Stock Code:2353

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Financial Statements
With Independent Auditors' Report
For the Years Ended December 31, 2019 and 2018

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, 2019 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 endorsed by the Financial Supervisory Commission, "Consolidated Financial Statements." 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 18, 2020

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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, 2019 and 2018, 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, 2019 and 2018, 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"), and 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 audit of the consolidated financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission, and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the consolidated financial statements as of and for the year ended December 31, 2018 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.

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, 2019 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 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(e) 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 impairment of non-financial assets, Note 5(c) for uncertainty of accounting estimations and assumptions for goodwill impairment and Note 6(k) 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, 2019 and 2018, on which we have audited and issued an unmodified audit opinion for the year ended December 31, 2019, and an unmodified audit opinion with the paragraph on emphasis of matter for the year ended December 31, 2018.

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, and 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 18, 2020

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, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2019		December 31, 2018	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 24,184,332	16	27,283,038	18
1110	Financial assets measured at fair value through profit or loss－current (note 6(b))	1,271,742	1	435,574	-
1120	Financial assets measured at fair value through other comprehensive income－current (note 6(c))	100,313	-	88,989	-
1140	Contract assets－current (note 6(w))	420,882	-	396,235	-
1170	Notes and accounts receivable, net (notes 6(d) & (w))	49,398,044	32	47,491,595	31
1180	Accounts receivable from related parties (notes 6(d) & (w) and 7)	41,201	-	34,623	-
1200	Other receivables (notes 7)	550,769	-	1,097,802	1
1220	Current income tax assets	314,898	-	460,334	-
130X	Inventories (note 6(e))	41,034,471	26	42,076,409	27
1470	Other current assets (note 6(l))	4,412,422	3	3,756,396	3
	Total current assets	121,729,074	78	123,120,995	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))	5,146,642	3	4,340,457	3
1550	Investments accounted for using the equity method (note 6(f))	944,958	1	875,861	-
1600	Property, plant and equipment (note 6(h) and 8)	3,561,644	2	3,846,752	2
1755	Right-of-use assets (notes 6(i))	1,948,343	1	-	-
1760	Investment property (note 6(j))	1,129,350	1	1,122,385	1
1780	Intangible assets (note 6(k))	16,930,072	11	17,311,344	11
1840	Deferred income tax assets (note 6(s))	1,551,795	1	890,458	1
1900	Other non-current assets (notes 6(l) & (r))	1,996,859	1	1,432,482	1
1980	Other financial assets－non-current (note 8)	1,157,827	1	1,003,782	1
	Total non-current assets	34,367,490	22	30,868,415	20
	Total assets	**$ 156,096,564**	**100**	**153,989,410**	**100**

(Continued)

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, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2019		December 31, 2018	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (notes 6(m) and 8)	$ 1,505,587	1	657,040	-
2120	Financial liabilities measured at fair value through profit or loss－current (note 6(b))	449,052	-	272,085	-
2130	Contract liabilities－current (note 6(w))	1,832,271	1	821,374	1
2170	Notes and accounts payable (note 7)	35,223,814	23	40,079,353	26
2200	Other payables (note 6(x) and 7)	24,711,860	16	24,420,154	16
2250	Provisions－current (notes 6(p) and 9)	4,953,980	3	5,239,352	4
2280	Lease liabilities－current (notes 6(o))	598,743	-	-	-
2322	Current portion of long-term debt (note 6(n) and 8)	9,627	-	4,112	-
2365	Refund liabilities－current	12,441,200	8	12,703,866	8
2399	Other current liabilities	2,747,123	2	2,619,592	2
	Total current liabilities	84,473,257	54	86,816,928	57
	Non-current liabilities:				
2527	Contract liabilities－non-current (note 6(w))	662,672	-	1,405,350	1
2540	Long-term debt (notes 6(n) and 8)	5,834,188	4	3,315,976	2
2550	Provisions－non-current (notes 6(p) and 9)	32,096	-	36,241	-
2570	Deferred income tax liabilities (note 6(s))	2,525,953	2	1,749,191	1
2580	Lease liabilities－non-current (note 6(o))	1,409,264	1	-	-
2600	Other non-current liabilities	1,963,895	1	1,679,438	1
	Total non-current liabilities	12,428,068	8	8,186,196	5
	Total liabilities	96,901,325	62	95,003,124	62
	Equity(notes 6(t) & (u)):				
3110	Common stock	30,749,338	20	30,749,338	20
3200	Capital surplus	28,152,962	18	27,913,351	18
	Retained earnings:				
3310	Legal reserve	587,602	-	281,559	-
3320	Special reserve	2,940,572	2	2,534,028	2
3350	Unappropriated retained earnings	2,668,082	2	3,085,863	2
3400	Other equity	(4,342,227)	(3)	(3,381,189)	(2)
3500	Treasury stock	(2,914,856)	(2)	(2,914,856)	(2)
	Equity attributable to shareholders of the Parent	57,841,473	37	58,268,094	38
36XX	**Non-controlling interests**	1,353,766	1	718,192	-
	Total equity	59,195,239	38	58,986,286	38
	Total liabilities and equity	**$ 156,096,564**	**100**	**153,989,410**	**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, 2019 and 2018

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

		2019		2018	
		Amount	%	Amount	%
4000	**Net revenue (notes 6(g) & (w), 7 and 14)**	$ 234,285,354	100	242,270,406	100
5000	**Cost of revenue (notes 6(e), (h), (i), (k), (o), (p), (q) & (r), 7 and 12)**	(209,568,568)	(89)	(216,442,207)	(89)
	Gross profit	24,716,786	11	25,828,199	11
	Operating expenses (notes 6(d), (h), (i), (j), (k),(o), (p), (q), (r), (u) & (x), 7 and 12):				
6100	Selling expenses	(14,697,428)	(7)	(15,234,252)	(6)
6200	General and administrative expenses	(4,431,080)	(2)	(4,462,573)	(2)
6300	Research and development expenses	(2,571,756)	(1)	(2,559,920)	(1)
6400	Other expenses	(33,258)	-	-	-
	Total operating expenses	(21,733,522)	(10)	(22,256,745)	(9)
6500	**Other operating income and expenses, net (notes 6(q), (y), and 7)**	94,550	-	167,035	-
	Operating income	3,077,814	1	3,738,489	2
	Non-operating income and loss:				
7010	Other income (note 6(z))	664,183	1	606,843	-
7020	Other gains and losses － net (notes 6(f), (g), (h), (k), (z) & (aa), and 7)	270,533	-	216,232	-
7050	Finance costs (note 6(o) & (z))	(189,251)	-	(175,288)	-
7060	Share of losses of associates and joint ventures (note 6(f))	(111,259)	-	(133,896)	-
	Total non-operating income and loss	634,206	1	513,891	-
7900	**Income before taxes**	3,712,020	2	4,252,380	2
7950	**Income tax expense** (note 6(s))	(1,143,646)	(1)	(1,350,420)	(1)
	Net income	2,568,374	1	2,901,960	1
	Other comprehensive income (loss) (note 6(f), (s), (t) & (aa)):				
8310	**Items that will not be reclassified subsequently to profit or loss**				
8311	Remeasurements of defined benefit plans	(233,583)	-	682	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	687,671	-	(593,723)	-
8320	Share of other comprehensive losses of associates	(24)	-	-	-
8349	Income tax related to items that will not be reclassified subsequently to profit or loss	9,504	-	22,695	-
	Total items that will not be reclassified to profit or loss	463,568	-	(570,346)	-
8360	**Items that may be reclassified subsequently to profit or loss**				
8361	Exchange differences on translation of foreign operations	(1,413,636)	-	385,004	-
8370	Share of other comprehensive losses of associates	(36)	-	(3,940)	-
8399	Income tax related to items that may be reclassified subsequently to profit or loss	-	-	(3,596)	-
	Total items that may be reclassified subsequently to profit or loss	(1,413,672)	-	377,468	-
	Other comprehensive loss, net of taxes	(950,104)	-	(192,878)	-
	Total comprehensive income for the year	**$ 1,618,270**	**1**	**2,709,082**	**1**
	Net income (loss) attributable to:				
8610	Shareholders of the Parent	$ 2,632,565	1	3,060,429	1
8620	Non-controlling interests	(64,191)	-	(158,469)	-
		$ 2,568,374	**1**	**2,901,960**	**1**
	Total comprehensive income (loss) attributable to:				
8710	Shareholders of the Parent	$ 1,693,913	1	2,876,293	1
8720	Non-controlling interests	(75,643)	-	(167,211)	-
		$ 1,618,270	**1**	**2,709,082**	**1**
	Earnings per share (in New Taiwan dollars) (note 6(v)):				
9750	Basic earnings per share	**$**	**0.87**		**1.01**
9850	Diluted earnings per share	**$**	**0.87**		**1.01**

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, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Attributable to shareholders of the Parent															
			Retained earnings				Other equity									
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	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 stock-based employee compensation	Total	Treasury stock	Total equity attributable to shareholders of the parent	Non-controlling interests	Total equity
Balance at January 1, 2018	$ 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)
Share of changes in equity of 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 the 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 by subsidiaries	-	-	-	-	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
Net income for the year	-	-	-	-	2,632,565	2,632,565	-	-	-	-	-	-	-	2,632,565	(64,191)	2,568,374
Other comprehensive income (loss) for the year	-	-	-	-	-	-	(1,405,928)	685,362	-	(218,086)	-	(938,652)	-	(938,652)	(11,452)	(950,104)
Total comprehensive income (loss) for the year	-	-	-	-	2,632,565	2,632,565	(1,405,928)	685,362	-	(218,086)	-	(938,652)	-	1,693,913	(75,643)	1,618,270
Appropriation approved by the stockholders:																
Legal reserve	-	-	306,043	-	(306,043)	-	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	406,544	(406,544)	-	-	-	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(2,367,699)	(2,367,699)	-	-	-	-	-	-	-	(2,367,699)	-	(2,367,699)
Adjustments of capital surplus for the cash dividends distributed to subsidiaries	-	36,051	-	-	-	-	-	-	-	-	-	-	-	36,051	-	36,051
Share of changes in equity of associates	-	64,047	-	-	-	-	-	-	-	-	-	-	-	64,047	6,005	70,052
Changes in ownership interests in subsidiaries	-	195,228	-	-	-	-	-	-	-	-	-	-	-	195,228	(195,228)	-
Issuance of common stock from employee stock options by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	76,523	76,523
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(57,583)	-	-	-	-	-	-	-	-	-	-	-	(57,583)	419,732	362,149
Stock option compensation cost of subsidiaries	-	1,868	-	-	-	-	-	-	-	-	-	-	-	1,868	1,026	2,894
Reorganization under common control	-	-	-	-	(126)	(126)	-	-	-	-	-	-	-	(126)	126	-
Disposal of subsidiaries	-	-	-	-	-	-	7,680	-	-	-	-	7,680	-	7,680	-	7,680
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	427,422	427,422
Cash dividends paid to non-controlling interests by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(24,389)	(24,389)
Disposal of financial assets measured at fair value through other comprehensive income by subsidiaries	-	-	-	-	30,066	30,066	-	(30,066)	-	-	-	(30,066)	-	-	-	-
Balance at December 31, 2019	**$ 30,749,338**	**28,152,962**	**587,602**	**2,940,572**	**2,668,082**	**6,196,256**	**(4,187,394)**	**133,070**	**-**	**(287,903)**	**-**	**(4,342,227)**	**(2,914,856)**	**57,841,473**	**1,353,766**	**59,195,239**

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, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash flows from operating activities:		
Income before income tax	$ 3,712,020	4,252,380
Adjustments for:		
Adjustments to reconcile profit (loss):		
Depreciation	1,193,596	423,898
Amortization	318,723	415,818
Net (gain) loss on financial assets measured at fair value through profit or loss	(20,112)	496,558
Interest expense	189,251	175,288
Interest income	(468,887)	(358,954)
Dividend income	(195,296)	(247,889)
Share-based compensation cost	2,894	249
Share of losses of associates and joint ventures	111,259	133,896
Loss on disposal of equipment, intangible assets and non-current assets held for sale	12,830	3,475
Property, plant and equipment and intangible assets reclassified to expenses	-	453
Loss on disposal of investments	5,086	33,158
Impairment loss	51,584	-
Gain on bargain purchase	-	(6,385)
Other investment loss	-	3,696
Total adjustments for profit and loss	1,200,928	1,073,261
Changes in operating assets and liabilities:		
Changes in operating assets:		
Derivative financial instruments measured at fair value through profit or loss	514,979	(606,239)
Contract assets	(24,647)	(383,613)
Notes and accounts receivable	(2,031,798)	(523,043)
Receivables from related parties	(6,578)	92,280
Inventories	1,025,472	(2,434,278)
Other receivables and other current assets	(106,195)	(147,231)
Other non-current assets	(49,783)	4,968
Changes in operating assets	(678,550)	(3,997,156)
Changes in operating liabilities:		
Contract liabilities	883,189	498,459
Notes and accounts payable	(4,855,539)	(2,897,116)
Other payables and other current liabilities	(289,681)	338,917
Provisions	(289,517)	(144,977)
Refund liabilities	(262,666)	(784,304)
Other non-current liabilities	60,379	52,880
Changes in operating liabilities	(4,753,835)	(2,936,141)
Cash used in operations	(519,437)	(1,607,656)
Interest received	466,089	359,771
Income taxes paid	(1,327,101)	(884,258)
Net cash used in operating activities	(1,380,449)	(2,132,143)

(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, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash flows from investing activities:		
Purchase of financial assets measured at fair value through other comprehensive income	(272,983)	(86,605)
Proceeds from disposal of financial assets measured at fair value through other comprehensive income	-	62,576
Proceeds from capital return and liquidation of financial assets measured at fair value through other comprehensive income	23,028	31,883
Proceeds from repayments of financial assets measured at fair value through profit or loss	61,307	16,580
Purchase of financial assets measured at fair value through profit or loss	(1,329,782)	-
Proceeds from disposal of financial assets measured at fair value through profit or loss	114,896	8,458
Acquisition of investments accounted for using the equity method	(101,526)	(151,500)
Proceeds from disposal of investments accounted for using the equity method	-	557
Proceeds from liquidation of investments accounted for using the equity method	9,563	-
Proceeds from disposal of non-current assets held for sale	-	163,974
Additions to property, plant and equipment	(225,397)	(230,598)
Proceeds from disposal of equipment and intangible assets	7,784	9,787
Additions to intangible assets	(303,594)	(218,040)
Net cash paid for acquisition of subsidiaries	-	(1,071)
Increase in other non-current financial assets	(18,233)	(4,965)
Dividends received	228,450	256,813
Net cash flows used in investing activities	(1,806,487)	(142,151)
Cash flows from financing activities:		
Increase in short-term borrowings	850,496	98,492
Increase in long-term debt	5,828,760	22,669
Repayment of long-term debt	(3,304,596)	(2,704,109)
Payment of lease liabilities	(631,624)	-
Cash dividends	(2,331,648)	-
Cash distributed from capital surplus	-	(2,120,798)
Cash dividends paid to non-controlling interests by subsidiaries	(24,389)	(2,112)
Issuance of common stock from employee stock options by subsidiaries	76,523	61,987
Additions to interests in subsidiaries	(93,762)	(18,500)
Proceeds from disposal of interests in subsidiaries (without losing control)	455,911	168,402
Increase in non-controlling interests	427,422	34,029
Interest paid	(182,087)	(161,420)
Net cash flows provided by (used in) financing activities	1,071,006	(4,621,360)
Effect of foreign exchange rate changes	(982,776)	208,361
Net decrease in cash and cash equivalents	(3,098,706)	(6,687,293)
Cash and cash equivalents at beginning of period	27,283,038	33,970,331
Cash and cash equivalents at end of period	$ **24,184,332**	**27,283,038**

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, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars, Except for Per Share Information And 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 Group aims at the integrated applications of Internet of Things (IoT) and service-oriented technology 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 issue by the Board of Directors on March 18, 2020.

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, 2019.

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 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 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*.

(Continued)

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings on January 1, 2019. The extent and impact of the changes in accounting policies are disclosed below:

1) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4(m).

On transition to IFRS 16, the Group elected to assess all contracts whether they are applied to the definition of lease under IFRS16.

2) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Group decided to apply recognition exemptions to short-term leases of buildings, office equipment and other equipment. For leases previously classified as operating leases under IAS 17, at transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability.

In addition, the Group applied the following practical expedients upon transition to IFRS 16.

— Applied a single discount rate to a portfolio of leases with similar characteristics;

— Applied the exemption and not to recognize the right-of-use assets and lease liabilities for leases with lease term that ends within 12 months at the date of initial application;

— Excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

— Used hindsight to determine the lease term while the contract contains options to extend or terminate the lease.

3) As a lessor

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor. The Group accounted for its leases in accordance with IFRS 16 from the date of initial application.

(Continued)

ACER INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

4) Impacts on financial statements

On transition to IFRS 16, the Group recognized right-of-use assets and lease liabilities both amounting to $2,490,700 at January 1, 2019. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate. The weighted-average rate applied is 2.36%.

The reconciliation between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized at the date of initial application as follows:

	January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Group's consolidated financial statements	$ 2,645,525
Recognition exemption for:	
Short-term leases	(45,878)
Leases of low-value assets	(8,269)
Lease extension options reasonably certain to be exercised	153,523
	$ 2,744,901
Discounted amount using the incremental borrowing rate at January 1, 2019 (Lease liabilities recognized at January 1, 2019)	**$ 2,490,700**

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

According to Ruling No. 1080323028 issued by the FSC on July 29, 2019, commencing from 2020, the Company is required to adopt the IFRSs that have been endorsed by the FSC with effective date from January 1, 2020. The related new, revised or amended standards and interpretations are 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 9, IAS39 and IFRS7 *Interest Rate Benchmark Reform*	January 1, 2020
Amendments to IAS 1 and IAS 8 *Definition of Material*	January 1, 2020

The Group assesses that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

(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 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 *Classification of Liabilities as Current or Non-current*	January 1, 2022

The Group is currently evaluating the impact on its consolidated financial position and consolidated financial performance as a result of the initial adoption of the abovementioned standards or interpretations. 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. Except for those specifically indicated, the following accounting policies 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; 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.

