Acer Incorporated 2013 Annual Report

http://www.acer-group.com
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APPENDIX

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

Principal	Nancy Hu	CFO	+886-2-2696-1234	Nancy.Hu @acer.com
Deputy	Claire Yang	Associate PR Manager	+886-2-2696-1234	Claire.Yang@acer.com

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

Office	Address	Tel
Acer Inc. Registered Address	7F.-5, No.369, Fuxing N. Rd., Songshan Dist., Taipei City 105, Taiwan	+886-2-2719-5000
Acer Inc. (Xizhi Office)	8F., No.88, Sec. 1, Xintai 5th Rd., Xizhi Dist., New Taipei City 221, Taiwan	+886-2-2696-1234
Acer Inc. (Hsinchu Branch)	3F., No.139, Minzu Rd., East Dist., Hsinchu City 300, Taiwan	+886-3-533-9141
Acer Inc. (Taichung Branch)	3F., No.371, Sec. 1, Wenxin Rd., Nantun Dist., Taichung City 408, Taiwan	+886-4-2250-3355
Acer Inc. (Kaohsiung Branch)	4F.-2, No.38, Xinguang Rd., Lingya Dist., Kaohsiung City 802, Taiwan	+886-7-338-8386
Acer Inc. (Shipping & Warehouse Management Center)	No.138, Nangong Rd., Luzhu Township, Taoyuan County 338, Taiwan	+886-3-322-2421

3. Address and Contact Details of Acer Shareholders' Services

Address: 7F.-5, No.369, Fuxing N. Rd., Songshan Dist., Taipei City 105, Taiwan
Tel: +886-2-2719-5000
E-mail: stock.affairs@acer.com

4. Address and Contact Details of Auditing CPAs in the Most Recent Year

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

5. Overseas Securities Exchange

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

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

DISCLAIMER

This is a translation of the 2013 Annual Report of Acer Incorporated (the "Company"). The translation is intended for reference only and nothing else, the Company hereby disclaims any and all liabilities whatsoever for the translation. The Chinese text of the Annual Report shall govern any and all matters related to the interpretation of the subject matter stated herein.

INDEX

explore beyond limits™

Breaking Barriers between People and Technology

1. Business Report to Shareholders

The global ICT industry endured profound change in the past year, and obstacles within the company have resulted in our business underperformance. In fiscal year 2013, we reported consolidated revenues of NT$360.13 B, down 16.2% on year, loss after tax of NT$20.52B, and loss per share of NT$7.54. After adjustment due to compliance with the International Financial Reporting Standard (IFRS), our accumulated loss is NT$21.79B. We reported the above to all shareholders in accordance with laws (Article 211 of Company Act) and regulations.

A main part of the loss was due to compliance with the IFRS to recognize NT$9.94B for the impairment of intangible assets in trademark right ect. Other key factors of our loss were NT$3.18B for inventory write off and NT$1.02B for manpower reduction.

Consequently, our former chairman and president resigned to take responsibility. On November 5, I returned to Acer as chairman of the Transformation Committee. Then on November 21, I assumed the company chairmanship in order to transform and lead our company through during this important time.

I focused on re-engineering the organization culture and engraining the benevolent thinking of the Wangdao ideology, and hoped to combine the qualities of professionalism and entrepreneurship. I pushed for change in the company business strategy while restructuring the organization, and through extensive communication we reached the consensus to define the new corporate vision.

The consensus among all our employees was that a company without change cannot sustain! Following intensive internal communication, on December 18 we publicly announced Acer's vision and basic direction for transformation, Build Your Own Cloud (BYOC™), a self-built cloud that will enable our customers to seamlessly integrate their PC and mobile devices to access their data — anytime, anywhere.

The vision is also about transforming from a hardware company into a "hardware + software + services" player as we prepare to embrace new opportunities in the era of cloud technology. Acer's role in the future is to become the "enabler of BYOC," and build in the BYOC angel into all Acer hardware and software. At the Computex Taipei international tradeshow in June we will showcase a wide range of BYOC services for all visitors to experience!

Finally, on January 1 this year, as Acer carried out a series of changes, I hired Jason Chen, former senior vice president of Worldwide Sales and Marketing at Taiwan Semiconductor Manufacturing Company (TSMC), as the new CEO and corporate president.

During this time, I held frequent in depth discussion with George Huang of the Transformation Committee and Jason on business management and strategy. An important conclusion we reached is the "5Cs" - Communication, Communication, Communication, Consensus, and Commitment – as Acer's top-down management culture.

Through our efforts over the past few months our company has taken many new initiatives, and I feel assured that Acer is moving towards the right direction, as employee morale and confidence are gradually restored. The challenge that we face today was accumulated from long ago, therefore it cannot be expected for our operations to improve immediately. Time is needed for our efforts to reflect in the financial figures and I hope that you will have the patience.

I wish thank our shareholders over your long-term support for Acer. We truly appreciate your encouragement, and I hope you can uphold the original intention to continue supporting Acer.

Sincerely,

Stan Shih
Chairman

1.1 Acer's Core Values

Core Value	Rational Meaning	Emotional Meaning
Value-creating	• Increase products' add-on value • Generating profit for shareholders • Growing the business by achieving the challenging financial and strategic objectives • Leveraging our key assets: Brands, People, Customers and Channel	• Value for shareholders (good dividends and share value) • Value for customers (innovative, easy-to-use products, services, and efficient business model) • Value for employees (good company, environment, opportunities)
Customer-centric	• Recognizing that customers are the essence of our business • Placing first priority on listening to and satisfying customer needs • Delivering innovative products and quality services	• Reflect and realize customers' expectation on our business • Love and respect for our customers
Ethical	• Being a good corporate citizen by playing a role in social growth • Caring for the environment all across the business value chain • Engrain the altruistic values of Wangdao ideology into corporate culture	• Corporate sustainability • Create value • Balance of interests
Caring	• Creating an attractive workplace and ensuring a proper work-life balance • Providing employees with development and professional growth opportunities • Fostering teamwork and collaboration	• Energetic and inspiring workplace • Growth potential • Teamwork • Self development
Innovative	• Challenging the way of doing things and adopting new ideas • Supporting continuous improvement in processes and products • Creating impact through original thinking	• Think big • Think outside of the box (innovatively) • Change and transformation
Fast	• Speed in execution • Being proactive in making decisions • Think and work innovatively	• Pro-active attitude • Act quickly • High Performance
Effective	• Define the responsibilities and goals, and delegate • Simplify and secure the basic foundations	• Clear objectives • Clear responsibilities • Keep it simple

Acer's Core Value

The challenge for all businesses is to be unique. Whether you're a customer, an employee or a shareholder, the only way to attract any business is if you stand out from the crowd. This means designing innovative products that add value by providing quality products and services to win consumers' interest and approval.

Being unique, however, isn't a quality you can simply switch on and off.

At Acer, we have built our reputation on creating value in every aspect of the company throughout our history, by:

- upholding and realizing the altruistic values of the Wangdao ideology by continuously innovating and creating value, ensuring the balance of interests, and pursuing for sustainable development.
- creating value for customers by offering a continuous stream of innovative and empowering solutions that anticipate and satisfy their needs.
- creating value for investors by consistently providing positive returns year after year.
- creating value for employees allowing them to realize their full potential and achieve goals.
- creating value for business partners with win-win solutions with vendors and valuable channel partners.

Creating value through brand recognition is the way forward rather than competitive pricing. There's no other way to win tomorrow's business than to deliver competitive products with high quality and services.

To be a successful global brand company, it is critical that employees have a consistent set of core values as a solid basis. The defined core values will bring to the Company both short-term benefits and long-term advantages.

The approaches that we must base our actions: Value-creating, Customer-centric, Ethical and Caring.
The way we must act: Innovative, Fast and Effective.

We encourage all employees to understand, practice and emphasize the core values in our respective roles.

1.2 2013 Operating Report

1.2.1 Consolidated Operating Results

Unit: NT$ Thousand

Item \ Period	2012	2013
Revenue	429,627,192	360,132,042
Gross profit	35,222,038	22,550,266
Operating (Loss) income	938,497	(11,409,666)
Non-operating Loss	(3,209,396)	(9,654,070)
Loss before taxes	(2,270,899)	(21,063,736)
Loss from Continued segment	(2,460,958)	(20,519,349)
Loss from Discontinued segment	0	0
Net earningsLoss after income taxes	(2,460,958)	(20,519,349)
Other comprehensive income (Loss) for the period, net of tax	(2,810,851)	2,262,505
Total comprehensive Loss for the period	(5,271,809)	(18,256,844)
Loss attributable to Shareholders of the Company	(2,461,098)	(20,519,428)
Loss attributable to Non-controlling interests	140	79
Total comprehensive Loss attributable to Shareholders of the Company	(5,271,735)	(18,256,899)
Total comprehensive income (Loss) attributable to Non-controlling interests	(74)	55
EPS	(0.90)	(7.54)

1.2.2 Budget Expenditure in 2014

Not applicable.

1.2.3 Financial Income and Earning Abilities

Unit: NT$ Thousand

Item		2013
Financial Income	Operating revenue	360,132,042
	Gross profit	22,550,266
	Income after tax	(20,519,428)
Earning Abilities	Return on assets(%)	(9.49)
	Return on equity(%)	(31.46)
	Net income ratio(%)	(5.70)
	EPS(NTD)	(7.54)

1.3 2014 Business Plan

1.3.1 Business Direction

A. Actively promote change, steadily transform, and integrate existing resources to transform from a hardware vendor to a hardware + software + services company, and to embrace new opportunities in the era of cloud technology.

B. Promote the core values of Wangdao ideology: sustainable business, value creation, and the balance of interests.

C. Structurally adjust existing product plans, establish clear brand positioning, and launch more competitive products.

D. Strengthen the tablet PC and smartphone product lines, and stabilize touch notebook products.

E. Efficient use of all resources, enhance internal communication and corporate social responsibility.

1.3.2 Goals

A. Increase the shipments of tablets, smartphones, and notebooks.

B. Gradually increase proportion of revenues for commercial products.

C. Pursue for better operating income.

1.3.3 Marketing Strategy

A. Let consumer needs and user experience lead the development of products and services.

B. Cooperate with suppliers and customers to create value and maintain the balance of interests, pursue for sustainable operations.

1.3.4 Future Strategy

A. Create value for customers, raise our brand positioning.

B. Promote Build Your Own Cloud (BYOC™), transform into a hardware + software + services company.

C. Implement sustainable development in order to accumulate long-term value for the company.

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

A. Multiple platforms within the ICT industry leads to cross platform product connectivity needs.

B. Understanding consumers' preferences and needs; experience is the product's key to success.

C. Aim to achieve growth despite the maturity of the Tablet PC and smartphone supply chain and market.

Aspire | V

Slender and light, with personality

2. Company In General

2.1 Brief Account of the Company

2.1.1 Founded: August 1, 1976

1976 – 1986

- Commercialized microprocessor technology

1987 – 2000

- Created the Acer brand name and went global

2001 – 2007

- Transformed from manufacturing to a marketing and sales company

2008 – beyond

- Enhancing worldwide presence with a new multi-brand strategy

1976

- Acer was founded under the name Multitech, focusing on trade and product design.

1978

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

1979

- Designed Taiwan's first mass-produced computer for export.

1981

- Acer manufacturing operations were established in the Hsinchu Science-based Industrial Park, Taiwan.
- MicroProfessor-I debuted as Acer's first branded product.

1982

- MicroProfessor-II was unveiled as Taiwan's first 8-bit home computer.

1983

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

1984

- Acer Peripherals, Inc. (now BenQ Corp.) and Multiventure Investments, Inc. were established.

1985

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

1986

- Beat IBM with 32-bit PCs.

1987

- The Acer name was created.

1988

- Acer Inc. launched IPO.

1989

- TI-Acer DRAM joint venture with Texas Instruments was formed.

1991

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

1992

- Created the world's first 386SX-33 chipset.
- Stan Shih introduced the Smiling Curve concept.

1993

- Developed a 64-bit performance-enhanced I/O and CPU architecture to link MIPS RISC CPUs with Microsoft® Windows® NT.

1994

- Introduced the world's first dual Intel® Pentium® PC.

1995

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

1996

- Announced its commitment to providing fresh technology to be enjoyed by everyone, everywhere.

1998

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

1999

- Aspire Academy was set up in Aspire Park to help managers of Asian firms and MNCs with offices in Asia to improve their organizational and leadership effectiveness.

2000

- As part of Acer's latest re-engineering, Acer split off its OEM business unit to create Wistron Corp., an independent design and IT manufacturing company.

2001

- Adopted a new corporate identity to reflect the company's commitment to enhancing people's lives through technology.

2002

- The Product Value Labs were inaugurated to enhance Acer's customer-centric focus, and integrated technologies that add value to customers' lives.
- TravelMate C100 was the first convertible Tablet PC available in the worldwide market.

2004

- Launched a new Folio design for notebooks, featuring pure functional simplicity, smooth curves and subtle elegance.
- BusinessWeek selected Stan Shih as one of the "25 Stars of Asia."
- Acer Founder Stan Shih retired from the Group.

2005

- J.T. Wang assumed the position of Chairman and Chief Executive Officer, while Gianfranco Lanci stepped into the role of President of Acer Inc.
- Launched Ferrari 4000, the first carbon-fiber notebook available in the worldwide market.
- A series of Empowering Technology products were unveiled.
- Became the worldwide No. 4 vendor for Total PCs and notebooks.
- Became the No. 1 brand in EMEA and Western Europe for notebooks.

2006

- First-to-market with a full line of Intel® Centrino® Duo mobile technology notebooks.
- Became a Sponsor of Scuderia Ferrari.
- Celebrated its 30th anniversary.
- Acer AT3705-MGW LCD TV became the world's first digital TV to pass Intel® Viiv™ technology verification.
- Became the No. 3 notebook and No. 4 desktop brand worldwide.

2007

- Acer readies for Windows Vista™ with full range of Vista-certified LCD monitors.
- Set the trend in product design with new Aspire Gemstone-design consumer notebooks.
- Completed the merger of Gateway, Inc.
- Announced its joining as an Olympic Worldwide Partner for the Winter Olympics in Vancouver 2010 and Summer Olympics in London 2012.
- Became the No. 2 notebook and No. 3 desktop PC vendor worldwide.

2008

- Announced the acquisition of E-ten and plan to enter the smart handheld market.
- Launched the new Aspire Gemstone Blue notebooks, the first to feature full HD widescreen 18.4" and 16" LCDs, Blue-Ray Disc™ drive, and latest generation Dolby® Surround sound.
- Aspire One was launched as Acer's first mobile internet device, and won the Japan Good Design award for quality design.
- Ranked No. 3 for Total PCs and No. 2 for notebooks worldwide.

2009

- Launched the Aspire Timeline notebooks – thin and light with all-day battery life.
- BusinessWeek named Acer among the "10 Hottest Tech Company of 2009."
- Voted Reader's Digest gold-medal Computer TrustedBrand in Asia for the 11th consecutive year.
- Announced its first netbook based on the Android operating system.
- Taiwan's Ministry of Economic Affairs presented Gianfranco Lanci with an Economic Medal for outstanding leadership, and building the Acer brand name worldwide.
- Launched the high-end and stylish Liquid smartphones.
- Became the world No. 2 company in Total PCs.

2010

- Launched the green Aspire Timeline notebook - free from PVC and BFR materials
- Provided and managed computing facilities to ensure the smooth running of sports events at the Vancouver 2010 Olympic Winter Games.
- Chairman J.T. Wang named in TIME magazine's annual list of 100 most influential people in the world.
- Acer launched clear.fi, a new entertainment experience allowing real-time sharing and playing of multi-format content over multi-platform devices.
- Integrated Founder Tech's PC sales team and channels in the China market.
- Successfully issued US$500 million in convertible bonds.
- Announced expansion to Chongqing in western China, creating a new global IT manufacturing center and Acer's second China base.
- Hosted the third annual CSR Forum with the ultimate goal of building a sustainable supply chain.

2011

- Acer products begin shipping from China's Chongqing production base.
- June Acer EMEA cleared high channel inventory with one-time US$150 million write-off.
- Sir Julian Horn-Smith and Dr. F.C. Tseng elected as independent board directors.
- Acquired US-based iGware with US$320 million for mid- to long-term investment in cloud technology.
- Debuted first Ultrabook™: Aspire S3.
- Announced key management reshuffle - Scott Lin to concurrently head China operations, and Oliver Ahrens to front EMEA operations.

Acer Incorporated 2013 Annual Report

2012

- Unveiled world's thinnest Ultrabook™: Aspire S5.
- Presented Aspire Timeline Ultra Series, extending mainstream notebook features with Ultrabook™ trend.
- Announced AcerCloud application results.
- Recruited Eva Ho as the new CFO.
- Introduced new Full HD tablet, the ICONIA TAB A700.
- Strengthened executives' remuneration management system in order to enhance corporate governance and maintain shareholders' long-term interests.
- Supplied all computing equipment for the London 2012 Olympic Games; successfully completed the mission and earned high appraisals from the assembly.
- Appointed Michael Birkin as Chief Marketing Officer to strengthen Acer as a marketing-oriented company.
- Launched a full range of Windows 8 touch products for the most complete user experience.
- Revitalized the global website — Acer.com — to provide web surfers with a highly intuitive and excellent user experience.
- Aspire S7 was named as CES Innovations 2013 Design and Engineering Award Honoree.
- Appointed Tiffany Huang as president of Personal Computer Global Operations.

2013

- Extended AcerCloud to support top three operating systems, for easier file and media sharing among Windows, iOS and Android devices.
- Recognized NT$3.5B (US$120.1M) in intangible asset impairment based on the Generally Accepted Accounting Principle (GAAP) and thorough assessment.
- Launched B6 and V6 series commercial LED-backlit monitors made with post-consumer recycled plastic and compliance with EPEAT standards for environmental protection.
- Held the fifth annual Corporate Social Responsibility Forum to continue exploring and leading the global trend of sustainable management.
- Launched the full-featured one-handed tablet – Iconia A1.
- Proposed the second issuance of NT$6B in unsecured convertible corporate bonds.
- Enhanced the Aspire S7 flagship Ultrabook™.
- Announced Liquid S2 6-inch smartphone with 4K recording.
- Reported the non-cash related intangible asset impairment of NT$9.94B (US$335.12M) in Q3'13 financial results.
- Set up a Transformation Committee with Stan Shih as Chairman and Acer co-founder George Huang as executive secretary.
- Elected Stan Shih as New Chairman and Interim Corporate President as J.T. Wang and Jim Wong stepped down.
- Sold 300,000 smartphones through partnership with Thailand's largest telecom operator.
- Announced Build Your Own Cloud (BYOC™) and the transition to a hardware + software + services company.
- Appointed Jason Chen as Corporate President and CEO effective January 1st 2014.

2014

- Invested 7 million shares in PChome Group's third-party payment business.
- Wrote off additional NT$5.78B loss of 2013 in related costs to speed up corporate transformation.
- Announced first tier organization and personnel adjustments for end-to-end management and precise operating mechanism.
- South East Asia and Latin America markets begin selling the Liquid Z5 smartphone.

Iconia | W

Windows to work and fun

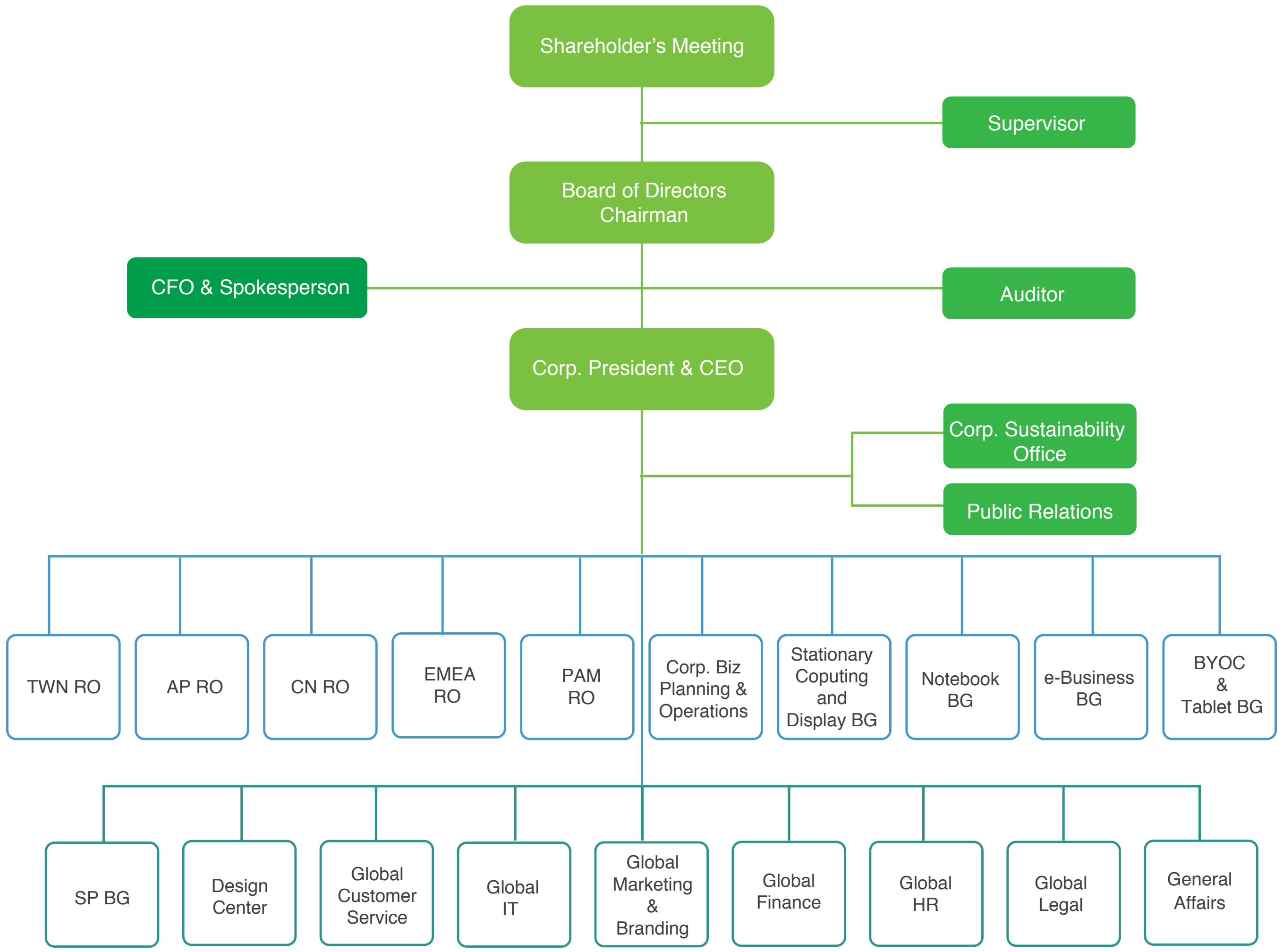
Iconia | A

Entertainment always at hand

3. Corporate Governance Principles

3.1 Organization of the Company

3.1.1 Department Functions



3.1.2 Corporate Functions

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

Corp. Sustainability Office
- Strategic planning and management in corporate sustainability with the aim of fulfilling corporate social responsibilities

Public Relations
- Managing external public relations

CFO & Spokesperson
- Managing long-term finance, investments and corporate spokesperson

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

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

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

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

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

Corporate Business Planning & Operations
- Managing the strategic planning and operations of all IT business back-end functions

Stationary Computing & Display Business Group
- Managing global desktops, All-in-One, monitors, and projectors product lines business

Notebook Business Group
- Managing global notebook product line business

e-Enabling Services Business
- ICT solutions and services provider, including information security management, mobility applications, software systems development, systems integration, system operation services, value-added business solutions, and Internet data center services

BYOC & Tablet Business Group
- BYOC Services and Tablet Products global business development and management

Smartphone Business
- Managing Acer's smartphone product line business

Design Center
- Research and development, design and patent of Acer's products

Global Customer Service
- Global services strategies and global service center management

Global Information Technology
- Corporate information infrastructure and information systems management

Marketing & Branding
- Corporate brand management, consolidation and implementation of global marketing strategies

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

Global Human Resources
- Human resources and organizational strategies

Global Legal
- Corporate and legal affairs, intellectual property

General Affairs
- General affairs, transportation services, office facilities management

Acer Incorporated 2013 Annual Report

3.2 Information Regarding Board of Directors, Supervisors and Key Managers

(1) Board of Directors and Supervisors (May 08, 2014)

Title	Name	Date of Election	Term	Shares Held When Elected		Shares Held at Present			Shares Held by Spouse & Minors		Education	Current Position(s) in Other Companies	Spouse or Immediate Family Holding Managerial Position		
				Number	Percentage	Number	Percentage		Number	Percentage			Title	Name	Relation-ship
Chairman	Stan Shih	06/15/2011	3	74,806,719	2.64	74,592,499	2.63		17,493,157	0.62	Master	1. Independent Director, TSMC 2. Chairman, iD Branding Venture Inc. 3. Director, Wistron 4. Director, Nan Shan Life Insurance Co., ltd. 5. Director, Qisda 6. Director, Hung Rouan Investment Corp. 7. Director, Idealive International Co. Ltd. 8. Director, Egis Technology Inc. 9. Director, iD Branding Management Inc. 10. Director, iD Innovation Inc.	Supervisor President of BYOC & Tablet	Carolyn Yeh Maverick Shih	Wife Son
Director (Note 1)	J.T. Wang	06/15/2011	3	15,142,159	0.53	0	0		0	0	Bachelor	None	None	-	-
Director	Hsin-I Lin	06/15/2011	3	0	0	0	0		0	0	Bachelor	1. Director, Yulon Motor Co., Ltd. 2. Director,China Motor Corp. 3. Independent Director, E.Sun Financial Holdings Co., Ltd. 4. Independent Director, Sinyi Realty Inc. 5. Chairman, Formosa Ha Tinh Steel Corp. 6. Chairman, Guang Yuan Investment Co., Ltd.	None	-	-
Director	Hung Rouan Investment Corp.	06/15/2011	3	67,799,202	2.39	67,799,202	2.39		0	0	-	-	None	-	-
Director	Smart Capital Corp.	06/15/2011	3	11,260	0	11,260	0		0	0	-	-	None	-	-
Legal Representative of Director	Philip Peng (Representative of Smart Capital Corp.)	06/15/2011	3	1,003,469	0.04	1,003,469	0.04		258,007	0.01	Master	1. Independent Director, AU Optronics Corp. 2. Chairman, Smart Capital Corp. 3. Director and President, iDSoftcapotal Inc. 4. Director, Wistron NeWeb Corporation 5. Director, Aopen Inc. 6. Director, Wistron Information & Services Corp. 7. Director, iD Branding Management Inc. 8. Director, ID Reengineering Fund Inc. 9. Supervisor, iD Innovation Inc. 10. Others (Note 2)	None	-	-
Independent Director	Julian Michael Horn-Smith	06/15/2011	3	0	0	0	0		0	0	Bachelor	-	None	-	-
Independent Director	F.C. Tseng	06/15/2011	3	0	0	0	0		0	0	Ph. D.	1. Chairman, Global Unichip Corp. 2. Vice Chairman, TSMC 3. Vice Chairman, Vanguard International Semiconductor Corp.	None	-	-

Title	Name	Date of Election	Term	Shares Held When Elected		Shares Held at Present			Shares Held by Spouse & Minors		Education	Current Position(s) in Other Companies	Spouse or Immediate Family Holding Managerial Position		
				Number	Percentage	Number	Percentage		Number	Percentage			Title	Name	Relation-ship
Supervisor	Carolyn Yeh	06/15/2011	3	17,707,377	0.62	17,493,157	0.62		74,592,499	2.63	Bachelor	1. Independent Director, Capella Microsystems Inc., 2. Chairman, iDSoftcapotal Inc. 3. Chairman, Hung Rouan Investment Corp. 4. Director, AcoMo Technology Co., Ltd. 5. Director, IP Fund Six Co., Ltd. 6. Director, iD Innovation Inc. 7. Supervisor, Idealive International Co. Ltd. 8. Supervisor, ID Reengineering Fund Inc. 9. Supervisor, iD Branding Managerment Inc.	Chairman	Stan Shih	Husband
													President of BYOC & Tablet	Maverick Shih	Son
Supervisor	George Huang	06/15/2011	3	6,261,844	0.22	8,261,844	0.29		1,830,405	0.06	Bachelor	1. Supervisor of Apacer Technology Inc. 2. Supervisor of Les Enphants Co., Ltd. 3. Supervisor of Motech Industries Inc 4. Independent director of PChome Online Inc 5. Independent director of Bio Net Corp. 6. Independent Supervisor of InterServ International Inc. 7. Independent director of Taiwan Taxi Corp.	None	-	-

Note 1: J. T. Wang resigned on 2014.01.21.
Note 2: Appointed by Company to be Director and/or President of certain subsidiaries.

Major Institutional Shareholders (May 08, 2014)

Name of Acer's Institutional Shareholders	Major Shareholders of Acer's Institutional Shareholders	Percentage of Shares
Hung Rouan Investment Corp.	Carolyn Yeh	20.13%
	Shih Hsuen Rouan Charity Foundation	1.60%
	Shih Hsuen Rouan	17.25%
	Shih Hsuen Huei	26.09%
	Shih Hsuen Lin	17.16%
	Shih Fang Cheng	8.93%
	Yeh Ting Yu	8.84%
Smart Capital Corp.	Philip Peng	50%
	Jill Ho	25%
	Fan Peng	25%

Professional qualifications and independence analysis of directors and supervisors

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

Note 1:
Please tick the corresponding boxes if directors or supervisors have been any of the following during the two years prior to being elected or during the term of office.

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

Note 2: J. T. Wang resigned on 2014.01.21.

(2) Key Managers (May 08, 2014)

Title	Name	Date of Accession	Shares Held Directly		Shares Held by Spouse & Minors			Shares Held by the Other's		Education	Current Position(s) in Other Companies	Spouse or Immediate Family Holding Position as President or Vice President		
			Number	Percentage	Number	Percentage		Number	Percentage			Title	Name	Relationship
CEO (Note 1)	J.T. Wang	04/20/2011	0	0	0	0		0	0	Bachelor	(Note 3)	None	-	-
Corp. President & CEO (Note 2)	Jason Chen	01/01/2014	0	0	0	0		50,000	0	Master	Chairman, Mu-Jin Investment Co., Ltd.	None	-	-
Corp. President (Note 1)	Jim Wong	11/01/2001	0	0	0	0		0	0	Master	(Note 3)	None	-	-
Sr. Corp.VP & Chairman of Marketing Committee (Note 1)	Walter Deppeler	09/29/2007	0	0	0	0		0	0	Bachelor	(Note 3)	None	-	-
Sr. Corp.VP & President of GC (Note 1)	Scott Lin	11/01/2001	0	0	0	0		0	0	Bachelor	(Note 3)	None	-	-
Sr. Corp.VP & President of AAP	Steve Lin	11/01/2001	2,080,822	0.07	0	0		0	0	Bachelor	-	None	-	-
Sr. Corp.VP & President of EMEA	Oliver Ahrens	04/01/2009	0	0	0	0		0	0	Bachelor	(Note 3)	None	-	-
Corp.VP & President of PA	Emmanuel Fromont	01/01/2011	0	0	0	0		0	0	Bachelor	(Note 3)	None	-	-
Corp.VP & President of CBG	James Chiang	01/01/2003	1,207,457	0.04	5,168	0		0	0	Bachelor	(Note 3)	None	-	-
President of Taiwan area (Note 2)	Towny Huang	05/01/2014	29,954	0	0	0		0	0	Master	-	None	-	-
President of China area (Note 2)	YH Zhang	05/01/2014	0	0	0	0		0	0	Master	-	None	-	-
President of SDBG (Note 2)	Simon Hwang	01/24/2014	11,242,312	0.40	3,437,866	0.12		0	0	Bachelor	(Note 3)	None	-	-
President of EBBG	Ben Wan	05/16/2002	0	0	0	0		0	0	Master	(Note 3)	None	-	-
President of CBPO	Tiffany Huang	01/01/2013	163	0	83	0		0	0	Bachelor	-	None	-	-
CTO and President of Design Center	Jackson Lin	02/16/2004	320,083	0.01	7,329	0		0	0	Master	-	None	-	-
President of SPBG	ST Liew	01/01/2012	0	0	0	0		0	0	Bachelor	-	None	-	-
President of BYOC & Tablet (Note 2)	Maverick Shih	01/24/2014	1,765,048	0.06	629,440	0.02		0	0	Ph. D.	(Note 3)	None	-	-
GM of SPBG (Note 1)	Dave Chan	01/01/2012	0	0	0	0		0	0	Master	-	None	-	-
VP of SPBG	Wayne Ma	11/01/2008	0	0	0	0		0	0	Bachelor	-	None	-	-
VP of GCRO	Peter Shieh	11/01/2001	507,737	0.02	78,387	0		0	0	Bachelor	-	None	-	-
VP of GCRO	Jafa Lin	07/01/1996	181,228	0.01	0	0		0	0	Bachelor	-	None	-	-
VP of EBBG	Michael Wang	11/01/2008	7,261	0	0	0		0	0	Bachelor	-	None	-	-
CFO (Note 1)	Eva Ho	03/01/2012	0	0	0	0		0	0	Master	-	None	-	-

Title	Name	Date of Accession	Shares Held Directly		Shares Held by Spouse & Minors			Shares Held by the Other's		Education	Current Position(s) in Other Companies	Spouse or Immediate Family Holding Position as President or Vice President		
			Number	Percentage	Number	Percentage		Number	Percentage			Title	Name	Relationship
CFO (Note 2)	Nancy Hu	05/01/2014	0	0	0	0		0	0	Master	Chairman, Blue Rock Co., Limited Taiwan Consultant, Chinatrust Commercial Bank Director, NHL CPA Limited, H, Director, Cal-Comp Biotech Co., Limited Director, Brotherelephants Co., Limited Non-executive Director, SMI Culture Group Holdings Limited Independent Director, Carnival Group International Holdings Limited Independent Director, Enterprise Development Holdings Limited Independent Director, United Pacific Industries Limited Independent Director,Arich Enterprise Co., Limited Consultant, Beautimode Co., Limited Consultant Director, New Heritage Holdings Limited	None	-	-
Accounting Officer (Note 2)	Grace Lung	05/01/2014	50,000	0	0	0		0	0	Bachelor	(Note 3)	None	-	-
Director of Branch Office	PH Wu	01/12/2006	20,457	0	0	0		0	0	Bachelor	-	None	-	-
Director of Branch Office	TC Yang	01/12/2006	107,561	0	0	0		0	0	Bachelor	-	None	-	-
Director of Branch Office	YS Shiau	01/12/2006	272,358	0.01	0	0		0	0	Bachelor	-	None	-	-

Note 1: JT Wang resigned on 2013.11.21
Jim Wong released on 2013.11.21
Walter Deppeler released on 2013.12.04
Scott Lin released on 2014.04.30
Dave Chan released on 2013.11.05
Eva Ho released on 2014.04.30

Note 2: Jason Chen assumed position on 2014.01.01
Towny Huang assumed position on 2014.05.01
YH Zhang assumed position on 2014.05.01
Simon Hwang assumed position on 2014.01.24
Maverick Shih assumed position on 2014.01.24
Nancy Hu assumed position on 2014.05.01
Grace Lung assumed position on 2014.05.01

Note 3: Appointed by Company to be Director and/or President of certain subsidiaries.

3.3 Corporate Governance Status

3.3.1 Meetings Held by the Board of Directors

The Board of Directors held twelve meetings from Jan.1, 2013 to May 8, 2014. The record of the Directors' attendances is shown below:

Title	Name	No. of Meetings Attended	No. of Meetings Attended by Proxy	Meeting Attendance Rate(%)	Note
Chairman	Stan Shih	12	0	100%	
Director	J.T. Wang	5	2	63%	Note 1
Director	Hsin-I Lin	9	3	75%	
Director	Hung Rouan Investment Corp.	12	0	100%	
Director	Philip Peng (Representative of Smart Capital Corp.)	11	1	91%	
Director	Julian Michael Horn-Smith	5	1	41%	Note 2
Director	F.C. Tseng	12	0	100%	

Note 1: J.T. Wang attended eight meetings. He resigned from the position of Chairman on 2013.11.21 and of Director on 2014.01.21.
Note 2: Julian Michael Horn-Smith attended six meetings by tele-conference call .

3.3.2 Operational Situation of the Audit Committee: Not applicable.

3.3.3 Supervisor's Participation of Meetings Held by the Board

The Board of Directors held twelve meetings from Jan.1, 2013 to May 8, 2014. The record of the supervisors' attendances is shown below:

Title	Name	No. of Meetings Attended	Meeting Attendance Rate (%)	Note
Supervisor	Carolyn Yeh	11	91%	
Supervisor	George Huang	12	100%	

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

Items	Enforcement Status	Discrepancy between the corporate governance principles implemented by the Company and the Principles, and the reason for the discrepancy
A. The ownership structure and shareholders' rights		
a. The handling of the shareholders' proposals and disputes	The Company has designated the Office of Shareholders' Affairs to handle the shareholders' proposals and disputes.	No discrepancy
b. Information held on the identities of major shareholders and their ultimate controlling persons	The Company holds information on the identities of major shareholders and their ultimate controlling persons.	No discrepancy
c. The establishment of risk control mechanism and firewalls with affiliates	The Company has established the appropriate risk control mechanism and firewalls according to internal rules such as rules of supervision over subsidiaries, rules governing endorsement and guarantee, and the rules governing acquisitions and dispositions of assets etc.	No discrepancy
B. The composition and duties of Board of Directors		
a. The election of independent directors	The Company elected two independent directors in 2011 AGM and will elect three independent directors and establish an audit committee according to the Articles of Incorporation in 2014 AGM.	No discrepancy
b. The regular evaluation of the independence of CPA	The evaluation of the CPA is one of the main duties of the Financial Statement and Internal Control Review Committee	No discrepancy
C. The establishment of communication channels with stakeholders	The Company has established the appropriate communication channels with suppliers, buyers, banks, investors and other stakeholders.	No discrepancy
D. The disclosure of information		
a. The utilization of website to disclose the information on finance, operations and corporate governance	The Company has set up Acer Group website (http://www.acer-group.com) containing the information regarding its finance and operations. The Company also discloses the enforcement of corporate governance in the shareholders' meeting and other institutional investor meetings.	No discrepancy
b. Others means of disclosing information	The Company has one chief speaker, one acting speakers and designated team to be responsible for gathering and disclosing the information.	No discrepancy

Items	Enforcement Status	Discrepancy between the corporate governance principles implemented by the Company and the Principles, and the reason for the discrepancy
E. The establishment and enforcement of Nomination and Compensation Committee or any other Functional Committees	Following the enactment of "Regulations Governing the Establishment of and Exercise of Powers by Remuneration Committee" by Financial Supervisory Commission on March 18, 2011, the Company adjusted the establishment of Remuneration Committee, which approved by the BOD on August 31, 2011, and the initial meeting was convened on September 1, 2011. The duty of Remuneration Committee is to determine and regularly review the performance evaluation and remuneration strategies, policies, standard, structures of Board directors, supervisors, and Company officers, and determine and review their remuneration. The Company will elect three independent directors and establish an audit committee according to the Articles of Incorporation in 2014 AGM to replace supervisors. Relevant information has been disclosed at Acer Group website (http://www.acer-group.com).	No discrepancy
F. If the Company has implemented the corporate governance principles according to TSE Corporate Governance Best-Practice Principles, please identify the discrepancy between your principles and their implementation: The Company follows the spirit inside of TSE Corporate Governance Best-Practice Principles even though Company did not enact the corporate governance principles.		
G. Other important information that may facilitate better understanding of the status of corporate governance (e.g. human rights, employee rights, investors relationships, supplier relationships, interested parties' rights, D&O liabilities insurance, etc.): • The Company has actively participated in community or charitable activities, the details please refer to"6. Corporate Social Responsibility." • The Company has set up an exclusive web site for the new labor pension system containing information for employees regarding the laws and regulations, and to offer assistance. • In additional to the training courses required by authorities, the Company also held related training courses for members of the Board. • The Company has clearly set forth in the rules for the proceedings of Board meetings, that a director shall voluntarily abstain from voting on a proposal involved with his/her own interests. • The Chairman of the Company does not act as the President, and both of them are not spouses or relatives within one degree of kinship. • The Company has purchased liability insurance for directors and officers.		

