

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

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

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Representation Letter

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

Hereby declare

Acer Incorporated
Jason Chen
Chairman
March 20, 2019



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Independent Auditors' Report

To the Board of Directors
Acer Incorporated:

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Emphasis of Matter

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

Key Audit Matters

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

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

1. Revenue recognition

Refer to Note 4(r) for the accounting policies on recognizing revenue, and Note 5(a) for uncertainty of accounting estimations and assumptions for sales returns and allowances.

Description of key audit matter:

The Group engaged primarily in the sale of brand-name IT products. Revenue is recognized depending on the various trade terms agreed with customers. This exposes the Group to the risk that the sales transactions made close to the balance sheet date are not recorded in the appropriate period. Furthermore, the accrual of sales allowances and returns based on business practice is subject to management's judgment, which involves significant uncertainty. Consequently, the revenue recognition and accrual of sales allowances and returns have been identified as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matters above, we have performed certain audit procedures including, among others, testing the design and operating effectiveness of the Group's internal controls over the timing of revenue recognition; performing a sample test of sales transactions taking place before and after the balance sheet date to ensure that revenue was recognized in the appropriate period; assessing the methodology used by management in estimating sales allowances and returns, including the reasonableness of key assumptions; and inspecting the historical payments of sales allowances and returns to evaluate the reasonableness of the sales allowances and returns estimated by management.

2. Valuation of inventories

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

Description of key audit matter:

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

How the matter was addressed in our audit:

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

3. Impairment of goodwill

Refer to Note 4(o) for the accounting policies on goodwill impairment, Note 5(c) for uncertainty of accounting estimations and assumptions for goodwill impairment and Note 6(n) for the evaluation of goodwill impairment.

Description of key audit matter:

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

How the matter was addressed in our audit:

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

Other Matter

Acer Incorporated has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2018 and 2017, on which we have issued unmodified audit opinion with the paragraph on emphasis of matter and unmodified audit opinion, respectively.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, base on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

KPMG

Taipei, Taiwan (Republic of China)

March 20, 2019

Notes to Readers

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

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

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

ACER INCORPORATED AND SUBSIDIARIES**Consolidated Balance Sheets****December 31, 2018 and 2017****(Expressed in Thousands of New Taiwan Dollars)**

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

See accompanying notes to consolidated financial statements.

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

ACER INCORPORATED AND SUBSIDIARIES**Consolidated Balance Sheets (Continued)****December 31, 2018 and 2017****(Expressed in Thousands of New Taiwan Dollars)**

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

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
ACER INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars , Except Earnings Per Share)

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

See accompanying notes to consolidated financial statements.

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

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Attributable to shareholders of the Company															
	Retained earnings						Other equity									
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings (accumulated deficit)	Total	Foreign currency translation differences	Unrealized gain (loss) from financial assets measured at fair value through other comprehensive income	Unrealized gain (loss) from available-for-sale financial assets	Remeasurements of defined benefit plans	Unearned compensation cost arising from restricted shares of stock issued to employees	Total	Treasury stock	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at January 1, 2017	\$ 30,807,328	34,743,105	145,190	1,306,709	(4,900,296)	(3,448,397)	(1,061,015)	-	(347,770)	(77,257)	(26,743)	(1,512,785)	(2,914,856)	57,674,395	4,083	57,678,478
Net income for the year	-	-	-	-	2,815,587	2,815,587	-	-	-	-	-	-	-	2,815,587	(18,854)	2,796,733
Other comprehensive income (loss) for the year	-	-	-	-	-	-	(2,141,146)	-	459,805	(19,024)	-	(1,700,365)	-	(1,700,365)	2,577	(1,697,788)
Total comprehensive income (loss) for the year	-	-	-	-	2,815,587	2,815,587	(2,141,146)	-	459,805	(19,024)	-	(1,700,365)	-	1,115,222	(16,277)	1,098,945
Appropriation approved by the stockholders:																
Decrease in legal reserve to offset accumulated deficit	-	-	(145,190)	-	145,190	-	-	-	-	-	-	-	-	-	-	-
Decrease in special reserve to offset accumulated deficit	-	-	-	(1,306,709)	1,306,709	-	-	-	-	-	-	-	-	-	-	-
Decrease in capital surplus to offset accumulated deficit	-	(3,448,397)	-	-	3,448,397	3,448,397	-	-	-	-	-	-	-	-	-	-
Cash distributed from capital surplus	-	(1,515,071)	-	-	-	-	-	-	-	-	-	-	-	(1,515,071)	-	(1,515,071)
Change in equity of investments in associates	-	28,571	-	-	-	-	-	-	-	-	-	-	-	28,571	19	28,590
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	649,886	649,886
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19,893	19,893
Changes in ownership interests in subsidiaries	-	1,653	-	-	-	-	-	-	-	-	-	-	-	1,653	(1,653)	-
Compensation cost arising from restricted shares of stock issued to employees	-	-	-	-	-	-	-	-	-	-	14,650	14,650	-	14,650	-	14,650
Retirement of restricted shares of stock issued to employees	(42,300)	42,300	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Stock option compensation cost of subsidiaries	-	23	-	-	-	-	-	-	-	-	-	-	-	23	12	35
Balance at December 31, 2017	30,765,028	29,852,184	-	-	2,815,587	2,815,587	(3,202,161)	-	112,035	(96,281)	(12,093)	(3,198,500)	(2,914,856)	57,319,443	655,963	57,975,406
Effects of retrospective application	-	-	-	-	(7,231)	(7,231)	-	112,035	(112,035)	-	-	-	-	(7,231)	2,021	(5,210)
Adjusted balance at January 1, 2018	30,765,028	29,852,184	-	-	2,808,356	2,808,356	(3,202,161)	112,035	-	(96,281)	(12,093)	(3,198,500)	(2,914,856)	57,312,212	657,984	57,970,196
Net income for the year	-	-	-	-	3,060,429	3,060,429	-	-	-	-	-	-	-	3,060,429	(158,469)	2,901,960
Other comprehensive income (loss) for the year	-	-	-	-	-	-	390,996	(601,596)	-	26,464	-	(184,136)	-	(184,136)	(8,742)	(192,878)
Total comprehensive income (loss) for the year	-	-	-	-	3,060,429	3,060,429	390,996	(601,596)	-	26,464	-	(184,136)	-	2,876,293	(167,211)	2,709,082
Appropriation approved by the stockholders:																
Legal reserve	-	-	281,559	-	(281,559)	-	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	2,534,028	(2,534,028)	-	-	-	-	-	-	-	-	-	-	-
Cash distributed from capital surplus	-	(2,120,798)	-	-	-	-	-	-	-	-	-	-	-	(2,120,798)	-	(2,120,798)
Change in equity of investments in associates	-	44,225	-	-	-	-	-	-	-	-	-	-	-	44,225	(19)	44,206
Changes in ownership interests in subsidiaries	-	32,647	-	-	-	-	-	-	-	-	-	-	-	32,647	9,734	42,381
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	105,682	105,682
Issuance of common stock from exercise of employee stock options by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	61,987	61,987
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	100,600	-	-	-	-	-	-	-	-	-	-	-	100,600	52,050	152,650
Retirement of restricted shares of stock issued to employees	(15,690)	1,892	-	-	-	-	-	-	-	-	13,798	13,798	-	-	-	-
Compensation cost arising from restricted shares of stock issued to employees	-	-	-	-	-	-	-	-	-	-	(1,705)	(1,705)	-	(1,705)	-	(1,705)
Stock option compensation cost of subsidiaries	-	1,857	-	-	-	-	-	-	-	-	-	-	-	1,857	97	1,954
Disposal of investments accounted for using equity method	-	744	-	-	-	-	22,019	-	-	-	-	22,019	-	22,763	-	22,763
Cash dividends paid to non-controlling interests by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,112)	(2,112)
Disposal of financial assets measured at fair value through other comprehensive income	-	-	-	-	32,665	32,665	-	(32,665)	-	-	-	(32,665)	-	-	-	-
Balance at December 31, 2018	\$ 30,749,338	27,913,351	281,559	2,534,028	3,085,863	5,901,450	(2,789,146)	(522,226)	-	(69,817)	-	(3,381,189)	(2,914,856)	58,268,094	718,192	58,986,286

See accompanying notes to consolidated financial statements.

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

ACER INCORPORATED AND SUBSIDIARIES**Consolidated Statements of Cash Flows****For the years ended December 31, 2018 and 2017****(Expressed in Thousands of New Taiwan Dollars)**

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

(Continued)

See accompanying notes to consolidated financial statements.

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

ACER INCORPORATED AND SUBSIDIARIES**Consolidated Statements of Cash Flows (Continued)****For the years ended December 31, 2018 and 2017****(Expressed in Thousands of New Taiwan Dollars)**

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

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
ACER INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1. Organization and business

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

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

2. Authorization of the Consolidated Financial Statements

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

3. Application of New and Revised Accounting Standards and Interpretations

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

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

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

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ACER INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

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

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

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

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

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

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

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

1) *Impacts on financial statements*

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

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

(Continued)

ACER INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

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

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

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

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

(ii) IFRS 9 *Financial Instruments*

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

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

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

1) Classification of financial assets and financial liabilities

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

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

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ACER INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

2) Impairment of financial assets

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

3) Transition

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

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

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

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

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

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

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

(Continued)

ACER INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

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

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

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

(Continued)

ACER INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

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

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

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

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

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

(iii) *Amendments to IAS 7 Disclosure Initiative*

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

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

(Continued)

ACER INCORPORATED AND SUBSIDIARIES
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(b) Impact of IFRSs endorsed by the FSC but not yet in effect

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

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

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

(i) IFRS 16 *Leases*

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

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

1) Determining whether an arrangement contains a lease

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

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

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

(Continued)

ACER INCORPORATED AND SUBSIDIARIES
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2) Transition

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

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

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

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

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

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

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

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

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

(Continued)

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

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

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

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

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

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

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

(Continued)

ACER INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

4. Summary of significant accounting policies

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

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

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

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

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

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

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

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(d) Foreign currency

(i) Foreign currency transactions

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

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

(ii) Foreign operations

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

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

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

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

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

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

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

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

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

(f) Cash and cash equivalents

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

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

(g) Financial instruments

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

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

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

1) Financial assets measured at amortized cost

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

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

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

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ACER INCORPORATED AND SUBSIDIARIES
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2) Financial assets measured at fair value through other comprehensive income

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

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

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

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

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

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

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

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

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ACER INCORPORATED AND SUBSIDIARIES
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4) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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ACER INCORPORATED AND SUBSIDIARIES
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5) Derecognition of financial assets

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

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

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

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

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

1) Financial assets at fair value through profit or loss

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

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

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

2) Loans and receivables

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

3) Available-for-sale financial assets

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

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

4) Impairment of financial assets

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

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

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

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

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

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

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

5) **Derecognition of financial assets**

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

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

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

(iii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

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

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

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

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

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

3) Financial liabilities measured at amortized cost

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

4) Derecognition of financial liabilities

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

5) Offsetting of financial assets and liabilities

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

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

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

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

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

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in fair value or cash flows of hedged items.

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

1) Fair value hedge

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

2) Cash flow hedge

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

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

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

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

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

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

(h) Inventories

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

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(i) Non-current assets held for sale

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

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

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

(j) Investments accounted for using equity method

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

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

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

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

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

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

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

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

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

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

(k) Property, plant and equipment

(i) Recognition and measurement

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

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

(ii) Reclassification to investment property

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

(iii) Subsequent costs

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

(iv) Depreciation

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

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

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

(I) Investment property

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

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

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

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ACER INCORPORATED AND SUBSIDIARIES
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(m) Leases

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

(i) The Group as lessor

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

(ii) The Group as lessee

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

(n) Intangible assets

(i) Goodwill

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

(ii) Trademarks

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

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ACER INCORPORATED AND SUBSIDIARIES
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(iii) Other intangible assets

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

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

(o) Impairment of non-financial assets

(i) Goodwill

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

(ii) Other tangible and intangible assets

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

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

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

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

(p) Provisions

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

(i) Warranties

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

(ii) Sales return provision

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

(iii) Others

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

(q) Treasury stock

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

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

(r) Revenue recognition

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

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

1) Sale of goods

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

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

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

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

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

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ACER INCORPORATED AND SUBSIDIARIES
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2) Revenue from service rendered

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

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

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

3) Financing components

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

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

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

1) Sale of goods

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

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

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

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ACER INCORPORATED AND SUBSIDIARIES
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2) Services

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

3) Rental income, interest income, and dividend income

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

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

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

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

1) Incremental costs of obtaining a contract

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

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

2) Costs to fulfil a contract

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

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

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

(s) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

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

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ACER INCORPORATED AND SUBSIDIARIES
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(iii) Short-term employee benefits

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

(t) Share-based payment

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

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

(u) Government grant

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

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

Government grant is recognized in other gains and losses.

(v) Income taxes

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

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

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

- (i) Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- (ii) Temporary differences arising from investments in subsidiaries and joint ventures to the extent that the Group is able to control the timing of the reversal of the temporary differences, and it is probable that the differences will not reverse in the foreseeable future; and
- (iii) Temporary differences arising from initial recognition of goodwill.

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Deferred tax assets are recognized for unused tax losses, tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(w) Business combinations

Goodwill is measured as the excess of the acquisition-date fair value of consideration transferred (including any non-controlling interest in the acquiree) over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed (generally at fair value). If the residual balance is negative, the Group shall reassess whether it has correctly identified all of the assets acquired and liabilities assumed and recognize any additional assets or liabilities that are identified in that review, and shall recognize a gain on the bargain purchase thereafter.

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

For each business combination, non-controlling interest in the acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the fair value of the acquiree's identifiable net assets.

In a business combination achieved in stages, the Group shall remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss in profit or loss. The amount previously recognized in other comprehensive income in relation to the changes in the value of the Group's equity interest should be reclassified to profit or loss on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, provisional amounts for the items for which the accounting is incomplete are reported in the financial statements. During the measurement period, the provisional amounts recognized at the acquisition date are retrospectively adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period shall not exceed one year from the acquisition date.

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(x) Earnings per share (“EPS”)

The basic and diluted EPS attributable to stockholders of the Company are disclosed in the consolidated financial statements. Basic EPS is calculated by dividing net income attributable to stockholders of the Company by the weighted-average number of common shares outstanding during the year. In calculating diluted EPS, the net income attributable to stockholders of the Company and weighted-average number of common shares outstanding during the year are adjusted for the effects of dilutive potential common shares. The Group’s dilutive potential common shares include restricted shares of stock issued to employees and profit sharing for employees to be settled in the form of common stock.

(y) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group’s chief operating decision maker, who decides on the allocation of resources to the segment and assesses its performance for which discrete financial information is available.

5. Critical Accounting Judgments and Key Sources of Estimation and Assumption Uncertainty

The preparation of the consolidated financial statements in conformity with the Regulations and Taiwan-IFRSs requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in the future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included as follows:

(a) Revenue recognition (accrual of sales return and allowance)

The Group recognizes revenue when the earning process is completed. The Group also records a provision for estimated future returns and other allowances in the same period the related revenue is recorded. Provision for estimated sales returns and other allowances is generally made and adjusted based on historical experience, market and economic conditions, and any other known factors that would significantly affect the allowance. The adequacy of estimations is reviewed periodically. The fierce market competition and rapid evolution of technology could result in significant adjustments to the provision made.

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(b) Valuation of inventory

Inventories are measured at the lower of cost or net realizable value. The Group uses judgment and estimates to determine the net realizable value of inventory at each reporting date.

Due to rapid technological changes, the Group estimates the net realizable value of inventory, taking obsolescence and unmarketable items into account at the reporting date, and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time horizon, which could result in significant adjustments. Refer to note 6(h) for further description of inventory write-downs.

(c) Impairment of goodwill

The assessment of impairment of goodwill requires the Group to make subjective judgments to identify cash-generating units, allocate the goodwill to relevant cash-generating units, and estimate the recoverable amount of relevant cash-generating units. Any changes in these estimates based on changed economic conditions or business strategies could result in significant adjustments in future years. Refer to note 6(n) for further description of the impairment of goodwill.

6. Significant account disclosures

(a) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand	\$ 5,024	5,133
Bank deposits	16,414,413	20,030,640
Time deposits	<u>10,863,601</u>	<u>13,934,558</u>
	<u>\$ 27,283,038</u>	<u>33,970,331</u>

(b) Financial assets and liabilities measured at fair value through profit or loss

	December 31, 2018	December 31, 2017
Financial assets held for trading—current:		
Derivatives—Foreign currency forward contracts	\$ -	167,770
Financial assets measured at fair value through profit or loss—current:		
Conversion rights of investments in convertible bonds	<u>-</u>	<u>3,033</u>
	<u>\$ -</u>	<u>170,803</u>

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	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Financial assets mandatorily measured at fair value through profit or loss:		
Derivative instruments not used for hedging		
Foreign currency forward contracts	\$ 424,147	-
Non-derivative financial assets		
Convertible bonds	11,427	-
Right of profit-sharing in VR parks	44,894	-
	<u>\$ 480,468</u>	<u>-</u>
Current	\$ 435,574	-
Non-current	44,894	-
	<u>\$ 480,468</u>	<u>-</u>
Financial liabilities held for trading — current:		
Derivatives — Foreign currency forward contracts	<u>\$ (272,085)</u>	<u>(621,947)</u>

Please refer to note 6(ad) for the amounts of gain (loss) recognized related to financial assets measured at fair value.

Convertible bonds held by the Company were issued by StarBreeze Publishing AB (“StarBreeze”). StarBreeze filed for reconstruction with the court due to its shortage of liquidity, and the court approved the application in 2018. Accordingly, the Group recognized a loss of \$255,345 (arising from the fair value measurement of the convertible bonds) which was presented in other gains and losses in the accompanying consolidated statements of comprehensive income.

ASBZ, a subsidiary of the Company, entered into separate agreements with StarBreeze and Enterspace AB, with a total investment amount of US\$10,500 thousand, for the development of VR parks to obtain its profit-sharing right. In 2018, the Group amended the expected amount of net profit shared and recognized a loss of \$244,633 (arising from the fair value measurement of the profit-sharing right) which was presented in other gains and losses in the accompanying consolidated statements of comprehensive income.

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The Group entered into derivative contracts to manage foreign currency exchange risk arising from operating activities. At each reporting date, the outstanding foreign currency forward contracts that did not conform to the criteria for hedge accounting consisted of the following (the contract amount was presented in USD; the contracts were classified as mandatorily measured at FVTPL on December 31, 2018, and were classified as financial assets held for trading on December 31, 2017):

(i) Foreign currency forward contracts

December 31, 2018			
Contract amount (in thousands)	Currency		Maturity period
USD 74,559	AUD	/ USD	2019/01~2019/07
USD 13,586	EUR	/ CHF	2019/01~2019/05
USD 7,988	EUR	/ NOK	2019/01~2019/03
USD 9,610	EUR	/ SEK	2019/01~2019/06
USD 405,735	EUR	/ USD	2019/01~2019/05
USD 2,350	EUR	/ NTD	2019/01
USD 19,607	EUR	/ PLN	2019/03~2019/05
USD 67,262	GBP	/ USD	2019/01~2019/05
USD 12,356	NZD	/ USD	2019/01~2019/06
USD 12,305	USD	/ CAD	2019/01
USD 6,000	USD	/ CLP	2019/03~2019/04
USD 74,000	USD	/ CNY	2019/01~2019/04
USD 3,500	USD	/ COP	2019/01~2019/02
USD 15,250	USD	/ IDR	2019/01~2019/02
USD 175,779	USD	/ INR	2019/01~2019/07
USD 49,655	USD	/ JPY	2019/01~2019/09
USD 29,200	USD	/ MXN	2019/01~2019/04
USD 15,700	USD	/ MYR	2019/01~2019/03
USD 682,400	USD	/ NTD	2019/01~2019/02
USD 4,900	USD	/ PHP	2019/01~2019/03
USD 38,774	USD	/ RUB	2019/01~2019/02
USD 5,500	USD	/ SGD	2019/01~2019/02
USD 40,000	USD	/ THB	2019/01~2019/03
USD 200	USD	/ VND	2019/01

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December 31, 2017			
Contract amount (in thousands)		Currency	Maturity period
USD	69,124	AUD / USD	2018/01~2018/08
USD	2,417	EUR / DKK	2018/01
USD	15,459	EUR / CHF	2018/01~2018/05
USD	8,481	EUR / NOK	2018/01~2018/05
USD	5,712	EUR / SEK	2018/01~2018/05
USD	322,678	EUR / USD	2018/01~2018/05
USD	58,800	GBP / USD	2018/01~2018/05
USD	9,839	NZD / USD	2018/01~2018/06
USD	68,929	USD / CAD	2018/01~2018/05
USD	9,500	USD / CLP	2018/01~2018/05
USD	71,000	USD / CNY	2018/01~2018/03
USD	4,000	USD / COP	2018/01~2018/02
USD	23,600	USD / IDR	2018/01~2018/02
USD	155,801	USD / INR	2018/01~2018/07
USD	32,000	USD / JPY	2018/01~2018/07
USD	43,150	USD / MXN	2018/01~2018/04
USD	15,400	USD / MYR	2018/01~2018/02
USD	651,900	USD / NTD	2018/01
USD	5,400	USD / PHP	2018/01~2018/04
USD	40,185	USD / RUB	2018/01~2018/04
USD	1,500	USD / SGD	2018/01
USD	38,000	USD / THB	2018/01~2018/03

(ii) Foreign currency option contracts

December 31, 2017		
Contract amount (in thousands)		Maturity period
USD / INR	USD 4,000	2018/01

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

	December 31, 2018
Equity investments measured at fair value through other comprehensive income	
Domestic listed stock	\$ 3,160,183
Unlisted stock	<u>1,269,263</u>
	<u>\$ 4,429,446</u>
Current	\$ 88,989
Non-current	<u>4,340,457</u>
	<u>\$ 4,429,446</u>

The Group designated the investments shown above as financial assets measured at fair value through other comprehensive income because these equity instruments are held for long-term strategic purposes and not for trading. These investments were classified as available-for-sale financial assets on December 31, 2017.

In 2018, certain financial assets measured at FVOCI were disposed at a fair value of \$429,747, resulting a gain of \$32,665. The realized gain accumulated in other comprehensive income has been transferred to retained earnings.

