131	73,904	758,541
Non-current		-	-	-	-
	$	**469,506**	**215,131**	**73,904**	**758,541**
Balance at January 1, 2017	$	410,301	225,953	59,240	695,494
Additions		204,410	-	40,506	244,916
Amount utilized		(161,437)	-	(33,368)	(194,805)
Effect of exchange rate changes		(42)	(17,017)	-	(17,059)
Balance at December 31, 2017	**$**	**453,232**	**208,936**	**66,378**	**728,546**
Current	$	453,232	208,936	66,378	728,546
Non-current		-	-	-	-
	$	**453,232**	**208,936**	**66,378**	**728,546**

(i) Warranties

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

(ii) Litigation

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

(iii) Environmental protection

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

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Notes to Parent-Company-Only Financial Statements

(o) Operating lease

(i) Lessee

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

	December 31, 2018	December 31, 2017
Not later than 1 year	$ 83,652	43,016
Later than 1 year but not later than 5 years	129,866	100,559
	$ 213,518	**143,575**

For the years ended December 31, 2018 and 2017, rental expenses of $90,363 and $78,024, respectively, were recognized and included in the operating expenses.

(ii) Lessor

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

	December 31, 2018	December 31, 2017
Not later than 1 year	$ 85,471	53,087
Later than 1 year but not later than 5 years	97,256	78,086
Later than 5 years	903	873
	$ 183,630	**132,046**

In 2018 and 2017, the rental income from investment property amounted to $115,359 and $100,701, respectively. Related repair and maintenance expenses recognized were as follows:

	2018	2017
Arising from investment property that generated rental income during the period	$ 31,998	27,001
Arising from investment property that did not generate rental income during the period	27,731	34,326
	$ 59,729	**61,327**

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Notes to Parent-Company-Only Financial Statements

(p) Employee benefits

(i) Defined benefit plans

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

	December 31, 2018	December 31, 2017
Present value of benefit obligations	$ 895,574	838,932
Fair value of plan assets	(358,844)	(350,932)
Net defined benefit liabilities (reported under other non-current liabilities)	**$ 536,730**	**488,000**

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

1) Composition of plan assets

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

As of December 31, 2018 and 2017, the balances of aforementioned pension funds were $358,844 and $350,932, respectively. For information on the domestic labor pension fund assets (including the asset portfolio and yield of the fund), please refer to the website of the Bureau of Labor Funds.

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Notes to Parent-Company-Only Financial Statements

2) Movements in present value of the defined benefit obligations

	2018	2017
Defined benefit obligations at January 1	$ 838,932	892,418
Current service costs	12,150	13,949
Interest expense	11,484	12,178
Remeasurement on the net defined benefit liabilities (assets):		
Actuarial loss (gain) arising from experience adjustments	35,510	47,478
Actuarial loss (gain) arising from changes in financial assumption	25,845	-
Benefits paid by the plan	(29,761)	(67,425)
Liabilities assumed (transferred) due to the Group's employee shift	1,414	(59,666)
Defined benefit obligations at December 31	**$ 895,574**	**838,932**

3) Movements in fair value of plan assets

	2018	2017
Fair value of plan assets at January 1	$ 350,932	273,692
Remeasurement on the net defined benefit liabilities		
Return on plan assets (excluding amounts included in net interest expense)	7,170	(979)
Benefits paid by the plan	(29,761)	(67,425)
Interest income	3,527	3,708
Contributions by the employer	30,353	31,091
Adjustments due to employee transfer to related parties	-	110,845
Loss on curtailment	(3,377)	-
Fair value of plan assets at December 31	**$ 358,844**	**350,932**

4) Changes in the effect of the asset ceiling

In 2018 and 2017, there was no effect of the asset ceiling.

5) Expenses recognized in profit or loss

	2018	2017
Current service costs	$ 12,150	13,949
Net interest expense	7,957	8,470
Loss on curtailment	3,377	-
	$ 23,484	**22,419**
Classified under operating expense	**$ 23,484**	**22,419**

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

	2018	2017
Cumulative amount at January 1	$ (239,567)	(191,110)
Recognized during the period	(54,185)	(48,457)
Cumulative amount at December 31	**$ (293,752)**	**(239,567)**

7) Actuarial assumptions

The principal assumptions of the actuarial valuation were as follows:

	December 31, 2018	December 31, 2017
Discount rate	1.125 %	1.375 %
Future salary increases rate	3.000 %	3.000 %

The Company expects to make contribution of $28,885 to the defined benefit plans in the year following December 31, 2018. The weighted average duration of the defined benefit plans is ranged in 14.59 years.

8) Sensitivity analysis

The following table summarizes the impact of a change in the assumptions on the present value of the defined benefit obligation on December 31, 2018 and 2017.

	December 31, 2018		December 31, 2017	
	0.25% Increase	0.25% Decrease	0.25% Increase	0.25% Decrease
Discount rate	**$ (25,845)**	**26,847**	**(25,574)**	**26,651**
Future salary change	**$ 25,812**	**(25,005)**	**25,707**	**(24,815)**

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

(ii) Defined contribution plans

The Company contribute monthly an amount equal to 6% of each employee's monthly wages to the employee' s individual pension fund account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company has no legal or constructive obligation to pay additional amounts after contributing a fixed amount to the Bureau of Labor Insurance.

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For the years ended December 31, 2018 and 2017, the Company recognized pension expenses of $81,147 and $79,407, respectively, and had contributed to the Bureau of Labor Insurance, in relation to the defined contribution plans.

(q) Income taxes

(i) According to the amendments to the "Income Tax Act" enacted by the office of the President of the R.O.C. on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing 2018.

The components of income tax expense were as follows:

	2018	2017
Current income tax expense		
Current period	$ 433,038	157,463
Adjustments for prior years	22,475	(166,902)
	455,513	(9,439)
Deferred tax expense		
Origination and reversal of temporary differences	378,120	309,822
Adjustment in tax rate	111,211	-
Change in unrecognized deductible temporary differences and tax losses	(92,683)	(89,751)
	396,648	220,071
Income tax expense	**$ 852,161**	**210,632**

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

	2018	2017
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit plans	$ 18,024	8,238
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(3,429)	18
	$ 14,595	**8,256**

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

	2018	2017
Income before taxes	$ 3,912,590	3,026,219
Income tax using the Company's statutory tax rate	$ 782,518	514,457
Adjustments for prior-year income tax expense	22,475	(166,902)
Adjustment in tax rate	111,211	-
Change in unrecognized temporary differences and tax losses	(92,683)	(89,751)
Others	28,640	(47,172)
	$ 852,161	210,632

(ii) Deferred income tax assets and liabilities

1) Unrecognized deferred income tax assets

	December 31, 2018	December 31, 2017
Unrecognized deferred income tax assets:		
Loss associated with investments in subsidiaries	$ 3,260,493	2,818,394
Summary amount of deductible temporary differences	1,860,844	1,831,773
	$ 5,121,337	4,650,167

The above deferred income tax assets were not recognized as management believed that it is not probable that future taxable profits will be available against which the Company can utilize the benefits therefrom.

2) Unrecognized deferred income tax liabilities

The Company is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as of December 31, 2018 and 2017. As management believed that it is probable that the temporary differences will not reverse in the foreseeable future, such temporary differences were not recognized as deferred income tax liabilities. The related amounts were as follows:

	December 31, 2018	December 31, 2017
Profits associated with investments in subsidiaries	$ 3,193,633	4,161,413

(Continued)

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Notes to Parent-Company-Only Financial Statements

3) Recognized deferred income tax assets and liabilities

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

Deferred income tax assets:

	Foreign currency translation differences	Remeasurements of defined benefit plans	Accrued expenses and costs	Total
Balance at January 1, 2018	$ 3,429	44,296	-	47,725
Recognized in profit or loss	-	-	265,000	265,000
Recognized in other comprehensive income (loss)	(3,429)	18,653	-	15,224
Balance at December 31, 2018	**$ -**	**62,949**	**265,000**	**327,949**
Balance at January 1, 2017	$ 3,411	36,058	-	39,469
Recognized in other comprehensive income (loss)	18	8,238	-	8,256
Balance at December 31, 2017	**$ 3,429**	**44,296**	**-**	**47,725**

Deferred income tax liabilities:

	Income from investments accounted for using equity method	Others	Total
Balance at January 1, 2018	$ 639,023	149,236	788,259
Recognized in profit or loss	735,360	(73,712)	661,648
Recognized in other comprehensive loss (income)	-	629	629
Balance at December 31, 2018	**$ 1,374,383**	**76,153**	**1,450,536**
Balance at January 1, 2017	$ 564,619	3,569	568,188
Recognized in profit or loss	74,404	145,667	220,071
Balance at December 31, 2017	**$ 639,023**	**149,236**	**788,259**

(iii) No income tax was recognized directly in equity for 2018 and 2017.

(iv) Except for 2015, the Company’s income tax returns for the years through 2016 were examined and approved by the R.O.C. income tax authorities.

(r) Capital and other equity

(i) Common stock

The Company had issued 17,460 thousand shares of restricted stock to its employees on August 26, 2014. In 2018 and 2017, the Company recalled 1,569 thousand shares and 4,230 thousand shares, respectively, of restricted stock for certain employees due to their resignation and retirement, as well as failing to meet certain vesting conditions. The Board of Directors had approved the capital reductions for retirement of restricted shares issued to employees and the related registration process has been completed.

As of December 31, 2018 and 2017, the Company had issued 5,858 thousand units and 6,446 thousand units, respectively, of global depository receipts (GDRs). The GDRs were listed on the London Stock Exchange, and each GDR represents five common shares.

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As of December 31, 2018 and 2017, the Company's authorized shares of common stock consisted of 3,500,000 thousand shares, of which 3,074,934 thousand shares and 3,076,503 thousand shares, respectively, were issued. The par value of the Company's common stock is $10 per share. All issued shares were paid up upon issuance.

Certain shares of common stock were not outstanding as they were held by the Company's subsidiaries or were non-vested restricted stock. The movements in outstanding shares of common stock in 2018 and 2017 were as follows (in thousands of shares):

	2018	2017
Balance at January 1	3,026,277	3,026,277
Vested restricted stock	1,911	-
Balance at December 31	**3,028,188**	**3,026,277**

(ii) Capital surplus

	December 31, 2018	December 31, 2017
Paid-in capital in excess of par value	$ 11,101,376	13,173,098
Surplus from mergers	16,027,221	16,027,221
Surplus related to treasury stock transactions and cash dividend	340,556	307,802
Difference between consideration and carrying amount of subsidiaries acquired or disposed	100,600	-
Employee share options	90,000	90,000
Surplus from equity-method investments	253,598	173,516
Restricted stock issued to employees	-	80,547
	$ 27,913,351	**29,852,184**

Pursuant to the Company Act, any realized capital surplus is initially used to cover accumulated deficit, and the balance, if any, could be transferred to common stock as stock dividends or distributed by cash based on the original shareholding ratio. Realized capital surplus includes the premium derived from the issuance of shares of stock in excess of par value and donations received by the Company. In accordance with the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers", distribution of stock dividends from capital surplus in any one year shall not exceed 10% of paid-in capital.

(iii) Legal reserve, special reserve, and dividend policy

The Company's Articles of Incorporation stipulate that at least 10% of annual net income, after deducting accumulated deficit, if any, must be retained as legal reserve until such retention equals the amount of paid-in capital. In addition, a special reserve shall be set aside in accordance with applicable laws and regulations. The remaining balance, together with the unappropriated earnings from the previous years, after retaining a certain portion of it for business considerations, can be distributed as dividends to stockholders. Except for the distribution of capital surplus and legal reserve in accordance with applicable laws and regulations, the Company cannot distribute any earnings when there are no retained earnings.

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Notes to Parent-Company-Only Financial Statements

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

Additionally, according to the Company Act, a company shall first retain 10% of its income after taxes as legal reserve until such retention equals the amount of paid-in capital. If a company has no accumulated deficit, it may, pursuant to a resolution approved by the stockholders, distribute its legal reserve by issuing new shares or distributing cash for the portion of legal reserve which exceeds 25% of the paid-in capital.

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

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

On June 15, 2018, the Company's shareholders approved an appropriation of legal reserve and special reserve of $281,559 and $2,534,028, respectively. Additionally, the Company's shareholders decided to distribute cash deriving from the capital surplus of $2,153,552 ($0.7 dollars per share), of which $32,754 was distributed to the subsidiaries holding the Company's common shares.

On June 21, 2017, the Company's shareholders approved a decrease in its special reserve, legal reserve and capital surplus of $1,306,709, $145,190 and $3,448,397, respectively, to offset the accumulated deficit. Additionally, the Company's shareholders decided to distribute cash deriving from the capital surplus of $1,538,379 ($0.5 dollars per share), of which $23,308 was distributed to the subsidiaries holding the Company's common shares. Related information is available on the Market Observation Post System website of the Taiwan Stock Exchange.

The appropriation of 2018 earnings had been proposed by the Company's Board of Directors on March 20, 2019, which included the appropriations of legal reserve and special reserve of $306,043 and $406,544, respectively, as well as the distribution of cash dividends amounting to $2,367,699 (at $0.77 dollars per share).

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Notes to Parent-Company-Only Financial Statements

(iv) Treasury stock

As of December 31, 2018 and 2017, details of the GDRs (for the implementation of an overseas employee stock option plan) held by subsidiary AWI and the Company's common stock held by subsidiaries AWI (to maintain the Company's shareholders' equity), CCI (to maintain the Company's shareholders' equity), and ETEN (resulting from the acquisition of ETEN) were as follows (expressed in thousands of shares):

	December 31, 2018		
	Number of shares	**Carrying amount**	**Market value**
Common stock	21,809	$ 945,239	424,185
GDRs	24,937	1,969,617	475,167
		$ 2,914,856	**899,352**

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

According to the Securities and Exchange Act, treasury stock cannot be collateralized. In addition, treasury shares do not bear shareholder rights prior to being sold to third parties. Moreover, the number of treasury shares shall not exceed 10% of the number of common shares issued. The total amount of treasury stock shall not exceed the sum of retained earnings, paid-in capital in excess of par value, and other realized capital surplus.