3.3.5 The Establishment and Enforcement of Remuneration Committee

The Acer Inc. "Board of Directors and Supervisors Remuneration Guidelines" and "Executive Remuneration Guideline" are proposed by Remuneration Committee and effective after the approval of Acer Inc. Board of Directors. The compensation of Board Directors is defined in "Acer's Articles of Incorporation". Where this Company has earnings at the end of the fiscal year, after paying all relevant taxes, making up losses of previous year, this Company shall first set aside ten percent (10%) of said earnings as legal reserve, except that such legal reserve amounts to the total authorized capital. Thereafter, this Company shall set aside or reverse a special reserve in accordance with the applicable laws and regulations. Then, if still any balance left over, not more than one percent (1%) shall be distributed as profit sharing for Board of directors and supervisors according to Acer Inc. "Board of Directors and Supervisors Remuneration Guidelines". Employee Director shall receive no Director profit sharing.

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

Remuneration Committee held five meetings from Jan.1, 2013 to Dec. 31, 2013. The record of their attendances is shown below:

Title	Name	No. of Meetings Attended	No. of Meetings Attended by Proxy	Meeting Attendance Rate(%)	Note
Independent Director	F.C. Tseng	5	0	100%	Chair
Independent Director	Julian Michael Horn-Smith	5	0	100%	(Note 1)
Director	Hsin-I Lin	4	1	80%	(Note 2)

Note 1: Since Sir Julian Michael Horn-Smith had resigned from Chairman of Acer Remuneration Commmittee (but still serves as a member of Acer Remuneration Commmitte), FC Tseng was elected as Acer RemCo Chairman from March 26, 2014 till the end of current Board Director term.

Note 2: Mr. Hsin-I Lin is no longer a RemCo voting member from March 20, 2014 per ROC regulation.

3.3.6 Status and Measures of Ethical Practice

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

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

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

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

3.3.8 Statement of Internal Control System

Date: March 27, 2014

Based on the findings of a self-assessment, Acer Incorporated (hereinafter, the "Company") states the following with regard to its internal control system during year 2013:

1. 1. The Company is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and managers. The Company has established such a system aimed at providing reasonable assurance regarding the achievement of objectives in the following categories: (1) effectiveness and efficiency of operations (including profitability, performance, and safe-guarding of assets), (2) reliability of financial reporting, and (3) compliance with applicable laws and regulations.

2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three objectives mentioned above. Moreover, the effectiveness of an internal control system may be subject to changes of environment or circumstances. Nevertheless, the internal control system of the Company contains self-monitoring mechanisms, and the Company promptly takes corrective actions whenever a deficiency is identified.

3. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" promulgated by the Securities and Futures Bureau of the Financial Supervisory Commission (hereinafter, the "Regulations"). The criteria adopted by the Regulations identify five constituent elements of internal control based on the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring. Each constituent element further contains several items. Please refer to the Regulations for details.

4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.

5. Based on the findings of the evaluation mentioned in the preceding paragraph, the Company believes that, as of December 31, 2013, its internal control system (including its supervision of subsidiaries), as well as its internal controls to monitor the achievement of its objectives concerning operational effectiveness and efficiency, reliability of financial reporting, and compliance with applicable laws and regulations, were effective in design and operation, and reasonably assured the achievement of the achievement of the above-stated objectives.

6. This Statement will be an essential content of the Company's Annual Report for the year 2013 and Prospectus, and will be publicly disclosed. Any false-hood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchanged Act.

7. This Statement has been passed by the Board of Directors in their meeting held on March 27, 2014, with 0 of the 6 attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Acer Incorporated

President

Chairman of the Board of Directors

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

Resolutions of the Board of Directors' Meeting

Date	Meeting	Major Resolutions
March 28,2013	First 2013 BOD Meeting	1. To Approve the Non-Financial Assets Impairment Test Result 2. To Approve the 2012 Financial Statements and Business Report 3. To Approve Acer's Statement of Internal Control System for 2012 4. To Approve the Appointment CPAs of KPMG as the Auditors of Acer Incorporated 5. To Approve the Impact Amounts of Retained Earnings and Special Reserve from First-Time Adoption of IFRS 6. To Approve the Agenda and Logistics of 2013 General Shareholder's Meeting 7. To Approve the second Issuance of Unsecured Convertible Corporate Bonds 8. To Approve the Issuance of Acer's Performance Guarantee for Acer India(Private) Limited Acquiring Government Tender 9. To Approve the Compensation Proposal of New Appointed 1ST Tier Executives 10. To Approve the Proposal of 2013 STI/LPI KPI Target Setting of CEO, Corp. President and Company 1ST Tier Executives 11. To Approve the Proposal of 2013 LTI Incentive Tools 12. To Approve the Personnel Appointment of Company 1ST Tier Organization 13. To Approve the Amendment or Renewal of the Bank Facilities 14. To Approve the Acer's Corporate Guarantees
May 7,2013	Second 2013 BOD Meeting	1. To Approve the First Quarter of 2013Financial Statements 2. To Approve the Statements of Deficit Compensated for 2012 3. To Amend Acer's Articles of Incorporation 4. To Propose to Amend the Convene Issue of the Company's 2013 General Shareholder's Meeting 5. To Restructure the Investment Framework of Acer Operations in Mainland China 6. Proposal of the Contingency Plan for 2011Deferred Incentive for Selective 1ST Tier Executives 7. Proposal of the 2012 MBO Bonus Result for CEO, Corp. President and 1ST Tier Executive 8. Propose to Approve the Charter, Suggested Chairman and Members and Follow Up Plan for "Key Position Recruiting Committee" 9. Proposal to Modify Partial Articles In Acer Group "Executive Remuneration Guidelines" 10. To Approve the Renewal of the Bank Facilities 11. The Corporate Guarantees of Acer Incorporated and its Subsidiaries 12. Reports of the Procedures Governing Lending of Capital to other for Acer subsidiaries and related items
August 7,2013	Third 2013 BOD Meeting	1. To Approve the Second Quarter of FY 2013 Financial Statements 2. To Amend the "Internal Control Procedure of Stock Affairs" 3. To Propose New Appointment Of Company 1ST Tier Executives 4. To Propose of The "2012 Quarterly Incentive And Special Bonus" 5. To Approve the Renewal of the Bank Facilities 6. The Corporate Guarantees of Acer Incorporated and its Subsidiaries 7. Reports of the Procedures Governing Lending of Capital to others for Acer Subsidiaries and related items

Date	Meeting	Major Resolutions
Nov 5,2013	Fourth 2013 BOD Meeting	1. To Approve The Non-Financial Assets Impairment Test Result 2. To Approve The Third Quarter Of FY2013 Financial Statements 3. To Approve The Issuance of New Common Shares For Capital Increase By Cash 4. To Approve Property Rearrangement For Research Building In Longtan Aspire Park 5. To Propose The Disposal Of Vacant Land In Longtan Aspire Park 6. To Make a Capital Injection Of US$40 Million Into Gateway Inc. 7. To Approve The Acer's Annual Audit Plan For 2014 8. To Approve the Renewal of the Bank Facilities 9. The Corporate Guarantees Of Acer Incorporated And Its Subsidiaries 10. To Report Acer Worldwide Subsidiaries Inter-Company Loan And Related Matters 11. To Approve the Resignation Of One Company 1ST Tier Executives 12. To Terminate An Internal Officer Mandate Relationship 13. To Have a Provision Of U$70Million For Global Organization Restructuring 14. To Have a Provision OfU$80Million For One Time Cost of Organization Restructuring
Nov 21,2013	First 2013 Special Meeting	1. To Accept the Resignation of Corp. President 2. To Propose the Severance Agreement for Corp. President 3. To Accept the Resignation of Corp. President 4. To Elect new Chairman from the Board Directors 5. Cancel the Office of Chief Executive Officer (CEO)
Dec 4,2013	Second 2013 Special Meeting	1. To Propose the Disposal of Vacant Land in Longtan Aspire Park 2. To Amend the Issuance of New Common Shares for Capital Increase by Cash 3. To Make a Capital Injection into ATB 4. To Make a Capital Injection into AEG 5. To Terminate the Mandate Relationship with Walter Deppeler
Dec 23,2013	Third 2013 Special Meeting	1. Appointment of Company 1STTier Executive 2. To Propose the Investment of PChomePay Inc.
Jan 17,2014	First 2014 Special Meeting	1. Proposal to Increase Provision Of US$44Million for One Time Cost of Global Organization and Business Restructuring 2. Appointment of Company executive officers
March 27,2014	First 2014 BOD Meeting	1. To Approve the 2013Financial Statements and Business Report 2. To Approve the Company's Statement of Internal Control System for 2013 3. To Approve the Statements of Deficit Compensated for 2013 4. To Approve the Appointment of CPAs as Auditors of the Company 5. To Approve the Adoption of the Company's "Audit Committee Charter" and the Amendments to The Company's "Remuneration Committee Charter" 6. To Approve the Amendment to the Company's "Regulations Governing Procedure for Board of Directors Meetings" 7. To Approve the Amendment to the Company's "The Election Regulation of Directors and Supervisors" 8. To Amend the Company's Articles of Incorporation 9. To Approve the Amendments to the Company's Internal Rules 10. To Elect All Directors (Including Independent Directors) of the Company 11. To Nominate the Candidates of Directors (Including Independent Directors) 12. To Release the Restrictions on Competitive Activities of Newly-Elected Directors and their Corporate Representatives 13. To Approve the Issuance of RSA(Restricted Stock Awards)to Eligilbe Employees 14. To Approve the Agenda and Logistics of 2014 General Shareholder's Meeting 15. To Approve the Capital Injection of A$6 Million (NT$162Million) Into Acer Computer Australia Pty Ltd(ACA) 16. To Approve Buying Back the Year 2010 First Issuance of Unsecured Overseas Convertible Corporate Bonds and the Year 2013 Second Issuance of Unsecured Convertible Corporate Bonds

Date	Meeting	Major Resolutions
		17. To Sell All Of The Shares of Olidata S.p.A 18. The Company's 1ST Tier Executives 2013 Short-Term-Incentive (STI) Bonus Payout Proposal 19. Severance Proposal For Selective Company's 1ST Tier Executives due to Retirement/ resignation 20. Nomination Proposal of the Company's 1ST Tier Executives 21. The Company's 1ST Tier Executives 2014 Target Bonus and KPI Setting Proposal 22. To Approve the Renewal of the Bank Facilities 23. To Approve the Company's Corporate Guarantees 24. To Report the Company's Worldwide Subsidiaries Inter-Company Loan and Related Matters
April 2,2014	First 2014 Special Meeting	1. To The Company 1ST Tier Executive Changes
April 29,2014	Third 2014 Special Meeting	1. To Appoint the Company's Accounting Officer 2. To Postpone the Company 1st Tier Executive Retirement Schedule
May 8,2014	Second 2014 BOD Meeting	1. To Approve the First Quarter of 2014 Financial Statements 2. To Decide Record Date of Capital Reduction Through Cancellation of The First Shares Repurchased in 2011 3. To Decide Record Date of Capital Reduction through Cancellation of The Second Shares Repurchased in 2011 4. To Review Shareholder's Proposal and nominated Director Candidates for 2014 General Shareholder's Meeting 5. To Approve the Capital Injection of US$15 Million into Acer SoftCapital Incorporated(ASCBVI) 6. To Approve the Capital Injection of NT$600 Million into Acer Digital Service Co.,(ADDC) 7. To Amend The "Internal Control Procedure of Stock Affairs Unit" 8. The Company's Officers' Application for Retirement 9. 1st Tier Organizational Change And Personnel Appointment Proposal 10. To Amend the Company's "Board Director Remuneration Guidelines" 11. Proposal of Nomination and Retainer Amount of Board Director Remuneration for the Next BOD term 12. Proposal of Acer Inc.2014 1st time Employee Restricted Stock Award (RSA)Plan 13. To Approve the Renewal of the Bank Facilities 14. To Approve the Company's Corporate Guarantees 15. To Report the Company's Worldwide Subsidiaries Inter-Company Loan and Related Matters

Implementation of Resolutions in 2013 General Shareholders' Meeting

Major Resolutions	Carries out the situation
1. To accept 2012 Financial Statements and Business Report	The shareholder meeting resolution passes according to the document
2. To approve the Statements of Deficit Compensated for 2012	The shareholder meeting resolution passes according to the document
3. To approve Amendments to Acer's Articles of Incorporation	The shareholder meeting resolution passes according to the document

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4. Capital and Shares

4.1 Sources of Capital

4.1.1 Sources of Capital (April 20, 2014)

Unit: Share/NT$ Thousand

Date	Price of Issuance	Authorized Common stock		Paid-in Common stock		Notes
		Shares	Value	Shares	Value	
June, 2012	Share/NT$10	3,500,000,000	35,000,000	2,834,726,828	28,347,268	-

Unit: Share

Shares Category	Authorized capital			Notes
	Issued shares	Non-issued	Total	
Common shares	2,834,726,828	665,273,172	3,500,000,000	-

4.1.2 Shareholding Structure (April 20, 2014)

Category/ Number	Government Institution	Financial Institution	Other Institution	Individual	FINI and Foreign Investors	Total
No. of Shareholders	11	81	427	349,130	904	350,553
Shares	4,301,262	5,265,951	230,716,190	1,979,536,167	614,907,258	2,834,726,828
Percentage	0.15%	0.19%	8.14%	69.83%	21.69%	100.00%

4.1.3 Distribution of Shareholdings (April 20, 2014)

Category	The Number of Shareholders	Shares	Percentage
1~999	122,613	35,263,833	1.24%
1,000~5,000	159,084	363,765,974	12.83%
5,001~10,000	35,481	273,787,202	9.66%
10,001~15,000	11,342	141,375,056	4.99%
15,001~20,000	7,160	131,773,026	4.65%
20,001~30,000	5,770	145,990,209	5.15%
30,001~50,000	4,432	176,392,919	6.22%
50,001~100,000	2,754	199,441,979	7.04%
100,001~200,000	1,073	152,580,270	5.38%
200,001~400,000	433	119,615,296	4.22%
400,001~600,000	128	63,798,855	2.25%
600,001~800,000	68	47,742,738	1.68%
800,001~1,000,000	53	47,848,251	1.69%
1,000,001 and above	162	935,351,220	33.00%
Total	**350,553**	**2,834,726,828**	**100.00%**

4.1.4 List of Major Shareholders (April 20, 2014)

Shares / Name	Number	Percentage
Yen, Wei	74,687,775	2.63%
Stan Shih	74,592,499	2.63%
Hung Rouan Investment Corp.	67,799,202	2.39%
VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	50,729,905	1.79%
Management Board of Public Service Pension Fund	34,450,175	1.22%
Acer GDR	34,030,195	1.20%
JPMorgan Chase Bank N.A. Taipei Branch in custody for ABU DHABI Investment Authority	30,839,037	1.09%
Credit Suisse Securities (Europe) Limited	17,843,836	0.63%
Carolyn Yeh	17,493,157	0.62%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	15,218,297	0.54%

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

Unit: NT$

Item	Period		2012	2013	Until Mar. 31st, 2014
Market Price Per Share	Highest		46.15	28.20	19.50
	Lowest		22.30	14.80	17.30
	Average		31.58	21.89	18.23
Net Value Per Share	Before Distribution		27.56	20.66	21.18
	After Distribution		26.47	Un-appropriated	Un-appropriated
Earning Per Share	Weighted Average Share Numbers		2,722,601 Thousand shares	2,722,362 Thousand shares	2,722,362 Thousand shares
	Earning Per Share	Current	(1.07)	(7.54)	0.19
		Adjusted	(1.07)	Un-appropriated	Un-appropriated
Dividend Per Share	Cash Dividend (NT$)		0	Un-appropriated	Un-appropriated
	Stock Dividend	Retained Earning (%)	-	Un-appropriated	Un-appropriated
		Capital Surplus (%)	-	Un-appropriated	Un-appropriated
	Accumulated unpaid dividends		-	-	Un-appropriated
Return on Investment Analysis	P/E Ratio		(29.51)	(2.90)	135.94
	P/D Ratio		-	-	-
	Cash Dividend Yield		0.00%	0.00%	Un-appropriated

4.1.6 Dividend Distribution Plan Proposed To General Shareholders' Meeting

As the industry prosperity and the trends rapidly changed, the dividends strategy of the Company depends on yearly earnings and external environments, therefore, cash dividends of this Company shall be distributed at least ten percent of yearly dividends for complying with related regulations, which was approved at the Shareholder's Meeting on June 17, 2004.

The proposed dividend distribution plan, agreed by the Company's Board of Directors, will be submitted to the Shareholders' Meeting on June 18, 2014 for approval:

The beginning balance of the un-appropriated retained earnings of the Company in 2013 is NT$0. After deduct the net adjusted amount of IFRS conversion, the opening balance of 2013 after IFRS conversion becomes NT$(4,110,875,348). After plus the reversal of Special Reserve booked in IFRS opening of NT$2,666,131,469, the actuarial gain of defined benefit pension plan of NT$165,509,856, and the net loss after tax for 2013of NT$20,519,428,168, the deficit to be compensated is NT$21,798,662,191. It is proposed to compensate the deficit by special reserve of NT$3,460,642,125, legal reserve of NT$10,012,168,695, and capital reserve of NT$8,325,851,371. After the appropriation, the ending balance of the un-appropriated retained earnings is NT$0, and the remaining balance of capital surplus is NT$35,381,875,824.

Acer Incorporated 2013 Annual Report

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

None

4.1.8 Employees' Bonuses and Remunerations to Directors, Supervisors

1. Where this Company has earnings at the end of the business operational year, after paying all relevant taxes, making up losses of previous year, setting aside a legal reserve of ten percent (10%) and setting aside or reversing a special reserve as required by laws or competent authorities, the balance of the earnings shall be distributed as follows:
   (1) Over five percent (5%) as employee bonuses; Employees may include subsidiaries that that meet certain criteria set by the board of directors.
   (2) Not more than one percent (1%) as remuneration of directors and supervisors; and
   (3) The remainder may be allocated to shareholders as bonuses. The Company shall not pay dividends or bonuses when there is no profit.

2. The Board of Directors proposed a dividend distribution plan of year 2013 as follows: NT$0 as cash bonuses to employees, NT$0 as remuneration to directors and supervisors.

3. The Bonuses to Employees and Remunerations to Directors, Supervisors in 2013:

	2013			
	Dividend Distribution Approved by the Shareholders' Meeting	Dividend Distribution Proposed by the BOD	Different Value	Different Reason
The Dividend Distribution:				
1.Cash Bonuses to Employees (Unit: NT$ Thousand)	NT$0	NT$0	-	-
2.Stock Bonuses to Employees				
(1)Number of Shares	0 shares	0 shares		
(2)Value (Unit: NT$ Thousand)	0	0		
(3)Circulation Rate of Shares in Stock Market on Ex-right Day	0%	0%		
3.Remunerations to Directors, Supervisors (Unit: NT$ Thousand)	NT$0	NT$0		
Earning Per Share (EPS):				
Original EPS	NT$-1.70	NT$-1.70	-	-
Reset EPS	NT$-1.70	NT$-1.70		

4.1.9 Buyback of Treasury Stock: (March 31, 2014)

Term of Buyback	The First Buyback in Year 2011	The Second Buyback in Year 2011	The Buyback in Year 2012
Purpose of Buyback	Shares Transferred to Employees	Shares Transferred to Employees	Shares Transferred to Employees
Period of Buyback	March 31, 2011 to May 30, 2011	June 2, 2011 to August 1, 2011	July 3, 2012 to September 2, 2012
Price Range of Buyback	NT$55 to NT$100	NT$55 to NT$80	NT$28 to NT$35
Class and Quality of Bought back	Common Shares: 28,619,000 shares	Common Shares: 27,000,000 shares	Common Shares: 10,000,000 shares
Amount of Shares Bought back	NT$1,526,797,373	NT$ 1,341,450,925	NT$ 271,182,250
Number of Shares having been written off and Transferred	0 shares	0 shares	0 shares
Number of the Company Shares Held in accumulation	28,619,000 shares	55,619,000 shares	65,619,000 shares
Number of the Company Shares Held in accumulation out of the Total Number Shares issued (%)	1.011%	1.964%	2.314%

4.2 Corporate Bonds:

4.2.1 The Overseas Unsecured Convertible Bonds

Corporate Bonds	The 1st Overseas Unsecured Convertible Bonds	The 2nd Overseas Unsecured Convertible Bonds
Issuing Date	August 10,2010	August 10,2010
Denomination	US$100,000	US$100,000
Listing	Expected to be on the Singapore Stock Exchange	Expected to be on the Singapore Stock Exchange
Issue Price	US$100.0000	US$100.0000
Issue Size	US$300,000,000	US$200,000,000
Coupon Rate	0%	0%
Maturity Date	5 years from the Issuing Date	7 years from the Issuing Date
Cuarantor	None	None
Trustee	Citigroup International Limited	Citigroup International Limited
Underwriters	Lead Underwriters: J. P. Morgan Securities Ltd. Citigroup Global Markets Limited Local Lead Underwriter: Grand Cathay Securities Corporation	Lead Underwriters: J. P. Morgan Securities Ltd. Citigroup Global Markets Limited Local Lead Underwriter: Grand Cathay Securities Corporation
Legal Counsel	None	None
Auditor	Huei-Chen Chang and Agnes Yang	Huei-Chen Chang and Agnes Yang
Repayment	Unless previously redeemed, repurchased and cancelled or converted, the Bonds will be redeemed by the Issuer on the Maturity Date at the amount which represents for the holder of the Bonds the par value of the Bonds plus a gross yield of 0.43% per annum, calculated on a semi-annual basis. The actual gross yield shall be jointly determined by the Issuer and the Lead Underwriters based on the market conditions on the pricing date.	Unless previously redeemed, repurchased and cancelled or converted, the Bonds will be redeemed by the Issuer on the Maturity Date at the amount which represents for the holder of the Bonds the par value of the Bonds plus a gross yield of 2.5% per annum, calculated on a semi-annual basis. The actual gross yield shall be jointly determined by the Issuer and the Lead Underwriters based on the market conditions on the pricing date.
Outstanding	US$1,400,000	US$103,800,000

Corporate Bonds		The 1st Overseas Unsecured Convertible Bonds	The 2nd Overseas Unsecured Convertible Bonds
Redemption or Early Repayment Clause		A. The Issuer may early redeem the Bonds in whole or in part at any time after 3 years following the Issuing Date at the Bonds'applicable Early Redemption Amount, if the Closing Price of the common shares of Acer traded on TSE (using the price after conversion of such price into U.S. dollars at the then prevailing exchange rate on the relevant dates) reaches 130% or above of the applicable Early Redemption Amount divided by the Conversion Ratio, defined to be the principal amount of Bonds divided by the Conversion Price at that time (translated into U.S. dollars at a fixed exchange rate determined on the pricing date) for 20 consecutive trading days. The actual date from which the Issuer may early redeem the Bonds will be jointly determined by the Issuer and the Lead Underwriters based on the market conditions on the pricing date. B. The Issuer may redeem all outstanding Bonds at the Bonds' applicable Early Redemption Amount, in the event that more than 90% of the Bonds have been redeemed, repurchased and cancelled or converted. C. If as a result of changes to the relevant tax laws and regulations in the ROC, the Issuer becomes obligated to pay any additional costs, the Issuer may redeem all Bonds at the Bonds' applicable Early Redemption Amount. Bondholders may elect not to have their bonds redeemed but with no entitlement to any additional amounts or reimbursement of additional tax.	A. The Issuer may early redeem the Bonds in whole or in part at any time after 3 years following the Issuing Date at the Bonds'applicable Early Redemption Amount, if the Closing Price of the common shares of Acer traded on TSE (using the price after conversion of such price into U.S. dollars at the then prevailing exchange rate on the relevant dates) reaches 130% or above of the applicable Early Redemption Amount divided by the Conversion Ratio, defined to be the principal amount of Bonds divided by the Conversion Price at that time (translated into U.S. dollars at a fixed exchange rate determined on the pricing date) for 20 consecutive trading days. The actual date from which the Issuer may early redeem the Bonds will be jointly determined by the Issuer and the Lead Underwriters based on the market conditions on the pricing date. B. The Issuer may redeem all outstanding Bonds at the Bonds' applicable Early Redemption Amount, in the event that more than 90% of the Bonds have been redeemed, repurchased and cancelled or converted. C. If as a result of changes to the relevant tax laws and regulations in the ROC, the Issuer becomes obligated to pay any additional costs, the Issuer may redeem all Bonds at the Bonds' applicable Early Redemption Amount. Bondholders may elect not to have their bonds redeemed but with no entitlement to any additional amounts or reimbursement of additional tax
Covenants		None	None
Credit Rating		None	None
Other rights of Bondholders	Amount of Converted or Exchanged Common Shares,GDRs or Other Securities	US$298,600,000	US$96,200,000
	Conversion Right	In accordance with indicative Offering Plan for an Issue of Overseas Unsecured Convertible Bonds	In accordance with indicative Offering Plan for an Issue of Overseas Unsecured Convertible Bonds
Diluyion Effect and Other Adverse Effects on Existing Shareholders		When all The 1st and 2nd Overseas Unsecured Convertible Bonds convert into common shares, the maximum share dilution will be 6.14%. And this CB is issued at premium; therefore, it will not be a material adverse effect on the shareholders equity.	
Paying & Conversion Agent		Citibank N.A. London Branch	Citibank N.A. London Branch

Acer Incorporated 2013 Annual Report

4.2.2 Domestic Unsecured Convertible Bonds

Corporate Bonds	The 2nd Domestic Unsecured Convertible Bonds
Issuing Date	May 14,2013
Denomination	NTD$100,000
Issue Price	NTD$100,000
Issue Size	NTD$6,000,000,000
Coupon Rate	0%
Maturity Date	3 years from the Issuing Date
Cuarantor	None
Trustee	Taipei Fubon Bank
Underwriters	KGI Securities Co.,Ltd.
Legal Counsel	None
Auditor	None
Repayment	All Bonds shall be redeemed in cash on the Maturity Date at the face value thereof, unless otherwise converted in accordance with Clause 10 of the Rules by the holders of the Bonds (the "Bondholders", and each, a "Bondholder") into the common shares of the Company, early redeemed in accordance with Clause 18 of the Rules by the Company, or repurchased from securities firms and cancelled by the Company prior to the Maturity Date.
Outstanding	NTD$6,000,000,000
Redemption or Early Repayment Clause	(1) During the period from one month after the Issue Date (June 15, 2013) to forty days before the Maturity Date (April 4, 2015), where the closing price of the Company's common shares traded on the TSE for consecutive thirty trading days exceeds 130% of then conversion price of the Bonds, the Company may within thirty trading days thereafter issue a "Notification of Redemption of Bonds" with one-month effective period to the Bondholders (based on the names of bondholders registered in the roster of bondholders at the fifth trading day prior to the issue date thereof. For investors who hold the Bonds after the said trading day based on trading or other reasons, the public announcement will be made in lieu of notification) by a registered mail. The aforementioned one-month period begins from the Company's issue date of the notification and the expiry date thereof shall be deemed as the record date of redemption of the Bonds. The Company shall apply to the GreTai for announcement of the same and redeem the Bonds held by such Bondholders at its face value by cash at the fifth trading day after the record date of redemption of the Bonds. The record date of redemption of the Bonds shall not fall within the close period of conversion of the Bonds. (2) During the period from one month after the Issue Date (June 15, 2013) to forty days before the Maturity Date(April 4, 2015), where the balance of the Bonds is below 10% of the original total amount of issuance, the Company may issue a "Notification of Redemption of Bonds" with one-month effective period to the Bondholders (based on the names of bondholders registered in the roster of bondholders at the fifth trading day prior to the issue date thereof. For investors who hold the Bonds after the said trading day based on trading or other reasons, the public announcement will be made in lieu of notification) by a registered mail. The aforementioned one-month period begins from the Company's issue date of the notification and the expiry date thereof shall be deemed as the record date of redemption of the Bonds. The Company shall apply to the GreTai for announcement of the same and redeem the Bonds held by such Bondholders at its face value by cash at the fifth trading day after the record date of redemption of the Bonds. The record date of redemption of the Bonds shall not fall within the close period of conversion of the Bonds. (3) If the Bondholders do not reply in writing to the Company's Stock Affairs Office (the reply takes effect upon the Company's receipt thereof; the postmark date serves as a proof if post is adopted) prior to the record date of redemption of the Bonds specified in"Notification of Redemption of Bonds", the Company may convert the Bonds held by such Bondholders to the Company's common shares at then conversion price and the expiry date thereof is deemed as the record date of conversion.redeemed but with no entitlement to any additional amounts or reimbursement of additional tax.

Corporate Bonds		The 2nd Domestic Unsecured Convertible Bonds
Covenants		None
Credit Rating		None
Other rights of Bondholders	Amount of Converted or Exchanged Common Shares,GDRs or Other Securities	NTD$0
	Conversion Right	In accordance with indicative Offering Plan for an Issue of Domestic Unsecured Convertible Bonds
Diluyion Effect and Other Adverse Effects on Existing Shareholders		When all The 2nd Domestic Unsecured Convertible Bonds convert into common shares, the maximum share dilution will be 7.89%. And this CB is issued at premium; therefore, it will not be a material adverse effect on the shareholders equity.
Paying & Conversion Agent		None

4.2.3 The Data of Convertible Bonds

1. The 1st Overseas Unsecured Convertible Bonds:

Overseas Unsecured Convertible Bonds		The 1st Overseas Unsecured Convertible Bonds	
Item / Period		2013	As of March 31, 2014
Market Price	Highest	US$102.146	US$100.879
	Lowest	US$98.906	US$100.063
	Average	US$100.057	US$100.550
Conversion Price		NTD$102.01	NTD$102.01
Conversion Price in Issuing Date		August 10,2010 NTD$110.76	August 10,2010 NTD$110.76
Conversion Target		Common Shares of Acer	Common Shares of Acer

2. The 2nd Overseas Unsecured Convertible Bonds

Overseas Unsecured Convertible Bonds		The 2nd Overseas Unsecured Convertible Bonds	
Item / Period		2013	As of March 31, 2014
Market Price	Highest	US$106.624	US$105.833
	Lowest	US$102.918	US$104.863
	Average	US$104.415	US$105.233
Conversion Price		NTD$104.96	NTD$104.96
Conversion Price in Issuing Date		August 10,2010 NTD$113.96	August 10,2010 NTD$113.96
Conversion Target		Common Shares of Acer	Common Shares of Acer

3. The 2nd Domestic Unsecured Convertible Bonds

Domestic Unsecured Convertible Bonds		The 2nd Domestic Unsecured Convertible Bonds	
Item / Period		2013	As of March 31, 2014
Market Price	Highest	NTD$102.20	NTD$96.60
	Lowest	NTD$92.55	NTD$95.05
	Average	NTD$100.15	NTD$96.04
Conversion Price		NTD$25.72	NTD$25.72
Conversion Price in Issuing Date		May 14,2013 NTD$25.72	May 14,2013 NTD$25.72
Conversion Target		Common Shares of Acer	Common Shares of Acer

4.3 Special Shares:

Not applicable.

4.4 Global Depository Receipts (GDRs) Issuance (March 31, 2014)

Description / Date of issuance	November 1,1995	July 23, 1997
Date of issuance	November 1,1995	July 23, 1997
Location of issuance and transaction	London	London
Total amount of issuance	US$220,830,000	US$160,600,000
Unit price of issuance	US$32.475	US$40.15
Total number of units issued	6,800,000units	4,000,000units
Sources of valuable securities demonstrated	Capital increased in cash	Capital increased in cash
Number of valuable securities demonstrated	Each unit stands for Acer's 5 common shares	Each unit stands for Acer's 5 common shares
Rights and obligations of GDR holders	Same as Acer's common shareholders	Same as Acer's common shareholders
Consignee	None	None
Depository organization	Citicorp	Citicorp
Custodian organization	Citibank Taipei Branch	Citibank Taipei Branch
Balance not retrieved	6,806,020 units of Global Deposit Receipt as representing 34,030,100 shares of common stocks	
Method to allocate fees incurred during the period of issuance and existence	The expenses incurred by issuance being taken to offset premium reserve. Expenses incurred during existence being taken as expenses of the current term.	The expenses incurred by issuance being taken to offset premium reserve. Expenses incurred during existence being taken as expenses of the current term.
Any key issue for the depository and custodian agreements	None	None
Market Price Per Share – 2013 – Highest	US$ 4.61	
Market Price Per Share – 2013 – Lowest	US$ 2.60	
Market Price Per Share – 2013 – Average	US$ 3.68	
Market Price Per Share – Until March 31, 2014 – Highest	US$ 3.22	
Market Price Per Share – Until March 31, 2014 – Lowest	US$ 2.81	
Market Price Per Share – Until March 31, 2014 – Average	US$ 3.01	

4.5 Employee Stock Options (March 31, 2014)

Employee Stock Option Granted	E-ten First Grant of 2007	First Grant of 2010	Second Grant of 2010
Approval Date by the Authority	June 06, 2007	July 20, 2010	July 20, 2010
Grant Date	August 22, 2007	Octorber 29, 2010	June 15, 2011
Number of Options Granted	9,345,794 units(Note 1)	4,000 units(Note 2)	10,000 units(Note 2)
Percentage of Shares Exercisable to Outstanding Common Shares (%)	0.329%	0.141%	0.353%
Option Duration	6 years	3 years	3 years
Source of Option Shares	New common stocks		
Vesting Schedule	2nd Year: up to 50% 3rd Year: up to 75% 4th Year: up to 100%	From the second anniversary of the grant date, except that all or partial options revoked by the company, 100% vested options can be exercised without conditions	
Shares Exercised	4,931,599 shares (Note 3)	0 shares (Note 3)	0 shares
Value of Shares Exercised	NT$ 206,246,673	NT$ 0	NT$ 0
Shares Unexercised	0 shares (Note 3)	0 shares (Note 3)	9,352,000 shares
Adjusted Exercise Price Per Share	NT$ 38.30	NT$ 45.04	NT$ 25.99
Percentage of Shares Unexercised to Outstanding Common Shares (%)	0.060%	0.141%	0.330%
Impact on Shareholders' Equity	Dilution to Shareholders' Equity is limited.		

Note 1: One unit shall purchase one Acer common share
Note 2: One unit shall purchase one thousand Acer common shares
Note 3: The period of exercise for Option E-ten First Grant of 2007 and Option Acer First Grant of 2010 have expired.

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

None

Windows All-in-Ones

All the best, all in one

Android All-in-Ones

Touch, tilt and transport

5. Acer's Business

5.1 Business Scope

5.1.1 Business Portfolio

Acer's core business comprises of the marketing, R&D, design, sales, to services of our brand name products that include the personal computer, tablet, smartphone, LCD monitor, server, projector, and ICT devices.

With the corporate mission of "breaking down the barriers between people and technology" and the spirit of "explore beyond limits," Acer is actively carrying out its corporate transformation and developing the self-built cloud – Build Your Own Cloud (BYOC™) – for the new vision. Acer aims to gradually transform into a hardware + software + services company.

PC remains the core of Acer's business. In 2013, notebook PCs accounted for 60% of the total revenues from ICT product lines, while desktops contributed 17%, and displays took 9%.

5.1.2 Industry Highlights

The ICT industry has experienced profound change in recent years. Whereas the PC and Wintel architecture dominated in the past, the industry has entered the era of three eco-systems - iOS, Android and Windows – which shall co-exist and compete with each other. There is no single technical standard, and new cross-category products have surfaced, opening the way for more innovation. In the past, winning factors were associated with cost, speed, and scale. Presently in the diversified environment, the keys to success lie in the ability to providing the ultimate user experience, and creating product differentiation and customer value. Hence, Acer will strive to strengthen innovation and enhance the value of products and services.

5.1.3 Technology and R&D

In 2013, Acer spent NT$3.1 billion on R&D, which accounted for 0.86% of total revenues and focused on developing the user interface, industrial design, ICT related hardware and software, and cloud technology. AcerCloud has delivered visible result, extending support across the three major operating systems: Windows, Android and iOS. Users can easily manage their personal multimedia and data files on a variety of digital devices regardless of which operating system they are running. Currently we are promoting Build Your Own Cloud (BYOC™), a self-built cloud that can seamlessly integrate PCs and other personal mobile devices. Built on the Acer Open Platform, BYOC connects PCs and other hardware, and will develop more software applications to enhance the overall service experience.

Acer has spent a lot of effort in developing green products as well. We are reducing carbon emission and setting greenhouse gas reduction targets for Acer's global operations. Examples of our efforts:

- V6 series monitors made with post-consumer recycled material were honored with the Global Efficiency Medal for energy saving designs by the SEAD initiative of the Clean Energy Ministerial.
- T2 series touch LED monitors were awarded with the prestigious Red Dot design award for excellence of Germany.
- Liquid Z3, the compact 3.5-inch screen smartphone was honored with the Good Design Award of Japan.

5.1.4 Long and Short Term Business Plan

In the short term, Acer will develop innovative products with differentiation, establish a clear brand positioning, and create value for our customers. Moreover, we will strengthen the tablet PC, smartphone, and expand touch notebook PCs.

In the long run, we will strive to enhance our brand positioning, increase operating margin, develop Build Your Own Cloud (BYOC™) services, and increase the proportion of commercial products.

5.2 Market Highlights

5.2.1 Market Study

Acer's key market is EMEA (Europe, Middle East, Africa), followed by Pan America, Asia Pacific, and Greater China. In Q4'13, the revenue from EMEA accounted for 46% of Acer's total revenue, Pan America region held 24%, Asia-Pacific took 16%, and Greater China contributed 14%.

In terms of worldwide shipments in 2013, Acer ranked No. 4 for total PCs with 7.8% market share, No. 4 for portable PCs with 10.4% market share, according to market research firm, IDC,

For Q413, Acer ranked No. 3 for total PCs and portable PCs in EMEA, and placed No. 6 and No. 7 respectively in the U.S. market.

5.3 Keys to a Sustainable Future

5.3.1 Promote Change and Transformation

Acer will combine its strength and scale in PCs with the foundations and core competence in cloud technology, to become a hardware + software + services company and embrace new opportunities in the era of cloud technology. Rearrange the allocation of resources by utilize them in areas of high value to maximize output.