- (d) Available-for-sale financial assets

	December 31, 2017
Domestic listed stock	\$ 3,619,007
Unlisted stock	<u>1,751,663</u>
	<u>\$ 5,370,670</u>
Current	\$ 118,329
Non-current	<u>5,252,341</u>
	<u>\$ 5,370,670</u>

- (e) Investments in debt instrument without an active market

	December 31, 2017
Convertible bond and convertible notes	\$ 232,466
Right of profit-sharing in VR parks	<u>308,444</u>
	<u>\$ 540,910</u>
Current	\$ 232,466
Non-current	<u>308,444</u>
	<u>\$ 540,910</u>

Investments in debt instrument shown above were classified as financial assets measured at fair value through profit or loss on December 31, 2018. Please refers to note 6(b).

(Continued)

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The Group recognized an impairment loss on the right of profit-sharing in VR parks amounting to \$3,061, which was included in other gains or losses in 2017 based on the present value of the net future cash inflows.

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

	December 31, 2018	December 31, 2017
Notes receivable	\$ 386,107	539,595
Accounts receivable	47,291,790	46,396,275
Accounts receivable from related parties	<u>34,623</u>	<u>126,903</u>
	47,712,520	47,062,773
Less: loss allowance	<u>(186,302)</u>	<u>(174,487)</u>
	<u>\$ 47,526,218</u>	<u>46,888,286</u>

The Group applies the simplified approach to provide for its expected credit losses, i.e., the use of lifetime expected loss provision for all receivables on December 31, 2018. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics, and days past due, as well as incorporated forward looking information. Analysis of expected credit losses on notes and accounts receivable (including receivables from related parties) as of December 31, 2018 was as follows:

	Gross carrying amount	Weighted- average loss rate	Loss allowance
Current	\$ 42,857,126	0.09%	(38,205)
Past due 1-30 days	4,013,447	0.58%	(23,120)
Past due 31-60 days	584,128	4.08%	(23,858)
Past due 61-90 days	85,716	10.41%	(8,922)
Past due 91-180 days	75,916	29.43%	(22,343)
Past due 181 days or over	<u>96,187</u>	72.62%	<u>(69,854)</u>
	<u>\$ 47,712,520</u>		<u>(186,302)</u>

As of December 31, 2017, the Group applied the incurred loss model to measure the loss allowance for notes and accounts receivable. The aging analysis of notes and accounts receivable which were past due but not impaired was as follows:

	December 31, 2017
Past due 1-30 days	\$ 4,467,737
Past due 31-60 days	555,299
Past due 61-90 days	74,466
Past due 91 days or over	<u>71,582</u>
	<u>\$ 5,169,084</u>

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In principle, the average credit term granted to customers for the sale of goods ranged from 30 to 90 days. While assessing the recoverability of notes and accounts receivable, the Group considers any changes in the credit quality between the initial transaction date and the reporting date. The allowance for doubtful receivables was assessed by referring to the collectability of receivables based on an individual trade term analysis, the historical payment behavior and current financial condition of customers, and the provision for sales returns and allowances. Notes and accounts receivable that were past due but for which the Group had not recognized a specific allowance for doubtful receivables after the assessment were still considered recoverable.

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

	2018	2017	
		Individually assessed impairment	Collectively assessed impairment
Balance at January 1 (per IAS 39)	\$ 174,487	103,457	12,648
Adjustment on initial application of IFRS 9	60,777		
Balance at January 1 (per IFRS 9)	235,264		
Impairment losses recognized (reversed)	(798)	28,432	5,750
Acquisition through business combination	3,242	-	44,719
Write-off	(9,849)	(14,867)	(3,123)
Reclassification to other receivables (note 6(g))	(40,141)	-	-
Effect of exchange rate changes	(1,416)	(2,529)	-
Balance at December 31	<u>\$ 186,302</u>	<u>114,493</u>	<u>59,994</u>

The Group entered into factoring contracts with several banks to sell part of their accounts receivable without recourse. At each reporting date, details of these contracts were as follows:

December 31, 2017					
Underwriting bank	Factoring credit limit	Receivables sold	Receivables derecognized	Interest rate	Collateral
Taishin International Bank	<u>\$ 100,000</u>	<u>11,145</u>	<u>11,145</u>	-	Nil

The factoring credit limit is revolving. According to the factoring contracts, the Group does not assume the risk of uncollectible accounts receivable, but only the risk of loss due to commercial disputes.

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(g) Other receivables

	December 31, 2018	December 31, 2017
Reimbursement of advertising expense	\$ 393,522	168,072
Purchase discount	205,935	410,972
Others	534,642	444,864
Other receivables from related parties	<u>3,844</u>	<u>97</u>
	1,137,943	1,024,005
Less: loss allowance (note 6(f))	<u>(40,141)</u>	<u>-</u>
	<u>\$ 1,097,802</u>	<u>1,024,005</u>

As of December 31, 2018, except for other receivables amounting to \$40,141, for which the loss allowance is fully provided, no loss allowance was provided for the remaining receivables after management's assessment.

As of December 31, 2017, the Group expected that other receivables could be collected within one year, and no loss allowance was provided for after management's assessment.

(h) Inventories

	December 31, 2018	December 31, 2017
Raw materials	\$ 12,740,394	12,895,613
Work in process	27,809	27,685
Finished goods and merchandise	19,739,745	18,120,785
Spare parts	955,335	1,045,815
Inventories in transit	<u>8,613,126</u>	<u>7,989,323</u>
	<u>\$ 42,076,409</u>	<u>40,079,221</u>

For the years ended December 31, 2018 and 2017, the amounts of inventories recognized as cost of revenue were as follows :

	2018	2017
Cost of inventories sold	\$ 187,224,854	181,399,087
Inventories transferred to repairing cost	5,879,744	6,409,821
Write-down of inventories	<u>147,579</u>	<u>201,243</u>
	<u>\$ 193,252,177</u>	<u>188,010,151</u>

The reversal of write-down of inventories arose from the increase in the net realizable value or use of raw materials or sale of inventories.

(i) Non-current assets held for sale

On November 9, 2017, the Company's Board of Directors resolved to sell GWI's property and plant located in North Sioux City. The transaction has been completed in January 2018 and the disposal proceeds amounting to \$163,974 has been collected.

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On December 31, 2017, the original carrying amount of the property and plant was \$79,881 (net of accumulated impairment losses of \$365,628), and the disposal proceeds amounting to \$163,974 after deducting the cost of disposal was \$161,990; accordingly, the Group reversed its previously recognized impairment loss amounting to \$82,480, to the extent that the increased carrying amount of the property and land did not exceed the carrying amount that would have been determined had no impairment loss been recognized in prior years. The carrying amount after reversal of accumulated impairment losses was reclassified as non-current assets held for sale.

(j) Investments accounted for using equity method

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

Name of Associates and Joint Ventures	December 31, 2018		December 31, 2017	
	Percentage of ownership	Carrying amount	Percentage of ownership	Carrying amount
Associates :				
Aegis Semiconductor Technology Inc. ("ATI")	44.04	\$ 6,969	44.04	6,969
GrandPad Inc. ("GrandPAD")	37.75	246,389	43.28	261,457
ECOM Software Inc. ("ECS")	33.93	32,643	33.93	28,456
Bluechip Infotech Pty Ltd. ("Bluechip", note(i))	-	-	36.74	107,622
Innovation and Commercialization Accelerator Inc. ("ICA")	30.00	15,949	30.00	21,484
Consumer Insights Research (Chongqing) Inc. ("CIR")	30.00	10,251	30.00	12,370
Piovision International Inc. ("HPT")	29.41	15,022	30.16	16,271
Kbest Technology Inc. ("KBest")	29.84	25,616	29.84	91,095
Apex Material Technology Corp. ("AMTC")	8.14	382,766	-	-
Meldcx Pty Ltd. ("MPL")	15.81	12,634	16.22	23,309
Others	-	626	-	372
Joint Ventures:				
Smart Frequency Technology Inc. ("SFT", note(ii))	55.00	126,996	-	-
		<u>\$ 875,861</u>		<u>569,405</u>

Note (i): On March 14, 2018, the Company obtained control over Bluechip; therefore, Bluechip became a subsidiary of the Company since then. Please refer to notes 4(c) and note 6(k) for further details.

Note (ii): On August 3, 2018, the Company entered into a joint venture agreement with a third party, whereby the Group and the other party have joint control over SFT. This investment is accounted for using equity method.

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

	<u>2018</u>	<u>2017</u>
Attributable to the Group:		
Net loss	\$ (128,892)	(37,791)
Other comprehensive income	<u>(3,940)</u>	<u>741</u>
Total comprehensive income	<u><u>\$ (132,832)</u></u>	<u><u>(37,050)</u></u>

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

	<u>2018</u>	<u>2017</u>
Attributable to the Group:		
Net loss	\$ (5,004)	(838)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income	<u><u>\$ (5,004)</u></u>	<u><u>(838)</u></u>

(k) Acquisition of subsidiaries

(i) Acquisition of Bluechip Infotech Pty Ltd. (Bluechip)

1) The cost of acquisition

In order to strengthen the Group's connection with upstream and downstream industries of 3C products, the Company acquired 152 thousand shares of Bluechip, formerly an associate of the Company, for a cash consideration of \$8,739 on March 14, 2018. After the acquisition, the Company's interest in Bluechip increased from 30.23% to 34.52%, and the Group's total ownership of Bluechip reached 50.58% after taking AOI's 16.06% interest in Bluechip into account. The Company therefore became the largest shareholder of Bluechip and obtained control over it since then.

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- 2) In accordance with IFRSs, the identifiable assets acquired and liabilities assumed at the acquisition date are measured at fair value. Based on the evaluation performed by a specialist, the consideration paid for the acquisition and fair value information of assets acquired and liabilities assumed from the acquisition on the acquisition date are as follows:

Purchase consideration	\$	8,739
Add: Non-controlling interest in the acquiree (proportionate share of the fair value of the identifiable net assets)		105,682
Fair value of pre-existing interest in the acquiree		93,164
Less: Fair value of identifiable assets acquired and liabilities assumed		
Cash and cash equivalents	\$	7,668
Accounts receivable, net		280,568
Inventories		201,195
Other current assets		14,537
Financial assets measured at fair value through other comprehensive income—non-current		13,157
Property, plant and equipment		5,729
Intangible assets		24,759
Other non-current assets		9,676
Short-term borrowings		(79,409)
Accounts payable		(225,487)
Other current liabilities		(19,968)
Other non-current liabilities		<u>(18,455)</u> <u>(213,970)</u>
Gain on bargain purchase	\$	<u><u>(6,385)</u></u>

The Group remeasured the fair value of its existing 46.29% ownership of Bluechip at the acquisition date, and recognized a loss on disposal of investments of \$33,158 accordingly. The resulting loss, as well as the gain on bargain purchase of \$6,385, were classified under non-operating income and loss in the accompanying 2018 consolidated statement of comprehensive income.

- 3) Pro forma information

From the acquisition date to December 31, 2018, Bluechip contributed revenue of \$2,057,635 and net income of \$340 to the Group's operating results. If the acquisition had occurred on January 1, 2018, the management estimates that consolidated revenue would have been \$242,637,498, and consolidated net income after tax would have been \$2,895,792.

(Continued)

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(ii) Acquisition of AOPEN Inc. and its subsidiaries (AOI)

1) The cost of acquisition

In order to enhance resource integration and competitiveness of digital signage business, on November 24, 2017, the Company subscribed to 28,970 thousand shares of AOI through the private placement conducted by AOI for cash of \$333,155 (\$11.5 New Taiwan dollars per share), resulting in 40.55% ownership of AOI. The Company became the largest shareholder of AOI and obtained control over it since then.

2) In accordance with IFRSs, the identifiable assets acquired and liabilities assumed at the acquisition date are measured at fair value. Based on the evaluation performed by a specialist, the consideration paid for the acquisition and fair value information of assets acquired and liabilities assumed from the acquisition on the acquisition date are as follows:

Purchase consideration	\$	333,155
Add: Non-controlling interest in the acquiree (proportionate share of the fair value of the identifiable net assets)		489,747
Less: Fair value of identifiable assets acquired and liabilities assumed		
Cash and cash equivalents	\$	820,168
Notes and accounts receivable, net		264,898
Other receivables		18,168
Inventories		178,523
Other current assets		117,723
Available-for-sale financial assets — non-current		330,473
Investments accounted for using equity method		48,783
Property, plant and equipment		16,504
Intangible assets		4,880
Other non-current assets		9,549
Short-term borrowings		(430,722)
Notes and accounts payable		(206,440)
Other payables		(130,813)
Provisions — current		(29,772)
Current income tax liabilities		(8,885)
Other current liabilities		(94,624)
Deferred income tax liabilities		(57,941)
Other non-current liabilities		(26,718)
Gain on bargain purchase	\$	<u>(852)</u>

The abovementioned gain on bargain purchase of \$852 was included in non-operating income and loss in the accompanying 2017 consolidated statement of comprehensive income.

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3) Pro forma information

From the acquisition date to December 31, 2017, AOI contributed revenue of \$91,753 and net loss of \$(14,047) to the Group's results. If the acquisition had occurred on January 1, 2017, the management estimates that consolidated revenue would have been \$238,537,983, and consolidated net income after tax would have been \$2,692,379.

(iii) Acquisition of StarVR Corporation (ASBZ)

1) The cost of acquisition

To enhance development on design, manufacture, and marketing of virtual reality (VR) products, the Company subscribed to 16,000 thousand shares of ASBZ, formerly a joint venture of the Company, for cash of \$160,000 on October 20, 2017, resulting in an increase in its ownership of ASBZ from 50% to 66.67%, and the Company obtained control over ASBZ thereafter.

2) In accordance with IFRSs, the identifiable assets acquired and liabilities assumed at the acquisition date are measured at fair value. Based on the evaluation performed by a specialist, the consideration paid for the acquisition and fair value information of assets acquired and liabilities assumed from the acquisition on the acquisition date are as follows:

Purchase consideration	\$	160,000
Add: Non-controlling interest in the acquiree (proportionate share of the fair value of the identifiable net assets)		160,139
Fair value of pre-existing interest in the acquiree		160,000
Less: Fair value of identifiable assets acquired and liabilities assumed		
Cash and cash equivalents	\$	185,746
Notes and accounts receivable, net		83,891
Other receivables		164
Inventories		14,514
Other current assets		20,007
Property, plant and equipment		6,551
Other non-current assets		360
Investments in debt instrument without an active market — non-current		296,555
Notes and accounts payable		(31,809)
Other payables		(86,019)
Provisions — current		(9,541)
Other current liabilities		(2)
Gain on bargain purchase		<u><u>\$ (278)</u></u>

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The Company remeasured the fair value of its existing 50% ownership of ASBZ at the acquisition date, and recognized a loss on disposal of investments of \$209 accordingly. The resulting loss, as well as the gain on bargain purchase of \$278, were classified under non-operating income and loss in the accompanying 2017 consolidated statement of comprehensive income .

3) Pro forma information

From the acquisition date to December 31, 2017, ASBZ contributed revenue of \$18,346 and net loss of \$(23,848) to the Group's results. If the acquisition had occurred on January 1, 2017, the management estimates that consolidated revenue would have been \$237,308,781, and consolidated net income after tax would have been \$2,716,981.

(l) Property, plant and equipment

The movements of cost, and accumulated depreciation and impairment loss of the property, plant and equipment were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Computer and communication equipment</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Cost or deemed cost:						
Balance at January 1, 2018	\$ 1,492,420	3,020,847	4,368,313	3,088,479	1,553	11,971,612
Acquisition through business combination (note 6(k))	-	-	27,041	52,848	-	79,889
Additions	-	5,120	67,912	144,874	12,692	230,598
Disposals	-	(684)	(194,832)	(145,008)	-	(340,524)
Reclassification from investment property	1,281	2,361	-	-	-	3,642
Other reclassification and effect of exchange rate changes	(88)	381	24,367	(66,125)	(7,847)	(49,312)
Balance at December 31, 2018	<u>\$ 1,493,613</u>	<u>3,028,025</u>	<u>4,292,801</u>	<u>3,075,068</u>	<u>6,398</u>	<u>11,895,905</u>
Balance at January 1, 2017	\$ 1,508,489	3,725,781	4,310,786	2,870,852	970	12,416,878
Acquisition through business combination (note 6(k))	-	7,207	28,670	352,011	224	388,112
Additions	-	14,145	157,006	109,809	1,434	282,394
Disposals	(7,998)	(106,934)	(140,968)	(214,714)	-	(470,614)
Reclassification from investment property	39,903	-	-	-	-	39,903
Reclassification to non-current assets held for sale	(51,753)	(591,073)	-	-	-	(642,826)
Other reclassification and effect of exchange rate changes	3,779	(28,279)	12,819	(29,479)	(1,075)	(42,235)
Balance at December 31, 2017	<u>\$ 1,492,420</u>	<u>3,020,847</u>	<u>4,368,313</u>	<u>3,088,479</u>	<u>1,553</u>	<u>11,971,612</u>
Accumulated depreciation and impairment loss:						
Balance at January 1, 2018	\$ 141,231	1,925,905	3,473,521	2,324,396	-	7,865,053
Acquisition through business combination (note 6(k))	-	-	23,394	50,766	-	74,160
Depreciation	-	74,994	267,134	71,678	-	413,806
Disposals	-	(593)	(187,861)	(136,521)	-	(324,975)
Other reclassification and effect of exchange rate changes	-	(260,710)	257,365	24,454	-	21,109
Balance at December 31, 2018	<u>\$ 141,231</u>	<u>1,739,596</u>	<u>3,833,553</u>	<u>2,334,773</u>	<u>-</u>	<u>8,049,153</u>

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	<u>Land</u>	<u>Buildings</u>	<u>Computer and communication equipment</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Balance at January 1, 2017	\$ 159,682	2,504,352	3,303,924	2,127,768	-	8,095,726
Acquisition through business combination (note 6(k))	-	5,948	45,832	309,287	-	361,067
Reversal of impairment loss (note 6(i))	-	(82,480)	-	-	-	(82,480)
Depreciation	-	80,172	266,927	147,862	-	494,961
Disposals	-	(102,055)	(137,894)	(200,727)	-	(440,676)
Reclassification from investment property	14,690	-	-	-	-	14,690
Reclassification to non-current assets held for sale	(30,646)	(450,190)	-	-	-	(480,836)
Other reclassification and effect of exchange rate changes	(2,495)	(29,842)	(5,268)	(59,794)	-	(97,399)
Balance at December 31, 2017	<u>\$ 141,231</u>	<u>1,925,905</u>	<u>3,473,521</u>	<u>2,324,396</u>	<u>-</u>	<u>7,865,053</u>
Carrying amounts:						
Balance at December 31, 2018	<u>\$ 1,352,382</u>	<u>1,288,429</u>	<u>459,248</u>	<u>740,295</u>	<u>6,398</u>	<u>3,846,752</u>
Balance at December 31, 2017	<u>\$ 1,351,189</u>	<u>1,094,942</u>	<u>894,792</u>	<u>764,083</u>	<u>1,553</u>	<u>4,106,559</u>

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

(m) Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Cost or deemed cost:			
Balance at January 1, 2018	\$ 1,155,710	3,234,411	4,390,121
Reclassification to property, plant and equipment	(1,281)	(2,361)	(3,642)
Balance at December 31, 2018	<u>\$ 1,154,429</u>	<u>3,232,050</u>	<u>4,386,479</u>
Balance at January 1, 2017	\$ 1,195,613	3,234,411	4,430,024
Reclassification to property, plant and equipment	(39,903)	-	(39,903)
Balance at December 31, 2017	<u>\$ 1,155,710</u>	<u>3,234,411</u>	<u>4,390,121</u>
Accumulated depreciation and impairment loss:			
Balance at January 1, 2018	\$ 429,034	2,819,888	3,248,922
Depreciation	-	10,092	10,092
Other reclassification	-	5,080	5,080
Balance at December 31, 2018	<u>\$ 429,034</u>	<u>2,835,060</u>	<u>3,264,094</u>
Balance at January 1, 2017	\$ 443,724	2,805,983	3,249,707
Depreciation	-	13,905	13,905
Reclassification to property, plant and equipment	(14,690)	-	(14,690)
Balance at December 31, 2017	<u>\$ 429,034</u>	<u>2,819,888</u>	<u>3,248,922</u>
Carrying amounts:			
Balance at December 31, 2018	<u>\$ 725,395</u>	<u>396,990</u>	<u>1,122,385</u>
Balance at December 31, 2017	<u>\$ 726,676</u>	<u>414,523</u>	<u>1,141,199</u>
Fair value:			
Balance at December 31, 2018			<u>\$ 1,645,039</u>
Balance at December 31, 2017			<u>\$ 1,654,828</u>

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The fair value of the investment property is determined by referring to the market price of similar real estate transaction, the valuation (the inputs used in the fair value measurement were classified to level 3) by an independent appraiser or the value in use of the investment property. The value in use is the present value of the future cash flows from continuous lease activities. On December 31, 2018 and 2017, the estimated discount rate used for calculating the present value of the future cash flows was 6.13% and 4.90%, respectively.

For certain land acquired, the ownership registration has not been transferred to the land acquirer, APDI, a subsidiary of the Company. To protect its interests, APDI has obtained signed deeds of assignment from the titleholders assigning all rights and obligations related to the land to APDI. Additionally, the land title certificates are held by APDI, and APDI has registered its liens thereon.