ACER INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(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 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.

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 directly 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 or an investment in an associate.

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

Name of Investor	Name of Investee	Main Business and Products	Percentage of Ownership December 31, 2019	Percentage of Ownership December 31, 2018
The Company	Acer Greater China (B.V.I.) Corp. ("AGC", British Virgin Islands)	Investment and holding activity	-	100.00 %
AHI and AGC	Acer Market Services Limited ("AMS", Hong Kong)	Investment and holding activity	100.00 %	100.00 %
AHI and 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 %

ACER INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Name of Investor	Name of Investee	Main Business and Products	Percentage of Ownership December 31, 2019	Percentage of Ownership December 31, 2018
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 %
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 %
AEH	Acer Sales International SA (“ASIN”, Switzerland)	Sale of brand-name IT products	100.00 %	100.00 %
AEH	Acer Europe SA (“AEG”, Switzerland)	Sale of brand-name IT products	100.00 %	100.00 %
AEH	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	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 %

(Continued)

ACER INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Name of Investor	Name of Investee	Main Business and Products	Percentage of Ownership December 31, 2019	Percentage of Ownership December 31, 2018
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 %
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 %	100.00 %
AHI	Acer Infotech Pvt Ltd. ("AIP", India)	Sale of brand-name IT products	100.00 %	100.00 %
ASSB	Servex (Malaysia) Sdn Bhd ("SMA", Malaysia)	Sale of computers and communication products	100.00 %	100.00 %

(Continued)

ACER INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Name of Investor	Name of Investee	Main Business and Products	Percentage of Ownership December 31, 2019	Percentage of Ownership December 31, 2018
The Company	Weblink International Inc. (“WLII”, Taiwan)	Sale of computers and communication products	67.36 %	97.33 %
WLII	Wellife Inc. (“WELL”, Taiwan)	Matchmaking of professional services, platform of client service and sale of products, and providing of professional seminars and courses	67.36 %	97.33 %
The Company	Acer Synergy Tech Corp. (“AST”, Taiwan)	System integration service	60.88 %	91.74 %
AST	Shanghai AST Technology Service Ltd. (“ASTS”, China)	System integration service	60.88 %	91.74 %
AST	ISU Service Corp. (“ISU”, Taiwan)	Human resources and project service	60.88 %	-
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 %
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 %
ADSBH	Acer Digital Services (Cayman Islands) Corp. (“ADSCC”, Cayman Islands)	Investment and holding activity	-	100.00 %
ADSCC	Longwick Enterprises Inc. (“LONG”, Seychelles)	Investment and holding activity	-	100.00 %
LONG	S. Excel. Co., Ltd. (“SURE”, Samoa)	Investment and holding activity	-	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 %
ASCCAM	DropZone (Hong Kong) Limited ("DZL", Hong Kong)	Operation and maintenance of eSports platform	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 %

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Name of Investor	Name of Investee	Main Business and Products	Percentage of Ownership December 31, 2019	Percentage of Ownership December 31, 2018
ABH	Altos Computing Inc. (“ALT”, Taiwan)	High performance computing, cloud computing, software-defined storage, and IT solution	86.59 %	71.79 %
ALT	Beijing Altos Computing Ltd. (“BJAC”, China)	High performance computing, cloud computing, software-defined storage, and IT solution	86.59 %	71.79 %
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	87.79 %	100.00 %
ABH	Acer ITS Inc. (“ITS”, Taiwan)	Programs and services of intelligent transportation and electronic ticketing	94.41 %	94.41 %
ABH	Acer Healthcare Inc. (“ABHI”, Taiwan)	Intelligent medical examination and data interpretation analysis, medical big data, and health management and related information exchange	100.00 %	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 %	100.00 %
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	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 %

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Name of Investor	Name of Investee	Main Business and Products	Percentage of Ownership December 31, 2019	Percentage of Ownership December 31, 2018
ABH	Pawbo, Inc. (“PBC”, Taiwan)	Pet interaction device and social networking service	100.00 %	100.00 %
The Company	Acer Cyber Security Incorporated (“ACSI”, Taiwan)	Cyber security service	64.54 %	87.09 %
The Company	Acer e-Enabling Data Center Incorporated (“EDC”, Taiwan)	Data center and cloud services	100.00 %	100.00 %
EDC	TWP International Inc. (“TWPBVI”, British Virgin Islands)	Investment and holding activity	100.00 %	100.00 %
EDC and 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	66.80 %	63.52 %
ASBZ	StarVR Europe SA (“VRE”, Switzerland)	Research of solutions to B2B virtual reality	66.80 %	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)	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 display devices	32.44 %	32.44 %

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Name of Investor	Name of Investee	Main Business and Products	Percentage of Ownership December 31, 2019	Percentage of Ownership December 31, 2018
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 %
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 %	39.69 %
The Company	GadgeTek Inc. ("GTI", Taiwan)	Sale of peripheral 3C products	83.64 %	83.64 %
GTI	GadgeTek (Shanghai) Limited ("GCN", China)	Sale of peripheral 3C products	83.64 %	-
The Company	Highpoint Service Network Corporation ("HSNC", Taiwan)	Repair and maintenance of IT products	92.54 %	100.00 %
HSNC	Highpoint Service Network (Thailand) Co., Ltd ("HSNT", Thailand)	Repair and maintenance of IT products	92.54 %	100.00 %
HSNC and AHI	PT HSN Tech Indonesia ("HSNI", Indonesia)	Repair and maintenance of IT products	92.54 %	100.00 %
HSNC and ASSB	HighPoint Service Network Sdn Bhd ("HSN", Malaysia)	Repair and maintenance of IT products	92.54 %	100.00 %

GCN, ISU, and DZL were newly established subsidiaries during 2019. 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 the 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.

AWI was merged into ASCBVI in the third quarter of 2019. AGC was merged into AHI in the fourth quarter of 2019.

In 2019, the subsidiaries, ADSBH, ADSCC, LONG, SURE and VRF, were liquidated. In 2018, the subsidiaries, ACR, ASK and WHI, 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. At the end of each reporting period ("the reporting date"), monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into functional currencies using

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the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for an investment in equity securities designated as at fair value through other comprehensive income, which are recognized in other comprehensive income.

(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.

When a foreign operation is disposed of such that control, joint control, or significant influence is lost, the accumulated exchange differences related to that foreign operation is 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 the 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

(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

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost, fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVTPL). All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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.

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ACER INCORPORATED AND SUBSIDIARIES
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Subsequent to initial recognition, these assets are measured at amortized cost, using the effective interest method less impairment loss. 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.

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.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment loss are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, other comprehensive income accumulated in equity are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income. On derecognition, other comprehensive income accumulated in equity is reclassified to retained earnings and is never reclassified to 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, 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.

These assets are subsequently measured at fair value. Net gains and losses, 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 (“ECL”) 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 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
- 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 gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written 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.

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5) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights of the cash inflow from the assets are terminated, when the Group transfers substantially all the risks and rewards of ownership of the financial assets to other enterprises, or when the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets; in these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual agreements and the definitions of a financial liability and an equity instrument.

2) Equity instruments

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.

3) Treasury stock

When shares recognized as equity are repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury stock. When treasury stock is sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to cover the deficiency).

4) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

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5) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been fulfilled or cancelled, or has expired. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. 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.

6) 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.

(iii) Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss.

The Group designates certain derivative instruments as either fair value hedges or cash flow hedges. At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows or fair value of the hedged item and hedging instrument are expected to offset each other.

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 hedged item is 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.

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.

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(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 highly probable to be recovered primarily through a sale transaction, rather than through continuing use, are reclassified as non-current assets held for sale.

Immediately before the initial classification of the non-current assets (or disposal groups) 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 the 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, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The Group recognizes its share of the profit or loss and other comprehensive income of those associates from the date on which significant influence commences until the date on which significant influence ceases. The Group recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in percentage of ownership.

Gains and losses resulting from transactions between the Group and an associate are recognized only to the extent of unrelated investors' interests in the associate.

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

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ACER INCORPORATED AND SUBSIDIARIES
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When the Group’s share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group discontinues the use of the equity method and measures the retained interest at fair value from the date when its investment ceases to be an associate. The difference between the fair value of retained interest and proceeds from disposing of a part interest in the associate, and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss. The Group accounts for all the amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would have been required if the associates had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss (or retained earnings) on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (or retained earnings) when the equity method is discontinued. If the Group’s ownership interest in an associate is reduced while it continues to apply the equity method, the Group reclassifies the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to the reduction in ownership interest to profit or loss (or retained earnings).

When the Group subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Group’s proportionate interest in the net assets of the associate. The Group records such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. If the adjustments are charged to capital surplus and the capital surplus resulting from investments accounted for using the equity method is not sufficient, the remaining difference is debited to retained earnings. If the Group’s ownership interest is reduced due to the additional subscription to the shares of the associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate will be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

A joint venture is a joint arrangement whereby the Group has joint control of the arrangement (i.e. joint venturers) in which the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. The Group recognizes its interest in a joint venture as an investment and accounts for that investment using the equity method in accordance with IAS 28 “Investments in Associates and Joint Ventures”, unless the Group qualifies for exemption from that Standard.

When assessing the classification of a joint arrangement, the Group considers the structure and legal form of the arrangement, the terms in the contractual arrangement, and other facts and circumstances. When the facts and circumstances change, the Group reevaluates whether the classification of the joint arrangement has changed.

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(k) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or 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 expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iv) Depreciation

Depreciation is calculated on the cost of assets less their residual values and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated. The estimated useful lives of property, plant and equipment 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; 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 sale in the ordinary course of business or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at 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.

Rental income from investment property is recognized as other operating income and expenses on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

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

Applicable from January 1, 2019

(i) Identifying a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3) the customer has the right to direct the use of the asset throughout the period of use only if either:

- the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
- the relevant decisions about how and for what purpose the asset is used are predetermined; and
  - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
  - the customer designs the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for each lease component and any associated non-lease components as a single lease component.

(ii) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically evaluated and reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change of the Group's assessment on whether it will exercise an option to purchase the underlying asset, or;
- there is a change in the lease term resulting from a change of the Group's assessment on whether it will exercise an extension or termination option; or
- there is any lease modifications in lease subject, scope of the lease or other terms.

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize the difference in profit or loss for any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment properties, and lease liabilities as a separate line item respectively in the consolidated balance sheets.

The Group has elected not to recognize right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

For operating lease, the Group recognizes rental income on a straight-line basis over the lease term.

Applicable before January 1, 2019

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 investments accounted for using the equity method is included in the carrying amount of the investments. 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

The Group assesses at the end of each reporting date whether there is any indication that the carrying amounts of non-financial assets (other than inventories, contract assets, and deferred tax assets) may be impaired. If any such indication exists, then the asset' s recoverable amount is estimated. Goodwill is tested annually or when there are indications of impairment.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets. Goodwill arising from a business combination is allocated to cash-generating units ("CGUs") or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an individual asset or CGU is the higher of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value

(Continued)

of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other non-financial assets, an impairment loss is reversed only to the extent that the asset's carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the assets in prior years.

(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) 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) Revenue recognition

(i) Revenue from contracts with customers

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.

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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(p) 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 exceeds 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.

(Continued)

(ii) Contract costs

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.

(r) Employee benefits

(i) Defined contribution plans

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

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(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any 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 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.

(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.

(s) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, and the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

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.

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(t) 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 operating income and expenses.

(u) Income taxes

Income taxes comprise 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 taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

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 related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
(iii) Taxable temporary differences arising on the 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; such reductions are reversed when the probability of future taxable profits improves.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and

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(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(v) Business combinations

The Group accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of the acquisition-date fair value of consideration transferred, including the amount of 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 amount calculated above is a deficit balance, the Group recognizes that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed. 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 acquiree’s identifiable net assets.

Acquisition-related costs are expensed as incurred except for the costs related to issuance of debt or equity instruments.

For each business combination, the Group measures any non-controlling interests in the acquiree either at fair value or at the non-controlling interest’ s proportionate share of the acquiree’ s identifiable net assets, if the non-controlling interests are present ownership interests and entitle their holders to a proportionate share of the acquiree’ s net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition-date fair values, unless another measurement basis is required by the IFRSs endorsed by the FSC.

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, or additional assets or liabilities are recognized, 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.

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(w) 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.

(x) 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. Each operating segment consists of standalone financial information.

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 endorsed by FSC 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 refund liability for estimated future returns and other allowances in the same period the related revenue is recorded. Refund liability 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

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determined based on assumptions of future demand within a specific time horizon, which could result in significant adjustments. Refer to note 6(e) 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(k) for further description of the impairment of goodwill.

6. Significant account disclosures

(a) Cash and cash equivalents

		December 31, 2019	December 31, 2018
Cash on hand	$	4,575	5,024
Bank deposits		14,596,371	16,414,413
Time deposits		9,583,386	10,863,601
	$	**24,184,332**	**27,283,038**

(b) Financial instruments measured at fair value through profit or loss

		December 31, 2019	December 31, 2018
Financial assets mandatorily measured at fair value through profit or loss:			
Derivative instruments not used for hedging			
Foreign currency forward contracts	$	83,959	424,147
Foreign currency option contracts		2,176	-
Non-derivative financial assets			
Convertible bonds		-	11,427
Right of profit-sharing in VR parks		-	44,894
Stocks listed on foreign markets		3,428	-
Open-end funds		1,182,179	-
	$	**1,271,742**	**480,468**
Current	$	1,271,742	435,574
Non-current		-	44,894
	$	**1,271,742**	**480,468**
Financial liabilities held for trading－current:			
Derivatives－Foreign currency forward contracts	$	(436,991)	(272,085)
Derivatives－Foreign currency option contracts		(12,061)	-
	$	**(449,052)**	**(272,085)**

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The Company previously held the convertible bonds issued by StarBreeze Publishing AB (“StarBreeze”). In 2018, StarBreeze filed for reconstruction with the court due to its shortage of liquidity, and the court approved the application. Accordingly, the Group recognized a loss arising from the fair value measurement of the convertible bonds. In the second quarter of 2019, the Group exercised the conversion rights and converted the bonds into StarBreeze's common shares.

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. The Group recognized a loss arising from the fair value measurement of the right of profit-sharing based on the expected amount of net profit shared, which was reported in other gains and losses in the accompanying consolidated statements of comprehensive income. In the second quarter of 2019, the carrying amount of the profit-sharing right was written down to zero.

Please refer to note 6(z) for the amounts recognized in profit or loss arising from remeasurement at fair value.

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):

(i) Foreign currency forward contracts

December 31, 2019			
Contract amount (in thousands)		**Currency**	**Maturity period**
USD	66,482	AUD / USD	2020/01~2020/09
USD	1,111	EUR / DKK	2020/01
USD	2,117	EUR / CHF	2020/01~2020/05
USD	5,317	EUR / NOK	2020/01~2020/04
USD	6,109	EUR / SEK	2020/01~2020/05
USD	378,373	EUR / USD	2020/01~2020/05
USD	838	EUR / NTD	2020/01
USD	29,548	EUR / PLN	2020/01~2020/04
USD	110,505	GBP / USD	2020/01~2020/09
USD	9,408	NZD / USD	2020/01~2020/05
USD	90,116	USD / CAD	2020/01~2020/06
USD	4,350	USD / CLP	2020/03~2020/04
USD	7,000	USD / CNY	2020/01~2020/02
USD	9,800	USD / COP	2020/01~2020/03
USD	46,100	USD / IDR	2020/01~2020/04
USD	180,062	USD / INR	2020/01~2020/10
USD	47,324	USD / JPY	2020/01~2020/08
USD	6,500	USD / MXN	2020/01~2020/04
USD	10,800	USD / MYR	2020/01~2019/02
USD	569,010	USD / NTD	2020/01~2020/02
USD	5,350	USD / PHP	2020/01~2020/02

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December 31, 2019			
Contract amount (in thousands)		Currency	Maturity period
USD	78,362	USD / RUB	2020/01~2020/05
USD	3,500	USD / SGD	2020/02~2020/03
USD	22,000	USD / THB	2020/01~2020/03

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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(ii) Foreign currency option contracts

	December 31, 2019	
	Contract amount (in thousands)	Maturity period
USD / CNY	USD 46,000	2020/01~2020/04

(c) Financial assets measured at fair value through other comprehensive income

	December 31, 2019	December 31, 2018
Equity investments measured at fair value through other comprehensive income		
Domestic listed stock	$ 3,942,609	3,160,183
Unlisted stock	1,304,346	1,269,263
	$ 5,246,955	4,429,446
Current	$ 100,313	88,989
Non-current	5,146,642	4,340,457
	$ 5,246,955	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.

Certain financial assets measured at FVOCI were disposed of in 2019 and 2018. The realized gain accumulated in other comprehensive income of $30,066 and $32,665, respectively, have been transferred from other equity to retained earnings.