5.3.2 Engrain the Wangdao Ideology and Corporate Mindset

The Wangdao ideology and mindset is the key to Acer's corporate transformation. The three core values of Wangdao are sustainable development, value creation, and the balance of interests. To realize this idelogy, the company needs to constantly innovate and create value by developing a mechanism that creates value and balances interests to pursue for sustainability.

5.3.3 Focus on Customer Experience

Think from the consumers' perspective and user experiences to develop products and services. Let marketing be deeply rooted in R&D and design by first understanding the customer needs, providing products with differentiation and high added-value, and create value for our customers. Establish an end-to-end marketing system to cultivate long-term customer loyalty.

5.3.4 Build Your Own Cloud (BYOC™)

Acer's Build Your Own Cloud (BYOC) puts customer needs at the forefront of its R&D, and is built on an open platform to allow users to seamlessly integrate and access their PC and other mobile devices at all times. All Acer PCs and notebooks designs will closely follow this vision, BYOC, that represents Acer's new vision to win in this cloud era. Acer shall transform from a hardware supplier into a hardware + software + services company, to embrace the opportunity in the era of the cloud.

Acer Incorporated 2013 Annual Report

Appendix

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

(1) Key Buyers for Acer Inc. (Parent Company)

Unit: NT$ Thousand

Item	Year 2012				Year 2013				Current Year as of Mar.31,2014			
	From	Amount	Percentage of total net sales (%)	Relationship with Acer Inc.	From	Amount	Percentage of total net sales (%)	Relationship with Acer Inc.	From	Amount	Percentage of total net sales (%)	Relationship with Acer Inc.
1	None								Customer A	7,741,873	10.09	None
	Others	429,627,192	100.00		Others	360,132,042	100.00		Others	68,982,351	89.91	
	Total Net Sales	429,627,192	100.00		Total Net Sales	360,132,042	100.00		Total Net Sales	76,724,224	100.00	

Note: There is no material change in the sales ratio of the major customer for 2013.

(2) Key Suppliers for Acer Inc. (Parent Company)

Unit: NT$ Thousand

Item	Year 2012				Year 2013				Current Year as of Mar.31,2014			
	From	Amount	Percentage of total net purchase (%)	Relationship with Acer Inc.	From	Amount	Percentage of total net purchase (%)	Relationship with Acer Inc.	From	Amount	Percentage of total net purchase (%)	Relationship with Acer Inc.
1	Supplier A	67,043,187	20.04	None	Supplier A	46,100,459	18.34	None	Supplier A	11,600,488	19.74	None
2	Supplier B	38,573,549	11.53	None	Supplier B	36,783,934	14.64	None	Supplier B	7,962,706	13.55	None
3	Supplier C	37,230,425	11.13	None	Supplier D	28,707,958	11.42	None	Supplier D	6,020,640	10.25	None
	Others	191,575,972	57.30		Others	139,736,005	55.60		Others	33,168,530	56.46	
	Total Net Purchase	334,423,133	100.00		Total Net Purchase	251,328,356	100.00		Total Net Purchase	58,752,364	100.00	

Note: There is no material change in the purchase ratio of the key supplier for 2013.

2. Production Value in the Last Two Years:

Not applicable.

3. The Sales Value in the Last Two Years:

Unit: NT$ Thousand

Year / Major production	2012		2013	
	Domestic Sales	Foreign Sales	Domestic Sales	Foreign Sales
Computer	8,869,823	292,620,511	8,135,882	240,339,242
Peripherals & Others	6,673,833	51,780,417	6,397,190	19,037,704
Total	15,543,656	344,400,928	14,533,072	259,376,946

Acer Incorporated **2013 Annual Report**

5.4 Employees

5.4.1 Global Human Asset Management

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

As a result of employees' joint effort, Acer has received numerous industry and media recognition. For example, Acer has been voted by Reader's Digest readers as a "Trusted Brand" in Asia for consecutive years since 1999; in 2007 Forbes selected Acer as one of the "Fabulous 50" – a list of the best of Asia-Pacific's biggest listed companies. In 2011, Forbes selected Acer as one of "Most Popularity in 100 Global Companies".Summary of Acer's Workforce:

-By Manpower, Age and Years of Service

Date / Category	December 2012	December 2013	March 2014
Manpower	7,967	7,384	7,292
Average Age	36.0	36.1	37.4
Average Years of Employment	6.2	6.1	6.6
Male (%)	66.8%	66.1%	65.7%
Female (%)	33.2%	33.9%	34.3%

-By Job Function

Date / Job Function	December 2012	December 2013	March 2014
General Management	192	201	205
Sales & Product Marketing	2,483	2,355	2,317
Customer Service	2,382	2,063	2,078
Research & Development	1,416	1,160	1,122
Sales Support	861	899	868
Administration	633	706	702
Total	7,967	7,384	7,292

- By Education Level

Date / Education Level	December 2012	December 2013	March 2014
Doctor of Philosophy	0.4%	0.6%	0.7%
Master's Degree	24.1%	29.0%	28.9%
Bachelor's Degree	43.8%	41.1%	41.2%
Vocational Study	28.0%	25.2%	25.2%
Senior High School or below	3.7%	4.1%	4.0%
Total	100%	100%	100%

5.4.2 Recruitment

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

5.4.3 Training and Development

To enhance the awareness Wangdao philosophy in Acer, the training in 2014 focuses on the promotion of core beliefs of Wangdao generally, including value creation, balance of interests, sustainable development.

For management training, it will direct the efforts to the key elements of Wangdao's philosophy; for professional development, it will guided by value creation, incorporating the six aspect values for creating the most competitive products and services for customers. For general skill training, it emphasizes on 5C (Communication, Communication, Communication, Consensus, Commitment) for synergizing the teams' collaborative efforts, and expects the colleagues to challenge difficulties, break through bottlenecks, and create values.

To assure training quality and effectiveness, all trainings are carried out in compliance with the "Management Procedures for Internal and External Training." Training in Taiwan area in 2013 included the offering of 190 training courses which attracted 2,759 personnel for a total of 12,362 person-hours of training.

Training Scheme and Implementation

- New Employee Training: Orientate the new employees by shaping essential mindset and providing essential knowledge, covering the overview of Acer's organization, culture, core values and standards of business conduct (including labor rights, freedom of expression, sexual harassment prevention, anti-corruption), policies and systems, Welfare Committee and Employee Representative Meeting, IP sense, etc. The new employees of product lines need to receive patent prosecution and protection training, training of Green Products, EICC, and GHG, Electrostatic Discharge (ESD)training. Cardiopulmonary Resuscitation (CPR) and Automatic External Defibrillators (AED) Training
- General Skill Training: The training focuses on 5C, innovation, and value-creation. The typical trainings include How to Conduct Cross-Unit Communication and Collaboration, Project Management- Coordination and Communication, Question behind Question (QBQ), MECE's Logical Thinking, Silicon Valley's Innovation Way— Stanford's Innovation Methodology and Tools, Application of Social Media Marketing, How to Promote Team's Innovative Ideas, and Smart Ways to Interact with Westerners (Language, Culture, Value Recognition)
- Professional Training: The training is provided for advancing the professional knowledge and skills. For example, Smart Mobile Devices' Innovation for Business Opportunities, Smart Wearable Devices-- Trends and Opportunities, From Customer Insight to Product Concept Practices, Eco Design Tools (LCA, QFDE, MET), Green Design- Process and Practices, Good Quality of Customer Online Service
- Managerial Training: In response to the transition to Wangdao philosophy, the management training is repositioned as to enhance managers' competencies in creating values, dynamic interest balance, and morale enhancement, and change leadership. The typical training would be as follows: Innovation Strategy for Growth, Value Analysis and Value Engineering, Institutionalize Innovation in Organization, Resolving Conflict between Sale and Manufacturing- Employ Theory of Constraints, Building Up Winning Capabilities in Leading Changes.

  The Executive Development Program (EDP) was held to develop global executives to possess global perspectives for shaping and implementing effective business strategies across boarders, including a series of training- Dynamic Strategic Management, Transformational Leadership for sustainable success, Institutionalizing Innovation in Organizations, and Strategic Marketing Planning and Management.

  Besides managerial competencies for being developed, we adopt the Multi-Dimensional Feedback (MDF) system to collect multiple perspectives about the behavior and performance of the managers, and based on the results, to assist the managers to grow and develop.
- By abiding by the regulations of OHSAS 18001 requirements, we have General Safety, Health, and Hygiene Training for our staff.

Multiple Ways of Learning and Development

Each employee is provided with multiple development paths to enhance the profession--- for example, from company within, such opportunities can be found as on-the-job training, coaching, job rotation, speech, online learning and reading seminar, etc. For the company outside, they include profession club seminars, short-term intensive training hosted by the prestigious universities or training institutions. For enhancing staff professional skills, we have the 'Regulations of Acquiring Professional Certificates', regulating the subsidiary for test-taking fees, and further, the dedicated incentives for the staff who successfully get the essential professional certificates.

5.4.4 Compensation

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

5.4.5 Welfare

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

5.4.6 Pension

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

5.4.7 Employee Relations

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

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

- A Dedicated Hotline: A hotline for each supporting function has been set up for employees to call, in confidence, to express concerns or issues. Acer will provide counsel and/or resolve the issues in the most efficient way.
- Open and Candid Communication Channels: Employees can report areas of concern to their immediate supervisor or choose to convey to higher authorities for resolution. Meanwhile, the Company CEO meets face-to-face with employee representatives from each office area on a quarterly basis, to discuss areas of improvement and respond to issues. The CEO also assigns the relevant member(s) to aggressively follow up on change or improvement, and to report on progress at the next quarterly meeting to ensure the resolution effectiveness. The meeting minutes are published on the Company Intranet for all employees' attention.
- Communication about Company's Changes: During the period of company's transition, we use such communication channels as email, StanShares, Transformation committee (TC) Office in intranet , and face-to-face communication meetings to deliver new vision, strategies, and action plans, so as to assure the general staff have a clear understanding of communication messages. If the staff would like to raise up their questions or concerns during the course of company's changes, they may feel free to express their suggestions or opinions by way of sending email directly to the TC Office, a top authority to lead change management in Acer.

5.4.8 Acer Employee Management

To ensure business growth on a healthy and comprehensive management system, the mutual rights and obligations between the Company and employees are explicitly specified as follows:

- Authority Management
  According to the levels of management responsibilities, "The Table of Authority Approval", "Regulations on Delegated Deputy", and the "Scheme of Job Categories and Titles" are regulated to assure well-functioned in all layers of directive operations, and furthermore, to provide staff with a sound roadmap for career development paths.
- Standards of Business Conduct
  For enhancing the overall corporate competitiveness and playing a responsible role in the social, economic, and environmental conduct of our operations, the Standards of Business Conduct of Acer are thus updated. By the guidance of the Standards of Business Conduct, we strengthen our corporate culture aiming to protect Acer's legitimate business interests around the world, and further assure the service quality of our customers, suppliers, and other business partners as well as the communities in which we operate.

  Following are the essences of the Acer's Standards of Business Conduct.

  1. Create work environment with care, respect, and fairness.

2. Continue to promote technological innovation and provide high quality-assured products and service.
3. Comply with the laws for maintaining free and fair competition.
4. Promote research and development of advanced technologies and products that will benefit the environment.
5. Comply with all intellectual property rights laws and regulations.
6. Prohibit any employees from engaging in any activities that lead to illegal or improper business interactions.
7. Employ a fair and objective evaluation process for selecting the business partners.
8. Conduct corporate communication based on integrity and objective facts.
9. Ensure the advertisements are truthful and accurate.
10. Comply in full with all accounting laws and regulations
11. Obey the laws regarding with lenders and export credit.
12. Refrain employees from receiving improper personal benefits
13. Forbid illegal or improper payments unaccepted by local business laws or sound business practices.
14. Prohibit employees from accepting inappropriate value of gifts or customary business amenities beyond a reasonable level.
15. Protect company assets (including physical assets, intellectual property rights, and information assets).
16. Safeguard the confidential and proprietary information and avoid using such information for pursuing personal interests.
17. Ban the use, sale, or possession of illegal drugs
18. Undertake all activities in harmony with the community and provide voluntary services.
19. No political contributions shall be made unless permitted by the applicable laws in locals

- Sexual Harassment Prevention Measures

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

- Declaration of Secrecy and Intellectual Property Rights

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

5.5 Important Contracts

Nature of Contracts	Contracting Parties	Beginning and Ending Dates of Contracts	Major Content	Restrictive Clauses
Software License Agreement	Microsoft Inc.	Aug 1, 2011~Jul 31, 2014	Obtain license from Microsoft for using certain software	Confidential Non-assignable
Patent License Agreement	IBM Corporation	Oct. 29, 2003 until the end of related patents period	Cross license arrangements for certain patents	Confidential Non-assignable
		Nov 22, 2006 until the end of related patents period		
	MPEG LA, LLC	Jun 1, 1994 until the expiration of all MPEG-2 Patent Portfolio	Obtain license for MPEG-2 encoding/decoding patents	Confidential Non-assignable
	Hewlett-Packard Development L.P.	Jun 13, 2008~Jun 12 2014	Cross license arrangements for certain patents	Confidential Non-assignable
	Microsoft Corp.	Sep 1, 2011~Aug 31, 2014	Cross license arrangements for certain patents	Confidential Non-assignable
Syndicated Loan Agreement	A bank group led by the arrangers, Citibank Taiwan(management), Taipei Fubon, Bank of Taiwan, Chinatrust, Taishin, Taiwan Cooperative, DBS, Landbank, Taiwan Business, Megabank, Chang Hwa and ANZ.	Nov 17, 2011~Nov 16, 2016	A maximum syndicated financing amount of NT$15 billion	Confidential, Non-assignable, Certain financial ratio covenants
Sale Agreement	National Center for High-performance Computing	Oct 28,2010~Mar 27, 2014	construct a high-performance computing system and provide competent after-service	Confidential Non-assignable

Acer Monitors

Ergonomic design, sharp viewing

Acer Projectors

Explore the big picture

6. Corporate Social Responsibility

Acer aims to actively meet our Corporate Social Responsibility (CSR) within the context of stable profit and sustainable growth. Above all, we are dedicated to seeing the world grow as a whole by pursuing global economic growth, environmental protection and social progress. The vision of a sustainable Acer can be achieved through corporate responsibility, innovation, increasing profitability, operational efficiency and sustainability. We embedded Acer spirit of "Innovative Caring," in our business operation and dedicated to enhancing corporate performance, ensuring benefits for employees and shareholders, and providing consumers with state-of-the-art technology. To visualize Acer vision and spirit for a sustainable development, our CSR agendas have encompassed several important topics including environment, safety and health management, supply chain management, stakeholders' communication and community involvement.

In 2008, the Board of Directors highlighted the milestones for embedding CSR within Acer, and designated Acer Inc. CEO as the Corporate Sustainability Officer of the Corporate Sustainability Office (CSO), which was set up to respond to challenges from the organizational level. Since then, we take into account stakeholders' suggestions to establish longer-term CSR targets and strategies to internalize CSR programs throughout the whole global organization and suppliers. In 2012, we established GCSRC (Global Corporate Social Responsibility Committee) to include the heads of the most critical departments to create the CSR and sustainability practice strategy, to come out the annual implementation plan, and to examine the implementation performance. In 2013,we drafted the stakeholder engagement guideline and discussed CSR KPI in GCSRC.

In the environment, safety and health management aspects, we implement office carbon reduction programs, enhance suppliers' capacity of greenhouse gases management, launch several projects to improve the health and safety of our employees and have third party verification for the GHGs emissions data of Acer Group global operation sites every year since 2012. For supply chain management, we conduct suppliers' Social and Environmental Responsibility (SER) on-site audits, investigate smelters in our supply chain for conflict minerals issue and take multiple actions to comply with California Transparency in Supply Chains Act of 2010 (SB 657). Regarding communication, we build a good communication channel with stakeholders to ensure mutual understandings and respect, and we continuously improve the quality of our customer service and the protection of customer privacy. About community involvement, Acer is committed to give back to the society by creating digital opportunities for the disadvantages through Acer Volunteer Team and Acer Foundation.

6.1 Environment, Safety and Health Management

6.1.1 The Environmental Protection

1. Energy and Climate Change

We continue to implement the Acer Integrated Energy and Climate Change Policy and get the third party verification for the GHGs emissions data of Acer Group global operation sites in 2012.We also increase green and renewable electricity in our major operation in Europe like German and Italy to reduce our carbon emission.

Regarding the cooperation with suppliers, we have continually encouraged our major suppliers to respond to CDP supply chain questionnaires on GHG emissions and response measures to climate change, and make this information openly available or disclose it to other members of the Supply Chain Program. Besides, we also encourage our suppliers to set reduction target to reduce the emission through the whole value chain. And we provide training courses for some of our suppliers and consultant to improve their capacity to respond to the questionnaire and assisted suppliers to gradually enhance their overall capacity to the climate change, carbon reduction and energy efficiency. Acer has also enhance the carbon reduction target is to reduce absolute GHG emissions by 30% below 2009 levels by 2015 and 60% below 2009 by 2020, we will fulfill the goal by implement internal energy efficiency program and procure more renewable energy and green electricity.

2. Green Product Management

Acer is fully aware of the potential impact our products may have on the environment during its whole life cycle. Hence, our product design takes into consideration the ways to reduce environmental loading from the product development stage, in addition to the emphasis on the user needs, functionality and added value. For example, we evaluated the use of post-consumer recycled plastics in our products. In 2013, Acer introduced B6/V6 Series monitors which were manufactured with at least 10% (by weight) post-consumer recycled plastic. Furthermore, these monitors were designed from the outset to be environmentally friendly, with a mercury- and arsenic-free LCD panel plus LED backlighting for lower power consumption.

All of Acer's products comply with local regulatory requirements in each country, such as the EU directive of RoHS and REACH. Meanwhile, more energy efficiency requirements were imposed to product design phase in every country, like the ErP directive. We will keep watching the development of regulation related to our products to assure the products can be distributed legally around the world.

In addition to the product compliance, we are dedicated to meet voluntary environmental requirement based on the local business demands, such as ENERGY STAR, TCO Certified or EPEAT.

In 2013, we continually to introduce also some lunched PVC and BFRs free laptop and desktop computers products. Acer has been striving in a proactive way to move towards Halogenated-free products with constant efforts. Acer continually launched thin and light based products, like Ultrabook, to meet consumer demand as well as reduce the consumption of natural resources.

Furthermore, Acer supports the sustainable approach to forestry practices and stop the business relationship with the manufacturers that are involved in deforestation and illegal logging." And we start to apply the sustainable forest certification paper into packaging of product. Acer evaluates packaging design and material use from life cycle perspective including reduce energy consumption by less packaging and use eco-friendly materials, to lower the environmental impact caused by packaging.

3. Office Carbon Reduction

Acer's primary facilities are offices, and thus the electricity we consume is used for typical air conditioning and lighting. We study measures to lower the usage of electricity every year. In 2012, we controlled lighting through the automatic turn-off lighting system, adopted energy-saving lighting, replaced cooling towers, and added the frequency conversion and monitoring equipment to improve air-conditioning system. With these measures, Acer further saves electricity and reduces greenhouse gases emissions.

6.1.2 Safety and Health

1. Environmental Safety and Health Management

Acer gradually broadens the scope of the ISO 14001 (Environmental Management System) and OHSAS 18001 (Occupational Safety and Health Management System) in the Taiwan and included Beijing offices in 2013. We believe these systems can help the Company to further minimize any negative impacts to the environment from its business operations while at the same time fostering the jobsite safety and health management.

2. Working Environment and Employee Safety

Acer cares about the working environment where employee's safety and health would largely depend on. In 2012, we conducted a series of improvements, including air conditioning, 24-hour emergency telephone, replacing the escalator and more. Acer also implemented environment, health and safety management system and conducted office sites hazards identification. We then improved items with significant risks to lower the hazards.

3. Emergency Accident Operation

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

4. Employee Health

In 2012, we conducted several Labor Safety and Health education programs, topics including CPR & AED training, first-aid and labor safety and health management training, firefighting drill and so forth. Acer also cooperated with Xizhi Cathay General Hospital to provide medical services and health lecturers to enhance staff's concept and knowledge of health and safety.

Acer encourages our staff to achieve work-life balance so we carry out several health promoting programs. Acer hold a series of lectures about physical, mental and spiritual health every year and set up an employee leisure zone at its Taiwan headquarter along with some other recreational facilities such as basketball courts, table tennis, shooting machine, video games, and electric massage chairs. Since 2008, we have introduced visually impaired masseurs to provide massage service for employees. These various activities help Acer's employees to enrich their leisure time and better work life balance. Acer also requests medical institution supports to provide biannually medical check-up, first aid training, health seminars.

Acer Incorporated 2013 Annual Report

Acer organizes several movie appreciation events, arts and cultural activities, outings, Acer family day, and more. In 2013, a total of 34,917 colleagues and their families participated in these activities.

6.2 Supply Chain Management

Acer understands the impact that a brand company can make onto the society and environment from the supply chain perspective. To tackle the challenge for a sustainable environment, Acer has demanded all its suppliers to comply with the local regulations where they have business presence, and additionally, Acer requires its suppliers to follow the various requirement and guidance put forward by the Company to embed Social and Environmental Responsibility (SER) in the supply chain management. We aim to boost the supply chain as a whole regarding as the worldwide leaders in SER.

Acer applied to the Electronic Industry Citizenship Coalition (EICC) in May 2008 and adopted EICC Code of Conduct as Acer Supplier Code of Conduct. We believe the EICC Code of Conduct can unify the rules of compliances across the industry-wise, enhance suppliers' capacity of human rights, health, safety, environment, ethics, and social responsibility in the supply chain. Acer first tier suppliers had been requested to sign Acer Supplier Code of Conduct Declaration. Moreover, we collaborated with third-party auditors and "Validated Audit Process" of EICC to launch on-site auditing. We expanded supplier audit in social and environmental responsibility year after year. We conducted 64 audits of our supply chain in 2013 – covering more than one 160 thousand workers. Since 2009, the cumulative total number of EICC audit reaches 208 times.

On the issue of conflict minerals, we requested suppliers to identify the smelters in their supply chain that supply tantalum, tin, tungsten and gold. Acer suppliers must conduct their operations in a socially and environmentally responsible way. We also joined the "Implementation Programme of the Supplement on Gold to OECD Due Diligence Guidance for Responsible Supply Chains." In 2013, Acer joined the Public- Private Alliance (PPA) for Responsible Minerals Trade. We'll continue to publicize our progress on due diligence and hope to be able to contribute along with other companies, governments, and civil societies to support solutions to supply chain challenges and to enable the future sourcing of legitimate, conflict-free minerals from the region. To comply with California Transparency in Supply Chains Act of 2010 (SB 657), Acer has taken multiple actions to verify the absence of forced labor, slavery and human trafficking in supply chain, including supplier risk assessment, declaration, on-site audit and training etc.

6.3 Communication

6.3.1. Communication with Stakeholders

Acer is positioned to be a trustworthy and respectable company in the ICT industry among its stakeholders. With that in mind, we endeavor to understand stakeholder's opinions and recommendations, and build a good communication channel with them to ensure mutual understandings and respects. Stakeholders are defined as consumers, investors, suppliers, media, Non-governmental Organizations (NGOs), government, community, academia, trade organizations and others. In addition to CSR performance disclosure for stakeholders on all fronts via Acer's designated Acer Sustainability webpage, we also respond to concerns raised by stakeholders via cr@acer.com and fill out questionnaires formulated by academia, analysts, investors, customers and the NGOs.

6.3.2. Acer CSR Forum

Acer understands that to practice CSR fully requires the cooperation among all stakeholders. Acer has held annual CSR Forum since 2008. Using the forum as a dialogue platform, Acer invited stakeholders to communicate their expectations and suggestions with the its suppliers and the Taiwan ICT industry in the hopes of improving the sustainability of Taiwan's ICT industry. The theme of 2013 CSR Forum is "Collaboration for the future we want." By addressing the global megatrends, we would like to motivate closer cooperation and innovation within the sector for the greater green opportunities.

6.3.3. Consumer Relation

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

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

(1) Global web site download and actively update service
(2) Call center support center / technical support
(3) Direct service center
(4) Authorized service center and professional system repair company
(5) International Traveler Warranty service center
(6) Acer Web Master
(7) Facebook and Acer community

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

6.4 Community Involvement

6.4.1. Acer Volunteer Team

The Acer Volunteer Team was established in October 2004 for the purpose of giving employees a channel to contribute their spare time and energy to public welfare service. Apart from providing opportunities for interaction and friendship between employees from different departments and backgrounds, the volunteer service also bring Acer employees new life experiences and personal growth through the activities. In 2013, The Volunteer Team organizes a variety of charity activities including money donations, blood donations, carbon emission reductions, overseas volunteering service, after-class guidance for the children from the disadvantaged families, caring program for the lonely elders, low income family, serious patients and more.

6.4.2 Acer Foundation

Acer Foundation is committed to promote digital opportunity since its establishment. The Acer Digital Mobile Vans continue to enhance digital competitiveness of the underprivileged in Hualien and Yilan since the project launched in 2010; in 2013, Acer further expanded the scope to cover Taitung County. The mobiles were equipped with the notebooks and ICT technology and can go to the communities to deliver computer classes upon application. By this way, people can have more opportunities to learn computer and thus increase their digital competiveness which can better their lives. Meanwhile, Acer Foundation continues to hold the Dragon Smile Contest and Acer Digital Arts Award to encourage young students to unleash the innovation energy.

Acer held "Acer Incredible Green Contest" to encourage the utilization of ICT related technologies to create environmental friendly solution. Students at all levels are encouraged to create green-centric applications to generate innovative and sustainable solutions embracing energy saving, carbon reduction, ecological conversation, and other environmental issues. Over 2,000 teams and individuals from over 100 countries registered to participate during 2012.In 2013, we awarded 7 outstanding teams.

Acer Incorporated 2013 Annual Report

6.5 Enforcement of Corporate Social Responsibility by the Company

Item	Implementation Status	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
1.Exercising Corporate Governance		
(1) The company declares its corporate social responsibility policy and examines the results of the implementation.	Since 2008, Acer's social responsibility agenda has focused on the following five areas: energy and climate, green product, recycling, supply chain management, and reporting. Implementation result is shown on Acer Annual CR report.	No discrepancy
(2) The company establishes exclusively (or concurrently) dedicated units to be in charge of proposing and enforcing the corporate social responsibility policies.	In the spring of 2008, to materialize the implementation of our social responsibility, a various functions and positions had been set up across the Company, including the Executive Committee of CSR in the Board, Corporate Sustainability Officer and the Corporate Sustainability Office (CSO), the CSR Working Group and the regional headquarters of the CSR Executive Committee, etc. and we established Global CSR Committee in 2012. Their major roles and responsibilities are to carry out Acer CSR agendas and achieve our CSR promises in a systematic, feasible and organized way in accordance with Acer's core value. From the organizational level, we focus on the implementation and development of sustainability and CSR governance, the operation of the working group, the communication with stakeholders and the establishment of a smooth communication channel. We regularly update CSR information via our designated Acer Sustainability webpage and incorporate higher level communication with our suppliers and business partners in the CSR agendas.	No discrepancy
(3) The company organizes regular training on business ethics and promotion of matters prescribed in the preceding Article for directors, supervisors and employees, and should incorporate the foregoing into its employee performance appraisal system to establish a clear and effective reward and discipline system.	Acer promulgated the 'Standards of Business Conduct' (SBC) as the guidelines for all employees to follow in conducting the business operation and activities. It is every employee's responsibility to abide by the SBC. An appropriate training of SBC shall be arranged upon a new employee joining in the Company, which stresses the importance of sticking to the rules. The SBC is also built in the performance appraisal system with reward and punishment. For any staff violating the norms, the necessary disciplinary actions will be taken or even dismissal.	No discrepancy

Item	Implementation Status	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
2. Fostering a Sustainable Environment		
(1) The company endeavors to utilize all resources more efficiently and uses renewable materials which have a low impact on the environment.	In 2013, Acer introduced B6/V6 Series monitors which were manufactured with at least 10% (by weight) post-consumer recycled plastic. Furthermore, these monitors were designed from the outset to be environmentally friendly, with a mercury- and arsenic-free LCD panel plus LED backlighting for lower power consumption. Acer also launched the Computer All-in-one Veriton Z Series. The plastic material used in this series had up to 15.9% of Post-consumer recycled (PCR) plastic, met the ENERGY STAR ® 5.2 standard, and obtained EPEAT ® Gold rating, RoHS, WEEE and GS certification. The new generation of thin and light based product, Ultrabook Aspire S7-392, reduces the consumption of product materials as well as lower the packaging volume to reduce the GHG emission. The unique structural design of Aspire S7-392 requires minimal aluminum and uses 94% less raw material than conventional unibody designs. The S7-392 consumes 82% less power than is mandated by the ENERGY STAR® 5.2 specification and meets US EPEAT® gold criteria. We also use the recycled materials as major sources of our packaging to lower the use of virgin tree fiber.	No discrepancy
(2) The company establishes proper environmental management systems based on the characteristics of their industries.	Basing on ISO 14001 (Environmental Management System) standards, we develop Acer environmental management systems, aiming to promote pollution prevention and management and minimize any negative impacts to the environment from our business operations for the purpose of a sustainable development of the Company. In addition, Acer includes ISO 14001 Certification as one of the score items of vendor CSR scorecard to strengthen supply chain environmental management system.	No discrepancy
(3) The company establishes dedicated units or assigns dedicated personnel for environment management to maintain the environment.	Acer organizes ISO 14001 Executive Committee to plan, implement and manage environment relating issues. The major responsibilities of the Committee are to ensure the compliance of environmental legislation through constant studies on the product and environment related laws and regulations, and timely control of the latest global movements on environmental protection issues. Both internal and external audits and management review have been implemented to ensure that ISO 14001 can be executed properly and the improvement over environment can continue in effect. Acer gradually broadens the scope of the ISO 14001 (Environmental Management System) and OHSAS 18001 (Occupational Safety and Health Management System) in the Taiwan and included Beijing offices in 2013. We believe these systems can help the Company to further minimize any negative impacts to the environment from its business operations while at the same time fostering the jobsite safety and health management.	No discrepancy

Item	Implementation Status	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
(4) The company monitors the impact of climate change on its operations and should establish company strategies for energy conservation and carbon and greenhouse gas reduction.	Acer identifies and assesses the risk and opportunities coming along with the climate change through hosting Acer CSR Forum annually, and joining international organization like Carbon Disclosure Project Supply Chain Program and Electronic Industry Citizenship Coalition directly. We assisted suppliers to gradually enhance their overall capacity to the climate change, carbon reduction and energy efficiency and to reach our mid-term and long-term carbon reduction target.	No discrepancy
3. Preserving Public Welfare		
(1) The company complies with relevant labor laws and regulations, respect international labor rights principles, protects the legal rights and interests of employees, maintain no discrimination of the hiring policy, and has in place appropriate management methods and procedures.	Acer promulgated the "Standards of Business Conduct" (SBC) as the guidelines for all employees to follow in conducting business operation and activities. The SBC complies with local regulations, such as labor law where Acer has business presence. It embraces the diversity and culture of all employees and provides a work environment free from discrimination (based on race, color, age, gender, ethnicity, region, or nationality) in area such as employment, promotion, etc. Child labor is strictly prohibited. HR system such as employment contract, work rule, HR policy and regulations are in place to protect the legitimate interests of employees.	No discrepancy
(2) The company provides safe and healthy work environments for its employees, and organizes training on safety and health for its employees on a regular basis.	**Environmental Safety management** At the Acer headquarters in Taiwan, a security guard is stationed at the main entrance checking the credentials of all guests and authorizing permission of entry. Employees and guests must use an access card to enter the general office areas in normal office hours. Entry into laboratories and information management system facilities requires an additionally authorized access card. During holidays and evening, entry into the office area requires an additional personal identity number. A 24-hour emergency telephone is installed in the hallway of each floor. In the interest of safety for female employees, entry into women's restrooms also requires card access; inside these restrooms emergency alarms and telephones have been installed to provide a double measure of protection. **Emergency Response** Acer has organized its own firefighting unit set up for the initial line of self-defense in an emergency. The team's primary mission is to carry out initial fire extinguishing efforts and evacuate employees in the case of a fire emergency, thus reducing the impact of disaster. Acer coordinates with the Building Management Committee to conduct biannual fire safety drills and cooperates with the Fire Department to conduct updated training. Representatives are chosen from each department to set up a first-aid personnel team, fire prevention supervisor and labor safety and health management. The personnel also receive updated training and examinations to ensure they are kept well informed of the reaction procedures to lower the damages when accidents happen.	No discrepancy

Acer Incorporated 2013 Annual Report

Item	Implementation Status	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
(2) The company provides safe and healthy work environments for its employees, and organizes training on safety and health for its employees on a regular basis.	**Employee Safety and Health** In 2012, we conducted several Labor Safety and Health education programs, topics including CPR & AED training, first-aid and labor safety and health management training, firefighting drill and so forth. Acer also cooperated with Xizhi Cathay General Hospital to provide medical services and health lecturers to enhance staff's concept and knowledge of health and safety. Acer encourages our staff to achieve work-life balance so we carry out several health promoting programs. Acer hold a series of lectures about physical, mental and spiritual health every year and set up an employee leisure zone at its Taiwan headquarter along with some other recreational facilities such as basketball courts, table tennis, shooting machine, video games, and electric massage chairs. Since 2008, we have introduced visually impaired masseurs to provide massage service for employees. These various activities help Acer's employees to enrich their leisure time and better work life balance. Acer also requests medical institution supports to provide biannually medical check-up, first aid training, health seminars. Acer organizes several movie appreciation events, arts and cultural activities, outings, Acer family day, and more. In 2013, a total of 34,917 colleagues and their families participated in these activities. **Others** In addition to these jobsite safety measures, Acer conducts drinking water quality inspection, CO2 level inspections, legionnaire's disease inspection and one electromagnetic wave inspection of the office area annually. These checks go to ensure a healthy and safe office environment and to provide employees with a peace-of-mind.	No discrepancy
(3)The company establishes the communication mechanisam with employees regularly and inform the employees about significant operation change in a reasonably way.	Acer values its employee opinions and sets up an array of communication channels including internal announcement, supporting service helpline, cross level communication, employee opinion survey, employee grievance channel, etc. Besides, the Acer Gardeners' Meeting is held quarterly and chaired by CEO. Employee representatives can take full advantage of this channel to propose their suggestions on the company's business management, working environment, and labor rights. CEO communicates with them face to face, makes resolutions and assigns the relevant department for implementation.	No discrepancy

Item	Implementation Status	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
(4) The company establishes and discloses policies on consumer rights and interests and provides a clear and effective procedure for accepting consumer complaints.	Acer is a celebrated multinational brand company with business presence around the world. Service centers are established in our major operating countries, featuring a variety of service programs according to the nature of different customer groups and sales channels in hopes of building a robust global service network. Acer's private and corporate customers can conveniently contact Acer via multiple conduits for communication: (1) Acer Global Download (2) Call Center/Help Center and Technical Support (3) Depot/Repair Center (4) Acer Service Partner and the Third Party Maintainer (5) International Traveler Warranty (ITW) Repair Center (6) Acer Web Master (7) Facebook and Acer community	No discrepancy
(5) The company cooperates with its suppliers to jointly foster a stronger sense of corporate social responsibility.	Acer regards our suppliers as part of our greater corporate family. We give clear directives to our suppliers regarding social and environmental issues such as green manufacturing and labor rights to keep them on the cutting edge, and hold regular audits and meetings to support their capacity building and ensure that our directives are being followed. In the future we expect to work even more closely together with our suppliers to solve social and environmental problems and create a sustainable supply chain.	No discrepancy
(6) The company, through commercial activities, non-cash property endowments, volunteer service or other free professional services, participates in community development and charities events.	The Acer Volunteer Team was established in October 2004 for the purpose of giving employees a channel to contribute their spare time and energy to public welfare service. Apart from providing opportunities for interaction and friendship between employees from different departments and backgrounds, the volunteer service also bring Acer employees new life experiences and personal growth through the activities. In 2013, The Volunteer Team organizes a variety of charity activities including money donations, blood donations, carbon emission reductions, overseas volunteering service, after-class guidance for the children from the disadvantaged families, caring program for the lonely elders, low income family, serious patients and more.	No discrepancy
4. Enhancing Information Disclosure		
(1) The measures of disclosing relevant and reliable information relating to their corporate social responsibility.	We disclose our CSR information and CR report on the below website: http://www.acer-group.com/public/Sustainability/index.htm	No discrepancy
(2) The company produces corporate social responsibility reports disclosing the status of their implementation of the corporate social responsibility policy.		

Item	Implementation Status	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
5. If the Company has established corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies", please describe any discrepancy between the principles and their implementation: To boost Acer's overall competitiveness, fulfill its corporate responsibility in the social, economic and environmental aspects, and make Acer a leading brand-name in the history, the Standards of Business Conduct (SBC) were revised and promulgated in 2009 that serve as behavioral guidelines to Acer global employees providing them principles of conducting business at worldwide These guidelines no only protect Acer's global business interest in a legitimate manner but also help to enhance its service quality for customers, partners, and the communities.		
6.Other important information to facilitate better understanding of the Company's corporate social responsibility practices (e.g., systems and measures that the company has adopted with respect to environmental protection, community participation, contribution to society, service to society, social and public interests, consumer rights and interests, human rights, safety and health, other corporate social responsibilities and activities, and the status of implementation.): More information can be found at: 1. Acer Sustainability website http://www.acer-group.com/public/Sustainability/index.htm 2. Acer Foundation website http://www.acerfoundation.org.tw/english/index.php		
7. If the products or corporate social responsibility reports have received assurance from external institutions, they should state so below: Acer engaged KPMG to perform an independent limited assurance in accordance with ISAE 3000 on this Report, of which GRI G3.1 Application Level A was applied.		

Acer Smartphones

Reality at its best

The Acer Liquid Z3 won the G Mark (Good Design Award) 2013.