(n) Intangible assets

(i) The movements of costs, and accumulated amortization and impairment loss of intangible assets were as follows:

	Goodwill	Trademarks and trade names	Others	Total
Net balance at January 1, 2018:				
Cost	\$ 24,913,482	10,308,445	10,680,053	45,901,980
Accumulated amortization and impairment loss	(8,235,676)	(10,308,445)	(10,173,708)	(28,717,829)
Net balance at January 1, 2018	<u>16,677,806</u>	<u>-</u>	<u>506,345</u>	<u>17,184,151</u>
Additions	-	-	218,040	218,040
Acquisition through business combination (note 6(k))	-	-	24,759	24,759
Disposals	-	-	(150)	(150)
Reclassification	-	-	37,211	37,211
Amortization	-	-	(412,880)	(412,880)
Effect of exchange rate changes	277,341	-	(17,128)	260,213
Net balance at December 31, 2018	<u><u>\$ 16,955,147</u></u>	<u><u>-</u></u>	<u><u>356,197</u></u>	<u><u>17,311,344</u></u>
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)
	<u><u>\$ 16,955,147</u></u>	<u><u>-</u></u>	<u><u>356,197</u></u>	<u><u>17,311,344</u></u>
Net balance at January 1, 2017:				
Cost	\$ 26,488,199	10,339,474	12,362,876	49,190,549
Accumulated amortization and impairment loss	(8,878,494)	(10,326,979)	(11,389,154)	(30,594,627)
Net balance at January 1, 2017	<u>17,609,705</u>	<u>12,495</u>	<u>973,722</u>	<u>18,595,922</u>
Additions	-	-	38,846	38,846
Acquisition through business combination (note 6(k))	-	-	25,308	25,308
Disposals	-	-	(2,319)	(2,319)
Reclassification	-	-	9,395	9,395
Amortization	-	(12,113)	(515,769)	(527,882)
Effect of exchange rate changes	(931,899)	(382)	(22,838)	(955,119)
Net balance at December 31, 2017	<u><u>\$ 16,677,806</u></u>	<u><u>-</u></u>	<u><u>506,345</u></u>	<u><u>17,184,151</u></u>
Net balance at December 31, 2017:				
Cost	\$ 24,913,482	10,308,445	10,680,053	45,901,980
Accumulated amortization and impairment loss	(8,235,676)	(10,308,445)	(10,173,708)	(28,717,829)
	<u><u>\$ 16,677,806</u></u>	<u><u>-</u></u>	<u><u>506,345</u></u>	<u><u>17,184,151</u></u>

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

	2018	2017
Cost of revenue	\$ 75,663	4,395
Operating expenses	337,217	523,487
	<u>\$ 412,880</u>	<u>527,882</u>

(ii) Impairment test on goodwill and other intangible assets

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

	RO-EMEA	RO-PA	RO-PAP	Other CGUs without significant goodwill	Total
Balance at January 1, 2018	\$ 9,622,754	1,533,689	5,503,641	17,722	16,677,806
Effect of exchange rate changes	215,134	42,255	19,952	-	277,341
Balance at December 31, 2018	<u>\$ 9,837,888</u>	<u>1,575,944</u>	<u>5,523,593</u>	<u>17,722</u>	<u>16,955,147</u>
Balance at January 1, 2017	\$ 10,205,982	1,649,760	5,736,241	17,722	17,609,705
Effect of exchange rate changes	(583,228)	(116,071)	(232,600)	-	(931,899)
Balance at December 31, 2017	<u>\$ 9,622,754</u>	<u>1,533,689</u>	<u>5,503,641</u>	<u>17,722</u>	<u>16,677,806</u>

The recoverable amount of a CGU was determined based on the value in use, and the related key assumptions were as follows:

- 1) The cash flow projections were based on historical operating performance and future financial budgets, covering a period of 5 years, approved by management. Cash flows beyond that 5-year period have been extrapolated using zero growth rate.
- 2) Discount rates used to determine the value in use for each CGU were as follows:

	RO-EMEA	RO-PA	RO-PAP
December 31, 2018	17.9 %	11.3 %	22.9 %
December 31, 2017	19.4 %	11.1 %	23.3 %

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

Based on the impairment assessments conducted in 2018 and 2017, no impairment losses were recognized as the recoverable amount of CGUs were higher than their carrying amounts.

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Notes to Consolidated Financial Statements

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

	December 31, 2018	December 31, 2017
Overpaid VAT retained for offsetting against future tax payable	\$ 2,443,710	2,259,644
Prepaid income tax	1,254,913	921,297
Prepaid royalty and other prepayments	821,591	824,862
Right to goods to be returned	448,545	-
Others	220,119	173,606
	\$ 5,188,878	4,179,409
Current	\$ 3,756,396	3,078,330
Non-current	1,432,482	1,101,079
	\$ 5,188,878	4,179,409

(p) Short-term borrowings

	December 31, 2018	December 31, 2017
Unsecured bank loans	\$ 613,713	482,894
Secured bank loans	43,327	-
	\$ 657,040	482,894
Unused credit facilities	\$ 29,622,157	29,583,089
Interest rate	0.86%~4.88%	0.98%~4.30%

Refer to note 8 for a description of the Group's assets pledged as collateral for bank loans.

(q) Other current liabilities and other non-current liabilities

	December 31, 2018	December 31, 2017
Other current liabilities:		
Income tax payable	\$ 1,159,370	955,760
Output VAT	897,381	817,798
Deferred revenue — current	-	424,369
Others	562,841	609,083
	\$ 2,619,592	2,807,010
Other non-current liabilities:		
Net defined benefit liabilities (note 6(u))	\$ 1,455,640	1,429,415
Deferred revenue — non-current	-	384,365
Others	223,798	196,765
	\$ 1,679,438	2,010,545

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(r) Long-term debt

Type of Loan	Creditor	Credit Line	Term	December 31, 2018	December 31, 2017
Unsecured loan	Bank of Taiwan and other banks	The term tranche of \$6 billion may be withdrawn separately within twelve months from the date of the initial withdrawal; three-year limit, during which, revolving credits are disallowed	The loan is repayable in 6 quarterly installments (\$0.9 billion for the first to the fifth installments, and \$1.5 billion for the sixth installment) starting February 2018. The Company early repaid \$3.3 billion in November 2017, and repaid \$2.7 billion in August 2018.	-	2,700,000
		Revolving tranche of \$6 billion; three-year limit	One-time repayment in full when due. The credit facility has not been used.	-	-
	Bank of Taiwan	The term tranche of \$4 billion may be withdrawn separately within six months from the contract date; revolving credits are allowed.	The interest is paid monthly starting November 2017. The principal will be repaid in lump sum amount when due in September 2020. Interest rate is adjusted quarterly.	3,300,000	3,300,000
Unsecured loan				18,407	-
Secured loan				1,681	2,457
Less: current portion of long-term debt				(4,112)	(2,701,958)
				<u>\$ 3,315,976</u>	<u>3,300,499</u>
Unused credit facilities				<u>\$ 2,400,000</u>	<u>6,700,000</u>
Interest rate				<u>0.98%~3.92%</u>	<u>0.98%~3.92%</u>

The Company entered into a syndicated loan agreement with Bank of Taiwan (the lead bank of the syndicated loan) and other banks in April 2016. According to the syndicated loan agreements, the Company is required to maintain certain financial ratios calculated based on its annual and semi-annual consolidated financial statements. The Company was in compliance with the financial covenants on December 31, 2017. Furthermore, there were no financial covenants required for the unsecured loan agreements with Bank of Taiwan in November 2017. Please refer to note 6(ad) for related interest expense from the abovementioned bank loans.

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

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(s) Provisions

	<u>Warranties</u>	<u>Litigation</u>	<u>Sales returns</u>	<u>Environmental protection and others</u>	<u>Total</u>
Balance at January 1, 2018	\$ 4,985,144	266,120	1,281,123	169,306	6,701,693
Reclassification to refund liabilities upon initial application of IFRS 15 on January 1, 2018	-	-	(1,281,123)	-	(1,281,123)
Additions	5,124,428	7,509	-	109,238	5,241,175
Amount utilized and reversed	(5,255,337)	(12,932)	-	(80,902)	(5,349,171)
Effect of exchange rate changes	(45,880)	7,319	-	1,580	(36,981)
Balance at December 31, 2018	<u>\$ 4,808,355</u>	<u>268,016</u>	<u>-</u>	<u>199,222</u>	<u>5,275,593</u>
Current	\$ 4,808,355	264,890	-	166,107	5,239,352
Non-current	-	3,126	-	33,115	36,241
	<u>\$ 4,808,355</u>	<u>268,016</u>	<u>-</u>	<u>199,222</u>	<u>5,275,593</u>
Balance at January 1, 2017	\$ 4,830,430	289,160	1,186,327	230,909	6,536,826
Assumed in a business combination	38,700	-	-	613	39,313
Additions	5,429,579	17,252	4,057,256	100,608	9,604,695
Amount utilized and reversed	(5,289,614)	(19,862)	(3,869,730)	(160,591)	(9,339,797)
Effect of exchange rate changes	(23,951)	(20,430)	(92,730)	(2,233)	(139,344)
Balance at December 31, 2017	<u>\$ 4,985,144</u>	<u>266,120</u>	<u>1,281,123</u>	<u>169,306</u>	<u>6,701,693</u>
Current	\$ 4,985,144	262,942	1,281,123	126,792	6,656,001
Non-current	-	3,178	-	42,514	45,692
	<u>\$ 4,985,144</u>	<u>266,120</u>	<u>1,281,123</u>	<u>169,306</u>	<u>6,701,693</u>

(i) Warranties

The provision for warranties is made based on the number of units sold currently under warranty, historical rates of warranty claim on those units, and cost per claim to satisfy the warranty obligation. The Group reviews the estimation basis on an ongoing basis and revises it when appropriate.

(ii) Litigation

Litigation provisions are recorded for pending litigation when it is determined that an unfavorable outcome is probable and the amount of loss can be reasonably estimated.

(iii) Sales returns

Expected sales returns are estimated based on historical experience.

(iv) Environmental protection and others

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

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(t) Operating lease

(i) Lessee

The Group leased offices and warehouses under operating leases. The future minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2018	December 31, 2017
Not later than 1 year	\$ 753,752	604,211
Later than 1 year but not later than 5 years	1,485,061	1,336,228
Later than 5 years	<u>406,712</u>	<u>382,898</u>
	<u>\$ 2,645,525</u>	<u>2,323,337</u>

For the years ended December 31, 2018 and 2017, rental expenses of \$800,231 and \$781,711, respectively, were recognized and included in the cost of revenue and operating expenses.

(ii) Lessor

The Group leased its investment property under operating leases. The future minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2018	December 31, 2017
Not later than 1 year	\$ 55,007	53,858
Later than 1 year but not later than 5 years	45,962	78,086
Later than 5 years	<u>-</u>	<u>873</u>
	<u>\$ 100,969</u>	<u>132,817</u>

In 2018 and 2017, the rental income from investment property amounted to \$69,525 and \$64,445, respectively, were recognized and included in other operating income and loss. Related repair and maintenance expenses recognized and included in operating expense were as follows:

	2018	2017
Arising from investment property that generated rental income during the period	\$ 31,998	27,001
Arising from investment property that did not generate rental income during the period	<u>27,731</u>	<u>34,326</u>
	<u>\$ 59,729</u>	<u>61,327</u>

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ACER INCORPORATED AND SUBSIDIARIES
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(u) Employee benefits

(i) Defined benefit plans

The reconciliation between the present value of defined benefit obligations and the net defined benefit liabilities (assets) for defined benefit plans was as follows:

	December 31, 2018	December 31, 2017
Present value of benefit obligations	\$ 2,620,657	2,428,616
Fair value of plan assets	<u>(1,165,017)</u>	<u>(999,201)</u>
Net defined benefit liabilities (reported under other non-current liabilities)	<u>\$ 1,455,640</u>	<u>1,429,415</u>
	December 31, 2018	December 31, 2017
Present value of benefit obligations	\$ 50,802	43,017
Fair value of plan assets	<u>(76,493)</u>	<u>(73,517)</u>
Net defined benefit assets (reported under other non-current assets)	<u>\$ (25,691)</u>	<u>(30,500)</u>

The Company and its domestic subsidiaries make defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pension benefits for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive a payment based on years of service and average salary for the six months prior to the employee's retirement.

Foreign subsidiaries, including AJC, ATH, AIN, AMI, AIL, APHI, AEG, ASZ, AIT, ASIN, ACF and AOJ, also have defined benefit pension plans based on their respective local laws and regulations.

1) Composition of plan assets

The pension fund (the "Fund") contributed by the Company and its domestic subsidiaries is managed and administered by the Bureau of Labor Funds of the Ministry of Labor (the Bureau of Labor Funds). According to the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund", with regard to the utilization of the Fund, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks. The Company and its domestic subsidiaries also established pension funds in accordance with the "Regulations Governing the Management, Investment, and Distribution of the Employees' Retirement Fund Established by a Profit-seeking Enterprise", which are funded by time deposits and bank deposits deposited in the designated financial institutions. The administration of pension funds is separate from the Group, and the principal and interest from such funds shall not be used in any form except for the payment of pension and severance to employees.

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Foreign subsidiaries with defined benefit pension plans make pension contributions to pension management institutions in accordance with their respective local regulations.

As of December 31, 2018 and 2017, the Group's fair value of plan assets, by major categories, were as follows:

	December 31, 2018	December 31, 2017
Cash	\$ 609,069	481,557
Equity instruments	342,942	332,136
Instruments with fixed return	72,289	58,661
Real estate	217,210	200,364
	<u>\$ 1,241,510</u>	<u>1,072,718</u>

Cash includes the labor pension fund assets. For information on the domestic labor pension fund assets (including the asset portfolio and yield of the fund), please refer to the website of the Bureau of Labor Funds.

2) Movements in present value of the defined benefit obligations

	2018	2017
Defined benefit obligations at January 1	\$ 2,471,633	2,260,187
Current service costs	199,988	210,124
Interest expense	31,200	28,054
Remeasurement on the net defined benefit liabilities (assets) :		
Actuarial loss (gain) arising from experience adjustments	25,144	61,023
Actuarial loss (gain) arising from changes in demographic assumption	1,866	2,431
Actuarial loss (gain) arising from changes in financial assumption	(18,267)	(8,890)
Benefits paid by the Group and the plan	(80,164)	(145,648)
Past service costs and settlement loss (gain)	(54,638)	203
Liabilities assumed in a business combination	-	63,261
Effect of exchange rate changes	90,693	(19,211)
Contributions by plan participants	4,004	20,099
Defined benefit obligations at December 31	<u>\$ 2,671,459</u>	<u>2,471,633</u>

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ACER INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

3) Movements in fair value of plan assets

	2018	2017
Fair value of plan assets at January 1	\$ 1,072,718	965,157
Interest income	9,534	10,363
Remeasurement on the net defined benefit liabilities (assets):		
Return on plan assets (excluding amounts included in net interest expense)	9,425	19,119
Benefits paid by the plan	(73,198)	(135,291)
Contributions by plan participants	4,004	20,099
Contributions by the employer	144,191	123,533
Assets acquired through business combination	-	37,666
Loss on curtailment	(3,377)	-
Effect of exchange rate changes	78,213	32,072
Fair value of plan assets at December 31	<u><u>\$ 1,241,510</u></u>	<u><u>1,072,718</u></u>

4) Changes in the effect of the asset ceiling

In 2018 and 2017, there was no effect of the asset ceiling.

5) Expenses recognized in profit or loss

	2018	2017
Current service costs	\$ 199,988	210,124
Net interest expense	21,666	17,691
Past service costs and settlement loss (gain)	(54,638)	203
Loss on curtailment	3,377	-
	<u><u>\$ 170,393</u></u>	<u><u>228,018</u></u>
Classified under operating expense	<u><u>\$ 170,393</u></u>	<u><u>228,018</u></u>

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

	2018	2017
Cumulative amount at January 1	\$ (138,120)	(102,675)
Recognized during the period	682	(35,445)
Cumulative amount at December 31	<u><u>\$ (137,438)</u></u>	<u><u>(138,120)</u></u>

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ACER INCORPORATED AND SUBSIDIARIES
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7) Actuarial assumptions

The principal assumptions of the actuarial valuation were as follows:

	December 31, 2018	December 31, 2017
Discount rate	0.90%~8.19%	0.30%~7.63%
Future salary increases rate	1.00%~6.00%	1.00%~6.00%

The weighted-average duration of the defined benefit plans ranges from 5 years to 27 years. The Group expects to make contribution of \$118,423 to the defined benefit plans in the year following December 31, 2018.

8) Sensitivity analysis

When calculating the present value of the defined benefit obligations, the Group uses judgments and estimations to determine the actuarial assumptions for each measurement date, including discount rates and future salary changes. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations.

The following table summarizes the impact of a change in the assumptions on the present value of the defined benefit obligation on December 31, 2018 and 2017.

	December 31, 2018		December 31, 2017	
	0.25% Increase	0.25% Decrease	0.25% Increase	0.25% Decrease
Discount rate	\$ <u>(111,459)</u>	<u>112,668</u>	<u>(102,352)</u>	<u>115,350</u>
Future salary change	\$ <u>55,284</u>	<u>(71,357)</u>	<u>61,642</u>	<u>(59,065)</u>

Each sensitivity analysis considers the change in one assumption at a time, leaving the other assumptions unchanged. This approach shows the isolated effect of changing one individual assumption but does not take into account that some assumptions are related. The method used to carry out the sensitivity analysis is the same as the calculation of the net defined benefit liabilities recognized in the balance sheets. The method used to carry out the sensitivity analysis is the same as in the prior year.

(ii) Defined contribution plans

The Company and its domestic subsidiaries contribute monthly an amount equal to 6% of each employee's monthly wages to the employee's individual pension fund account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Group has no legal or constructive obligation to pay additional amounts after contributing a fixed amount to the Bureau of Labor Insurance. Foreign subsidiaries make contributions in compliance with their respective local regulations.

For the years ended December 31, 2018 and 2017, the Group recognized pension expenses of \$390,521 and \$350,873, respectively, in relation to the defined contribution plans.

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(v) Income taxes

- (i) Income tax returns of the Group are filed individually by each entity and not on a combined basis. The Company and its subsidiaries incorporated in the R.O.C. are subject to R.O.C. income tax at a rate of 20% and 17% for fiscal years 2018 and 2017, respectively. Foreign subsidiaries are subject to income tax in accordance with their respective local tax law and regulations. The components of income tax expense were as follows:

	<u>2018</u>	<u>2017</u>
Current income tax expense (benefit)		
Current period	\$ 817,245	471,755
Adjustments for prior years	<u>59,917</u>	<u>(150,444)</u>
	<u>877,162</u>	<u>321,311</u>
Deferred tax expense (benefit)		
Origination and reversal of temporary differences	241,488	3,194,749
Adjustment in tax rate	108,501	-
Change in unrecognized deductible temporary differences and tax losses	<u>123,269</u>	<u>(2,873,661)</u>
	<u>473,258</u>	<u>321,088</u>
Income tax expense	<u><u>\$ 1,350,420</u></u>	<u><u>642,399</u></u>

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

	<u>2018</u>	<u>2017</u>
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit plans	\$ (22,695)	(11,050)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	<u>3,596</u>	<u>(18)</u>
	<u><u>\$ (19,099)</u></u>	<u><u>(11,068)</u></u>

Reconciliation between the expected income tax expense calculated based on the Company's statutory tax rate and the actual income tax expense reported in the consolidated statements of comprehensive income (loss) was as follows:

	<u>2018</u>	<u>2017</u>
Income before taxes	<u><u>\$ 4,252,380</u></u>	<u><u>3,439,132</u></u>
Income tax using the Company's statutory tax rate	\$ 850,476	584,652
Effect of different tax rates in foreign jurisdictions	275,442	371,004
Adjustments for prior-year income tax expense	59,917	(150,444)
Change in unrecognized temporary differences and tax losses	123,269	(696,550)
Others	<u>41,316</u>	<u>533,737</u>
	<u><u>\$ 1,350,420</u></u>	<u><u>642,399</u></u>

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ACER INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(ii) Deferred income tax assets and liabilities

1) Unrecognized deferred income tax assets

	December 31, 2018	December 31, 2017
Tax losses	\$ 5,393,658	5,361,238
Loss associated with investments in subsidiaries	3,260,493	2,818,394
Deductible temporary differences	<u>4,047,657</u>	<u>3,768,943</u>
	<u>\$ 12,701,808</u>	<u>11,948,575</u>

The above deferred income tax assets were not recognized as management believed that it is not probable that future taxable profits will be available against which the Group can utilize the benefits therefrom.

Each entity in the Group is entitled to use tax losses to offset future taxable income in accordance with the respective local tax regulations of each jurisdiction. As of December 31, 2018, the tax affects unrecognized tax losses and the respective expiry years were as follows:

Tax effects of tax losses	Year of expiry
\$ 242,843	2019
88,594	2020
372,819	2021
232,135	2022
<u>4,457,267</u>	2023 and thereafter
<u>\$ 5,393,658</u>	

2) Unrecognized deferred income tax liabilities

	December 31, 2018	December 31, 2017
Net profits associated with investments in subsidiaries	<u>\$ 3,193,633</u>	<u>4,161,413</u>

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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ACER INCORPORATED AND SUBSIDIARIES
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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:

	<u>Inventory</u>	<u>Accrued expenses and provisions</u>	<u>Unused tax loss carryforwards</u>	<u>Others</u>	<u>Total</u>
Balance at January 1, 2018	\$ 169,233	249,466	114,514	123,265	656,478
Recognized in profit or loss	(7,379)	241,839	(29,004)	25,618	231,074
Recognized in other comprehensive income (loss)	-	-	-	19,728	19,728
Effect of exchange rate changes	-	-	-	(16,822)	(16,822)
Balance at December 31, 2018	<u>\$ 161,854</u>	<u>491,305</u>	<u>85,510</u>	<u>151,789</u>	<u>890,458</u>
Balance at January 1, 2017	\$ 160,791	266,522	116,972	117,992	662,277
Recognized in profit or loss	8,442	(17,056)	(2,458)	(19,974)	(31,046)
Recognized in other comprehensive income (loss)	-	-	-	11,068	11,068
Effect of exchange rate changes	-	-	-	14,179	14,179
Balance at December 31, 2017	<u>\$ 169,233</u>	<u>249,466</u>	<u>114,514</u>	<u>123,265</u>	<u>656,478</u>

Deferred income tax liabilities:

	<u>Unremitted earnings from subsidiaries</u>	<u>Unrealized foreign exchange gain and unrealized gain on valuation of financial instruments</u>	<u>Intangible assets</u>	<u>Others</u>	<u>Total</u>
Balance at January 1, 2018	\$ 696,886	152,097	181,467	10,246	1,040,696
Recognized through business combination	-	-	-	3,534	3,534
Recognized in profit or loss	741,988	(75,063)	28,445	8,962	704,332
Recognized in other comprehensive income (loss)	-	-	-	629	629
Balance at December 31, 2018	<u>\$ 1,438,874</u>	<u>77,034</u>	<u>209,912</u>	<u>23,371</u>	<u>1,749,191</u>
Balance at January 1, 2017	\$ 564,619	8,117	106,126	13,851	692,713
Assumed through business combination	57,863	-	-	78	57,941
Recognized in profit or loss	74,404	143,980	75,341	(3,683)	290,042
Balance at December 31, 2017	<u>\$ 696,886</u>	<u>152,097</u>	<u>181,467</u>	<u>10,246</u>	<u>1,040,696</u>

(iii) No income tax expense was recognized directly in equity for 2018 and 2017.

(iv) Except for 2015, the Company's income tax returns for the years through 2016 were examined and approved by the R.O.C. income tax authorities.

(Continued)

ACER INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(w) Capital and other equity

(i) Common stock

The Company had issued 17,460 thousand shares of restricted stock to its employees on August 26, 2014. In 2018 and 2017, the Company recalled 1,569 thousand shares and 4,230 thousand shares, respectively, of restricted stock from certain employees due to their resignation and retirement, as well as failing to meet certain vesting conditions. The Board of Directors had approved the capital reductions for retirement of restricted shares issued to employees and the related registration process has been completed.