(v) Other equity items (net after tax)

1) Foreign currency translation differences:

	2018	**2017**
Balance at January 1	$ (3,202,161)	(1,061,015)
Generated by the Company:		
Foreign exchange differences arising from translation of foreign operations	392,843	(2,141,041)
Share of other comprehensive income (loss) of associates	(1,847)	(105)
Foreign exchange differences reclassified to profit or loss as a result of disposal of associates	22,019	-
Balance at December 31	**$ (2,789,146)**	**(3,202,161)**

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

	2018	2017
Balance at January 1 (per IAS 39)	$ 112,035	(347,770)
Adjustment on initial application of IFRS 9	(112,035)	
Balance at January 1 (per IFRS 9)	-	
Generated by the Company:		
Changes in fair value of available-for-sale financial assets	-	494,936
Share of other comprehensive loss of subsidiaries accounted for using equity method	-	(35,131)
Balance at December 31	**$ -**	**112,035**

3) Unrealized gain (loss) from financial assets measured at fair value through other comprehensive income:

	2018
Balance at January 1 (per IAS 39)	$ -
Adjustment on initial application of IFRS 9	112,035
Balance at January 1 (per IFRS 9)	112,035
Generated by the Company:	
Change in fair value of financial assets measured at fair value through other comprehensive income	(384,772)
Share of other comprehensive loss of subsidiaries and associates accounted for using equity method	(216,824)
Disposal of financial assets measured at fair value through other comprehensive income of subsidiaries	(32,665)
Balance at December 31	**$ (522,226)**

4) Remeasurement of defined benefit plans:

	2018	2017
Balance at January 1	$ (96,281)	(77,257)
Change in the period (generated by the Company)	(36,161)	(40,219)
Share of other comprehensive income of subsidiaries accounted for using equity method	62,625	21,195
Balance at December 31	**$ (69,817)**	**(96,281)**

5) Unearned compensation cost:

	2018	2017
Balance at January 1	$ (12,093)	(26,743)
Change in the period	12,093	14,650
Balance at December 31	**$ -**	**(12,093)**

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(s) Share-based payment

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

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

The movements in number of restricted shares of stock issued (in thousands) in 2018 and 2017 were as follows:

	2018	2017
Unvested shares at January 1	3,360	7,500
Forfeited during the period	(1,449)	(4,140)
Vested shares	(1,911)	-
Unvested shares at December 31	-	3,360

The fair value of the restricted stock was $24.15 (in New Taiwan dollars) per share, which was determined by reference to the closing price of the Company's common stock traded on the Taiwan Stock Exchange at the grant date. For the years ended December 31, 2018 and 2017, the compensation cost (reversed) recognized for the restricted stock amounted to $(1,705) and $14,650, respectively, which was reported in the operating expenses.

(t) Earnings per share ("EPS")

(i) Basic earnings per share

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

	2018	2017
Net income attributable to the shareholders of the Company	$ 3,060,429	2,815,587
Weighted-average number of ordinary shares outstanding (in thousands)	3,026,914	3,026,277
Basic earnings per share (in New Taiwan dollars)	$ 1.01	0.93

(Continued)

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(ii) Diluted earnings per share

	2018	2017
Net income attributable to the shareholders of the Company	$ 3,060,429	2,815,587
Weighted-average number of ordinary shares outstanding (in thousands)	3,026,914	3,026,277
Effect of dilutive potential common stock (in thousands):		
Restricted stock issued to employees	2,143	5,163
Effect of employee remuneration in stock	9,387	5,261
Weighted-average shares of common stock outstanding (including effect of dilutive potential common stock) (in thousands)	3,038,444	3,036,701
Diluted earnings per share (in New Taiwan dollars)	$ 1.01	0.93

(u) Revenue from contracts with customers (applicable from January 1, 2018)

(i) Disaggregation of revenue

	2018		
	IT Hardware Products	Others	Total
Primary geographical markets:			
EMEA	$ 64,576,128	3,816,252	68,392,380
Pan America	42,253,228	8,384,824	50,638,052
Asia Pacific	47,572,412	11,350,233	58,922,645
	$ 154,401,768	23,551,309	177,953,077

Refer to note 6(v), for details on revenue for 2017.

(ii) Contract balances

	December 31, 2018	January 1, 2018
Notes and accounts receivable (including receivables from related parties)	$ 26,430,073	18,445,552
Less: loss allowance	(2,698)	(14,143)
	$ 26,427,375	18,431,409
Contract assets－current	$ 84,450	-
Contract liabilities－current	$ 122,994	150,830
Contract liabilities－non-current	$ 491,976	603,322

Please refer to note 6(f) for details on notes and accounts receivable and related loss allowance.

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The major changes in the balance of contract assets primarily resulted from the timing difference between obtaining the rights to consideration in exchange for transferring products or providing services to a customer and the billing to the customer (i.e., the rights to consideration become unconditional). The major changes in the balance of contract liabilities were due to the timing difference between the satisfaction of performance obligation and the receipt of customer's payment.

(v) Revenue

		2017
Revenue from sale of goods	$	172,806,860
Revenue from services rendered		918,777
Others		547,874
	$	**174,273,511**

Please refer to note 6(u), for details on revenue for 2018.

(w) Remuneration to employees and directors

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

For the years ended December 31, 2018 and 2017, the Company accrued its remuneration to employees amounting to $163,313 and $121,049, respectively, and the remuneration for directors of $6,911 and $4,263, respectively. The said amounts, which were recognized as operating expenses, were calculated based on pre-tax net profit for each year before deducting the amount of the remuneration to employees and directors, multiplied by the proposed distribution ratio of remuneration to employees and directors. The difference between accrual and actual payment, if any, will be treated as change in accounting estimate and recognized in profit or loss in the following year.

The aforementioned accrued remunerations to employees and directors were same as the amounts approved by the Board of Directors on March 20, 2019 and March 21, 2018, respectively, which were paid in cash.

Related information is available on the Market Observation Post System website of Taiwan Stock Exchange.

(x) Other operating income and loss – net

		2018	2017
Rental income (note 6(o))	$	129,896	107,859
Government grants		1,050	-
	$	**130,946**	**107,859**

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Notes to Parent-Company-Only Financial Statements

(y) Non-operating income and loss

(i) Other income

	2018	2017
Interest income from bank deposits	$ 73,172	41,746
Interest income from convertible bonds	-	57,556
Other interest income	2,376	8,519
Dividend income	184,749	182,269
	$ 260,297	**290,090**

(ii) Other gains and losses

	2018	2017
Gain on disposal of property, plant and equipment	$ 236	1,893
Gain on disposal of intangible assets	-	32
Foreign currency exchange (loss) gain	(824,296)	2,016,790
Gain (loss) on financial assets and liabilities measured at fair value through profit or loss	1,196,992	(1,853,840)
Gain on bargain purchase (note 6(i))	4,358	1,130
Loss on disposal of investments accounted for using equity method (note 6(i))	(29,531)	(209)
Other investment loss	(3,696)	-
Others	31,014	94,556
	$ 375,077	**260,352**

(iii) Finance costs

	2018	2017
Interest expense from bank loans	$ 112,096	204,791
Others	10,998	13,142
	$ 123,094	**217,933**

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Notes to Parent-Company-Only Financial Statements

(z) Financial instruments and fair value information

(i) Categories of financial instruments

1) Financial assets

	December 31, 2018	December 31, 2017
Financial assets measured at fair value through profit or loss:		
Financial assets mandatorily measured at FVTPL	$ 266,951	-
Held-for-trading	-	58,407
Financial assets measured at fair value through other comprehensive income	2,921,909	-
Available-for-sale financial assets	-	3,311,578
Financial assets measured at amortized cost (loans and receivables):		
Cash and cash equivalents	3,625,154	13,708,705
Notes and accounts receivable and other receivables (including receivables from related parties)	27,089,532	19,035,503
Investments in debt instrument without an active market	-	227,243
Other financial assets – non-current	108,484	149,704
	$ 34,012,030	36,491,140

2) Financial liabilities

	December 31, 2018	December 31, 2017
Financial liabilities measued at fair value through profit or loss	$ 183,413	326,006
Financial liabilities measured at amortized cost:		
Notes and accounts payable (including payables to related parties)	33,369,555	34,311,086
Other payables (including payables to related parties)	14,672,434	16,768,897
Long-term debt (including current portion)	3,300,000	6,000,000
	$ 51,525,402	57,405,989

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Notes to Parent-Company-Only Financial Statements

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

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

	December 31, 2017	
	Carrying Amount	Fair Value
Financial assets:		
Investments in debt instrument without an active market	227,243	229,488

The hierarchy of the abovementioned fair value is as below:

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

The abovementioned fair value of investments categorized as level 2 is measured on Multifactor Evaluation Model.

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

1) Fair value hierarchy

The following financial instruments are measured at fair value on a recurring basis.

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

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

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

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

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	December 31, 2018			
	Fair value			
	Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured at fair value through profit or loss:				
Foreign currency forward contracts	$ -	255,524	-	255,524
Convertible bonds	-	11,427	-	11,427
	$ -	266,951	-	266,951
Financial assets measured at fair value through other comprehensive income:				
Publicly traded domestic stock	$ 2,844,861	-	-	2,844,861
Non-publicly traded stock	-	-	77,048	77,048
	$ 2,844,861	-	77,048	2,921,909
Financial liabilities measured at fair value through profit or loss:				
Foreign currency forward contracts	$ -	(183,413)	-	(183,413)

	December 31, 2017			
	Fair value			
	Level 1	Level 2	Level 3	Total
Financial assets at measured at fair value through profit or loss:				
Foreign currency forward contracts	$ -	55,374	-	55,374
Conversion right of investments in convertible bonds	-	3,033	-	3,033
	$ -	58,407	-	58,407
Available-for-sale financial assets:				
Publicly traded domestic stock	$ 3,242,483	-	-	3,242,483
Non-publicly traded stock	-	-	69,095	69,095
	$ 3,242,483	-	69,095	3,311,578
Financial liabilities measured at fair value through profit or loss:				
Foreign currency forward contracts	$ -	(326,006)	-	(326,006)

There were no transfers among fair value hierarchies for the years ended December 31, 2018 and 2017.

2) Movement in financial assets included Level 3 fair value hierarchy

	2018	2017
	Financial assets measured at fair value through other comprehensive income	Available-for-sale financial assets
Balance at January 1	$ -	71,872
Adjustment on initial application of IFRS 9 on January 1, 2018	69,095	
	69,095	
Total gains or losses:		
Recognized in other comprehensive income	7,953	(2,322)
Disposal	-	(455)
Balance at December 31	$ 77,048	69,095

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The abovementioned total gains or losses were included in “unrealized gain (loss) from financial assets measured at fair value through other comprehensive income” and “unrealized gain (loss) from available-for-sale financial assets”, respectively. The gains or losses attributable to the financial assets held on December 31, 2018 and 2017 were as follows:

	2018	2017
Total gains or losses:		
Recognized in other comprehensive income (included in “unrealized gain (loss) from available-for-sale financial assets”)	$ -	(2,322)
Recognized in other comprehensive income (included in “unrealized gain (loss) from financial assets measured at fair value through other comprehensive income”)	7,953	-
	$ 7,953	(2,322)

3) Valuation techniques and assumptions used for fair value measurement

The Company uses the following methods in determining the fair value of its financial assets and liabilities:

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

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

c) The fair value of privately held stock without an active market is estimated by using the market approach and is determined by reference to recent financing activities, valuations of similar companies, market conditions, and other economic indicators. The significant unobservable input is the liquidity discount. No quantitative information is disclosed due to the possible changes in liquidity discount would not cause significant potential financial impact.

(iv) Offsetting of financial assets and liabilities

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

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

December 31, 2018

Financial assets subject to offsetting, enforceable master netting arrangements or similar agreements

	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities offset in the balance sheet	Net amounts of financial assets presented in the balance sheet	Amount not set off in the balance sheet (d)		Net amounts
				Financial instruments	Cash collateral received	
	(a)	(b)	(c)=(a)-(b)			(e)=(c)-(d)
Notes and accounts receivable, net	$ 34,712,088	31,359,817	3,352,271	-	-	3,352,271

December 31, 2018

Financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements

	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets offset in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Amount not set off in the balance sheet (d)		Net amounts
				Financial instruments	Cash collateral received	
	(a)	(b)	(c)=(a)-(b)			(e)=(c)-(d)
Notes and accounts payable	$ 64,597,798	31,359,817	33,237,981	-	-	33,237,981

December 31, 2017

Financial assets subject to offsetting, enforceable master netting arrangements or similar agreements

	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities offset in the balance sheet	Net amounts of financial assets presented in the balance sheet	Amount not set off in the balance sheet (d)		Net amounts
				Financial instruments	Cash collateral received	
	(a)	(b)	(c)=(a)-(b)			(e)=(c)-(d)
Notes and accounts receivable, net	$ 37,520,016	33,273,676	4,246,340	-	-	4,246,340

December 31, 2017

Financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements

	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets offset in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Amount not set off in the balance sheet (d)		Net amounts
				Financial instruments	Cash collateral received	
	(a)	(b)	(c)=(a)-(b)			(e)=(c)-(d)
Notes and accounts payable	$ 67,490,238	33,273,676	34,216,562	-	-	34,216,562

(aa) Financial risk management

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

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

The Company’ s management monitors and reviews the financial activities in accordance with procedures required by relevant regulations and internal controls. Internal auditors undertake reviews of risk management controls and procedures, and the results of which are reported to the Board of Directors on a regular basis.

(i) Credit risk

1) The maximum exposure to credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty of a financial instrument fails to meet its contractual obligations, and arises principally from the Company’ s cash and cash equivalents, derivative instruments, receivables from customers, and other receivables. The maximum exposure to credit risk is equal to the carrying amount of the Company’s financial assets.

2) Concentration of credit risk

The Company primarily sells and markets its multi-branded IT products through its subsidiaries and distributors in different geographic areas. The Company believes that there is no significant concentration of credit risk due to the Company’s large number of customers and their wide geographical spread.

3) Credit risk from receivables

Refer to note 6(f) for credit risk exposure of notes and accounts receivable. Other financial assets at amortized cost includes other receivables (refer to note 6(g)), time deposits (classified as other financial assets), etc. Abovementioned financial assets are considered low-credit-risk financial assets, and thus, the loss allowance are measured using 12 months ECL. Please refer to note 4(f) for descriptions about how the Company determines the credit risk.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in settling its financial liabilities by delivering cash or another financial assets. The Company manages liquidity risk by monitoring regularly the current and mid- to long-term cash demand, maintaining adequate cash and banking facilities, and ensuring compliance with the terms of the loan agreements. As of December 31, 2018 and 2017, the Company had unused credit facilities of $28,740,628 and $32,218,342, respectively.

The table below is the maturity profile of the Company’ s financial liabilities based on contractual undiscounted payments, including the estimating interest.