(d) Notes and accounts receivable, net (measured at amortized cost)

	December 31, 2019	December 31, 2018
Notes receivable	$ 393,672	386,107
Accounts receivable	49,140,694	47,291,790
Accounts receivable from related parties (note 7(b))	41,201	34,623
	49,575,567	47,712,520
Less: loss allowance	(136,322)	(186,302)
	$ 49,439,245	47,526,218

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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. Forward looking information is taken into consideration as well. Analysis of expected credit losses on notes and accounts receivable (including receivables from related parties) was as follows:

	December 31, 2019		
	Gross carrying amount	**Weighted-average loss rate**	**Loss allowance**
Current	$ 45,251,312	0.05%	(24,181)
Past due 1-30 days	3,290,699	0.61%	(20,066)
Past due 31-60 days	512,334	7.57%	(38,783)
Past due 61-90 days	338,079	5.63%	(19,033)
Past due 91-180 days	157,524	12.10%	(19,062)
Past due 181 days or over	25,619	59.32%	(15,197)
	$ 49,575,567		**(136,322)**

	December 31, 2018		
	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)**

Movements of the allowance for notes and accounts receivable were as follows:

	2019	**2018**
Balance at January 1	$ 186,302	235,264
Impairment losses recognized (reversed)	3,211	(798)
Acquisition through business combination	-	3,242
Write-off	(49,349)	(9,849)
Reclassification to other receivables	-	(40,141)
Effect of exchange rate changes	(3,842)	(1,416)
Balance at December 31	**$ 136,322**	**186,302**

(Continued)

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(e) Inventories

	December 31, 2019	December 31, 2018
Raw materials	$ 12,164,721	12,740,394
Work in process	18,903	27,809
Finished goods and merchandise	22,434,736	19,739,745
Spare parts	809,739	955,335
Inventories in transit	5,606,372	8,613,126
	$ 41,034,471	**42,076,409**

For the years ended December 31, 2019 and 2018, the amounts of inventories recognized as cost of revenue were $188,037,718 and $193,397,647, respectively, of which $304,225 and $300,528, respectively, was the write-down of inventories to net realizable value.

(f) Investments accounted for using the equity method

A summary of the Group’s investments in associates and joint ventures at the reporting date is as follows:

	December 31, 2019		December 31, 2018	
Name of Associates and Joint Ventures	**Percentage of ownership**	**Carrying amount**	**Percentage of ownership**	**Carrying amount**
Associates：				
GrandPad Inc. (“GrandPAD”)	32.01	$ 178,331	37.75	246,389
Apex Material Technology Corp. (“AMTC”)	8.14	331,200	8.14	382,766
Antung Trading Corporation (“ANT”)	13.47	222,174	-	-
Others	-	104,222	-	119,710
Joint Ventures:				
Smart Frequency Technology Inc. (“SFT”, note(i))	55.00	109,031	55.00	126,996
		$ 944,958		**875,861**

Note (i): According to the joint venture agreement with a third party, the Group and the other party have joint control over SFT. Accordingly, this investment is accounted for using the equity method.

On December 31, 2019, due to fierce industry competition, AMTC's revenue was below the expectation and AMTC was not able to maintain the same profitability as prior years. As a result, the Group assessed there was an impairment of the carrying amount of the investment in AMTC and recognized an impairment loss of $50,294, which was reported in other gains and losses in the accompanying consolidated statements of comprehensive income.

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Aggregated financial information on associates that were not individually material to the Group is summarized as follows.

		2019	2018
Attributable to the Group:			
Net loss	$	(93,294)	(128,892)
Other comprehensive loss		(12)	(3,940)
Total comprehensive loss	$	**(93,306)**	**(132,832)**

Financial information on joint venture that was not individually material to the Group is summarized as follows.

		2019	2018
Attributable to the Group:			
Net loss	$	(17,965)	(5,004)
Other comprehensive income		-	-
Total comprehensive loss	$	**(17,965)**	**(5,004)**

(g) Acquisition of subsidiaries

Acquisition of Bluechip Infotech Pty Ltd. (Bluechip)

(i) 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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(ii) 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 reported in other gains and losses in the accompanying consolidated statements of comprehensive income.

(iii) 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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(h) Property, plant and equipment

	Land	Buildings	Computer and communication equipment	Other equipment	Construction in progress	Total
Cost or deemed cost:						
Balance at January 1, 2019	$ 1,493,613	3,028,025	4,292,801	3,075,068	6,398	11,895,905
Additions	-	29,320	62,507	117,291	16,279	225,397
Disposals	-	(1,740)	(50,836)	(146,164)	(833)	(199,573)
Reclassification to investment property	-	(20,274)	-	-	-	(20,274)
Other reclassification and effect of exchange rate changes	(4,877)	(21,144)	6,982	(74,431)	(5,910)	(99,380)
Balance at December 31, 2019	**$ 1,488,736**	**3,014,187**	**4,311,454**	**2,971,764**	**15,934**	**11,802,075**
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	-	-	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**
Accumulated depreciation and impairment loss:						
Balance at January 1, 2019	$ 141,231	1,739,596	3,833,553	2,334,773	-	8,049,153
Depreciation	-	62,717	258,275	135,770	-	456,762
Impairment loss	-	-	-	243	-	243
Disposals	-	(1,692)	(47,682)	(134,839)	-	(184,213)
Reclassification to investment property	-	(1,759)	-	-	-	(1,759)
Other reclassification and effect of exchange rate changes	-	(18,652)	(30,079)	(31,024)	-	(79,755)
Balance at December 31, 2019	**$ 141,231**	**1,780,210**	**4,014,067**	**2,304,923**	**-**	**8,240,431**
Balance at January 1, 2018	$ 141,231	1,925,905	3,473,521	2,324,396	-	7,865,053
Acquisition through business combination	-	-	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**
Carrying amounts:						
Balance at December 31, 2019	**$ 1,347,505**	**1,233,977**	**297,387**	**666,841**	**15,934**	**3,561,644**
Balance at December 31, 2018	**$ 1,352,382**	**1,288,429**	**459,248**	**740,295**	**6,398**	**3,846,752**

Refer to note 8 for a description of the Group's property, plant and equipment pledged as collateral for bank loans.

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(i) Right-of-use assets

	Land	Buildings	Other equipment	Total
Cost:				
Balance at January 1, 2019	$ -	-	-	-
Effects of initial application of IFRS 16	4,829	2,387,757	98,114	2,490,700
Additions	-	275,812	69,345	345,157
Lease modifications	(14)	(150,519)	(6,799)	(157,332)
Effect of exchange rates changes	(203)	(56,337)	(3,332)	(59,872)
Balance at December 31, 2019	$ **4,612**	**2,456,713**	**157,328**	**2,618,653**
Accumulated depreciation:				
Balance at January 1, 2019	$ -	-	-	-
Effects of initial application of IFRS 16	-	-	-	-
Depreciation	3,785	665,175	56,324	725,284
Lease modifications	-	(39,017)	(4,257)	(43,274)
Effect of exchange rates changes	(95)	(10,554)	(1,051)	(11,700)
Balance at December 31, 2019	$ **3,690**	**615,604**	**51,016**	**670,310**
Carrying amount:				
Balance at December 31, 2019	$ **922**	**1,841,109**	**106,312**	**1,948,343**

The Group leased abovementioned assets under operating leases in 2018, please refer to note 6(q).

(j) Investment property

	Land	Buildings	Total
Cost:			
Balance at January 1, 2019	$ 1,154,429	3,232,050	4,386,479
Reclassification from property, plant and equipment	-	20,274	20,274
Balance at December 31, 2019	$ **1,154,429**	**3,252,324**	**4,406,753**
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**
Accumulated depreciation and impairment loss:			
Balance at January 1, 2019	$ 429,034	2,835,060	3,264,094
Depreciation	-	11,550	11,550
Reclassification from property, plant and equipment	-	1,759	1,759
Balance at December 31, 2019	$ **429,034**	**2,848,369**	**3,277,403**
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**

(Continued)

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		Land	Buildings	Total
Carrying amounts:				
Balance at December 31, 2019	$	725,395	403,955	1,129,350
Balance at December 31, 2018	$	725,395	396,990	1,122,385
Fair value:				
Balance at December 31, 2019				$ 1,613,150
Balance at December 31, 2018				$ 1,654,828

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, 2019 and 2018, the estimated discount rate used for calculating the present value of the future cash flows was 5.40% and 6.13%, 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.

(k) 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, 2019:					
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)
Net balance at January 1, 2019		16,955,147	-	356,197	17,311,344
Additions		-	477	303,117	303,594
Disposals		-	-	(5,254)	(5,254)
Reclassification		-	-	549	549
Amortization		-	-	(309,074)	(309,074)
Impairment loss		-	-	(1,047)	(1,047)
Effect of exchange rate changes		(357,796)	-	(12,244)	(370,040)
Net balance at December 31, 2019	$	**16,597,351**	**477**	**332,244**	**16,930,072**
Net balance at December 31, 2019:					
Cost	$	24,896,516	10,173,952	10,764,512	45,834,980
Accumulated amortization and impairment loss		(8,299,165)	(10,173,475)	(10,432,268)	(28,904,908)
	$	**16,597,351**	**477**	**332,244**	**16,930,072**

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	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	-	-	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**

The amortization and impairment loss of intangible assets were included in the following line items of the statements of comprehensive income:

	2019	2018
Cost of revenue	$ 164,808	75,663
Operating expenses	144,266	337,217
Non-operating income and loss	$ 1,047	-
	$ 310,121	**412,880**

(ii) Impairment test on goodwill and other intangible assets

In the third quarter of 2019, the Group underwent an organizational restructuring whereby RO-China was spun off from RO-PAP, therefore, the related intangible assets were reallocated to RO-China from RO-PAP.

The carrying amounts of goodwill arising from business combinations and the respective CGUs to which the goodwill was allocated for impairment test purpose were as follows:

	RO-EMEA	RO-PA	RO-PAP	RO-China	Other CGUs without significant goodwill	Total
Balance at January 1, 2019	$ 9,837,888	1,575,944	5,523,593	-	17,722	16,955,147
Reallocation due to organization restructuring	-	-	(2,353,063)	2,353,063	-	-
Effect of exchange rate changes	(208,627)	(29,937)	(23,187)	(96,045)	-	(357,796)
Balance at December 31, 2019	**$ 9,629,261**	**1,546,007**	**3,147,343**	**2,257,018**	**17,722**	**16,597,351**
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**

(Continued)

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	RO-China
December 31, 2019	16.1 %	10.0 %	21.8 %	20.8 %
December 31, 2018	17.9 %	11.3 %	22.9 %	- %

The estimation of discount rate is based on the weighted-average cost of capital.

Based on the impairment assessments conducted in 2019 and 2018, no impairment losses were recognized as the recoverable amount of CGUs were higher than their carrying amounts.

(l) Other current assets and other non-current assets

	December 31, 2019	December 31, 2018
Overpaid VAT retained for offsetting against future tax payable	$ 2,901,709	2,443,710
Prepaid income tax	1,857,829	1,254,913
Prepaid royalty and other prepayments	1,111,244	821,591
Right to goods to be returned	343,973	448,545
Others	194,526	220,119
	$ 6,409,281	**5,188,878**
Current	$ 4,412,422	3,756,396
Non-current	1,996,859	1,432,482
	$ 6,409,281	**5,188,878**

(m) Short-term borrowings

	December 31, 2019	December 31, 2018
Short-term notes payable	$ 99,965	-
Unsecured bank loans	1,363,347	613,713
Secured bank loans	42,275	43,327
	$ 1,505,587	**657,040**
Unused credit facilities	**$ 30,594,012**	**29,622,157**
Interest rate	**0.86%~4.57%**	**0.86%~4.88%**

Please refer to note 8 for a description of the Group’s assets pledged as collateral for bank loans.

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(n) Long-term debt

Type of Loan	Creditor	Credit Line	Term	December 31, 2019	December 31, 2018
Unsecured loan	Bank of Taiwan	The term tranche of $4 billion may be withdrawn separately.	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. The loan was early repaid in September 2019.	-	3,300,000
		The term tranche of $4 billion may be withdrawn separately.	The interest is paid monthly starting September 2019. The principal will be repaid in lump sum amount when due in September 2022. Interest rate is adjusted quarterly.	3,300,000	-
	DBS Bank	The term tranche of $1 billion; revolving credits are allowed.	The interest is paid monthly starting June 2019. The principal will be repaid in lump sum amount when due in June 2021. Interest rate is adjusted quarterly.	1,000,000	-
	Taipei Fubon Bank	The term tranche of $1.5 billion; revolving credits are allowed.	The interest is paid monthly starting June 2019. The principal will be repaid in lump sum amount when due in June 2021. Interest rate is adjusted quarterly.	1,500,000	-
Unsecured loan				42,484	18,407
Secured loan				1,331	1,681
				5,843,815	3,320,088
Less: current portion of long-term debt				(9,627)	(4,112)
				$ 5,834,188	3,315,976
Unused credit facilities				$ 1,900,000	2,400,000
Interest rate				0.98%～3.92%	0.98%～3.92%

No financial covenants were required for the unsecured loan agreements with Bank of Taiwan, DBS Bank and Taipei Fubon Bank in 2019. Please refer to note 6(z) 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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(o) Lease liabilities

(i) The carrying amount of lease liabilities were as follows:

	December 31, 2019
Current	$ 598,743
Non-current	$ 1,409,264

Please refer to note 6(ab) for the maturity analysis.

(ii) The amounts recognized in profit or loss are as follows:

	2019
Interest on lease liabilities	$ 49,102
Variable lease payments not included in the measurement of lease liabilities	$ 39,066
Expenses relating to short-term leases	$ 84,669
Expenses relating to leases of low-value assets	$ 3,608

(iii) The amounts recognized in the statement of cash flows for the Group was as follows:

	2019
Total cash outflow for leases	$ 808,069

(iv) Major terms of leases

The Group leases land, buildings, vehicles, office equipment, and miscellaneous equipment with lease terms ranged from 1 to 30 years, some of which include options to extend the lease term after the end of the contract term. As certain leases of office and miscellaneous equipment meet the definition of short-term lease or lease of low-value assets, the Group elected to applied exemption and not to recognize right-of-use assets and lease liabilities.

(p) Provisions

	Warranties	Litigation	Sales returns	Restructuring	Environmental protection and others	Total
Balance at January 1, 2019	$ 4,808,355	268,016	-	-	199,222	5,275,593
Additions	3,768,161	56,924	-	33,258	109,576	3,967,919
Amount utilized and reversed	(3,942,863)	(69,713)	-	-	(123,986)	(4,136,562)
Effect of exchange rate changes	(113,473)	(5,292)	-	(3)	(2,106)	(120,874)
Balance at December 31, 2019	$ 4,520,180	249,935	-	33,255	182,706	4,986,076
Current	$ 4,520,180	248,629	-	33,255	151,916	4,953,980
Non-current	-	1,306	-	-	30,790	32,096
	$ 4,520,180	249,935	-	33,255	182,706	4,986,076

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		Warranties	Litigation	Sales returns	Restructuring	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		4,236,366	7,509	-	-	109,238	4,353,113
Amount utilized and reversed		(4,367,275)	(12,932)	-	-	(80,902)	(4,461,109)
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**

(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) Restructuring

One of subsidiaries underwent an operational optimization and organizational downsizing in response to the change of international trade environment and other factors in 2019, and a restructuring provision of $33,258 was recognized accordingly. The provision was mainly for employee termination benefits and relocation costs of machinery equipment. The related expenses were reported in other expenses under operating expenses in the accompanying statements of comprehensive income.

(iv) Environmental protection and others

An environmental protection provision is made when products are sold and is estimated based on historical experience.

(q) Operating lease

(i) Lessee

The Group leased offices and warehouses under operating leases before December 31, 2018. The future minimum lease payments under non-cancellable operating leases were as follows:

		December 31, 2018
Less than 1 year	$	753,752
Between 1 year and 5 years		1,485,061
Over 5 years		406,712
	$	**2,645,525**

(Continued)

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For the year ended December 31, 2018, rental expenses of $800,231 was recognized and included in the cost of revenue and operating expenses.

(ii) Lessor

The Group leases its investment property and certain machinery equipment to others. The Group has classified these leases as operating leases as it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets to lessees. Please refer to note 6(j) for the information of investment property.

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows:

	December 31, 2019
Less than 1 year	$ 77,554
1 year to 2 years	43,796
2 years to 3 years	32,212
3 years to 4 years	14,826
4 years to 5 years	4,872
Over 5 years	79
Total undiscounted lease payments	**$ 173,339**

The future minimum lease payments under non-cancellable operating leases on December 31, 2018 were as follows:

	December 31, 2018
Less than 1 year	$ 55,007
Between 1 year and 5 years	45,962
	$ 100,969

In 2019 and 2018, the rental income from investment property amounting to $81,435 and $69,525, 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:

	2019	2018
Arising from investment property that generated rental income during the period	$ 36,549	31,998
Arising from investment property that did not generate rental income during the period	24,957	27,731
	$ 61,506	**59,729**

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(r) 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, 2019	December 31, 2018
Present value of benefit obligations	$ 2,899,844	2,620,657
Fair value of plan assets	(1,133,748)	(1,165,017)
Net defined benefit liabilities (reported under other non-current liabilities)	**$ 1,766,096**	**1,455,640**

	December 31, 2019	December 31, 2018
Present value of benefit obligations	$ 93,705	50,802
Fair value of plan assets	(121,671)	(76,493)
Net defined benefit assets (reported under other non-current assets)	**$ (27,966)**	**(25,691)**

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, AEH, SER 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, 2019 and 2018, the Group's fair value of plan assets, by major categories, were as follows:

	December 31, 2019	December 31, 2018
Cash	$ 611,466	609,069
Equity instruments	341,176	342,942
Instruments with fixed return	98,262	72,289
Real estate	204,515	217,210
	$ 1,255,419	**1,241,510**

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

	2019	2018
Defined benefit obligations at January 1	$ 2,671,459	2,471,633
Current service costs	193,883	199,988
Interest expense	32,479	31,200
Remeasurement on the net defined benefit liabilities (assets) :		
Actuarial loss (gain) arising from experience adjustments	6,247	25,144
Actuarial loss (gain) arising from changes in demographic assumption	372	1,866
Actuarial loss (gain) arising from changes in financial assumption	241,482	(18,267)
Benefits paid by the Group and the plan	(177,592)	(80,164)
Past service costs and settlement loss (gain)	7,520	(54,638)
Effect of exchange rate changes	13,024	90,693
Contributions by plan participants	4,675	4,004
Defined benefit obligations at December 31	**$ 2,993,549**	**2,671,459**

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3) Movements in fair value of plan assets

	2019	2018
Fair value of plan assets at January 1	$ 1,241,510	1,072,718
Interest income	14,713	9,534
Remeasurement on the net defined benefit liabilities (assets):		
Return on plan assets (excluding amounts included in net interest expense)	14,518	9,425
Benefits paid by the plan	(163,797)	(73,198)
Contributions by plan participants	4,675	4,004
Contributions by the employer	138,013	144,191
Loss on curtailment	(7,299)	(3,377)
Effect of exchange rate changes	13,086	78,213
Fair value of plan assets at December 31	**$ 1,255,419**	**1,241,510**

4) Changes in the effect of the asset ceiling

In 2019 and 2018, there was no effect of the asset ceiling.