As of December 31, 2018 and 2017, the Company had issued 5,858 thousand units and 6,446 thousand units, respectively, of global depository receipts (GDRs). The GDRs were listed on the London Stock Exchange, and each GDR represents five common shares.

As of December 31, 2018 and 2017, the Company's authorized shares of common stock consisted of 3,500,000 thousand shares, of which 3,074,934 thousand shares and 3,076,503 thousand shares, respectively, were issued. The par value of the Company's common stock is \$10 per share. All issued shares were paid up upon issuance.

Certain shares of common stock were not outstanding as they were held by the Company's subsidiaries or were non-vested restricted stock. The movements in outstanding shares of common stock in 2018 and 2017 were as follows (in thousands of shares):

	2018	2017
Balance at January 1	3,026,277	3,026,277
Vested restricted stock	1,911	-
Balance at December 31	<u>3,028,188</u>	<u>3,026,277</u>

(ii) Capital surplus

	December 31, 2018	December 31, 2017
Paid-in capital in excess of par value	\$ 11,101,376	13,173,098
Surplus from mergers	16,027,221	16,027,221
Surplus related to treasury stock transactions and cash dividend	340,556	307,802
Difference between consideration and carrying amount of subsidiaries acquired or disposed	100,600	-
Employee share options	90,000	90,000
Surplus from equity-method investments	253,598	173,516
Restricted stock issued to employees	-	80,547
	<u>\$ 27,913,351</u>	<u>29,852,184</u>

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Pursuant to the Company Act, any realized capital surplus is initially used to cover accumulated deficit, and the balance, if any, could be transferred to common stock as stock dividends or distributed by cash based on the original shareholding ratio. Realized capital surplus includes the premium derived from the issuance of shares of stock in excess of par value and donations received by the Company. In accordance with the “Regulations Governing the Offering and Issuance of Securities by Securities Issuers”, distribution of stock dividends from capital surplus in any one year shall not exceed 10% of paid-in capital.

(iii) Legal reserve, special reserve, and dividend policy

The Company’s Articles of Incorporation stipulate that at least 10% of annual net income, after deducting accumulated deficit, if any, must be retained as legal reserve until such retention equals the amount of paid-in capital. In addition, a special reserve shall be set aside in accordance with applicable laws and regulations. The remaining balance, together with the unappropriated earnings from the previous years, after retaining a certain portion of it for business considerations, can be distributed as dividends to stockholders. Except for the distribution of capital surplus and legal reserve in accordance with applicable laws and regulations, the Company cannot distribute any earnings when there are no retained earnings.

Since the Company operates in an industry experiencing rapid change and development, earnings are distributed in consideration of the current year’s earnings, the overall economic environment, related laws and decrees, and the Company’s long-term development and stability in its financial position. The Company has adopted a stable dividend policy, in which a cash dividend comprises at least 10% of the total dividend distribution.

Additionally, according to the Company Act, a company shall first retain 10% of its income after taxes as legal reserve until such retention equals the amount of paid-in capital. If a company has no accumulated deficit, it may, pursuant to a resolution approved by the stockholders, distribute its legal reserve by issuing new shares or distributing cash for the portion of legal reserve which exceeds 25% of the paid-in capital.

In accordance with Ruling No. 1010047490 issued by the FSC on November 21, 2012, a special reserve shall be retained at an amount equal to the proportionate share of the carrying value of the treasury stock held by subsidiaries in excess of the market value at the reporting date. The special reserve may be reversed when the market value recovers in subsequent periods.

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a special reserve equal to the total amount of items that are accounted for as deductions from stockholders’ equity shall be set aside from current and prior-year earnings. This special reserve shall revert to retained earnings and be made available for distribution when the items that are accounted for as deductions from stockholders’ equity are reversed in subsequent periods.

On June 15, 2018, the Company’s shareholders approved an appropriation of legal reserve and special reserve of \$281,559 and \$2,534,028, respectively. Additionally, the Company’s shareholders decided to distribute cash deriving from the capital surplus of \$2,153,552 (\$0.7 dollars per share), of which \$32,754 was distributed to the subsidiaries holding the Company’s common shares.

(Continued)

ACER INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

On June 21, 2017, the Company's shareholders approved a decrease in its special reserve, legal reserve and capital surplus of \$1,306,709, \$145,190 and \$3,448,397, respectively, to offset the accumulated deficit. Additionally, the Company's shareholders decided to distribute cash deriving from the capital surplus of \$1,538,379 (\$0.5 dollars per share), of which \$23,308 was distributed to the subsidiaries holding the Company's common shares. Related information is available on the Market Observation Post System website of the Taiwan Stock Exchange.

The appropriation of 2018 earnings had been proposed by the Company's Board of Directors on March 20, 2019, which included the appropriations of legal reserve and special reserve of \$306,043 and \$406,544, respectively, as well as the distribution of cash dividends amounting to \$2,367,699 (at \$0.77 dollars per share).

(iv) Treasury stock

As of December 31, 2018 and 2017, details of the GDRs (for the implementation of an overseas employee stock option plan) held by subsidiary AWI and the Company's common stock held by subsidiaries AWI (to maintain the Company's shareholders' equity), CCI (to maintain the Company's shareholders' equity), and ETEN (resulting from the acquisition of ETEN) were as follows (expressed in thousands of shares):

December 31, 2018			
	Number of shares	Carrying amount	Market value
Common stock	21,809	\$ 945,239	424,185
GDRs	24,937	1,969,617	475,167
		\$ 2,914,856	899,352
December 31, 2017			
	Number of shares	Carrying amount	Market value
Common stock	21,809	\$ 945,239	526,687
GDRs	24,937	1,969,617	558,991
		\$ 2,914,856	1,085,678

According to the Securities and Exchange Act, treasury stock cannot be collateralized. In addition, treasury shares do not bear shareholder rights prior to being sold to third parties. Moreover, the number of treasury shares shall not exceed 10% of the number of common shares issued. The total amount of treasury stock shall not exceed the sum of retained earnings, paid-in capital in excess of par value, and other realized capital surplus.

(Continued)

ACER INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(v) Other equity items (net after tax)

1) Foreign currency translation differences:

	2018	2017
Balance at January 1	\$ (3,202,161)	(1,061,015)
Foreign exchange differences arising from translation of foreign operations	394,936	(2,141,887)
Share of other comprehensive income (loss) of associates	(3,940)	741
Foreign exchange differences reclassified to profit or loss as a result of disposal of associates	22,019	-
Balance at December 31	<u><u>\$ (2,789,146)</u></u>	<u><u>(3,202,161)</u></u>

2) Unrealized gain (loss) from available-for-sale financial assets:

	2018	2017
Balance at January 1 (per IAS 39)	\$ 112,035	(347,770)
Adjustment on initial application of IFRS 9	<u>(112,035)</u>	
Balance at January 1 (per IFRS 9)	-	
Changes in fair value of available-for-sale financial assets	<u>-</u>	459,805
Balance at December 31	<u><u>\$ -</u></u>	<u><u>112,035</u></u>

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

	2018
Balance at January 1 (per IAS 39)	\$ -
Adjustment on initial application of IFRS 9	<u>112,035</u>
Balance at January 1 (per IFRS 9)	112,035
Change in fair value of financial assets measured at fair value through other comprehensive income	(601,596)
Disposal of financial assets measured at fair value through other comprehensive income	<u>(32,665)</u>
Balance at December 31	<u><u>\$ (522,226)</u></u>

4) Remeasurement of defined benefit plans:

	2018	2017
Balance at January 1	\$ (96,281)	(77,257)
Change in the period	<u>26,464</u>	<u>(19,024)</u>
Balance at December 31	<u><u>\$ (69,817)</u></u>	<u><u>(96,281)</u></u>

(Continued)

ACER INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

5) Unearned compensation cost:

	<u>2018</u>	<u>2017</u>
Balance at January 1	\$ (12,093)	(26,743)
Change in the period	<u>12,093</u>	<u>14,650</u>
Balance at December 31	<u><u>\$ -</u></u>	<u><u>(12,093)</u></u>

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

	<u>2018</u>	<u>2017</u>
Balance at January 1	\$ 655,963	4,083
Effects of retrospective application of new IFRSs	<u>2,021</u>	
Adjusted balance at January 1	657,984	
Equity attributable to non-controlling interests:		
Net loss	(158,469)	(18,854)
Compensation cost of stock options issued by subsidiaries	97	12
Issuance of common stock from exercise of employee stock options by subsidiaries	61,987	-
Changes in equity of investments in associates	(19)	-
Changes in ownership interest in subsidiaries	(31,804)	(1,634)
Acquisition of subsidiaries	105,682	649,886
Increase in non-controlling interests	111,664	-
Decrease in non-controlling interests	(18,076)	-
Cash dividends paid to non-controlling interests by subsidiaries	(2,112)	-
Capital injection from non-controlling interests	-	19,893
Foreign currency translation differences	(13,528)	9,867
Unrealized gain (loss) from financial assets measured at fair value through other comprehensive income	7,873	-
Unrealized gain (loss) from available-for-sale financial assets	-	(1,919)
Remeasurement of defined benefit plans	<u>(3,087)</u>	<u>(5,371)</u>
	<u><u>\$ 718,192</u></u>	<u><u>655,963</u></u>

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ACER INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(x) Share-based payment

- (i) As of December 31, 2018 and 2017, the Group's share-based payment arrangements were as follows:

<u>Type of arrangement</u>	<u>Grant Date</u>	<u>Numbers of options granted (in thousands of shares)</u>	<u>Contract period</u>	<u>Vesting period</u>
ASBZ – Employee stock option plans (“ESOPs”)	2017/12/15	3,580	effective until 2018/01/31	2017/12/15~2018/01/22
ACSI – ESOPs	2017/11/27	1,247	2017/11/27~2018/11/27	2017/11/27~2017/12/27
ACSI – ESOPs	2018/03/19	183	2018/03/19~2018/04/27	2018/03/19~2018/04/27
AST – ESOPs	2018/01/03	630	2018/01/03~2018/01/31	2018/01/03~2018/01/31
ITS – ESOPs	2018/02/22	2,000	2018/02/22~2018/06/13	First phase: 2018/03/12~2018/03/14 Second phase: 2018/06/11~2018/06/13

The Group used the Black-Scholes Model in measuring the fair value of its employee stock options. The main inputs to the valuation model were as follows:

	<u>ASBZ – ESOPs</u>	<u>ACSI – ESOPs</u>	<u>AST – ESOPs</u>	<u>ITS – ESOPs</u>
Fair value of options granted (NT\$/ share)	0.0756	1.09 / 1.35	0.001	0.0140 / 0.1578
Fair value of stock at grant date (NT\$/ share)	23.52	26.58/30.06	8.939	8.40/8.40
Exercise price (NT\$/ share)	30.00	28.00/29.05	10.00	10.00/10.00
Expected volatility	43.92%	21.10% / 19.59%	16.27%	44.21% / 33.46%
Expected life (in years)	0.11	0.54 / 0.10	0.08	0.05 / 0.30
Risk-free interest rate	0.34%	0.33% / 0.31%	0.28%	0.30% / 0.33%

Expected volatility was determined based on the vesting period and historical volatility of the comparable companies. The risk-free interest rate was determined based on government bonds.

(ii) Restricted stock to employees

During their meeting on June 18, 2014, the Company's shareholders approved a resolution to issue 50,000 thousand shares of restricted stock to full-time employees who conformed to certain requirements. The Company has filed an effective registration with the Securities and Futures Bureau of the FSC for the issuance.

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ACER INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

On August 26, 2014, the Company issued 17,460 thousand shares of restricted stock to its employees. The employees who were granted restricted stock are entitled to purchase the shares of restricted stock at the exercise price of \$0. The vesting period of the restricted stock is 1~4 years subsequent to the grant date, and the restricted shares of stock will be vested from 0% to 25% considering the Company's and individual employee's performance conditions. The restricted stock received by the employees shall be deposited and held in an escrow account and could not be sold, pledged, transferred, gifted, or disposed of in any other forms during the vesting period; nevertheless, the rights of a shareholder (such as voting and election at the shareholders' meeting) are the same as the rights of the Company's shareholders but are executed by the custodian. During the vesting period, the restricted shares of stock are entitled to any earnings distribution. The Company will take back the restricted stock from employees and retire those shares when the vesting conditions cannot be met.

The movements in number of restricted shares of stock issued (in thousands) in 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Balance at January 1	3,360	11,415
Forfeited during the period	(1,449)	(4,140)
Vested shares	<u>(1,911)</u>	<u>(3,915)</u>
Unvested shares at December 31	<u><u>-</u></u>	<u><u>3,360</u></u>

The fair value of the restricted stock was \$24.15 (in New Taiwan dollars) per share, which was determined by reference to the closing price of the Company's common stock traded on the Taiwan Stock Exchange at the grant date.

- (iii) For the years ended December 31, 2018 and 2017, the compensation cost recognized for the abovementioned share-based payment arrangements amounted to \$249 and \$14,685, respectively, which was reported in the operating expenses.

(y) Earnings per share ("EPS")

(i) Basic earnings per share

The basic earnings per share were calculated as the earnings attributable to the shareholders of the Company divided by the weighted-average number of common shares outstanding as follows:

	<u>2018</u>	<u>2017</u>
Net income attributable to the shareholders of the Company	<u>3,060,429</u>	<u>2,815,587</u>
Weighted-average number of ordinary shares outstanding (in thousands)	<u>3,026,914</u>	<u>3,026,277</u>
Basic earnings per share (in New Taiwan dollars)	<u><u>\$ 1.01</u></u>	<u><u>0.93</u></u>

(Continued)

ACER INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(ii) Diluted earnings per share

	<u>2018</u>	<u>2017</u>
Net income attributable to the shareholders of the Company	\$ <u><u>3,060,429</u></u>	<u><u>2,815,587</u></u>
Weighted-average number of ordinary shares outstanding (in thousands)	3,026,914	3,026,277
Effect of dilutive potential common stock (in thousands):		
Restricted stock issued to employees	2,143	5,163
Effect of employee remuneration in stock	<u>9,387</u>	<u>5,261</u>
Weighted-average shares of common stock outstanding (including effect of dilutive potential common stock)(in thousands)	<u><u>3,038,444</u></u>	<u><u>3,036,701</u></u>
Diluted earnings per share (in New Taiwan dollars)	\$ <u><u>1.01</u></u>	<u><u>0.93</u></u>

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

(i) Disaggregation of revenue

	<u>2018</u>		
	<u>IT Hardware Products</u>	<u>Others</u>	<u>Total</u>
Primary geographical markets:			
EMEA	\$ 84,103,971	-	84,103,971
Pan America	65,252,279	-	65,252,279
Asia Pacific	<u>69,979,097</u>	<u>22,935,059</u>	<u>92,914,156</u>
	<u>\$ 219,335,347</u>	<u>22,935,059</u>	<u>242,270,406</u>

Refer to note 6(aa) for details on revenue for 2017.

(ii) Contract balances

	<u>December 31, 2018</u>	<u>January 1, 2018</u>
Notes and accounts receivable (including receivables from related parties)	\$ 47,712,520	47,062,773
Less: loss allowance	<u>(186,302)</u>	<u>(235,264)</u>
	<u>\$ 47,526,218</u>	<u>46,827,509</u>
Contract assets — current	<u>\$ 396,235</u>	<u>12,622</u>
Contract liabilities — current	<u>\$ 821,374</u>	<u>608,275</u>
Contract liabilities — non-current	<u>\$ 1,405,350</u>	<u>1,119,990</u>

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

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ACER INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

The major changes in the balance of contract assets primarily resulted from the timing difference between obtaining the rights to consideration in exchange for transferring products or providing services to a customer and the billing to the customer (i.e., the rights to consideration become unconditional). The major changes in the balance of contract liabilities were due to the timing difference between the satisfaction of performance obligation and the receipt of customer's payment.

The amount of revenue recognized for the year ended December 31, 2018 that was included in the contract liability balance at January 1, 2018, was \$609,943.

(aa) Revenue

	<u>2017</u>
Revenue from sale of goods	\$ 230,527,987
Revenue from services rendered	5,410,430
Others	<u>1,336,466</u>
	<u><u>\$ 237,274,883</u></u>

Please refer to note 6(z) for details on revenue for 2018.

(ab) Remuneration to employees and directors

The Company's Articles of Incorporation require that annual earning shall first be offset against any deficit, then, a minimum of 4% shall be allocated as employee remuneration and a maximum of 0.8% be allocated as directors' remuneration. Employees who are entitled to receive the abovementioned employee remuneration, in share or cash, include the employees of subsidiaries of the Company who meet certain specific requirements.

For the years ended December 31, 2018 and 2017, the Company accrued its remuneration to employees amounting to \$163,313 and \$121,049, respectively, and the remuneration for directors of \$6,911 and \$4,263, respectively. The said amounts, which were recognized as operating expenses, were calculated based on pre-tax net profit for each year before deducting the amount of the remuneration to employees and directors, multiplied by the proposed distribution ratio of remuneration to employees and directors. The difference between accrual and actual payment, if any, will be treated as change in accounting estimate and recognized in profit or loss in the following year.

The aforementioned accrued remunerations to employees and directors were same as the amounts approved by the Board of Directors on March 20, 2019 and March 21, 2018, respectively, which were paid in cash.

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

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ACER INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(ac) Other operating income and loss – net

	2018	2017
Government grants	\$ 97,038	100,803
Rental income (note 6(t))	<u>69,997</u>	<u>108,175</u>
	<u>\$ 167,035</u>	<u>208,978</u>

(ad) Non-operating income and loss

(i) Other income

	2018	2017
Interest income from bank deposits	\$ 358,954	247,049
Interest income from financial assets measured at amortized cost	-	57,556
Dividend income	<u>247,889</u>	<u>221,155</u>
	<u>\$ 606,843</u>	<u>525,760</u>

(ii) Other gains and losses

	2018	2017
Foreign currency exchange gain (loss)	\$ (1,473,584)	2,335,176
Gain (loss) on financial assets and liabilities measured at fair value through profit or loss (note 6(b))	1,719,111	(2,956,232)
Loss on disposal of property, plant and equipment and non- current assets held for sale	(3,475)	(5,817)
Gain on bargain purchase (note 6(k))	6,385	1,130
Impairment loss of investments in debt instrument without an active market (note 6(e))	-	(3,061)
Gain (loss) on disposal of investments accounted for using equity method (note 6(k))	(33,158)	690
Other investment loss	(3,696)	(36,183)
Others	<u>4,649</u>	<u>89,916</u>
	<u>\$ 216,232</u>	<u>(574,381)</u>

(iii) Finance costs

	2018	2017
Interest expense from bank loans	<u>\$ (175,288)</u>	<u>(225,832)</u>

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ACER INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(ae) Financial instruments and fair value information

(i) Categories of financial instruments

1) Financial assets

	December 31, 2018	December 31, 2017
Financial assets measured at fair value through profit or loss:		
Financial assets mandatorily measured at FVTPL	\$ 480,468	-
Held-for-trading	-	170,803
Financial assets measured at fair value through other comprehensive income	4,429,446	-
Available-for-sale financial assets	-	5,370,670
Financial assets measured at amortized cost (loans and receivables):		
Cash and cash equivalents	27,283,038	33,970,331
Notes and accounts receivable and other receivables (including receivables from related parties)	48,624,020	47,912,291
Investments in debt instrument without an active market	-	540,910
Other financial assets – non-current	1,003,782	998,817
	<u>\$ 81,820,754</u>	<u>88,963,822</u>

2) Financial liabilities

	December 31, 2018	December 31, 2017
Financial liabilities measured at fair value through profit or loss	\$ 272,085	621,947
Financial liabilities measured at amortized cost:		
Short-term borrowings	657,040	482,894
Notes and accounts payable (including payables to related parties)	40,079,353	42,750,982
Other payables (including payables to related parties)	20,659,739	33,510,853
Long-term debt (including current portion)	3,320,088	6,002,457
	<u>\$ 64,988,305</u>	<u>83,369,133</u>

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ACER INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(ii) Fair value information — financial instruments not measured at fair value

Except for those described in the table below, the Group considers that the carrying amounts of financial assets measured at amortized cost approximate their fair values:

	<u>December 31, 2017</u>	
	<u>Carrying</u>	<u>Fair Value</u>
	<u>Amount</u>	
Financial assets:		
Investments in debt instrument without an active market	\$ <u>540,910</u>	<u>543,155</u>

The hierarchy of the abovementioned fair value is as below:

	December 31, 2017			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investments in debt instrument without an active market	\$ -	229,488	313,945	543,433

The abovementioned fair value of investments categorized as level 2 is measured on Multifactor Evaluation Model; fair value of investments categorized as level 3 is estimated using the valuation approach and measured by discounting the future cash flows as a result of the unavailability of neither the quoted prices in active markets nor observable inputs for measuring the fair value. The quantitative information of significant unobservable inputs is as follows:

- 1) The future cash flows estimated by management is based on the net sharing profits during contract period,
- 2) The discount rate is 14.77%, which is based on the WACC of the financial instrument.

(iii) Fair value information — Financial instruments measured at fair value

1) Fair value hierarchy

The following financial instruments are measured at fair value on a recurring basis.

The table below analyzes the financial instruments measured at fair value subsequent to initial recognition, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. The different levels have been defined as follows:

- a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- c) Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

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ACER INCORPORATED AND SUBSIDIARIES
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December 31, 2018				
Fair value				
	Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured at fair value through profit or loss:				
Foreign currency forward contracts	\$ -	424,147	-	424,147
Convertible bonds	-	11,427	-	11,427
Right of profit-sharing	-	-	44,894	44,894
	<u>\$ -</u>	<u>435,574</u>	<u>44,894</u>	<u>480,468</u>
Financial assets measured at fair value through other comprehensive income:				
Publicly traded domestic stock	\$ 3,160,183	-	-	3,160,183
Non-publicly traded stock	-	-	1,269,263	1,269,263
	<u>\$ 3,160,183</u>	<u>-</u>	<u>1,269,263</u>	<u>4,429,446</u>
Financial liabilities measured at fair value through profit or loss:				
Foreign currency forward contracts	\$ -	(272,085)	-	(272,085)
December 31, 2017				
Fair value				
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:				
Foreign currency forward contracts	\$ -	167,770	-	167,770
Conversion right of investments in convertible bonds	-	3,033	-	3,033
	<u>\$ -</u>	<u>170,803</u>	<u>-</u>	<u>170,803</u>
Available-for-sale financial assets:				
Publicly traded domestic stock	\$ 3,619,007	-	-	3,619,007
Non-publicly traded stock	-	-	1,751,663	1,751,663
	<u>\$ 3,619,007</u>	<u>-</u>	<u>1,751,663</u>	<u>5,370,670</u>
Financial liabilities at fair value through profit or loss:				
Foreign currency forward contracts	\$ -	(621,947)	-	(621,947)

There were no transfers among fair value hierarchies for the years ended December 31, 2018 and 2017.