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	Contractual cash flows	Within 1 year	1-2 years	2-5 years
December 31, 2018				
Non-derivative financial liabilities:				
Long-term borrowings carrying floating interest rates	$ 3,375,075	42,900	3,332,175	-
Notes and accounts payable (including related parties)	33,369,555	33,354,379	15,176	-
Other payables (including related parties)	14,672,434	12,752,013	1,920,421	-
	$ 51,417,064	**46,149,292**	**5,267,772**	**-**
Derivative financial instruments:				
Foreign currency forward contracts－settled in gross				
Outflow	$ 53,217,864	53,217,864	-	-
Inflow	(53,404,905)	(53,404,905)	-	-
	$ (187,041)	**(187,041)**	**-**	**-**
December 31, 2017				
Non-derivative financial liabilities:				
Long-term borrowings carrying floating interest rates	$ 6,092,103	2,763,551	3,328,552	-
Notes and accounts payable (including related parties)	34,311,086	34,280,734	15,176	15,176
Other payables (including related parties)	16,768,897	14,999,725	1,599,165	170,007
	$ 57,172,086	**52,044,010**	**4,942,893**	**185,183**
Derivative financial instruments:				
Foreign currency forward contracts－settled in gross				
Outflow	$ 45,499,769	45,499,769	-	-
Inflow	(45,329,827)	(45,329,827)	-	-
	$ 169,942	**169,942**	**-**	**-**

The Company does not expect that the cash flows included in the maturity analysis would occur significantly earlier or at significantly different amounts.

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company’ s income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company utilizes derivative financial instruments to manage market risks and the volatility of profit or loss. All such transactions are carried out within the guidelines set by the Board of Directors.

1) Foreign currency risk

The Company is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currencies of the Company. The foreign currencies used in these transactions are mainly the US dollar (USD), Euro (EUR), Indian Rupee (INR), Australian Dollar (AUD), Japanese yen (JPY), etc.

The Company utilizes foreign currency forward contracts to hedge its foreign currency exposure with respect to its forecast sales and purchases over the following 12 months.

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Exposure to foreign currency risk and sensitivity analysis:

The Company's exposure to foreign currency risk arises from cash and cash equivalents, notes and accounts receivable (including related-party receivables), notes and accounts payable (including related-party payables), other receivables (including related-party receivables) and other payables (including related-party payables) that are denominated in foreign currency. At the reporting date, the carrying amounts of the Company's significant monetary assets and liabilities denominated in a currency other than the respective functional currencies of the Company and their sensitivity analysis were as follows:

(in thousands)

	December 31, 2018				
	Foreign currency	**Exchange rate**	**NTD**	**Change in magnitude**	**Pre-tax effect on profit or loss**
Financial assets					
Monetary items					
EUR	$ 81,111	35.2415	2,858,473	1 %	28,585
USD	589,710	30.7330	18,123,557	1 %	181,236
INR	9,600,425	0.4405	4,228,987	1 %	42,290
AUD	83,560	21.6637	1,810,219	1 %	18,102
JPY	4,015,196	0.2802	1,125,058	1 %	11,251
Financial liabilities					
Monetary items					
EUR	1,790	35.2415	63,082	1 %	631
USD	1,464,142	30.7330	44,997,476	1 %	449,975

(in thousands)

	December 31, 2017				
	Foreign currency	**Exchange rate**	**NTD**	**Change in magnitude**	**Pre-tax effect on profit or loss**
Financial assets					
Monetary items					
EUR	$ 14,541	35.8325	521,041	1 %	5,210
USD	990,174	29.8480	29,554,714	1 %	295,547
Financial liabilities					
Monetary items					
EUR	1,039	35.8325	37,230	1 %	372
USD	1,477,846	29.8480	44,110,747	1 %	441,107

With varieties of foreign currencies, the Company disclosed foreign exchange gain (loss) on monetary items in aggregate. Please refer to note 6(y) for further information.

2) Interest rate risk

The Company's short-term borrowing and long-term debt carried floating interest rates, and the Company has not entered into interest rate swap contracts to convert floating interest rates to fixed interest rates. To manage the interest rate risk, the Company periodically assesses the interest rates of bank loans and maintains good relationships with financial institutions to obtain lower financing costs. The Company also strengthens the management of working capital to reduce the dependence on bank loans as well as the risk arising from fluctuation of interest rates.

Please refer to the note on liquidity risk management for details on interest rate exposure of the Company's financial liabilities. The following sensitivity analysis is based on the risk exposure to non-derivative financial instruments on the reporting date. The sensitivity analysis assumes the liabilities carrying floating interest rates recorded at the reporting date had been outstanding for the entire period. The change in interest rate reported to the key management in the Company is based on 100 basis points (1%), which is consistent with the assessment made by the key management in respect of the possible change in interest rate.

If the interest rate had been 100 basis points (1%) higher/lower with all other variables held constant, pre-tax income (loss) for the years ended December 31, 2018 and 2017 would have been $33,000 and $60,000, respectively, lower/higher, which mainly resulted from the borrowings with floating interest rates.

3) Other market price risk

The Company is exposed to the risk of price fluctuation in securities market resulting from its investment in publicly traded stocks. The Company supervises the equity price risk actively and manages the risk based on fair value. The Company also has strategic investments in privately held stocks, in which the Company does not actively participate in their trading.

Assuming a hypothetical increase or decrease of 5% in equity prices of the equity investments at each reporting date, the other comprehensive income for the years ended December 31, 2018 and 2017, would have increased or decreased by $146,095 and $165,579, respectively.

(ab) Capital management

In consideration of the industry dynamics and future developments, as well as external environment factors, the Company maintains an optimal capital structure to enhance long-term shareholder value by managing its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, research and development activities, dividend payments, and other business requirements for continuing operations and to reward shareholders and take into consideration the interests of other stakeholders.

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(ac) Changes in liabilities from financing activities

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2018	Cash flows	December 31, 2018
Long-term debts	$ 6,000,000	(2,700,000)	3,300,000

7. Related-party transactions

(a) Related party name and categories

The followings are subsidiaries and other related parties that have had transactions with the Company during the reporting periods.

Name of related party	Relationship with the Company
Acer Greater China (B.V.I.) Corp. (AGC)	Subsidiaries
Acer Market Services Limited (AMS)	Subsidiaries
Acer Computer (Far East) Limited (AFE)	Subsidiaries
Acer Information (Zhong Shan) Co., Ltd. (AIZS)	Subsidiaries
Acer Computer (Shanghai) Ltd. (ACCN)	Subsidiaries
Acer (Chongqing) Ltd. (ACCQ)	Subsidiaries
Acer European Holdings SA (AEH)	Subsidiaries
Acer Europe B.V. (AHN)	Subsidiaries
Acer CIS Incorporated (ACR)	Subsidiaries
Acer Computer (M.E.) Limited (AME)	Subsidiaries
Acer Africa (Proprietary) Limited (AAF)	Subsidiaries
AGP Insurance (Guernsey) Limited (AGU)	Subsidiaries
Acer Sales International SA (ASIN)	Subsidiaries
Acer Europe SA (AEG)	Subsidiaries
Sertec 360 SA (SER)	Subsidiaries
Acer Computer France S.A.S.U. (ACF)	Subsidiaries
Acer U.K. Limited (AUK)	Subsidiaries
Acer Italy S.R.L. (AIT)	Subsidiaries
Acer Computer GmbH (ACG)	Subsidiaries
Acer Austria GmbH (ACV)	Subsidiaries
Acer Czech Republic S.R.O. (ACZ)	Subsidiaries
Acer Computer Iberica, S.A. (AIB)	Subsidiaries
Acer Computer (Switzerland) AG (ASZ)	Subsidiaries
Acer Slovakia s.r.o. (ASK)	Subsidiaries
Asplex Sp. z o.o. (APX)	Subsidiaries
Acer Marketing Services LLC (ARU)	Subsidiaries
Acer Poland sp. z o.o. (APL)	Subsidiaries

(Continued)

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Notes to Parent-Company-Only Financial Statements

Name of related party	Relationship with the Company
Acer Bilisim Teknolojileri Limited Sirketi (ATR)	Subsidiaries
Acer Computer B.V. (ACH)	Subsidiaries
Acer Computer Norway AS (ACN)	Subsidiaries
Acer Computer Finland Oy (AFN)	Subsidiaries
Acer Computer Sweden AB (ACW)	Subsidiaries
Acer Denmark A/S (ACD)	Subsidiaries
Boardwalk Capital Holdings Limited (Boardwalk)	Subsidiaries
Acer Computec Mexico, S.A. de C.V. (AMEX)	Subsidiaries
Acer American Holdings Corp. (AAH)	Subsidiaries
AGP Tecnologia em Informatica do Brasil Ltda. (ATB)	Subsidiaries
Aurion Tecnologia, S.A. de C.V. (Aurion)	Subsidiaries
Acer Cloud Technology Inc. (ACTI)	Subsidiaries
Acer Cloud Technology (US), Inc. (ACTUS)	Subsidiaries
Gateway, Inc. (GWI)	Subsidiaries
Acer America Corporation (AAC)	Subsidiaries
Acer Service Corporation (ASC)	Subsidiaries
Acer Holdings International, Incorporated (AHI)	Subsidiaries
Acer Computer Co., Ltd. (ATH)	Subsidiaries
Acer Japan Corp. (AJC)	Subsidiaries
Acer Computer Australia Pty. Limited (ACA)	Subsidiaries
Acer Sales and Services SDN BHD (ASSB)	Subsidiaries
Acer Asia Pacific Sdn Bhd (AAPH)	Subsidiaries
Acer Computer (Singapore) Pte. Ltd. (ACS)	Subsidiaries
Acer Computer New Zealand Limited (ACNZ)	Subsidiaries
PT. Acer Indonesia (AIN)	Subsidiaries
PT. Acer Manufacturing Indonesia (AMI)	Subsidiaries
Acer India Private Limited (AIL)	Subsidiaries
Acer Vietnam Co., Ltd. (AVN)	Subsidiaries
Acer Philippines, Inc. (APHI)	Subsidiaries
Highpoint Services Network Philippines, Inc. (HSNP)	Subsidiaries
Acer Infotech Pvt Ltd. (AIP)	Subsidiaries
HighPoint Service Network Sdn Bhd (HSN)	Subsidiaries
Servex (Malaysia) Sdn Bhd (SMA)	Subsidiaries
Weblink International Inc. (WLII)	Subsidiaries
Weblink (H.K.) International Ltd. (WHI)	Subsidiaries
Wellife Inc. (WELL)	Subsidiaries
Acer Synergy Tech Corp. (AST)	Subsidiaries
Shanghai AST Technology Service Ltd. (ASTS)	Subsidiaries
Acer Digital Service Co., (ADSC)	Subsidiaries

(Continued)

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Notes to Parent-Company-Only Financial Statements

Name of related party	Relationship with the Company
Acer Property Development Inc. (APDI)	Subsidiaries
Aspire Service & Development Inc. (ASDI)	Subsidiaries
Acer Worldwide Incorporated (AWI)	Subsidiaries
Cross Century Investment Limited (CCI)	Subsidiaries
Acer Digital Services (B.V.I.) Holding Corp. (ADSBH)	Subsidiaries
Acer Digital Services (Cayman Islands) Corp. (ADSCC)	Subsidiaries
Longwick Enterprises Inc. (LONG)	Subsidiaries
S. Excel. Co., Ltd. (SURE)	Subsidiaries
Acer SoftCapital Incorporated (ASCBVI)	Subsidiaries
ASC Cayman, Limited (ASCCAM)	Subsidiaries
E-ten Information Systems Co., Ltd. (ETEN)	Subsidiaries
Acer BeingWare Holding Inc. (ABH)	Subsidiaries
Acer Cloud Technology (Taiwan) Inc. (ACTTW)	Subsidiaries
Altos Computing Inc. (ALT)	Subsidiaries
Beijing Altos Computing Ltd. (BJAC)	Subsidiaries
MPS Energy Inc. (MPS)	Subsidiaries
Acer e-Enabling Service Business Inc. (AEB)	Subsidiaries
Acer ITS Inc. (ITS)	Subsidiaries
Acer Being Health Inc. (ABHI)	Subsidiaries
Acer Gerontechnology Inc.(AGI)	Subsidiaries
Acer Cloud Technology(Chongqing) Ltd. (ACTCQ)	Subsidiaries
Acer Being Communication Inc. (ABC)	Subsidiaries
Acer Being Signage Inc. (ABST)	Subsidiaries
Acer Being Signage GmbH (ABSG)	Subsidiaries
Xplova Inc. (XPL)	Subsidiaries
Xplova (Shanghai) Ltd. (XPLSH)	Subsidiaries
Pawbo, Inc. (PBC)	Subsidiaries
Acer Cyber Security Incorporated (ACSI)	Subsidiaries
Acer e-Enabling Data Center Incorporated (EDC)	Subsidiaries
TWP International Inc. (TWPBVI)	Subsidiaries
Acer Third Wave Software (Beijing) Co. Ltd (TWPBJ)	Subsidiaries
Acer China Venture Corp (ACVC)	Subsidiaries
Acer China Venture Partnership (ACVP)	Subsidiaries
Sertec (Beijing) Ltd. (SEB)	Subsidiaries
StarVR Corporation (ASBZ)	Subsidiaries
StarVR Europe SA (VRE)	Subsidiaries
StarVR France SAS (VRF)	Subsidiaries
AOPEN Inc. (AOI)	Subsidiaries
AOPEN America Inc.(AOA)	Subsidiaries

(Continued)

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Notes to Parent-Company-Only Financial Statements

Name of related party	Relationship with the Company
AOPEN Computer B.V.(AOE)	Subsidiaries
AOPEN Technology Inc.(AOTH)	Subsidiaries
AOPEN Japan Inc.(AOJ)	Subsidiaries
Aopen SmartVision Incorporated (AOSV)	Subsidiaries
Heartware Alliance and Integration Limited (HTW)	Subsidiaries
AOPEN GLOBAL SOLUTIONS PTY LTD.(AOGS)	Subsidiaries
AOPEN SmartView Incorporated (AOSD)	Subsidiaries
Great Connection LTD.(GCL)	Subsidiaries
AOPEN International (ShangHai) Co., Ltd (AOC)	Subsidiaries
AOPEN Information Products (Zhongshan) Inc. (AOZ)	Subsidiaries
AOPEN Australia & New Zealand Pty Ltd (AOAU)	Subsidiaries
Bluechip Infotech Pty Ltd. (Bluechip)	Prior to March 14, 2018, Bluechip was an associate of the Company accounted for using equity method. The Company obtained control over Bluechip on March 14, 2018 and Bluechip became one of the consolidated entities since then.
GadgeTek Inc. (GTI)	Subsidiaries
Highpoint Service Network Corporation (HSNC)	Subsidiaries
Highpoint Service Network (Thailand) Co., Ltd (HSNT)	Subsidiaries
PT HSN Tech Indonesia (HSNI)	Subsidiaries
Smart Frequency Technology Inc. (SFT)	Joint venture
Aegis Semiconductor Technology Inc. (ATI)	Associates
Piovision International Inc. (HPT)	Associates
ECOM Software Inc. (ECS)	Associates
Kbest Technology Inc. (KBest)	Associates
Erics Co., LTD (erics)	The entity's chairman is the second-degree relatives of one of the key management of the Company
iD Softcapital Inc. (iDSC)	The entity's chairman is one of the key management of the Company

ACER INCORPORATED
Notes to Parent-Company-Only Financial Statements

(b) Significant related-party transactions

(i) Revenue

The amounts of significant sales to related parties were as follows:

	2018	2017
Subsidiaries		
AEG	$ 68,217,538	64,880,178
AAC	50,515,776	53,002,734
AAPH	3,062,235	30,853,237
Others	43,095,987	14,360,771
Joint venture	-	33,506
Other related parties	5	169
	$ 164,891,541	**163,130,595**

The sales prices and trade term with related parties depend on the economic environment and market competition, and are not comparable to those with third-party customers.