5) Expenses recognized in profit or loss

	2019	2018
Current service costs	$ 193,883	199,988
Net interest expense	17,766	21,666
Past service costs and settlement loss (gain)	7,520	(54,638)
Loss on curtailment	7,299	3,377
	$ 226,468	**170,393**
Classified under operating expense	**$ 226,468**	**170,393**

6) Remeasurement of the net defined benefit liabilities (assets) recognized in other comprehensive income

	2019	2018
Cumulative amount at January 1	$ (137,438)	(138,120)
Recognized during the period	(233,583)	682
Cumulative amount at December 31	**$ (371,021)**	**(137,438)**

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7) Actuarial assumptions

The principal assumptions of the actuarial valuation were as follows:

	December 31, 2019	December 31, 2018
Discount rate	0.15%~7.02%	0.90%~8.19%
Future salary increases rate	1.00%~6.00%	1.00%~6.00%

The weighted-average duration of the defined benefit plans ranges from 4 years to 27 years. The Group expects to make contribution of $116,144 to the defined benefit plans in the year following December 31, 2019.

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.

	December 31, 2019		December 31, 2018	
	0.25% Increase	**0.25% Decrease**	**0.25% Increase**	**0.25% Decrease**
Discount rate	$ (129,998)	142,259	(111,459)	112,668
Future salary change	$ 68,264	(68,446)	55,284	(71,357)

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 interrelated. The method used to carry out the sensitivity analysis is consistent with the calculation of the net defined benefit liabilities recognized in the balance sheets. The method and assumptions 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, 2019 and 2018, the Group recognized pension expenses of $375,625 and $390,521, respectively, in relation to the defined contribution plans.

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(s) 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% for fiscal years 2019 and 2018. 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:

		2019	2018
Current income tax expense			
Current period	$	974,724	817,245
Adjustments for prior years		38,863	59,917
		1,013,587	877,162
Deferred tax expense			
Origination and reversal of temporary differences		18,355	241,488
Adjustment in tax rate		-	108,501
Change in unrecognized deductible temporary differences		111,704	123,269
		130,059	473,258
Income tax expense	**$**	**1,143,646**	**1,350,420**

The components of income tax benefit (expense) recognized in other comprehensive income were as follows:

		2019	2018
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit plans	$	9,504	22,695
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		-	(3,596)
	$	**9,504**	**19,099**

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 was as follows:

		2019	2018
Income before taxes	**$**	**3,712,020**	**4,252,380**
Income tax using the Company's statutory tax rate	$	742,404	850,476
Effect of different tax rates in foreign jurisdictions		271,083	275,442
Adjustments for prior-year income tax expense		38,863	59,917
Change in unrecognized temporary differences and tax losses		111,704	123,269
Others		(20,408)	41,316
	$	**1,143,646**	**1,350,420**

(Continued)

(ii) Deferred income tax assets and liabilities

1) Unrecognized deferred income tax assets

	December 31, 2019	December 31, 2018
Tax losses	$ 5,286,500	5,393,658
Loss associated with investments in subsidiaries	2,958,591	3,260,493
Deductible temporary differences	3,835,133	4,047,657
	$ 12,080,224	**12,701,808**

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, 2019, the tax effects of unused tax losses and the respective expiry years were as follows:

Tax effects of tax losses	Year of expiry
$ 203,292	2020
215,628	2021
429,941	2022
101,850	2023
4,335,789	2024 and thereafter
$ 5,286,500	

2) Unrecognized deferred income tax liabilities

	December 31, 2019	December 31, 2018
Net profits associated with investments in subsidiaries	**$ 2,745,281**	**3,193,633**

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, 2019	$ 161,854	491,305	85,510	151,789	890,458
Recognized in profit or loss	4,643	664,959	(23,046)	147	646,703
Recognized in other comprehensive income	-	-	-	9,504	9,504
Effect of exchange rate changes	-	-	-	5,130	5,130
Balance at December 31, 2019	**$ 166,497**	**1,156,264**	**62,464**	**166,570**	**1,551,795**
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	-	-	-	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**

Deferred income tax liabilities:

	Unremitted earnings from subsidiaries	Unrealized foreign exchange gain on financial instruments	Intangible assets	Others	Total
Balance at January 1, 2019	$ 1,438,874	77,034	209,912	23,371	1,749,191
Recognized in profit or loss	665,961	64,396	34,494	11,911	776,762
Balance at December 31, 2019	**$ 2,104,835**	**141,430**	**244,406**	**35,282**	**2,525,953**
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 loss	-	-	-	629	629
Balance at December 31, 2018	**$ 1,438,874**	**77,034**	**209,912**	**23,371**	**1,749,191**

(iii) No income tax expense was recognized directly in equity for 2019 and 2018.

(iv) The Company’s income tax returns for the years through 2017 were examined and approved by the R.O.C. income tax authorities.

(t) 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, the Company recalled 1,569 thousand shares 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, 2019 and 2018, the Company had issued 5,805 thousand units and 5,858 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, 2019 and 2018, the Company' s authorized shares of common stock consisted of 4,000,000 thousand shares and 3,500,000 thousand shares, respectively, of which 3,074,934 thousand shares 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 were as follows (in thousands of shares):

	2019	2018
Balance at January 1	3,028,188	3,026,277
Vested restricted stock	-	1,911
Balance at December 31	**3,028,188**	**3,028,188**

(ii) Capital surplus

	December 31, 2019	December 31, 2018
Paid-in capital in excess of par value	$ 11,101,376	11,101,376
Surplus from mergers	16,027,221	16,027,221
Surplus related to treasury stock transactions and cash dividend	376,607	340,556
Difference between consideration and carrying amount of subsidiaries acquired or disposed	43,017	100,600
Employee share options	90,000	90,000
Surplus from equity-method investments	514,741	253,598
	$ 28,152,962	**27,913,351**

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, amended on June 14, 2019, 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. The distributable dividends in whole or in part will be paid in cash by the Company after a resolution has been adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

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, if the 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.

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On June 14, 2019, the Company's shareholders approved an appropriation 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 ($0.77 per share), of which $36,051 was distributed to the subsidiaries holding the Company's common shares.

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 per share), of which $32,754 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 2019 earnings had been proposed by the Company's Board of Directors on March 18, 2020, which included the appropriations of legal reserve and special reserve of $266,250 and $1,035,693, respectively, as well as the distribution of cash deriving from the capital surplus of $1,014,728 ($0.33 per share). In addition, the Company's Board of Directors had approved the distribution of cash dividends amounting to $1,352,971 ($0.44 per share).

(iv) Treasury stock

As of December 31, 2019 and 2018, details of the GDRs (for the implementation of an overseas employee stock option plan) held by subsidiary ASCBVI and the Company's common stock held by subsidiaries ASCBVI (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, 2019		
	Number of shares	**Carrying amount**	**Market value**
Common stock	21,809	$ 945,239	389,291
GDRs	24,937	1,969,617	435,442
	46,746	**$ 2,914,856**	**824,733**

	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
	46,746	**$ 2,914,856**	**899,352**

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:

		2019	2018
Balance at January 1	$	(2,789,146)	(3,202,161)
Foreign exchange differences arising from translation of foreign operations		(1,405,926)	394,936
Share of other comprehensive loss of associates		(2)	(3,940)
Reclassified to profit or loss as a result of disposal of subsidiaries		7,680	-
Reclassified to profit or loss as a result of disposal of associates		-	22,019
Balance at December 31	**$**	**(4,187,394)**	**(2,789,146)**

2) Unrealized gain (loss) from financial assets measured at fair value through other comprehensive income:

		2019	2018
Balance at January 1 (per IAS 39)			-
Adjustment on initial application of IFRS 9			112,035
Balance at January 1 (per IFRS 9)	$	(522,226)	112,035
Change in fair value of financial assets measured at fair value through other comprehensive income		685,362	(601,596)
Disposal of financial assets measured at fair value through other comprehensive income		(30,066)	(32,665)
Balance at December 31	**$**	**133,070**	**(522,226)**

3) Remeasurement of defined benefit plans:

		2019	2018
Balance at January 1	$	(69,817)	(96,281)
Change in the period		(218,076)	26,464
Share of other comprehensive loss of associates		(10)	-
Balance at December 31	**$**	**(287,903)**	**(69,817)**

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4) Unearned compensation cost:

	2019	2018
Balance at January 1	$ -	(12,093)
Change in the period	-	12,093
Balance at December 31	$ -	-

(vi) Non-controlling interests (net after tax)

	2019	2018
Balance at January 1	$ 718,192	655,963
Effects of retrospective application of new IFRSs	-	2,021
Adjusted balance at January 1	718,192	657,984
Equity attributable to non-controlling interests:		
Net loss	(64,191)	(158,469)
Compensation cost of stock options issued by subsidiaries	1,026	97
Issuance of common stock from exercise of employee stock options by subsidiaries	76,523	61,987
Changes in equity of investments in associates	6,005	(19)
Changes in ownership interest in subsidiaries	(195,228)	(31,804)
Increase in non-controlling interests	847,154	199,270
Cash dividends paid to non-controlling interests by subsidiaries	(24,389)	(2,112)
Foreign currency translation differences	(7,744)	(13,528)
Unrealized gain (loss) from financial assets measured at fair value through other comprehensive income	2,309	7,873
Reorganization under common control	126	-
Remeasurement of defined benefit plans	(6,017)	(3,087)
	$ 1,353,766	**718,192**

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(u) Share-based payment

(i) The Group's additional share-based payment arrangements in 2019 and 2018 were as follows:

Type of arrangement	Grant Date	Numbers of options granted (in thousands of shares)	Contract period	Vesting period
ACSI – Employee stock option plans ("ESOPs")	2018/3/19	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
AEB – ESOPs	2019/07/25	6,500	2019/07/25~ 2019/08/12	2019/07/25~ 2019/08/02
ACSI – Issuance of new shares reserved for employee subscription	2019/10/23	371	2019/10/01~ 2019/10/23	2019/10/01~ 2019/10/23

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:

	ACSI – ESOPs	AST – ESOPs	ITS – ESOPs	AEB – ESOPs	ACSI – Issuance of new shares reserved for employee subscription
Fair value of options granted (NT$/ share)	1.35	0.001	0.0140 / 0.1578	0	7.8
Fair value of stock at grant date (NT$/ share)	30.06	8.939	8.40/8.40	16.08	62.58
Exercise price (NT$/ share)	29.05	10.00	10.00/10.00	17.2	55
Expected volatility	19.59%	16.27%	44.21% / 33.46%	18.04%	37.20%
Expected life (in years)	0.10	0.08	0.05 / 0.30	0.02	0.06
Risk-free interest rate	0.31%	0.28%	0.30% / 0.33%	0.12%	0.60%

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.

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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 2019 and 2018 were as follows:

	2019	2018
Balance at January 1	-	3,360
Forfeited during the period	-	(1,449)
Vested shares	-	(1,911)
Unvested shares at December 31	-	-

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, 2019 and 2018, the compensation cost recognized for the abovemetioned share-based payment arrangements amounted to $2,894 and $249, respectively, which was reported in the operating expenses.

(v) 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:

	2019	2018
Net income attributable to the ordinary shareholders of the Company	$ **2,632,565**	**3,060,429**
Weighted-average number of ordinary shares outstanding (in thousands)	**3,028,188**	**3,026,914**
Basic earnings per share (in New Taiwan dollars)	$ **0.87**	**1.01**

(Continued)

ACER INCORPORATED AND SUBSIDIARIES
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(ii) Diluted earnings per share

	2019	2018
Net income attributable to the ordinary shareholders of the Company	$ 2,632,565	3,060,429
Weighted-average number of ordinary shares outstanding (in thousands)	3,028,188	3,026,914
Effect of dilutive potential common stock (in thousands):		
Restricted stock issued to employees	-	2,143
Effect of employee remuneration in stock	9,446	9,387
Weighted-average shares of common stock outstanding (including effect of dilutive potential common stock)(in thousands)	3,037,634	3,038,444
Diluted earnings per share (in New Taiwan dollars)	$ 0.87	1.01

(w) Revenue from contracts with customers

(i) Disaggregation of revenue

	2019		
	IT Hardware Products	Others	Total
Primary geographical markets:			
EMEA	$ 77,874,501	-	77,874,501
Pan America	61,763,772	-	61,763,772
Asia Pacific	69,313,307	25,333,774	94,647,081
	$ 208,951,580	25,333,774	234,285,354

	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	69,882,463	23,031,693	92,914,156
	$ 219,238,713	23,031,693	242,270,406

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(ii) Contract balances

	December 31, 2019	December 31, 2018	January 1, 2018
Notes and accounts receivable (including receivables from related parties)	$ 49,575,567	47,712,520	47,062,773
Less: loss allowance	(136,322)	(186,302)	(235,264)
	$ 49,439,245	**47,526,218**	**46,827,509**
Contract assets－current	**$ 420,882**	**396,235**	**12,622**
Contract liabilities－current	**$ 1,832,271**	**821,374**	**608,275**
Contract liabilities－non-current	**$ 662,672**	**1,405,350**	**1,119,990**

Please refer to note 6(d) for details on notes and accounts receivable and related loss allowance.

The major changes in the balance of contract assets and 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, 2019 and 2018 that were included in the contract liability balance at January 1, 2019 and 2018, were $653,405 and $609,943, respectively.

(x) 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, 2019 and 2018, the Company accrued its remuneration to employees amounting to $138,000 and $163,313, respectively, and the remuneration for directors of $5,685 and $6,911, 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.

Except that the remuneration to directors for 2019 resolved by the Company's Board of Directors on March 18, 2020 was $5,697, the other aforementioned accrued remunerations to employees and directors were the same as the amounts resolved by the Board of Directors on March 18, 2020 and March 20, 2019, respectively, which were all paid in cash.

Related information is available on the Market Observation Post System website of Taiwan Stock Exchange.

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ACER INCORPORATED AND SUBSIDIARIES
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(y) Other operating income and expenses – net

	2019	2018
Government grants	$ 8,891	97,038
Rental income	85,659	69,997
	$ 94,550	**167,035**

(z) Non-operating income and loss

(i) Other income

	2019	2018
Interest income from bank deposits	$ 468,887	358,954
Dividend income	195,296	247,889
	$ 664,183	**606,843**

(ii) Other gains and losses

	2019	2018
Foreign currency exchange gain (loss)	$ 482,860	(1,473,584)
Gain (loss) on financial assets and liabilities measured at fair value through profit or loss	(219,312)	1,719,111
Loss on disposal of property, plant and equipment, intangible assets and non-current assets held for sale	(12,830)	(3,475)
Gain on bargain purchase (note 6(g))	-	6,385
Loss on disposal of investments accounted for using the equity method	(5,086)	(33,158)
Other investment gain (loss)	-	(3,696)
Impairment loss (note 6(f), (h) & (k))	(51,584)	-
Others	76,485	4,649
	$ 270,533	**216,232**

(iii) Finance costs

	2019	2018
Interest expense from bank loans	$ (140,149)	(175,288)
Interest expense on lease liabilities	(49,102)	-
	$ (189,251)	**(175,288)**

(Continued)

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(aa) Financial instruments and fair value information

(i) Categories of financial instruments

1) Financial assets

	December 31, 2019	December 31, 2018
Financial assets measured at fair value through profit or loss	$ 1,271,742	480,468
Financial assets measured at fair value through other comprehensive income	5,246,955	4,429,446
Financial assets measured at amortized cost:		
Cash and cash equivalents	24,184,332	27,283,038
Notes and accounts receivable and other receivables (including receivables from related parties)	49,990,014	48,624,020
Other financial assets – non-current	1,157,827	1,003,782
	$ 81,850,870	**81,820,754**

2) Financial liabilities

	December 31, 2019	December 31, 2018
Financial liabilities measured at fair value through profit or loss	$ 449,052	272,085
Financial liabilities measured at amortized cost:		
Short-term borrowings	1,505,587	657,040
Notes and accounts payable (including payables to related parties)	35,223,814	40,079,353
Other payables (including payables to related parties)	21,400,044	20,659,739
Lease liabilities (including current and non-current)	2,008,007	-
Long-term debt (including current portion)	5,843,815	3,320,088
	$ 66,430,319	**64,988,305**

(ii) Fair value information

1) Financial instruments not measured at fair value

The Group considers that the carrying amounts of financial assets and financial liabilities measured at amortized cost approximate their fair values.

(Continued)

ACER INCORPORATED AND SUBSIDIARIES
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2) Financial instruments measured at fair value

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).

	December 31, 2019			
	Fair value			
	Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured at fair value through profit or loss:				
Foreign currency forward contracts	$ -	83,959	-	83,959
Foreign currency option contracts	-	2,176	-	2,176
Stocks listed on foreign markets	3,428	-	-	3,428
Funds	1,182,179	-	-	1,182,179
	$ 1,185,607	86,135	-	1,271,742
Financial assets measured at fair value through other comprehensive income:				
Domestic listed stock	$ 3,942,609	-	-	3,942,609
Unlisted stock	-	-	1,304,346	1,304,346
	$ 3,942,609	-	1,304,346	5,246,955
Financial liabilities measured at fair value through profit or loss:				
Foreign currency forward contracts	$ -	(436,991)	-	(436,991)
Foreign currency option contracts	-	(12,061)	-	(12,061)
	-	(449,052)	-	(449,052)

	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

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	December 31, 2018			
	Fair value			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income:				
Domestic listed stock	$ 3,160,183	-	-	3,160,183
Unlisted 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)

There were no transfers among fair value hierarchies for the years ended December 31, 2019 and 2018.