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ACER INCORPORATED AND SUBSIDIARIES
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2) Movement in financial assets included Level 3 fair value hierarchy

	2018		2017	
	Financial assets mandatorily measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Financial assets measured at fair value through profit or loss	Available-for- sale financial assets
Balance at January 1	\$ -	-	-	1,253,242
Adjustment on initial application of IFRS 9 on January 1, 2018	313,945	1,751,663		
	313,945	1,751,663		
Total gains or losses:				
Recognized in profit and loss	(244,633)	-	-	(32,843)
Recognized in other comprehensive income	-	(178,419)	-	(41,572)
Acquisition through business combination	-	13,517	-	330,473
Additions	-	86,605	-	314,312
Disposal	(24,418)	(417,692)	-	(15,691)
Effect of exchange rate changes	-	13,589	-	(56,258)
Balance at December 31	<u>\$ 44,894</u>	<u>1,269,263</u>	<u>-</u>	<u>1,751,663</u>

The abovementioned total gains or losses were included in “other gains and losses”, “unrealized gain (loss) from financial assets measured at fair value through other comprehensive income” and “unrealized gain (loss) from available-for-sale financial assets”, respectively. The gains or losses attributable to the financial assets held on December 31, 2018 and 2017 were as follows:

	2018	2017
Total gains or losses:		
Recognized in profit and loss (included in “other gains and losses”)	\$ (244,633)	-
Recognized in other comprehensive income (included in “unrealized gain (loss) from available-for-sale financial assets”)	-	(41,572)
Recognized in other comprehensive income (included in “unrealized gain (loss) from financial assets measured at fair value through other comprehensive income”)	(178,419)	-
	<u>\$ (423,052)</u>	<u>(41,572)</u>

(Continued)

ACER INCORPORATED AND SUBSIDIARIES
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- 3) Valuation techniques and inputs used for financial instruments measured at fair value
- a) The fair values of financial assets with standard terms and conditions and traded on active markets are determined with reference to quoted market prices (e.g., publicly traded stocks).
 - b) The fair value of derivative financial instruments is determined using a valuation technique, with estimates and assumptions consistent with those used by market participants that are readily available to the Group. The fair value of foreign currency forward contracts and foreign currency option contracts is computed individually by each contract using the valuation technique.
 - c) The fair value of privately held stock in Level 3 fair value hierarchy is estimated by using the market approach and is determined by reference to recent financing activities, valuations of similar companies, market conditions, and other economic indicators.
- 4) Quantitative information of significant unobservable inputs

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Interrelationship between significant unobservable inputs and fair value measurement</u>
Financial assets measured at fair value through other comprehensive income (Available-for-sale financial assets)	Comparable company valuation	Discount for lack of marketability (10%~30%)	The estimated fair value would decrease if the discount for lack of marketability was higher

- 5) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The Group's measurement on the fair value of financial instruments may change if different valuation models or inputs are used. For fair value measurements in Level 3, changing one or more of the assumptions would have the following effects on other comprehensive income:

	<u>Input</u>	<u>Change in assumptions</u>	<u>Other comprehensive income</u>	
			<u>Favorable</u>	<u>Unfavorable</u>
December 31, 2018				
Financial assets measured at fair value through other comprehensive income				
Equity investments without an active market	Discount for lack of marketability	1%	11,431	(11,431)

(Continued)

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December 31, 2017	<u>Input</u>	<u>Change in assumptions</u>	<u>Other comprehensive income Favorable</u>	<u>Unfavorable</u>
Available-for-sale financial assets				
Equity investments without an active market	Discount for lack of marketability	1%	12,051	(12,051)

The favorable and unfavorable effects represent the changes in fair value, which is based on a variety of unobservable inputs calculated using a valuation technique. If the fair value of a financial instrument is subject to more than one inputs, the analysis above reflects only the effects of changes in a single input and does not include the interrelationships with another input.

(iv) Offsetting of financial assets and financial liabilities

The Group has financial instrument transactions which are set off in accordance with paragraph 42 of IAS 32; the related financial assets and liabilities are presented in the balance sheets on a net basis.

The table below summarizes the related information of offsetting of financial assets and liabilities:

December 31, 2018						
Financial assets subject to offsetting, enforceable master netting arrangements or similar agreements						
	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities offset in the balance sheet	Net amount of financial assets presented in the balance sheet	Amounts not offset in the balance sheet (d)		Net amount
	(a)	(b)	(c)=(a)-(b)	Financial instruments	Cash collateral received	(e)=(c)-(d)
Notes and accounts receivable, net	\$ <u>78,851,412</u>	<u>31,359,817</u>	<u>47,491,595</u>	<u>-</u>	<u>-</u>	<u>47,491,595</u>

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	\$ <u>71,439,170</u>	<u>31,359,817</u>	<u>40,079,353</u>	<u>-</u>	<u>-</u>	<u>40,079,353</u>

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ACER INCORPORATED AND SUBSIDIARIES
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December 31, 2017						
Financial assets subject to offsetting, enforceable master netting arrangements or similar agreements						
	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities offset in the balance sheet	Net amount of financial assets presented in the balance sheet	Amounts not offset in the balance sheet (d)		Net amount
	(a)	(b)	(c)=(a)-(b)	Financial instruments	Cash collateral received	(e)=(c)-(d)
Notes and accounts receivable, net	\$ <u>80,035,059</u>	<u>33,273,676</u>	<u>46,761,383</u>	<u>-</u>	<u>-</u>	<u>46,761,383</u>

December 31, 2017						
Financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements						
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets offset in the balance sheet	Net amount of financial liabilities presented in the balance sheet	Amounts not offset in the balance sheet (d)		Net amount
	(a)	(b)	(c)=(a)-(b)	Financial instruments	Cash collateral received	(e)=(c)-(d)
Notes and accounts payable	\$ <u>76,024,658</u>	<u>33,273,676</u>	<u>42,750,982</u>	<u>-</u>	<u>-</u>	<u>42,750,982</u>

(af) Financial risk management

The Group is exposed to credit risk, liquidity risk, and market risk (including currency risk, interest rate risk, and other market price risk). The Group has disclosed the information on exposure to the aforementioned risks and the Group's policies and procedures to measure and manage those risks as well as the quantitative information below.

The Board of Directors are responsible for developing and monitoring the Group's risk management policies. The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor adherence to the controls. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's operations.

The Group's management monitors and reviews the financial activities in accordance with procedures required by relevant regulations and internal controls. Internal auditors undertake reviews of risk management controls and procedures, and the results of which are reported to the Board of Directors on a regular basis.

(i) Credit risk

1) The maximum exposure to credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty of a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash and cash equivalents, derivative instruments, receivables from customers, and other receivables. The maximum exposure to credit risk is equal to the carrying amount of the Group's financial assets.

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ACER INCORPORATED AND SUBSIDIARIES
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2) Concentration of credit risk

The Group primarily sells and markets its multi-branded IT products through distributors in different geographic areas. The Group believes that there is no significant concentration of credit risk due to the Group's large number of customers and their wide geographical spread.

3) Credit risk from receivables

Refer to note 6(f) for credit risk exposure of notes and accounts receivable. Other financial assets at amortized cost includes other receivables (refer to note 6(g)), time deposits (classified as other financial assets), etc. Abovementioned financial assets are considered low-credit-risk financial assets, and thus, the loss allowance are measured using 12-months ECL. Please refer to note 4(g) for descriptions about how the Group determines the credit risk.

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in settling its financial liabilities by delivering cash or another financial assets. The Group manages liquidity risk by monitoring regularly the current and mid- to long-term cash demand, maintaining adequate cash and banking facilities, and ensuring compliance with the terms of the loan agreements. As of December 31, 2018 and 2017, the Group had unused credit facilities of \$32,022,157 and \$36,283,089, respectively.

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

	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
December 31, 2018					
Non-derivative financial liabilities:					
Short-term borrowings carrying floating interest rates	\$ 659,252	659,252	-	-	-
Long-term borrowings carrying floating interest rates	3,396,163	47,153	3,340,392	8,618	-
Notes and accounts payable (including related parties)	40,079,353	40,064,177	15,176	-	-
Other payables	20,659,739	18,711,764	1,943,657	4,318	-
	<u>\$ 64,794,507</u>	<u>59,482,346</u>	<u>5,299,225</u>	<u>12,936</u>	<u>-</u>
Derivative financial instruments:					
Foreign currency forward contracts — settled in gross:					
Outflow	\$ 67,436,919	67,436,919	-	-	-
Inflow	(67,695,394)	(67,695,394)	-	-	-
	<u>\$ (258,475)</u>	<u>(258,475)</u>	<u>-</u>	<u>-</u>	<u>-</u>
December 31, 2017					
Non-derivative financial liabilities:					
Short-term borrowings carrying floating interest rates	\$ 483,880	483,880	-	-	-
Long-term borrowings carrying floating interest rates	6,094,618	2,765,560	3,328,738	320	-
Notes and accounts payable (including related parties)	42,750,982	42,718,730	17,076	15,176	-
Other payables	33,510,853	31,903,287	1,607,566	-	-
	<u>\$ 82,840,333</u>	<u>77,871,457</u>	<u>4,953,380</u>	<u>15,496</u>	<u>-</u>

(Continued)

ACER INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
Derivative financial instruments:					
Foreign currency forward contracts — settled in gross:					
Outflow	\$ 68,231,610	68,231,610	-	-	-
Inflow	(67,780,674)	(67,780,674)	-	-	-
	<u>\$ 450,936</u>	<u>450,936</u>	<u>-</u>	<u>-</u>	<u>-</u>
Foreign currency option contracts — settled in gross:					
Outflow	127,107	127,107	-	-	-
Inflow	(119,392)	(119,392)	-	-	-
	<u>\$ 7,715</u>	<u>7,715</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Group does not expect that the cash flows included in the maturity analysis would occur significantly earlier or at significantly different amounts.

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group utilizes derivative financial instruments to manage market risk and the volatility of profit or loss. All such transactions are carried out within the guidelines set by the Board of Directors.

1) Foreign currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the Group entities. The foreign currencies used in these transactions are mainly the US dollar (USD), Euro (EUR), Great British Pound (GBP), Australian Dollar (AUD), Russian Ruble (RUB), Indian Rupee (INR), etc.

The Group utilizes foreign currency forward contracts to hedge its foreign currency exposure with respect to its forecast sales and purchases over the following 12 months.

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ACER INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

a) Exposure to foreign currency risk and sensitivity analysis

The Group's exposure to foreign currency risk arises from cash and cash equivalents, notes and accounts receivable (including related-party receivables), notes and accounts payable (including related-party payables), other receivables (including related-party receivables) and other payables that are denominated in foreign currency. At the reporting date, the carrying amounts of the Group's significant monetary assets and liabilities denominated in a currency other than the respective functional currencies of the Group entities and their sensitivity analysis were as follows (including the monetary items that have been eliminated in the accompanying consolidated financial statements):

(in thousands)

December 31, 2018						
	Foreign currency	Exchange rate	NTD	Change in magnitude	Pre-tax effect on profit or loss	
<u>Financial assets</u>						
<u>Monetary items</u>						
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
<u>Financial liabilities</u>						
<u>Monetary items</u>						
EUR		40,364	35.2415	1,422,488	1 %	14,225
USD		1,728,583	30.7330	53,124,541	1 %	531,245

(in thousands)

December 31, 2017						
	Foreign currency	Exchange rate	NTD	Change in magnitude	Pre-tax effect on profit or loss	
<u>Financial assets</u>						
<u>Monetary items</u>						
GBP	\$	27,665	40.3336	1,115,829	1 %	11,158
EUR		52,458	35.8325	1,879,701	1 %	18,797
USD		1,187,460	29.8480	35,443,306	1 %	354,433
RUB		1,293,499	0.5174	669,256	1 %	6,693
<u>Financial liabilities</u>						
<u>Monetary items</u>						
GBP		18,531	40.3336	747,422	1 %	7,474
EUR		37,658	35.8325	1,349,380	1 %	13,494
USD		2,052,676	29.8480	61,268,273	1 %	612,683

With varieties of functional currencies within the consolidated entities of the Group, the Group disclosed net realized and unrealized foreign exchange gain (loss) on monetary items in aggregate. Please refer to note 6(ad) for further information.

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ACER INCORPORATED AND SUBSIDIARIES
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2) Interest rate risk

The Group's short-term borrowings and long-term debt carried floating interest rates, and the Group has not entered into interest rate swap contracts to convert floating interest rates to fixed interest rates. To manage the interest rate risk, the Group periodically assesses the interest rates of bank loans and maintains good relationships with financial institutions to obtain lower financing costs. The Group also strengthens the management of working capital to reduce the dependence on bank loans as well as the risk arising from fluctuation of interest rates.

The following sensitivity analysis is based on the risk exposure to floating-interest-rate liabilities on the reporting date. The sensitivity analysis assumes the liabilities recorded at the reporting date had been outstanding for the entire period. The change in interest rate reported to the key management in the Group is based on 100 basis points (1%), which is consistent with the assessment made by the key management in respect of the possible change in interest rate.

If the interest rate had been 100 basis points (1%) higher/lower with all other variables held constant, pre-tax income (loss) for the years ended December 31, 2018 and 2017 would have been \$39,771 and \$64,854, respectively, lower/higher, which mainly resulted from the borrowings with floating interest rates.

3) Other market price risk

The Group is exposed to the risk of price fluctuation in securities market resulting from its investment in publicly traded stocks. The Group supervises the equity price risk actively and manages the risk based on fair value. The Group also has strategic investments in privately held stocks, in which the Group does not actively participate in their trading.

Assuming a hypothetical increase or decrease of 5% in equity prices of the equity investments at each reporting date, the other comprehensive income for the years ended December 31, 2018 and 2017, would have increased or decreased by \$221,472 and \$268,534, respectively.

(ag) Capital management

In consideration of the industry dynamics and future developments, as well as external environment factors, the Group maintains an optimal capital structure to enhance long-term shareholder value by managing its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, research and development activities, dividend payments, and other business requirements for continuing operations and to reward shareholders and take into consideration the interests of other stakeholders.

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ACER INCORPORATED AND SUBSIDIARIES
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(ah) Changes in liabilities from financing activities

The reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2018	Cash flows	Non-cash changes Acquisition through business combination	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	<u>\$ 6,485,351</u>	<u>(2,582,948)</u>	<u>79,409</u>	<u>(4,684)</u>	<u>3,977,128</u>

7. Related-party transactions

(a) Related party name and categories

The followings are related parties that have had transactions with the Group during the reporting periods:

Name of related party	Relationship with the Group
Aegis Semiconductor Technology Inc.	Associates
GrandPad Inc.	Associates
Piovision International Inc.	Associates
Bluechip Infotech Pty Ltd.	Prior to March 14, 2018, Bluechip was an associate of the Group accounted for using equity method. The Group obtained control over Bluechip on March 14, 2018 and Bluechip became one of the consolidated entities since then.
ECOM Software Inc.	Associates
Kbest Technology Inc.	Associates
Meldcx Pty Ltd.	Associates
StarVR Corporation	Prior to October 20, 2017, ASBZ was a joint venture entity of the Group accounted for using equity method. The Group obtained control over ASBZ on October 20, 2017 and ASBZ became one of the consolidated entities since then.
Smart Frequency Technology Inc.	Joint Venture
Eric's Co., LTD	The entity's chairman is the second-degree relatives of one of the key management of the Company
iD Softcapital Inc.	The entity's chairman is one of the key management of the Company

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(b) Significant related-party transactions

(i) Revenue

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

	2018	2017
Associates	\$ 50,555	345,482
Joint ventures	844	33,506
Other related parties	5	169
	\$ 51,404	379,157

The sales prices and trade term with related parties are not comparable to those with third-party customers for certain transactions due to different product specifications; other than that, the determination of sales prices and payment terms for related parties were not significantly different from those for sales to non-related parties. The credit terms ranged from 30 to 180 days, while the credit terms for routine sales transactions ranged from 30 to 90 days. Receivables from related parties were uncollateralized.

(ii) Purchases

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

	2018	2017
Associates	\$ 5,510	34,256
Joint ventures	-	18,600
	\$ 5,510	52,856

The purchase price with related parties are not comparable to the purchase price with third-party vendors as the specifications of products are different.

(iii) Operating expenses

The operating expenses related to the management consulting service and system maintenance service provided by related parties were as follows:

Account	Related-party categories	2018	2017
Operating expense	Associates	\$ 3,710	3,710
Operating expense	Other related parties	-	625
		\$ 3,710	4,335

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ACER INCORPORATED AND SUBSIDIARIES
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(iv) Receivables from related parties

The receivables from related parties were as follows:

<u>Account</u>	<u>Related-party categories</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Accounts receivable	Associates	\$ 33,736	126,903
Accounts receivable	Joint ventures	887	-
Other receivables	Associates	3,826	97
Other receivables	Joint ventures	18	-
		<u>\$ 38,467</u>	<u>127,000</u>

(v) Payables to related parties

The payables to related parties were as follows:

<u>Account</u>	<u>Related party categories</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Accounts payable to related parties (reported under notes and accounts payable)	Associates	\$ -	1,183

(vi) Lease

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

	<u>2018</u>	<u>2017</u>
Associates	\$ 1,818	124
Joint ventures	247	41
	<u>\$ 2,065</u>	<u>165</u>

(vii) Service income

The service income related to the management consulting service provided to related parties was included in “other gains and losses—net” and summarized as follows:

	<u>2018</u>	<u>2017</u>
Associates	\$ 42	48
Joint ventures	321	4,524
Other related parties	-	1,584
	<u>\$ 363</u>	<u>6,156</u>

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(c) Compensation for key management personnel

	2018	2017
Short-term employee benefits	\$ 336,962	289,240
Post-employment benefits	8,065	7,374
Termination benefits	-	3,980
Share-based payments	1,288	2,242
	<u><u>\$ 346,315</u></u>	<u><u>302,836</u></u>

Refer to note 6(x) for the information related to share-based payments.

8. Pledged assets

The carrying values of pledged assets were as follows:

Assets	Pledged to secure	December 31, 2018	December 31, 2017
Cash in bank and time deposits (reported under other financial assets — non-current)	Contract bidding, security for letters of credit, project fulfillment, import tariffs, lease guarantee, etc.	\$ 450,824	493,817
Other equipment	Bank loans	1,450	2,457
Bluechip's assets	Bank loans	628,759	-
		<u><u>\$ 1,081,033</u></u>	<u><u>496,274</u></u>

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.

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- (d) The Group faces various taxation challenges around the world, such as in Australia, India, Indonesia, Mexico, Austria, Italy, etc., due to rapid changes in international tax environment. The Group held different position with various local tax authorities for certain tax audits (including income taxes and business taxes) and has provided the accruals for the cases that met the criteria for recognizing a provision. Nevertheless, the tax disputes are inherently complicated and may take years to be approved by the tax authorities. The ultimate result is unpredictable and could adversely affect the Group's operating results or cash flows in a particular period.
- (e) As of December 31, 2018 and 2017, the Company had outstanding stand-by letters of credit provided by the banks totaling \$49,978 and \$43,319, respectively, for purposes of bids and contracts.
- (f) As of December 31, 2018 and 2017, the Group had issued promissory notes amounting to \$35,643,325 and \$45,376,282, respectively, as collateral for obtaining credit facilities from financial institutions.

10. Significant loss from disaster: None

11. Significant subsequent events: None

12. Others

	2018			2017		
	Cost of revenue	Operating expenses	Total	Cost of revenue	Operating expenses	Total
Employee benefits:						
Salaries	973,604	9,705,813	10,679,417	1,032,126	9,415,271	10,447,397
Insurance	146,257	1,061,198	1,207,455	139,705	970,752	1,110,457
Pension	21,558	539,356	560,914	20,394	558,497	578,891
Remuneration to directors	-	21,911	21,911	-	18,363	18,363
Others	71,999	915,315	987,314	69,268	869,647	938,915
Depreciation	18,983	404,915	423,898	20,009	488,857	508,866
Amortization	75,663	340,155	415,818	14,203	549,283	563,486

13. Additional disclosures

- (a) Information on significant transactions:
- (i) Financing provided to other parties: See Table 1 attached;
- (ii) Guarantees and endorsements provided to other parties: See Table 2 attached;
- (iii) Marketable securities held at reporting date (excluding investments in subsidiaries, associates, and jointly controlled entities): See Table 3 attached;
- (iv) Marketable securities for which the accumulated purchase or sale amounts for the period exceed \$300 million or 20% of the paid-in capital: See Table 4 attached;
- (v) Acquisition of real estate at costs which exceeds \$300 million or 20% of the paid-in capital: None;

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ACER INCORPORATED AND SUBSIDIARIES
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- (vi) Disposal of real estate at prices which exceeds \$300 million or 20% of the paid-in capital: None;
- (vii) Total purchases from and sales to related parties which exceed \$100 million or 20% of the paid-in capital: See Table 5 attached;
- (viii) Receivables from related parties which exceed \$100 million or 20% of the paid-in capital: See Table 6 attached;
- (ix) Information about derivative instruments transactions: See notes 6(b);
- (i) Business relationships and significant intercompany transactions: See Table 7 attached;
- (b) Information on investees: See Table 8 attached;
- (c) Information on investment in Mainland China:
 - (i) The names of investees in Mainland China, the main businesses and products, paid-in capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investees, share of profits (losses) of investees, ending balance, amount received as earnings distributions from the investment, and limitation on investment: See Table 9 attached;
 - (ii) Significant direct or indirect transactions with investee companies, the prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: For the Group's significant direct or indirect transactions (eliminated when compiling the consolidated financial report) with investee companies in Mainland China for the year ended December 31, 2018, please refer to "Information on significant transactions" and "Business relationships and significant intercompany transactions" above.

14. Segment information

(a) General information

The Group's reportable segments comprise the device business group ("IT Hardware Products") and other business groups. The IT Hardware Products engages mainly in the research, design, and marketing of personal computers, IT products, and tablet products. Other business groups, which do not meet the quantitative reporting threshold, mainly engage in the activities of e-commerce, cloud services, sales and distribution of smart devices, IT products, new energy devices, and handheld devices, as well as real estate services.