(ii) Purchases

The amounts of significant purchases from related parties were as follows:

	2018	2017
Subsidiaries	**$ 1,098,760**	**2,134,579**

The purchase price with related parties are not comparable to the purchase price with third-party vendors as the specifications of products are different.

(iii) Operating costs and expenses

The operating costs and expenses related to services including management consulting, system maintenance, and product development and design provided by related parties were as follows:

Account	Related-party categories	2018	2017
Operating cost	Subsidiaries	$ 198,488	318,871
Operating expense	Subsidiaries	81,542	89,500
Operating expense	Associates	3,710	3,710
Operating expense	Other related parties	-	625
		$ 283,740	**412,706**

ACER INCORPORATED
Notes to Parent-Company-Only Financial Statements

(iv) Lease

The Company leased investment property and rental offices to its related parties. The related rental income was included in "other operating income and loss－net" and summarized as follows:

	2018	2017
Subsidiaries:		
ASDI	$ 36,034	37,234
Others	26,161	6,936
Associates	1,818	124
Joint venture	247	41
	$ 64,260	**44,335**

(v) Service income

The service income related to the management consulting service and system maintenance service provided to related parties was included in " other gains and losses－ net" and summarized as follows:

	2018	2017
Subsidiaries	$ 20,970	19,924
Associates	42	48
Joint venture	321	4,524
Other related parties	-	1,584
	$ 21,333	**26,080**

(vi) Loans to related parties

The actually drawndown amounts were as follows:

	December 31, 2018	December 31, 2017
Subsidiaries:		
ABST	$ 10,000	-
AEB	-	224,000
	$ 10,000	**224,000**
Interest rate	**1.08%**	**1.26%**

Interest revenues related to loans to subsidiaries in 2018 and 2017 were $2,376 and $8,519, respectively.

ACER INCORPORATED
Notes to Parent-Company-Only Financial Statements

(vii) Borrowings from related parties

The borrowings from related parties were as follows:

		December 31, 2018	December 31, 2017
Subsidiaries:			
ACTTW	$	45,000	115,000
CCI		107,000	100,000
ADSC		741,000	710,000
ETEN		181,000	-
Others		14,000	74,000
	$	**1,088,000**	**999,000**
Interest rate		**1.02%**	**1.20%**

Interest expenses related to borrowings from subsidiaries in 2018 and 2017 were $10,998 and $13,142, respectively.

(viii) Defined benefit liabilities due to personnel transfer to subsidiaries

The net defined benefit liabilities have been transferred while some employees transferred from the Company to AEB, ACSI, ACTTW and other subsidiaries. Related payables were classified under other payables to related parties and long-term accounts payables to related parties.

(ix) Receivables from related parties

Account	Related-party categories		December 31, 2018	December 31, 2017
Accounts receivable	Subsidiaries:			
	AAC	$	7,579,129	7,235,970
	AAPH		-	4,282,878
	AEG		4,440,629	458,625
	AIL		4,221,850	103
	Others		6,833,496	2,209,128
Other receivables	Subsidiaries		77,457	36,732
Other receivables (financing)	Subsidiaries:			
	ABST		10,000	-
	AEB		-	224,000
Other receivables	Associates		222	6
Other receivables	Joint venture		18	-
		$	**23,162,801**	**14,447,442**

(Continued)

ACER INCORPORATED
Notes to Parent-Company-Only Financial Statements

(x) Payables to related parties

Account	Related party categories	December 31, 2018	December 31, 2017
Accounts payable to related parties	Subsidiaries	$ 131,574	94,524
Other payables to related parties	Subsidiaries	280,927	147,233
Other payables to related parties (financing)	Subsidiaries	1,088,000	999,000
Long-term accounts payable to related parties	Subsidiaries	100,598	170,007
		$ 1,601,099	**1,410,764**

(xi) Guarantees and endorsements provided to related parties

As of December 31, 2018 and 2017, the balances of guarantees and endorsements provided to subsidiaries were $25,283,412 and $23,040,614, and the amounts actually drawn were $3,153,245 and $3,125,826 respectively.

(c) Compensation for key management personnel

	2018	2017
Short-term employee benefits	$ 147,231	123,152
Post-employment benefits	3,423	3,531
Share-based payments	1,288	2,242
	$ 151,942	**128,925**

Refer to note 6(s) for the information related to share-based payments.

8. Pledged assets

The carrying values of pledged assets (reported under other financial assets－non-current) were as follows:

Assets	Pledged to secure	December 31, 2018	December 31, 2017
Cash in bank and time deposits	Contract bidding and project fulfillment guarantee	**$ 26,485**	**40,769**

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9. Significant commitments and contingencies

(a) The Company has entered into software and royalty license agreements with Microsoft, IBM, and other companies. The Company has fulfilled its obligations according to the contracts.

(b) In the ordinary course of its business from time to time, the Company received notices from third parties asserting that Acer has infringed certain patents and demanded that Acer should obtain certain patent licenses. Although the Company does not expect that the outcome of any of these legal proceedings (individually or collectively) will have a material adverse effect on the Company's business operations and finance, the litigation is inherently unpredictable. Therefore, the Company could incur judgments or enter into settlements of claims that could adversely affect its operating results or cash flows in a particular period.

(c) As of December 31, 2018 and 2017, the Company had outstanding stand-by letters of credit provided by the banks totaling $49,978 and $43,319, respectively, for purposes of bids and contracts.

(d) As of December 31, 2018 and 2017, the Company had issued promissory notes amounting to $33,773,827 and $43,410,809, respectively, as collateral for obtaining credit facilities from financial institutions.

10. Significant loss from disaster: None

11. Significant subsequent events: None

12. Others

A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

	2018			2017		
	Cost of revenue	**Operating expenses**	**Total**	**Cost of revenue**	**Operating expenses**	**Total**
Employee benefits:						
Salaries	-	2,648,032	2,648,032	-	2,612,747	2,612,747
Insurance	-	155,245	155,245	-	151,756	151,756
Pension	-	104,631	104,631	-	101,826	101,826
Remuneration of directors	-	21,911	21,911	-	18,363	18,363
Others	-	183,001	183,001	-	176,260	176,260
Depreciation	-	72,016	72,016	-	82,761	82,761
Amortization	-	41,838	41,838	-	67,589	67,589

As of December 31, 2018 and 2017, the Company had 1,623 and 1,607 employees, respectively. Futhermore, there were 7 non-employee directors for both years.

13. Additional disclosures

(a) Information on significant transactions:

(i) Financing provided to other parties: See Table 1 attached;

(ii) Guarantees and endorsements provided to other parties: See Table 2 attached;

(iii) Marketable securities held at reporting date (excluding investments in subsidiaries, associates, and jointly controlled entities): See Table 3 attached;

(iv) Marketable securities for which the accumulated purchase or sale amounts for the period exceed $300 million or 20% of the paid-in capital: See Table 4 attached;

(v) Acquisition of real estate at costs which exceeds $300 million or 20% of the paid-in capital: None;

(vi) Disposal of real estate at prices which exceeds $300 million or 20% of the paid-in capital: None;

(vii) Total purchases from and sales to related parties which exceed $100 million or 20% of the paid-in capital: See Table 5 attached;

(viii) Receivables from related parties which exceed $100 million or 20% of the paid-in capital: See Table 6 attached;

(ix) Information about derivative instruments transactions: See notes 6(b);

(b) Information on investees: See Table 7 attached;

(c) Information on investments in Mainland China:

(i) The names of investees in Mainland China, the main businesses and products, paid-in capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investees, share of profits (losses) of investees, ending balance, amount received as earnings distributions from the investment, and limitation on investment: See Table 8 attached;

(ii) Significant direct or indirect transactions with investee companies, the prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: For the Company' s significant direct or indirect transactions (eliminated when compiling the consolidated financial report) with investee companies in Mainland China for the year ended December 31, 2018, please refer to "Information on significant transactions" above.

14. Segment information

Please refer to the consolidated financial statements for the year ended December 31, 2018.

Acer Incorporated
Financing provided to other parties
For the year ended December 31, 2018

Table 1

(Amounts in Thousands of New Taiwan Dollars)

No.	Financing Company	Counter-party	Financial Statement Account (Note 3)	Related Party	Maximum Balance for the Period	Ending Balance	Actually drawndown Amounts	Interest Rate	Nature of Financing (Note 1)	Transaction Amounts	Reasons for Short-term Financing	Loss Allowance	Collateral Item	Collateral Value	Financing Limit for Each Borrowing Company (Note 2)	Financing Company's Total Financing Amount Limits (Note 2)
0	The Company	APDI	Other receivables from related parties	Yes	40,000	40,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
0	The Company	ABH	Other receivables from related parties	Yes	30,000	30,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
0	The Company	CCI	Other receivables from related parties	Yes	6,000	6,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
0	The Company	ADSC	Other receivables from related parties	Yes	37,000	37,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
0	The Company	AEB	Other receivables from related parties	Yes	329,000	329,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
0	The Company	ALT	Other receivables from related parties	Yes	19,000	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
0	The Company	XPL	Other receivables from related parties	Yes	17,000	17,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
0	The Company	ACTTW	Other receivables from related parties	Yes	244,000	244,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
0	The Company	ASDI	Other receivables from related parties	Yes	89,000	89,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
0	The Company	ABC	Other receivables from related parties	Yes	17,000	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
0	The Company	MPS	Other receivables from related parties	Yes	16,000	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
0	The Company	ACSI	Other receivables from related parties	Yes	824,000	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
0	The Company	ETEN	Other receivables from related parties	Yes	181,000	181,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
0	The Company	AGI	Other receivables from related parties	Yes	7,000	7,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
0	The Company	ABST	Other receivables from related parties	Yes	100,000	100,000	10,000	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
0	The Company	AST	Other receivables from related parties	Yes	42,000	42,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
1	GWI	AAC	Other receivables from related parties	Yes	173,118	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
1	GWI	AAC	Other receivables from related parties	Yes	387,100	384,163	384,163	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
2	AAH	AAC	Other receivables from related parties	Yes	1,044,680	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
2	AAH	AAC	Other receivables from related parties	Yes	3,375,512	3,349,897	3,349,897	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307

No.	Financing Company	Counter-party	Financial Statement Account (Note 3)	Related Party	Maximum Balance for the Period	Ending Balance	Actually drawndown Amounts	Interest Rate	Nature of Financing (Note 1)	Transaction Amounts	Reasons for Short-term Financing	Loss Allowance	Collateral		Financing Limit for Each Borrowing Company (Note 2)	Financing Company's Total Financing Amount Limits (Note 2)
													Item	Value		
2	AAH	AAC	Other receivables from related parties	Yes	1,099,364	1,091,022	1,091,022	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
3	AIZS	ACCN	Other receivables from related parties	Yes	213,452	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
3	AIZS	ACCN	Other receivables from related parties	Yes	217,463	207,761	207,761	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
4	ACTTW	ABSG	Other receivables from related parties	Yes	10,856	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
4	ACTTW	ABSG	Other receivables from related parties	Yes	7,237	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
4	ACTTW	ABSG	Other receivables from related parties	Yes	72,374	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
4	ACTTW	ABSG	Other receivables from related parties	Yes	59,911	59,911	59,911	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
4	ACTTW	The Company	Other receivables from related parties	Yes	244,000	244,000	45,000	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
5	APDI	The Company	Other receivables from related parties	Yes	40,000	40,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
6	ABH	The Company	Other receivables from related parties	Yes	611,000	611,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
7	CCI	The Company	Other receivables from related parties	Yes	127,000	127,000	107,000	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
7	CCI	ASBZ	Other receivables from related parties	Yes	20,000	20,000	15,000	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
8	ADSC	The Company	Other receivables from related parties	Yes	741,000	741,000	741,000	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
9	AEB	The Company	Other receivables from related parties	Yes	224,000	219,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
10	ALT	The Company	Other receivables from related parties	Yes	19,000	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
11	XPL	The Company	Other receivables from related parties	Yes	17,000	17,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
12	ASDI	The Company	Other receivables from related parties	Yes	89,000	89,000	14,000	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
12	ASDI	APDI	Other receivables from related parties	Yes	50,000	48,000	35,000	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
13	ABC	The Company	Other receivables from related parties	Yes	17,000	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
14	MPS	The Company	Other receivables from related parties	Yes	16,000	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
15	ACSI	The Company	Other receivables from related parties	Yes	824,000	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
16	ITS	The Company	Other receivables from related parties	Yes	117,000	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
17	AGU	AEG	Other receivables from related parties	Yes	723,736	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307

No.	Financing Company	Counter-party	Financial Statement Account (Note 3)	Related Party	Maximum Balance for the Period	Ending Balance	Actually drawndown Amounts	Interest Rate	Nature of Financing (Note 1)	Transaction Amounts	Reasons for Short-term Financing	Loss Allowance	Collateral		Financing Limit for Each Borrowing Company (Note 2)	Financing Company's Total Financing Amount Limits (Note 2)
													Item	Value		
18	ETEN	The Company	Other receivables from related parties	Yes	181,000	181,000	181,000	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
18	ETEN	XPL	Other receivables from related parties	Yes	25,000	25,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
18	ETEN	PBC	Other receivables from related parties	Yes	10,000	10,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
19	AGI	The Company	Other receivables from related parties	Yes	7,000	7,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
20	ABST	The Company	Other receivables from related parties	Yes	100,000	100,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
20	ABST	ABSG	Other receivables from related parties	Yes	22,907	22,907	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
21	AST	The Company	Other receivables from related parties	Yes	28,000	28,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
22	ACG	ABSG	Other receivables from related parties	Yes	71,582	70,483	70,483	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
22	ACG	ABSG	Other receivables from related parties	Yes	70,483	70,483	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
23	AHI	Bluechip	Other receivables from related parties	Yes	24,774	24,586	24,586	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
24	ACCN	SEB	Other receivables from related parties	Yes	8,936	8,936	8,936	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
25	VRE	VRF	Other receivables from related parties	Yes	27,488	27,488	27,488	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307

Note 1: Nature for Financing：

Type 2: Short-term financing purpose

Note 2: The aggregate financing amount shall not exceed 50% of the most recent audited or reviewed net worth of the Company (the amount shown above is based on the net worth as of September 30, 2018), within which the short-term financing amount shall not exceed 20% of the most recent audited or reviewed net worth of the Company.