3) Movement in financial assets included Level 3 fair value hierarchy

	2019		2018	
	Financial assets mandatorily measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Financial assets mandatorily measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income
Balance at January 1	$ 44,894	1,269,263	-	-
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	16,413	-	(244,633)	-
Recognized in other comprehensive income	-	(94,720)	-	(178,419)
Acquisition through business combination	-	-	-	13,517
Additions	-	272,983	-	86,605
Disposals	(61,307)	(124,589)	(24,418)	(417,692)
Effect of exchange rate changes	-	(18,591)	-	13,589
Balance at December 31	$ -	1,304,346	44,894	1,269,263

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The abovementioned total gains or losses were included in "other gains and losses" and " unrealized gain (loss) from financial assets measured at fair value through other comprehensive income", respectively. The gains or losses attributable to the financial assets held on December 31, 2019 and 2018 were as follows:

	2019	2018
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 financial assets measured at fair value through other comprehensive income")	(129,019)	(178,419)
	$ (129,019)	**(423,052)**

4) 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., listed 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 unlisted stocks 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.

5) 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	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

(Continued)

6) 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, 2019				
Financial assets measured at fair value through other comprehensive income				
Equity investments without an active market	Discount for lack of marketability	1%	12,685	(12,685)
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)

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.

(iii) 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, 2019					
	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
	(a)	(b)	(c)=(a)-(b)	Financial instruments	Cash collateral received	(e)=(c)-(d)
Notes and accounts receivable, net	$ 76,003,593	26,605,549	49,398,044	-	-	49,398,044

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December 31, 2019

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
	(a)	(b)	(c)=(a)-(b)	Financial instruments	Cash collateral received	(e)=(c)-(d)
Notes and accounts payable	$ 61,829,363	26,605,549	35,223,814	-	-	35,223,814

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
	(a)	(b)	(c)=(a)-(b)	Financial instruments	Cash collateral received	(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
	(a)	(b)	(c)=(a)-(b)	Financial instruments	Cash collateral received	(e)=(c)-(d)
Notes and accounts payable	$ 71,439,170	31,359,817	40,079,353	-	-	40,079,353

(ab) 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, other receivables and time deposit. The maximum exposure to credit risk is equal to the carrying amount of the Group’s financial assets.

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

Please refer to note 6(d) for credit risk exposure of notes and accounts receivable. Other financial assets measured at amortized cost include other receivables, 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. As of December 31, 2019 and 2018, except for other receivables amounting to $40,618 and $40,141, respectively, for which the loss allowance was fully provided, no loss allowance was provided for the remaining receivables after management’s assessment.

(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, 2019 and 2018, the Group had unused credit facilities of $32,494,012 and $32,022,157, respectively.

The table below summarizes the maturity profile of the Group’s financial liabilities based on contractual undiscounted payments, including principal and estimated interest.

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		Contractual cash flows	Within 1 year	1-2 years	2-5 years	Over 5 years
December 31, 2019						
Non-derivative financial liabilities:						
Short-term borrowings carrying floating interest rates	$	1,517,649	1,517,649	-	-	-
Long-term debt carrying floating interest rates		5,991,995	79,283	2,567,004	3,345,708	-
Notes and accounts payable (including related parties)		35,223,814	35,219,887	3,927	-	-
Other payables		21,400,044	19,302,594	2,077,679	19,755	16
Lease liability		2,111,047	641,111	460,583	569,610	439,743
	$	**66,244,549**	**56,760,524**	**5,109,193**	**3,935,073**	**439,759**
Derivative financial instruments:						
Foreign currency forward contracts－settled in gross:						
Outflow	$	61,770,207	61,770,207	-	-	-
Inflow		(61,434,453)	(61,434,453)	-	-	-
	$	**335,754**	**335,754**	-	-	-
Foreign currency option contracts－settled in gross:						
Outflow	$	1,407,029	1,407,029	-	-	-
Inflow		(1,384,876)	(1,384,876)	-	-	-
	$	**22,153**	**22,153**	-	-	-
December 31, 2018						
Non-derivative financial liabilities:						
Short-term borrowings carrying floating interest rates	$	659,252	659,252	-	-	-
Long-term debt 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)**	-	-	-

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, and 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.

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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), Australian Dollar (AUD), Indian Rupee (INR), Canadian Dollar (CAD), Polish Zloty (PLN), Great British Pound (GBP), Russian Ruble (RUB), 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.

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/payable (including related parties), and other receivables/payables (including related parties) 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, 2019				
	Foreign currency	**Exchange rate**	**NTD**	**Change in magnitude**	**Pre-tax effect on profit or loss**
Financial assets					
Monetary items					
EUR	$ 109,292	33.7579	3,689,468	1 %	36,895
USD	794,860	30.1060	23,930,055	1 %	239,301
INR	10,530,634	0.4218	4,441,821	1 %	44,418
AUD	90,184	21.1374	1,906,255	1 %	19,063
PLN	226,598	7.9347	1,797,987	1 %	17,980
Financial liabilities					
Monetary items					
EUR	30,943	33.7579	1,044,571	1 %	10,446
USD	1,553,895	30.1060	46,781,563	1 %	467,816

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(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

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(z) for further information.

2) Interest rate risk

The Group's short-term borrowings and long-term debt carry 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 for the years ended December 31, 2019 and 2018 would have been $73,494 and $39,771, respectively, lower/higher, which mainly resulted from the borrowings with floating interest rates.

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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, 2019 and 2018, would have increased or decreased by $262,348 and $221,472, respectively.

(ac) 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.

(ad) Investing and financing activities not affecting cash flows

(i) Please refer to note 6(i) for a description of acquisition of right-of-use assets through leases in 2019.

(ii) The reconciliation of liabilities arising from financing activities were as follows:

			Non-cash changes		
	January 1, 2019	**Cash flows**	**Movement of leases**	**Fluctuation of foreign exchange rate**	**December 31, 2019**
Long-term debt	$ 3,320,088	2,524,164	-	(437)	5,843,815
Short-term borrowings	657,040	850,496	-	(1,949)	1,505,587
Lease liabilities	2,490,700	(631,624)	187,825	(38,894)	2,008,007
Total liabilities from financing activities	**$ 6,467,828**	**2,743,036**	**187,825**	**(41,280)**	**9,357,409**

			Non-cash changes		
	January 1, 2018	**Cash flows**	**Acquisition through business combination**	**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**

(Continued)

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 the 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
Apex Material Technology Corp.	Associates
Smart Frequency Technology Inc.	Joint Venture
Erics Co., LTD	The entity's chairman is the first-degree relatives of one of the key management of the Group
iD Softcapital Inc.	The entity's chairman is the spouse of one of the key management of the Group

(b) Significant related-party transactions

(i) Revenue

The amounts of significant sales to related parties were as follows:

	2019	2018
Associates	$ 56,839	50,555
Joint ventures	506	844
Other related parties	45	5
	$ 57,390	**51,404**

The sales prices with related parties are not comparable to those with third-party customers due to different product specifications. The credit terms ranged from 30 to 180 days, which were not significantly different from those with third-party customers. Receivables from related parties were uncollateralized.

ACER INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(ii) Purchases

The amounts of significant purchases from related parties were as follows:

	2019	2018
Associates	$ 7,348	5,510

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 system maintenance service provided by related parties were as follows:

Account	Related-party categories	2019	2018
Operating expense	Associates	$ 2,075	3,710

(iv) Lease

The Group leased investment property and rental offices to its related parties. The related rental income was included in “other operating income and expenses－net” and summarized as follows:

	2019	2018
Associates	$ 2,378	1,818
Joint ventures	777	247
	$ 3,155	2,065

(v) 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:

	2019	2018
Associates	$ 1,953	42
Joint ventures	2,086	321
	$ 4,039	363

(vi) Receivables from related parties

The receivables from related parties were as follows:

Account	Related-party categories	December 31, 2019	December 31, 2018
Accounts receivable	Associates	$ 41,106	33,736
Accounts receivable	Joint ventures	95	887
Other receivables	Associates	12,518	3,826
Other receivables	Joint ventures	220	18
		$ 53,939	**38,467**

(vii) Payables to related parties

The payables to related parties were as follows:

Account	Related party categories	December 31, 2019	December 31, 2018
Accounts payable	Associates	$ 59	-
Other payables	Associates	24	-
		$ 83	**-**

(c) Compensation for key management personnel

	2019	2018
Short-term employee benefits	$ 348,789	336,962
Post-employment benefits	8,279	8,065
Share-based payments	-	1,288
	$ 357,068	**346,315**

Please refer to note 6(u) 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, 2019	December 31, 2018
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.	$ 405,235	450,824
Other equipment	Bank loans	916	1,450
Bluechip’s assets	Bank loans	772,918	628,759
		$ 1,179,069	**1,081,033**

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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) 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's 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.

(d) The Group faces various taxation challenges around the world due to rapid changes in international tax environment. The Group held different position with various local tax authorities for certain tax audits and has provided the accruals for the cases (including but not limited to income taxes, withholding taxes and business taxes) 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, 2019 and 2018, the Company had outstanding stand-by letters of credit provided by the banks totaling $49,843 and $49,978, respectively, for purposes of bids and contracts.

(f) As of December 31, 2019 and 2018, the Group had issued promissory notes amounting to $39,925,503 and $35,643,325, respectively, as collateral for obtaining credit facilities from financial institutions.

10. Significant loss from disaster: None

11. Significant subsequent events:

(a) Coronavirus disease (COVID-19) outbroke in the beginning of 2020, which caused uncertainty in the operating environment of the Group. As the related information is still unclear, the Group cannot reasonably estimate the impact on its operating results and financial position. The Group will stay tuned for updates of the event to make in-time assessment.

(b) In order to maintain the Company' s credit and shareholders' equity, the Company's Board of Directors in a meeting on March 13, 2020, resolved to purchase 230,000 thousand common shares from Taiwan Stock Exchange market from March 13, 2020 to May 5, 2020. The purchase price ranges from NT$10.05 per share to NT$13.50 per share. When the market price is below the aforesaid range, the Company will continue to purchase the shares.

(Continued)

ACER INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

12. Others

(a) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

	2019			2018		
	Cost of revenue	Operating expenses	Total	Cost of revenue	Operating expenses	Total
Employee benefits:						
Salaries	971,797	9,035,418	10,007,215	973,604	9,705,813	10,679,417
Insurance	148,251	1,059,342	1,207,593	146,257	1,061,198	1,207,455
Pension	20,531	581,562	602,093	21,558	539,356	560,914
Others	69,443	961,590	1,031,033	71,999	937,226	1,009,225
Depreciation	164,129	1,029,467	1,193,596	18,983	404,915	423,898
Amortization	164,808	153,915	318,723	75,663	340,155	415,818

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);

(x) 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 statements) with investee companies in Mainland China for the year ended December 31, 2019, 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, distributors and agency, 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.

ACER INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

The Group's operating segment information and reconciliation are as follows:

	2019			
	IT Hardware Products	**Others**	**Adjustments and eliminations**	**Total**
Revenues from external customers	$ 208,951,580	25,333,774	-	234,285,354
Intra-group revenue	2,297,921	1,391,186	(3,689,107)	-
Total revenues	**$ 211,249,501**	**26,724,960**	**(3,689,107)**	**234,285,354**
Segment profit (loss)	**$ 5,025,757**	**(253,074)**	**(1,694,869)**	**3,077,814**

	2018			
	IT Hardware Products	**Others**	**Adjustments and eliminations**	**Total**
Revenues from external customers	$ 219,238,713	23,031,693	-	242,270,406
Intra-group revenue	2,486,151	653,642	(3,139,793)	-
Total revenues	**$ 221,724,864**	**23,685,335**	**(3,139,793)**	**242,270,406**
Segment profit (loss)	**$ 6,655,046**	**(815,673)**	**(2,100,884)**	**3,738,489**

(b) Product and service information

Revenues from external customers are detailed below:

Products and services	**2019**	**2018**
Personal computers	$ 172,417,985	182,961,201
Peripherals and others	61,867,369	59,309,205
	$ 234,285,354	**242,270,406**

(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	**2019**	**2018**
U.S.A.	$ 51,412,498	55,054,582
Mainland China	10,940,067	14,204,441
Taiwan	32,759,353	30,891,939
Others	139,173,436	142,119,444
	$ 234,285,354	**242,270,406**

ACER INCORPORATED AND SUBSIDIARIES
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Non-current assets:

Region	December 31, 2019	December 31, 2018
U.S.A.	$ 12,112,938	12,146,322
Taiwan	5,963,012	5,926,330
Mainland China	2,113,058	2,188,390
Others	3,454,006	2,130,805
	$ 23,643,014	**22,391,847**

Non-current assets include property, plant and equipment, right-of-use assets, 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, 2019

Table 1

(Amounts in Thousands of New Taiwan Dollars)

No.	Financing Company	Counterparty	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	41,000	41,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644
0	The Company	ABH	Other receivables from related parties	Yes	30,000	29,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644
0	The Company	CCI	Other receivables from related parties	Yes	6,000	6,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644
0	The Company	ADSC	Other receivables from related parties	Yes	37,000	34,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644
0	The Company	AEB	Other receivables from related parties	Yes	329,000	156,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644
0	The Company	XPL	Other receivables from related parties	Yes	17,000	8,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644
0	The Company	ACTTW	Other receivables from related parties	Yes	244,000	167,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644
0	The Company	ASDI	Other receivables from related parties	Yes	89,000	88,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644
0	The Company	ETEN	Other receivables from related parties	Yes	181,000	152,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644
0	The Company	AGI	Other receivables from related parties	Yes	13,000	13,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644
0	The Company	ABST	Other receivables from related parties	Yes	100,000	48,000	37,800	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644
0	The Company	AST	Other receivables from related parties	Yes	42,000	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644
0	The Company	PBC	Other receivables from related parties	Yes	11,000	11,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644
0	The Company	ABC	Other receivables from related parties	Yes	10,000	10,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644
0	The Company	MPS	Other receivables from related parties	Yes	25,000	25,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644
0	The Company	ABHI	Other receivables from related parties	Yes	19,000	19,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644
0	The Company	EDC	Other receivables from related parties	Yes	693,000	693,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644
0	The Company	HSNC	Other receivables from related parties	Yes	19,000	19,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644
0	The Company	GTI	Other receivables from related parties	Yes	23,000	23,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644
0	The Company	ITS	Other receivables from related parties	Yes	114,000	114,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644
1	APDI	The Company	Other receivables from related parties	Yes	41,000	41,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644

No.	Financing Company	Counterparty	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	ABH	The Company	Other receivables from related parties	Yes	611,000	350,000	83,000	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644
2	ABH	ABST	Other receivables from related parties	Yes	75,000	75,000	68,000	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644
3	CCI	The Company	Other receivables from related parties	Yes	127,000	121,000	121,000	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644
3	CCI	ASBZ	Other receivables from related parties	Yes	20,000	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644
4	ADSC	The Company	Other receivables from related parties	Yes	741,000	683,000	648,000	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644
4	ADSC	Bluechip	Other receivables from related parties	Yes	29,592	29,592	29,592	0%~4%	2	-	Operating requirements	-	None	-	86,245	29,202,644
5	AEB	The Company	Other receivables from related parties	Yes	219,000	156,000	156,000	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644
6	XPL	The Company	Other receivables from related parties	Yes	17,000	8,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644
7	ACTTW	The Company	Other receivables from related parties	Yes	244,000	167,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644
7	ACTTW	ABSG	Other receivables from related parties	Yes	60,075	57,388	57,388	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644
7	ACTTW	ABST	Other receivables from related parties	Yes	40,000	40,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644
8	ASDI	The Company	Other receivables from related parties	Yes	89,000	88,000	15,000	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644
8	ASDI	APDI	Other receivables from related parties	Yes	50,000	50,000	35,000	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644
9	ETEN	The Company	Other receivables from related parties	Yes	181,000	152,000	117,000	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644
9	ETEN	XPL	Other receivables from related parties	Yes	25,000	25,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644
9	ETEN	PBC	Other receivables from related parties	Yes	10,000	10,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644
10	AGI	The Company	Other receivables from related parties	Yes	13,000	13,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644
11	ABST	The Company	Other receivables from related parties	Yes	100,000	48,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644
11	ABST	ABSG	Other receivables from related parties	Yes	22,970	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644
12	AST	The Company	Other receivables from related parties	Yes	28,000	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644
13	AIZS	ACCN	Other receivables from related parties	Yes	213,776	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644
13	AIZS	ACCN	Other receivables from related parties	Yes	215,676	203,209	-	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644
14	ACCN	SEB	Other receivables from related parties	Yes	9,195	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644
15	GWI	AAC	Other receivables from related parties	Yes	384,163	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644

No.	Financing Company	Counterparty	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		
15	GWI	AAC	Other receivables from related parties	Yes	410,956	391,378	391,378	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644
16	AAH	AAC	Other receivables from related parties	Yes	3,349,897	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644
16	AAH	AAC	Other receivables from related parties	Yes	1,091,022	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644
16	AAH	AAC	Other receivables from related parties	Yes	4,646,964	4,425,582	4,425,582	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644
17	ACG	ABSG	Other receivables from related parties	Yes	70,676	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644
17	ACG	ABSG	Other receivables from related parties	Yes	70,615	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644
18	AHI	Bluechip	Other receivables from related parties	Yes	25,290	-	-	0%~4%	2	-	Operating requirements	-	None	-	86,245	29,202,644
19	VRE	VRF	Other receivables from related parties	Yes	27,564	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644
20	PBC	The Company	Other receivables from related parties	Yes	11,000	11,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644
21	ABC	The Company	Other receivables from related parties	Yes	10,000	10,000	10,000	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644
22	MPS	The Company	Other receivables from related parties	Yes	25,000	25,000	5,000	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644
23	ABHI	The Company	Other receivables from related parties	Yes	19,000	19,000	19,000	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644
24	EDC	The Company	Other receivables from related parties	Yes	693,000	693,000	200,000	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644
25	HSNC	The Company	Other receivables from related parties	Yes	19,000	19,000	11,000	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644
26	GTI	The Company	Other receivables from related parties	Yes	23,000	23,000	23,000	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644
27	ASSB	HSN	Other receivables from related parties	Yes	30,896	30,173	-	0%~4%	2	-	Operating requirements	-	None	-	5,840,529	29,202,644

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, 2019), 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 less than 50% of its outstanding common shares, the individual financing amounts shall not exceed lower of 5% of the most recent audited or reviewed net worth of the Company or 40% of the most recent audited or reviewed net worth of the entity.