Strategic investment expenditures (such as global branding expenditures, depreciation of the capital expenditures for the strengthening of the global information structure, and non-routine long-term strategic expenditures) are not allocated to reportable segments. Operating profit is used as the measurement for segment profit and the basis for performance evaluation. The reporting amount is consistent with the report used by the chief operating decision maker. There was no material inconsistency between the accounting policies adopted for the operating segments and the significant accounting policies of the Group.

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ACER INCORPORATED AND SUBSIDIARIES
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The Group's operating segment information and reconciliation are as follows:

	2018			
	IT Hardware Products	Others	Adjustments and eliminations	Total
Revenues from external customers	\$ 219,335,347	22,935,059	-	242,270,406
Intra-group revenue	2,563,267	463,617	(3,026,884)	-
Total revenues	<u>\$ 221,898,614</u>	<u>23,398,676</u>	<u>(3,026,884)</u>	<u>242,270,406</u>
Segment profit (loss)	<u>\$ 6,622,239</u>	<u>(818,252)</u>	<u>(2,065,498)</u>	<u>3,738,489</u>

	2017			
	IT Hardware Products	Others	Adjustments and eliminations	Total
Revenues from external customers	\$ 220,012,693	17,262,190	-	237,274,883
Intra-group revenue	2,050,507	238,361	(2,288,868)	-
Total revenues	<u>\$ 222,063,200</u>	<u>17,500,551</u>	<u>(2,288,868)</u>	<u>237,274,883</u>
Segment profit (loss)	<u>\$ 6,766,326</u>	<u>(1,002,777)</u>	<u>(2,093,815)</u>	<u>3,669,734</u>

(b) Product and service information

Revenues from external customers are detailed below:

Products and services	2018	2017
Personal computers	\$ 182,961,201	185,039,250
Peripherals and others	59,309,205	52,235,633
	<u>\$ 242,270,406</u>	<u>237,274,883</u>

(c) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers, and segment assets are based on the geographical location of the assets.

Revenues from external customers are detailed below:

Region	2018	2017
U.S.A.	\$ 55,054,582	52,570,406
Mainland China	14,204,441	15,253,845
Taiwan	30,891,939	25,072,956
Others	142,119,444	144,377,676
	<u>\$ 242,270,406</u>	<u>237,274,883</u>

(Continued)

ACER INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Non-current assets:

<u>Region</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
U.S.A.	\$ 12,146,322	11,802,846
Taiwan	5,926,330	6,180,387
Mainland China	2,188,390	2,405,684
Others	<u>2,130,805</u>	<u>2,192,274</u>
	<u>\$ 22,391,847</u>	<u>22,581,191</u>

Non-current assets include property, plant and equipment, investment property and intangible assets, and do not include financial instruments, prepaid income taxes, deferred tax assets, and pension fund assets.

(d) Major customers' information

The Group doesn't have a single customer representing at least 10% of revenue in the consolidated statements of comprehensive income.

Acer Incorporated and Subsidiaries
Financing provided to other parties
For the year ended December 31, 2018

Table 1

(Amounts in Thousands of New Taiwan Dollars)

No.	Financing Company	Counter-party	Financial Statement Account (Note 3)	Related Party	Maximum Balance for the Period	Ending Balance	Actually drawdown Amounts	Interest Rate	Nature of Financing (Note 1)	Transaction Amounts	Reasons for Short-term Financing	Loss Allowance	Collateral		Financing Limit for Each Borrowing Company (Note 2)	Financing Company's Total Financing Amount Limits (Note 2)
													Item	Value		
0	The Company	APDI	Other receivables from related parties	Yes	40,000	40,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
0	The Company	ABH	Other receivables from related parties	Yes	30,000	30,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
0	The Company	CCI	Other receivables from related parties	Yes	6,000	6,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
0	The Company	ADSC	Other receivables from related parties	Yes	37,000	37,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
0	The Company	AEB	Other receivables from related parties	Yes	329,000	329,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
0	The Company	ALT	Other receivables from related parties	Yes	19,000	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
0	The Company	XPL	Other receivables from related parties	Yes	17,000	17,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
0	The Company	ACTTW	Other receivables from related parties	Yes	244,000	244,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
0	The Company	ASDI	Other receivables from related parties	Yes	89,000	89,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
0	The Company	ABC	Other receivables from related parties	Yes	17,000	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
0	The Company	MPS	Other receivables from related parties	Yes	16,000	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
0	The Company	ACSI	Other receivables from related parties	Yes	824,000	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
0	The Company	ETEN	Other receivables from related parties	Yes	181,000	181,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
0	The Company	AGI	Other receivables from related parties	Yes	7,000	7,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
0	The Company	ABST	Other receivables from related parties	Yes	100,000	100,000	10,000	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
0	The Company	AST	Other receivables from related parties	Yes	42,000	42,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
1	GWl	AAC	Other receivables from related parties	Yes	173,118	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
1	GWl	AAC	Other receivables from related parties	Yes	387,100	384,163	384,163	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
2	AAH	AAC	Other receivables from related parties	Yes	1,044,680	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
2	AAH	AAC	Other receivables from related parties	Yes	3,375,512	3,349,897	3,349,897	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307

No.	Financing Company	Counter-party	Financial Statement Account (Note 3)	Related Party	Maximum Balance for the Period	Ending Balance	Actually drawdown Amounts	Interest Rate	Nature of Financing (Note 1)	Transaction Amounts	Reasons for Short-term Financing	Loss Allowance	Collateral		Financing Limit for Each Borrowing Company (Note 2)	Financing Company's Total Financing Amount Limits (Note 2)
													Item	Value		
2	AAH	AAC	Other receivables from related parties	Yes	1,099,364	1,091,022	1,091,022	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
3	AIZS	ACCN	Other receivables from related parties	Yes	213,452	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
3	AIZS	ACCN	Other receivables from related parties	Yes	217,463	207,761	207,761	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
4	ACTTW	ABSG	Other receivables from related parties	Yes	10,856	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
4	ACTTW	ABSG	Other receivables from related parties	Yes	7,237	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
4	ACTTW	ABSG	Other receivables from related parties	Yes	72,374	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
4	ACTTW	ABSG	Other receivables from related parties	Yes	59,911	59,911	59,911	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
4	ACTTW	The Company	Other receivables from related parties	Yes	244,000	244,000	45,000	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
5	APDI	The Company	Other receivables from related parties	Yes	40,000	40,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
6	ABH	The Company	Other receivables from related parties	Yes	611,000	611,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
7	CCI	The Company	Other receivables from related parties	Yes	127,000	127,000	107,000	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
7	CCI	ASBZ	Other receivables from related parties	Yes	20,000	20,000	15,000	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
8	ADSC	The Company	Other receivables from related parties	Yes	741,000	741,000	741,000	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
9	AEB	The Company	Other receivables from related parties	Yes	224,000	219,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
10	ALT	The Company	Other receivables from related parties	Yes	19,000	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
11	XPL	The Company	Other receivables from related parties	Yes	17,000	17,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
12	ASDI	The Company	Other receivables from related parties	Yes	89,000	89,000	14,000	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
12	ASDI	APDI	Other receivables from related parties	Yes	50,000	48,000	35,000	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
13	ABC	The Company	Other receivables from related parties	Yes	17,000	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
14	MPS	The Company	Other receivables from related parties	Yes	16,000	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
15	ACSI	The Company	Other receivables from related parties	Yes	824,000	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
16	ITS	The Company	Other receivables from related parties	Yes	117,000	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
17	AGU	AEG	Other receivables from related parties	Yes	723,736	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307

No.	Financing Company	Counter-party	Financial Statement Account (Note 3)	Related Party	Maximum Balance for the Period	Ending Balance	Actually drawdown Amounts	Interest Rate	Nature of Financing (Note 1)	Transaction Amounts	Reasons for Short-term Financing	Loss Allowance	Collateral		Financing Limit for Each Borrowing Company (Note 2)	Financing Company's Total Financing Amount Limits (Note 2)
													Item	Value		
18	ETEN	The Company	Other receivables from related parties	Yes	181,000	181,000	181,000	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
18	ETEN	XPL	Other receivables from related parties	Yes	25,000	25,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
18	ETEN	PBC	Other receivables from related parties	Yes	10,000	10,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
19	AGI	The Company	Other receivables from related parties	Yes	7,000	7,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
20	ABST	The Company	Other receivables from related parties	Yes	100,000	100,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
20	ABST	ABSG	Other receivables from related parties	Yes	22,907	22,907	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
21	AST	The Company	Other receivables from related parties	Yes	28,000	28,000	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
22	ACG	ABSG	Other receivables from related parties	Yes	71,582	70,483	70,483	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
22	ACG	ABSG	Other receivables from related parties	Yes	70,483	70,483	-	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
23	AHI	Bluechip	Other receivables from related parties	Yes	24,774	24,586	24,586	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
24	ACCN	SEB	Other receivables from related parties	Yes	8,936	8,936	8,936	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307
25	VRE	VRF	Other receivables from related parties	Yes	27,488	27,488	27,488	0%~4%	2	-	Operating requirements	-	None	-	5,772,261	28,861,307

Note 1: Nature for Financing :

Type 2: Short-term financing purpose

Note 2: The aggregate financing amount shall not exceed 50% of the most recent audited or reviewed net worth of the Company (the amount shown above is based on the net worth as of September 30, 2018), within which the short-term financing amount shall not exceed 20% of the most recent audited or reviewed net worth of the Company.

For an entity which the Company owns more than 50% of its outstanding common shares, the individual financing amounts shall not exceed 10% of the most recent audited or reviewed net worth of the Company.

When a subsidiary is directly or indirectly wholly owned by the Company who provides financing to other parties, the aforementioned limitation of aggregate amount and individual financing amount is applied.

Note 3: The above transactions are eliminated when preparing the consolidated financial statements.

Acer Incorporated and Subsidiaries
Guarantees and endorsements provided to other parties
For the year ended December 31, 2018

Table 2

(Amounts in Thousands of New Taiwan Dollars)

No.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 2)(Note 3)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Note 2)(Note 3)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship (Note 1)										
0	The Company	AJC	2	11,544,523	840,542	840,542	-	-	1.46%	57,722,613	Y		
0	The Company	ATH	2	11,544,523	164,130	162,885	4,059	-	0.28%	57,722,613	Y		
0	The Company	Acer Asia Pacific subsidiaries	2	11,544,523	4,180,680	4,148,955	126,835	-	7.19%	57,722,613	Y		
0	The Company	AEG	2	11,544,523	404,435	402,155	402,155	-	0.70%	57,722,613	Y		
0	The Company	Acer EMEA subsidiaries	2	11,544,523	4,025,840	3,995,290	100,856	-	6.92%	57,722,613	Y		
0	The Company	ACN/ACD/ACW/AFN	2	11,544,523	14,799	13,885	13,885	-	0.02%	57,722,613	Y		
0	The Company	ATB	2	11,544,523	929,040	921,990	281,334	-	1.60%	57,722,613	Y		
0	The Company	Acer Pan America subsidiaries	2	11,544,523	5,264,560	5,224,610	354,284	-	9.05%	57,722,613	Y		
0	The Company	AMEX	2	11,544,523	278,712	276,597	-	-	0.48%	57,722,613	Y		
0	The Company	Acer Greater China subsidiaries	2	11,544,523	1,703,240	1,690,315	96,117	-	2.93%	57,722,613	Y		Y
0	The Company	ACSI	2	11,544,523	305,850	5,850	5,850	-	0.01%	57,722,613	Y		
0	The Company	AEB	2	11,544,523	1,850,000	1,850,000	653,126	-	3.20%	57,722,613	Y		
0	The Company	SMA	2	11,544,523	113,285	111,527	9,845	-	0.19%	57,722,613	Y		
0	The Company	ACA	2	11,544,523	309,680	307,330	307,330	-	0.53%	57,722,613	Y		
0	The Company	AIL	2	11,544,523	2,607,120	2,477,078	623,892	-	4.29%	57,722,613	Y		
0	The Company	ACCN/ACCQ/BJAC/ASTS	2	11,544,523	1,231,112	893,596	-	-	1.55%	57,722,613	Y		Y
0	The Company	AME	2	11,544,523	46,452	46,100	32,711	-	0.08%	57,722,613	Y		
0	The Company	ACTTW	2	11,544,523	61,936	61,466	-	-	0.11%	57,722,613	Y		
0	The Company	AST	2	11,544,523	500,000	500,000	-	-	0.87%	57,722,613	Y		
0	The Company	ABSG	2	11,544,523	367,815	294,631	140,966	-	0.51%	57,722,613	Y		
0	The Company	ITS	2	11,544,523	500,000	500,000	-	-	0.87%	57,722,613	Y		
0	The Company	ASBZ	2	11,544,523	138,310	138,310	-	-	0.24%	57,722,613	Y		
0	The Company	AIP	2	11,544,523	89,322	88,101	-	-	0.15%	57,722,613	Y		
0	The Company	ALT	2	11,544,523	200,000	200,000	-	-	0.35%	57,722,613	Y		
0	The Company	GTI	2	11,544,523	10,000	10,000	-	-	0.02%	57,722,613	Y		
0	The Company	HSNC	2	11,544,523	30,000	30,000	-	-	0.05%	57,722,613	Y		
0	The Company	HSNP	2	11,544,523	30,850	30,733	-	-	0.05%	57,722,613	Y		
0	The Company	HSNI	2	11,544,523	30,850	30,733	-	-	0.05%	57,722,613	Y		
0	The Company	HSNT	2	11,544,523	30,850	30,733	-	-	0.05%	57,722,613	Y		
1	AOI	AOA	2	230,181	13,936	13,830	-	-	1.80%	767,270	Y		

Note 1: Relationships between the endorsement/guarantee provider and the guaranteed party:

Type 2: an entity directly or indirectly owned by the Company over 50%

Note 2: The aggregate endorsement/guarantee amount provided shall not exceed the most recent audited or reviewed net worth of the Company (the amount shown above is based on the net worth as of September 30, 2018).

The endorsement/guarantee provided to individual guarantee party shall not exceed 20% of the most recent audited or reviewed net worth of the Company.

Note 3: The aggregate endorsement/guarantee amount provided shall not exceed the most recent audited or reviewed net worth of AOI (the amount shown above is based on the net worth as of December 31, 2018).

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

Acer Incorporated and Subsidiaries
Marketable securities held
(Excluding investments in subsidiaries, associates, and joint controlled entities)
December 31, 2018

Table 3 (Amounts in Thousands of New Taiwan Dollars / Shares)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	Ending Balance				Maximum ownership during 2018		Note
				Shares/ Units (in thousands)	Carrying Value	Percentage of Ownership	Fair Value	Shares/ Units (in thousands)	Percentage of Ownership	
The Company	Stock: Hon Hai	-	Financial assets measured at fair value through other comprehensive income — current	564	39,908	-	39,908	705	-	
The Company	Stock: Qisda	-	Financial assets measured at fair value through other comprehensive income — non-current	81,713	1,609,740	4.15%	1,609,740	81,713	4.15%	
The Company	Stock: WPG Holdings	-	Financial assets measured at fair value through other comprehensive income — non-current	4,012	148,227	0.24%	148,227	4,360	0.24%	
The Company	Stock: Wistron	-	Financial assets measured at fair value through other comprehensive income — non-current	54,816	1,046,986	1.93%	1,046,986	54,816	1.93%	
The Company	Stock: iDSOFT Capital Inc.	-	Financial assets measured at fair value through other comprehensive income — non-current	398	3,675	19.90%	3,675	398	19.90%	
The Company	Stock: World Venture, Inc.	-	Financial assets measured at fair value through other comprehensive income — non-current	8,505	52,047	19.35%	52,047	8,505	19.35%	
The Company	Stock: Dragon Investment Co. Ltd.	-	Financial assets measured at fair value through other comprehensive income — non-current	13,459	21,313	19.94%	21,313	13,459	19.94%	
The Company	Stock: Venture Power	-	Financial assets measured at fair value through other comprehensive income — non-current	15	13	4.15%	13	15	4.15%	
The Company	Convertible bonds: Starbreeze	-	Financial assets measured at fair value through profit or loss — current	-	11,427	-	11,427	-	-	
ADSC	Stock: Wistron	-	Financial assets measured at fair value through other comprehensive income — non-current	13,046	249,181	0.46%	249,181	13,046	0.46%	
ADSC	Stock: PChome Pay	-	Financial assets measured at fair value through other comprehensive income — non-current	12,600	126,000	14.82%	126,000	12,600	14.82%	
ADSC	Stock: Benepet Biomedical Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income — non-current	700	14,000	18.92%	14,000	700	18.92%	
ASCBVI	Stock: ID5 Fund L.P.	-	Financial assets measured at fair value through other comprehensive income — non-current	3,800	171,854	19.39%	171,854	3,800	19.39%	
ASCBVI	Stock: IP Cathay One, L.P.	-	Financial assets measured at fair value through other comprehensive income — non-current	5,442	1,204	8.00%	1,204	5,442	8.00%	
ASCBVI	Stock: ID5 Annex I fund	-	Financial assets measured at fair value through other comprehensive income — non-current	565	8,324	19.15%	8,324	565	19.15%	
ASCBVI	Stock: Trutag	-	Financial assets measured at fair value through other comprehensive income — non-current	1,346	92,214	1.69%	92,214	1,346	1.69%	
ASCBVI	Stock: Gorilla	-	Financial assets measured at fair value through other comprehensive income — non-current	244	61,466	1.92%	61,466	244	2.19%	
ASCBVI	Stock: GCR	-	Financial assets measured at fair value through other comprehensive income — non-current	600	36,880	8.89%	36,880	600	10.00%	
ASCBVI	Stock: Locix	-	Financial assets measured at fair value through other comprehensive income — non-current	1,000	46,100	5.44%	46,100	1,000	6.27%	
ASCBVI	Stock: BoniO	-	Financial assets measured at fair value through other comprehensive income — non-current	463	122,932	14.07%	122,932	463	14.07%	
ASCBVI	Stock: Delight	-	Financial assets measured at fair value through other comprehensive income — non-current	13	61,478	11.50%	61,478	13	11.50%	

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	Ending Balance				Maximum ownership during 2018		Note
				Shares/ Units (in thousands)	Carrying Value	Percentage of Ownership	Fair Value	Shares/ Units (in thousands)	Percentage of Ownership	
AWI	Stock: Acer Inc.	Parent/Subsidiary	Treasury stock	12,730	522,237	0.41%	247,596	12,730	0.41%	
AWI	GDR: Acer Inc.	Parent/Subsidiary	Treasury stock	4,987	1,969,617	0.81%	475,167	4,987	0.81%	
CCI	Stock: China Development Financial Holding Co.	-	Financial assets measured at fair value through other comprehensive income — current	5,049	49,081	0.03%	49,081	5,049	0.03%	
CCI	Stock: Acer Inc.	Parent/Subsidiary	Financial assets measured at fair value through other comprehensive income — non-current	4,774	92,849	0.16%	92,849	4,774	0.16%	
ETEN	Stock: RoyalTek	-	Financial assets measured at fair value through other comprehensive income — non-current	1,015	17,060	2.01%	17,060	1,015	2.01%	
ETEN	Stock: Acer Inc.	Parent/Subsidiary	Financial assets measured at fair value through other comprehensive income — non-current	4,305	83,740	0.14%	83,740	4,305	0.14%	
ETEN	Stock: Abico Shi-pro Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income — non-current	284	2,931	7.89%	2,931	284	7.89%	
WLII	Stock: Antung Trading Co.	-	Financial assets measured at fair value through other comprehensive income — non-current	3,000	67,227	10.00%	67,227	3,000	10.00%	
ACTI	Stock: Physiosigns Inc., DE	-	Financial assets measured at fair value through other comprehensive income — non-current	800	245,864	12.50%	245,864	800	12.50%	
ABST	Stock: PilotTV Holdings	-	Financial assets measured at fair value through other comprehensive income — non-current	2,676	57,461	19.18%	57,461	2,676	19.18%	
ACVP	Stock: Thinputer Technology Corporation	-	Financial assets measured at fair value through other comprehensive income — non-current	-	35,744	13.79%	35,744	-	13.79%	
ACVP	Stock: Shenzhen Mlizhi Technology Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income — non-current	-	30,740	19.99%	30,740	-	19.99%	
Bluechip	Stock: Pier DC Pty Ltd.	-	Financial assets measured at fair value through other comprehensive income — non-current	960	9,796	8.82%	9,796	960	8.82%	

Acer Incorporated and Subsidiaries
Marketable securities for which the accumulated purchase or sale amounts for the period exceed NT\$300 million or 20% of the paid-in capital
For the year ended December 31, 2018

Table 4

(Amounts in Thousands of New Taiwan Dollars / Shares)														
Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-Party	Nature of Relationship	Beginning Balance		Acquisitions		Disposal				Ending Balance	
					Shares/ Units (in thousands)	Amount	Shares/ Units (in thousands)	Amount	Shares/ Units (in thousands)	Amount	Carrying Value	Gain (Loss) on Disposal	Shares/ Units (in thousands)	Amount
ACCN	China Merchants Bank CNY Financial Plan	Financial assets measured at fair value through profit or loss—current	China Merchants Bank	None	-	-	965,000	4,376,840	965,000	4,385,668	4,376,840	8,828	-	-
ACCN	Fubon Bank (China) CNY SDRMBC 16030000	Financial assets measured at fair value through profit or loss—current	Fubon Bank (China) Co., Ltd.	None	-	-	5,595,000	25,422,179	5,595,000	25,493,279	25,422,179	71,100	-	-
ACCQ	China Merchants Bank CNY Financial Plan	Financial assets measured at fair value through profit or loss—current	China Merchants Bank	None	-	-	420,000	1,911,376	420,000	1,914,320	1,911,376	2,944	-	-
AHN	AEG	Investments accounted for using equity method	AEH	Parent	1,650	2,122,696	-	-	1,650	2,271,763	2,271,763	-	-	-
AEH	AEG	Investments accounted for using equity method	AHN	Subsidiary	-	-	1,650	2,271,763	-	-	-	-	1,650	2,271,763

Acer Incorporated and Subsidiaries
Total purchases from and sales to related parties which exceed NT\$100 million or 20% of the paid-in capital
For the year ended December 31, 2018