For an entity which the Company owns more than 50% of its outstanding common shares, the individual financing amounts shall not exceed 10% of the most recent audited or reviewed net worth of the Company.

When a subsidiary is directly or indirectly wholly owned by the Company who provides financing to other parties, the aforementioned limitation of aggregate amount and individual financing amount is applied.

Note 3: The above transactions are eliminated when preparing the consolidated financial statements.

Acer Incorporated
Guarantees and endorsements provided to other parties
For the year ended December 31, 2018

Table 2

(Amounts in Thousands of New Taiwan Dollars)

No.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 2)(Note 3)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Note 2)(Note 3)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship (Note 1)										
0	The Company	AJC	2	11,544,523	840,542	840,542	-	-	1.46%	57,722,613	Y		
0	The Company	ATH	2	11,544,523	164,130	162,885	4,059	-	0.28%	57,722,613	Y		
0	The Company	Acer Asia Pacific subsidiaries	2	11,544,523	4,180,680	4,148,955	126,835	-	7.19%	57,722,613	Y		
0	The Company	AEG	2	11,544,523	404,435	402,155	402,155	-	0.70%	57,722,613	Y		
0	The Company	Acer EMEA subsidiaries	2	11,544,523	4,025,840	3,995,290	100,856	-	6.92%	57,722,613	Y		
0	The Company	ACN/ACD/ACW/AFN	2	11,544,523	14,799	13,885	13,885	-	0.02%	57,722,613	Y		
0	The Company	ATB	2	11,544,523	929,040	921,990	281,334	-	1.60%	57,722,613	Y		
0	The Company	Acer Pan America subsidiaries	2	11,544,523	5,264,560	5,224,610	354,284	-	9.05%	57,722,613	Y		
0	The Company	AMEX	2	11,544,523	278,712	276,597	-	-	0.48%	57,722,613	Y		
0	The Company	Acer Greater China subsidiaries	2	11,544,523	1,703,240	1,690,315	96,117	-	2.93%	57,722,613	Y		Y
0	The Company	ACSI	2	11,544,523	305,850	5,850	5,850	-	0.01%	57,722,613	Y		
0	The Company	AEB	2	11,544,523	1,850,000	1,850,000	653,126	-	3.20%	57,722,613	Y		
0	The Company	SMA	2	11,544,523	113,285	111,527	9,845	-	0.19%	57,722,613	Y		
0	The Company	ACA	2	11,544,523	309,680	307,330	307,330	-	0.53%	57,722,613	Y		
0	The Company	AIL	2	11,544,523	2,607,120	2,477,078	623,892	-	4.29%	57,722,613	Y		
0	The Company	ACCN/ACCQ/BJAC/ASTS	2	11,544,523	1,231,112	893,596	-	-	1.55%	57,722,613	Y		Y
0	The Company	AME	2	11,544,523	46,452	46,100	32,711	-	0.08%	57,722,613	Y		
0	The Company	ACTTW	2	11,544,523	61,936	61,466	-	-	0.11%	57,722,613	Y		
0	The Company	AST	2	11,544,523	500,000	500,000	-	-	0.87%	57,722,613	Y		
0	The Company	ABSG	2	11,544,523	367,815	294,631	140,966	-	0.51%	57,722,613	Y		
0	The Company	ITS	2	11,544,523	500,000	500,000	-	-	0.87%	57,722,613	Y		
0	The Company	ASBZ	2	11,544,523	138,310	138,310	-	-	0.24%	57,722,613	Y		
0	The Company	AIP	2	11,544,523	89,322	88,101	-	-	0.15%	57,722,613	Y		
0	The Company	ALT	2	11,544,523	200,000	200,000	-	-	0.35%	57,722,613	Y		
0	The Company	GTI	2	11,544,523	10,000	10,000	-	-	0.02%	57,722,613	Y		
0	The Company	HSNC	2	11,544,523	30,000	30,000	-	-	0.05%	57,722,613	Y		
0	The Company	HSNP	2	11,544,523	30,850	30,733	-	-	0.05%	57,722,613	Y		
0	The Company	HSNI	2	11,544,523	30,850	30,733	-	-	0.05%	57,722,613	Y		
0	The Company	HSNT	2	11,544,523	30,850	30,733	-	-	0.05%	57,722,613	Y		
1	AOI	AOA	2	230,181	13,936	13,830	-	-	1.80%	767,270	Y		

Note 1: Relationships between the endorsement/guarantee provider and the guaranteed party:

Type 2: an entity directly or indirectly owned by the Company over 50%

Note 2: The aggregate endorsement/guarantee amount provided shall not exceed the most recent audited or reviewed net worth of the Company (the amount shown above is based on the net worth as of September 30, 2018).

The endorsement/guarantee provided to individual guarantee party shall not exceed 20% of the most recent audited or reviewed net worth of the Company.

Note 3: The aggregate endorsement/guarantee amount provided shall not exceed the most recent audited or reviewed net worth of AOI (the amount shown above is based on the net worth as of December 31, 2018).

The endorsement/guarantee provided to individual guarantee party shall not exceed 30% of the most recent audited or reviewed net worth of AOI.

Acer Incorporated
Marketable securities held
(Excluding investments in subsidiaries, associates, and joint controlled entities)
December 31, 2018

Table 3

(Amounts in Thousands of New Taiwan Dollars / Shares)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	Ending Balance				Maximum ownership during 2018		Note
				Shares/ Units (in thousands)	Carrying Value	Percentage of Ownership	Fair Value	Shares/ Units (in thousands)	Percentage of Ownership	
The Company	Stock: Hon Hai	-	Financial assets measured at fair value through other comprehensive income－current	564	39,908	-	39,908	705	-	
The Company	Stock: Qisda	-	Financial assets measured at fair value through other comprehensive income－non-current	81,713	1,609,740	4.15%	1,609,740	81,713	4.15%	
The Company	Stock: WPG Holdings	-	Financial assets measured at fair value through other comprehensive income－non-current	4,012	148,227	0.24%	148,227	4,360	0.24%	
The Company	Stock: Wistron	-	Financial assets measured at fair value through other comprehensive income－non-current	54,816	1,046,986	1.93%	1,046,986	54,816	1.93%	
The Company	Stock: iDSoftCapital Inc.	-	Financial assets measured at fair value through other comprehensive income－non-current	398	3,675	19.90%	3,675	398	19.90%	
The Company	Stock: World Venture, Inc.	-	Financial assets measured at fair value through other comprehensive income－non-current	8,505	52,047	19.35%	52,047	8,505	19.35%	
The Company	Stock: Dragon Investment Co. Ltd.	-	Financial assets measured at fair value through other comprehensive income－non-current	13,459	21,313	19.94%	21,313	13,459	19.94%	
The Company	Stock: Venture Power	-	Financial assets measured at fair value through other comprehensive income－non-current	15	13	4.15%	13	15	4.15%	
The Company	Convertible bonds: Starbreeze	-	Financial assets measured at fair value through profit or loss－current	-	11,427	-	11,427	-	-	
ADSC	Stock: Wistron	-	Financial assets measured at fair value through other comprehensive income－non-current	13,046	249,181	0.46%	249,181	13,046	0.46%	
ADSC	Stock: PChome Pay	-	Financial assets measured at fair value through other comprehensive income－non-current	12,600	126,000	14.82%	126,000	12,600	14.82%	
ADSC	Stock: Benepet Biomedical Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income－non-current	700	14,000	18.92%	14,000	700	18.92%	
ASCBVI	Stock: ID5 Fund L.P.	-	Financial assets measured at fair value through other comprehensive income－non-current	3,800	171,854	19.39%	171,854	3,800	19.39%	
ASCBVI	Stock: IP Cathay One, L.P.	-	Financial assets measured at fair value through other comprehensive income－non-current	5,442	1,204	8.00%	1,204	5,442	8.00%	
ASCBVI	Stock: ID5 Annex I fund	-	Financial assets measured at fair value through other comprehensive income－non-current	565	8,324	19.15%	8,324	565	19.15%	
ASCBVI	Stock: Trutag	-	Financial assets measured at fair value through other comprehensive income－non-current	1,346	92,214	1.69%	92,214	1,346	1.69%	
ASCBVI	Stock: Gorilla	-	Financial assets measured at fair value through other comprehensive income－non-current	244	61,466	1.92%	61,466	244	2.19%	
ASCBVI	Stock: GCR	-	Financial assets measured at fair value through other comprehensive income－non-current	600	36,880	8.89%	36,880	600	10.00%	
ASCBVI	Stock: Locix	-	Financial assets measured at fair value through other comprehensive income－non-current	1,000	46,100	5.44%	46,100	1,000	6.27%	
ASCBVI	Stock: BoniO	-	Financial assets measured at fair value through other comprehensive income－non-current	463	122,932	14.07%	122,932	463	14.07%	
ASCBVI	Stock: Delight	-	Financial assets measured at fair value through other comprehensive income－non-current	13	61,478	11.50%	61,478	13	11.50%	

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	Ending Balance				Maximum ownership during 2018		Note
				Shares/ Units (in thousands)	Carrying Value	Percentage of Ownership	Fair Value	Shares/ Units (in thousands)	Percentage of Ownership	
AWI	Stock: Acer Inc.	Parent/Subsidiary	Treasury stock	12,730	522,237	0.41%	247,596	12,730	0.41%	
AWI	GDR: Acer Inc.	Parent/Subsidiary	Treasury stock	4,987	1,969,617	0.81%	475,167	4,987	0.81%	
CCI	Stock: China Development Financial Holding Co.	-	Financial assets measured at fair value through other comprehensive income－current	5,049	49,081	0.03%	49,081	5,049	0.03%	
CCI	Stock: Acer Inc.	Parent/Subsidiary	Financial assets measured at fair value through other comprehensive income－non-current	4,774	92,849	0.16%	92,849	4,774	0.16%	
ETEN	Stock: RoyalTek	-	Financial assets measured at fair value through other comprehensive income－non-current	1,015	17,060	2.01%	17,060	1,015	2.01%	
ETEN	Stock: Acer Inc.	Parent/Subsidiary	Financial assets measured at fair value through other comprehensive income－non-current	4,305	83,740	0.14%	83,740	4,305	0.14%	
ETEN	Stock: Abico Shi-pro Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income－non-current	284	2,931	7.89%	2,931	284	7.89%	
WLII	Stock: Antung Trading Co.	-	Financial assets measured at fair value through other comprehensive income－non-current	3,000	67,227	10.00%	67,227	3,000	10.00%	
ACTI	Stock: Physiosigns Inc., DE	-	Financial assets measured at fair value through other comprehensive income－non-current	800	245,864	12.50%	245,864	800	12.50%	
ABST	Stock: PilotTV Holdings	-	Financial assets measured at fair value through other comprehensive income－non-current	2,676	57,461	19.18%	57,461	2,676	19.18%	
ACVP	Stock: Thinputer Technology Corporation	-	Financial assets measured at fair value through other comprehensive income－non-current	-	35,744	13.79%	35,744	-	13.79%	
ACVP	Stock: Shenzhen Mlizhi Technology Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income－non-current	-	30,740	19.99%	30,740	-	19.99%	
Bluechip	Stock: Pier DC Pty Ltd.	-	Financial assets measured at fair value through other comprehensive income－non-current	960	9,796	8.82%	9,796	960	8.82%	

Acer Incorporated
Marketable securities for which the accumulated purchase or sale amounts for the period exceed NT$300 million or 20% of the paid-in capital
For the year ended December 31, 2018

Table 4

(Amounts in Thousands of New Taiwan Dollars / Shares)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-Party	Nature of Relationship	Beginning Balance		Acquisitions		Disposal				Ending Balance	
					Shares/ Units (in thousands)	Amount	Shares/ Units (in thousands)	Amount	Shares/ Units (in thousands)	Amount	Carrying Value	Gain (Loss) on Disposal	Shares/ Units (in thousands)	Amount
ACCN	China Merchants Bank CNY Financial Plan	Financial assets measured at fair value through profit or loss－current	China Merchants Bank	None	-	-	965,000	4,376,840	965,000	4,385,668	4,376,840	8,828	-	-
ACCN	Fubon Bank (China) CNY SDRMBC 16030000	Financial assets measured at fair value through profit or loss－current	Fubon Bank (China) Co., Ltd.	None	-	-	5,595,000	25,422,179	5,595,000	25,493,279	25,422,179	71,100	-	-
ACCQ	China Merchants Bank CNY Financial Plan	Financial assets measured at fair value through profit or loss－current	China Merchants Bank	None	-	-	420,000	1,911,376	420,000	1,914,320	1,911,376	2,944	-	-
AHN	AEG	Investments accounted for using equity method	AEH	Parent	1,650	2,122,696	-	-	1,650	2,271,763	2,271,763	-	-	-
AEH	AEG	Investments accounted for using equity method	AHN	Subsidiary	-	-	1,650	2,271,763	-	-	-	-	1,650	2,271,763

Acer Incorporated
Total purchases from and sales to related parties which exceed NT$100 million or 20% of the paid-in capital
For the year ended December 31, 2018