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 who provides financing to other parties is directly or indirectly wholly owned by the Company, 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, 2019

Table 2

(Amounts in Thousands of New Taiwan Dollars)

No.	Endorsement/ Guarantee Provider	Guaranteed Party: Name	Guaranteed Party: Nature of Relationship (Note 1)	Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 2)(Note 3)(Note 4)	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) (Note 4)(Note 5)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
0	The Company	AJC	2	11,681,058	886,620	831,581	-	-	1.42%	58,405,289	Y		
0	The Company	ATH	2	11,681,058	167,544	159,562	6,241	-	0.27%	58,405,289	Y		
0	The Company	Acer Asia Pacific subsidiaries	2	11,681,058	4,267,620	4,064,310	50,228	-	6.96%	58,405,289	Y		
0	The Company	AEG	2	11,681,058	410,861	396,579	396,579	-	0.68%	58,405,289	Y		
0	The Company	Acer EMEA subsidiaries	2	11,681,058	4,109,560	3,913,780	139,853	-	6.70%	58,405,289	Y		
0	The Company	ACN/ACD/ACW/AFN	2	11,681,058	13,885	12,859	12,859	-	0.02%	58,405,289	Y		
0	The Company	ATB	2	11,681,058	948,360	903,180	210,781	-	1.55%	58,405,289	Y		
0	The Company	Acer Pan America subsidiaries	2	11,681,058	5,374,040	5,118,020	358,064	-	8.76%	58,405,289	Y		
0	The Company	AMEX	2	11,681,058	284,508	270,954	-	-	0.46%	58,405,289	Y		
0	The Company	Acer Greater China subsidiaries	2	11,681,058	1,738,660	1,655,830	24,642	-	2.84%	58,405,289	Y		Y
0	The Company	ACSI	2	11,681,058	5,850	5,850	5,850	-	0.01%	58,405,289	Y		
0	The Company	AEB	2	11,681,058	1,850,000	1,850,000	653,426	-	3.17%	58,405,289	Y		
0	The Company	SMA	2	11,681,058	113,539	110,386	676	-	0.19%	58,405,289	Y		
0	The Company	ACA	2	11,681,058	316,120	301,060	301,060	-	0.52%	58,405,289	Y		
0	The Company	AIL	2	11,681,058	2,504,247	2,313,560	724,705	-	3.96%	58,405,289	Y		
0	The Company	ACCN/ACCQ/BJAC/ASTS	2	11,681,058	919,466	864,717	-	-	1.48%	58,405,289	Y		Y
0	The Company	AME	2	11,681,058	47,418	45,160	32,098	-	0.08%	58,405,289	Y		
0	The Company	ACTTW	2	11,681,058	63,224	60,212	-	-	0.10%	58,405,289	Y		
0	The Company	AST	2	11,681,058	500,000	-	-	-	0.00%	58,405,289	Y		
0	The Company	ABSG	2	11,681,058	299,290	150,530	-	-	0.26%	58,405,289	Y		
0	The Company	ITS	2	11,681,058	500,000	500,000	20,000	-	0.86%	58,405,289	Y		
0	The Company	ASBZ	2	11,681,058	138,310	-	-	-	0.00%	58,405,289	Y		
0	The Company	AIP	2	11,681,058	90,720	84,354	-	-	0.14%	58,405,289	Y		
0	The Company	ALT	2	11,681,058	400,000	400,000	93,000	-	0.68%	58,405,289	Y		
0	The Company	GTI	2	11,681,058	210,000	210,000	-	-	0.36%	58,405,289	Y		
0	The Company	HSNC	2	11,681,058	60,000	45,000	-	-	0.08%	58,405,289	Y		
0	The Company	HSNP	2	11,681,058	31,612	30,106	-	-	0.05%	58,405,289	Y		
0	The Company	HSNI	2	11,681,058	31,612	-	-	-	0.00%	58,405,289	Y		
0	The Company	HSNT	2	11,681,058	31,612	30,106	-	-	0.05%	58,405,289	Y		
0	The Company	HSNC/HSNI/HSNP/HSNT	2	11,681,058	126,448	120,424	-	-	0.21%	58,405,289	Y		
0	The Company	MPS	2	11,681,058	53,740	51,180	51,180	-	0.09%	58,405,289	Y		
0	The Company	EDC	2	11,681,058	63,224	60,212	-	-	0.10%	58,405,289	Y		
0	The Company	ADSC	2	11,681,058	62,084	60,212	1,154	-	0.10%	58,405,289	Y		
1	AAC	ASC	4	1,871,434	18,967	18,064	18,064	-	0.19%	1,871,434			
2	AOI	AOA	2	172,500	14,225	13,548	-	-	2.36%	575,001	Y		
2	AOI	AOSD	2	172,500	63,224	60,212	-	-	10.47%	575,001	Y		
3	AOZ	AOC	4	48,132	31,612	30,106	-	-	25.02%	120,331			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%
Type 4: between entities directly or indirectly owned by the Company over 90%

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, 2019).
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, 2019).
The endorsement/guarantee provided to individual guarantee party shall not exceed 30% of the most recent audited or reviewed net worth of AOI.

Note 4: The aggregate endorsement/guarantee amount provided shall not exceed 20% of the most recent audited net worth of AAC (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 20% of the most recent audited net worth of AAC.

Note 5: The aggregate endorsement/guarantee amount provided shall not exceed 50% of the most recent audited or reviewed net worth of AOZ (the amount shown above is based on the net worth as of December 31, 2019).
The endorsement/guarantee provided to individual guarantee party shall not exceed 20% of the most recent audited or reviewed net worth of AOZ.

Acer Incorporated and Subsidiaries
Marketable securities held
(Excluding investments in subsidiaries, associates, and joint controlled entities)
December 31, 2019

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 2019		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	51,181	-	51,181	564	-	
The Company	Stock: Starbreeze	-	Financial assets measured at fair value through profit or loss－current	572	3,428	0.21%	3,428	4,072	1.48%	
The Company	Stock: Qisda	-	Financial assets measured at fair value through other comprehensive income－non-current	81,713	1,740,480	4.15%	1,740,480	81,713	4.15%	
The Company	Stock: WPG Holdings	-	Financial assets measured at fair value through other comprehensive income－non-current	4,012	156,852	0.24%	156,852	4,012	0.24%	
The Company	Stock: Wistron	-	Financial assets measured at fair value through other comprehensive income－non-current	54,816	1,554,033	1.93%	1,554,033	54,816	1.93%	
The Company	Stock: iDSoftCapital Inc.	-	Financial assets measured at fair value through other comprehensive income－non-current	398	3,101	19.90%	3,101	398	19.90%	
The Company	Stock: World Venture, Inc.	-	Financial assets measured at fair value through other comprehensive income－non-current	8,505	44,848	19.35%	44,848	8,505	19.35%	
The Company	Stock: Dragon Investment Co. Ltd.	-	Financial assets measured at fair value through other comprehensive income－non-current	1,884	9,476	19.94%	9,476	13,459	19.94%	
The Company	Stock: Pell Bio-med Technology Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income－non-current	1,200	120,000	7.24%	120,000	1,200	7.24%	
ADSC	Stock: Wistron	-	Financial assets measured at fair value through other comprehensive income－non-current	13,046	369,860	0.46%	369,860	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	322	12,108	18.92%	12,108	700	18.92%	
ASCBVI	Stock: ID5 Fund L.P.	-	Financial assets measured at fair value through other comprehensive income－non-current	3,800	182,998	19.39%	182,998	3,800	19.39%	
ASCBVI	Stock: ID5 Annex I Fund	-	Financial assets measured at fair value through other comprehensive income－non-current	565	9,611	19.15%	9,611	565	19.15%	
ASCBVI	Stock: Trutag	-	Financial assets measured at fair value through other comprehensive income－non-current	1,346	6,503	1.00%	6,503	1,346	1.69%	
ASCBVI	Stock: Gorilla	-	Financial assets measured at fair value through other comprehensive income－non-current	244	60,212	1.91%	60,212	244	1.92%	
ASCBVI	Stock: GCR	-	Financial assets measured at fair value through other comprehensive income－non-current	600	36,127	8.00%	36,127	600	8.89%	
ASCBVI	Stock: Locix	-	Financial assets measured at fair value through other comprehensive income－non-current	1,000	45,159	4.58%	45,159	1,000	5.44%	
ASCBVI	Stock: BoniO	-	Financial assets measured at fair value through other comprehensive income－non-current	463	120,424	14.07%	120,424	463	14.07%	
ASCBVI	Stock: Acer Inc.	Parent/Subsidiary	Treasury stock	12,730	522,237	0.41%	227,228	12,730	0.41%	
ASCBVI	GDR: Acer Inc.	Parent/Subsidiary	Treasury stock	4,987	1,969,617	0.81%	435,442	4,987	0.81%	
CCI	Stock: China Development Financial Holding Co.	-	Financial assets measured at fair value through other comprehensive income－current	5,049	49,132	0.03%	49,132	5,049	0.03%	
CCI	Stock: Acer Inc.	Parent/Subsidiary	Financial assets measured at fair value through other comprehensive income－non-current	4,774	85,211	0.16%	85,211	4,774	0.16%	

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	Ending Balance				Maximum ownership during 2019		Note
				Shares/ Units (in thousands)	Carrying Value	Percentage of Ownership	Fair Value	Shares/ Units (in thousands)	Percentage of Ownership	
ETEN	Stock: RoyalTek	-	Financial assets measured at fair value through other comprehensive income－non-current	1,015	21,071	2.01%	21,071	1,015	2.01%	
ETEN	Stock: Acer Inc.	Parent/Subsidiary	Financial assets measured at fair value through other comprehensive income－non-current	4,305	76,852	0.14%	76,852	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%	
ACTI	Stock: Physiosigns Inc., DE	-	Financial assets measured at fair value through other comprehensive income－non-current	800	240,848	12.50%	240,848	800	12.50%	
ABST	Stock: PilotTV Holdings	-	Financial assets measured at fair value through other comprehensive income－non-current	2,676	57,462	19.18%	57,462	2,676	19.18%	
ACVP	Stock: Thinputer Technology Corporation	-	Financial assets measured at fair value through other comprehensive income－non-current	-	34,589	13.79%	34,589	-	13.79%	
ACVP	Stock: Shenmou Technology (Shenzhen)	-	Financial assets measured at fair value through other comprehensive income－non-current	-	29,746	19.99%	29,746	-	19.99%	
Bluechip	Stock: Pier DC Pty Ltd.	-	Financial assets measured at fair value through other comprehensive income－non-current	960	9,220	8.82%	9,220	960	8.82%	
AHN	EUR Term Liquidity Fund	-	Financial assets measured at fair value through profit or loss－current	-	1,182,179	-	1,182,179	-	-	
WLII	Stock: Protrade Global Limited	-	Financial assets measured at fair value through other comprehensive income－non-current	950	152,983	19.00%	152,983	950	19.00%	

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, 2019

Table 4

(Amounts in Thousands of New Taiwan Dollars / Shares)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counterparty	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	-	-	790,000	3,544,175	790,000	3,548,004	3,544,175	3,829	-	-
ACCN	Fubon Bank (China) CNY SDRMBC 16030000	Financial assets measured at fair value through profit or loss－current	Fubon Bank (China) Co., Ltd.	None	-	-	3,952,000	17,646,193	3,952,000	17,708,702	17,646,193	62,509	-	-
ACCQ	China Merchants Bank CNY Financial Plan	Financial assets measured at fair value through profit or loss－current	China Merchants Bank	None	-	-	540,000	2,410,026	540,000	2,412,150	2,410,026	2,124	-	-
AHN	EUR Term Liquidity Fund	Financial assets measured at fair value through profit or loss－current	Citi Bank	None	-	-	-	1,329,782	-	103,647	103,647	-	-	1,182,179
The Company	WLII	Investments accounted for using equity method	Outside shareholders	Parent/Subsidiary	68,358	1,316,492	3,276	-	21,960	417,528	418,012	-	49,674	982,600

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, 2019

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)	(48,836,788)	(28.12)%	OA90	-	-	7,304,965	28.25%	
The Company	ACA	Parent/Subsidiary	(Sales)	(4,591,929)	(2.64)%	OA60	-	-	1,623,500	6.28%	
The Company	ACCQ	Parent/Subsidiary	(Sales)	(7,373,887)	(4.25)%	OA60	-	-	702,662	2.72%	
The Company	ACNZ	Parent/Subsidiary	(Sales)	(712,133)	(0.41)%	OA60	-	-	246,599	0.95%	
The Company	ACS	Parent/Subsidiary	(Sales)	(1,831,150)	(1.05)%	OA60	-	-	150,696	0.58%	
The Company	AEG	Parent/Subsidiary	(Sales)	(69,464,527)	(40.00)%	OA60	-	-	3,917,990	15.15%	
The Company	AFE	Parent/Subsidiary	(Sales)	(678,025)	(0.39)%	OA60	-	-	251,695	0.97%	
The Company	AIL	Parent/Subsidiary	(Sales)	(7,148,717)	(4.12)%	OA180	-	-	4,449,844	17.21%	
The Company	AIN	Parent/Subsidiary	(Sales)	(5,971,656)	(3.44)%	OA90	-	-	1,225,193	4.74%	
The Company	AJC	Parent/Subsidiary	(Sales)	(2,377,259)	(1.37)%	OA180	-	-	1,221,877	4.73%	
The Company	AMI	Parent/Subsidiary	(Sales)	(140,864)	(0.08)%	OA90	-	-	28,579	0.11%	
The Company	APHI	Parent/Subsidiary	(Sales)	(1,216,226)	(0.70)%	OA60	-	-	145,441	0.56%	
The Company	APX	Parent/Subsidiary	(Sales)	(166,346)	(0.10)%	OA60	-	-	21,666	0.08%	
The Company	ASC	Parent/Subsidiary	(Sales)	(120,555)	(0.07)%	OA60	-	-	4,816	0.02%	
The Company	ASSB	Parent/Subsidiary	(Sales)	(2,637,867)	(1.52)%	OA60	-	-	125,455	0.49%	
The Company	ATH	Parent/Subsidiary	(Sales)	(5,025,224)	(2.89)%	OA60	-	-	192,972	0.75%	
The Company	AVN	Parent/Subsidiary	(Sales)	(106,350)	(0.06)%	OA60	-	-	27,260	0.11%	
The Company	ALT	Parent/Subsidiary	(Sales)	(416,435)	(0.24)%	OA60	-	-	83,221	0.32%	
The Company	WLII	Parent/Subsidiary	(Sales)	(2,033,101)	(1.17)%	EM45	-	-	138,951	0.54%	
The Company	APHI	Parent/Subsidiary	Purchases	173,068	0.10%	OA60	-	-	(17,292)	(0.06)%	
The Company	ALT	Parent/Subsidiary	Purchases	181,471	0.11%	OA60	-	-	(14,178)	(0.05)%	
The Company	AEB	Parent/Subsidiary	Purchases	198,216	0.12%	EM60	-	-	(13,646)	(0.05)%	
The Company	WLII	Parent/Subsidiary	Purchases	117,284	0.07%	EM45	-	-	(21,431)	(0.08)%	
The Company	AOSD	Parent/Subsidiary	Purchases	212,706	0.13%	EM60	-	-	(21,231)	(0.08)%	
The Company	GTI	Parent/Subsidiary	Purchases	425,948	0.26%	OA60	-	-	(61,884)	(0.22)%	
WELL	WLII	Parent/Subsidiary	Purchases	134,119	96.05%	EM45	-	-	(24,557)	(96.13)%	