Table 5

(Amounts in Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others (Note 1)		Notes/Accounts Receivable or (Payable)		Note
			Purchases/(Sales)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Company	AAC	Parent/Subsidiary	(Sales)	(50,515,776)	(28.39)%	OA90	-	-	7,579,129	28.68%	
The Company	AAPH	Parent/Subsidiary	(Sales)	(3,062,235)	(1.72)%	OA60	-	-	-	-	
The Company	ACA	Parent/Subsidiary	(Sales)	(5,811,391)	(3.27)%	OA60	-	-	1,797,861	6.80%	
The Company	ACCQ	Parent/Subsidiary	(Sales)	(8,802,986)	(4.95)%	OA60	-	-	708,325	2.68%	
The Company	ACNZ	Parent/Subsidiary	(Sales)	(828,120)	(0.47)%	OA60	-	-	241,942	0.92%	
The Company	ACS	Parent/Subsidiary	(Sales)	(2,052,404)	(1.15)%	OA60	-	-	215,311	0.81%	
The Company	AEG	Parent/Subsidiary	(Sales)	(68,217,538)	(38.33)%	OA60	-	-	4,440,629	16.80%	
The Company	AFE	Parent/Subsidiary	(Sales)	(872,402)	(0.49)%	OA60	-	-	296,727	1.12%	
The Company	AIL	Parent/Subsidiary	(Sales)	(5,267,353)	(2.96)%	OA180	-	-	4,221,850	15.98%	
The Company	AIN	Parent/Subsidiary	(Sales)	(4,972,243)	(2.79)%	OA90	-	-	576,474	2.18%	
The Company	AJC	Parent/Subsidiary	(Sales)	(2,269,934)	(1.28)%	OA180	-	-	1,124,979	4.26%	
The Company	AMI	Parent/Subsidiary	(Sales)	(228,615)	(0.13)%	OA90	-	-	12,077	0.05%	
The Company	APHI	Parent/Subsidiary	(Sales)	(1,179,925)	(0.66)%	OA60	-	-	144,347	0.55%	
The Company	APX	Parent/Subsidiary	(Sales)	(174,841)	(0.10)%	OA60	-	-	13,407	0.05%	
The Company	ASC	Parent/Subsidiary	(Sales)	(122,276)	(0.07)%	OA60	-	-	9,021	0.03%	
The Company	ASSB	Parent/Subsidiary	(Sales)	(3,038,779)	(1.71)%	OA60	-	-	251,933	0.95%	
The Company	ATH	Parent/Subsidiary	(Sales)	(4,611,010)	(2.59)%	OA60	-	-	765,255	2.90%	
The Company	AVN	Parent/Subsidiary	(Sales)	(137,060)	(0.08)%	OA60	-	-	43,118	0.16%	
The Company	ALT	Parent/Subsidiary	(Sales)	(225,803)	(0.13)%	OA60	-	-	154,339	0.58%	
The Company	WLII	Parent/Subsidiary	(Sales)	(2,110,557)	(1.19)%	EM45	-	-	243,284	0.92%	
The Company	AST	Parent/Subsidiary	(Sales)	(172,628)	(0.10)%	OA90	-	-	109,795	0.42%	
The Company	AIL	Parent/Subsidiary	Purchases	136,809	0.08%	OA60	-	-	276	-	
The Company	APHI	Parent/Subsidiary	Purchases	165,015	0.10%	OA60	-	-	(14,714)	(0.04)%	
The Company	EDC	Parent/Subsidiary	Purchases	216,183	0.13%	OA60	-	-	(46,281)	(0.14)%	
The Company	ACTTW	Parent/Subsidiary	Purchases	123,757	0.07%	OA60	-	-	(2,545)	(0.01)%	
The Company	AEB	Parent/Subsidiary	Purchases	674,836	0.40%	EM60	-	-	(30,993)	(0.09)%	
ALT	The Company	Parent/Subsidiary	Purchases	225,803	97.42%	OA60	-	-	(154,339)	(95.53)%	
EDC	The Company	Parent/Subsidiary	(Sales)	(216,183)	(47.73)%	OA60	-	-	46,281	67.43%	

Company Name	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others (Note 1)		Notes/Accounts Receivable or (Payable)		Note
			Purchases/(Sales)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
ACTTW	The Company	Parent/Subsidiary	(Sales)	(123,757)	(35.70)%	OA60	-	-	2,545	1.80%	
ACTTW	AGI	Parent/Subsidiary	(Sales)	(200,436)	(57.83)%	EM180	-	-	138,434	97.93%	
AEB	The Company	Parent/Subsidiary	(Sales)	(674,836)	(16.26)%	EM60	-	-	30,993	3.52%	
AEB	WLII	Fellow subsidiary	Purchases	143,483	3.74%	EM60	-	-	(39,744)	(4.70)%	
AGI	AOI	Fellow subsidiary	(Sales)	(213,767)	(93.09)%	OA60	-	-	54,819	62.02%	
AGI	ACTTW	Parent/Subsidiary	Purchases	200,436	100.00%	EM180	-	-	(138,434)	(100.00)%	
AOI	AOA	Parent/Subsidiary	(Sales)	(380,775)	(38.55)%	OA60	-	-	100,763	30.19%	
AOI	AOE	Parent/Subsidiary	(Sales)	(325,828)	(32.99)%	OA90	-	-	112,535	33.71%	
AOI	AOTH	Parent/Subsidiary	Purchases	549,334	53.98%	OA60	-	-	57,275	17.16%	
AOI	AGI	Fellow subsidiary	Purchases	213,767	21.00%	OA60	-	-	(54,819)	(18.73)%	
WLII	AEB	Fellow subsidiary	(Sales)	(143,483)	(1.16)%	EM60	-	-	39,744	1.78%	
WLII	The Company	Parent/Subsidiary	Purchases	2,110,557	17.37%	EM45	-	-	(243,284)	(15.88)%	
AST	The Company	Parent/Subsidiary	Purchases	172,628	21.43%	OA90	-	-	(109,795)	(35.43)%	
AAC	AMEX	Fellow subsidiary	(Sales)	(1,827,202)	(3.27)%	OA60	-	-	918,821	10.48%	
AAC	ASC	Fellow subsidiary	(Sales)	(253,698)	(0.45)%	OA60	-	-	10,029	0.11%	
AAC	ATB	Fellow subsidiary	(Sales)	(403,279)	(0.72)%	OA60	-	-	71,223	0.81%	
AAC	The Company	Parent/Subsidiary	Purchases	50,515,776	92.40%	OA90	-	-	(7,579,129)	(92.59)%	
AAPH	AIL	Fellow subsidiary	(Sales)	(1,950,456)	(53.66)%	OA60	-	-	-	-	
AAPH	ASSB	Fellow subsidiary	(Sales)	(120,761)	(3.59)%	OA60	-	-	-	-	
AAPH	ATH	Fellow subsidiary	(Sales)	(1,439,662)	(42.75)%	OA60	-	-	-	-	
AAPH	The Company	Parent/Subsidiary	Purchases	3,062,235	95.68%	OA60	-	-	-	-	
ACA	ACNZ	Fellow subsidiary	(Sales)	(147,471)	(2.13)%	OA60	-	-	64,020	5.11%	
ACA	Bluechip	Fellow subsidiary	(Sales)	(211,895)	(3.06)%	EM30	-	-	17,929	1.43%	
ACA	The Company	Parent/Subsidiary	Purchases	5,811,391	98.39%	OA60	-	-	(1,797,861)	(98.26)%	
ACCN	ACCQ	Fellow subsidiary	(Sales)	(106,875)	(0.84)%	OA60	-	-	121,098	9.39%	
ACCN	ACCQ	Fellow subsidiary	Purchases	11,116,373	90.42%	OA60	-	-	(2,014,452)	(99.77)%	
ACCQ	ACCN	Fellow subsidiary	(Sales)	(11,116,373)	(99.98)%	OA60	-	-	2,014,452	100.00%	
ACCQ	The Company	Parent/Subsidiary	Purchases	8,802,986	72.42%	OA60	-	-	(708,325)	(49.60)%	
ACCQ	ACCN	Fellow subsidiary	Purchases	106,875	0.88%	OA60	-	-	(121,098)	(8.48)%	
ACF	AEG	Fellow subsidiary	(Sales)	(303,489)	(3.00)%	OA60	-	-	754,118	20.25%	
ACF	AEG	Fellow subsidiary	Purchases	8,871,711	90.78%	OA60	-	-	(1,869,324)	(97.52)%	
ACF	APX	Fellow subsidiary	Purchases	138,568	1.42%	OA60	-	-	(11,009)	(0.57)%	
ACG	AEG	Fellow subsidiary	(Sales)	(488,850)	(2.01)%	OA60	-	-	1,807,526	23.53%	
ACG	APX	Fellow subsidiary	(Sales)	(118,240)	(0.49)%	OA60	-	-	16,381	0.21%	

Company Name	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others (Note 1)		Notes/Accounts Receivable or (Payable)		Note
			Purchases/(Sales)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
ACG	AEG	Fellow subsidiary	Purchases	22,082,010	94.02%	OA60	-	-	(3,780,236)	(98.01)%	
ACG	APX	Fellow subsidiary	Purchases	271,385	1.16%	OA45	-	-	(42,407)	(1.10)%	
ACH	AEG	Fellow subsidiary	(Sales)	(190,042)	(3.03)%	OA60	-	-	412,856	22.85%	
ACH	AEG	Fellow subsidiary	Purchases	5,690,277	93.94%	OA60	-	-	(902,644)	(98.25)%	
ACNZ	ACA	Fellow subsidiary	Purchases	147,471	14.80%	OA60	-	-	(64,020)	(19.83)%	
ACNZ	The Company	Parent/Subsidiary	Purchases	828,120	83.13%	OA60	-	-	(241,942)	(74.93)%	
ACS	The Company	Parent/Subsidiary	Purchases	2,052,404	91.46%	OA60	-	-	(215,311)	(97.35)%	
ACZ	ASIN	Fellow subsidiary	(Sales)	(250,848)	(44.54)%	OA30	-	-	23,126	31.52%	
ACZ	APX	Fellow subsidiary	Purchases	195,162	38.19%	OA90	-	-	(26,040)	(93.14)%	
AEG	ACF	Fellow subsidiary	(Sales)	(8,871,711)	(11.48)%	OA60	-	-	1,869,324	13.83%	
AEG	ACG	Fellow subsidiary	(Sales)	(22,082,010)	(28.57)%	OA60	-	-	3,780,236	27.97%	
AEG	ACH	Fellow subsidiary	(Sales)	(5,690,277)	(7.36)%	OA60	-	-	902,644	6.68%	
AEG	AIB	Fellow subsidiary	(Sales)	(3,736,066)	(4.83)%	OA60	-	-	400,343	2.96%	
AEG	AIT	Fellow subsidiary	(Sales)	(4,957,276)	(6.41)%	OA60	-	-	915,474	6.77%	
AEG	APX	Fellow subsidiary	(Sales)	(596,882)	(0.77)%	OA60	-	-	124,988	0.92%	
AEG	ASIN	Fellow subsidiary	(Sales)	(21,290,215)	(27.54)%	OA60	-	-	3,711,577	27.46%	
AEG	ASZ	Fellow subsidiary	(Sales)	(2,269,570)	(2.94)%	OA60	-	-	346,678	2.56%	
AEG	AUK	Fellow subsidiary	(Sales)	(7,295,708)	(9.44)%	OA60	-	-	1,080,021	7.99%	
AEG	SER	Fellow subsidiary	(Sales)	(452,215)	(0.59)%	OA60	-	-	111,082	0.82%	
AEG	The Company	Parent/Subsidiary	Purchases	68,217,538	90.97%	OA60	-	-	(4,440,629)	(41.81)%	
AEG	ACF	Fellow subsidiary	Purchases	303,489	0.40%	OA60	-	-	(754,118)	(7.10)%	
AEG	ACG	Fellow subsidiary	Purchases	488,850	0.65%	OA60	-	-	(1,807,526)	(17.02)%	
AEG	ACH	Fellow subsidiary	Purchases	190,042	0.25%	OA60	-	-	(412,856)	(3.89)%	
AEG	AIB	Fellow subsidiary	Purchases	253,805	0.34%	OA60	-	-	(397,728)	(3.74)%	
AEG	AIT	Fellow subsidiary	Purchases	255,747	0.34%	OA60	-	-	(406,067)	(3.82)%	
AEG	APX	Fellow subsidiary	Purchases	391,133	0.52%	OA60	-	-	(25,760)	(0.24)%	
AFE	The Company	Parent/Subsidiary	Purchases	872,402	97.92%	OA60	-	-	(296,727)	(98.73)%	
AIB	AEG	Fellow subsidiary	(Sales)	(253,805)	(5.87)%	OA60	-	-	397,728	25.97%	
AIB	AEG	Fellow subsidiary	Purchases	3,736,066	89.85%	OA60	-	-	(400,343)	(95.55)%	
AIB	APX	Fellow subsidiary	Purchases	110,576	2.66%	OA60	-	-	(18,381)	(4.39)%	
AIL	AIN	Fellow subsidiary	(Sales)	(148,796)	(1.32)%	OA60	-	-	23,902	0.81%	
AIL	The Company	Parent/Subsidiary	(Sales)	(136,809)	(1.21)%	OA60	-	-	(276)	(0.01)%	
AIL	The Company	Parent/Subsidiary	Purchases	5,267,353	58.85%	OA180	-	-	(4,221,850)	(93.93)%	
AIL	AAPH	Fellow subsidiary	Purchases	1,950,456	21.79%	OA60	-	-	-	-	

Company Name	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others (Note 1)		Notes/Accounts Receivable or (Payable)		Note
			Purchases/(Sales)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
AIN	AMI	Parent/Subsidiary	(Sales)	(950,261)	(13.89)%	OA60	-	-	57,704	63.42%	
AIN	The Company	Parent/Subsidiary	Purchases	4,972,243	72.78%	OA90	-	-	(576,474)	(91.82)%	
AIN	AIL	Fellow subsidiary	Purchases	148,796	2.18%	OA60	-	-	(23,902)	(3.81)%	
AIN	AMI	Parent/Subsidiary	Purchases	1,225,609	17.94%	OA90	-	-	(19,877)	(3.17)%	
AIT	AEG	Fellow subsidiary	(Sales)	(255,747)	(4.65)%	OA60	-	-	406,067	17.41%	
AIT	AEG	Fellow subsidiary	Purchases	4,957,276	94.00%	OA60	-	-	(915,474)	(99.02)%	
AJC	The Company	Parent/Subsidiary	Purchases	2,269,934	95.37%	OA180	-	-	(1,124,979)	(98.37)%	
AMEX	AAC	Fellow subsidiary	Purchases	1,827,202	96.44%	OA60	-	-	(918,821)	(100.00)%	
AMI	AIN	Parent/Subsidiary	(Sales)	(1,225,609)	(98.14)%	OA90	-	-	19,877	98.76%	
AMI	AIN	Parent/Subsidiary	Purchases	950,261	76.56%	OA60	-	-	(57,704)	(79.05)%	
AMI	The Company	Parent/Subsidiary	Purchases	228,615	18.42%	OA90	-	-	(12,077)	(16.54)%	
AOTH	AOZ	Parent/Subsidiary	(Sales)	(451,945)	(37.88)%	OA60	-	-	110,562	47.39%	
AOTH	AOI	Parent/Subsidiary	(Sales)	(549,334)	(46.04)%	OA60	-	-	(57,275)	(16.21)%	
AOZ	AOTH	Parent/Subsidiary	(Sales)	(505,145)	(99.22)%	OA60	-	-	128,609	98.35%	
AOA	AOI	Parent/Subsidiary	Purchases	380,775	58.29%	OA90	-	-	(100,763)	(91.73)%	
AOE	AOI	Parent/Subsidiary	Purchases	325,828	96.78%	OA60	-	-	(112,535)	(98.29)%	
AOTH	AOZ	Parent/Subsidiary	Purchases	505,145	39.39%	OA60	-	-	(128,609)	(36.40)%	
AOZ	AOTH	Parent/Subsidiary	Purchases	451,945	92.68%	OA60	-	-	(110,562)	(87.13)%	
APHI	The Company	Parent/Subsidiary	(Sales)	(165,015)	(11.15)%	OA60	-	-	14,714	29.19%	
APHI	The Company	Parent/Subsidiary	Purchases	1,179,925	99.04%	OA60	-	-	(144,347)	(80.87)%	
APX	ACF	Fellow subsidiary	(Sales)	(138,568)	(6.63)%	OA60	-	-	11,009	5.65%	
APX	ACG	Fellow subsidiary	(Sales)	(271,385)	(12.99)%	OA45	-	-	42,407	21.76%	
APX	ACZ	Fellow subsidiary	(Sales)	(195,162)	(9.34)%	OA90	-	-	26,040	13.36%	
APX	AEG	Fellow subsidiary	(Sales)	(391,133)	(18.73)%	OA60	-	-	25,760	13.22%	
APX	AIB	Fellow subsidiary	(Sales)	(110,576)	(5.29)%	OA60	-	-	18,381	9.43%	
APX	ACG	Fellow subsidiary	Purchases	118,240	6.81%	OA60	-	-	(16,381)	(6.89)%	
APX	AEG	Fellow subsidiary	Purchases	596,882	34.38%	OA60	-	-	(124,988)	(52.57)%	
APX	The Company	Parent/Subsidiary	Purchases	174,841	10.07%	OA60	-	-	(13,407)	(5.64)%	
ARU	ASIN	Fellow subsidiary	(Sales)	(133,701)	(100.00)%	OA60	-	-	10,915	100.00%	
ASC	AAC	Fellow subsidiary	Purchases	253,698	35.88%	OA60	-	-	(10,029)	(10.80)%	
ASC	The Company	Parent/Subsidiary	Purchases	122,276	17.29%	OA60	-	-	(9,021)	(9.72)%	
ASIN	ACZ	Fellow subsidiary	Purchases	250,848	1.13%	OA30	-	-	(23,126)	(0.62)%	
ASIN	AEG	Fellow subsidiary	Purchases	21,290,215	96.30%	OA60	-	-	(3,711,577)	(98.72)%	
ASIN	ARU	Fellow subsidiary	Purchases	133,701	0.60%	OA60	-	-	(10,915)	(0.29)%	

Company Name	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others (Note 1)		Notes/Accounts Receivable or (Payable)		Note
			Purchases/(Sales)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
ASSB	SMA	Parent/Subsidiary	(Sales)	(553,595)	(16.41)%	OA60	-	-	1,833	0.83%	
ASSB	AAPH	Fellow subsidiary	Purchases	120,761	3.86%	OA60	-	-	-	-	
ASSB	The Company	Parent/Subsidiary	Purchases	3,038,779	96.14%	OA60	-	-	(251,933)	(92.22)%	
ASZ	AEG	Fellow subsidiary	Purchases	2,269,570	89.63%	OA60	-	-	(346,678)	(98.45)%	
ATB	AAC	Fellow subsidiary	Purchases	403,279	5.03%	OA60	-	-	(71,223)	(3.50)%	
ATH	AAPH	Fellow subsidiary	Purchases	1,439,662	21.52%	OA60	-	-	-	-	
ATH	The Company	Parent/Subsidiary	Purchases	4,611,010	68.92%	OA60	-	-	(765,255)	(93.18)%	
AUK	AEG	Fellow subsidiary	Purchases	7,295,708	95.60%	OA60	-	-	(1,080,021)	(98.90)%	
AVN	The Company	Parent/Subsidiary	Purchases	137,060	70.24%	OA60	-	-	(43,118)	(86.65)%	
Bluechip	ACA	Fellow subsidiary	Purchases	211,895	9.73%	EM30	-	-	(17,929)	(7.16)%	
SER	AEG	Fellow subsidiary	Purchases	452,215	100.00%	OA60	-	-	(111,082)	(99.51)%	
SMA	ASSB	Parent/Subsidiary	Purchases	553,595	16.67%	OA60	-	-	(1,833)	(3.92)%	

Note 1: The trade terms and price of sales with related parties are not comparable to the trading terms and prices with third-party customers as they are determined by the economic environment and market competition of specific locations. The trading terms of purchase with related parties are not comparable to the trading terms with third-party vendors as the specifications of products are different.

Note 2: The above transactions between parent and subsidiary are eliminated when preparing the consolidated financial statements.

Acer Incorporated and Subsidiaries
Receivables from related parties which exceed NT\$100 million or 20% of the paid-in capital
December 31, 2018

Table 6

(Amounts in Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Loss Allowance	Note
					Amount	Action Taken			
The Company	AAC	Parent/Subsidiary	7,579,129	6.82	-		7,565,877		
The Company	ACA	Parent/Subsidiary	1,797,861	3.23	758,836	Under collection	953,203		
The Company	ACCQ	Parent/Subsidiary	708,325	8.82	-		708,325		
The Company	ACNZ	Parent/Subsidiary	241,942	3.42	37,512	Under collection	204,430		
The Company	ACS	Parent/Subsidiary	215,311	9.53	-		215,311		
The Company	AEG	Parent/Subsidiary	4,440,629	27.85	-		4,440,629		
The Company	AFE	Parent/Subsidiary	296,902	3.70	162,036	Under collection	134,866		
The Company	AIL	Parent/Subsidiary	4,221,850	1.25	642,532	Under collection	1,091,078		
The Company	AIN	Parent/Subsidiary	576,474	8.63	-		576,474		
The Company	AJC	Parent/Subsidiary	1,124,979	2.02	-		341,162		
The Company	APHI	Parent/Subsidiary	144,347	10.92	-		144,347		
The Company	ASSB	Parent/Subsidiary	251,933	12.92	-		251,933		
The Company	ATH	Parent/Subsidiary	765,255	6.03	-		765,255		
The Company	ALT	Parent/Subsidiary	155,606	2.50	67,642	Under collection	87,964		
The Company	WLII	Parent/Subsidiary	252,621	8.31	-		252,621		
The Company	AST	Parent/Subsidiary	112,120	3.14	59,237	Under collection	43,747		
ABH	AEB	Parent/Subsidiary	156,775	-	-		-		
AEB	The Company	Parent/Subsidiary	119,359	13.88	-		-		
ACTTW	AGI	Parent/Subsidiary	138,434	2.05	-		82,590		
AOI	AOA	Parent/Subsidiary	100,763	3.92	-		104,093		Note 2
AOI	AOE	Parent/Subsidiary	112,535	3.81	55,336	Under collection	80,549		Note 2
ETEN	The Company	Parent/Subsidiary	182,356	71.08	-		-		
ADSC	The Company	Parent/Subsidiary	745,017	-	-		-		
CCI	The Company	Parent/Subsidiary	107,057	-	-		-		
GTI	The Company	Parent/Subsidiary	100,074	1.98	-		35,244		
AAC	AMEX	Fellow subsidiary	919,005	1.62	304,456	Under collection	385,368		

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Loss Allowance	Note
					Amount	Action Taken			
AAC	ASC	Fellow subsidiary	325,013	13.68	-		10,029		
AAH	AAC	Parent/Subsidiary	4,511,575	-	-		-		
ACCN	ACCQ	Fellow subsidiary	121,098	0.86	-		121,098		
ACCQ	ACCN	Fellow subsidiary	2,014,452	5.74	-		2,014,452		
ACF	AEG	Fellow subsidiary	766,201	0.42	-		75,304		
ACG	AEG	Fellow subsidiary	2,306,197	0.26	-		102,788		
ACH	AEG	Fellow subsidiary	415,237	0.46	-		15,298		
AEG	ACF	Fellow subsidiary	1,869,324	5.31	-		1,858,553		
AEG	ACG	Fellow subsidiary	3,780,281	5.13	-		3,734,522		
AEG	ACH	Fellow subsidiary	902,644	6.92	-		899,233		
AEG	AIB	Fellow subsidiary	400,343	10.56	-		397,933		
AEG	AIT	Fellow subsidiary	915,474	4.64	-		915,474		
AEG	APX	Fellow subsidiary	124,988	5.68	-		124,988		
AEG	ASIN	Fellow subsidiary	3,720,027	5.00	126	Under collection	3,644,728		
AEG	ASZ	Fellow subsidiary	346,678	5.86	51	Under collection	341,354		
AEG	AUK	Fellow subsidiary	1,080,021	6.83	-		858,981		
AEG	SER	Fellow subsidiary	111,082	5.28	-		65,827		
AIB	AEG	Fellow subsidiary	430,911	0.66	-		71,692		
AIT	AEG	Fellow subsidiary	406,067	0.66	-		-		
AIZS	ACCN	Fellow subsidiary	209,966	-	-		-		
AOZ	AOTH	Parent/Subsidiary	128,609	4.20	42,817	Under collection	49,173		
ASCBVI	LONG	Fellow subsidiary	307,330	-	-		-		
ASIN	AEG	Fellow subsidiary	530,585	0.02	-		25,010		
ASZ	AEG	Fellow subsidiary	213,435	0.31	-		11,656		
AUK	AEG	Fellow subsidiary	643,910	0.10	-		21,678		
GW	AAC	Parent/Subsidiary	384,711	-	-		-		

Note 1: The above transactions between parent and subsidiary are eliminated when preparing the consolidated financial statements.