Table 5

(Amounts in Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others (Note 1)		Notes/Accounts Receivable or (Payable)		Note
			Purchases/ (Sales)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Company	AAC	Parent/Subsidiary	(Sales)	(50,515,776)	(28.39)%	OA90	-	-	7,579,129	28.68%	
The Company	AAPH	Parent/Subsidiary	(Sales)	(3,062,235)	(1.72)%	OA60	-	-	-	-	
The Company	ACA	Parent/Subsidiary	(Sales)	(5,811,391)	(3.27)%	OA60	-	-	1,797,861	6.80%	
The Company	ACCQ	Parent/Subsidiary	(Sales)	(8,802,986)	(4.95)%	OA60	-	-	708,325	2.68%	
The Company	ACNZ	Parent/Subsidiary	(Sales)	(828,120)	(0.47)%	OA60	-	-	241,942	0.92%	
The Company	ACS	Parent/Subsidiary	(Sales)	(2,052,404)	(1.15)%	OA60	-	-	215,311	0.81%	
The Company	AEG	Parent/Subsidiary	(Sales)	(68,217,538)	(38.33)%	OA60	-	-	4,440,629	16.80%	
The Company	AFE	Parent/Subsidiary	(Sales)	(872,402)	(0.49)%	OA60	-	-	296,727	1.12%	
The Company	AIL	Parent/Subsidiary	(Sales)	(5,267,353)	(2.96)%	OA180	-	-	4,221,850	15.98%	
The Company	AIN	Parent/Subsidiary	(Sales)	(4,972,243)	(2.79)%	OA90	-	-	576,474	2.18%	
The Company	AJC	Parent/Subsidiary	(Sales)	(2,269,934)	(1.28)%	OA180	-	-	1,124,979	4.26%	
The Company	AMI	Parent/Subsidiary	(Sales)	(228,615)	(0.13)%	OA90	-	-	12,077	0.05%	
The Company	APHI	Parent/Subsidiary	(Sales)	(1,179,925)	(0.66)%	OA60	-	-	144,347	0.55%	
The Company	APX	Parent/Subsidiary	(Sales)	(174,841)	(0.10)%	OA60	-	-	13,407	0.05%	
The Company	ASC	Parent/Subsidiary	(Sales)	(122,276)	(0.07)%	OA60	-	-	9,021	0.03%	
The Company	ASSB	Parent/Subsidiary	(Sales)	(3,038,779)	(1.71)%	OA60	-	-	251,933	0.95%	
The Company	ATH	Parent/Subsidiary	(Sales)	(4,611,010)	(2.59)%	OA60	-	-	765,255	2.90%	
The Company	AVN	Parent/Subsidiary	(Sales)	(137,060)	(0.08)%	OA60	-	-	43,118	0.16%	
The Company	ALT	Parent/Subsidiary	(Sales)	(225,803)	(0.13)%	OA60	-	-	154,339	0.58%	
The Company	WLII	Parent/Subsidiary	(Sales)	(2,110,557)	(1.19)%	EM45	-	-	243,284	0.92%	
The Company	AST	Parent/Subsidiary	(Sales)	(172,628)	(0.10)%	OA90	-	-	109,795	0.42%	
The Company	AIL	Parent/Subsidiary	Purchases	136,809	0.08%	OA60	-	-	276	-	
The Company	APHI	Parent/Subsidiary	Purchases	165,015	0.10%	OA60	-	-	(14,714)	(0.04)%	
The Company	EDC	Parent/Subsidiary	Purchases	216,183	0.13%	OA60	-	-	(46,281)	(0.14)%	
The Company	ACTTW	Parent/Subsidiary	Purchases	123,757	0.07%	OA60	-	-	(2,545)	(0.01)%	
The Company	AEB	Parent/Subsidiary	Purchases	674,836	0.40%	EM60	-	-	(30,993)	(0.09)%	
ALT	The Company	Parent/Subsidiary	Purchases	225,803	97.42%	OA60	-	-	(154,339)	(95.53)%	
EDC	The Company	Parent/Subsidiary	(Sales)	(216,183)	(47.73)%	OA60	-	-	46,281	67.43%	

Company Name	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others (Note 1)		Notes/Accounts Receivable or (Payable)		Note
			Purchases/ (Sales)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
ACTTW	The Company	Parent/Subsidiary	(Sales)	(123,757)	(35.70)%	OA60	-	-	2,545	1.80%	
ACTTW	AGI	Parent/Subsidiary	(Sales)	(200,436)	(57.83)%	EM180	-	-	138,434	97.93%	
AEB	The Company	Parent/Subsidiary	(Sales)	(674,836)	(16.26)%	EM60	-	-	30,993	3.52%	
AEB	WLII	Fellow subsidiary	Purchases	143,483	3.74%	EM60	-	-	(39,744)	(4.70)%	
AGI	AOI	Fellow subsidiary	(Sales)	(213,767)	(93.09)%	OA60	-	-	54,819	62.02%	
AGI	ACTTW	Parent/Subsidiary	Purchases	200,436	100.00%	EM180	-	-	(138,434)	(100.00)%	
AOI	AOA	Parent/Subsidiary	(Sales)	(380,775)	(38.55)%	OA60	-	-	100,763	30.19%	
AOI	AOE	Parent/Subsidiary	(Sales)	(325,828)	(32.99)%	OA90	-	-	112,535	33.71%	
AOI	AOTH	Parent/Subsidiary	Purchases	549,334	53.98%	OA60	-	-	57,275	17.16%	
AOI	AGI	Fellow subsidiary	Purchases	213,767	21.00%	OA60	-	-	(54,819)	(18.73)%	
WLII	AEB	Fellow subsidiary	(Sales)	(143,483)	(1.16)%	EM60	-	-	39,744	1.78%	
WLII	The Company	Parent/Subsidiary	Purchases	2,110,557	17.37%	EM45	-	-	(243,284)	(15.88)%	
AST	The Company	Parent/Subsidiary	Purchases	172,628	21.43%	OA90	-	-	(109,795)	(35.43)%	
AAC	AMEX	Fellow subsidiary	(Sales)	(1,827,202)	(3.27)%	OA60	-	-	918,821	10.48%	
AAC	ASC	Fellow subsidiary	(Sales)	(253,698)	(0.45)%	OA60	-	-	10,029	0.11%	
AAC	ATB	Fellow subsidiary	(Sales)	(403,279)	(0.72)%	OA60	-	-	71,223	0.81%	
AAC	The Company	Parent/Subsidiary	Purchases	50,515,776	92.40%	OA90	-	-	(7,579,129)	(92.59)%	
AAPH	AIL	Fellow subsidiary	(Sales)	(1,950,456)	(53.66)%	OA60	-	-	-	-	
AAPH	ASSB	Fellow subsidiary	(Sales)	(120,761)	(3.59)%	OA60	-	-	-	-	
AAPH	ATH	Fellow subsidiary	(Sales)	(1,439,662)	(42.75)%	OA60	-	-	-	-	
AAPH	The Company	Parent/Subsidiary	Purchases	3,062,235	95.68%	OA60	-	-	-	-	
ACA	ACNZ	Fellow subsidiary	(Sales)	(147,471)	(2.13)%	OA60	-	-	64,020	5.11%	
ACA	Bluechip	Fellow subsidiary	(Sales)	(211,895)	(3.06)%	EM30	-	-	17,929	1.43%	
ACA	The Company	Parent/Subsidiary	Purchases	5,811,391	98.39%	OA60	-	-	(1,797,861)	(98.26)%	
ACCN	ACCQ	Fellow subsidiary	(Sales)	(106,875)	(0.84)%	OA60	-	-	121,098	9.39%	
ACCN	ACCQ	Fellow subsidiary	Purchases	11,116,373	90.42%	OA60	-	-	(2,014,452)	(99.77)%	
ACCQ	ACCN	Fellow subsidiary	(Sales)	(11,116,373)	(99.98)%	OA60	-	-	2,014,452	100.00%	
ACCQ	The Company	Parent/Subsidiary	Purchases	8,802,986	72.42%	OA60	-	-	(708,325)	(49.60)%	
ACCQ	ACCN	Fellow subsidiary	Purchases	106,875	0.88%	OA60	-	-	(121,098)	(8.48)%	
ACF	AEG	Fellow subsidiary	(Sales)	(303,489)	(3.00)%	OA60	-	-	754,118	20.25%	
ACF	AEG	Fellow subsidiary	Purchases	8,871,711	90.78%	OA60	-	-	(1,869,324)	(97.52)%	
ACF	APX	Fellow subsidiary	Purchases	138,568	1.42%	OA60	-	-	(11,009)	(0.57)%	
ACG	AEG	Fellow subsidiary	(Sales)	(488,850)	(2.01)%	OA60	-	-	1,807,526	23.53%	
ACG	APX	Fellow subsidiary	(Sales)	(118,240)	(0.49)%	OA60	-	-	16,381	0.21%	

Company Name	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others (Note 1)		Notes/Accounts Receivable or (Payable)		Note
			Purchases/ (Sales)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
ACG	AEG	Fellow subsidiary	Purchases	22,082,010	94.02%	OA60	-	-	(3,780,236)	(98.01)%	
ACG	APX	Fellow subsidiary	Purchases	271,385	1.16%	OA45	-	-	(42,407)	(1.10)%	
ACH	AEG	Fellow subsidiary	(Sales)	(190,042)	(3.03)%	OA60	-	-	412,856	22.85%	
ACH	AEG	Fellow subsidiary	Purchases	5,690,277	93.94%	OA60	-	-	(902,644)	(98.25)%	
ACNZ	ACA	Fellow subsidiary	Purchases	147,471	14.80%	OA60	-	-	(64,020)	(19.83)%	
ACNZ	The Company	Parent/Subsidiary	Purchases	828,120	83.13%	OA60	-	-	(241,942)	(74.93)%	
ACS	The Company	Parent/Subsidiary	Purchases	2,052,404	91.46%	OA60	-	-	(215,311)	(97.35)%	
ACZ	ASIN	Fellow subsidiary	(Sales)	(250,848)	(44.54)%	OA30	-	-	23,126	31.52%	
ACZ	APX	Fellow subsidiary	Purchases	195,162	38.19%	OA90	-	-	(26,040)	(93.14)%	
AEG	ACF	Fellow subsidiary	(Sales)	(8,871,711)	(11.48)%	OA60	-	-	1,869,324	13.83%	
AEG	ACG	Fellow subsidiary	(Sales)	(22,082,010)	(28.57)%	OA60	-	-	3,780,236	27.97%	
AEG	ACH	Fellow subsidiary	(Sales)	(5,690,277)	(7.36)%	OA60	-	-	902,644	6.68%	
AEG	AIB	Fellow subsidiary	(Sales)	(3,736,066)	(4.83)%	OA60	-	-	400,343	2.96%	
AEG	AIT	Fellow subsidiary	(Sales)	(4,957,276)	(6.41)%	OA60	-	-	915,474	6.77%	
AEG	APX	Fellow subsidiary	(Sales)	(596,882)	(0.77)%	OA60	-	-	124,988	0.92%	
AEG	ASIN	Fellow subsidiary	(Sales)	(21,290,215)	(27.54)%	OA60	-	-	3,711,577	27.46%	
AEG	ASZ	Fellow subsidiary	(Sales)	(2,269,570)	(2.94)%	OA60	-	-	346,678	2.56%	
AEG	AUK	Fellow subsidiary	(Sales)	(7,295,708)	(9.44)%	OA60	-	-	1,080,021	7.99%	
AEG	SER	Fellow subsidiary	(Sales)	(452,215)	(0.59)%	OA60	-	-	111,082	0.82%	
AEG	The Company	Parent/Subsidiary	Purchases	68,217,538	90.97%	OA60	-	-	(4,440,629)	(41.81)%	
AEG	ACF	Fellow subsidiary	Purchases	303,489	0.40%	OA60	-	-	(754,118)	(7.10)%	
AEG	ACG	Fellow subsidiary	Purchases	488,850	0.65%	OA60	-	-	(1,807,526)	(17.02)%	
AEG	ACH	Fellow subsidiary	Purchases	190,042	0.25%	OA60	-	-	(412,856)	(3.89)%	
AEG	AIB	Fellow subsidiary	Purchases	253,805	0.34%	OA60	-	-	(397,728)	(3.74)%	
AEG	AIT	Fellow subsidiary	Purchases	255,747	0.34%	OA60	-	-	(406,067)	(3.82)%	
AEG	APX	Fellow subsidiary	Purchases	391,133	0.52%	OA60	-	-	(25,760)	(0.24)%	
AFE	The Company	Parent/Subsidiary	Purchases	872,402	97.92%	OA60	-	-	(296,727)	(98.73)%	
AIB	AEG	Fellow subsidiary	(Sales)	(253,805)	(5.87)%	OA60	-	-	397,728	25.97%	
AIB	AEG	Fellow subsidiary	Purchases	3,736,066	89.85%	OA60	-	-	(400,343)	(95.55)%	
AIB	APX	Fellow subsidiary	Purchases	110,576	2.66%	OA60	-	-	(18,381)	(4.39)%	
AIL	AIN	Fellow subsidiary	(Sales)	(148,796)	(1.32)%	OA60	-	-	23,902	0.81%	
AIL	The Company	Parent/Subsidiary	(Sales)	(136,809)	(1.21)%	OA60	-	-	(276)	(0.01)%	
AIL	The Company	Parent/Subsidiary	Purchases	5,267,353	58.85%	OA180	-	-	(4,221,850)	(93.93)%	
AIL	AAPH	Fellow subsidiary	Purchases	1,950,456	21.79%	OA60	-	-	-	-	