GOOD DESIGN AWARD 2013

7. Financial Standing

7.1 Five-Year Consolidated Financial Information

7.1.1 Five-Year Balance Sheet

Consolidated Balance Sheet under International Financial Reporting Standards ("IFRS")

Unit: NT$ Thousand

Item \ Period		2012	2013	Current year as of Mar. 31, 2014
Current assets		169,029,413	147,088,855	137,659,020
Net property, plant and equipment		6,348,237	6,133,729	6,036,062
Intangible assets		39,134,920	28,720,088	28,819,181
Other assets		11,803,577	8,557,037	9,012,569
Total assets		226,316,148	190,499,710	181,526,831
Current Liabilities	Before Distribution	142,828,987	113,688,491	103,388,416
	After Distribution	142,828,987	Un-appropriated	Un-appropriated
Long-term liabilities		9,283,141	20,559,850	20,487,899
Total Liabilities	Before Distribution	152,112,128	134,248,340	123,876,315
	After Distribution	152,112,128	Un-appropriated	Un-appropriated
Equity attributable to owners of the Company		0	0	0
Common stock		28,347,268	28,347,268	28,347,268
Capital surplus		43,403,533	43,707,727	43,707,727
Retained Earnings	Before Distribution	12,028,067	(8,325,852)	(8,324,734)
	After Distribution	12,028,067	Un-appropriated	Un-appropriated
Other reserves		(3,522,896)	(1,425,876)	(27,845)
Treasury Stock		(6,054,286)	(6,054,286)	(6,054,286)
Non-controlling interests		2,334	2,389	2,386
Total equity	Before Distribution	74,204,020	56,251,370	57,650,516
	After Distribution	74,204,020	Un-appropriated	Un-appropriated

Acer Incorporated 2013 Annual Report

Consolidated Balance Sheet under Statements of Financial Accounting Standards ("SFAS")

Unit: NT$ Thousand

Item \ Period		Most Recent 4-Year Financial Information			
		2009	2010	2011	2012
Current assets		232,107,877	225,760,825	195,729,745	170,840,056
Fund and Long-term equity investments		8,872,750	6,233,280	3,795,462	3,449,711
Net property, plant and equipment		8,676,173	5,818,230	6,938,898	6,572,348
Intangible assets		35,444,068	36,392,935	35,404,199	39,316,838
Other assets		5,923,820	6,293,260	6,439,424	6,480,040
Total assets		291,024,688	280,498,530	248,307,728	226,658,994
Current Liabilities	Before Distribution	179,846,517	162,558,924	146,039,649	143,018,437
	After Distribution	188,183,352	172,076,142	146,039,649	143,018,437
Long-term liabilities		12,371,856	20,666,296	24,404,677	4,755,200
Other liabilities		5,928,652	3,164,937	2,111,787	3,853,206
Total Liabilities	Before Distribution	198,147,026	186,390,156	172,556,113	151,626,843
	After Distribution	206,483,861	195,907,374	172,556,113	151,626,843
Common stock		26,882,283	27,023,449	27,098,915	28,347,268
Capital surplus		38,494,118	39,578,915	40,219,518	44,096,498
Retained Earnings	Before Distribution	28,575,011	35,329,280	19,049,268	16,138,942
	After Distribution	20,238,176	25,812,062	19,049,268	16,138,942
Unrealized Gain (loss) on Financial assets		1,014,317	460,600	(630,621)	(904,177)
Translation adjustments		959,621	(5,095,919)	(3,580,136)	(5,655,033)
Minimum Pension Liability adjustment		(7,908)	(23,957)	(16,993)	(331,753)
Treasury Stock		(3,522,598)	(3,522,598)	(6,390,846)	(6,662,028)
Minority Interest		482,818	358,604	2,510	2,434
Stockholders' Equity	Before Distribution	92,877,662	94,108,374	75,751,615	75,032,151
	After Distribution	84,540,827	84,591,156	75,751,615	75,032,151

7.1.2 Five-Year Consolidated Income Statement

Consolidated Income Statement under International Financial Reporting Standards ("IFRS")

Unit: NT$ Thousand

Item \ Period	2012	2013	Current year as of Mar. 31, 2014
Revenue	429,627,192	360,132,042	76,724,224
Gross profit	35,222,038	22,550,266	6,374,423
Operating (Loss) income	938,497	(11,409,666)	127,244
Non-operating Income and Loss	(3,209,396)	(9,654,070)	18,700
Loss before taxes	(2,270,899)	(21,063,736)	145,944
Loss from Continued segment	(2,460,958)	(20,519,349)	1,127
Loss from Discontinued segment	0	0	0
Net earningsLoss after income taxes	(2,460,958)	(20,519,349)	1,127
Other comprehensive income (Loss) for the period, net of tax	(2,810,851)	2,262,505	1,398,019
Total comprehensive Loss for the period	(5,271,809)	(18,256,844)	1,399,146
Loss attributable to Shareholders of the Company	(2,461,098)	(20,519,428)	1,118
Loss attributable to Non-controlling interests	140	79	9
Total comprehensive Loss attributable to Shareholders of the Company	(5,271,735)	(18,256,899)	1,399,149
Total comprehensive income (Loss) attributable to Non-controlling interests	(74)	55	(3)
EPS	(0.90)	(7.54)	0.0004

Consolidated Income Statement under Statements of Financial Accounting Standards ("SFAS")

Unit: NT$ Thousand

Item \ Period	Most Recent 4-Year Financial Information			
	2009	2010	2011	2012
Operating revenue	573,982,544	629,058,973	475,341,991	429,510,913
Gross profit	58,327,860	64,481,268	38,606,598	43,195,744
Operating (Loss) income	15,339,466	18,203,913	(6,396,199)	1,024,706
Non-operating Income and Gain	1,719,037	4,321,397	1,482,557	1,984,494
Non-operating Expense and Loss	2,075,520	3,195,923	2,510,688	5,642,904
Continuing operating income before tax	14,982,983	19,329,387	(7,424,330)	(2,633,704)
Income(Loss) from Discontinued segment	0	0	0	0
Extraordinary Items	0	0	0	0
Cumulative Effect of changes in accounting principle	0	0	0	0
Income after income taxes	11,353,374	15,117,997	(6,601,968)	(2,910,326)
EPS	4.31	5.71	(2.52)	(1.07)

7.1.3 CPAs' and Auditors' Opinions:

Year	Name of CPA(s)	Auditors' Opinion
2009	Huei-Chen Chang, Agnes Yang	Unreserved
2010	Huei-Chen Chang, Agnes Yang	Unreserved
2011	Huei-Chen Chang, Wei-Ming Shih	Unreserved
2012	Huei-Chen Chang, Wei-Ming Shih	Unreserved
2013	Huei-Chen Chang, Wei-Ming Shih	Unreserved

7.2 Five-Year Financial Analysis

Financial Analysis under International Financial Reporting Standards ("IFRS")

Item \ Period			2012	2013	Current year as of Mar. 31, 2014
Financial Ratio	Total liabilities to total assets (%)		67.21	70.47	68.24
	Long-term debts to fixed assets (%)		1,315.12	1,252.28	1,294.53
Ability to Payoff Debt	Current ratio (%)		118.34	129.38	133.15
	Quick Ratio (%)		86.30	95.39	103.08
	Interest protection		(1.51)	(22.16)	1.95
Ability to Operate	A/R turnover (times)		5.59	5.50	5.00
	A/R turnover days		65	66	72.93
	Inventory turnover (times)		9.47	8.56	8.82
	A/P turnover (times)		5.06	5.32	5.56
	Inventory turnover days		38.54	42.64	41.37
	Fixed assets turnover (times)		64.90	56.90	50.44
	Total assets turnover (times)		1.81	1.73	1.65
Earning Ability	Return on assets (%)		(0.72)	(9.49)	(0.27)
	Return on equity (%)		(3.30)	(31.46)	0.01
	To Pay-in Capital (%)	Operating income	3.31	(40.25)	1.80
		PBT	(8.01)	(74.31)	2.06
	Net income ratio (%)		(0.57)	(5.70)	0.00
	EPS (NTD)		(0.90)	(7.54)	0.0004
Cash Flow (%)	Cash flow ratio		0.80	(7.61)	(1.19)
	Cash flow adequacy ratio		85.09	102.96	68.66
	Cash reinvestment ratio		2.25	(15.60)	(2.16)
Leverage	Operating leverage		38.68	(1.99)	50.84
	Financial leverage		27.28	0.93	(4.81)

1. Financial Ratio

(1) Total liabilities to total assets=Total liabilities/Total assets
(2) Long-term funds to Net property, plant and equipment=(Net equity+Long term debts)/Net property, plant and equipment

2. Ability to Pay off debt

(1) Current ratio=Current Assets/Current liability
(2) Quick ratio=(Current assets-Inventory-Prepaid expenses)/Current liability
(3) Interest protection=Net income before income tax and interest expense/Interest expense

3. Ability to Operate

(1) Account receivable (including account receivable and notes receivable from operation) turnover=Net sales/the average of account receivable (including account receivable and notes receivable from operation) balance
(2) A/R turnover day=365/account receivable turnover
(3) Inventory turnover=Cost of goods sold/the average of inventory
(4) Account payable (including account payable and notes payable from operation)turnover=Cost of goods sold/the average of account payable(including account payable and notes payable from operation)balance
(5) Inventory turnover day=365/Inventory turnover
(6) Net property, plant and equipment turnover=Net sales/Average Net property, plant and equipment
(7) Total assets turnover=Net sales/Average Total assets

4. Earning Ability

(1) Return on assets=[PAT+Interest expense×(1-Tax rate)]/the average of total assets
(2) Return on equity=PAT/the average of total equity
(3) Net income ratio=PAT/Net sales
(4) EPS =(Earning attributable to shareholders of the Company -Dividend from prefer stock)/weighted average outstanding shares

5. Cash Flow

(1) Cash flow ratio=Cash flow from operating activities/Current liability
(2) Cash flow adequacy ratio=Most recent 5-year Cash flow from operating activities=Most recent 5-year (Capital expenditure+the increase of inventory+cash dividend)
(3) Cash reinvestment ratio=(Cash flow from operating activities-cash dividend)/(Gross property, plant and equipment+long-term investment+other non-current assets+working capital)

6. Leverage

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

Financial Analysis under Statements of Financial Accounting Standards ("SFAS")

Item \ Period			Most Recent 4-Year Financial Information			
			2009	2010	2011	2012
Financial Ratio	Total liabilities to total assets (%)		68.09	66.45	69.49	66.90
	Long-term debts to fixed assets (%)		1,281.42	2,207.07	1,473.84	1,272.61
Ability to Payoff Debt	Current ratio (%)		129.06	138.88	134.03	119.45
	Quick Ratio (%)		98.43	110.22	102.13	86.52
	Interest protection		25	20	(6)	(2)
Ability to Operate	A/R turnover (times)		5.19	5.85	5.11	5.65
	A/R turnover days		70	62	71	65
	Inventory turnover (times)		11.31	12.22	10.75	9.27
	Inventory turnover days		32	30	34	39
	A/P turnover (times)		5.79	5.70	4.95	4.95
	Fixed assets turnover (times)		66.16	108.12	70.28	65.35
	Total assets turnover (times)		1.97	2.24	1.91	1.89
Earning Ability	Return on assets (%)		4.42	5.59	(2.18)	(0.94)
	Return on equity (%)		12.92	16.17	(7.77)	(3.86)
	To Pay-in Capital (%)	Operating income	57.06	67.36	(23.60)	3.61
		PBT	55.74	71.53	(27.40)	(9.29)
	Net income ratio (%)		1.98	2.40	(1.39)	(0.68)
	EPS (NTD)		4.31	5.71	(2.52)	(1.07)
Cash Flow (%)	Cash flow ratio		21.24	8.14	4.14	0.41
	Cash flow adequacy ratio		47.06	63.82	59.10	78.63
	Cash reinvestment ratio		40.47	5.60	(4.81)	1.17
Leverage	Operating leverage		3.12	2.99	(4.95)	33.22
	Financial leverage		1.04	1.06	0.87	5.05

1. Financial Ratio

(1) Total liabilities to total assets=Total liabilities/Total assets
(2) Long-term funds to fixed assets=(Net equity+Long term debts)/Net fixed assets

2. Ability to Pay off debt

(1) Current ratio=Current Assets/Current liability
(2) Quick ratio=(Current assets-Inventory-Prepaid expenses)/Current liability
(3) Interest protection=Net income before income tax and interest expense/Interest expense

3. Ability to Operate

(1) Account receivable (including account receivable and notes receivable from operation) turnover=Net sales/the average of account receivable (including account receivable and notes receivable from operation) balance
(2) A/R turnover day=365/account receivable turnover
(3) Inventory turnover=Cost of goods sold/the average of inventory
(4) Account payable (including account payable and notes payable from operation)turnover=Cost of goods sold/the average of account payable(including account payable and notes payable from operation)balance
(5) Inventory turnover day=365/Inventory turnover
(6) Fixed assets turnover=Net sales/Net Fixed Assets
(7) Total assets turnover=Net sales/Total assets

4. Earning Ability

(1) Return on assets=[PAT+Interest expense×(1-Tax rate)]/the average of total assets
(2) Return on equity=PAT/the average of net equity
(3) Operating income on pay-in capital ratio=Operating income/pay-in capital
(4) PBT on pay-in capital ratio=PBT/pay-in capital
(5) Net income ratio=PAT/Net sales
(6) EPS=(PAT-Dividend from prefer stock)/weighted average outstanding shares

5. Cash Flow

(1) Cash flow ratio=Cash flow from operating activities/Current liability
(2) Cash flow adequacy ratio=Most recent 5-year Cash flow from operating activities/Most recent 5-year (Capital expenditure+the increase of inventory+cash dividend)
(3) Cash reinvestment ratio=(Cash flow from operating activities-cash dividend)/(Gross fixed assets+long-term investment+other assets+working capital)

6. Leverage

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

7.3 Supervisors' Review Report

To: The 2014 General Shareholders' Meeting

The Board of Directors of the Company has prepared the 2013 consolidated financial report, including consolidated balance sheets, statements of comprehensive income, statements of changes in equity, and statements of cash flows. Huei-Chen Chang and Wei-Ming Shih, Certified Public Accountants of KPMG, have been retained by the Board of Directors of the Company to issue an audit report. The undersigned supervisors have reviewed the audit report and the aforesaid documents, which were made by the Board of Directors in compliance with Article 228 of the Company Law, and did not find any incompliance. In accordance with Article 219 of the Company Law, it is hereby submitted for your review and perusal.

Supervisor: George Huang

Supervisor: Carolyn Yeh

Dated: March 27, 2014

7.4 Financial Statements Consolidated Subsidiaries Audited by CPAs of the Past Year

Please refer to Appendix.

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

Not applicable.

7.6 Financial Prediction and Achievements

7.6.1 Financial Forecast of Year 2013:

Not applicable.

Acer Remote Files   Acer Photo   Acer Media   Acer Docs

Acer C720 Chromebook

The most powerful 11" Chromebook

AcerCloud™

Enriches your life with more freedom!

8. Risk Management

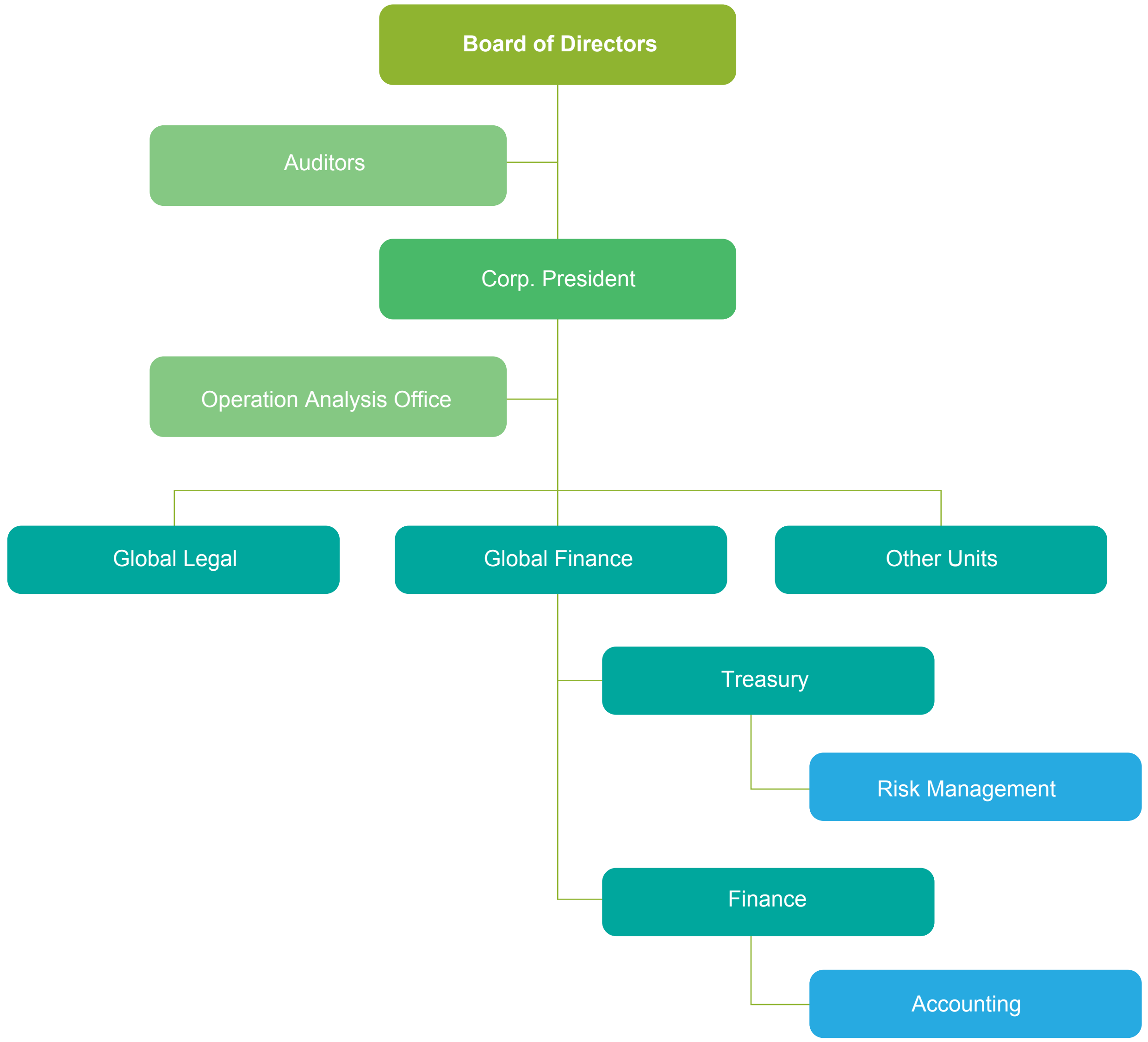
8.1 Recent Annual Investment Policy and Main Reasons of Gain or Loss and Improvement Plan

Unit: NT$ Thousand

Description / Item	Amount (Note)	Business Type	Year 2012 P&L	Main reason of Gain or Loss	The Plan for Improvement	Investment Plan for Next Year
Acer European Holdings B.V.	20,426,184	Sales and Maintenance of "Acer" brand-name information technology products	(1,667,036)	Due to the restructuring costs and Foreign exchange loss	For the reason caused to loss resulted from restructures plan and FX loss had closed, and the economic status in EMEA is getting better, it may turn to profit in the coming year.	No material investment plan for next year
Acer Holdings International, Incorporated	10,225,339	Sales and Maintenance of "Acer" brand-name information technology products	(2,490,408)	Due to the operating loss for the market of AAP	For the reason caused to loss resulted from FX rate fluctuation and operation adjustment had closed. After the gross of business of smart phone and tablet and the operation adjustment of PC, it may turn to profit in the coming year.	
Boardwalk Capital Holding Limited	26,138,391	Sales and Maintenance of "Acer" brand-name information technology products	(6,144,908)	Due to the operating loss for the market of PA	For the reason caused to loss resulted from restructures plan and litigation provision accrual had closed. After the new products launch and lawsuit case closed, the operating loss will be much less in the coming year.	
Acer Worldwide Incorporated	245,301	Investing and Holding company	545	Increasing of Interest Income	NA	
E-TEN Information Systems Co., Ltd.	4,203,232	PDA manufacturing and sale	(749,224)	Loss on Operating activities	For the reason caused to loss resulted from the impairment loss and amortization of intangible assets. After the one time impaired of intangible assets closed, the operating loss will be much less in the coming year.	
Cross Century Investment Limited	1,141,799	Investing and Holding company	1,686	Recognized Interest and Dividend income	NA	
Acer CyberCenter Services Ltd.	1,934,270	Data storage and processing company	175,959	Gain on Operating activities	NA	
Acer Greater China (B.V.I.) Corp.	6,455,612	Sales and Maintenance of "Acer" brand-name information technology products	(1,251,641)	Due to the impairment loss for intangible assets	For the reason caused to loss resulted from the impairment loss and amortization of intangible assets. After the one time impaired of intangible assets closed, the operating loss will be much less in the coming year.	
Acer Softcapital Incorporated	915,273	Investing and Holding company	148,028	Recognized Interest and Disposal Stock gain	NA	
Acer Digital Service Co., Ltd.	1,166,534	Investing and holding companies	303,694	Gain on Investment activities	NA	
Weblink International Inc.	1,214,293	Sales and distribution of computer products and electronic communication products	34,997	Gain on Operating activities	NA	

8.2 Important Notices for Risk Management and Evaluation

Risk Management Organization



- Board of Directors – review and approve the risk management policy and the authority for decision.
- The head and top management of Business Units – oversee risk management activities with periodic monitoring and evaluation.
- Auditors – provide annual auditing plan; review the Company's internal execution and control of risk management.
- Operation Analysis Office – take responsibility of planning, analysis and improvement of business model and business management.
- Global Legal – review legal contracts and agreements; manage lawsuit and litigation affairs.
- Treasury – manage financial hedging and deals.
- Accounting – oversee monetary transactions, ensure consistency with booking keeping and accuracy of financial reporting.

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

1.Interest Rate Fluctuation

The Euro zone is exiting recession this year; however, the recovery remains slow and fragile. Along with the looming deflation risk, ECB is expected to maintain a low interest rate to sustain economic growth. As US economy has been recovering steadily, US Fed is expected to continue QE tapering while the possibility to raise the interest rate is not ruled out. Given the unstable economic recovery and low inflation, Taiwan Central Bank has sufficient reasons to maintain the current policy rate, leading to low funding cost in Taiwan. New Taiwan Dollar (NTD) and short-term foreign currency deposits remain to be the most common used instruments for Acer to optimize return while reducing risk.

2.Exchange Rate

Whereas the Eurozone economy is bottoming out and the sovereign debt crisis is ameliorating, the Eurozone still totters on its way to economic recovery, making it hard for ECB to change its easy monetary policy. The US Fed, however, is expected to continue its QE tapering, which should induce a weaker Euro in the long run. CNY shows a stable appreciating trend in the long run, though the fluctuations in the short term might be augmented. In view of the unchanged rate in Taiwan and US Fed's continuing QE tapering, NTD is foreseen to be weaker. Acer will maintain its strategy to meticulously hedge its foreign positions to minimize the impacts on earnings caused by foreign exchange rate fluctuations.

3.Inflation

The economic outlook is modestly better this year. As deflation remains to be the main economic concern, inflation risk should not be significant. However, appropriate measures will be taken accordingly to minimize losses and impacts on business operations if there is a production cost increase caused by the commodity price increase.

8.2.2 How Corporate Image Change Affects Company's Risk Management Mechanism

The Company split off its manufacturing division at the end of year 2000 in order to focus on the design and marketing of IT products and services. The potential crises within manufacturing and marketing companies are very different, and the Company's crisis management now focuses on our global supply-chain and logistics. By outsourcing our manufacturing sector to multiple vendors and suppliers, the Company gained greater flexibility in inventory control and lowered risks compared to a single-vendor policy. With the ever-changing global economy, it is essential to be prepared for risks and challenges at all times. The Company's risk management team has a clear sense of crisis management and has taken the precautions where necessary. We have set up a crisis mechanism that will minimize potential damages to ensure the Company's sustainable management.

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

Not applicable.

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

None

Acer Incorporated 2013 Annual Report

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

Not applicable.

8.2.6 Impact and Potential Risks to Company Management Team Change

Not applicable.

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

1. (1) Acer from time to time receives notices from third parties asserting that Acer has infringed certain patents or demands Acer obtain certain patents licenses. Although Acer does not expect that outcome of the notices, individually or collectively, will have a material adverse effect on Acer's financial position or operation, given the outcome of legal proceedings are difficult to foresee, relevant settlements may affect Acer's result of operation or cash flow in a particular period.

(2) Ericsson Inc. and Telefonaktiebolaget LM Ericsson filed patent infringement lawsuits against Acer and its subsidiaries, Acer America Corporation and Gateway Inc., which are pending before the United States District Court of the Eastern District of Texas; and Telefonaktiebolaget LM Ericsson filed patent infringement lawsuits in Germany against Acer's subsidiary, Acer Computer GmbH. American and German law firms have been retained to consult for and represent the Group on those matters. For patent lawsuits in the US, decisions made by first instance courts are respectively in favor of Acer and its subsidiaries and Ericsson Inc., and both parties appealed the decisions. For patent lawsuits in Germany, except for one case found to be suspended, the final decisions of other two cases were awarded in favor of Acer Computer GmbH. Acer is continuing to manage these cases and handle relevant support from component suppliers. Besides, Acer has accrued provisions properly. Therefore, no immediate material adverse effect on the Acer's business operations and finance is foreseen.

(3) In February 2012, Acer and its Italian subsidiary, Acer Europe Services S.r.l. filed petition before the Court of Milan, Italy, for the ascertainment of Mr. Gianfranco Lanci's violation of non-compete covenant under the Separation Agreement executed between Acer and him. It is estimated that the progress and result of this case will not materially affect Acer's finance and business.

(4) Qimonda filed a lawsuit in the end of 2012 against Acer's German subsidiary before Dusseldorf District Court for patent infringement relating to CPU socket of desktops and DRAM. Acer has consulted and retained a German law firm to handle this case. Given that most of Acer's suppliers have been licensed by Qimonda, and this case only involves Qimonda's German patents, no immediate material adverse effect on Acer's business operations and finance is foreseen.

(5) Verwertungsgesellschaft Wort (VG Wort), a German language copyright association, has filed several lawsuits against PC companies for copyright levy for the sale of PC products in Germany in recent years. Among the lawsuits, the outcome of litigation brought by VG Wort against Fujitsu which has been reviewed by courts for several years will be a leading case for the PC industry. If the final decision of the aforesaid lawsuit is awarded in favor of VG Wort, it can expect that VG Wort will claim against other PC companies by invoking such conclusive court's decision. Given that the possibility of making contrary decisions by courts in similar cases is extremely remote, Acer has accrued provisions properly based on development of the aforesaid lawsuit and is keeping an eye on its status. Since Acer has not yet been a party to the lawsuits, no immediate material adverse effect on the Acer's business operations and finance is foreseen.

(6) A former employee of Acer's Taiwan business group was involved in fraudulent order placing in collaboration with external parties and selling company goods for own profit. Acer has filed both civil lawsuits and criminal complaints against the suspects in the end of 2012 and now is under review of relevant judicial authorities. Since Acer has undertaken insurance for risk management, the actual loss resulting from the aforesaid incident has no impact on Acer's business operations. After reviewing internal control and audit measures, relevant procedures have been improved.

2.In year 2012 and as of the date of printing of this annual report, any Acer director, supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10% were not involved in any material litigious, non-litigious or administrative disputes of which the result could materially affect shareholders' equity or the prices of Acer's securities.

3. In year 2012 and as of the date of printing of this annual report, any company or companies controlled by Acer were not involved in any material litigious, non-litigious or administrative disputes of which the result could materially affect shareholders' equity or the prices of Acer's securities.

8.2.8 Other Risks:

None

Appendix

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Financial Statements December 31, 2013 and 2012

(With Independent Auditors' Report Thereon)

Independent Auditors' Report

The Board of Directors
Acer Incorporated:

We have audited the accompanying consolidated balance sheets of Acer Incorporated (the "Company") and subsidiaries as of December 31, 2013 and 2012, and January 1, 2012, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2013 and 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and auditing standards generally accepted in the Republic of China. Those regulations and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the consolidated financial position of Acer Incorporated and subsidiaries as of December 31, 2013 and 2012 and January 1, 2012, and the results of their consolidated operations and their consolidated cash flows for the years then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the Financial Supervisory Commission of the Republic of China.

We have also audited the non-consolidated statements of Acer Incorporated as of December 31, 2013, and 2012, and January 1, 2012, and the related statements of comprehensive income, change in equity, and cash flows for the years ended December 31, 2013 and 2012, on which we have issued an unqualified opinion.

Taipei, Taiwan (the Republic of China)
March 27, 2014

Notes to Readers
The accompanying consolidated financial statements are intended only to present the financial position, results of operations, 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 financial statements are those generally accepted and applied in the Republic of China.

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

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2013, December 31, 2012 and January 1, 2012

(In thousands of New Taiwan dollars)

Assets		2013.12.31	2012.12.31	2012.1.1
Current assets:				
Cash and cash equivalents (notes 6(1) and (27))	$	42,983,663	50,612,564	58,092,581
Financial assets at fair value through profit or loss－current (notes 6(2) and (27))		246,295	25,415	305,903
Hedging derivative financial assets－current (notes 6(3) and (27))		12,161	192,461	804,532
Available-for-sale financial assets－current (notes 6(4) and (27))		123,130	169,017	109,721
Notes and accounts receivable, net (notes 6(5) and (27))		62,081,029	68,818,955	84,856,736
Accounts receivables from related parties (notes 6(5),(27) and 7)		22,712	41,283	88,625
Other receivables (notes 6(6) and (27))		1,701,702	2,269,935	2,513,525
Other receivables from related parties (notes 6(27) and 7)		17	17	15,359
Current income tax assets		1,272,678	1,137,101	1,457,924
Inventories (note 6(7))		35,566,324	43,336,949	39,993,644
Non-current assets held for sale (note 6(8))		-	-	1,827,855
Other current assets		3,079,144	2,425,716	3,550,077
Total current assets		147,088,855	169,029,413	193,616,482
Non-current assets:				
Available-for-sale financial assets－non-current (notes 6(4) and (27))		2,900,334	3,353,089	1,970,392
Investments in associates (note 6(9))		176,334	189,837	1,842,485
Property, plant and equipment (note 6(11))		6,133,729	6,348,237	6,716,374
Investment property (note 6(12))		1,590,433	2,540,396	2,853,476
Intangible assets (notes 6(10) and (13))		28,720,088	39,134,920	35,401,551
Deferred income tax assets (note 6(19))		1,903,883	3,324,956	2,906,919
Other non-current assets (note 6(18))		820,243	1,215,783	875,161
Other financial assets－non-current (notes 6 (27) and 8)		1,165,811	1,179,517	1,632,327
Total non-current assets		43,410,855	57,286,735	54,198,685
Total assets	$	190,499,710	226,316,148	247,815,167

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2013, December 31, 2012 and January 1, 2012

(In thousands of New Taiwan dollars)

Liabilities and Equity		**2013.12.31**	**2012.12.31**	**2012.1.1**
Current liabilities:				
Short-term borrowings (notes 6(14), (27) and (28))	$	389,989	349,974	358,120
Financial liabilities at fair value through profit or loss－current (notes 6(2), (15), (27) and (28))		475,425	411,313	56,212
Hedging derivative financial liabilities－current (notes 6(3), (27) and (28))		-	1,149,400	179,685
Notes and accounts payable (notes 6(27) and (28))		55,217,361	71,638,728	77,096,776
Accounts payables to related parties (notes 6(27), (28) and 7)		665	-	7,256,885
Other payables (notes 6(27), (28) and 7)		41,371,865	39,934,153	43,593,577
Other payables to related parties (notes 6(27), (28) and 7)		656	1,914	184,975
Current income tax liabilities		847,385	2,326,966	2,589,758
Provisions－current (note 6(16))		10,305,579	11,000,810	10,042,398
Current portion of bonds payable (notes 6(15), (27) and (28))		-	4,783,589	-
Current portion of long-term debt (notes 6(15), (27) and (28))		1,800,000	9,000,000	-
Other current liabilities		3,279,566	2,232,140	4,282,274
Total current liabilities		113,688,491	142,828,987	145,640,660
Non-current liabilities:				
Financial liabilities at fair value through profit or loss－non-current (notes 6(2), (15) and (27))		496,143	653,583	1,216,586
Bonds payable (notes 6(15), (27) and (28))		8,974,513	3,948,504	13,548,703
Long-term debt (notes 6(15), (27) and (28))		7,200,000	-	9,000,000
Provisions－non-current (note 6(16))		342,938	192,055	243,126
Deferred income tax liabilities (note 6(19))		1,946,343	3,086,843	2,043,911
Other non-current liabilities (note 6(18))		1,599,912	1,402,156	1,103,032
Total non-current liabilities		20,559,849	9,283,141	27,155,358
Total liabilities		134,248,340	152,112,128	172,796,018
Equity (note 6(20)) :				
Common stock		28,347,268	28,347,268	27,098,915
Capital surplus		43,707,727	43,403,533	39,924,024
Retained earnings:				
Legal reserve		10,012,168	12,607,933	12,607,933
Special reserve		6,126,774	6,126,774	4,659,275
Accumulated deficit		(24,464,794)	(6,706,640)	(2,697,535)
Other reserves		(1,425,876)	(3,522,896)	(792,767)
Treasury stock		(6,054,286)	(6,054,286)	(5,783,104)
Equity attributable to shareholders of the Company		56,248,981	74,201,686	75,016,741
Non-controlling interests		2,389	2,334	2,408
Total equity		56,251,370	74,204,020	75,019,149
Total liabilities and equity	$	190,499,710	226,316,148	247,815,167

See accompanying notes to consolidated financial statements.

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2013 and 2012

(In thousands of New Taiwan dollars, except loss per share data)

		2013	**2012**
Revenue (notes 6(23), 7 and 14)	$	360,132,042	429,627,192
Cost of sales (notes 6(7), (13), (16), (17), 7 and 12)		337,581,776	394,405,154
Gross profit		22,550,266	35,222,038
Operating expenses: (notes 6(5), (11), (12), (13), (16), (17), (18), (20), (21), (24), 7 and 12)			
Selling expenses		21,802,936	25,590,482
Administrative expenses		8,006,491	5,843,110
Research and development expenses		3,091,790	2,875,809
Other expenses		1,293,223	288,051
Total operating expenses		34,194,440	34,597,452
Other operating income and loss – net (note 6(25))		234,508	313,911
Operating income (loss)		(11,409,666)	938,497
Non-operating income and loss:			
Other income (note 6(26))		530,124	670,568
Other gains and losses (notes 6(8), (9), (15) and (26))		808,082	411,841
Finance costs (note 6(26))		(909,476)	(904,097)
Share of profits of associates (note 6(9))		5,175	108,406
Impairment loss on property, plant, and equipment (note 6(11))		(143,102)	-
Impairment loss on intangible assets (note 6(13))		(9,943,350)	(3,496,114)
Impairment loss on investment property (note 6(12))		(1,523)	-
Total non-operating income and loss		(9,654,070)	(3,209,396)
Loss before taxes		(21,063,736)	(2,270,899)
Income tax (note 6(19))		544,387	(190,059)
Net loss		(20,519,349)	(2,460,958)
Other comprehensive income:			
Exchange differences on translation of foreign operations (note 6(20))		1,966,965	(2,042,400)
Change in fair value of available-for-sale financial assets (note 6(20))		(274,147)	(50,883)
Change in fair value of cash flow hedges (note 6(20))		402,433	(637,375)
Actuarial gain (loss) from defined benefit plans (note 6(18))		178,404	(79,575)
Less: Income taxes related to components of other comprehensive income (note 6(19))		11,150	618
Other comprehensive income for the year, net of taxes		2,262,505	(2,810,851)
Total comprehensive income for the year	$	(18,256,844)	(5,271,809)
Net loss attributable to:			
Shareholders of the Company	$	(20,519,428)	(2,461,098)
Non-controlling interests		79	140
	$	(20,519,349)	(2,460,958)
Total comprehensive income attributable to:			
Shareholders of the Company	$	(18,256,899)	(5,271,735)
Non-controlling interests		55	(74)
	$	(18,256,844)	(5,271,809)
Loss per share (in New Taiwan dollars) (note 6(22)) :			
Basic loss per share	$	(7.54)	(0.90)
Diluted loss per share	$	(7.54)	(0.90)

See accompanying notes to consolidated financial statements.

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2013 and 2012

(Expressed in thousands of New Taiwan dollars)

	Attributable to shareholders of the Company													
			Retained earnings				Other reserves							
	Common stock	Capital surplus	Legal reserve	Special reserve	Accumulated deficit	Total	Foreign currency translation differences	Unrealized gain (loss) from available-for-sale financial assets	Cash flow hedge reserve	Total	Treasury stock	Total	Non-controlling interests	Total equity
Balance at January 1, 2012	$ 27,098,915	39,924,024	12,607,933	4,659,275	(2,697,535)	14,569,673	(189,094)	(838,615)	234,942	(792,767)	(5,783,104)	75,016,741	2,408	75,019,149
Appropriation approved by the stockholders:														
Special reserve	-	-	-	1,467,499	(1,467,499)	-	-	-	-	-	-	-	-	-
Other changes in capital surplus:														
Adjustments from investments in associates	-	(219,106)	-	-	-	-	-	-	-	-	-	(219,106)	-	(219,106)
Share-based compensation cost	-	203,315	-	-	-	-	-	-	-	-	-	203,315	-	203,315
Issuance of common shares for acquisition of a subsidiary	1,221,782	3,420,991	-	-	-	-	-	-	-	-	-	4,642,773	-	4,642,773
Issuance of common stock from exercise of employee stock options	26,571	74,309	-	-	-	-	-	-	-	-	-	100,880	-	100,880
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	-	(271,182)	(271,182)	-	(271,182)
Net loss in 2012	-	-	-	-	(2,461,098)	(2,461,098)	-	-	-	-	-	(2,461,098)	140	(2,460,958)
Other comprehensive income in 2012	-	-	-	-	(80,508)	(80,508)	(2,041,871)	(50,883)	(637,375)	(2,730,129)	-	(2,810,637)	(214)	(2,810,851)
Total comprehensive income in 2012	-	-	-	-	(2,541,606)	(2,541,606)	(2,041,871)	(50,883)	(637,375)	(2,730,129)	-	(5,271,735)	(74)	(5,271,809)
Balance at December 31, 2012	28,347,268	43,403,533	12,607,933	6,126,774	(6,706,640)	12,028,067	(2,230,965)	(889,498)	(402,433)	(3,522,896)	(6,054,286)	74,201,686	2,334	74,204,020
Appropriation approved by the stockholders:														
Decrease in legal reserve to offset accumulated deficit	-	-	(2,595,765)	-	2,595,765	-	-	-	-	-	-	-	-	-
Other changes in capital surplus:														
Conversion right from issuance of convertible bonds	-	261,000	-	-	-	-	-	-	-	-	-	261,000	-	261,000
Share-based compensation cost	-	43,194	-	-	-	-	-	-	-	-	-	43,194	-	43,194
Net loss in 2013	-	-	-	-	(20,519,428)	(20,519,428)	-	-	-	-	-	(20,519,428)	79	(20,519,349)
Other comprehensive income in 2013	-	-	-	-	165,509	165,509	1,968,734	(274,147)	402,433	2,097,020	-	2,262,529	(24)	2,262,505
Total comprehensive income in 2013	-	-	-	-	(20,353,919)	(20,353,919)	1,968,734	(274,147)	402,433	2,097,020	-	(18,256,899)	55	(18,256,844)
Balance at December 31, 2013	$ 28,347,268	43,707,727	10,012,168	6,126,774	(24,464,794)	(8,325,852)	(262,231)	(1,163,645)	-	(1,425,876)	(6,054,286)	56,248,981	2,389	56,251,370

See accompanying notes to consolidated financial statements.