Note 2: The ending balance of receivables has been deducted by the credit amount of investments accounted for using equity method.

Acer Incorporated and Subsidiaries
Business relationships and significant intercompany transactions
For the year ended December 31, 2018

Table 7

(Amounts in Thousands of New Taiwan Dollars)

Intercompany relationships and significant intercompany transactions for the year ended December 31, 2018 were as follows:

Number	Company Name	Counter Party	Nature of Relationship	Intercompany Transactions			Percentage of Consolidated Net Revenue or Total Assets
				Account	Amount	Transaction Terms	
0	The Company	AEG	1	Sales	68,217,538	OA60	28.16%
0	The Company	AAC	1	Sales	50,515,776	OA90	20.85%
0	The Company	ACCQ	1	Sales	8,802,986	OA60	3.63%
0	The Company	ACA	1	Sales	5,811,391	OA60	2.40%
0	The Company	AIL	1	Sales	5,267,353	OA180	2.17%
0	The Company	AIN	1	Sales	4,972,243	OA90	2.05%
0	The Company	ATH	1	Sales	4,611,010	OA60	1.90%
0	The Company	AAPH	1	Sales	3,062,235	OA60	1.26%
0	The Company	ASSB	1	Sales	3,038,779	OA60	1.25%
0	The Company	AAC	1	Accounts receivable	7,579,129	OA90	4.92%
0	The Company	AEG	1	Accounts receivable	4,440,629	OA60	2.88%
0	The Company	AIL	1	Accounts receivable	4,221,850	OA180	2.74%
0	The Company	ACA	1	Accounts receivable	1,797,861	OA60	1.17%

Note 1: Parties to the intercompany transactions are identified and numbered as follows:

1. "0" represents the Company.
2. Subsidiaries are numbered from "1".

Note 2: No. 1 represents the transactions from parent company to subsidiary.

No. 2 represents the transactions from subsidiary to parent company.

Note 3: Intercompany relationships and significant intercompany transactions are disclosed only for the amounts that exceed 1% of consolidated net revenue or total assets. The corresponding purchases and accounts payables are not disclosed.

Acer Incorporated and Subsidiaries
Names, Locations, and Related Information of Investees over which The Company Exercises Significant Influence
December 31, 2018

Table 8

(Amounts in Thousands of New Taiwan Dollars/Shares)

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount		Balances as of December 31, 2018			Maximum ownership during 2018		Net Income (Loss) of the Investee	Share of profits/ losses of investee	Note
				December 31, 2018	December 31, 2017	Shares (in thousands)	Percentage of Ownership	Carrying Value	Shares (in thousands)	Percentage of Ownership			
The Company	ADSC	Taiwan	Investment and holding activity	1,746,549	1,746,549	128,282	100.00	1,708,174	128,282	100.00	(32,073)	(32,073)	Parent/Subsidiary
The Company	Boardwalk	British Virgin Islands	Investment and holding activity	41,496,383	41,496,383	1,263,432	92.02	25,795,473	1,263,432	92.02	242,295	222,949	Parent/Subsidiary
The Company	AEH	Switzerland	Investment and holding activity	2,464,262	2,464,262	150	100.00	17,072,262	150	100.00	394,097	394,097	Parent/Subsidiary
The Company	AHI	British Virgin Islands	Investment and holding activity	1,130,566	1,130,566	33,550	100.00	9,243,042	33,550	100.00	478,068	478,068	Parent/Subsidiary
The Company	Bluechip	Australia	Sale of computer peripherals and software system	32,988	24,249	1,225	33.39	68,313	1,225	34.52	2,248	174	Parent/Subsidiary
The Company	AWI	British Virgin Islands	Investment and holding activity	4,069,764	4,069,764	1,326,193	100.00	317,471	1,326,193	100.00	360	360	Parent/Subsidiary
The Company	ASCBVI	British Virgin Islands	Investment and holding activity	1,900,347	1,900,347	43,067	100.00	1,137,501	43,067	100.00	30,323	30,323	Parent/Subsidiary
The Company	CCI	Taiwan	Investment and holding activity	1,299,817	1,299,817	-	100.00	550,229	-	100.00	5,900	5,900	Parent/Subsidiary
The Company	ADSBH	British Virgin Islands	Investment and holding activity	1,175,933	1,175,933	2,246	100.00	(299,677)	2,246	100.00	(190)	(190)	Parent/Subsidiary
The Company	ACSI	Taiwan	Cyber security service	1,188,445	1,242,578	10,999	87.09	187,348	11,500	100.00	57,988	52,898	Parent/Subsidiary
The Company	AGC	British Virgin Islands	Investment and holding activity	5,012,454	4,941,292	163,369	100.00	5,010,165	163,369	100.00	256,703	256,703	Parent/Subsidiary
The Company	WLII	Taiwan	Sale of computers and communication products	1,087,987	1,115,474	68,358	97.33	1,316,492	70,088	99.79	97,047	96,388	Parent/Subsidiary
The Company	ATI	Taiwan	Integrated circuit test service	819,792	819,792	1,203	19.39	3,068	1,203	19.39	-	-	Associate
The Company	ETEN	Taiwan	Research, design and sale of smart handheld products	6,800,751	6,800,751	20,000	100.00	2,000,757	20,000	100.00	(48,315)	(163,236)	Parent/Subsidiary
The Company	ABH	Taiwan	Investment and holding activity	2,128,004	1,919,004	176,368	100.00	1,471,504	236,105	100.00	(264,011)	(264,011)	Parent/Subsidiary
The Company	ASBZ	Taiwan	Solutions provider of B2B virtual reality	311,820	320,000	30,628	63.52	30,713	32,000	66.67	(413,529)	(263,667)	Parent/Subsidiary
The Company	EDC	Taiwan	Data center and cloud services	1,700,466	1,700,466	186,593	100.00	1,565,945	186,593	100.00	(133,365)	(133,365)	Parent/Subsidiary
The Company	AOI	Taiwan	Sale, manufacture, import and export of commercial computer products, software, components, peripheral equipment and apparatus; repair and maintenance service of computer products	333,155	333,155	28,970	40.55	316,531	28,970	40.55	(13,453)	(6,855)	Parent/Subsidiary
The Company	GTI	Taiwan	Sale of peripheral 3C products	45,000	-	4,500	83.64	48,806	4,500	100.00	150	150	Parent/Subsidiary
The Company	HSNC	Taiwan	Repair and maintenance of IT products	50,000	-	5,000	100.00	49,543	5,000	100.00	(457)	(457)	Parent/Subsidiary
The Company	SFT	Taiwan	Research, manufacturing and sale of radio-detection and civilian technology application products related to distance	132,000	-	13,200	55.00	126,996	13,200	55.00	(9,099)	(5,004)	Joint Venture
The Company	AST	Taiwan	System integration service	82,600	-	7,000	91.74	89,902	7,000	91.74	21,893	8,197	Parent/Subsidiary
EDC	TWPBVI	British Virgin Islands	Investment and holding activity	32,298	32,298	11,068	100.00	1,177	11,068	100.00	(3,068)	(3,068)	Parent/Subsidiary
ASBZ	VRE	Switzerland	Research of solutions to B2B virtual reality	38,979	-	100	100.00	1,595	100	100.00	(37,218)	(37,218)	Parent/Subsidiary
HSNC	HSNT	Thailand	Repair and maintenance of IT products	577	-	24	100.00	493	24	100.00	(84)	(84)	Parent/Subsidiary
ADSC	ECS	Taiwan	Business integration system	40,851	40,851	1,244	24.88	23,939	1,244	24.88	26,353	7,326	Associate
ADSC	APDI	Taiwan	Property development	29,577	29,577	2,958	100.00	104,927	2,958	100.00	3,615	3,615	Parent/Subsidiary
ADSC	ASDI	Taiwan	Property development	500,000	500,000	22,593	100.00	222,155	22,593	100.00	(727)	(727)	Parent/Subsidiary
ADSC	Kbest	Taiwan	Development and manufacturing of radio and microwave equipment	129,293	129,293	4,427	28.03	24,064	4,427	28.03	(50,951)	(64,050)	Associate
ASDI	Kbest	Taiwan	Development and manufacturing of radio and microwave equipment	3,997	3,997	286	1.81	1,552	286	1.81	(50,951)	(1,430)	Associate

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount		Balances as of December 31, 2018			Maximum ownership during 2018		Net Income (Loss) of the Investee	Share of profits/ losses of investee	Note
				December 31, 2018	December 31, 2017	Shares (in thousands)	Percentage of Ownership	Carrying Value	Shares (in thousands)	Percentage of Ownership			
WLII	HPT	Taiwan	Retail service of software	23,668	23,668	882	30.22	15,022	882	30.22	6,199	1,873	Associate
WLII	WHI	Hong Kong	Sale of computers and communication products	-	55,895	-	-	-	12,872	100.00	36	36	Parent/Subsidiary
WLII	WELL	Taiwan	Matchmaking of professional services, platform of client service and sale of products, and providing of professional seminars and courses	10,000	10,000	1,000	100.00	(1,137)	1,000	100.00	(4,388)	(4,388)	Parent/Subsidiary
WLII	AST	Taiwan	System integration service	-	70,000	-	-	-	7,000	100.00	21,893	11,843	Fellow subsidiaries
AEH	Boardwalk	British Virgin Islands	Investment and holding activity	3,333,032	3,333,032	109,639	7.98	2,235,224	109,639	7.98	242,295	19,346	Fellow subsidiaries
ACTI	GrandPAD	U.S.A.	Development of user-friendly IoT device	350,477	350,477	436	37.75	246,389	436	43.28	(153,388)	(68,542)	Associate
ABH	AEB	Taiwan	Cloud ticketing system, electronic book, online payment service, customized system development and integration services, and sale of commercial and cloud application software and technical services	334,025	549,650	32,000	100.00	392,370	53,563	100.00	88,472	88,472	Parent/Subsidiary
ABH	ACTTW	Taiwan	Development of Internet of Beings and cloud technology, and integration of cloud technology, software and hardware	1,153,000	1,125,400	64,314	100.00	418,161	112,540	100.00	(216,195)	(216,195)	Parent/Subsidiary
ABH	MPS	Taiwan	Research, development, and sale of batteries	141,711	81,711	7,249	100.00	64,234	16,000	100.00	(8,253)	(8,253)	Parent/Subsidiary
ABH	ALT	Taiwan	High performance computing, cloud computing, software-defined storage, and IT solution	40,200	48,000	4,020	71.79	49,648	4,800	100.00	11,958	7,888	Parent/Subsidiary
ABH	ITS	Taiwan	Programs and services of intelligent transportation and electronic ticketing	394,772	300,000	34,308	94.41	269,462	34,308	94.41	(94,839)	(92,066)	Parent/Subsidiary
ABH	ABHI	Taiwan	Intelligent medical examination and data interpretation analysis, medical big data, and health management and related information exchange	50,000	-	5,000	100.00	49,893	5,000	100.00	(107)	(107)	Parent/Subsidiary
ABH	ABC	Taiwan	Software design service	18,500	-	1,989	49.00	12,878	1,989	49.00	(10,945)	(5,199)	Parent/Subsidiary
ABH	XPL	Taiwan	Design, development and sale of smart bicycle speedometer	38,173	-	4,401	100.00	22,102	4,401	100.00	(20,916)	(15,772)	Parent/Subsidiary
ABH	PBC	Taiwan	Pet interaction device and social networking service	50,676	-	5,825	100.00	27,989	5,825	100.00	(30,258)	(22,688)	Parent/Subsidiary
AEB	XPL	Taiwan	Design, development and sale of smart bicycle speedometer	-	131,640	-	-	-	8,372	100.00	(20,916)	(5,144)	Fellow subsidiaries
AEB	PBC	Taiwan	Pet interaction device and social networking service	-	102,400	-	-	-	6,742	100.00	(30,258)	(7,570)	Fellow subsidiaries
ACTTW	ABC	Taiwan	Software design service	76,371	76,371	2,071	51.00	13,404	2,071	51.00	(10,945)	(5,582)	Parent/Subsidiary
ACTTW	AGI	Taiwan	Development of user-friendly IoT device	29,000	29,000	2,900	100.00	32,609	2,900	100.00	13,869	13,869	Parent/Subsidiary
ACTTW	ABST	Taiwan	Technical service and research of aBeing cloud digital content management	300,000	272,400	30,000	100.00	121,956	30,000	100.00	(156,606)	(156,606)	Parent/Subsidiary
ABST	ABSG	Germany	Technical service and research of aBeing cloud digital content management	202,401	148,347	6,029	100.00	23,992	6,029	100.00	(157,614)	(157,614)	Parent/Subsidiary
AOI	Bluechip	Australia	Sale of computer peripherals and software system	36,915	36,915	570	15.54	31,787	570	16.06	2,248	(1,194)	Fellow subsidiaries
AOI	AOA	U.S.A.	Sale of computer, apparatus system, and peripheral equipment	295,771	295,771	15,000	100.00	(166,273)	15,000	100.00	17,428	17,428	Parent/Subsidiary
AOI	AOE	the Netherlands	Sale of computer, apparatus system, and peripheral equipment	214,094	214,094	1	100.00	(23,375)	1	100.00	6,476	6,476	Parent/Subsidiary
AOI	AOTH	British Virgin Islands	Sale of computer, apparatus system, and peripheral equipment	1,623	1,623	50	100.00	216,570	50	100.00	3,990	3,990	Parent/Subsidiary
AOI	AOJ	Japan	Sale of computer, apparatus system, and peripheral equipment	2,899	2,899	1	100.00	29,495	1	100.00	2,465	2,465	Parent/Subsidiary

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount		Balances as of December 31, 2018			Maximum ownership during 2018		Net Income (Loss) of the Investee	Share of profits/ losses of investee	Note
				December 31, 2018	December 31, 2017	Shares (in thousands)	Percentage of Ownership	Carrying Value	Shares (in thousands)	Percentage of Ownership			
AOI	AOSV	Taiwan	Sale of computer, apparatus system, and peripheral equipment	60,000	60,000	6,000	100.00	39,119	6,000	100.00	915	915	Parent/Subsidiary
AOI	AOGS	Australia	Sale of computer, apparatus system, and peripheral equipment	2,956	2,956	105	70.00	21,428	105	70.00	7,044	4,932	Parent/Subsidiary
AOI	HTW	Hong Kong	Software development and agency	405	405	100	100.00	1,066	100	100.00	119	119	Parent/Subsidiary
AOI	AOSD	Taiwan	Sale of computer, apparatus system, and peripheral equipment	2,000	-	2,000	80.00	19,920	2,000	80.00	(100)	(80)	Parent/Subsidiary
AOI	MPL	Australia	Sale of computer, apparatus system, and peripheral equipment	22,887	23,444	39	39.00	12,634	40	40.00	(21,119)	(9,047)	Associate
AOI	AMTC	Taiwan	Manufacturing and sale of touch display, touch controller and its driver	376,238	-	66,664	20.07	382,766	66,664	20.07	259,205	6,332	Associate
AOTH	GCL	Hong Kong	Sale of computer, apparatus system, and peripheral equipment	2,675	2,675	300	100.00	3,876	300	100.00	10	10	Parent/Subsidiary
AOGS	AOAU	Australia	Sale of computer, apparatus system, and peripheral equipment	3	3	1	100.00	27,984	1	100.00	7,899	7,899	Parent/Subsidiary

Acer Incorporated and Subsidiaries
Information on Investment in Mainland China
For the year ended December 31, 2018

Table 9

(Amounts in Thousands of New Taiwan Dollars)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018	Net Income (Losses) of Investee	% of Ownership of Direct or Indirect Investment	Maximum ownership during 2018		Share of profits/ losses of investee	Carrying Value as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018
					Outflow	Inflow				Shares	Percentage of Ownership			
Acer Third Wave Software (Beijing) Co. Ltd.	Sale of commercial and cloud application software and technical	92,199	2	92,199	-	-	92,199	(3,025)	100.00	-	100.00	(3,025)	(3,388)	-
Acer Information (Zhong Shan) Co.,	Sale of brand-name IT products	46,100	2	-	-	-	-	1,386	100.00	-	100.00	1,386	210,549	-
Acer Computer (Shanghai) Ltd.	Sale of brand-name IT products	61,466	2	61,466	-	-	61,466	(125,564)	100.00	-	100.00	(125,564)	673,236	-
Acer (Chongqing) Ltd.	Sale of brand-name IT products	4,609,950	2	4,732,882 (Note 2)	-	-	4,732,882	499,658	100.00	-	100.00	499,658	3,979,679	-
Acer Cloud Technology (Chongqing) Ltd.	Design, development, sale, and advisory of computer software and	153,665	1	153,665	-	-	153,665	(24,423)	100.00	-	100.00	(24,423)	63,061	-
Innovation and Commercialization Accelerator Inc.	Development, design, manufacturing, sale, and maintenance of intelligent terminal devices	26,808	1	(Note 3)	-	-	(Note 3)	(16,587)	30.00	-	30.00	(4,976)	15,949	-
Xplover (Shanghai) Ltd.	Sale of smart bicycle speedometer and operating social platform for bicycle riding and sports	9,238	1	9,238	-	-	9,238	(894)	100.00	-	100.00	(894)	6,933	-
Consumer Insights Research (Chongqing) Inc.	Collection, analysis and research of data information	13,404	1	(Note 3)	-	-	(Note 3)	(5,994)	30.00	-	30.00	(1,798)	10,251	-
Acer China Venture Corp	Fund company management	22,340	1	22,340	-	-	22,340	(5,684)	100.00	-	100.00	(5,684)	15,899	-
Acer China Venture Partnership	Investment fund	67,020	1	31,276	31,276	-	62,552 (Note 4)	(13)	100.00	-	100.00	(13)	67,008	-
Sertec (Beijing) Ltd.	Repair and maintenance of IT products	4,468	1	4,468	-	-	4,468	732	100.00	-	100.00	732	5,530	-
Beijing Altos Computing Ltd.	High performance computing, cloud computing, software-defined storage, and IT solution	19,659	1	-	19,659	-	19,659	30,810	100.00	-	100.00	30,810	50,469	-
Shanghai AST Technology Service Ltd.	System integration service	19,659	1	-	19,659	-	19,659	206	100.00	-	100.00	206	19,865	-
AOPEN International (Shanghai) Co., Ltd	Sale of computer, apparatus system, and peripheral equipment	161,322	2	161,322	-	-	161,322 (USD 4,800,000)	967	100.00	-	100.00	967	19,428	-
AOPEN Information Products (Zhongshan) Inc.	Manufacture and sale of computer parts and components	450,261	2	450,261	-	-	450,261 (USD 13,500,000)	6,552	100.00	-	100.00	6,552	291,488	-

Note 1: Method of Investment:

Type 1: Direct investment in Mainland China.

Type 2: Indirect investment in Mainland China through a holding company established in other countries.

Note 2: Acer Intellectual (Chongqing) Limited had merged with Acer (Chongqing) Ltd. in 2014, and Acer (Chongqing) Ltd. was the surviving entity from the merger. This amount included the original investment in

Acer Intellectual (Chongqing) Limited of \$ 122,932 (US \$4,000 thousand).

Note 3: Innovation and Commercialization Accelerator Inc. and Consumer Insights Research (Chongqing) Inc. were reinvested by Acer Cloud Technology(Chongqing) Ltd.

Note 4: Acer China Venture Partnership was invested by the Company and Acer China Venture Corp of \$62,552 and \$4,468, respectively.

Investor Company Name	Accumulated Investment in Mainland China as of December 31, 2018 (Note 5)(Note 6)	Investment Amounts Authorized by Investment Commission, MOEA (Note 5)(Note 6)	Upper Limit on Investment Authorized by Investment Commission, MOEA
The Company and Subsidiaries	\$5,792,856 (US\$188,489,759)	\$7,414,714 (US\$241,262,284.5)	(Note)

Note 5: In September, 2008, AOI had disposed all shares of JNS Technology Co., Ltd., and the proceeds from the disposal of US\$730,000 had been remitted to AOI in March 2010.

AOI has not yet to report to MOEA, therefore, the amount of US\$ 1,645,200 was still included the original investment in JNS Technology Co., Ltd.

Note 6: T-Conn Precision(Zhongshan) Co., Ltd., indirectly invested by AOI, had been dissolved and the related liquidation process has been completed. The liquidation proceeds of US\$31,549.06

(according to ownership percentage of 19%) has been remitted to Super Elite Ltd., a holding company established in other countries. On March 12, 2010, AOI has obtained MOEA's approval to

withdraw its investment. However, the amount of accumulated investment in Mainland China still included the amount of US\$57,000 due to the liquidation of capital which has yet to be remitted to Taiwan.

The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1=NT\$30.733 as of December 31, 2018.

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