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	
ALT	AIL	Fellow subsidiary	(Sales)	(224,164)	(30.53)%	OA45	-	-	3,182	2.79%	
ALT	The Company	Parent/Subsidiary	(Sales)	(181,471)	(24.72)%	OA60	-	-	14,178	12.41%	
ALT	The Company	Parent/Subsidiary	Purchases	416,435	54.64%	OA60	-	-	(83,221)	(69.09)%	
ACTTW	AGI	Parent/Subsidiary	(Sales)	(246,965)	(93.81)%	EM180	-	-	87,002	89.84%	
AEB	The Company	Parent/Subsidiary	(Sales)	(198,216)	(3.81)%	EM60	-	-	13,646	1.07%	
AEB	WLII	Fellow subsidiary	Purchases	148,959	3.49%	EM60	-	-	(23,380)	(3.67)%	
AGI	AOI	Fellow subsidiary	(Sales)	(176,614)	(74.98)%	OA60	-	-	46,716	50.37%	
AGI	ACTTW	Parent/Subsidiary	Purchases	246,965	95.73%	EM180	-	-	(87,002)	(98.27)%	
AOI	AOA	Parent/Subsidiary	(Sales)	(225,619)	(24.63)%	OA60	-	-	120,747	26.02%	
AOI	AOE	Parent/Subsidiary	(Sales)	(492,293)	(53.74)%	OA90	-	-	117,594	25.34%	
AOI	AOTH	Parent/Subsidiary	Purchases	284,104	35.21%	OA60	-	-	-	-	
AOI	AOZ	Parent/Subsidiary	Purchases	135,126	16.75%	OA60	-	-	(80,016)	(35.56)%	
AOI	AGI	Fellow subsidiary	Purchases	176,614	22.65%	OA60	-	-	(46,716)	(20.98)%	
WLII	The Company	Parent/Subsidiary	(Sales)	(117,284)	(0.87)%	EM45	-	-	21,431	1.02%	
WLII	WELL	Parent/Subsidiary	(Sales)	(134,119)	(0.99)%	EM45	-	-	24,557	1.17%	
WLII	AEB	Fellow subsidiary	(Sales)	(148,959)	(1.10)%	EM60	-	-	23,380	1.12%	
WLII	AST	Fellow subsidiary	(Sales)	(192,195)	(1.43)%	EM60	-	-	11,102	0.53%	
WLII	The Company	Parent/Subsidiary	Purchases	2,033,101	15.39%	EM45	-	-	(138,951)	(7.90)%	
AOSD	The Company	Parent/Subsidiary	(Sales)	(212,706)	(100.00)%	EM60	-	-	21,231	100.00%	
AST	WLII	Fellow subsidiary	Purchases	192,195	19.77%	EM60	-	-	(11,102)	(5.87)%	
GTI	The Company	Parent/Subsidiary	(Sales)	(425,948)	(83.22)%	OA60	-	-	61,884	69.80%	
AAC	AMEX	Fellow subsidiary	(Sales)	(629,394)	(1.22)%	OA60	-	-	143,126	1.91%	
AAC	ASC	Fellow subsidiary	(Sales)	(281,962)	(0.55)%	OA60	-	-	46,694	0.62%	
AAC	ATB	Fellow subsidiary	(Sales)	(563,382)	(1.09)%	OA60	-	-	163,992	2.19%	
AAC	The Company	Parent/Subsidiary	Purchases	48,836,788	87.30%	OA90	-	-	(7,304,965)	(85.65)%	
ACA	ACNZ	Fellow subsidiary	(Sales)	(107,220)	(1.74)%	OA60	-	-	623	0.05%	
ACA	Bluechip	Fellow subsidiary	(Sales)	(222,953)	(3.62)%	EM30	-	-	34,270	2.74%	
ACA	The Company	Parent/Subsidiary	Purchases	4,591,929	95.28%	OA60	-	-	(1,623,500)	(95.97)%	
ACCN	ACCQ	Fellow subsidiary	(Sales)	(104,684)	(1.01)%	OA60	-	-	114,108	13.84%	
ACCN	ACCQ	Fellow subsidiary	Purchases	9,567,210	97.80%	OA60	-	-	(1,844,436)	(98.70)%	
ACCQ	ACCN	Fellow subsidiary	(Sales)	(9,567,210)	(100.00)%	OA60	-	-	1,844,436	100.00%	
ACCQ	ACCN	Fellow subsidiary	Purchases	104,684	1.11%	OA60	-	-	(114,108)	(8.80)%	
ACCQ	The Company	Parent/Subsidiary	Purchases	7,373,887	78.02%	OA60	-	-	(702,662)	(54.18)%	

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	
ACF	AEG	Fellow subsidiary	(Sales)	(301,000)	(3.19)%	OA60	-	-	778,368	21.15%	
ACF	AEG	Fellow subsidiary	Purchases	8,340,602	92.17%	OA60	-	-	(1,114,052)	(96.40)%	
ACF	APX	Fellow subsidiary	Purchases	137,197	1.52%	OA60	-	-	(8,744)	(0.76)%	
ACG	AEG	Fellow subsidiary	(Sales)	(534,399)	(2.46)%	OA60	-	-	1,719,323	20.73%	
ACG	AEG	Fellow subsidiary	Purchases	19,734,703	94.08%	OA60	-	-	(4,500,204)	(98.54)%	
ACG	APX	Fellow subsidiary	Purchases	252,193	1.20%	OA45	-	-	(37,730)	(0.83)%	
ACH	AEG	Fellow subsidiary	(Sales)	(164,397)	(3.00)%	OA60	-	-	422,536	27.21%	
ACH	AEG	Fellow subsidiary	Purchases	5,002,910	94.82%	OA60	-	-	(696,607)	(98.23)%	
ACNZ	ACA	Fellow subsidiary	Purchases	107,220	13.15%	OA60	-	-	(623)	(0.25)%	
ACNZ	The Company	Parent/Subsidiary	Purchases	712,133	86.85%	OA60	-	-	(246,599)	(99.75)%	
ACS	The Company	Parent/Subsidiary	Purchases	1,831,150	86.81%	OA60	-	-	(150,696)	(95.26)%	
ACZ	ASIN	Fellow subsidiary	(Sales)	(263,096)	(46.28)%	OA30	-	-	22,708	27.28%	
ACZ	APX	Fellow subsidiary	Purchases	199,910	38.93%	OA90	-	-	(29,864)	(99.05)%	
AEG	ACF	Fellow subsidiary	(Sales)	(8,340,602)	(11.52)%	OA60	-	-	1,114,052	8.12%	
AEG	ACG	Fellow subsidiary	(Sales)	(19,734,703)	(27.25)%	OA60	-	-	4,500,204	32.82%	
AEG	ACH	Fellow subsidiary	(Sales)	(5,002,910)	(6.91)%	OA60	-	-	696,607	5.08%	
AEG	AIB	Fellow subsidiary	(Sales)	(3,394,170)	(4.69)%	OA60	-	-	270,410	1.97%	
AEG	AIT	Fellow subsidiary	(Sales)	(3,996,961)	(5.52)%	OA60	-	-	738,254	5.38%	
AEG	APX	Fellow subsidiary	(Sales)	(853,605)	(1.18)%	OA60	-	-	141,341	1.03%	
AEG	ASIN	Fellow subsidiary	(Sales)	(22,060,419)	(30.46)%	OA60	-	-	4,556,067	33.23%	
AEG	ASZ	Fellow subsidiary	(Sales)	(2,214,449)	(3.06)%	OA60	-	-	261,690	1.91%	
AEG	AUK	Fellow subsidiary	(Sales)	(6,061,371)	(8.37)%	OA60	-	-	1,109,000	8.09%	
AEG	SER	Fellow subsidiary	(Sales)	(757,252)	(1.05)%	OA60	-	-	167,926	1.22%	
AEG	ACF	Fellow subsidiary	Purchases	301,000	0.43%	OA60	-	-	(778,368)	(8.05)%	
AEG	ACG	Fellow subsidiary	Purchases	534,399	0.76%	OA60	-	-	(1,719,323)	(17.78)%	
AEG	ACH	Fellow subsidiary	Purchases	164,397	0.23%	OA60	-	-	(422,536)	(4.37)%	
AEG	AIB	Fellow subsidiary	Purchases	236,172	0.34%	OA60	-	-	(433,282)	(4.48)%	
AEG	AIT	Fellow subsidiary	Purchases	239,561	0.34%	OA60	-	-	(434,272)	(4.49)%	
AEG	APX	Fellow subsidiary	Purchases	447,224	0.64%	OA60	-	-	(25,681)	(0.27)%	
AEG	The Company	Parent/Subsidiary	Purchases	69,464,527	97.00%	OA60	-	-	(3,917,990)	(40.53)%	
AFE	The Company	Parent/Subsidiary	Purchases	678,025	97.33%	OA60	-	-	(251,695)	(97.33)%	
AIB	AEG	Fellow subsidiary	(Sales)	(236,172)	(6.05)%	OA60	-	-	433,282	29.06%	
AIB	AEG	Fellow subsidiary	Purchases	3,394,170	90.47%	OA60	-	-	(270,410)	(94.77)%	

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	
AIB	APX	Fellow subsidiary	Purchases	100,899	2.69%	OA60	-	-	(14,653)	(5.14)%	
AIL	The Company	Parent/Subsidiary	Purchases	7,148,717	78.26%	OA180	-	-	(4,449,844)	(95.17)%	
AIL	ALT	Fellow subsidiary	Purchases	224,164	2.45%	OA45	-	-	(3,182)	(0.07)%	
AIN	AMI	Parent/Subsidiary	(Sales)	(473,857)	(6.84)%	OA60	-	-	8,683	5.29%	
AIN	AMI	Parent/Subsidiary	Purchases	779,757	11.02%	OA90	-	-	(51,246)	(3.99)%	
AIN	The Company	Parent/Subsidiary	Purchases	5,971,656	84.36%	OA90	-	-	(1,225,193)	(95.48)%	
AIT	AEG	Fellow subsidiary	(Sales)	(239,561)	(5.31)%	OA60	-	-	434,272	20.46%	
AIT	AEG	Fellow subsidiary	Purchases	3,996,961	92.02%	OA60	-	-	(738,254)	(98.76)%	
AJC	The Company	Parent/Subsidiary	Purchases	2,377,259	86.12%	OA180	-	-	(1,221,877)	(98.61)%	
AMEX	AAC	Fellow subsidiary	Purchases	629,394	94.15%	OA60	-	-	(143,126)	(100.00)%	
AMI	AIN	Parent/Subsidiary	(Sales)	(779,757)	(99.59)%	OA90	-	-	51,246	99.87%	
AMI	AIN	Parent/Subsidiary	Purchases	473,857	67.76%	OA60	-	-	(8,683)	(20.23)%	
AMI	The Company	Parent/Subsidiary	Purchases	140,864	20.14%	OA90	-	-	(28,579)	(66.59)%	
AOA	AOI	Parent/Subsidiary	Purchases	225,619	99.81%	OA90	-	-	(120,747)	(95.94)%	
AOE	AOI	Parent/Subsidiary	Purchases	492,293	99.42%	OA60	-	-	(117,594)	(98.87)%	
AOTH	AOZ	Parent/Subsidiary	(Sales)	(238,984)	(45.10)%	OA60	-	-	-	-	
AOTH	AOI	Parent/Subsidiary	(Sales)	(284,104)	(53.61)%	OA60	-	-	-	-	
AOTH	AOZ	Parent/Subsidiary	Purchases	241,961	42.27%	OA60	-	-	-	-	
AOZ	AOTH	Parent/Subsidiary	(Sales)	(241,961)	(48.81)%	OA60	-	-	-	-	
AOZ	AOI	Parent/Subsidiary	(Sales)	(135,126)	(27.27)%	OA60	-	-	80,016	97.95%	
AOZ	AOTH	Parent/Subsidiary	Purchases	238,984	50.64%	OA60	-	-	-	-	
APHI	The Company	Parent/Subsidiary	(Sales)	(173,068)	(10.25)%	OA60	-	-	17,292	40.39%	
APHI	The Company	Parent/Subsidiary	Purchases	1,216,226	91.89%	OA60	-	-	(145,441)	(66.01)%	
APX	ACF	Fellow subsidiary	(Sales)	(137,197)	(5.88)%	OA60	-	-	8,744	5.23%	
APX	ACG	Fellow subsidiary	(Sales)	(252,193)	(10.81)%	OA45	-	-	37,730	22.57%	
APX	ACZ	Fellow subsidiary	(Sales)	(199,910)	(8.57)%	OA90	-	-	29,864	17.86%	
APX	AEG	Fellow subsidiary	(Sales)	(447,224)	(19.16)%	OA60	-	-	25,681	15.36%	
APX	AIB	Fellow subsidiary	(Sales)	(100,899)	(4.32)%	OA60	-	-	14,653	8.77%	
APX	AEG	Fellow subsidiary	Purchases	853,605	42.50%	OA60	-	-	(141,341)	(52.62)%	
APX	The Company	Parent/Subsidiary	Purchases	166,346	8.28%	OA60	-	-	(21,666)	(8.07)%	
ARU	ASIN	Fellow subsidiary	(Sales)	(138,463)	(100.00)%	OA60	-	-	11,968	100.00%	
ASC	AAC	Fellow subsidiary	Purchases	281,962	38.71%	OA60	-	-	(46,694)	(47.59)%	
ASC	The Company	Parent/Subsidiary	Purchases	120,555	16.55%	OA60	-	-	(4,816)	(4.91)%	

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	
ASIN	ACZ	Fellow subsidiary	Purchases	263,096	1.17%	OA30	-	-	(22,708)	(0.50)%	
ASIN	AEG	Fellow subsidiary	Purchases	22,060,419	97.95%	OA60	-	-	(4,556,067)	(100.00)%	
ASIN	ARU	Fellow subsidiary	Purchases	138,463	0.61%	OA60	-	-	(11,968)	(0.26)%	
ASSB	SMA	Parent/Subsidiary	(Sales)	(532,257)	(15.58)%	OA60	-	-	(244)	(0.10)%	
ASSB	The Company	Parent/Subsidiary	Purchases	2,637,867	91.14%	OA60	-	-	(125,455)	(85.36)%	
ASZ	AEG	Fellow subsidiary	Purchases	2,214,449	94.04%	OA60	-	-	(261,690)	(99.05)%	
ATB	AAC	Fellow subsidiary	Purchases	563,382	6.69%	OA60	-	-	(163,992)	(6.66)%	
ATH	The Company	Parent/Subsidiary	Purchases	5,025,224	87.19%	OA60	-	-	(192,972)	(81.91)%	
AUK	AEG	Fellow subsidiary	Purchases	6,061,371	95.20%	OA60	-	-	(1,109,000)	(99.03)%	
AVN	The Company	Parent/Subsidiary	Purchases	106,350	66.28%	OA60	-	-	(27,260)	(94.16)%	
Bluechip	ACA	Fellow subsidiary	Purchases	222,953	8.95%	EM30	-	-	(34,270)	(10.63)%	
SER	AEG	Fellow subsidiary	Purchases	757,252	100.00%	OA60	-	-	(167,926)	(100.00)%	
SMA	ASSB	Parent/Subsidiary	Purchases	532,257	14.86%	OA60	-	-	244	0.29%	

Note 1: The trade terms and price of sales with related parties are not comparable to those with third-party customers as they are determined by the economic environment and market competition of specific locations. The purchase price with related parties are not comparable to the purchase price 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, 2019

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	7,304,965	6.56	-		5,858,990		
The Company	ACA	Parent/Subsidiary	1,624,699	2.68	-		1,062,548		
The Company	ACCQ	Parent/Subsidiary	738,697	10.45	-		702,733		
The Company	ACNZ	Parent/Subsidiary	246,599	2.92	-		240,217		
The Company	ACS	Parent/Subsidiary	150,696	10.01	-		150,696		
The Company	AEG	Parent/Subsidiary	3,917,990	16.62	-		3,917,990		
The Company	AFE	Parent/Subsidiary	251,695	2.47	175,143	Under collection	18,888		
The Company	AIL	Parent/Subsidiary	4,449,844	1.65	-		6,072		
The Company	AIN	Parent/Subsidiary	1,225,629	6.63	-		700,874		
The Company	AJC	Parent/Subsidiary	1,221,877	2.03	213,057	Under collection	541,370		
The Company	APHI	Parent/Subsidiary	145,441	8.39	13,267	Under collection	37,172		
The Company	ASSB	Parent/Subsidiary	125,455	13.98	-		125,455		
The Company	ATH	Parent/Subsidiary	192,972	10.49	-		192,972		
The Company	WLII	Parent/Subsidiary	140,967	10.64	-		139,101		
EDC	The Company	Parent/Subsidiary	213,953	2.87	-		-		
AEB	The Company	Parent/Subsidiary	252,700	8.88	-		13,646		
AOI	AOA	Parent/Subsidiary	120,747	2.04	38,591	Under collection	70,351		Note 2
AOI	AOE	Parent/Subsidiary	117,594	4.28	33,442	Under collection	73,695		Note 2
ETEN	The Company	Parent/Subsidiary	120,036	6.59	-		-		
ADSC	The Company	Parent/Subsidiary	649,292	-	-		-		
CCI	The Company	Parent/Subsidiary	121,471	-	-		-		
AAC	AMEX	Fellow subsidiary	143,178	1.19	143,178	Under collection	95,575		
AAC	ASC	Fellow subsidiary	725,553	9.94	-		-		
AAC	ATB	Fellow subsidiary	163,992	4.79	71,608	Under collection	60,236		
AAH	AAC	Parent/Subsidiary	4,524,051	-	-		-		

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Loss Allowance	Note
					Amount	Action Taken			
ACCN	ACCQ	Fellow subsidiary	114,108	0.89	114,108	Under collection	-		
ACCQ	ACCN	Fellow subsidiary	1,844,436	4.96	336,113	Under collection	448,830		
ACF	AEG	Fellow subsidiary	778,368	0.39	50,331	Under collection	-		
ACG	AEG	Fellow subsidiary	1,720,013	0.30	69,591	Under collection	-		
ACH	AEG	Fellow subsidiary	423,957	0.39	-		-		
AEG	ACF	Fellow subsidiary	1,114,052	5.59	-		-		
AEG	ACG	Fellow subsidiary	4,500,204	4.77	218,410	Under collection	191,620		
AEG	ACH	Fellow subsidiary	696,607	6.26	-		-		
AEG	AIB	Fellow subsidiary	270,410	10.12	-		-		
AEG	AIT	Fellow subsidiary	738,254	4.83	-		-		
AEG	APX	Fellow subsidiary	141,341	6.41	-		-		
AEG	ASIN	Fellow subsidiary	4,556,067	5.34	-		-		
AEG	ASZ	Fellow subsidiary	261,690	7.28	-		-		
AEG	AUK	Fellow subsidiary	1,109,000	5.54	-		-		
AEG	SER	Fellow subsidiary	167,926	5.43	-		-		
AIB	AEG	Fellow subsidiary	437,063	0.57	-		-		
AIT	AEG	Fellow subsidiary	434,272	0.57	-		-		
ASC	AAC	Fellow subsidiary	224,299	28.01	-		-		
ASIN	AEG	Fellow subsidiary	673,724	0.01	-		-		
ASZ	AEG	Fellow subsidiary	283,729	0.33	-		-		
AUK	AEG	Fellow subsidiary	675,554	0.10	-		-		
GWI	AAC	Parent/Subsidiary	392,282	-	-		-		