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2013 and 2012

(in thousands of New Taiwan dollars)

	2013	2012
Cash flows from operating activities:		
Loss before taxes	$ (21,063,736)	(2,270,899)
Adjustments for:		
Non-cash profit and loss:		
Depreciation	947,566	908,830
Amortization	1,751,961	2,431,866
Share-based compensation cost	306,597	475,708
Valuation loss (gain) on derivative financial assets and liabilities	(517,236)	1,362,775
Interest expense	909,476	904,097
Interest income	(324,821)	(503,021)
Dividend income	(205,303)	(167,547)
Effects of exchange rate changes on bonds payable	236,923	(408,723)
Share of profits of associates	(5,175)	(108,406)
Gain on disposal of property, plant and equipment, non-current assets held for sale and investment property, net	(105,317)	(775,222)
Gain on disposal of available-for-sale financial assets	(227,722)	(7,752)
Gain on disposal of investments in associates	-	(475,312)
Impairment loss on non-financial assets	10,087,975	3,496,114
Loss on purchase and redemption of bonds payable	73,972	69,164
Other investment loss	38,995	9,205
Total non-cash profit and loss	12,967,891	7,211,776
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Notes and accounts receivable	6,737,926	16,041,918
Receivables from related parties	18,571	47,342
Inventories	7,710,531	(3,426,365)
Other receivables and other current assets	(111,992)	1,643,856
Non-current accounts receivables	16,569	31,943
Net changes in operating assets	14,371,605	14,338,694
Net changes in operating liabilities:		
Notes and accounts payable	(16,421,367)	(5,458,048)
Payables to related parties	(593)	(7,439,946)
Other payables and other current liabilities	2,481,522	(5,895,492)
Provisions	(544,348)	907,341
Other non-current liabilities	197,756	671,360
Net changes in operating liabilities	(14,287,030)	(17,214,785)
Total changes in operating assets and liabilities	84,575	(2,876,091)
Cash provided by (used in) operations	(8,011,270)	2,064,786
Interest received	324,568	503,038
Income taxes paid	(964,282)	(1,426,806)
Net cash provided by (used in) operating activities	(8,650,984)	1,141,018

(Continued)

See accompanying notes to consolidated financial statements.

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2013 and 2012

(in thousands of New Taiwan dollars)

		2013	2012
Cash flows from investing activities:			
Proceeds from sale of available-for-sale financial assets		273,062	7,752
Purchase of investments in associates		-	(5,577)
Proceeds from capital return of available-for-sale investment		147,743	491,118
Additions to property, plant and equipment and investment property		(377,087)	(812,619)
Proceeds from disposal of property, plant and equipment, non-current assets held for sale, and investment property		684,807	2,981,558
Decrease in advances to related parties		-	15,342
Additions to intangible assets		(191,985)	(180,353)
Acquisition of a subsidiary, net of cash acquired		-	(4,464,660)
Decrease (increase) in other non-current financial assets and other non-current assets		(21,743)	71,451
Dividend received		213,269	175,646
Net cash provided by (used in) investing activities		728,066	(1,720,342)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings		40,015	(8,146)
Issuance of bonds payable		6,000,000	-
Purchase and redemption of bonds payable		(6,669,074)	(5,283,113)
Proceeds from exercise of employee stock option		-	100,880
Purchase of treasury stock		-	(271,182)
Interest paid		(396,800)	(417,297)
Net cash used in financing activities		(1,025,859)	(5,878,858)
Effects of foreign exchange rate changes		1,319,876	(1,021,835)
Net decrease in cash and cash equivalents		(7,628,901)	(7,480,017)
Cash and cash equivalents at beginning of year		50,612,564	58,092,581
Cash and cash equivalents at end of year	$	42,983,663	50,612,564

See accompanying notes to consolidated financial statements.

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the years ended December 31, 2013 and 2012
(amounts expressed in thousands of New Taiwan dollars
except for loss per share information and unless otherwise noted)

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. on October 15, 2007. The Company completed acquisition of 100% equity ownership of Gateway, Inc. (including eMachines brand), a personal computer company in the U.S. The Company also acquired the 100% equity ownership of Packard Bell B.V., a personal computer company in Europe on March 14, 2008. Following the acquisitions of Gateway and Packard Bell, the Company has expanded its multi-brand strategy. Additionally, on September 1, 2008, the Company entered the smart phone market following the acquisition of E-Ten Information Systems Co., Ltd. In October 2010, in order to expand into the market in China, the Company acquired the PC business, management team and employees, regional sales and marketing channels of Founder Technology Group Corporation. On January 12, 2012, the Company acquired the 100% equity ownership of iGware Inc. for the development of a unique AcerCloud system in order to enhance Acer brand positioning and increase brand value. The Company and its subsidiaries (collectively as the "Group") primarily are involved in globally marketing its brand-name IT products and promoting electronic information services to clients.

The consolidated financial statements prepared for the year ended December 31, 2013, comprise of the Company and its subsidiaries (collectively as the "Group") and the Group's interests in associates.

2. The authorization of the consolidated financial statements

These consolidated financial statements were authorized for issuance by the Board of Directors on March 27, 2014.

3. New standards and interpretations not yet adopted

(1) New standards and interpretations endorsed by the Financial Supervisory Commissions R.O.C. ("FSC") but not yet effective

In November 2009, the International Accounting Standards Board ("IASB") issued International Financial Reporting Standard 9 *Financial Instruments* ("IFRS 9"), which took effect on January 1, 2013. (The IASB extended the effective date to January 1, 2015, in December 2011, and announced the repeal of the mandatory effective date on January 1, 2015, to allow more time to transit to the new standards for financial statements preparers. The new effective date has not been announced yet.) This standard has been endorsed by the FSC; however, at the end of the reporting period (the "reporting date"), the effective date has not been announced and early adoption is not permitted. Companies shall follow the guidance in the 2009 version of International Accounting Standard 39 *Financial Instruments* ("IAS 39"). The adoption of this new standard is expected to have an impact on the classification and measurement of financial instruments in the consolidated financial statements.

(2) New standards and interpretations not yet endorsed by the FSC

Below is a summary of the new standards and amendments issued by the IASB that may have an impact on the accompanying consolidated financial statements but not yet endorsed by the FSC.

Issue date	New standards and amendments	Description and Influence	Effective date per IASB
May 12, 2011 June 28, 2012	‧ IFRS 10 *Consolidated Financial Statements* ‧ IFRS 11 *Joint Arrangements* ‧ IFRS 12 *Disclosure of Interests in Other Entities* ‧ Amendment to IAS 27 *Separate Financial Statements* ‧ Amendment to IAS 28 *Investments in Associates and Joint Ventures*	On May 12, 2011, the IASB issued a series of standards and amendments related to consolidation, joint arrangements, and investments. The new standards provide a single model in determining whether an entity has control over an investee (including special purpose entities) other than the consolidation process, for which the original guidance and method applies. In addition, joint arrangements are separated into joint operations (concepts from jointly controlled assets and jointly controlled operations), and joint ventures (concepts from jointly controlled entities), and the new standards remove the proportionate consolidation method. On June 28, 2012, amendments were issued clarifying the guidance over the transition period. The adoption of the new standards and amendments is expecting to change the assessment of the Group's control over certain investees and to increase the disclosure in terms of the judgments and assumptions made and the information about the interests in the subsidiaries and associates.	January 1, 2013
May 12, 2011	‧ IFRS 13 *Fair Value Measurement*	IFRS 13 replaces fair value measurement guidance in other standards, and integrates as one single guidance. The adoption of the new standard would require the Group to analyze the impact on the measurement on certain assets and liabilities. Likewise, it will increase the disclosure on fair value.	January 1, 2013

(Continued)

Issue date	New standards and amendments	Description and Influence	Effective date per IASB
June 16, 2011	‧ Amendment to IAS 1 *Presentation of Financial Statements*	Items presented in other comprehensive income shall be presented based on whether they are potentially reclassifiable to profit or loss subsequently. The adoption of the amendment will change the presentation of other comprehensive income in the statement of comprehensive income.	July 1, 2012
June 16, 2011	‧ Amendment to IAS 19 *Employee Benefits*	The amendments eliminate the corridor method and eliminate the option to recognize the changes in the net defined benefit liability (asset) in profit or loss; in addition, they require the immediate recognition of past service cost. The adoption of the amendment is expected to have no significant change on the presentation and the measurement of the accrued pension liabilities and actuarial gains (losses) from the defined benefit plans.	January 1, 2013
December 16, 2011	‧ Amendment to IAS 32 *Financial Instruments: Presentation* ‧ IFRS 7 *Financial Instruments: Disclosure*	It amends the requirements on offsetting financial assets and financial liabilities (provides more guidance on judgments) and related disclosures. The adoption of the amendment is expected to increase the disclosure on financial instruments.	January 1, 2014 (Presentation requirements) January 1, 2013 (Disclosure requirements)
May 29, 2013	Amendment to IAS 36 *Impairment of Assets*	The current version of IAS 36, effective January 1, 2013, requires an entity to disclose the key assumptions for determining the recoverable amount of each cash-generating unit (CGU) for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that CGU is significant. The amendment requires an entity to disclose the aforementioned information only when an impairment loss or a reversal of impairment loss is recognized. In addition, the amendments require that the followings be disclosed if recoverable amount is based on fair value less cost of disposal: －the level of the fair value hierarchy within which the fair value measurement is categorized; and	January 1, 2014 Early adoption is permitted.

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Issue date	New standards and amendments	Description and Influence	Effective date per IASB
		—the valuation techniques used for fair value measurements categorized within Levels 2 and 3 of the fair value hierarchy, and key valuation assumptions made.	
November 19, 2013	Amendment to IFRS 9 *Financial Instruments*	The amendment provides more principal-based standards which will align hedge accounting more closely with risk management. It includes achievement, continuation and discontinuation of adoption of hedge accounting; it also increases the scope of hedge items eligible for hedge accounting. The adoption of the amendment may increase the transactions which apply hedge accounting and may change the measurement and presentation of hedged items and hedging instruments.	Effective date not determined, but early adoption is permitted.
November 21, 2013	Amendment to IAS 19 *Employee Benefits*	IAS 19 *Employee Benefits* (2011) has been effective since 1 January 2013. It requires employee and third party contributions that were linked to service to be taken into account in order to determine the defined benefit obligation when such contributions were set out in the formal terms of the plan. Contributions from employees or third parties in respect of service attributed to periods of service were considered as a negative benefit. In these cases, an entity is permitted (but not required) to recognize the contributions as a reduction to service cost for the period in which the service is rendered. The adoption of the amendments will require changes to the measurement and presentation of net current service cost and defined benefit obligation of the defined benefit plans.	June 30, 2015, early adoption is permitted.

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Issue date	New standards and amendments	Description and Influence	Effective date per IASB
December 12, 2013	• Amendment to IFRS 1 *First-Time Adoption of International Financial Reporting Standards* • Amendment to IFRS 2 *Share-based Payment* • Amendment to IFRS 3 *Business Combinations* • Amendment to IFRS 8 *Operating Segments* • IFRS 13 *Fair Value Measurement* • Amendment to IAS 24 *Related Party Disclosures* • Amendment to IAS 40 *Investment Property*	Issuance of "Annual improvement to IFRSs 2010–2012 Cycle and 2011–2013 Cycle" is intended mainly to: •Clarify the definition of vesting conditions (including performance and service conditions). •Clarify the measurement and classification of contingent consideration in a business combination. •Requirement entities to disclose the judgments made by management in applying the aggregation criteria. • Clarify the scope of the IFRS 13 portfolio exception whereby an entity is permitted to measure the fair value of a group of financial assets and financial liabilities with offsetting risk positions on a net basis if certain conditions are met. •Clarify to expand the definition of a related party to include a management entity that provides key management personnel (KMP) service to the reporting entity or Group. •Require a separate assessment to determine whether the acquisition of an investment property constitutes a business. Adoption of the above amendments would affect the accounting treatments and the related disclosures in the consolidated financial statements.	July 1, 2014, early adoption is permitted.

(Continued)

4. Summary of Significant Accounting Policies

The significant accounting policies presented in the financial statements are summarized as follows.

The significant accounting policies have been applied consistently to all periods presented in these financial statements, except when otherwise indicated, and have been applied consistently to the opening balance sheet as of January 1, 2012, which is prepared for the purpose of transition to the IFRSs endorsed by the FSC.

The consolidated financial statements are the English translation of the original Chinese version prepared and used in the ROC. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language financial statements, the Chinese-language consolidated financial statements shall prevail.

(1) Statement of compliance

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

The Group's accompanying consolidated financial statements are the first annual financial statements that apply the Guidelines and Taiwan-IFRSs. The consolidated financial statements also apply IFRS 1 *First-time Adoption of International Financial Reporting Standards*. An explanation of how the transition to Taiwan-IFRSs has affected the reported financial position, financial performance, and cash flows of the Group is provided in Note 15.

(2) Basis of preparation

(a) Basis of measurement

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

i. Financial instruments measured at fair value through profit or loss (including derivative financial instruments);
ii. Available-for-sale financial assets measured at fair value;
iii. Hedging derivative financial instruments measured at fair value; and
v. Defined benefit assets (liabilities) recognized as the fair value of plan assets less the present value of benefit obligation.

(b) 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 Dollar, which is the Company's functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(Continued)

Acer Incorporated 2013 Annual Report

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(3) Basis of consolidation

(a) Principles of preparation of consolidated financial statements

The accompanying consolidated financial statements include the financial statements of the Company and its controlled entities (the subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity in order to obtain benefits from its activities.

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. Profits and loss attributable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

Intra-group balances and transactions, and any unrealized profit and loss arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

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.

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 assets (including goodwill) and liabilities of the subsidiary and any noncontrolling interest. 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 the former subsidiary at the date when control is lost is regarded as the cost on initial recognition of an available-for-sale financial asset or an investment in an associate.

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(b) List of subsidiaries in the consolidated financial statements

The subsidiaries included in the consolidated financial statements:

Name of Investor	Name of investee	Main Business and Products	Percentage of Ownership 2013.12.31	2012.12.31	2012.1.1
The Company	Acer Greater China (B.V.I.) Corp. ("AGC", British Virgin Islands)	Investment and holding activity	100.00	100.00	100.00
AGC	Acer Market Services Limited ("AMS", Hong Kong)	Investment and holding activity	100.00	100.00	100.00
AGC	Acer Computer (Far East) Limited ("AFE", Hong Kong)	Sale of brand-name IT products	100.00	100.00	100.00
AGC	Acer Intellectual (Chongqing) Limited ("AICQ", China)	Research and design of smart hand held and touchpad products	100.00	100.00	100.00
AGC	Acer Information Technology R&D (Shanghai) Co., Ltd. ("ARD", China)	Research and design of smart hand held products	100.00	100.00	100.00
AMS	Acer Information (Zhong Shan) Co., Ltd. ("AIZS", China)	Sale of brand-name IT products	100.00	100.00	100.00
AMS	Beijing Acer Information Co., Ltd. ("BJAI", China)	Sale of brand-name IT products	100.00	100.00	100.00
AMS	Acer Computer (Shanghai) Ltd. ("ACCN", China)	Sale of brand-name IT products	100.00	100.00	100.00
AMS	Acer (Chongqing) Ltd. ("ACCQ", China)	Sale of brand-name IT products	100.00	100.00	100.00
The Company	Acer European Holdings Limited ("AEH", Cyprus)	Investment and holding activity	100.00	100.00	100.00
AEH	Acer Europe B.V. ("AHN", the Netherlands)	Investment and holding activity	100.00	100.00	100.00
AEH	Acer Computer B.V. ("ACH", the Netherlands)	Sale of brand-name IT products	100.00	100.00	100.00
AEH	Acer CIS Incorporated ("ACR", British Virgin Islands)	Sale of brand-name IT products	100.00	100.00	100.00
AEH	Acer BSEC Inc. ("AUA", British Virgin Islands)	Sale of brand-name IT products	100.00	100.00	100.00
AEH	Acer Computer (M.E.) Ltd. ("AME", British Virgin Islands)	Sale of brand-name IT products	100.00	100.00	100.00
AEH	Acer Africa (Proprietary) Limited ("AAF", South Africa)	Sale of brand-name IT products	100.00	100.00	100.00
AEH	AGP Insurance (Guernsey) Limited. ("AGU", British Guernsey Island)	Financial company	100.00	100.00	100.00
AHN	Acer Computer France S.A.S.U. ("ACF", France)	Sale of brand-name IT products	100.00	100.00	100.00
AHN	Acer U.K. Limited ("AUK", the United Kingdom)	Sale of brand-name IT products	100.00	100.00	100.00
AHN	Acer Italy S.R.L. ("AIT", Italy)	Sale of brand-name IT products	100.00	100.00	100.00
AHN	Acer Computer GmbH ("ACG", Germany)	Sale of brand-name IT products	100.00	100.00	100.00
AHN	Acer Austria GmbH ("ACV", Austria)	Sale of brand-name IT products	100.00	100.00	100.00
AHN	Acer Europe Services S.R.L. ("AES", Italy)	Sale of brand-name IT products	-	100.00	100.00

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Name of Investor	Name of investee	Main Business and Products	Percentage of Ownership 2013.12.31	2012.12.31	2012.1.1
AHN	Acer Europe SA ("AEG", Switzerland)	Sale of brand-name IT products	100.00	100.00	100.00
AHN	Acer Czech Republic S.R.O. ("ACZ", Czech Republic)	Sale of brand-name IT products	100.00	100.00	100.00
AHN	Esplex Limited ("AEX", the United Kingdom)	Repair and maintenance of IT products	100.00	100.00	100.00
AHN	Acer Computer Iberica, S.A. ("AIB", Spain)	Sale of brand-name IT products	100.00	100.00	100.00
AHN	Acer Computer (Switzerland) AG ("ASZ", Switzerland)	Sale of brand-name IT products	100.00	100.00	100.00
AHN	Acer Slovakia s.r.o. ("ASK", Slovakia)	Sale of brand-name IT products	100.00	100.00	100.00
AHN	Acer International Services GmbH ("AIS", Switzerland)	Sale of brand-name IT products	-	-	100.00
AHN	Asplex Sp. z.o.o. ("APX", Poland)	Repair and maintenance of IT products	100.00	100.00	100.00
AHN	Acer Marketing Services LLC ("ARU", Russia)	Sale of brand-name IT products	100.00	100.00	100.00
AHN	Acer Hellas Limited Liability Company of Marketing and Sales Services ("AGR", Greece)	Sale of brand-name IT products	100.00	100.00	100.00
AHN	PB Holding Company S.A.R.L. ("PBLU", Luxembourg)	Investment and holding activity	-	100.00	100.00
AHN	Acer Poland sp. z.o.o. ("APL", Poland)	Sale of brand-name IT products	100.00	100.00	100.00
AHN	Acer Bilisim Teknolojileri Limited Sirketi ("ATR, Turkey)	Sale of brand-name IT products	100.00	-	-
AHN (note)	Packard Bell B.V. ("PBHO", the Netherlands)	Investment and holding activity	100.00	100.00	100.00
ACH	Acer Computer Norway AS ("ACN", Norway)	Sale of brand-name IT products	100.00	100.00	100.00
ACH	Acer Computer Finland Oy ("AFN", Finland)	Sale of brand-name IT products	100.00	100.00	100.00
ACH	Acer Computer Sweden AB ("ACW", Sweden)	Sale of brand-name IT products	100.00	100.00	100.00
ACH	Acer Denmark A/S ("ACD", Denmark)	Sale of brand-name IT products	100.00	100.00	100.00
PBHO	Packard Bell (UK) Ltd.("PBUK", the United Kingdom)	Sale of brand-name IT products	-	-	100.00
PBHO	Packard Bell Belgium BVBA ("PBBE", Belgium)	Sale of brand-name IT products	-	-	100.00
PBHO	NEC Computers South Africa (Pty) Ltd. ("PBZA", South Africa)	Sale of brand-name IT products	-	50.81	50.81
The Company	Boardwalk Capital Holdings Limited ("Boardwalk", British Virgin Islands)	Investment and holding activity	100.00	100.00	100.00
Boardwalk	Acer Computer Mexico, S.A. de C.V. ("AMEX", Mexico)	Sale of brand-name IT products	99.92	99.92	99.92

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Name of Investor	Name of investee	Main Business and Products	Percentage of Ownership 2013.12.31	2012.12.31	2012.1.1
Boardwalk	Acer American Holding Corp. (“AAH”, USA)	Investment and holding activity	100.00	100.00	100.00
Boardwalk	AGP Tecnologia em Informatica do Brasil Ltda. (“ATB”, Brazil)	Sale of brand-name IT products	100.00	100.00	100.00
Boardwalk	Boarkwalk Cooperatief Holding U.A (“BCH”, the Netherlands)	Investment and holding activity	-	100.00	100.00
AMEX	Aurion Tecnologia, S.A. de C.V. (“Aurion”, Mexico)	Sale of brand-name IT products	99.92	99.92	99.92
AAH	Acer Cloud Technology Inc. (“ACTI”, U.S.A.)	Software research, development, design, trading and consulting	100.00	100.00	-
AAH	Gateway, Inc. (“GWI”, U.S.A.)	Sale of brand-name IT products	100.00	100.00	100.00
GWI	Acer Latin America, Inc. (“ALA”, U.S.A.)	Sale of brand-name IT products	100.00	100.00	100.00
GWI	Acer America Corporation. (“AAC”, U.S.A.)	Sale of brand-name IT products	99.92	99.92	99.92
GWI	Acer Service Corporation (“ASC”, U.S.A.)	Repair and maintenance of IT products	100.00	100.00	100.00
BCH	Boardwalk International BV (“BIB”, the Netherlands)	Investment and holding activity	-	100.00	100.00
The Company	Acer Holdings International, Inc.(“AHI”, British Virgin Islands)	Investment and holding activity	100.00	100.00	100.00
AHI	Acer Computer Co., Ltd. (“ATH”, Thailand)	Sale of brand-name IT products	100.00	100.00	100.00
AHI	Acer Japan Corp. (“AJC”, Japan)	Sale of brand-name IT products	100.00	100.00	100.00
AHI	Acer Computer Australia Pty. Limited (“ACA”, Australia)	Sale of brand-name IT products	100.00	100.00	100.00
AHI	Acer Sales and Service Sdn Bhd (“ASSB”, Malaysia)	Sale of brand-name IT products	100.00	100.00	100.00
AHI	Acer Asia Pacific Sdn Bhd (“AAPH, Malaysia”)	Sale of brand-name IT products	100.00	100.00	100.00
AHI	Acer Computer (Singapore) Pte. Ltd. (“ACS”, Singapore)	Sale of brand-name IT products	100.00	100.00	100.00
AHI	Acer Computer New Zealand Limited (“ACNZ”, New Zealand)	Sale of brand-name IT products	100.00	100.00	100.00
AHI	PT Acer Indonesia (“AIN”, Indonesia)	Sale of brand-name IT products	100.00	100.00	100.00
AIN	PT Acer Manufacturing Indonesia (“AMI”, Indonesia)	Assembling and Sale 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	100.00
AHI	Acer Vietnam Co., Ltd. (“AVN”, Vietnam)	Sale of brand-name IT products	100.00	100.00	100.00
AHI	Acer Philippines, Inc. (“APHI”, Philippines)	Sale of brand-name IT products	100.00	100.00	100.00
ACA	Highpoint Australia Pty. Ltd. (“HPA”, Australia)	Repair and maintenance of IT	100.00	100.00	100.00

(Continued)

Acer Incorporated 2013 Annual Report

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Name of Investor	Name of investee	Main Business and Products	Percentage of Ownership 2013.12.31	2012.12.31	2012.1.1
		products			
ASSB	Highpoint Service Network Sdn Bhd (“HSN”, Malaysia)	Repair and maintenance of IT products	100.00	100.00	100.00
ASSB	Servex (Malaysia) Sdn Bhd (“SMA”, Malaysia)	Sale of computers and communication products	100.00	100.00	100.00
ASSB	Megabuy Sdn Bhd (“MGB”, Malaysia)	Sale of computers and communication products	-	100.00	100.00
ACS	Logistron Service Pte Ltd. (LGS, Singapore)	Assembling and of brand-name IT products	100.00	100.00	100.00
The Company	Acer Sales & Distribution Limited. (“ASD”, Hong Kong)	Sale of computers and communication products	-	-	100.00
The Company	Weblink International Inc. (“WII”, Taiwan)	Sale of computers and communication products	99.79	99.79	99.79
WII	Weblink (H.K.) International Ltd. (“WHI”, Hong Kong)	Sale of computers and communication products	99.79	99.79	99.79
The Company	Acer Digital Service Co. (“ADSC”, Taiwan)	Investment and holding activity	100.00	100.00	100.00
ADSC	Multiventure Investment Inc. (“MVI”, Taiwan)	Investment and holding activity	-	-	100.00
ADSC	Acer Property Development Inc. (“APDI”, Taiwan)	Property development	100.00	100.00	100.00
ADSC	Aspire Service & Development Inc. (“ASDI”, Taiwan)	Property development	100.00	100.00	100.00
The Company	Acer Worldwide Incorporated (“AWI”, British Virgin Islands)	Investment and holding activity	100.00	100.00	100.00
The Company	Cross Century Investment Limited (“CCI”, Taiwan)	Investment and holding activity	100.00	100.00	100.00
The Company	Acer Capital Corporation (“ACT”, Taiwan)	Investment and holding activity	-	-	100.00
The Company	Aspire Incubation Venture Capital (“AIVC”, Taiwan)	Investment and holding activity	-	-	100.00
The Company	Acer Digital Services (B.V.I.) Holding Corp. (“ADSBH”, British Virgin Islands)	Investment and holding activity	100.00	100.00	100.00
ADSBH	Acer Digital Services (Cayman Islands) Corp. (“ADSCC”, Cayman Islands)	Investment and holding activity	100.00	100.00	100.00
ADSCC	Longwick Enterprises Inc. (“LONG”, Seychelles)	Investment and holding activity	100.00	100.00	100.00
LONG	S. Excel. Co., Ltd. (“SURE”, Samoa)	Investment and holding activity	100.00	100.00	100.00
The Company	Acer SoftCapital Incorporated (“ASCBVI”, British Virgin Islands)	Investment and holding activity	100.00	100.00	100.00
ASCBVI	ASC Cayman, Limited (“ASCCAM”, Cayman Islands)	Investment and holding activity	100.00	100.00	100.00

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Name of Investor	Name of investee	Main Business and Products	Percentage of Ownership 2013.12.31	2012.12.31	2012.1.1
ASCBVI	Acer Technology Venture Asia Pacific Ltd. ("ATVAP", Cayman Islands)	Investment and holding activity	100.00	100.00	100.00
The Company	Acer EMEA Holdings B.V. (AHB, the Netherlands)	Investment and holding activity	-	100.00	100.00
The Company	Eten Information System Co., Ltd. ("ETEN", Taiwan)	Research, design and sale of smart hand held products	100.00	100.00	100.00
The Company	Acer Cyber Center Services Ltd. ("ACCSI", Taiwan)	Electronic data supply, processing and storage services	100.00	100.00	100.00
The Company	Acer e-Enabling Service Business Inc. ("AEB", Taiwan)	Electronic data supply, processing and storage services	100.00	100.00	-
ACCSI	TWP International Inc. ("TWPBVI", British Virgin Islands)	Investment and holding activity	100.00	100.00	100.00
TWPBVI	Acer Third Wave Software (Beijing) Co., Ltd. ("TWPBJ", China)	Software research, development, design, trading and consultation	100.00	100.00	100.00
The Company	Lottery Technology Service Corp. ("LTS", Taiwan)	Electronic data supply, processing and storage services	100.00	100.00	100.00
The Company	Minly Corp. ("MINLY", Taiwan)	Electronic data supply, processing and storage services	-	100.00	100.00

(note) PBHO was formerly owned by PBLU. In 2013, the ownership of PBHO was transferred to ANH after PBLU was liquidated.

In 2013, the Group established new subsidiary namely ATR. In 2012, the Group established new subsidiaries namely ACTI, AMI and AEB. In 2013, the subsidiaries namely AES, PBLU, BCH, BIB, MGB, PBZA, AHB and Minly were liquidated. In 2012, the subsidiaries namely AIS, ASD, PBUK and PBBE were liquidated, and were excluded from consolidation since the Group ceased control thereof. On November 1, 2012, the subsidiaries namely MVI, AIVC, and ACT had merged with ADSC and ADSC was the surviving entity from the merger.

c. List of subsidiaries which are not included in the consolidated financial statements: None.

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(4) Foreign currency

(a) Foreign currency transaction

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 the reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies which 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 a foreign currency that are measured at historical cost are not retranslated.

(b) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from acquisition, are translated into the Company's functional currency at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated into the Company's functional currency at 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 are reclassified to non-controlling interests. For the partial disposals of the Group's ownership interest in an associate or joint ventures, 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.

(Continued)

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

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

(a) It is expected to be realized, or sold or consumed in the normal operating cycle;
(b) It is held primarily for the purpose of trading;
(c) It is expected to be realized within twelve months after the reporting period; or
(d) The asset is cash and 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 following criteria is met; all other liabilities are classified as non-current liabilities:

(a) It is expected to be settled in the normal operating cycle;
(b) It is held primarily for the purpose of trading;
(c) It is due to be settled within twelve months after the reporting period; or
(d) It 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 the issue of equity instruments do not affect its classification.

(6) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash in banks, and other 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 with an original maturity of less than one year that meet the aforesaid criteria and are not held for investing purpose are also classified as cash and 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.

(7) Financial Instruments

Financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instruments.

(a) Financial assets

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. Regular way purchases or sales of financial assets are recognized or derecognized on a trade-date basis, the date on which the Group commits to purchase or sell the assets.

(Continued)

i. 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 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:

i) 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;
ii) Performance of the financial asset is evaluated on a fair value basis;
iii) A hybrid instrument contains one or more embedded derivatives.

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

ii. 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 receivables and other receivables. 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.

iii. 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 cost. 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 presented in "unrealized gain/loss from available-for-sale financial assets" in equity. When the financial asset is derecognized, the gain or loss previously accumulated in equity is reclassified to profit or loss.

(Continued)

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

iv. Impairment of financial assets

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

Evidence of impairment may include indications that the debtor is experiencing significant financial difficulty, default or delinquency in interest or principal payments, 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 an evidence that the assets are impaired.

If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, such asset is included in a group of financial assets 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, increase of delayed payments, and national or local economic conditions that correlate with arrear 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.

(Continued)

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.

v. 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 out substantially all the risks and rewards of ownership of the financial assets to other enterprises.

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

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 for the part of financial assets 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. 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.

(b) Financial liabilities and equity instruments

i. 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.

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For overseas convertible bonds issued by the Group, to which the bondholders were granted an option to convert a variable amount of bonds into a fixed number of common shares, the derivatives embedded in convertible bonds (conversion and redemption options) are recognized at fair value and are accounted for as financial liabilities at fair value through profit or loss on initial recognition. The difference between the considerations received from the issuance of the bonds and fair value of embedded derivatives is accounted for as bonds payable. Any transaction costs directly attributable to the issuance of the bonds are allocated to the liability components in proportion to their initial carrying amounts.

For domestic convertible bonds issued by the Group, to which the bondholders were granted an option to convert a fixed amount of bonds into a fixed number of common shares. The liability component (including redemption options embedded in the bond) of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any transaction costs directly attributable to the issuance of the bonds are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, bonds payable is measured at amortized cost using the effective interest method and the embedded derivatives (conversion and redemption options) are measured at fair value. The equity component is not re-measured subsequent to initial recognition. Interest and gain or loss related to the financial liability is recognized in profit or loss.

On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

ii. Financial liabilities 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 financial liability 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 the ones classified as held-for-trading, as measured at fair value through profit or loss at initial recognition under one of the following situations:

i) 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;
ii) Performance of the financial liabilities is evaluated on a fair value basis;
iii) A hybrid instrument contains one or more embedded derivatives.

(Continued)

At initial recognition, this type of financial liability is recognized at fair value and any attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, the financial liabilities are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss.

iii. Other financial liabilities

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

iv. Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been fulfilled or cancelled, or 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.

v. 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.

(c) Derivative financial instruments and hedge accounting

Derivative financial instruments are held to hedge the Group’s foreign currency exposures. Derivatives are recognized initially at fair value and attributable transaction costs 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. The resulting gain or loss is recognized in profit or loss immediately unless the derivative financial instrument is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. If the valuation of a derivative instrument resulted in a positive fair value, it is classified as a financial asset; otherwise, it is classified as a financial liability.

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, both at hedge inception and on an ongoing basis, of whether the derivatives used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(Continued)

i. Fair value hedge

Changes in the fair value of a hedging instrument designated and qualified as a fair value hedge are recognized in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

ii. Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized in other comprehensive income and accumulated in “Cash flow hedge reserve”. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gains or losses on the hedging instrument that has been recognized in other comprehensive income for the period when the hedge was effective shall remain separately in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the aforesaid cumulative gains or losses on the hedging instrument is reclassified from equity to profit or loss immediately.

(8) Inventories

Inventories are measured at the lower of standard cost and net realizable value. The differences between standard and actual cost are fully recognized in costs of sales. Net realizable value represents the estimated selling price in the ordinary course of business, less all estimated costs of completion and necessary selling expenses.

(9) Non-current assets and discontinued operations 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 must be available for immediate sale in their present condition and the sale within one year is highly probable.

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 applicable Group accounting policies. Thereafter, the assets are measured at the lower of their carrying amount and fair value less costs to sell.

(Continued)

When intangible assets and property, plant and equipment are classified as held for sale, they are no longer amortized or depreciated. Additionally, the equity method of accounting is discontinued from the date when the equity-method investments are classified as held for sale.

(10) Investment in Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Investments in associates are accounted for using the equity method and are recognized initially at cost plus any transaction costs. The carrying amount of the investment in associates includes goodwill identified on acquisition, net of any accumulated impairment losses. Such impairment loss is not allocated to goodwill or other assets but reduces the carrying amount of the investments.

The Group’s share of its associates’ post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized as other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group’s share of losses in an associate equals or exceeds its interest in the associate, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

The equity method of accounting is discontinued from the date when the Group ceases to have significant influence over an associate. The Group measures any investments retained in the former associate at fair value. Any difference between the fair value of any retained investment and any proceeds from disposing of the part interest in the associate, and the carrying amount of the investment at the date when significant influence is ceased is recognized in profit or loss. Additionally, all amounts recognized in other comprehensive income in relation to that associate are accounted for on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

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

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

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(11) Property, plant and equipment

(a) Recognition and measurement

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

The gain or loss arising from the disposal of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and is recognized in other gains or losses.

(b) Reclassification to investment property

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

(c) 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 to profit and loss. All other repairs and maintenance are charged to expense as incurred.

(d) Depreciation

Depreciation is provided for property, plant and equipment over the estimated useful lives using the straight-line method. 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 for the current and comparative periods of property, plant and equipment are as follows: Buildings-main structure - 30 to 50 years; air-condition system - 10 years; other equipments pertained to buildings - 20 years; Computer and communication equipment- 2 to 5 years; and other equipments - 3 to 10 years.

If there is reasonable certainty that the Group will obtain the ownership of the leased property and equipment by the end of the lease term, the depreciation is provided over the estimated useful life of the asset; otherwise, the asset is depreciated over the shorter of the lease term and its useful life.

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

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(12) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business or for administrative purposes. Investment property is measured at cost on initial recognition. Subsequent to initial recognition, investment property is measured at initial acquisition cost less any subsequent accumulated depreciation. 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, bring the investment property to the condition necessary for it to be available for 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 use of the investment property has been changed from investment purpose to owner-occupied.

(13) Leases

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

(a) 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 using the straight-line basis. Contingent rents are recognized as income in the period when the lease adjustments are confirmed.

(b) The Group as lessee

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

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(14) Intangible assets

(a) Goodwill

Goodwill arising from acquisitions of subsidiaries is accounted for as intangible assets. Refer to Note 4 (22) for the description of the measurement of goodwill at initial recognition. Goodwill arising from the 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.

(b) 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 life are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognition on a straight-line basis over the estimated useful lives of 7 to 20 years. Trademarks with indefinite useful lives are carried at cost less any accumulated impairment and 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.

(c) Other intangible assets

Other separately acquired intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized in profit or loss using the 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 16 years; acquired software - 1 to 3 years.

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

(15) Impairment of non-financial assets

(a) 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.

(b) Other tangible and intangible assets

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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.

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. 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 the profit or loss immediately. 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 of 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.

(16) 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. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance costs.

(Continued)

(a) Warranties

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

(b) Sales return provision

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

(c) Restructuring

A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Provisions are not recognized for future operating losses.

(d) Others

Provisions for litigation claims and environmental restoration are recognized when 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.

(17) 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), net of taxes. 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 method.

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.

(Continued)

(18) Revenue recognition

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.

(a) 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 sale of key components to 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.

(b) Services

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

(c) Rental income, interest income and dividend income

Rental income from investment property is recognized over the lease term using 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.

(d) Government grant

A government grant is recognized 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 of the period in which it becomes receivable.

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(19) Employee benefits

(a) Defined contribution plans

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

(b) 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 and adjustments for unrecognized past service costs. The discount rate for calculating the present value of the defined benefit obligation refers to the interest rate of high-quality corporate bonds or government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

When the defined benefit obligation calculation results in a benefit to the Group, an asset is recognized but is limited to the total amount of any unrecognized past service costs and the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

All actuarial gains and losses at 1 January, 2012, the transition date to Taiwan-IFRSs were recognized in retained earnings. Subsequent to the transition date, the Group recognizes all actuarial gains and losses arising from defined benefit plans in other comprehensive income.

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, any change in the present value of the defined benefit obligation, and any related actuarial gains or losses and past service cost that had not previously been recognized.

(c) 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.

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(20) 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 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 that 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.

For share-based payment awards vested or settled prior to 1 January 2012, the Group elected not to adjust the compensation cost retrospectively in accordance with the accounting policy mentioned above. Instead, the Group recognizes the compensation cost in accordance with the "Guidelines Governing the Preparation of Financial Reports by Security Issuers" issued by the FSC on 10 January 1999 and the financial accounting standards and interpretations issued by the Accounting Research and Development Foundation (hereinafter referred to collectively as the "previous GAAPs").

(21) Income Taxes

Income tax expenses include both current taxes and deferred taxes. Current and deferred taxes are recognized in profit or loss except to the except that 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 adjustment 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:

(a) 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;

(b) Temporary differences arising from investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary difference, and it is probable that the differences will not reverse in the foreseeable future; and

(c) Temporary differences arising from initial recognition of goodwill.

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.

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Deferred tax assets and liabilities are offset when where is 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 taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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.

(22) Business combination

(a) Acquisition on or after 1 January 2012

For those acquisitions occurring on or after 1 January 2012, goodwill is measured as an aggregation of the acquisition-date fair value of consideration transferred (including any non-controlling interest in the acquiree), 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 re-assess whether it has correctly identified all of the assets acquired and liabilities assumed and recognizes any additional assets or liabilities that are identified in that review, and recognize a gain on the bargain purchase thereafter.

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

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

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

(b) Acquisition before 1 January 2012

Upon adoption of Taiwan-IFRSs, the Group has elected not to retrospectively adjust the business combination transactions which occurred before 1 January 1 2012. For those acquisitions which occurred before 1 January 2012, the amount of goodwill is recognized in accordance with the "Guidelines Governing the Preparation of Financial Reports by Security Issuers" issued by the FSC on 10 January 1999 and the previous GAAPs.

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(23) Earnings per share ("EPS")

The basic and diluted EPS attributable to equity holders 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 convertible bonds, stock options and profit sharing to employees to be settled in the form of common stocks and approved by the shareholders in the following year.

(24) 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 assess its performance for which discrete financial information is available.

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

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

The estimate 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 any 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 in the following notes:

(1) Revenue recognition

The Group recognizes revenue when the conditions described in Note 4(18) are satisfied. 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 are reviewed periodically. The fierce market competition and rapid evolution of technology could result in significant adjustments to the provision made.