Company Name	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others (Note 1)		Notes/Accounts Receivable or (Payable)		Note
			Purchases/ (Sales)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
AIN	AMI	Parent/Subsidiary	(Sales)	(950,261)	(13.89)%	OA60	-	-	57,704	63.42%	
AIN	The Company	Parent/Subsidiary	Purchases	4,972,243	72.78%	OA90	-	-	(576,474)	(91.82)%	
AIN	AIL	Fellow subsidiary	Purchases	148,796	2.18%	OA60	-	-	(23,902)	(3.81)%	
AIN	AMI	Parent/Subsidiary	Purchases	1,225,609	17.94%	OA90	-	-	(19,877)	(3.17)%	
AIT	AEG	Fellow subsidiary	(Sales)	(255,747)	(4.65)%	OA60	-	-	406,067	17.41%	
AIT	AEG	Fellow subsidiary	Purchases	4,957,276	94.00%	OA60	-	-	(915,474)	(99.02)%	
AJC	The Company	Parent/Subsidiary	Purchases	2,269,934	95.37%	OA180	-	-	(1,124,979)	(98.37)%	
AMEX	AAC	Fellow subsidiary	Purchases	1,827,202	96.44%	OA60	-	-	(918,821)	(100.00)%	
AMI	AIN	Parent/Subsidiary	(Sales)	(1,225,609)	(98.14)%	OA90	-	-	19,877	98.76%	
AMI	AIN	Parent/Subsidiary	Purchases	950,261	76.56%	OA60	-	-	(57,704)	(79.05)%	
AMI	The Company	Parent/Subsidiary	Purchases	228,615	18.42%	OA90	-	-	(12,077)	(16.54)%	
AOTH	AOZ	Parent/Subsidiary	(Sales)	(451,945)	(37.88)%	OA60	-	-	110,562	47.39%	
AOTH	AOI	Parent/Subsidiary	(Sales)	(549,334)	(46.04)%	OA60	-	-	(57,275)	(16.21)%	
AOZ	AOTH	Parent/Subsidiary	(Sales)	(505,145)	(99.22)%	OA60	-	-	128,609	98.35%	
AOA	AOI	Parent/Subsidiary	Purchases	380,775	58.29%	OA90	-	-	(100,763)	(91.73)%	
AOE	AOI	Parent/Subsidiary	Purchases	325,828	96.78%	OA60	-	-	(112,535)	(98.29)%	
AOTH	AOZ	Parent/Subsidiary	Purchases	505,145	39.39%	OA60	-	-	(128,609)	(36.40)%	
AOZ	AOTH	Parent/Subsidiary	Purchases	451,945	92.68%	OA60	-	-	(110,562)	(87.13)%	
APHI	The Company	Parent/Subsidiary	(Sales)	(165,015)	(11.15)%	OA60	-	-	14,714	29.19%	
APHI	The Company	Parent/Subsidiary	Purchases	1,179,925	99.04%	OA60	-	-	(144,347)	(80.87)%	
APX	ACF	Fellow subsidiary	(Sales)	(138,568)	(6.63)%	OA60	-	-	11,009	5.65%	
APX	ACG	Fellow subsidiary	(Sales)	(271,385)	(12.99)%	OA45	-	-	42,407	21.76%	
APX	ACZ	Fellow subsidiary	(Sales)	(195,162)	(9.34)%	OA90	-	-	26,040	13.36%	
APX	AEG	Fellow subsidiary	(Sales)	(391,133)	(18.73)%	OA60	-	-	25,760	13.22%	
APX	AIB	Fellow subsidiary	(Sales)	(110,576)	(5.29)%	OA60	-	-	18,381	9.43%	
APX	ACG	Fellow subsidiary	Purchases	118,240	6.81%	OA60	-	-	(16,381)	(6.89)%	
APX	AEG	Fellow subsidiary	Purchases	596,882	34.38%	OA60	-	-	(124,988)	(52.57)%	
APX	The Company	Parent/Subsidiary	Purchases	174,841	10.07%	OA60	-	-	(13,407)	(5.64)%	
ARU	ASIN	Fellow subsidiary	(Sales)	(133,701)	(100.00)%	OA60	-	-	10,915	100.00%	
ASC	AAC	Fellow subsidiary	Purchases	253,698	35.88%	OA60	-	-	(10,029)	(10.80)%	
ASC	The Company	Parent/Subsidiary	Purchases	122,276	17.29%	OA60	-	-	(9,021)	(9.72)%	
ASIN	ACZ	Fellow subsidiary	Purchases	250,848	1.13%	OA30	-	-	(23,126)	(0.62)%	
ASIN	AEG	Fellow subsidiary	Purchases	21,290,215	96.30%	OA60	-	-	(3,711,577)	(98.72)%	
ASIN	ARU	Fellow subsidiary	Purchases	133,701	0.60%	OA60	-	-	(10,915)	(0.29)%	

Company Name	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others (Note 1)		Notes/Accounts Receivable or (Payable)		Note
			Purchases/(Sales)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
ASSB	SMA	Parent/Subsidiary	(Sales)	(553,595)	(16.41)%	OA60	-	-	1,833	0.83%	
ASSB	AAPH	Fellow subsidiary	Purchases	120,761	3.86%	OA60	-	-	-	-	
ASSB	The Company	Parent/Subsidiary	Purchases	3,038,779	96.14%	OA60	-	-	(251,933)	(92.22)%	
ASZ	AEG	Fellow subsidiary	Purchases	2,269,570	89.63%	OA60	-	-	(346,678)	(98.45)%	
ATB	AAC	Fellow subsidiary	Purchases	403,279	5.03%	OA60	-	-	(71,223)	(3.50)%	
ATH	AAPH	Fellow subsidiary	Purchases	1,439,662	21.52%	OA60	-	-	-	-	
ATH	The Company	Parent/Subsidiary	Purchases	4,611,010	68.92%	OA60	-	-	(765,255)	(93.18)%	
AUK	AEG	Fellow subsidiary	Purchases	7,295,708	95.60%	OA60	-	-	(1,080,021)	(98.90)%	
AVN	The Company	Parent/Subsidiary	Purchases	137,060	70.24%	OA60	-	-	(43,118)	(86.65)%	
Bluechip	ACA	Fellow subsidiary	Purchases	211,895	9.73%	EM30	-	-	(17,929)	(7.16)%	
SER	AEG	Fellow subsidiary	Purchases	452,215	100.00%	OA60	-	-	(111,082)	(99.51)%	
SMA	ASSB	Parent/Subsidiary	Purchases	553,595	16.67%	OA60	-	-	(1,833)	(3.92)%	

Note 1: The trade terms and price of sales with related parties are not comparable to the trading terms and prices with third-party customers as they are determined by the economic environment and market competition of specific locations. The trading terms of purchase with related parties are not comparable to the trading terms with third-party vendors as the specifications of products are different.

Note 2: The above transactions between parent and subsidiary are eliminated when preparing the consolidated financial statements.

Acer Incorporated
Receivables from related parties which exceed NT$100 million or 20% of the paid-in capital
December 31, 2018

Table 6

(Amounts in Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Loss Allowance	Note
					Amount	Action Taken			
The Company	AAC	Parent/Subsidiary	7,579,129	6.82	-		7,565,877		
The Company	ACA	Parent/Subsidiary	1,797,861	3.23	758,836	Under collection	953,203		
The Company	ACCQ	Parent/Subsidiary	708,325	8.82	-		708,325		
The Company	ACNZ	Parent/Subsidiary	241,942	3.42	37,512	Under collection	204,430		
The Company	ACS	Parent/Subsidiary	215,311	9.53	-		215,311		
The Company	AEG	Parent/Subsidiary	4,440,629	27.85	-		4,440,629		
The Company	AFE	Parent/Subsidiary	296,902	3.70	162,036	Under collection	134,866		
The Company	AIL	Parent/Subsidiary	4,221,850	1.25	642,532	Under collection	1,091,078		
The Company	AIN	Parent/Subsidiary	576,474	8.63	-		576,474		
The Company	AJC	Parent/Subsidiary	1,124,979	2.02	-		341,162		
The Company	APHI	Parent/Subsidiary	144,347	10.92	-		144,347		
The Company	ASSB	Parent/Subsidiary	251,933	12.92	-		251,933		
The Company	ATH	Parent/Subsidiary	765,255	6.03	-		765,255		
The Company	ALT	Parent/Subsidiary	155,606	2.50	67,642	Under collection	87,964		
The Company	WLII	Parent/Subsidiary	252,621	8.31	-		252,621		
The Company	AST	Parent/Subsidiary	112,120	3.14	59,237	Under collection	43,747		
ABH	AEB	Parent/Subsidiary	156,775	-	-		-		
AEB	The Company	Parent/Subsidiary	119,359	13.88	-		-		
ACTTW	AGI	Parent/Subsidiary	138,434	2.05	-		82,590		
AOI	AOA	Parent/Subsidiary	100,763	3.92	-		104,093		Note 2
AOI	AOE	Parent/Subsidiary	112,535	3.81	55,336	Under collection	80,549		Note 2
ETEN	The Company	Parent/Subsidiary	182,356	71.08	-		-		
ADSC	The Company	Parent/Subsidiary	745,017	-	-		-		
CCI	The Company	Parent/Subsidiary	107,057	-	-		-		
GTI	The Company	Parent/Subsidiary	100,074	1.98	-		35,244		
AAC	AMEX	Fellow subsidiary	919,005	1.62	304,456	Under collection	385,368		

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Loss Allowance	Note
					Amount	Action Taken			
AAC	ASC	Fellow subsidiary	325,013	13.68	-		10,029		
AAH	AAC	Parent/Subsidiary	4,511,575	-	-		-		
ACCN	ACCQ	Fellow subsidiary	121,098	0.86	-		121,098		
ACCQ	ACCN	Fellow subsidiary	2,014,452	5.74	-		2,014,452		
ACF	AEG	Fellow subsidiary	766,201	0.42	-		75,304		
ACG	AEG	Fellow subsidiary	2,306,197	0.26	-		102,788		
ACH	AEG	Fellow subsidiary	415,237	0.46	-		15,298		
AEG	ACF	Fellow subsidiary	1,869,324	5.31	-		1,858,553		
AEG	ACG	Fellow subsidiary	3,780,281	5.13	-		3,734,522		
AEG	ACH	Fellow subsidiary	902,644	6.92	-		899,233		
AEG	AIB	Fellow subsidiary	400,343	10.56	-		397,933		
AEG	AIT	Fellow subsidiary	915,474	4.64	-		915,474		
AEG	APX	Fellow subsidiary	124,988	5.68	-		124,988		
AEG	ASIN	Fellow subsidiary	3,720,027	5.00	126	Under collection	3,644,728		
AEG	ASZ	Fellow subsidiary	346,678	5.86	51	Under collection	341,354		
AEG	AUK	Fellow subsidiary	1,080,021	6.83	-		858,981		
AEG	SER	Fellow subsidiary	111,082	5.28	-		65,827		
AIB	AEG	Fellow subsidiary	430,911	0.66	-		71,692		
AIT	AEG	Fellow subsidiary	406,067	0.66	-		-		
AIZS	ACCN	Fellow subsidiary	209,966	-	-		-		
AOZ	AOTH	Parent/Subsidiary	128,609	4.20	42,817	Under collection	49,173		
ASCBVI	LONG	Fellow subsidiary	307,330	-	-		-		
ASIN	AEG	Fellow subsidiary	530,585	0.02	-		25,010		
ASZ	AEG	Fellow subsidiary	213,435	0.31	-		11,656		
AUK	AEG	Fellow subsidiary	643,910	0.10	-		21,678		
GWI	AAC	Parent/Subsidiary	384,711	-	-		-		

Note 1: The above transactions between parent and subsidiary are eliminated when preparing the consolidated financial statements.

Note 2: The ending balance of receivables has been deducted by the credit amount of investments accounted for using equity method.

Acer Incorporated

Names, Locations, and Related Information of Investees over which The Company Exercises Significant Influence

December 31, 2018

Table 7

(Amounts in Thousands of New Taiwan Dollars/Shares)

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount		Balances as of December 31, 2018			Maximum ownership during 2018		Net Income (Loss) of the Investee	Share of profits/ losses of investee	Note
				December 31, 2018	December 31, 2017	Shares (in thousands)	Percentage of Ownership	Carrying Value	Shares (in thousands)	Percentage of Ownership			
The Company	ADSC	Taiwan	Investment and holding activity	1,746,549	1,746,549	128,282	100.00	1,708,174	128,282	100.00	(32,073)	(32,073)	Parent/Subsidiary
The Company	Boardwalk	British Virgin Islands	Investment and holding activity	41,496,383	41,496,383	1,263,432	92.02	25,795,473	1,263,432	92.02	242,295	222,949	Parent/Subsidiary
The Company	AEH	Switzerland	Investment and holding activity	2,464,262	2,464,262	150	100.00	17,072,262	150	100.00	394,097	394,097	Parent/Subsidiary
The Company	AHI	British Virgin Islands	Investment and holding activity	1,130,566	1,130,566	33,550	100.00	9,243,042	33,550	100.00	478,068	478,068	Parent/Subsidiary
The Company	Bluechip	Australia	Sale of computer peripherals and software system	32,988	24,249	1,225	33.39	68,313	1,225	34.52	2,248	174	Parent/Subsidiary
The Company	AWI	British Virgin Islands	Investment and holding activity	4,069,764	4,069,764	1,326,193	100.00	317,471	1,326,193	100.00	360	360	Parent/Subsidiary
The Company	ASCBVI	British Virgin Islands	Investment and holding activity	1,900,347	1,900,347	43,067	100.00	1,137,501	43,067	100.00	30,323	30,323	Parent/Subsidiary
The Company	CCI	Taiwan	Investment and holding activity	1,299,817	1,299,817	-	100.00	550,229	-	100.00	5,900	5,900	Parent/Subsidiary
The Company	ADSBH	British Virgin Islands	Investment and holding activity	1,175,933	1,175,933	2,246	100.00	(299,677)	2,246	100.00	(190)	(190)	Parent/Subsidiary
The Company	ACSI	Taiwan	Cyber security service	1,188,445	1,242,578	10,999	87.09	187,348	11,500	100.00	57,988	52,898	Parent/Subsidiary
The Company	AGC	British Virgin Islands	Investment and holding activity	5,012,454	4,941,292	163,369	100.00	5,010,165	163,369	100.00	256,703	256,703	Parent/Subsidiary
The Company	WLII	Taiwan	Sale of computers and communication products	1,087,987	1,115,474	68,358	97.33	1,316,492	70,088	99.79	97,047	96,388	Parent/Subsidiary
The Company	ATI	Taiwan	Integrated circuit test service	819,792	819,792	1,203	19.39	3,068	1,203	19.39	-	-	Associate
The Company	ETEN	Taiwan	Research, design and sale of smart handheld products	6,800,751	6,800,751	20,000	100.00	2,000,757	20,000	100.00	(48,315)	(163,236)	Parent/Subsidiary
The Company	ABH	Taiwan	Investment and holding activity	2,128,004	1,919,004	176,368	100.00	1,471,504	236,105	100.00	(264,011)	(264,011)	Parent/Subsidiary
The Company	ASBZ	Taiwan	Solutions provider of B2B virtual reality	311,820	320,000	30,628	63.52	30,713	32,000	66.67	(413,529)	(263,667)	Parent/Subsidiary
The Company	EDC	Taiwan	Data center and cloud services	1,700,466	1,700,466	186,593	100.00	1,565,945	186,593	100.00	(133,365)	(133,365)	Parent/Subsidiary
The Company	AOI	Taiwan	Sale, manufacture, import and export of commercial computer products, software, components, peripheral equipment and apparatus; repair and maintenance service of computer products	333,155	333,155	28,970	40.55	316,531	28,970	40.55	(13,453)	(6,855)	Parent/Subsidiary
The Company	GTI	Taiwan	Sale of peripheral 3C products	45,000	-	4,500	83.64	48,806	4,500	100.00	150	150	Parent/Subsidiary
The Company	HSNC	Taiwan	Repair and maintenance of IT products	50,000	-	5,000	100.00	49,543	5,000	100.00	(457)	(457)	Parent/Subsidiary
The Company	SFT	Taiwan	Research, manufacturing and sale of radio-detection and civilian technology application products related to distance	132,000	-	13,200	55.00	126,996	13,200	55.00	(9,099)	(5,004)	Joint Venture
The Company	AST	Taiwan	System integration service	82,600	-	7,000	91.74	89,902	7,000	91.74	21,893	8,197	Parent/Subsidiary
EDC	TWPBVI	British Virgin Islands	Investment and holding activity	32,298	32,298	11,068	100.00	1,177	11,068	100.00	(3,068)	(3,068)	Parent/Subsidiary
ASBZ	VRE	Switzerland	Research of solutions to B2B virtual reality	38,979	-	100	100.00	1,595	100	100.00	(37,218)	(37,218)	Parent/Subsidiary
HSNC	HSNT	Thailand	Repair and maintenance of IT products	577	-	24	100.00	493	24	100.00	(84)	(84)	Parent/Subsidiary
ADSC	ECS	Taiwan	Business integration system	40,851	40,851	1,244	24.88	23,939	1,244	24.88	26,353	7,326	Associate
ADSC	APDI	Taiwan	Property development	29,577	29,577	2,958	100.00	104,927	2,958	100.00	3,615	3,615	Parent/Subsidiary
ADSC	ASDI	Taiwan	Property development	500,000	500,000	22,593	100.00	222,155	22,593	100.00	(727)	(727)	Parent/Subsidiary
ADSC	Kbest	Taiwan	Development and manufacturing of radio and microwave equipment	129,293	129,293	4,427	28.03	24,064	4,427	28.03	(50,951)	(64,050)	Associate
ASDI	Kbest	Taiwan	Development and manufacturing of radio and microwave equipment	3,997	3,997	286	1.81	1,552	286	1.81	(50,951)	(1,430)	Associate