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, 2019

Table 7

(Amounts in Thousands of New Taiwan Dollars)

Intercomapny relationships and significant intercompany transactions for the year ended December 31, 2019 were as follows:

Number	Company Name	Counterparty	Nature of Relationship	Intercompany Transactions			Percentage of Consolidated Net Revenue or Total Assets
				Account	Amount	Transaction Terms	
0	The Company	AEG	1	Sales	69,464,527	OA60	29.65%
0	The Company	AAC	1	Sales	48,836,788	OA90	20.85%
0	The Company	ACCQ	1	Sales	7,373,887	OA60	3.15%
0	The Company	AIL	1	Sales	7,148,717	OA180	3.05%
0	The Company	AIN	1	Sales	5,971,656	OA90	2.55%
0	The Company	ATH	1	Sales	5,025,224	OA60	2.14%
0	The Company	ACA	1	Sales	4,591,929	OA60	1.96%
0	The Company	ASSB	1	Sales	2,637,867	OA60	1.13%
0	The Company	AJC	1	Sales	2,377,259	OA180	1.01%
0	The Company	AAC	1	Accounts receivable	7,304,965	OA90	4.68%
0	The Company	AIL	1	Accounts receivable	4,449,844	OA180	2.85%
0	The Company	AEG	1	Accounts receivable	3,917,990	OA60	2.51%
0	The Company	ACA	1	Accounts receivable	1,623,500	OA60	1.04%

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, 2019

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, 2019			Maximum ownership during 2019		Net Income (Loss) of the Investee	Share of profits/ losses of investee	Note
				December 31, 2019	December 31, 2018	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	1,860,807	128,282	100.00	32,245	32,245	Parent/Subsidiary
The Company	Boardwalk	British Virgin Islands	Investment and holding activity	41,496,383	41,496,383	1,263,432	92.02	25,582,490	1,263,432	92.02	308,859	284,196	Parent/Subsidiary
The Company	AEH	Switzerland	Investment and holding activity	2,464,262	2,464,262	147	100.00	16,555,306	147	100.00	220,590	220,590	Parent/Subsidiary
The Company	AHI	British Virgin Islands	Investment and holding activity	6,230,208	1,130,566	191,155	100.00	14,419,551	191,155	100.00	1,007,146	1,007,146	Parent/Subsidiary
The Company	Bluechip	Australia	Sale of computer peripherals and software system	32,988	32,988	1,225	33.39	68,306	1,225	33.39	11,033	2,953	Parent/Subsidiary
The Company	AWI	British Virgin Islands	Investment and holding activity	-	4,069,764	-	-	-	1,326,193	100.00	(6,478)	(6,478)	Parent/Subsidiary
The Company	ASCBVI	British Virgin Islands	Investment and holding activity	5,658,111	1,900,347	158,475	100.00	727,341	158,475	100.00	(306,559)	(306,559)	Parent/Subsidiary
The Company	CCI	Taiwan	Investment and holding activity	1,299,817	1,299,817	-	100.00	559,812	-	100.00	9,533	5,857	Parent/Subsidiary
The Company	ADSBH	British Virgin Islands	Investment and holding activity	-	1,175,933	-	-	-	2,246	100.00	312,461	312,461	Parent/Subsidiary
The Company	ACSI	Taiwan	Cyber security service	1,139,390	1,188,445	10,545	64.54	376,010	10,999	87.09	67,696	54,962	Parent/Subsidiary
The Company	AGC	British Virgin Islands	Investment and holding activity	-	5,012,454	-	-	-	166,209	100.00	(649,858)	(649,858)	Parent/Subsidiary
The Company	WLII	Taiwan	Sale of computers and communication products	752,962	1,087,987	49,674	67.36	982,600	68,358	97.33	125,555	111,962	Parent/Subsidiary
The Company	ATI	Taiwan	Integrated circuit test service	815,583	819,792	1,203	19.39	-	1,203	19.39	-	-	Associate
The Company	ETEN	Taiwan	Research, design and sale of smart handheld products	6,800,751	6,800,751	16,000	100.00	1,933,900	20,000	100.00	(72,058)	(75,406)	Parent/Subsidiary
The Company	ABH	Taiwan	Investment and holding activity	2,128,004	2,128,004	149,779	100.00	1,289,695	176,368	100.00	(188,932)	(188,932)	Parent/Subsidiary
The Company	ASBZ	Taiwan	Solutions provider of B2B virtual reality	395,981	311,820	32,212	66.80	22,148	32,212	66.80	(16,465)	(10,598)	Parent/Subsidiary
The Company	EDC	Taiwan	Data center and cloud services	1,595,356	1,700,466	162,956	100.00	1,353,325	186,593	100.00	(105,638)	(105,638)	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	238,783	28,970	40.55	(167,582)	(67,636)	Parent/Subsidiary
The Company	GTI	Taiwan	Sale of peripheral 3C products	45,000	45,000	4,500	83.64	49,778	4,500	83.64	1,586	1,326	Parent/Subsidiary
The Company	HSNC	Taiwan	Repair and maintenance of IT products	150,000	50,000	15,000	92.54	158,772	5,000	100.00	7,197	6,287	Parent/Subsidiary
The Company	SFT	Taiwan	Research, manufacturing and sale of radio-detection and civilian technology application products related to distance	132,000	132,000	13,200	55.00	109,031	13,200	55.00	(32,546)	(17,965)	Joint Venture
The Company	AST	Taiwan	System integration service	82,577	82,600	6,775	60.88	120,949	7,000	91.74	27,202	20,193	Parent/Subsidiary
EDC	TWPBVI	British Virgin Islands	Investment and holding activity	32,298	32,298	11,068	100.00	5,869	11,068	100.00	620	620	Parent/Subsidiary
ASBZ	VRE	Switzerland	Research of solutions to B2B virtual reality	38,979	38,979	100	100.00	(585)	100	100.00	(2,933)	(2,933)	Parent/Subsidiary
HSNC	HSNT	Thailand	Repair and maintenance of IT products	1,763	577	74	100.00	3,013	74	100.00	1,330	1,330	Parent/Subsidiary
HSNC	HSNI	Indonesia	Repair and maintenance of IT products	30,501	-	99	99.00	34,585	99	99.00	2,858	2,595	Parent/Subsidiary
HSNC	HSN	Malaysia	Repair and maintenance of IT products	85,419	-	500	100.00	87,570	500	100.00	8,778	2,521	Parent/Subsidiary
AST	ISU	Taiwan	Human resources and project service	20,000	-	2,000	100.00	19,846	2,000	100.00	(154)	(154)	Parent/Subsidiary
ADSC	ECS	Taiwan	Business integration system	40,851	40,851	1,244	24.88	23,234	1,244	24.88	20,816	5,268	Associate
ADSC	APDI	Taiwan	Property development	29,577	29,577	2,958	100.00	103,633	2,958	100.00	1,230	1,230	Parent/Subsidiary
ADSC	ASDI	Taiwan	Property development	500,000	500,000	22,593	100.00	223,946	22,593	100.00	2,082	2,082	Parent/Subsidiary
ADSC	Kbest	Taiwan	Development and manufacturing of radio and microwave equipment	129,293	129,293	4,427	28.03	22,029	4,427	28.03	(15,324)	(2,035)	Associate
ASDI	Kbest	Taiwan	Development and manufacturing of radio and microwave equipment	3,997	3,997	286	1.81	1,421	286	1.81	(15,324)	(131)	Associate
WLII	HPT	Taiwan	Retail service of software	23,668	23,668	882	30.22	15,862	882	30.22	8,358	2,526	Associate
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	1,908	1,000	100.00	3,433	3,433	Parent/Subsidiary
WLII	ANT	Taiwan	Customization and research service of automobile, motorcycle and industrial components; electrical machinery products agency	203,052	-	6,000	20.00	222,174	6,000	20.00	150,168	6,656	Associate
AEH	Boardwalk	British Virgin Islands	Investment and holding activity	3,333,032	3,333,032	109,639	7.98	2,223,924	109,639	7.98	308,859	24,663	Fellow subsidiaries
ACTI	GrandPAD	U.S.A.	Development of user-friendly IoT device	350,477	350,477	436	32.01	178,331	436	37.75	(292,611)	(120,862)	Associate

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount		Balances as of December 31, 2019			Maximum ownership during 2019		Net Income (Loss) of the Investee	Share of profits/ losses of investee	Note
				December 31, 2019	December 31, 2018	Shares (in thousands)	Percentage of Ownership	Carrying Value	Shares (in thousands)	Percentage of Ownership			
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	334,025	32,000	87.79	495,933	32,000	100.00	131,578	131,144	Parent/Subsidiary
ABH	ACTTW	Taiwan	Development of Internet of Beings and cloud technology, and integration of cloud technology, software and hardware	1,153,000	1,153,000	42,694	100.00	195,920	64,314	100.00	(221,944)	(221,944)	Parent/Subsidiary
ABH	MPS	Taiwan	Research, development, and sale of batteries	141,711	141,711	7,249	100.00	74,051	7,249	100.00	9,817	9,817	Parent/Subsidiary
ABH	ALT	Taiwan	High performance computing, cloud computing, software-defined storage, and IT solution	78,613	40,200	6,581	86.59	99,086	4,980	88.93	11,151	7,676	Parent/Subsidiary
ABH	ITS	Taiwan	Programs and services of intelligent transportation and electronic ticketing	394,772	394,772	34,308	94.41	195,351	34,308	94.41	(78,334)	(73,955)	Parent/Subsidiary
ABH	ABHI	Taiwan	Intelligent medical examination and data interpretation analysis, medical big data, and health management and related information	50,000	50,000	5,000	100.00	47,221	5,000	100.00	(2,672)	(2,672)	Parent/Subsidiary
ABH	ABC	Taiwan	Software design service	18,500	18,500	1,989	49.00	6,233	1,989	49.00	(13,560)	(6,644)	Parent/Subsidiary
ABH	XPL	Taiwan	Design, development and sale of smart bicycle speedometer	38,173	38,173	2,310	100.00	9,441	4,401	100.00	(12,470)	(12,470)	Parent/Subsidiary
ABH	PBC	Taiwan	Pet interaction device and social networking service	50,676	50,676	2,947	100.00	7,303	5,825	100.00	(20,686)	(20,686)	Parent/Subsidiary
ACTTW	ABC	Taiwan	Software design service	76,371	76,371	2,071	51.00	6,488	2,071	51.00	(13,560)	(6,916)	Parent/Subsidiary
ACTTW	AGI	Taiwan	Development of user-friendly IoT device	29,000	29,000	3,222	100.00	32,770	3,222	100.00	260	260	Parent/Subsidiary
ACTTW	ABST	Taiwan	Technical service and research of aBeing cloud digital content management	300,000	300,000	30,000	100.00	(7,880)	30,000	100.00	(131,519)	(131,519)	Parent/Subsidiary
ABST	ABSG	Germany	Technical service and research of aBeing cloud digital content management	291,910	202,401	6,029	100.00	(69)	6,029	100.00	(115,254)	(115,254)	Parent/Subsidiary
AOI	Bluechip	Australia	Sale of computer peripherals and software system	36,915	36,915	570	15.54	31,784	570	15.54	11,033	1,374	Fellow subsidiaries
AOI	AOA	U.S.A.	Sale of computer, apparatus system, and peripheral equipment	295,771	295,771	15,000	100.00	(159,455)	15,000	100.00	2,877	2,877	Parent/Subsidiary
AOI	AOE	the Netherlands	Sale of computer, apparatus system, and peripheral equipment	214,094	214,094	1	100.00	(14,688)	1	100.00	7,948	7,948	Parent/Subsidiary
AOI	AOTH	British Virgin Islands	Sale of computer, apparatus system, and peripheral equipment	1,623	1,623	50	100.00	161,720	50	100.00	(46,098)	(46,098)	Parent/Subsidiary
AOI	AOJ	Japan	Sale of computer, apparatus system, and peripheral equipment	2,899	2,899	1	100.00	30,146	1	100.00	1,164	1,164	Parent/Subsidiary
AOI	AOSV	Taiwan	Sale of computer, apparatus system, and peripheral equipment	60,000	60,000	4,000	100.00	40,728	4,000	100.00	1,609	1,609	Parent/Subsidiary
AOI	AOGS	Australia	Sale of computer, apparatus system, and peripheral equipment	2,956	2,956	105	70.00	19,228	105	70.00	925	647	Parent/Subsidiary
AOI	HTW	Hong Kong	Software development and agency	405	405	100	100.00	884	100	100.00	(171)	(171)	Parent/Subsidiary
AOI	AOSD	Taiwan	Sale of display device	20,000	20,000	2,000	80.00	23,794	2,000	80.00	4,843	3,874	Parent/Subsidiary
AOI	MPL	Australia	Sale of computer, apparatus system, and peripheral equipment	22,887	22,887	39	35.30	8,329	39	39.00	(18,453)	(7,197)	Associate
AOI	AMTC	Taiwan	Manufacturing and sale of touch display, touch controller and its driver	376,238	376,238	6,664	20.07	331,200	6,664	20.07	113,283	21,772	Associate
AOTH	GCL	Hong Kong	Sale of computer, apparatus system, and peripheral equipment	2,675	2,675	300	100.00	3,817	300	100.00	-	-	Parent/Subsidiary
AOGS	AOAU	Australia	Sale of computer, apparatus system, and peripheral equipment	3	3	1	100.00	27,763	1	100.00	2,356	2,356	Parent/Subsidiary

Acer Incorporated and Subsidiaries
Information on Investment in Mainland China
For the year ended December 31, 2019

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, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Net Income (Losses) of Investee	% of Ownership of Direct or Indirect Investment	Maximum ownership during 2019		Share of profits/ losses of investee	Carrying Value as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow				Shares	Percentage of Ownership			
Acer Third Wave Software (Beijing) Co. Ltd.	Sale of commercial and cloud application software and technical service	90,318	2	90,318	-	-	90,318	(6,611)	100.00	-	100.00	(6,611)	(9,889)	-
Acer Information (Zhong Shan) Co., Ltd.	Sale of brand-name IT products	45,159	2	-	-	-	-	2,203	100.00	-	100.00	2,203	205,948	-
Acer Computer (Shanghai) Ltd.	Sale of brand-name IT products	60,212	2	60,212	-	-	60,212	(217,856)	100.00	-	100.00	(217,856)	433,622	-
Acer (Chongqing) Ltd.	Sale of brand-name IT products	4,515,900	2	4,636,324 (Note 2)	-	-	4,636,324 (Note 2)	91,216	100.00	-	100.00	91,216	3,942,282	-
Acer Cloud Technology (Chongqing) Ltd.	Design, development, sale, and advisory of computer software and hardware	150,530	1	150,530	-	-	150,530	(14,691)	100.00	-	100.00	(14,691)	46,309	-
Innovation and Commercialization Accelerator Inc.	Development, design, manufacturing, sale, and maintenance of intelligent terminal devices	25,942	1	(Note 3)	-	-	(Note 3)	(1,470)	30.00	-	30.00	(441)	14,993	-
Xplova (Shanghai) Ltd.	Sale of smart bicycle speedometer and operating social platform for bicycle riding and sports	9,050	1	9,050	-	-	9,050	(1,149)	100.00	-	100.00	(1,149)	5,560	-
Consumer Insights Research (Chongqing) Inc.	Collection, analysis and research of data information	12,971	1	(Note 3)	-	-	(Note 3)	(1,599)	30.00	-	30.00	(480)	9,440	-
Acer China Venture Corp	Fund company management	21,618	1	21,618	-	-	21,618	(4,775)	100.00	-	100.00	(4,775)	10,610	-
Acer China Venture Partnership	Investment fund	64,854	1	60,530 (Note 4)	-	-	60,530 (Note 4)	(1)	100.00	-	100.00	(1)	64,841	-
Sertec (Beijing) Ltd.	Repair and maintenance of IT products	4,324	1	4,324	-	-	4,324	5,240	100.00	-	100.00	5,240	10,591	-
Beijing Altos Computing Ltd.	High performance computing, cloud computing, software-defined storage, and IT solution	19,024	1	19,024	-	-	19,024	21,385	100.00	-	100.00	21,385	70,340	-
Shanghai AST Technology Service Ltd.	System integration service	19,024	1	19,024	-	-	19,024	399	100.00	-	100.00	399	19,622	-
GadgeTek (Shanghai) Limited	Sale of peripheral 3C products	15,053	1	-	15,053	-	15,053	578	100.00	-	100.00	578	15,834	-
AOPEN International (ShangHai) Co., Ltd	Sale of computer, apparatus system, and peripheral equipment	161,322	2	161,322	-	-	161,322	40	100.00	-	100.00	40	18,811	-
AOPEN Information Products (Zhongshan) Inc.	Manufacture and sale of computer parts and components	450,261	2	450,261	-	-	450,261	(59,080)	100.00	-	100.00	(59,080)	222,842	-

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 $ 120,424 (US $4,000 thousand).
Note 3: Innovation and Commercialization Accelerator Inc. and Consumer Insights Research (Chongqing) Inc. were reinvested by Acer Cloud Technology(Chongqing) Ltd.
Note 4: Acer China Venture Partnership was invested by the Company and Acer China Venture Corp of $60,530 and $4,324, respectively.

Investor Company Name	Accumulated Investment in Mainland China as of December 31, 2019 (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	$5,688,192 (US$188,938,829)	$7,263,641 (US$241,268,884.5)	(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$30.106 as of December 31, 2019.

Note: Since the Company has obtained the Certificate of Headquarter Operation, there is no upper limitation on investment in Mainland China.