(Continued)

(2) Impairment of intangible assets

The assessment of impairment of goodwill requires the Group to make subjective judgment to determine the identified cash-generating units, allocate the goodwill to relevant cash-generating units and estimate the recoverable amount of relevant cash-generating units. Refer to Note 6 (13) for further description of the impairment of goodwill.

In the process of evaluating the potential impairment of intangible assets other than goodwill, the Group is required to make subjective judgments in determining the useful lives, expected future revenue and expenses related to the specific asset groups with the consideration of the usage of assets and business characteristics. Any changes in these estimates based on changed economic conditions or business strategies could result in significant impairment charges or reversal in future years.

(3) Recognition and measurement of deferred income tax assets

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which those deferred tax assets can be utilized. Assessment of the realization of the deferred tax assets requires the Group's subjective judgment and estimate, including the future revenue growth and profitability and feasible tax planning strategies. Any changes in the global economic environment, the industry trends and relevant laws and regulations could result in significant adjustments to the deferred tax assets.

(4) Recognition and measurement of defined benefit obligation

When calculating the present value of the defined benefit obligations, the Group uses judgments and estimations to determine the actuarial assumptions, including discount rates and the expected long-term rate of return on assets. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations. Refer to Note 6 (18) for further description.

(5) Valuation of inventory

Inventories are stated at the lower of cost or net realizable value, and the Group uses judgment and estimate to determine the net realizable value of inventory at each reporting date.

Due to the rapid technological changes, the Group estimates the net realizable value of inventory for obsolescence and unmarketable items 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.

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(6) Warranty provision

Warranty provision is made based on the estimated cost of product warranty when revenue is recognized. Factors that affect the Group's warranty provision include the number of sold units currently under warranty, historical and anticipated rates of warranty claims on those units, and cost per claim to satisfy the warranty obligation. The estimation basis is reviewed on an on-going basis and revised when appropriate. Any changes to the aforementioned basis of estimation may significantly impact the amount of the warranty provision.

(7) Litigation provision

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. Due to the inherent uncertain nature of litigation, the ultimate outcome or actual cost of settlement may materially vary from estimates.

6. Significant Account Disclosures

(1) Cash and cash equivalents

		December 31, 2013	December 31, 2012	January 1, 2012
Cash on hand	$	7,521	14,434	16,469
Bank deposits		36,619,580	45,083,739	36,094,064
Time deposits		6,356,562	5,514,391	21,982,048
	$	42,983,663	50,612,564	58,092,581

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

		December 31, 2013	December 31, 2012	January 1, 2012
Financial assets held-for-trading－current:				
Derivatives－Foreign currency forward contracts	$	246,295	25,415	305,903
Financial liabilities held-for-trading:				
Derivatives－Foreign currency forward contracts	$	(475,425)	(265,385)	(56,212)
Financial liabilities at fair value through profit or loss:				
Redemption options of convertible bonds (note 6(15))		(496,143)	(799,511)	(1,216,586)
Financial liabilities at fair value through profit or loss	$	(971,568)	(1,064,896)	(1,272,798)
Current	$	(475,425)	(411,313)	(56,212)
Non-current		(496,143)	(653,583)	(1,216,586)
	$	(971,568)	(1,064,896)	(1,272,798)

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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:

December 31, 2013

Contract amount (in thousands)		Buy		Sell	Maturity period
AUD	2,750	AUD	/	NZD	2014/01~2014/03
EUR	7,341	CHF	/	EUR	2014/01
EUR	5,163	DKK	/	EUR	2014/01
EUR	11,304	EUR	/	CHF	2014/01~2014/04
EUR	5,967	EUR	/	SEK	2014/01~2014/04
EUR	305,000	EUR	/	USD	2014/01
EUR	4,211	EUR	/	NOK	2014/01~2014/03
USD	26,630	MXN	/	USD	2014/01~2014/04
USD	500	MYR	/	USD	2014/01
EUR	7,402	NOK	/	EUR	2014/01
USD	82,000	USD	/	AUD	2014/01~2014/06
USD	29,302	USD	/	CAD	2014/01
USD	113,000	USD	/	CNY	2014/02~2014/04
EUR	485,267	USD	/	EUR	2014/01~2014/11
USD	125,123	USD	/	GBP	2014/01~2014/04
USD	11,800	USD	/	IDR	2014/01
USD	127,418	USD	/	INR	2014/01~2014/06
USD	53,000	USD	/	JPY	2014/01~2014/06
USD	79,000	USD	/	MXN	2014/01~2014/05
USD	18,100	USD	/	MYR	2014/01~2014/02
USD	571,000	USD	/	NTD	2014/01
USD	6,750	USD	/	NZD	2014/01~2014/04
USD	400	USD	/	PHP	2014/01
USD	103,571	USD	/	RUB	2014/01~2014/03
USD	5,000	USD	/	SGD	2014/01
USD	40,500	USD	/	THB	2014/01~2014/02

December 31, 2012

Contract amount (in thousands)		Buy		Sell	Maturity period
EUR	129,700	USD	/	EUR	2013/01~2013/02
USD	1,036,000	USD	/	NTD	2013/01
USD	87,000	USD	/	INR	2013/01~2013/03
USD	13,500	USD	/	THB	2013/01
USD	26,800	USD	/	MYR	2013/01~2013/02
USD	5,000	USD	/	SGD	2013/01~2013/02
USD	8,000	USD	/	CLP	2013/01
USD	28,000	USD	/	BRL	2013/01~2013/02
EUR	2,600	EUR	/	PLN	2013/01

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

January 1, 2012

Contract amount (in thousands)		Buy		Sell	Maturity period
USD	6,000	USD	/	SGD	2012/01
USD	18,600	USD	/	MYR	2012/01~2012/02
USD	32,000	USD	/	THB	2012/01~2012/02
USD	99,570	USD	/	INR	2012/01~2012/05
USD	66,000	USD	/	JPY	2012/01~2012/05
USD	189,296	USD	/	RUB	2012/01~2012/03
EUR	46,140	USD	/	EUR	2012/02

(3) Hedging derivative financial assets and liabilities－current

	December 31, 2013	December 31, 2012	January 1, 2012
Hedging derivative financial assets:			
Cash flow hedge－Foreign currency forward contracts	$ 12,161	190,108	641,857
Fair value hedge－Foreign currency forward contracts	-	2,353	162,675
	$ 12,161	192,461	804,532
Hedging derivative financial liabilities:			
Cash flow hedge－Foreign currency forward contracts	$ -	(1,109,447)	(88,550)
Fair value hedge－Foreign currency forward contracts	-	(39,953)	(91,135)
	$ -	(1,149,400)	(179,685)

The Group uses foreign currency forward contracts to hedge its estimated foreign currency exposure in respect of forecasted sales and purchases over the following 12 months. When actual sales and purchases occur, and at such time, the amount accumulated in equity –cash flow hedge reserve is reclassified to profit or loss.

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

At each reporting date, the outstanding hedging foreign currency forward contracts were as follows:

December 31, 2013

Contract amount (in thousands)		Buy	Sell	Maturity period
USD	10,000	USD	JPY	2014/01~2014/02

December 31, 2012

Contract amount (in thousands)		Buy	Sell	Maturity period
AUD	1,250	AUD	NZD	2013/01~2013/03
USD	5,900	USD	NZD	2013/01~2013/03
EUR	9,880	EUR	SEK	2013/01~2013/04
EUR	4,556	EUR	CHF	2013/03~2013/04
EUR	53,010	EUR	USD	2013/01
USD	133,738	USD	GBP	2013/01~2013/04
USD	64,000	USD	AUD	2013/01~2013/03
USD	70,663	USD	CAD	2013/01~2013/03
EUR	538,300	USD	EUR	2013/01~2013/05
USD	207,000	USD	CNY	2013/01~2013/03
USD	69,000	USD	JPY	2013/01~2013/06
USD	84,000	USD	MXN	2013/01~2013/05
USD	12,700	MXN	USD	2013/01
USD	286,189	USD	RUB	2013/01~2013/05
EUR	6,439	DKK	EUR	2013/01
EUR	542	NOK	EUR	2013/01

January 1, 2012

Contract amount (in thousands)		Buy	Sell	Maturity period
AUD	3,750	AUD	NZD	2012/01~2012/03
EUR	8,631	CHF	EUR	2012/01
USD	6,750	MXN	USD	2012/01
EUR	13,520	EUR	SEK	2012/01~2012/02
EUR	11,458	EUR	CHF	2012/01~2012/03
EUR	16,314	EUR	PLN	2012/01~2012/02
USD	53,049	USD	CAD	2012/01
USD	88,151	USD	AUD	2012/01~2012/03
USD	5,500	USD	NZD	2012/01~2012/04
USD	574,000	USD	NTD	2012/01
EUR	597,276	USD	EUR	2012/01~2012/03
USD	133,151	USD	GBP	2012/01~2012/03
USD	280,000	USD	CNY	2012/01~2012/03
USD	104,620	USD	MXN	2012/01~2012/05

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the years ended December 31, 2013 and 2012, the Group has reclassified foreign currency forward contract losses of $9,493 and $609,731, respectively, arising from transactions that are no longer expected to occur and that had been accumulated in equity –cash flow hedge reserve to profit or loss.

(4) Available-for-sale financial assets

	December 31, 2013	December 31, 2012	January 1, 2012
Domestic listed stock	$ 2,388,686	2,804,969	885,423
Unlisted stock	634,778	717,137	1,194,690
	$ 3,023,464	3,522,106	2,080,113
Current	$ 123,130	169,017	109,721
Non-current	2,900,334	3,353,089	1,970,392
	$ 3,023,464	3,522,106	2,080,113

As of December 31, 2013 and 2012 and January 1, 2012, the available-for-sale financial assets were not pledged as collateral for loans and borrowings.

(5) Notes and accounts receivable, net

	December 31, 2013	December 31, 2012	January 1, 2012
Notes receivable	$ 802,457	735,246	974,868
Accounts receivable	61,517,420	68,491,466	84,629,291
Less: allowance for doubtful receivables	(238,848)	(407,757)	(747,423)
	62,081,029	68,818,955	84,856,736
Notes and accounts receivable – related parties	22,712	41,283	88,625
	$ 62,103,741	68,860,238	84,945,361

Aging analysis of notes and accounts receivable that are overdue but not impaired is as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Past due 1-30 days	$ 5,145,971	7,352,266	9,748,613
Past due 31-60 days	1,230,378	905,627	993,629
Past due 61-90 days	1,148,052	422,127	115,965
Past due over 91 days	212,884	-	-
	$ 7,737,285	8,680,020	10,858,207

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the years ended December 31, 2013 and 2012, movements of the allowance for doubtful receivables were as follows:

	Individually assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2013	$ 392,984	14,773	407,757
Reversal of impairment loss	(80,722)	(5,020)	(85,742)
Write-off	(87,426)	-	(87,426)
Effect of exchange rate changes	4,259	-	4,259
Balance at December 31, 2013	$ 229,095	9,753	238,848

	Individually assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2012	$ 735,362	12,061	747,423
Provision (reversal) of impairment loss	(178,778)	2,712	(176,066)
Write-off	(153,146)	-	(153,146)
Effect of exchange rate changes	(10,454)	-	(10,454)
Balance at December 31, 2012	$ 392,984	14,773	407,757

In principle, average credit term granted to customers for the sale of goods is 30 to 90 days. To assess the recoverability of the notes and accounts receivable, the Group assesses any changes in the credit quality between the initial transaction date and the reporting date. The allowance for doubtful receivables is assessed by referring to the collectability of receivables by performing the individual trade term analysis, the historical payment behavior and current financial condition of customers and the provision for sales return and allowance. Notes and accounts receivables that are past due but for which the Group has not recognized a specific allowance for doubtful receivables after the assessment are still considered recoverable.

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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, 2013				
Underwriting bank	Factoring credit limit	Receivables sold	Receivables derecognized	Interest rate	Collateral
China Trust Bank	$ 880,000	177,719	177,719		Nil
Taipei Fubon Bank	750,000	154,525	154,525		Nil
Norden Finans Norge AS	164,641	74,002	74,002		Nil
	$ 1,794,641	406,246	406,246	1.19%~2.72%	

	December 31, 2012				
Underwriting bank	Factoring credit limit	Receivables sold	Receivables derecognized	Interest rate	Collateral
China Trust Bank	$ 950,000	215,809	215,809		Nil
Taipei Fubon Bank	750,000	228,017	228,017		Nil
Taishin Bank	150,000	20,837	20,837		Note 9 (5)
Norden Finans Norge AS	1,691,321	1,222,364	1,222,364		Nil
	$ 3,541,321	1,687,027	1,687,027	1.21%~2.69%	

	January 1, 2012				
Underwriting bank	Factoring credit limit	Receivables sold	Receivables derecognized	Interest rate	Collateral
China Trust Bank	$ 950,000	221,164	221,164		Nil
Taipei Fubon Bank	750,000	341,192	341,192		Nil
IFITALIA	6,013,674	3,152,555	416,047		Nil
Commonwealth Bank	1,610,593	898,016	898,016		Nil
	$ 9,324,267	4,612,927	1,876,419	1.02%~8.10%	

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

As of December 31, 2013 and 2012, and January 1, 2012, the notes and accounts receivable were not pledged as collateral for loans and borrowings.

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(6) Other Receivables

	December 31, 2013	December 31, 2012	January 1, 2012
Receivables from reimbursement of advertising expense	$ 265,235	364,044	283,978
Compensation receivables	-	327,780	-
Receivables from allocation of patent royalty to others	-	61,871	140,424
Receivables from purchase discount	780,628	196,801	409,858
Other receivables	655,839	1,319,439	1,679,265
	$ 1,701,702	2,269,935	2,513,525

The other receivables mentioned above are expected to be collected within one year and no allowances for doubtful receivables was necessary based on the result of management's assessment.

(7) Inventories

	December 31, 2013	December 31, 2012	January 1, 2012
Raw materials	$ 11,751,803	19,285,726	15,091,720
Work in process	16,888	16,632	29,604
Finished goods and merchandise	13,034,377	13,666,949	11,949,818
Spare parts	1,524,411	2,184,221	2,317,458
Inventories in transit	9,238,845	8,183,421	10,605,044
	$ 35,566,324	43,336,949	39,993,644

For the years ended December 31, 2013 and 2012, the cost of inventories sold amounted to $289,475,422 and $339,887,850, respectively; the write-downs of inventories to net realizable value amounted to $2,585,327 and $1,376,486, respectively.

As of December 31, 2013 and 2012, and January 1, 2012, the inventories were not pledged as collateral.

(8) Non-current assets held for sale

In December 2010, the Company's Board of Directors resolved to sell ETEN's office building located in Taipei. As of January 1, 2012, the carrying value of the building was $1,827,855. In January 2012, this building was sold with net proceeds of $2,448,508, resulting in a disposal gain of $620,653.

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(9) Investments in associates

(a) A summary of the Group's financial information for investments in associates at the reporting date is as follows:

Name of Associates	December 31, 2013 Percentage of ownership	December 31, 2013 Carrying amount	December 31, 2012 Percentage of ownership	December 31, 2012 Carrying amount	January 1, 2012 Percentage of ownership	January 1, 2012 Carrying amount
Wistron Corporation ("Wistron")	-	$ -	-	-	2.57%	1,582,832
Aegis Semiconductor Technology Inc. ("Aegis")	44.04%	64,180	44.04%	64,180	44.04%	165,235
ECOM Software Inc. ("ECOM")	33.93%	21,860	33.93%	21,834	33.93%	22,132
Bluechip Infotech Pty Ltd.	34.05%	76,136	34.05%	89,694	34.05%	86,739
Others	-	14,158	-	14,129	-	(14,453)
		$ 176,334		189,837		1,842,485

	2013	2012
Share of profits of associates	$ 5,175	108,406

Commencing from June 21, 2012, the Group was unable to exercise significant influence over Wistron's operating and financial policies. Therefore, from that date the investments in Wistron were reclassified as "available-for-sale financial assets－non-current", and a gain on disposal of the investment of $475,312 was recognized as other non-operating income and loss in profit or loss. The disposal gain includes the gain arising from the remeasurement of retained interest in Wistron based on its fair value and the amounts reclassified from other comprehensive income and capital surplus to profit or loss.

In 2012, Aegis returned capital of $101,055 to the Group.

Summarized financial information for investments in associates is as follows (before being adjusted to the Group's proportionate share):

	December 31, 2013	December 31, 2012	January 1, 2012
Total assets	$ 855,676	943,362	255,561,993
Total liabilities	$ 334,865	386,134	194,012,931

	2013	2012
Revenue	$ 2,167,654	2,473,197
Net income	$ 20,421	60,114

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

As of December 31, 2013 and 2012, and January 1, 2012, the investments in associates were not pledged as collateral.

(10) Acquisition of subsidiaries

On January 12, 2012, the Group completed the acquisition of 100% equity ownership of iGware Inc. for a total purchase consideration including US$150 million (approximately $4,520,020). This equity ownership acquisition was paid in cash and by issuing 122,178,242 common shares (worth approximately US$170 million). Also, iGware Inc. was merged with Acer Cloud Technology Inc.("ACTI"), a US subsidiary, on the same day. iGware Inc. is mainly engaged in the research and development associated with network, network services infrastructure and computer software related to consumer devices. The acquisition of iGware Inc. enables the Group to establish a unique AcerCloud system to enhance Acer brand positioning and increase its brand value.

The assets, liabilities and goodwill arising from the acquisition of iGware Inc. on January 12, 2012 were as follows:

Purchase cost:		
Cash	$ 4,520,020	
Issuance of the Company's common stock	4,642,773	9,162,793
Net identifiable assets acquired at fair value:		
Current assets (including cash of $55,360)	268,457	
Property and equipment	3,310	
Deferred compensation cost	797,418	
Other assets	3,075	
Intangible assets－customer relationships	2,474,829	
Intangible assets－developed technologies	471,396	
Intangible assets－developing technologies	2,533,753	
Intangible assets－others	1,101	
Current liabilities	(166,702)	
Deferred income tax liabilities	(1,917,989)	
Other liabilities	(64,709)	
	4,403,939	
Acquired percentage	100%	4,403,939
Goodwill		$ **4,758,854**

According to the agreement between the Company and the shareholders of iGware Inc., the Group has agreed to pay additional consideration to the shareholders of iGware Inc. under the following conditions:

(a) Commencing after acquisition date until July 1, 2021, 40% of ACTI's virtual console sales generated from end-users or indirectly through licensing royalties (excluding the sales made to Group entities), and/or

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(b) 40% of the difference between the aggregate sales price paid by a specific customer to the Group and US$72,180 thousand (as adjusted for present value of 10% per annum, without compounding) at any time commencing after the acquisition date until July 1, 2021.

The combination of (a) and (b) mentioned above shall not exceed US$75,000 thousand. The fair value of the contingent considerations assessed by the Group as at the acquisition date was $0. This assessment has not changed as of December 31, 2013.

The goodwill arising from the acquisition of iGware Inc. is due to the control premium included in the purchase consideration. The purchase consideration includes the value of the synergies between iGware Inc. and the Group, the growth of revenue, the future market development and the acquired assembled workforce, neither of which qualifies as an intangible asset. None of the goodwill recognized is expected to be deductible for income tax purposes.

In order to retain the Restricted Stock Units issued by iGware Inc. to its employee shareholders, the Company paid cash of US$18,144 thousand and issued its common stock of 11,517,053 shares to the employee shareholders of iGware Inc. pursuant to the terms of the purchase agreement. Such cash shall be vested and common shares shall be transferred without restrictions when the employee shareholders have rendered services for a vesting period of 5 to 45 months and achieved certain performance conditions. During the vesting period, the cash and common shares were deposited and held in an escrow account; however, the employee shareholders still have the rights to vote and earnings distribution. When the employee shareholders leave Acer Cloud Technology Inc., the unvested common shares held in the escrow account are forfeited and converted into cash. The cash, together with the cash deposited in the escrow account, if any, will be allocated to the other shareholders of iGware Inc. based on the original ownership percentage prior to the acquisition. The fair value of common shares issued was based on the closing price of the Company on January 12, 2012. As of the acquisition date, the unvested common stock and cash amounting to $797,418 were recognized as deferred compensation costs in the consolidated balance sheet, and amortized over the vesting period into operating expense.

As of December 31, 2012, iGware Inc. contributed revenue of $3,286 and net income of $43,475 to the Group's results prior to the acquisition date. If this acquisition had occurred on January 1, 2012, management estimated that consolidated revenue would have been $429,630,478, and consolidated loss after income tax would have been $2,417,483.

(Continued)

(11) Property, plant and equipment

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

		Land	Buildings	Computer and communication equipment	Other equipment	Construction in progress	Total
Cost or deemed cost:							
Balance at January 1, 2013	$	1,366,614	3,819,837	4,322,550	3,238,382	41,772	12,789,155
Additions		-	69,157	125,071	182,150	-	376,378
Disposals		(950)	(992)	(103,301)	(120,482)	(25)	(225,750)
Reclassification from investment property		205,713	145,713	-	-	-	351,426
Other reclassification and effect of exchange rate changes		22,954	43,484	(18,139)	185,435	(41,747)	191,987
Balance at December 31, 2013	$	**1,594,331**	**4,077,199**	**4,326,181**	**3,485,485**	**-**	**13,483,196**
Balance at January 1, 2012	$	1,395,921	3,944,459	4,188,968	2,730,971	435,917	12,696,236
Additions		27,750	15,759	217,282	551,828	-	812,619
Disposals		(52,404)	(60,774)	(62,505)	(199,057)	-	(374,740)
Other reclassification and effect of exchange rate changes		(4,653)	(79,607)	(21,195)	154,640	(394,145)	(344,960)
Balance at 31 December 2012	$	**1,366,614**	**3,819,837**	**4,322,550**	**3,238,382**	**41,772**	**12,789,155**
Depreciation and impairment loss:							
Balance at January 1, 2013	$	136,452	2,196,459	2,305,232	1,802,775	-	6,440,918
Impairment loss		30,610	112,492	-	-	-	143,102
Depreciation		-	164,011	411,651	355,553	-	931,215
Disposals		-	(727)	(96,323)	(102,502)	-	(199,552)
Reclassification to investment property		-	(28,080)	-	-	-	(28,080)
Other reclassification and effect of exchange rate changes		(264)	46,224	(48,525)	64,429	-	61,864
Balance at December 31, 2013	$	**166,798**	**2,490,379**	**2,572,035**	**2,120,255**	**-**	**7,349,467**
Balance at January 1, 2012	$	147,295	2,113,164	2,001,721	1,717,682	-	5,979,862
Depreciation		-	159,821	395,075	327,450	-	882,346
Disposals		(10,450)	(39,846)	(61,519)	(161,325)	-	(273,140)
Reclassification to investment property		-	(9,715)	-	-	-	(9,715)
Other reclassification and effect of exchange rate changes		(393)	(26,965)	(30,045)	(81,032)	-	(138,435)
Balance at December 31, 2012	$	**136,452**	**2,196,459**	**2,305,232**	**1,802,775**	**-**	**6,440,918**
Carrying amounts:							
Balance at December 31, 2013	$	**1,427,533**	**1,586,820**	**1,754,146**	**1,365,230**	**-**	**6,133,729**
Balance at December 31, 2012	$	**1,230,162**	**1,623,378**	**2,017,318**	**1,435,607**	**41,772**	**6,348,237**
Balance at January 1, 2012	$	**1,248,626**	**1,831,295**	**2,187,247**	**1,013,289**	**435,917**	**6,716,374**

In 2013, the Group recognized an impairment loss of $143,102, including $30,610 impairment loss on land, and $112,492 impairment loss on buildings, as the carrying amount of certain property was less than its recoverable amount.

(Continued)

(12) Investment property

		Land	Buildings	Total
Cost or deemed cost:				
Balance at January 1, 2013	$	2,316,684	3,373,473	5,690,157
Additions		709	-	709
Disposals		(553,292)	-	(553,292)
Reclassification to property, plant and equipment		(205,713)	(145,713)	(351,426)
Balance at December 31, 2013	$	**1,558,388**	**3,227,760**	**4,786,148**
Balance at January 1, 2012	$	2,561,436	3,571,032	6,132,468
Disposals		(244,752)	(197,559)	(442,311)
Balance at December 31, 2012	$	**2,316,684**	**3,373,473**	**5,690,157**
Depreciation and impairment loss:				
Balance at January 1, 2013	$	668,948	2,480,813	3,149,761
Impairment loss		-	217,493	217,493
Reversal of impairment loss		(215,970)	-	(215,970)
Depreciation		-	16,351	16,351
Reclassification from property, plant and equipment		-	28,080	28,080
Balance at December 31, 2013	$	**452,978**	**2,742,737**	**3,195,715**
Balance at January 1, 2012	$	700,298	2,578,694	3,278,992
Depreciation		-	26,484	26,484
Disposals		-	(134,080)	(134,080)
Reversal of impairment loss		(31,350)	-	(31,350)
Reclassification from property, plant and equipment		-	9,715	9,715
Balance at December 31, 2012	$	**668,948**	**2,480,813**	**3,149,761**
Carrying amounts:				
Balance at December 31, 2013	$	**1,105,410**	**485,023**	**1,590,433**
Balance at December 31, 2012	$	**1,647,736**	**892,660**	**2,540,396**
Balance at January 1, 2012	$	**1,861,138**	**992,338**	**2,853,476**
Fair value:				
Balance at December 31, 2013				**$ 1,888,870**
Balance at December 31, 2012				**$ 3,285,144**
Balance at January 1, 2012				**$ 3,885,506**

The fair value of the investment property was determined by referring to the market price of similar real estates, the adjusted value on the basis of valuation by an independent appraiser after considering the building's location and features, or the value in use of the investment properties. The value in use is the present value of future cash flows from continuous lease activities at an estimated discount rate of 6.73%.

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

In 2013, after assessing the recoverable amounts of investment properties, impairment loss on land of $215,970 was reversed, which did not exceed the impairment loss that had been recognized in prior years. Also, the Group recognized an impairment loss of $217,493 on leased-out buildings.

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.

As of December 31, 2013 and 2012, and January 1, 2012, investment property was not pledged as collateral.

(13) Intangible assets

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

		Goodwill	Trademarks and trade names	Others	Total
Balance at January 1, 2013	$	24,747,209	5,958,242	8,429,469	39,134,920
Addition		-	-	191,985	191,985
Disposal		-	-	(57)	(57)
Reclassification		-	-	25,160	25,160
Amortization		-	(269,886)	(1,399,133)	(1,669,019)
Impairment loss		(4,365,349)	(5,536,437)	(41,564)	(9,943,350)
Effect of exchange rate changes		704,827	63,063	212,559	980,449
Balance at December 31, 2013	$	21,086,687	214,982	7,418,419	28,720,088
December 31, 2013					
Cost	$	25,452,036	10,430,695	14,989,997	50,872,728
Accumulated amortization and impairment		(4,365,349)	(10,215,713)	(7,571,578)	(22,152,640)
Carrying amount	$	21,086,687	214,982	7,418,419	28,720,088
January 1, 2012					
Cost	$	20,710,175	10,423,456	9,016,987	40,150,618
Accumulated amortization and impairment		-	(540,790)	(4,208,277)	(4,749,067)
Balance at January 1, 2012		20,710,175	9,882,666	4,808,710	35,401,551
Addition		-	-	180,353	180,353
Acquisitions through business combinations		4,758,854	-	5,481,079	10,239,933
Reclassification		-	-	25,907	25,907
Amortization		-	(372,486)	(1,930,998)	(2,303,484)
Impairment loss		-	(3,496,114)	-	(3,496,114)
Effect of exchange rate changes		(721,820)	(55,824)	(135,582)	(913,226)
Balance at December 31, 2012	$	24,747,209	5,958,242	8,429,469	39,134,920
December 31, 2012					
Cost	$	24,747,209	10,367,632	14,568,812	49,683,653
Accumulated amortization and impairment		-	(4,409,390)	(6,139,343)	(10,548,733)
Carrying amount	$	24,747,209	5,958,242	8,429,469	39,134,920

The amortization and impairment losses of intangible assets are included in the following line items of the statement of comprehensive income:

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

		2013	2012
Cost of sales	$	13,898	13,884
Operating expenses	$	1,655,121	2,289,600
Non-operating loss	$	9,943,350	3,496,114

(b) Other intangible assets

On December 6, 2007, the Group entered into a Basic Term Agreement with the International Olympic Committee regarding participation in the Olympic Partners Program (the “Top Programme”). Pursuant to such agreement, the Group has agreed to pay a certain amount of money in cash, merchandise and service to obtain marketing rights and become one of the partners in the “Top Programme” for the period from January 1, 2009 to December 31, 2012. Such expenditure on sponsorship was capitalized as “Intangible Assets” in the accompanying consolidated financial statements, and amortized using the straight-line method during the aforementioned four-year period.

(c) Impairment test on goodwill and trademarks and trade names

The carrying amounts of significant goodwill and trademarks and trade names with indefinite useful lives and the respective CGUs to which they are allocated as of December 31, 2013 and 2012 and January 1, 2012, were as follows:

December 31, 2013

		PCRO-EMEA	PCRO-PA	PCRO-AAP	PCRO-China	PCRO-TWN	E-Ten	Platform Service of Console Game
Goodwill	$	11,489,540	1,828,686	3,575,889	2,970,087	1,022,016	-	182,747
Trademarks & trade names		102,867	30,279	15,078	65,933	825	-	-

December 31, 2012

		PCRO-EMEA	PCRO-PA	PCRO-AAP	PCRO-China	PCRO-TWN	E-Ten	Platform Service of Console Game
Goodwill	$	12,069,264	4,752,587	3,499,163	2,832,488	1,004,157	221,423	323,891
Trademarks & trade names		2,309,672	1,207,395	601,239	1,654,157	32,879	152,900	-

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

		January 1, 2012						
		PCRO-EMEA	PCRO-PA	PCRO-AAP	PCRO-China	PCRO-TWN	E-Ten	SHBG
Goodwill	$	9,980,226	3,859,892	2,065,225	2,322,250	560,765	221,424	1,682,869
Trademarks & trade names		3,656,464	2,412,254	1,206,768	2,078,530	77,750	450,900	-

Each CGU to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Due to the challenges from the rapid developments in tablets and smart phones and the implementation of Windows 8 to PC industry, the Group changed its brand strategy in the fourth quarter of 2012 by re-positioning each brand in the Group and therefore reallocated the resources. This change triggered an impairment test of trademarks and trade names. The Group estimated the fair value of the "Gateway", "Packard Bell", "eMachines", and "E-ten" trademarks and trade names by calculating the present value of the royalties saved that would have been paid to a third party had the Group not owned the trademarks and trade names. As a result of this test, the Group recognized an impairment loss of $3,496,114 in 2012. In addition, based on the results of impairment tests conducted by the Group, there was no evidence of impairment of goodwill and other non-financial assets as of December 31, 2012 and January 1, 2012.

In the third quarter of 2013, the Group re-adjusted its brand strategy and re-allocated the resources after assessing the current position and possible future changes of global PC industry and hand held device industry (including tablets and smart phone) as well as reviewing the actual performance of the implementation of above-mentioned brand transforming plan. This change triggered an impairment test of trademarks and trade names. The Group estimated the fair value of the "Gateway", "Packard Bell", "E-ten", and "Founders" trademarks and trade names by calculating the present value of the royalties saved that would have been paid to a third party had the Group not owned the trademarks and trade names. As a result of this test, the Group recognized an impairment loss of $5,536,437 in 2013.

Furthermore, as the Group's revenue and profitabilities are below expectation for a continuous period and the carrying amount of the Group's net assets exceeded its market capitalization, the Group considered that there were indications that non-financial assets may be impaired so that an impairment test was made in the third quarter of 2013 accordingly. As a result of the test, the Group recognized an impairment loss on goodwill and other intangible assets of $4,365,349 and $41,654, respectively.

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

i. The cash flow projections were based on historical operating performance and future financial budgets, covering a period of 5 years, approved by management and estimated terminal values at the end of the 5-year period. Cash flows beyond that 5-year period have been extrapolated using the growth rate as follows :

	PCRO-EMEA	PCRO-PA	PCRO-AAP	PCRO-China	PCRO-TWN	E-Ten	SHBG	Platform Service of Console Game
2013.12.31	0%	0%	0%	0%	0%	-	Note	0%
2012.12.31	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	Note	3.0%
2012.1.1	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	-

The growth rates above do not exceed the long-term average growth rates for the market in which the each CGU operates.

ii. Discounting rates used to determine the value in use for each CGU were as follows:

	PCRO-EMEA	PCRO-PA	PCRO-AAP	PCRO-China	PCRO-TWN	E-Ten	SHBG	Platform Service of Console Game
2013.12.31	15.1%	9.3%	20.9%	17.6%	16.7%	-	Note	10.8%
2012.12.31	13.3%	10.4%	17.4%	20.8%	12.7%	19.3%	Note	15.1%
2012.1.1	11.0%	14.0%	13.7%	17.9%	12.5%	14.1%	14.5%	-

Note: In 2012, the Group underwent an organizational structure change, under which the Smart Hand-Held Business Group ("SHBG"), previously an independent CGU, was divided and merged into other CGUs within the Group. The related intangible assets have been reallocated to the CGUs affected using a relative value approach.

(14) Short-term borrowings

		December 31, 2013	December 31, 2012	January 1, 2012
Short-term notes and bills payable	$	99,989	99,974	-
Unsecured bank loans		290,000	250,000	358,120
	$	389,989	349,974	358,120
Unused credit facilities	$	32,403,312	29,340,659	34,662,601
Interest rate		0.67%~1.38%	0.85%~1.18%	1.05%~8.10%

(Continued)

(15) Long-term debt and bonds payable

		December 31, 2013	December 31, 2012	January 1, 2012
Citibank syndicated loan	$	9,000,000	9,000,000	9,000,000
Overseas convertible bonds		3,179,548	8,732,093	13,548,703
Domestic convertible bonds		5,794,965	-	-
Less: current installments of long-term debt		(1,800,000)	(9,000,000)	-
Less: current installments of bonds payable		-	(4,783,589)	-
	$	16,174,513	3,948,504	22,548,703

(a) Bank loans

Type of Loan	Creditor	Credit Line	Term		December 31, 2013	December 31, 2012	January 1, 2012
Unsecured loan	Citibank and other banks	Term tranche of $9 billion; five-year limit during which revolving credits disallowed	The loan is repayable in 5 semi-annual installments starting from November 2014	$	9,000,000	9,000,000	9,000,000
		Revolving tranche of $6 billion; five-year limit	One-time repayment in full in November 2016. The credit facility has not been used.		-	-	-
Less: current installment of long-term debt					(1,800,000)	(9,000,000)	-
				$	7,200,000	-	9,000,000
Unused credit facilities				$	6,000,000	6,000,000	6,000,000
Interest rate					1.59%	1.59%	1.59%

According to the syndicated loan agreements, the Group is required to maintain certain financial ratios calculated based on its annual and semi-annual consolidated financial statements. As of December 31, 2013, the Group was not in compliance with some of financial covenants. Nevertheless, according to the amendment of the syndicated loan agreements dated March 4, 2013, the non-compliance with financial covenants is not considered as a default as long as the Group obtains a waiver from the syndicated banks no later than November 30 in the current year (grace period for the semi-annual consolidated financial statements) and June 30 in the following year (grace period for the annual consolidated financial statements). If the Group fails to obtain a waiver from the syndicated banks within the grace period, then it will be considered as an event of default under the loan agreement.

As of December 31, 2012, the Group was not in compliance with some of financial covenants. As a result, the Group has reclassified $9,000,000 from long-term debt to the current portion of long-term debt. Nevertheless, on March 4, 2013, the Group had obtained a waiver from the majority of syndicated banks, which exempted the Group from complying with the required financial covenants.

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(b) Overseas convertible bonds

		2013	2012
Bonds payable:			
Beginning balance	$	8,732,093	13,548,703
Redemption and purchase		(6,231,463)	(4,868,170)
Amortization of bonds discount and transaction cost (recognized as interest expense)		441,995	460,283
Unrealized exchange loss (gain) on bonds payable		236,923	(408,723)
		3,179,548	8,732,093
Less: current portion of bonds payable		-	(4,783,589)
Ending balance	$	3,179,548	3,948,504
Financial liabilities at fair value through profit or loss (redemption options of the convertible bonds):			
Beginning balance	$	799,511	1,216,586
Redemption and purchase		(363,639)	(345,778)
Evaluation loss (gain)		60,271	(71,297)
		496,143	799,511
Less: current portion		-	(145,928)
Ending balance	$	496,143	653,583

On August 10, 2010, the Group issued US$300,000 thousand of zero coupon overseas convertible bonds due 2015 (the “2015 Bond”) and US$200,000 thousand of zero coupon overseas convertible bonds due 2017 (the “2017 Bond”) at the Singapore Exchange Securities Trading Limited, for the purpose of purchasing merchandise in line with business growth. The significant terms and conditions of convertible bonds are as follows:

i. The 2015 Bonds

i) Par value US$300,000 thousand
ii) Issue date August 10, 2010
iii) Maturity date August 10, 2015
iv) Coupon rate 0%
v) Conversion

Bondholders may convert bonds into the Company’s common shares at any time starting the 41th day from the issue date until 10 days prior to the maturity date. As of December 31, 2013, the conversion price was $102.01 per common share, with a fixed exchange rate of $31.83 = US$ 1.00, subject to adjustment by the formula provided in the issue terms if the Company’s outstanding common shares are increased.

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vi) Redemption at the option of the bondholders

A. Bondholders shall have the right, at such holder's option, to require the Company to redeem, in whole or in part, the 2015 Bonds held by such holder at a redemption price of principal amount plus a gross yield of 0.43% per annum (calculated on a semi-annual basis) in US dollars on August 10, 2013.

B. In the event that the Company's common shares are officially delisted from the Taiwan Securities Exchange, each bondholder shall have the right, at such holder's option, to require the Company to redeem the 2015 Bonds, in whole or in part, at an amount equal to the principal amount plus a gross yield of 0.43% per annum (calculated on a semi-annual basis) at the relevant date (the "2015 Early Redemption Amount").

C. If a change of control (as defined in the issue terms) occurs, each bondholder shall have the right, at such holder's option, to require the Group to redeem the 2015 Bonds, in whole or in part, at 2015 Early Redemption Amount.

vii) Redemption at the option of the Company

The Company shall redeem the 2015 Bonds, in whole or in part, at the 2015 Early Redemption Amount, in the following cases:

A. At any time on or after August 10, 2013 and prior to the maturity date, the closing price (translated into US dollars at the prevailing rate) of its common shares on the Taiwan Stock Exchange is at least 130% of the 2015 Early Redemption Amount for 20 consecutive trading days.

B. If more than 90% of 2015 Bond has been redeemed, repurchased and cancelled, or converted;

C. The change in the tax regulations of ROC causes the Company become obliged to pay additional amounts in respect of taxes or expenses.

viii) Redemption at maturity

Unless previously redeemed, repurchased and cancelled, or converted, the Company shall redeem the 2015 Bonds at a redemption price of their principal amount plus a gross yield of 0.43% per annum (calculated on a semi-annual basis) on August 10, 2015.

ii. The 2017 Bonds

i) Par value US$200,000 thousand
ii) Issue date August 10, 2010
iii) Maturity date August 10, 2017
iv) Coupon rate 0%
v) Conversion

Bondholders may convert bonds into the Company's common shares at any time starting the

41th day from the issue date until 10 days prior to the maturity date. On December 31, 2013, the conversion price was $104.96 per common share, with a fixed exchange rate of $31.83 = US$ 1.00, subject to adjustment by the formula provided in the issue terms if the Company's outstanding common shares are increased.

vi. Redemption at the option of the bondholders

A. Bondholders shall have the right, at such holder's option, to require the Company to redeem, in whole or in part, the 2017 Bonds held by such holder at a redemption price of the principal amount plus a gross yield of 2.5% per annum (calculated on a semi-annual basis) on August 10, 2015.