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount		Balances as of December 31, 2018			Maximum ownership during 2018		Net Income (Loss) of the Investee	Share of profits/ losses of investee	Note
				December 31, 2018	December 31, 2017	Shares (in thousands)	Percentage of Ownership	Carrying Value	Shares (in thousands)	Percentage of Ownership			
WLII	HPT	Taiwan	Retail service of software	23,668	23,668	882	30.22	15,022	882	30.22	6,199	1,873	Associate
WLII	WHI	Hong Kong	Sale of computers and communication products	-	55,895	-	-	-	12,872	100.00	36	36	Parent/Subsidiary
WLII	WELL	Taiwan	Matchmaking of professional services, platform of client service and sale of products, and providing of professional seminars and courses	10,000	10,000	1,000	100.00	(1,137)	1,000	100.00	(4,388)	(4,388)	Parent/Subsidiary
WLII	AST	Taiwan	System integration service	-	70,000	-	-	-	7,000	100.00	21,893	11,843	Fellow subsidiaries
AEH	Boardwalk	British Virgin Islands	Investment and holding activity	3,333,032	3,333,032	109,639	7.98	2,235,224	109,639	7.98	242,295	19,346	Fellow subsidiaries
ACTI	GrandPAD	U.S.A.	Development of user-friendly IoT device	350,477	350,477	436	37.75	246,389	436	43.28	(153,388)	(68,542)	Associate
ABH	AEB	Taiwan	Cloud ticketing system, electronic book, online payment service, customized system development and integration services, and sale of commercial and cloud application software and technical services	334,025	549,650	32,000	100.00	392,370	53,563	100.00	88,472	88,472	Parent/Subsidiary
ABH	ACTTW	Taiwan	Development of Internet of Beings and cloud technology, and integration of cloud technology, software and hardware	1,153,000	1,125,400	64,314	100.00	418,161	112,540	100.00	(216,195)	(216,195)	Parent/Subsidiary
ABH	MPS	Taiwan	Research, development, and sale of batteries	141,711	81,711	7,249	100.00	64,234	16,000	100.00	(8,253)	(8,253)	Parent/Subsidiary
ABH	ALT	Taiwan	High performance computing, cloud computing, software-defined storage, and IT solution	40,200	48,000	4,020	71.79	49,648	4,800	100.00	11,958	7,888	Parent/Subsidiary
ABH	ITS	Taiwan	Programs and services of intelligent transportation and electronic ticketing	394,772	300,000	34,308	94.41	269,462	34,308	94.41	(94,839)	(92,066)	Parent/Subsidiary
ABH	ABHI	Taiwan	Intelligent medical examination and data interpretation analysis, medical big data, and health management and related information exchange	50,000	-	5,000	100.00	49,893	5,000	100.00	(107)	(107)	Parent/Subsidiary
ABH	ABC	Taiwan	Software design service	18,500	-	1,989	49.00	12,878	1,989	49.00	(10,945)	(5,199)	Parent/Subsidiary
ABH	XPL	Taiwan	Design, development and sale of smart bicycle speedometer	38,173	-	4,401	100.00	22,102	4,401	100.00	(20,916)	(15,772)	Parent/Subsidiary
ABH	PBC	Taiwan	Pet interaction device and social networking service	50,676	-	5,825	100.00	27,989	5,825	100.00	(30,258)	(22,688)	Parent/Subsidiary
AEB	XPL	Taiwan	Design, development and sale of smart bicycle speedometer	-	131,640	-	-	-	8,372	100.00	(20,916)	(5,144)	Fellow subsidiaries
AEB	PBC	Taiwan	Pet interaction device and social networking service	-	102,400	-	-	-	6,742	100.00	(30,258)	(7,570)	Fellow subsidiaries
ACTTW	ABC	Taiwan	Software design service	76,371	76,371	2,071	51.00	13,404	2,071	51.00	(10,945)	(5,582)	Parent/Subsidiary
ACTTW	AGI	Taiwan	Development of user-friendly IoT device	29,000	29,000	2,900	100.00	32,609	2,900	100.00	13,869	13,869	Parent/Subsidiary
ACTTW	ABST	Taiwan	Technical service and research of aBeing cloud digital content management	300,000	272,400	30,000	100.00	121,956	30,000	100.00	(156,606)	(156,606)	Parent/Subsidiary
ABST	ABSG	Germany	Technical service and research of aBeing cloud digital content management	202,401	148,347	6,029	100.00	23,992	6,029	100.00	(157,614)	(157,614)	Parent/Subsidiary
AOI	Bluechip	Australia	Sale of computer peripherals and software system	36,915	36,915	570	15.54	31,787	570	16.06	2,248	(1,194)	Fellow subsidiaries
AOI	AOA	U.S.A.	Sale of computer, apparatus system, and peripheral equipment	295,771	295,771	15,000	100.00	(166,273)	15,000	100.00	17,428	17,428	Parent/Subsidiary
AOI	AOE	the Netherlands	Sale of computer, apparatus system, and peripheral equipment	214,094	214,094	1	100.00	(23,375)	1	100.00	6,476	6,476	Parent/Subsidiary
AOI	AOTH	British Virgin Islands	Sale of computer, apparatus system, and peripheral equipment	1,623	1,623	50	100.00	216,570	50	100.00	3,990	3,990	Parent/Subsidiary
AOI	AOJ	Japan	Sale of computer, apparatus system, and peripheral equipment	2,899	2,899	1	100.00	29,495	1	100.00	2,465	2,465	Parent/Subsidiary

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount		Balances as of December 31, 2018			Maximum ownership during 2018		Net Income (Loss) of the Investee	Share of profits/ losses of investee	Note
				December 31, 2018	December 31, 2017	Shares (in thousands)	Percentage of Ownership	Carrying Value	Shares (in thousands)	Percentage of Ownership			
AOI	AOSV	Taiwan	Sale of computer, apparatus system, and peripheral equipment	60,000	60,000	6,000	100.00	39,119	6,000	100.00	915	915	Parent/Subsidiary
AOI	AOGS	Australia	Sale of computer, apparatus system, and peripheral equipment	2,956	2,956	105	70.00	21,428	105	70.00	7,044	4,932	Parent/Subsidiary
AOI	HTW	Hong Kong	Software development and agency	405	405	100	100.00	1,066	100	100.00	119	119	Parent/Subsidiary
AOI	AOSD	Taiwan	Sale of computer, apparatus system, and peripheral equipment	2,000	-	2,000	80.00	19,920	2,000	80.00	(100)	(80)	Parent/Subsidiary
AOI	MPL	Australia	Sale of computer, apparatus system, and peripheral equipment	22,887	23,444	39	39.00	12,634	40	40.00	(21,119)	(9,047)	Associate
AOI	AMTC	Taiwan	Manufacturing and sale of touch display, touch controller and its driver	376,238	-	66,664	20.07	382,766	66,664	20.07	259,205	6,332	Associate
AOTH	GCL	Hong Kong	Sale of computer, apparatus system, and peripheral equipment	2,675	2,675	300	100.00	3,876	300	100.00	10	10	Parent/Subsidiary
AOGS	AOAU	Australia	Sale of computer, apparatus system, and peripheral equipment	3	3	1	100.00	27,984	1	100.00	7,899	7,899	Parent/Subsidiary

Acer Incorporated
Information on Investment in Mainland China
For the year ended December 31, 2018

Table 8

(Amounts in Thousands of New Taiwan Dollars)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018	Net Income (Losses) of Investee	% of Ownership of Direct or Indirect Investment	Maximum ownership during 2018		Share of profits/ losses of investee	Carrying Value as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018
					Outflow	Inflow				Shares	Percentage of Ownership			
Acer Third Wave Software (Beijing) Co. Ltd.	Sale of commercial and cloud application software and technical service	92,199	2	92,199	-	-	92,199	(3,025)	100.00	-	100.00	(3,025)	(3,388)	-
Acer Information (Zhong Shan) Co.,	Sale of brand-name IT products	46,100	2	-	-	-	-	1,386	100.00	-	100.00	1,386	210,549	-
Acer Computer (Shanghai) Ltd.	Sale of brand-name IT products	61,466	2	61,466	-	-	61,466	(125,564)	100.00	-	100.00	(125,564)	673,236	-
Acer (Chongqing) Ltd.	Sale of brand-name IT products	4,609,950	2	4,732,882 (Note 2)	-	-	4,732,882	499,658	100.00	-	100.00	499,658	3,979,679	-
Acer Cloud Technology (Chongqing) Ltd.	Design, development, sale, and advisory of computer software and hardware	153,665	1	153,665	-	-	153,665	(24,423)	100.00	-	100.00	(24,423)	63,061	-
Innovation and Commercialization Accelerator Inc.	Development, design, manufacturing, sale, and maintenance of intelligent terminal devices	26,808	1	(Note 3)	-	-	(Note 3)	(16,587)	30.00	-	30.00	(4,976)	15,949	-
Xplova (Shanghai) Ltd.	Sale of smart bicycle speedometer and operating social platform for bicycle riding and sports	9,238	1	9,238	-	-	9,238	(894)	100.00	-	100.00	(894)	6,933	-
Consumer Insights Research (Chongqing) Inc.	Collection, analysis and research of data information	13,404	1	(Note 3)	-	-	(Note 3)	(5,994)	30.00	-	30.00	(1,798)	10,251	-
Acer China Venture Corp	Fund company management	22,340	1	22,340	-	-	22,340	(5,684)	100.00	-	100.00	(5,684)	15,899	-
Acer China Venture Partnership	Investment fund	67,020	1	31,276	31,276	-	62,552 (Note 4)	(13)	100.00	-	100.00	(13)	67,008	-
Sertec (Beijing) Ltd.	Repair and maintenance of IT products	4,468	1	4,468	-	-	4,468	732	100.00	-	100.00	732	5,530	-
Beijing Altos Computing Ltd.	High performance computing, cloud computing, software-defined storage, and IT solution	19,659	1	-	19,659	-	19,659	30,810	100.00	-	100.00	30,810	50,469	-
Shanghai AST Technology Service Ltd.	System integration service	19,659	1	-	19,659	-	19,659	206	100.00	-	100.00	206	19,865	-
AOPEN International (ShangHai) Co., Ltd	Sale of computer, apparatus system, and peripheral equipment	161,322	2	161,322	-	-	161,322 (USD 4,800,000)	967	100.00	-	100.00	967	19,428	-
AOPEN Information Products (Zhongshan) Inc.	Manufacture and sale of computer parts and components	450,261	2	450,261	-	-	450,261 (USD 13,500,000)	6,552	100.00	-	100.00	6,552	291,488	-

Note 1: Method of Investment:

Type 1: Direct investment in Mainland China.

Type 2: Indirect investment in Mainland China through a holding company established in other countries.

Note 2: Acer Intellectual (Chongqing) Limited had merged with Acer (Chongqing) Ltd. in 2014, and Acer (Chongqing) Ltd. was the surviving entity from the merger. This amount included the original investment in Acer Intellectual (Chongqing) Limited of $ 122,932 (US $4,000 thousand).

Note 3: Innovation and Commercialization Accelerator Inc. and Consumer Insights Research (Chongqing) Inc. were reinvested by Acer Colud Technology(Chongqing) Ltd.

Note 4: Acer China Venture Partnership was invested by the Company and Acer China Venture Corp of $62,552 and $4,468, respectively.

Investor Company Name	Accumulated Investment in Mainland China as of December 31, 2018 (Note 5)(Note 6)	Investment Amounts Authorized by Investment Commission, MOEA (Note 5)(Note 6)	Upper Limit on Investment Authorized by Investment Commission, MOEA
The Company and Subsidiaries	$5,792,856 (US$188,489,759)	$7,414,714 (US$241,262,284.5)	(Note)

Note 5: In September, 2008, AOI had disposed all shares of JNS Technology Co., Ltd., and the proceeds from the disposal of US$730,000 had been remitted to AOI in March 2010.
AOI has not yet to report to MOEA, therefore, the amout of US$ 1,645,200 was still included the original investment in JNS Technology Co., Ltd.

Note 6: T-Conn Precision(Zhongshan) Co., Ltd., indirectly invested by AOI, had been dissolved and the related liquidation process has been completed. The liquidation proceeds of US$31,549.06 (according to ownership percentage of 19%) has been remitted to Super Elite Ltd., a holding company established in other countries. On March 12, 2010, AOI has obtained MOEA's approval to withdraw its investment. However, the amount of accumulated investment in Mainland China still included the amount of US$57,000 due to the liquidation of capital which has yet to be remitted to Taiwan.

The above amounts were translated into New Taiwan dollars at the exchange rate of US$1＝NT$30.733 as of December 31, 2018.

Note: Since the Company has obtained the Certificate of Headquarter Operation, there is no upper limitation on investment in Mainland China.

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