B. In the event that the Company's common shares are officially delisted from the Taiwan Securities Exchange, each bondholder shall have the right, at such holder's option, to require the Company to redeem the 2017 Bonds, in whole or in part, at an amount equal to the principal amount plus a gross yield of 2.5% per annum (calculated on a semi-annual basis) at the relevant date (the "2017 Early Redemption Amount").

C. If a change of control (as defined in the issue terms) occurs, each bondholder shall have the right, at such holder's option, to require the Company to redeem the 2017 Bonds, in whole or in part, at 2017 Early Redemption Amount.

vii) Redemption at the option of the Company

The Company shall redeem the 2017 Bonds, in whole or in part, at the 2017 Early Redemption Amount, in the following cases:

A. At any time on or after August 10, 2013 and prior to the maturity date, the closing price (translated into US dollars at the prevailing rate) of its common shares on the Taiwan Stock Exchange is at least 130% of the 2017 Early Redemption Amount for 20 consecutive trading days.

B. If more than 90% of 2017 Bond has been redeemed, repurchased and cancelled, or converted;

C. The change in the tax regulations of ROC causes the Company become obliged to pay additional amounts in respect of taxes or expenses.

viii) Redemption amount at maturity

Unless previously redeemed, repurchased and cancelled, or converted, the Company shall redeem the 2017 Bonds at a redemption price of their principal amount plus a gross yield of 2.5% per annum (calculated on a semi-annual basis) on August 10, 2017.

In 2013, the bondholders required the Group to redeem US$ 168,700 thousand of the bonds payable at a redemption price of $5,109,550 (approximately US$170,888 thousand). In addition, the Group purchased US$48,400 thousand of the bonds payable from open market at a price of $1,559,524 (approximately US$52,158 thousand) in 2013. The redemption and purchase price was allocated to liability components and the loss on purchase and redemption of bonds payable of $ 73,972 (classified under non-operating income and loss) was recognized thereof.

In 2012, the Group purchased US$177,800 thousand of the bonds payable from open market at a price of $5,283,113 (approximately US$176,980 thousand). The loss on purchase of bonds payable of $69,164 (classified under other non-operating income and loss) was recognized thereof.

(c) Domestic convertible bonds

		2013
Bonds payable:		
Balance at issue date	$	5,742,000
Amortization of bonds discount (recognized as interest expense)		52,965
Ending balance	**$**	**5,794,965**
Financial assets at fair value through profit or loss (redemption options of the convertible bonds):		
Balance at issue date	$	3,000
Evaluation loss		(3,000)
Ending balance	**$**	**-**

		December 31, 2013
Capital surplus－conversion right (note 6(20))	**$**	**261,000**

On May 14, 2013, the Group issued $6,000,000 of zero coupon domestic convertible bonds due 2016 (the “2016 Bond”) at the Taiwan GreTai Securities Market. The significant terms and conditions of convertible bonds are as follows:

i. Par value $6,000,000
ii. Issue date May 14, 2013
iii. Maturity date May 14, 2016
iv. Coupon rate 0%
v. Conversion:

Bondholders may convert bonds into the Company’s common shares at any time starting one month from the issue date until 10 days prior to the maturity date. The conversion price is $ 25.72 per common share and is subject to adjustment by the formula provided in the issue terms if the Company’s outstanding common shares are increased.

vi. Redemption at the option of the Company

The Company shall redeem the 2016 Bond, in whole or in part, at the principal amounts, in the following cases:

i) At any time on or after June 15, 2013 and until 40 days prior to the maturity date, the closing price of its common shares on the Taiwan Stock Exchange is at least 130% of the conversion price for 30 consecutive trading days.

ii) At any time on or after June 15, 2013 and until 40 days prior to the maturity date, the outstanding balance of convertible bonds is less than 10% of the original of issuance amount.

vii. Redemption amount at maturity

Unless previously redeemed, repurchased and cancelled, or converted, the Company shall redeem the bonds at their par value in cash.

(16) Provisions

		Warranties	Litigation	Sales return	Restructuring	Environmental protection and others	Total
Balance at January 1, 2013	$	7,376,790	1,620,028	1,909,917	-	286,130	11,192,865
Provisions made		6,271,421	2,472,850	6,159,474	1,019,641	99,139	16,022,525
Amount utilized		(7,320,508)	(2,411,277)	(6,627,165)	(364,570)	(105,133)	(16,828,653)
Effect of exchange rate changes		160,072	59,346	48,892	5,580	(12,110)	261,780
Balance at December 31, 2013	**$**	**6,487,775**	**1,740,947**	**1,491,118**	**660,651**	**268,026**	**10,648,517**
Current	$	6,487,775	1,515,404	1,491,118	660,651	150,631	10,305,579
Non-current		-	225,543	-	-	117,395	342,938
	$	**6,487,775**	**1,740,947**	**1,491,118**	**660,651**	**268,026**	**10,648,517**
Balance at January 1, 2012	$	6,430,468	1,162,833	2,369,871	-	322,352	10,285,524
Provisions made		9,631,638	745,758	6,344,078	171,867	123,330	17,016,671
Amount utilized		(8,499,906)	(236,620)	(6,717,880)	(171,867)	(138,695)	(15,764,968)
Effect of exchange rate changes		(185,410)	(51,943)	(86,152)	-	(20,857)	(344,362)
Balance at December 31, 2012	**$**	**7,376,790**	**1,620,028**	**1,909,917**	**-**	**286,130**	**11,192,865**
Current	$	7,376,790	1,620,028	1,909,917	-	94,075	11,000,810
Non-current		-	-	-	-	192,055	192,055
	$	**7,376,790**	**1,620,028**	**1,909,917**	**-**	**286,130**	**11,192,865**

(a) Warranties

The provision for warranties are made based on the number of sold units 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 on-going basis and revises it when appropriate.

(b) 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.

As a result of the acquisition of eMachines, a subsidiary of Gateway Inc, the Group assumed a contingent liability with respect to the defects in Floppy Disk Controllers of certain computer models, whereby the Disctrict Court of three states in the US listed eMachines as a defendant of consumer class action between 2004 to 2005. The case has reached a settlement with the plaintiffs where final approval was made by the Court in July 2013. In addition to the settlement with plaintiffs, the Group was also required to pay redemption cost to the customers who had purchased the defective products in prior years. The redemption claims made by customers were gradually fulfilled by the Group commencing from July 2013 in order to execute the final settlement approved by the court. The Group has made related provision in accordance with the compensation claims made by customers.

(c) Sales return

Expected sales return are estimated based on historical experiences.

(d) Restructuring

Due to tremendous impact from the rapid development in tablet and smart phones to the PC industry, the Group's Board of Directors resolved a personnel and business restructuring plan on November 5, 2013. Following the announcement of the plan, the Group recognized a provision of $1,019,641 for expected restructuring costs in the fourth quarter of 2013, mainly for employee termination benefits. In addition, the Group recognized restructuring charges and relocation costs of $171,867 in 2012 as a result of integration of organization and personnel in EMEA. Those restructuring costs were accounted for as other expense in operating expenses.

(e) Environmental protection and others

Environmental protection provision is made when the products are sold and is estimated based on the historical experience.

(Continued)

(17) Operating lease

(a) Lessee

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

		December 31, 2013	**December 31, 2012**	**January 1, 2012**
Not later than 1 year	$	643,440	682,863	709,319
Later than 1 year but not later than 5 years		1,024,955	950,968	883,682
Later than 5 years		560,092	532,033	582,044
	$	**2,228,487**	**2,165,864**	**2,175,045**

For the years ended December 31, 2013 and 2012, rental expenses of $1,076,141 and $1,097,715, respectively, were recognized and included in the cost of sales and operating expenses.

Office and warehouse leases entered by the Group include leases of both land and buildings where these office and warehouses are located. As the lessor has not transferred the ownership of the land to the Group, the rental payment to the lessor is increased to market rate at regular intervals, and the Group does not participate in the residual value of the land and buildings. As a result, the Group determined that substantially all the risks and rewards of the land and buildings are with the lessor. As such, the office and warehouse leases are operating leases.

(b) Lessor

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

		December 31, 2013	**December 31, 2012**	**January 1, 2012**
Not later than 1 year	$	27,786	43,854	76,310
Later than 1 year but not later than 5 years		39,016	12,505	56,359
	$	**66,802**	**56,359**	**132,669**

(Continued)

In 2013 and 2012, the rental income from investment properties amounted to $88,928 and $119,938, respectively. Related repair and maintenance expenses were as follows:

		2013	2012
Arising from investment properties that generated rental income during the period	$	33,895	59,681
Arising from investment properties that did not generate rental income during the period		72,916	49,784
	$	106,811	109,465

(18) Employee benefits

(a) Defined benefit plans

The present value of defined benefit obligations and the fair value of the plan assets were as follows:

		December 31, 2013	December 31, 2012	January 1, 2012
Present value of benefit obligations	$	1,995,552	2,316,364	2,189,336
Fair value of plan assets		(1,128,400)	(1,312,329)	(1,347,962)
Recognized liabilities for defined benefit obligations (classified under other non-current liabilities)	$	867,152	1,004,035	841,374

		December 31, 2013	December 31, 2012	January 1, 2012
Present value of benefit obligations	$	34,320	30,090	30,606
Fair value of plan assets		(68,780)	(67,909)	(67,259)
Recognized assets for defined benefit obligations (classified under other non-current assets)	$	(34,460)	(37,819)	(36,653)

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 Labour 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, APHI, AEG, ASZ, AIT, AME, ACN and ACF, also apply defined benefit pension plans based on respective local laws and regulations.

i. Composition of plan assets

The pension fund (the "Fund") contributed by the Company and its domestic subsidiaries is managed and administered by the Labour Pension Fund Supervisory Committee. According to the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, with regard to the utilization of the funds, minimum earnings in the annual distributions shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with interest rates offered by local banks. The Company and its domestic subsidiaries also establish 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 interests from such funds shall not be used in any form except for the payment of pension and severance to employees.

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

As of December 31, 2013 and 2012, and January 1, 2012, the Group's fair value of plan assets by major categories was as follows:

		December 31, 2013	December 31, 2012	January 1, 2012
Cash	$	784,599	997,024	1,018,971
Equity instruments		231,986	228,207	235,969
Instruments with fixed return		120,212	107,644	111,306
Real estate		60,383	47,363	48,975
	$	1,197,180	1,380,238	1,415,221

Cash includes the labour pension fund assets. For information on the labour pension fund assets (including the asset portfolio and yield of the fund), please refer to the website of the Labour Pension Fund Supervisory Committee.

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

ii. Movements in present value of the defined benefit obligations

In 2013 and 2012, the movements in present value of defined benefit obligations of the Group were as follows:

	2013	2012
Defined benefit obligation at January 1	$ 2,346,454	2,219,942
Current service costs	217,436	164,283
Interest costs	45,465	52,104
Benefits paid by the plan	(237,504)	(103,224)
Settlement	(95,900)	-
Curtailment gains	(68,164)	(6,451)
Actuarial losses (gains)	(210,849)	31,443
Past service cost	(26,398)	10
Contributions by plan participants	3,488	24,317
Effect of exchange rate changes	55,844	(35,970)
Defined benefit obligation at December 31	$ 2,029,872	2,346,454

iii. Movements of fair value of plan assets

In 2013 and 2012, the movements in the fair value of plan assets of the Group were as follows

	2013	2012
Fair value of plan assets at January 1	$ 1,380,238	1,415,221
Benefits paid by the plan	(228,170)	(96,794)
Settlement	(95,900)	-
Expected return on plan assets	26,616	29,324
Contributions by plan participants	3,488	24,317
Contributions by the employer	123,103	89,114
Actuarial gains (losses)	(32,445)	(48,132)
Effect of exchange rate changes	20,250	(32,812)
Fair value of plan assets at December 31	$ 1,197,180	1,380,238

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

iv. Expenses recognized in profit or loss

In 2013 and 2012, the expenses recognized in profit or loss were as follows:

	2013	2012
Current service costs	$ 217,436	164,283
Interest costs	45,465	52,104
Curtailment gains	(68,164)	(6,451)
Expected return on plan assets	(26,616)	(29,324)
Past service costs	(26,398)	10
	$ 141,723	180,622
Classified under operating expense	$ 141,723	180,622
Actual return on plan assets	$ (5,829)	(18,808)

v. Actuarial gains and losses recognized in other comprehensive income

In 2013 and 2012, the actuarial gains and losses recognized in other comprehensive income were as follows:

	2013	2012
Cumulative amount at January 1	$ (79,575)	-
Recognized during the period	178,404	(79,575)
Cumulative amount at December 31	$ 98,829	(79,575)

vi. Actuarial assumptions

The principal assumptions of the actuarial valuation were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Discount rate	1.30%~5.20%	1.30%~5.20%	1.40%~5.90%
Expected return on plan assets	1.75%~4.10%	1.75%~3.80%	2.00%~2.50%
Future salary increases	1.80%~8.00%	2.00%~8.00%	2.00%~9.00%

The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

(Continued)

vii. Experience adjustments on historical information

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of defined benefit obligations	$ 1,995,552	2,316,364	2,189,336
Fair value of plan assets	(1,128,400)	(1,312,329)	(1,347,962)
Liabilities of defined benefit obligations	**$ 867,152**	**1,004,035**	**841,374**
Experience adjustments arising from the present value of defined benefit obligations	**$ (110,097)**	**(12,304)**	**-**
Experience adjustments arising from the fair value of the plan assets	**$ (32,126)**	**(47,438)**	**-**

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of defined benefit obligations	$ 34,320	30,090	30,606
Fair value of plan assets	(68,780)	(67,909)	(67,259)
Assets of defined benefit obligations	**$ (34,460)**	**(37,819)**	**(36,653)**
Experience adjustments arising from the present value of defined benefit obligations	**$ 1,478**	**(358)**	**-**
Experience adjustments arising from the fair value of the plan assets	**$ (319)**	**(694)**	**-**

The Group is expecting to contribute $123,057 to the defined benefit plans in the following year starting from December 31, 2013.

viii. 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.

As of December 31, 2013, the Group's accrued pension liabilities and prepaid pension were $867,152 and $34,460, respectively. If the discount rate had increased or decreased by 0.25%, the Group's accrued pension liabilities would have decreased by $340,838 or increased by $403,170 and the Group's prepaid pension would have increased by $1,375 or decreased by $1,402, respectively. If the salary adjustment rate had increased or decreased by 0.25%, the Group's accrued pension liabilities would have increased by $380,903 or decreased by $357,335 and the Group's prepaid pension would have decreased by $1,395 or increased by $1,411, respectively.

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(b) 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 the Labour Insurance in accordance with the provisions of the Labour Pension Act. Under this defined contribution plan, the Group has no legal or constructive obligations to pay additional amounts after contributing fixed amount to the Bureau of the Labour Insurance. Foreign subsidiaries make contributions in compliance with respective local regulations.

For the years ended December 31, 2013 and 2012, the Group recognized pension expenses of $425,390 and $446,499, respectively in relation to the defined contribution plans.

(19) Income taxes

(a) 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 ROC are subject to ROC income tax at a rate of 17% for the years 2013 and 2012. AAPH has applied for a tax exemption of its income under Malaysian tax act. The tax exemption for the financial years 2008 to 2017 has been granted subject to the conditions that (1) AAPH shall invest certain amount on IT infrastructure and related IT costs; and (2) sales to the Malaysian market is limited to 20% of total annual sales of AAPH. Other foreign subsidiaries calculated income tax in accordance with the respective local tax law and regulations. The components of income tax expense (benefit) were as follows:

	2013	2012
Current income tax expense (benefit)		
Current period	$ 560,290	1,372,522
Adjustments for prior years	(1,374,100)	111,250
	(813,810)	1,483,772
Deferred tax expense (benefit)		
Origination and reversal of temporary differences	(4,452,029)	(804,257)
Change in unrecognized deductible temporary differences and tax losses	4,721,452	(489,456)
	269,423	(1,293,713)
Income tax expense (benefit)	**$ (544,387)**	**190,059**

In 2013 and 2012, the components of income tax recognized in other comprehensive income were as follows.

	2013	2012
Exchange differences on translation of foreign operations	$ (1,745)	(315)
Defined benefit plan actuarial losses	12,895	933
	$ 11,150	**618**

Reconciliation of the expected income tax expense (benefit) calculated based on the R.O.C. statutory tax rate compared with the actual income tax expense (benefit) as reported in the consolidated

(Continued)

statements of comprehensive income for 2013 and 2012, was as follows:

	2013	2012
Loss before taxes	$ (21,063,736)	(2,270,899)
Income tax using the Company's statutory tax rate	$ (3,580,835)	(386,053)
Effect of tax rates in foreign jurisdictions	(2,383,670)	359,497
Adjustments for prior year income tax expense	(1,374,100)	111,250
Impairment loss on intangible assets	1,451,155	543,679
Taxable loss not qualified to be carry forwarded	155,447	90,284
Tax-exempt income	(43,901)	(282,362)
Change in unrecognized temporary differences and tax losses	4,721,452	(489,456)
Others	510,065	243,220
	$ (544,387)	190,059

(b) Deferred income tax assets and liabilities

i. Unrecognized deferred income tax assets and liabilities

	December 31, 2013	December 31, 2012	January 1, 2012
Deductible temporary differences	$ 6,809,547	3,321,717	3,352,998
Tax losses	8,066,610	6,832,988	7,291,163
	$ 14,876,157	10,154,705	10,644,161

The tax benefits from tax losses that entitled to each entity in the Group in accordance with respective local tax regulations of each jurisdiction were not recognized as deferred income tax assets as management believed that it is not probable that future taxable profits will be available against which the Group can utilize the benefits therefrom.

As of December 31, 2013 the unrecognized tax losses and the respective expiry years were as follows:

Tax effects of tax losses	Year of expiry
$ 145,780	2014
34,819	2015
74,325	2016
73,340	2017
7,738,346	2018 and thereafter
$ 8,066,610	

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

ii. Unrecognized deferred income tax liabilities

	December 31, 2013	December 31, 2012	January 1, 2012
Net profits associated with investments	$ 4,878,965	4,878,965	4,098,965

The Company is able to control the timing of the 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.

iii. Recognized deferred income tax assets and liabilities

Changes in the amount of deferred income tax assets and liabilities for 2013 and 2012 were as follows:

Deferred income tax assets:

	Property, plant and equipment	Inventory	Accrual expense and provisions	Unused loss carryforwards	Others	Total
Balance at January 1, 2013	$ 279,948	438,122	1,391,331	693,116	522,439	3,324,956
Recognized in profit or loss	(276,668)	(96,158)	(480,415)	(173,278)	(380,132)	(1,406,651)
Recognized in other comprehensive income	-	-	-	-	(14,422)	(14,422)
Balance at December 31, 2013	$ 3,280	341,964	910,916	519,838	127,885	1,903,883

	Property, plant and equipment	Inventory	Accrual expense and provisions	Unused loss carryforwards	Others	Total
Balance at January 1, 2012	$ 386,854	511,931	1,323,726	302,268	382,140	2,906,919
Recognized in profit or loss	(106,906)	(73,809)	67,605	390,848	137,917	415,655
Recognized in other comprehensive income	-	-	-	-	2,382	2,382
Balance at December 31, 2012	$ 279,948	438,122	1,391,331	693,116	522,439	3,324,956

Deferred income tax liabilities:

	Unremitted earnings from subsidiaries	Unrealized foreign exchange gain and unrealized gain on valuation of financial instruments	Intangible assets	Others	Total
Balance at January 1, 2013	$ 1,172,970	129,130	1,767,605	17,138	3,086,843
Recognized in profit or loss	(922,071)	(126,447)	(142,833)	54,123	(1,137,228)
Recognized in other comprehensive income	-	-	-	(3,272)	(3,272)
Balance at December 31, 2013	$ 250,899	2,683	1,624,772	67,989	1,946,343

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

	Unremitted earnings from subsidiaries	Unrealized foreign exchange gain and loss of financial instruments	Intangible assets	Others	Total
Balance at January 1, 2012	$ 1,933,948	106,927	-	3,036	2,043,911
Acquired in business combinations	-	-	1,917,989	-	1,917,989
Recognized in profit or loss	(760,978)	22,203	(150,384)	11,102	(878,057)
Recognized in other comprehensive income	-	-	-	3,000	3,000
Balance at December 31, 2012	$ 1,172,970	129,130	1,767,605	17,138	3,086,843

(c) The Company's income tax returns for the years through 2011 were examined and approved by the ROC income tax authorities.

(d) Information about the integrated income tax system:

	December 31, 2013	December 31, 2012	January 1, 2012
Unappropriated earnings earned commencing from January 1, 1998	$ (24,464,794)	(6,706,640)	(2,697,535)
Balance of imputation credit account	$ 1,538,555	1,363,184	1,292,069

	2013 (Estimated)	2012 (Actual)
Tax deduction ratio for earnings distribution to ROC residents	-%	-%

(20) Capital and Other Equities

(a) Common stock

As of December 31, 2013 and 2012 and January 1, 2012, the Company's authorized shares of common stock consisted of 3,500,000,000 shares, of which 2,834,726,828 shares, 2,834,726,828 shares and 2,709,891,497 shares, respectively, were issued and outstanding. The par value of the Company's common stock is $10 per share. All issued shares were paid up upon issuance.

As of December 31, 2013 and 2012 and January 1, 2012, the Company had issued 6,775 thousand units, 7,017 thousand units and 7,822 thousand units, respectively, of global depository receipts (GDRs). The GDRs were listed on the London Stock Exchange, and each GDR represents five common shares.

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The movements in outstanding common shares of stock in 2013 and 2012 were as follows (In thousands of shares):

	Ordinary Shares 2013	Ordinary Shares 2012
Balance at January 1	2,722,362	2,607,527
Issuance of common shares for acquisition of a subsidiary	-	122,178
Exercise of share options	-	2,657
Purchase of treasury stock	-	(10,000)
Balance at December 31	2,722,362	2,722,362

On January 12, 2012, the Company completed the acquisition of 100% equity ownership of iGware Inc. for a total purchase consideration of US$150 million (approximately $4,520,020), which was paid in cash and by issuing 122,178,242 shares of the Company's common stock. The issuance of common shares has been authorized by and registered with the government authorities.

(b) Capital surplus

	December 31, 2013	December 31, 2012	January 1, 2012
Share premium:			
Paid-in capital in excess of par value	$ 13,937,133	13,712,163	9,632,450
Surplus from mergers	22,781,719	22,781,719	22,781,719
Premium on common stock issued from conversion of convertible bonds	4,552,585	4,552,585	4,552,585
Forfeited interest from conversion of convertible bonds	1,006,210	1,006,210	1,006,210
Surplus related to treasury stock transactions and cash dividends	760,447	760,447	760,447
Others:			
Employee share options	241,127	422,903	804,001
Surplus from equity-method investments	167,506	167,506	386,612
Conversion right of convertible bonds (note 6(15))	261,000	-	-
	$ 43,707,727	43,403,533	39,924,024

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Pursuant to the amended Company Law, which was announced in January 2012, 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 based on original shareholding ratio or distributed by cash based on a resolution approved by the stockholders. Realized capital surplus includes the premium derived from the issuance of shares of stock in excess of par value and endowments received by the Company. In accordance with the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, distribution of stock dividend from capital surplus in any one year shall not exceed 10% of paid-in capital.

(c) Legal reserve, special reserve, unappropriated earnings, 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 of annual net income, if any, can be distributed as follows:

- at least 5% as employee bonuses; employees entitled to stock bonus may include subsidiaries' employees that meet certain criteria set by the board of directors;

- 1% or lower as remuneration to directors and supervisors, the distribution is proposed by compensation committee and approved by board of directors.

- the remaining balance, together with unappropriated earnings from previous years, after retaining a certain portion for business considerations, as dividends to stockholders. The Company could not distribute earnings when there are no retained earnings

According to the Company's article of incorporation, regardless of operating profit or loss, the remuneration to directors and supervisors is determined based on their involvement and contribution to the Company and considering industry practice. The amount is proposed by the compensation committee and approved by board of directors. Additionally, when the Company makes profits, directors and supervisors are entitled to the aforementioned earnings distribution.

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, the 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 amended Company Law, which was announced in January 2012, 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 cash for the portion of legal reserve which exceeds 25% of the paid-in capital.

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

- earnings distribution

During their meeting on June 19, 2013, the Company's shareholders has approved not to distribute earnings for 2012 as the Company incurred a net loss in 2012 and likewise approved to decrease legal reserve to offset accumulated deficit. Related information about the appropriation of earnings proposed by the board of directors and approved by the shareholders is available on the Market Observation Post System website of the Taiwan Stock Exchange.

As the Company incurred net loss in 2013 and 2012, no employee bonus and remunerations to directors and supervisors were accrued for the years ended December 31, 2013 and 2012. However, the remuneration to directors and supervisors of $21,796 and $29,950 were recognized in 2013 and 2012, respectively, regardless of whether or not there are earnings. Related information on the distribution of employees and remuneration to directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

(d) Treasury stock

According to Article 28-2 of the Securities and Exchange Act, the Company purchased its own common shares of 10,000,000 shares for an aggregate amount of $271,182 from July to September 2012 in order to retain and motivate employees.

According to Article 28-2 of the Securities and Exchange Act, the Company purchased its own common shares of 55,619,000 shares for an aggregate amount of $ 2,868,248 from April to June 2011 in order to maintain its shareholders' equity. In addition, during their meeting on August 31, 2011, the board of directors resolved to change the purpose of treasury stock from maintaining shareholders' equity to transferring to employees.

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)

As of December 31, 2013 and 2012 and January 1, 2012, details of the GDRs (for the implementation of an overseas employee stock option plan) held by subsidiary namely AWI and the Company's common stock held by subsidiaries namely AWI (to maintain the Company's shareholders' equity), CCI (to maintain the Company's shareholders' equity) and E-Ten (resulting from the acquisition of E-Ten) were as follows (expressed in thousands of shares):

December 31, 2013

	Number of shares	Carrying amount	Market price
Common stock	21,809	$ 945,239	399,105
GDRs	24,935	1,969,617	480,985
		$ 2,914,856	880,090

December 31, 2012

	Number of shares	Carrying amount	Market price
Common stock	21,809	$ 945,239	549,587
GDRs	24,935	1,969,617	620,493
		$ 2,914,856	1,170,080

January 1, 2012

	Number of shares	Carrying amount	Market price
Common stock	21,809	$ 945,239	765,496
GDRs	24,935	1,969,617	858,078
		$ 2,914,856	1,623,574

(e) Other equity items (net after tax)

i. Foreign currency translation differences:

	2013	2012
Balance at January 1	$ (2,230,965)	(189,094)
Foreign exchange differences arising from translation of foreign operations	1,968,734	(2,041,871)
Balance at December 31	$ (262,231)	(2,230,965)

Acer Incorporated 2013 Annual Report

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

	2013	2012
Balance at January 1	$ (889,498)	(838,615)
Changes in fair value of available-for-sale financial assets	(46,425)	(57,534)
Net gain on disposal of available-for-sale financial assets reclassified to profit or loss	(227,722)	(7,752)
Share of other comprehensive income of associates	-	14,403
Balance at December 31	$ (1,163,645)	(889,498)

iii. Cash flow hedge reserve:

	2013	2012
Balance at January 1	$ (402,433)	234,942
Change in fair value of cash flow hedge	556,883	(2,493,995)
Net change in fair value of cash flow hedges reclassified to profit or loss	(163,943)	1,246,889
Net change in fair value of cash flow hedges reclassified to profit or loss for the forecasted transactions which are no longer expected to occur	9,493	609,731
Balance at December 31	-	(402,433)

(21) Share-based payment

As of December 31, 2013, the Group had 3 employee stock option plans ("ESOPs") as follows:

	Equity-settled		
	ESOP of E-Ten (ESOP 1)	ESOP of the Company (ESOP 2)	ESOP of the Company (ESOP 3)
Grant date	2008/9/1	2010/10/29	2011/6/15
Number of shares granted (in thousands)	8,717	4,000	10,000
Contract term	4.97 years	3 years	3 years
Qualified employees	Eten's employees	Note 1	Note 1
Vesting conditions	1~3 years of service subsequent to grant date	2 years of service subsequent to grant date	2 years of service subsequent to grant date

Note 1: The options are granted to eligible employees of the Company and its subsidiaries in which the Company, directly or indirectly, owns 50% or more of the subsidiary's voting shares.

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Movements in number of ESOPs outstanding:

	2013			
	The Company's ESOPs		E-Ten's ESOPs	
	Number of options (in thousands)	Weighted-average exercise price ($)	Number of options (in thousands of units)	Weighted-average exercise price ($)
Outstanding, beginning of year	14,000	$31.43	1,758	$38.30
Granted	-	-	-	-
Forfeited	(4,646)	-	(1,758)	-
Exercised	-	-	-	-
Outstanding, end of year	9,354	25.99	-	-
Exercisable, end of year	9,354	25.99	-	-

	2012			
	The Company's ESOPs		E-Ten's ESOPs	
	Number of options (in thousands)	Weighted-average exercise price ($)	Number of options (in thousands of units)	Weighted-average exercise price ($)
Outstanding, beginning of year	27,890	$34.62	2,683	$38.30
Granted	-	-	-	-
Forfeited	(11,963)	-	(195)	-
Exercised	(1,927)	37.84	(730)	38.30
Outstanding, end of year	14,000	31.43	1,758	38.30
Exercisable, end of year	4,000	45.04	1,758	38.30

The Company's weighted-average share price at the dates of exercise of options in 2012 amounted to $38.33.

Information on outstanding ESOPs for each reporting date was as follows:

	December 31, 2013			
Year of grant	Number outstanding (in thousands)	Weighted-average remaining contractual years	Weighted-average exercise price ($)	Number exercisable (in thousands)
2011	9,354	0.46	25.99	9,354

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

	December 31, 2012			
Year of grant	Number outstanding (in thousands)	Weighted-average remaining contractual years	Weighted-average exercise price ($)	Number exercisable (in thousands)
2008	1,758	0.64	38.30	1,758
2010	4,000	0.83	45.04	4,000
2011	10,000	1.46	25.99	-
	15,758			5,758

	January 1, 2012			
Year of grant	Number outstanding (in thousands)	Weighted-average remaining contractual years	Weighted-average exercise price ($)	Number exercisable (in thousands)
2008	2,683	1.64	38.30	2,683
2009	13,890	0.83	37.84	13,890
2010	4,000	1.83	45.04	-
2011	10,000	2.46	25.99	-
	30,573			16,573

In 2013 and 2012, the compensation costs recognized for the aforementioned ESOPs amounted to $43,194 and $203,315, respectively. Furthermore, compensation costs recognized related to the restricted stock issued to the employees of iGware Inc. for 2013 and 2012 were $263,403 and $272,393, respectively. The aforementioned expenses were classified under operating expense.

(22) Earnings (loss) per share ("EPS")

(a) Basic loss per share

The basic loss per share was calculated on the loss attributable to the shareholders of the Company divided by the weighted-average number of ordinary shares outstanding, as follows:

		2013	2012
Loss attributable to the shareholders of the Company	$	(20,519,428)	(2,461,098)
Weighted average number of ordinary shares outstanding (in thousands)		2,722,362	2,722,601
Basic loss per share	$	(7.54)	(0.90)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(b) Diluted loss per share

As the Company incurred a net loss in 2013 and 2012, no diluted EPS was calculated.

(23) Revenue

		2013	2012
Revenue from sale of goods	$	351,619,000	416,998,159
Revenue from services rendered		5,233,600	5,593,612
Others		3,279,442	7,035,421
	$	**360,132,042**	**429,627,192**

(24) Other expenses

		2013	2012
Restructuring costs (note 6(16))	$	1,019,641	171,867
Tax penalty		273,582	116,184
	$	**1,293,223**	**288,051**

(25) Other operating income and loss – net

		2013	2012
Rental income (note 6(17))	$	146,343	172,807
Government grants		88,165	141,104
	$	**234,508**	**313,911**

(26) Non-operating income and loss

(a) Other income

		2013	2012
Interest income	$	324,821	503,021
Dividend income		205,303	167,547
	$	**530,124**	**670,568**

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(b) Other gains and losses

		2013	2012
Foreign currency exchange gain (loss)	$	(447,456)	1,227,834
Gain (loss) on financial assets and liabilities at fair value through profit or loss		311,208	(72,586)
Gain (loss) on hedging instruments－fair value hedge		37,600	(109,140)
Net change in fair value of cash flow hedges reclassified from equity		163,943	(1,246,889)
Net change in fair value of cash flow hedges reclassified from equity－for the forecast transactions which are no longer expected to occur		(9,493)	(609,731)
Gain on disposal of available-for-sale financial assets		227,722	7,752
Gain on disposal of investments in associates		-	475,312
Gain on disposal of property, plant and equipment, non-current assets held for sale, and investment property, net		105,317	775,222
Loss on purchase and redemption of bonds payable		(73,972)	(69,164)
Other investment gain		355,620	86,074
Other		137,593	(52,843)
	$	**808,082**	**411,841**

(c) Finance costs

		2013	2012
Interest expense from convertible bonds (note 6(15))	$	494,960	460,283
Interest expense from bank loans		414,516	443,814
	$	**909,476**	**904,097**

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(27) Financial instruments

(a) Categories of financial instruments

i. Financial assets

		December 31, 2013	December 31, 2012	January 1, 2012
Financial assets at fair value through profit or loss	$	246,295	25,415	305,903
Hedging derivative financial assets		12,161	192,461	804,532
Available-for-sale financial assets		3,023,464	3,522,106	2,080,113
Loans and receivables:				
Cash and cash equivalents		42,983,663	50,612,564	58,092,581
Notes and accounts receivable and other receivables (including related parties)		63,805,460	71,130,190	87,474,245
Other financial assets – non-current		1,165,811	1,179,517	1,632,327
	$	111,236,854	126,662,253	150,389,701

ii. Financial liabilities

		December 31, 2013	December 31, 2012	January 1, 2012
Financial liabilities at fair value through profit or loss	$	971,568	1,064,896	1,272,798
Hedging derivative financial liabilities		-	1,149,400	179,685
Financial liabilities measured at amortized cost:				
Short-term borrowings		389,989	349,974	358,120
Accounts payable and other payables (including related parties)		93,837,561	108,746,387	125,520,645
Bonds payable (including current portion)		8,974,513	8,732,093	13,548,703
Long-term debt (including current portion)		9,000,000	9,000,000	9,000,000
	$	113,173,631	129,042,750	149,879,951

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(b) Fair value of financial instruments measured at amortized cost

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

		December 31, 2013		December 31, 2012		January 1, 2012	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities:							
Bonds payable (including current portion)	$	8,974,513	9,317,672	8,732,093	9,946,287	13,548,703	15,584,854

(c) Fair value hierarchy

The table below analyses financial instruments that are 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:

i. Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

ii. 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).

iii. Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

		Level 1	Level 2	Level 3	Total
December 31, 2013					
Available-for-sale financial assets	$	2,388,686	-	634,778	3,023,464
Derivative financial assets		-	258,456	-	258,456
	$	2,388,686	258,456	634,778	3,281,920
Derivative financial liabilities	$	-	(971,568)	-	(971,568)
December 31, 2012					
Available-for-sale financial assets	$	2,804,969	-	717,137	3,522,106
Derivative financial assets		-	217,876	-	217,876
	$	2,804,969	217,876	717,137	3,739,982
Derivative financial liabilities	$	-	(2,214,296)	-	(2,214,296)
January 1, 2012					
Available-for-sale financial assets	$	885,423	-	1,194,690	2,080,113
Derivative financial assets		-	1,110,435	-	1,110,435
	$	885,423	1,110,435	1,194,690	3,190,548
Derivative financial liabilities	$	-	(1,452,483)	-	(1,452,483)

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

There were no transfers between fair value levels for the years ended December 31, 2013 and 2012.

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

	2013	2012
Balance at January 1	$ 717,137	1,194,690
Total gains or losses:		
Recognized in profit or loss	-	(93,803)
Recognized in other comprehensive income	58,465	9,799
Effect of exchange rate changes	6,919	(19,951)
Additions	-	5,577
Disposal	(147,743)	(379,175)
Balance at December 31	$ 634,778	717,137

(e) Valuation techniques and assumptions used in fair value measurement

The Group uses the following methods in determining the fair value of its financial assets and liabilities:

i. The fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (e.g. publicly traded stocks).

ii. The fair value of derivative financial instruments is determined using a valuation technique, with estimates and assumptions consistent with those used by market participants and are readily available to the Group. The fair value of foreign currency forward contracts is computed individually based on the maturity date, the spot rate, and the swap points based on quotes provided by Bloomberg.

iii. The fair value of privately held stock is estimated by using the market approach, which is determined by reference to recent financing activities, valuations of similar companies, market conditions and other economic indicators.

iv. The fair value of overseas convertible bonds payable is estimated based on the 4-Factor Quad Tree Approach, which considered the expected volatility and risk-free interest rate; the fair value of domestic convertible bonds payable is estimated based on the Binominal Trees Approach.

(28) 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 of 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 is 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

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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 both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

(a) 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, which 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.

The Group maintains cash and enters into derivative transactions with reputable financial institutions; therefore, the exposure related to the potential default by those counter-parties is not considered significant.

The Group has established a credit policy under which each customer is analysed individually for creditworthiness for purposes of setting the credit limit. Additionally, Group continuously evaluates the credit quality of customers and utilizes insurance to minimize the credit risk.

The Group primarily sells and markets the 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.

(b) 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 in compliance with the terms of the loan agreements. As of December 31, 2013 and 2012 and January 1, 2012, the Group had unused credit facilities of $38,403,312, $35,340,659 and $40,662,601, respectively.

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

	Contractual cash flows	Within 1 year	1-2 years	2-5 years
December 31, 2013				
Non-derivative financial liabilities:				
Short term borrowings carried floating interest rates	$ 390,064	390,064	-	-
Bonds payable with fixed interest rates	9,562,855	-	3,562,855	6,000,000
Long term borrowings carried floating interest rates	9,267,570	1,824,973	3,692,758	3,749,839
Accounts payables	55,218,026	55,218,026	-	-
Other payables	38,619,535	37,020,443	1,599,092	-
	$ 113,058,050	94,453,506	8,854,705	9,749,839
Derivative financial instruments:				
Foreign currency forward contracts－settled in gross:				
Outflow	$ 76,440,473	76,440,473	-	-
Inflow	(76,078,207)	(76,078,207)	-	-
	$ 362,266	362,266	-	-
December 31, 2012				
Non-derivative financial liabilities:				
Short term borrowings carried floating interest rates	$ 350,028	350,028	-	-
Bonds payable with fixed interest rates	10,026,596	5,117,707	-	4,908,889
Long term borrowings carried floating interest rates	9,142,705	9,142,705	-	-
Accounts payables	71,638,728	71,638,728	-	-
Other payables	37,107,659	35,859,796	1,247,863	-
	$ 128,265,716	122,108,964	1,247,863	4,908,889
Derivative financial instruments:				
Foreign currency forward contracts－settled in gross:				
Outflow	$ 91,183,289	91,183,289	-	-
Inflow	(89,862,222)	(89,862,222)	-	-
	$ 1,321,067	1,321,067	-	-
January 1, 2012				
Non-derivative financial liabilities:				
Short term borrowings carried floating interest rates	$ 363,637	363,637	-	-
Bonds payable with fixed interest rates	16,064,151	-	9,204,854	6,859,297
Long term borrowings carried floating interest rates	9,552,978	-	-	9,552,978
Accounts payables	84,353,661	84,353,661	-	-
Other payables	41,166,984	39,496,328	1,670,656	-
	$ 151,501,411	124,213,626	10,875,510	16,412,275
Derivative financial instruments:				
Foreign currency forward contracts－settled in gross:				
Outflow	$ 77,388,739	77,388,739	-	-
Inflow	(78,157,285)	(78,157,285)	-	-
	$ (768,546)	(768,546)	-	-

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

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(c) 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 foreign currency risks and the volatility of profit or loss. All such transactions are carried out within the guidelines set by the Board of Directors.

i. 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 denominated in US Dollar (USD) and Euro (EUR).

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.

i) 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 receivables (including related party transactions), notes and accounts payables (including related party transactions), other receivables (including related party transactions), other payables (including related party transactions), loans and borrowings and overseas convertible bonds that are denominated in a currency other than the respective functional currencies of Group entities. At the reporting date, the carrying amount of the Group's significant monetary assets and liabilities denominated in a currency other than the respective functional currencies of Group entities were as follows (including the monetary items that have been eliminated in the accompanying consolidated financial statements):

	December 31, 2013				
	Foreign currency (in thousands)	**Exchange rate**	**NTD (in thousands)**	**Change in magnitude**	**Effect on profit or loss (in thousands)**
Financial assets					
EUR	$ 48,604	41.1603	2,000,555	1%	20,006
USD	1,524,321	29.9500	45,653,414	1%	456,534
Financial liabilities					
EUR	18,647	41.1603	767,516	1%	7,675
USD	2,699,280	29.9500	80,843,436	1%	808,434

(Continued)

December 31, 2012

	Foreign currency (in thousands)	Exchange rate	NTD (in thousands)	Change in magnitude	Effect on profit or loss (in thousands)
Financial assets					
EUR	$ 255,754	38.4391	9,830,938	1%	98,309
USD	2,219,857	29.1360	64,677,754	1%	646,778
Financial liabilities					
EUR	24,243	38.4391	931,879	1%	9,319
USD	3,494,228	29.1360	101,807,827	1%	1,018,078

January 1, 2012

	Foreign currency (in thousands)	Exchange rate	NTD (in thousands)	Change in magnitude	Effect on profit or loss (in thousands)
Financial assets					
EUR	$ 355,976	39.2589	13,975,226	1%	139,752
USD	3,207,013	30.2900	97,140,424	1%	971,404
Financial liabilities					
EUR	78,176	39.2589	3,069,104	1%	30,691
USD	3,960,198	30.2900	119,954,397	1%	1,199,544

ii. 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 relationship 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 rate.

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

If interest rate had been 100 basis points (1%) higher/lower with all other variables held constant, pre-tax loss for the years ended December 31, 2013 and 2012 would have been $93,900 and $93,500 higher/lower, which is mainly resulting from the borrowings with floating interest rate.

(Continued)

iii. Other market price risk

The Group is exposed to the risk of price fluctuation in the securities market due to the investment in the 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, which the Group does not actively participate in 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, 2013 and 2012 would have increased or decrease by $151,173 and $176,015, respectively.

(29) 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. The Group monitors the capital through reviewing the financial ratios periodically.

The Group's equity ratio at the end of each reporting periods were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Total equity (excluding non-controlling interests)	$ 56,248,981	74,201,686	75,016,741
Total assets	$ 190,499,710	226,316,148	247,815,167
Equity percentage	29.53%	32.79%	30.27%

As of December 31, 2013, there were no changes in the Group's approach to capital management.

7. Related-party transactions

(1) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Group. Intercompany balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated upon consolidation and are not disclosed in this note. The following is a summary of transactions between the Group and other related parties.

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(2) Significant related party transactions

(a) Revenue

		2013	2012
Associates	$	276,705	572,005

The sales prices and payment terms to related parties were not significantly different from those of sales to non-related parties.

(b) Purchases

		2013	2012
Associates	$	82,942	8,773,561

The trading terms with related parties are not comparable to the trading terms with third party vendors as the specifications of products are different.

(c) Operating expenses

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

		2013	2012
Associates	$	20,417	25,417

(d) Receivables

Account	Related-party categories		December 31, 2013	December 31, 2012	January 1, 2012
Accounts receivable	Associates	$	22,602	41,214	87,812
Notes receivable	Associates		110	69	813
Other receivables	Associates		17	17	15,359
		$	22,729	41,300	103,984

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(e) Payables

Account	Related-party categories		December 31, 2013	December 31, 2012	January 1, 2012
Accounts payables	Associates	$	665	-	7,256,885
Other payables	Associates		656	1,914	184,975
		$	1,321	1,914	7,441,860

(e) Others

Account	Related-party categories		December 31, 2013	December 31, 2012	January 1, 2012
Advertising expense payable (accounted for as "other current liabilities")	Associates	$	131,622	128,045	133,116

(3) Compensation to directors, supervisors and key management personnel

		2013	2012
Short-term employee benefits	$	622,079	443,375
Post-employment benefits		100,722	37,196
Other long-term benefits		35,247	-
Termination benefits		113,131	-
Share-based payments		7,961	16,879
	$	879,140	497,450

Refer to note 6(21) for the information related to share-based payment.

8. Pledged assets

The carrying amount of assets pledged as collateral (classified as "other financial assets－non-current") are detailed below:

Asset	Pledged to secure		December 31, 2013	December 31, 2012	January 1, 2012
Cash in bank and time deposits	Contract bidding, security for letters of credit, project fulfillment, and lease guarantee	$	702,093	686,500	1,117,903

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

9. Significant Commitments and Contingencies

(1) Royalties

(a) The Company has entered into Patent Cross license agreements with International Business Machines Corporation ("IBM") and Lucent Technologies Inc. ("Lucent"). This license agreement in essence authorizes both parties to use each other's worldwide computer-related patents for manufacturing and selling personal computer products. The Company agree to make fixed payments periodically to IBM and Lucent, and the Company will not have any additional obligation for the use of IBM and Lucent patents other than the agreed upon fixed amounts of payments.

(b) The Company has entered into software and royalty license agreements with Microsoft, MPEG-LA and other companies. The Company has fulfilled its obligations according to the contracts.

(2) Ericsson Inc. and Telefonaktiebolaget LM Ericsson filed patent infringement lawsuits against the Company, its subsidiaries, Acer America Corporation and Gateway Inc., which are pending before the United States District Court of the Eastern District of Texas; and Telefonaktiebolaget LM Ericsson filed patent infringement lawsuits against the Company's subsidiary, Acer Computer GmbH, which are pending before the German Regional Court of Mannheim. American and German law firms have been retained to consult for and represent the Group on those matters. For patent lawsuits in the US, decisions made by the first instance courts are respectively in favor of the Company and its subsidiaries and Ericsson Inc. and both parties appealed the decisions. For patent lawsuits in Germany, except for one case found to be suspended, the final decisions of other two cases were awarded in favor of Acer Computer GmbH. The Group is continuing to manage these cases, handle the relevant support from component suppliers. Besides, the Group made a provision to address the matte described above. Therefore, management foresees no immediate material adverse effect to the Group' business operations and finance.

(3) Qimonda filed a lawsuit in the end of 2012 against the Company's German subsidiary with Dusseldorf District Court for patent infringement relating to CPU socket of desktops and DRAM. The Group has consulted and retained a German law firm to handle this case. Given that most of the Group's suppliers have been licensed by Qimonda, and this case only involves Qimonda's German patents, management foresees no immediate material adverse effect to the Group' business operations and finance.

(4) Verwertungsgesellschaft Wort ("VG Wort"), a German language copyright association, has filed several lawsuits against PC companies for copyright levy for the sales of PC products in Germany in recent years. While the Group is not one of the parties to the aforesaid lawsuits, the possibility of that the Group to be sued by VG Wort cannot be ruled out if the final decisions of the aforesaid lawsuits are in favor of VG Wort. The Group is keeping an eye on status of the aforesaid lawsuits in order to properly estimate and make a provision for this matter. Nevertheless, management foresees no immediate material adverse effect to the Group' business operations and finance.

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(5) In the ordinary course of its business, the Group receives notices from third parties asserting that Acer has infringed certain patents or demands Acer obtain certain patents licenses from time to time. Although the Group does not expect that the outcome in any of these other legal proceedings, individually or collectively, will have material adverse effect to the Group' business operations and finance, litigation is inherently unpredictable. Therefore, the Group could incur judgments or enter into settlements of claims that could adversely affect its operating result or cash flows in a particular period.

(6) As of December 31, 2013 and 2012 and January 1, 2012, the Group had outstanding stand-by letters of credit totaling $170,686, $145,281 and $144,683, respectively, for purposes of bids and contracts.

(7) As of December 31, 2013 and 2012 and January 1, 2012, the Group had issued promissory notes amounting to $46,976,910, $47,711,357 and $47,435,962, respectively, as collaterals for factored accounts receivable and for obtaining credit facilities from financial institutions.

10. Significant Loss from Casualty: None.

11. Significant Subsequent Events: None.

12. Others

	2013			2012		
	Cost of sales	Operating expense	Total	Cost of sales	Operating expense	Total
	$	$	$	$	$	$
Employee benefits:						
Salaries	$ 1,371,410	11,328,917	12,700,327	1,461,615	11,692,193	13,153,808
Insurance	170,538	1,275,604	1,446,142	165,644	1,258,914	1,424,558
Pension	26,452	540,661	567,113	35,209	591,912	627,121
Other	123,039	853,402	976,441	111,892	1,254,368	1,366,260
Depreciation	54,115	893,451	947,566	55,148	853,682	908,830
Amortization	22,360	1,729,601	1,751,961	13,884	2,417,982	2,431,866

13. Additional Disclosures

(1) Information on Significant Transactions:

(a) Financing provided to other parties: Table 1 (attached)

(b) Guarantees and endorsements provided to other parties: Table 2 (attached)

(c) Marketable securities held at reporting date (excluding investment in subsidiaries, associates and jointly controlled entities): Table 3 (attached)

(d) Marketable securities for which the accumulated purchase or sale amounts for the period exceed $300 million or 20% of the paid-in capital: Table 4 (attached)

(Continued)

(e) Acquisition of real estate which exceeds $300 million or 20% of the paid-in capital: None

(f) Disposal of real estate which exceeds $300 million or 20% of the paid-in capital: Table 5 (attached)

(g) Total purchases from and sales to related parties which exceed $100 million or 20% of the paid-in capital: Table 6 (attached)

(h) Receivables from related parties which exceed $100 million or 20% of the paid-in capital: Table 7 (attached)

(i) Information about the derivative instruments transactions：Please refer to note 6(2) and 6(3).

(j) Business relationships and significant intercompany transactions: Table 8 (attached)

(2) Information on Investees: Table 9 (attached)

(3) Information on Investment in Mainland China:

(a) 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, ownership, investment gain or loss, ending balance, amount received as earnings distributions from the investment, and limitation on investment: Table 10 (attached)

(b) Significant direct or indirect transactions with the investee company, 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, 2013, please refer to "Information on significant transactions" and "Business relationships and significant intercompany transactions" above.

14. Segment Information

(1) General information

The Group's reportable segments include the device business group ("Device BG") and other business group. The Device BG engages mainly in the research, design, marketing and service activities of personal computers, IT products, smart hand held and tablet products. Other business group which does not meet the quantitative threshold mainly engages in the activities of E-commerce, distribution of IT products, cloud services, hand held device in finance field and real estate services.

Restructuring costs and strategic investment expenditures (such as global branding expenditures and the amortization of the capital expenditures for the strengthening of 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 chief operating decision maker. There was no material inconsistency between the accounting policies adopted for the operating segment and the accounting policies described in Note 4.

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

		2013			
		Device BG	**Others**	**Adjustments and eliminations**	**Total**
Revenues from external customers	$	345,175,637	14,956,405	-	360,132,042
Intra-group revenue		1,738,623	951,357	(2,689,980)	-
Total revenues	**$**	**346,914,260**	**15,907,762**	**(2,689,980)**	**360,132,042**
Segment profit	**$**	**(2,274,139)**	**418,722**	**(9,554,249)**	**(11,409,666)**
Other material non-cash items:					
Impairment loss on intangible assets	$	(9,520,580)	(565,872)	(1,523)	(10,087,975)

		2012			
		Device BG	**Others**	**Adjustments and eliminations**	**Total**
Revenues from external customers	$	416,050,382	14,703,346	(1,126,536)	429,627,192
Intra-group revenue		1,691,537	1,267,475	(2,959,012)	-
Total revenues	**$**	**417,741,919**	**15,970,821**	**(4,085,548)**	**429,627,192**
Segment profit	**$**	**4,775,721**	**356,979**	**(4,194,203)**	**938,497**
Other material non-cash items:					
Impairment loss on intangible assets	$	(3,198,114)	(298,000)	-	(3,496,114)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(2) Product information

Revenues from external customers are detailed below:

Products	2013	2012
Personal computers	$ 298,250,826	364,131,333
Peripherals and others	61,881,216	65,495,859
	$ 360,132,042	429,627,192

(3) 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	2013	2012
America	$ 65,018,320	82,944,149
Mainland China	46,356,837	58,933,439
Taiwan	22,353,031	23,349,587
Others	226,403,854	264,400,017
	$ 360,132,042	429,627,192

Non-current assets:

Region	2013	2012
America	$ 20,524,559	25,091,119
Taiwan	9,146,094	15,091,619
Mainland China	3,343,275	4,924,221
Others	3,953,336	3,611,757
	$ 36,967,264	48,718,716

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

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(4) Major customers' information

No sales to individual customers accounted for more than 10% of the consolidated revenue in 2013 and 2012.

15. First-time adoption of Taiwan-IFRSs

The Group's consolidated financial statements as of December 31, 2012, were prepared in accordance with accounting principles generally accepted in the Republic of China (R.O.C GAAP). As described in Note 4 (1), the consolidated financial statements are the first annual financial statements that apply the Guidelines and Taiwan-IFRSs. The consolidated financial statements also apply IFRS 1 *First time Adoption of International Financial Reporting Standards*.

The accounting policies described in Note 4 have been adopted for the comparative consolidated financial statements for the year ended December 31, 2012, the consolidated balance sheet as of December 31, 2012, and the opening Taiwan-IFRSs consolidated balance sheet as of January 1, 2012 (the Group's transition date).

In preparing the financial statements for 2012, the Group regarded the amounts in the financial statements prepared in accordance with R.O.C. GAAP as the initial point of adjustments. An explanation of how the transition from R.O.C. GAAP to Taiwan-IFRSs has affected the Group's financial position, financial performance and cash flow is set out in the following tables and the notes that accompany the tables.

(1) Reconciliation of Consolidated Balance Sheet

	December 31, 2012		
Assets	R.O.C. GAAP	Effect of Transition to Taiwan-IFRSs	Taiwan-IFRSs
Current assets:			
Cash and cash equivalents	$ 50,612,564	-	50,612,564
Financial assets at fair value through profit or loss－current	25,415	-	25,415
Hedging derivative financial assets－current	192,461	-	192,461
Available-for-sale financial assets－current	169,017	-	169,017
Notes and accounts receivable, net (m)	68,432,653	386,302	68,818,955
Accounts receivables from related parties	41,283	-	41,283
Other receivables (m)	4,266,145	(1,996,210)	2,269,935
Other receivables from related parties	17	-	17
Current tax assets (m)		1,137,101	1,137,101
Inventories	43,336,949	-	43,336,949
Deferred income tax assets－current (b)	1,796,111	(1,796,111)	-
Other current assets (g, m)	1,948,656	477,060	2,425,716
Restricted deposits－current (m)	18,785	(18,785)	-
Total current assets	170,840,056	(1,810,643)	169,029,413

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Assets	December 31, 2012 R.O.C. GAAP	Effect of Transition to Taiwan-IFRSs	Taiwan-IFRSs
Non-current assets:			
Investments in associates (c)	190,229	(392)	189,837
Available-for-sale financial assets－non-current (d)	2,635,952	717,137	3,353,089
Financial assets carried at cost－non-current (d)	623,530	(623,530)	-
Property, plant and equipment (e, f)	6,572,348	(224,111)	6,348,237
Investment property (e)	3,028,574	(488,178)	2,540,396
Intangible assets (g, l, n)	39,316,838	(181,918)	39,134,920
Other financial assets－non-current	1,179,517	-	1,179,517
Deferred income tax assets－non-current (b, e, f, g, h)	1,056,167	2,268,789	3,324,956
Other non-current assets	1,215,783	-	1,215,783
Total non-current assets	55,818,938	1,467,797	57,286,735
Total assets	$ 226,658,994	(342,846)	226,316,148

Liabilities and Equity	December 31, 2012 R.O.C. GAAP	Effect of Transition to Taiwan-IFRSs	Taiwan-IFRSs
Current liabilities:			
Short-term borrowings	$ 349,974	-	349,974
Financial liabilities at fair value through profit or loss－current	411,313	-	411,313
Hedging derivative financial liabilities－current	1,149,400	-	1,149,400
Notes and accounts payable	71,638,728	-	71,638,728
Other payables (g, h, m)	-	39,934,153	39,934,153
Other payables to related parties	1,914	-	1,914
Royalties payable (m)	8,635,716	(8,635,716)	-
Provisions－current (m)	-	11,000,810	11,000,810
Current tax liabilities (m)	-	2,326,966	2,326,966
Current portion of bonds payable (i)	4,892,805	(109,216)	4,783,589
Current portion of long-term debt	9,000,000	-	9,000,000
Deferred income tax liabilities－current (b)	3,720	(3,720)	-
Other current liabilities (m)	46,934,867	(44,702,727)	2,232,140
Total current liabilities	143,018,437	(189,450)	142,828,987
Non-current liabilities:			
Bonds payable (i)	4,101,617	(153,113)	3,948,504
Financial liabilities at fair value through profit or loss－non-current	653,583	-	653,583
Provisions－non-current (f, m)	-	192,055	192,055
Deferred income tax liabilities (b, g, j, k)	2,778,315	308,528	3,086,843
Other non-current liabilities (g, m)	1,074,891	327,265	1,402,156
Total non-current liabilities	8,608,406	674,735	9,283,141
Total liabilities	151,626,843	485,285	152,112,128

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Liabilities and Equity	December 31, 2012 R.O.C. GAAP	Effect of Transition to Taiwan-IFRSs	Taiwan-IFRSs
Equity attributable to owners of the Company			
Common stock	28,347,268	-	28,347,268
Capital surplus (c, i, l)	44,096,498	(692,965)	43,403,533
Retained earnings:			
Legal reserve	12,607,933	-	12,607,933
Special reserve	6,126,774	-	6,126,774
Accumulated deficit (q)	(2,595,765)	(4,110,875)	(6,706,640)
Other reserves (c, d, g, j, k)	(6,890,963)	3,368,067	(3,522,896)
Treasury stock (j)	(6,662,028)	607,742	(6,054,286)
Equity attributable to owners of the Company	75,029,717	(828,031)	74,201,686
Non-controlling interests (c)	2,434	(100)	2,334
Total equity	75,032,151	(828,131)	74,204,020
Total liabilities and equity	$ 226,658,994	(342,846)	226,316,148

Assets	January 1, 2012 R.O.C. GAAP	Effect of Transition to Taiwan-IFRSs	Taiwan-IFRSs
Current assets:			
Cash and cash equivalents	$ 58,092,581	-	58,092,581
Financial assets at fair value through profit or loss－current	305,903	-	305,903
Hedging derivative financial assets－current	804,532	-	804,532
Available-for-sale financial assets－current	109,721	-	109,721
Notes and accounts receivable, net (a, m)	83,539,250	1,317,486	84,856,736
Accounts receivables from related parties	88,625	-	88,625
Other receivables (m)	6,196,493	(3,682,968)	2,513,525
Other receivables from related parties	15,359	-	15,359
Current tax assets (m)	-	1,457,924	1,457,924
Inventories	39,993,644	-	39,993,644
Deferred income tax assets－current (b)	2,174,144	(2,174,144)	-
Non-current assets held for sale	1,827,855	-	1,827,855
Other current assets (g, m)	2,552,496	997,581	3,550,077
Restricted deposits－current (m)	29,142	(29,142)	-
Total current assets	195,729,745	(2,113,263)	193,616,482
Non-current assets:			
Investments in associates (c)	1,861,987	(19,502)	1,842,485
Available-for-sale financial assets－non-current (d)	775,702	1,194,690	1,970,392
Financial assets carried at cost－non-current (d)	1,157,773	(1,157,773)	-
Property, plant and equipment (e, f)	6,938,898	(222,524)	6,716,374
Investment property (e)	3,343,193	(489,717)	2,853,476
Intangible assets (g)	35,404,199	(2,648)	35,401,551
Other financial assets	1,632,327	-	1,632,327
Deferred income tax assets－non-current (b, e, f, g, h)	312,243	2,594,676	2,906,919
Other non-current assets (g)	1,151,661	(276,500)	875,161
Total non-current assets	52,577,983	1,620,702	54,198,685
Total assets	$ 248,307,728	(492,561)	247,815,167

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Liabilities and Equity	R.O.C. GAAP	January 1, 2012 Effect of Transition to Taiwan-IFRSs	Taiwan-IFRSs
Current liabilities:			
Short-term borrowings	$ 358,120	-	358,120
Financial liabilities at fair value through profit or loss－current	56,212	-	56,212
Hedging derivative financial liabilities－current	179,685	-	179,685
Notes and accounts payable	77,096,776	-	77,096,776
Accounts payables to related parties	7,256,885	-	7,256,885
Other payables (a, g, h, m)	-	43,593,577	43,593,577
Other payables to related parties	184,975	-	184,975
Royalties payable (m)	10,266,709	(10,266,709)	-
Provisions－current (m)	-	10,042,398	10,042,398
Current tax liabilities (m)	-	2,589,758	2,589,758
Deferred income tax liabilities－current (b)	3,037	(3,037)	-
Other current liabilities (m)	50,637,250	(46,354,976)	4,282,274
Total current liabilities	146,039,649	(398,989)	145,640,660
Non-current liabilities:			
Bonds payable (i)	14,064,997	(516,294)	13,548,703
Long-term debt	9,000,000	-	9,000,000
Financial liabilities at fair value through profit or loss－non-current	1,216,586	-	1,216,586
Provisions－non-current (f, m)	-	243,126	243,126
Deferred income tax liabilities (b, j, k)	1,779,730	264,181	2,043,911
Other non-current liabilities (g)	455,151	647,881	1,103,032
Total non-current liabilities	26,516,464	638,894	27,155,358
Total liabilities	172,556,113	239,905	172,796,018
Equity attributable to owners of the Company			
Common stock	27,098,915	-	27,098,915
Capital surplus (i)	40,219,518	(295,494)	39,924,024
Retained earnings:			
Legal reserve	12,607,933	-	12,607,933
Special reserve	4,659,275	-	4,659,275
Accumulated deficit (q)	1,782,060	(4,479,595)	(2,697,535)
Other reserves (c, d, g, j, k)	(4,227,750)	3,434,983	(792,767)
Treasury stock (j)	(6,390,846)	607,742	(5,783,104)
Equity attributable to owners of the Company	75,749,105	(732,364)	75,016,741
Non-controlling interests (c)	2,510	(102)	2,408
Total equity	75,751,615	(732,466)	75,019,149
Total liabilities and equity	$ 248,307,728	(492,561)	247,815,167

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(2) Reconciliation of Consolidated Statement of Comprehensive Income

	R.O.C. GAAP	2012 Effect of Transition to Taiwan-IFRSs	Taiwan-IFRSs
Revenue (o)	$ 429,510,913	116,279	429,627,192
Cost of sales (h, m, o)	386,315,169	8,089,985	394,405,154
Gross profit	43,195,744	(7,973,706)	35,222,038
Operating expenses (e, f, g, h, m, o):			
Selling expenses	33,479,889	(7,889,407)	25,590,482
Administrative expenses	5,822,937	20,173	5,843,110
Research and development expenses	2,868,212	7,597	2,875,809
Other expenses	-	288,051	288,051
Total operating expenses	42,171,038	(7,573,586)	34,597,452
Other operating income and loss – net (m, o)	-	313,911	313,911
Operating income (loss)	1,024,706	(86,209)	938,497
Non-operating income and loss:			
Interest income (m)	503,021	(503,021)	-
Other income (m)	-	670,568	670,568
Other gains and losses (c, d, i, m, o)	285,018	126,823	411,841
Interest expense (m)	(821,704)	821,704	-
Finance costs (i, m)	-	(904,097)	(904,097)
Share of profits of associates (c, o)	67,076	41,330	108,406
Gain on disposal of property and equipment – net (m)	775,222	(775,222)	-
Gain on disposal of investments – net (m)	7,752	(7,752)	-
Other investment loss – net (m)	(10,604)	10,604	-
Foreign currency exchange loss and valuation loss on financial instruments – net (m)	(796,210)	796,210	-
Restructuring cost (m)	(171,867)	171,867	-
Impairment loss on intangible assets	(3,496,114)	-	(3,496,114)
	(3,658,410)	449,014	(3,209,396)
Loss before taxes	(2,633,704)	362,805	(2,270,899)
Income tax expense (n, p)	(276,485)	86,426	(190,059)
Net loss	$ (2,910,189)	449,231	(2,460,958)
Other comprehensive income:			
Exchange differences on translation of foreign operations			$ (2,042,400)
Change in fair value of available-for-sale financial assets			(50,883)
Change in fair value of cash flow hedges			(637,375)
Actuarial loss from defined benefit plans			(79,575)
Less: Income taxes related to components of other comprehensive income			618
Other comprehensive income for the year, net of taxes			(2,810,851)
Total comprehensive income for the year			$ (5,271,809)

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(3) Significant Reconciliation of Consolidated Statements of Cash Flows

Under R.O.C. GAAP, the Group prepared the statement of cash flows using the indirect method, in which supplemental cash flows information is provided for the interest paid and tax paid. Under Taiwan-IFRSs, the interest received, the interest paid and income tax paid should be disclosed separately and classified in a consistent manner from period to period either as operating, investing, or financing activities based on their nature. Under Taiwan-IFRSs, for the year ended December 31, 2012, tax paid of $1,426,806 and the interest received of $503,038 is disclosed separately in operating activities; the dividends received of $175,646 is disclosed separately in investing activities; and the interest paid of $417,297 is disclosed separately in financing activities of the statement of cash flows.

Except for the above differences, there are no other significant differences between R.O.C. GAAP and Taiwan-IFRSs in the consolidated statement of cash flows.

(4) Notes to the reconciliation of the significant GAAP differences:

(a) Under R.O.C. GAAP, the estimated sales allowance is recognized as a deduction of accounts receivable. Under Taiwan-IFRSs, the estimated sales allowance is deemed as a present obligation with uncertain timing and an obligation that arises from past events and is therefore reclassified as other payables.

Under Taiwan-IFRSs, adjustments are made as follows:

		December 31, 2012	January 1, 2012
Consolidated Balance Sheets			
Notes and accounts receivable, net	$	-	71,916
Other payables		-	(71,916)
Retained earnings adjustments	**$**	**-**	**-**

(b) Under R.O.C. GAAP, a deferred income tax asset or a deferred income tax liability is classified as current or non-current in accordance with the classification of its related asset or liability. If a deferred income tax asset or liability is not related to an asset or liability, it is classified as current or non-current according to the expected period of realization or settlement. Under Taiwan-IFRSs, a deferred income tax asset and liability is classified as non-current asset or liability. Deferred tax assets and liabilities could be offset only when an entity has a legally enforceable right to offset the related current tax assets and related current tax liabilities and conforms to the other criteria for such offsetting.

In addition, under R.O.C. GAAP, valuation allowances are provided to the extent, if any, that it is more likely than not deferred income tax assets will not be realized. Under Taiwan-IFRSs, deferred income tax assets are only recognized to the extent that it is "probable" that the assets will be realized and no valuation allowance account is used.

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Under Taiwan-IFRSs, adjustments are made as follows:

		December 31, 2012	January 1, 2012
Consolidated Balance Sheets			
Deferred income tax assets－current	$	(1,796,111)	(2,174,144)
Deferred income tax assets		2,182,782	2,511,054
Deferred income tax liabilities－current		3,720	3,037
Deferred income tax liabilities		(390,391)	(339,947)
Retained earnings adjustment	$	-	-

(c) Under Taiwan-IFRSs, the equity-method associates have made certain adjustments after evaluating the significant differences between their current accounting policies and Taiwan-IFRSs. Corresponding adjustments were made by the Group as well.

Under R.O.C. GAAP, when an entity loses significant influence over an associate, the adoption of equity method is discontinued and the carrying amount of the investment is deemed as the new cost of the investment. If there is a balance on capital surplus or other equity items arising from the equity-method investment, it is debited against disposal gain or loss proportionally when the investment is disposed. Under Taiwan-IFRSs, when an entity loses significant influence over an associate, the fair value of the investment at the date when the investment ceases to be an associate shall be regarded as the fair value on initial recognition of such financial asset. The difference between the fair value and the carrying amount of the investment and other comprehensive income arising from the investment is recognized as profit or loss.

Under Taiwan-IFRSs, adjustments are made as follows:

		2012
Consolidated statements of Comprehensive Income		
Share of profits of associates	$	(10,515)
Other gains and losses		(593,308)
Pre-tax adjustments	**$**	**(603,823)**

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

		December 31, 2012	January 1, 2012
Consolidated Balance Sheets			
Investments in associates	$	(392)	(19,502)
Capital surplus		132,344	-
Other reserves－Foreign currency translation differences		(15,663)	-
Other reserves－Actuarial gain from defined benefit plans		(4,568)	(4,587)
Other reserves－Unrealized gain (loss) from available-for-sale financial assets		481,362	9,970
Non-controlling interests		100	102
Retained earnings adjustments	$	593,183	(14,017)

(d) According to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" issued before July 7, 2011, the non-publicly traded stocks and stocks traded on Emerging Stock Market were measured at cost and classified under "financial assets carried at cost". Under Taiwan-IFRSs, however, equity instrument that is not traded in active markets but its fair value could be reliably measured, is measured at its fair value and classified as "available-for-sale financial assets – non-current".

Under Taiwan-IFRSs, adjustments are made as follows:

		2012
Consolidated Statements of Comprehensive income		
Other gains and losses	$	(1,398)
Pre-tax adjustments	$	(1,398)

		December 31, 2012	January 1, 2012
Consolidated Balance Sheets			
Available-for-sale financial assets－non-current	$	717,137	1,194,690
Financial assets carried at cost－non-current		(623,530)	(1,157,773)
Other reserves－Unrealized gain (loss) from available-for-sale financial assets		(93,607)	(36,917)
Retained earnings adjustments	$	-	-

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(e) Under R.O.C. GAAP, a component which is significant in relation to the total cost of property, plant and equipment acquired after November 2008 and for which a different depreciation method or rate is appropriate, is depreciated separately. Under Taiwan-IFRSs, when an item of property, plant and equipment comprises individual components for which different depreciation methods or useful lives are appropriate, each component is depreciated separately from the acquisition date.

Under Taiwan-IFRSs, adjustments are made as follows:

		2012
Consolidated Statements of Comprehensive income		
Operating expense	$	(1,659)
Pre-tax adjustments	$	(1,659)

		December 31, 2012	January 1, 2012
Consolidated Balance Sheets			
Property, plant and equipment	$	(228,542)	(228,662)
Investment property		(488,178)	(489,717)
Deferred income tax assets		52,651	52,651
Retained earnings adjustments	$	(664,069)	(665,728)

(f) Under R.O.C. GAAP, the estimated cost of dismantling and removing an item and restoring the site where it is located should be included in the cost of property, plant and equipment acquired after November 2008. Under Taiwan-IFRSs, all the significant decommission should be accounted for as a provision.

Under Taiwan-IFRSs, adjustments are made as follows:

		2012
Consolidated Statements of Comprehensive income		
Operating expense	$	860
Pre-tax adjustments	$	860

		December 31, 2012	January 1, 2012
Consolidated Balance Sheets			
Property, plant and equipment	$	4,431	6,138
Provisions－non-current		(13,369)	(13,369)
Deferred income tax assets		2,579	2,578
Retained earnings adjustments	$	(6,359)	(4,653)

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(g) Under R.O.C. GAAP, actuarial gains and losses from defined benefit plans are amortized over the expected average remaining working lives of the participating employees. At the date of transition to Taiwan-IFRSs, the Group elected the exemption specified in the IFRS 1 "first-time adoption of International Financial Reporting Standards" and recognized the actuarial gains and losses directly to retaining earnings.

Also, starting from 2012, the Group elects to recognize actuarial gains and losses immediately in full in the period in which they occur, as other comprehensive income in accordance with IAS No. 19. Therefore, adjustments were made to pension expense and other comprehensive income－actuarial gain (loss) from defined benefit plans (recognized immediately in retained earnings).

Under Taiwan-IFRSs, adjustments are made as follows:

		2012
Consolidated Statements of Comprehensive income		
Operating expense	$	(42,738)
Pre-tax adjustments	**$**	**(42,738)**

		December 31, 2012	January 1, 2012
Consolidated Balance Sheets			
Other current assets	$	(14,532)	(11,035)
Other non-current assets		-	(276,500)
Intangible assets		(2,243)	(2,648)
Other payables		259,893	319,171
Other non-current liabilities		(576,282)	(647,881)
Other reserves－actuarial gain from defined benefit plans		(327,185)	(12,407)
Deferred income tax assets		17,146	14,762
Deferred income tax liabilities		(11,267)	-
Retained earnings adjustments	**$**	**(654,470)**	**(616,538)**

(h) Under Taiwan-IFRSs, an entity shall recognize the expected cost of accumulated compensated absences when employees render service that increases their entitlement to future compensated absences. Unlike Taiwan-IFRS, there is no similar regulations under R.O.C. GAAP.

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Under Taiwan-IFRSs, adjustments are made as follows:

		2012
Consolidated Statements of Comprehensive income		
Cost of sales	$	(116)
Operating expense		32,104
Pre-tax adjustments	**$**	**31,988**

		December 31, 2012	January 1, 2012
Consolidated Balance Sheets			
Other payables	$	(113,048)	(81,060)
Deferred income tax assets		13,631	13,631
Retained earnings adjustments	**$**	**(99,417)**	**(67,429)**

(i) The bonds payable denominated in foreign currency grants an option to the bondholder to convert a fixed number of bonds into a fixed number of the Company's common shares, using a conversion price set at New Taiwan Dollars at a fixed exchange rate. Under R.O.C. GAAP, the conversion option is accounted for as equity. Under Taiwan-IFRSs, the conversion option is accounted for as a derivative financial liability as the Company has a contractual obligation to deliver a fixed number of common shares in exchange for a variable amount of cash (fixed foreign currency but translated to variable amounts of the Company's functional currency). The financial derivative liability is measured at fair value and the changes therein are recognized in profit or loss.

Under Taiwan-IFRSs, adjustments are made as follows:

		2012
Consolidated Statements of Comprehensive income		
Finance costs	$	82,393
Other gains and losses		171,572
Pre-tax adjustments	**$**	**253,965**

		December 31, 2012	January 1, 2012
Consolidated Balance Sheets			
Current portion of bonds payable	$	109,216	-
Bonds payable		153,113	516,294
Capital surplus		295,494	295,494
Retained earnings adjustments	**$**	**557,823**	**811,788**

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(j) According to Interpretation (2001) 135 issued by the Accounting Research and Development Foundation, the cost of the Company's common stock held by its subsidiaries is determined based on the carrying value of the common stock maintained on the subsidiaries' book at the effective date of the Interpretation. Under Taiwan-IFRSs, treasury stock is accounted for using the initial purchase cost.

Under Taiwan-IFRSs, adjustments are made as follows:

		December 31, 2012	January 1, 2012
Consolidated Balance Sheets			
Treasury stock	$	(607,742)	(607,742)
Other reserves－Foreign currency translation differences		519,230	536,594
Deferred income tax liabilities		88,539	71,175
Retained earnings adjustments	**$**	**27**	**27**

(k) Under Taiwan-IFRSs, the Group has elected the exemption specified in the IFRS1 to reset the foreign currency translation adjustment to zero. The corresponding adjustments were made to retained earnings and deferred income tax liabilities. The gain or loss on any subsequent disposals of any foreign operations should exclude foreign currency translation adjustment that arose before the date of transition to Taiwan-IFRSs.

Under Taiwan-IFRSs, adjustments are made as follows:

		December 31, 2012	January 1, 2012
Consolidated Balance Sheets			
Other reserves－Foreign currency translation differences	$	(3,927,636)	(3,927,636)
Deferred income tax liabilities		4,591	4,591
Retained earnings adjustments	**$**	**(3,923,045)**	**(3,923,045)**

(l) Under R.O.C. GAAP, if the equity stock issued for acquisition of a business is traded in an open market, the fair value is determined by the market price during a reasonable period of time before and after the announcement of the business combination agreement. Under Taiwan-IFRSs, the aforementioned equity stock is measured at the fair value of the acquisition date (the date on which an entity obtains control of the acquiree). Furthermore, under Taiwan-IFRSs, if the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date.

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Under Taiwan-IFRSs, adjustments are made as follows:

		December 31, 2012	January 1, 2012
Consolidated Balance Sheets			
Intangible assets	$	(265,127)	-
Capital surplus		265,127	-
Retained earnings adjustments	**$**	**-**	**-**

(m) Upon transition to Taiwan-IFRSs, the Group made reclassification for certain accounts based on the nature of transactions, including reclassifying other current and non-current liabilities to provisions; disclosing the current tax assets and current tax liabilities account separately and combing some accounts due to the same nature of transactions. Moreover, warranty expenses are reclassified from operating expense to cost sales; restructuring cost and government grants are reclassified from other operating income and loss to operating expenses, etc.

Under Taiwan-IFRSs, adjustments are made as follows:

		2012
Consolidated Statements of Comprehensive Income		
Cost of sales	$	8,074,840
Operating expenses		(7,786,789)
Other operating income and loss – net		(141,104)
Other gains and losses		216,307
Other income		(670,568)
Interest income		503,021
Gain on disposal of property and equipment – net		775,222
Gain on disposal of investment – net		7,752
Other investment loss – net		(10,604)
Foreign currency exchange loss and valuation loss on financial instruments – net		(796,210)
Finance costs		821,704
Interest expense		(821,704)
Restructuring cost		(171,867)
Pre-tax adjustments	**$**	**-**

(Continued)

		December 31, 2012	January 1, 2012
Consolidated Balance Sheets			
Notes and accounts receivable, net	$	386,302	1,245,570
Other receivables		(1,996,210)	(3,682,968)
Current tax assets		1,137,101	1,457,924
Other current assets		491,592	1,008,616
Restricted deposits－current		(18,785)	(29,142)
Other payables		(40,080,998)	(43,759,772)
Royalties Payable		8,635,716	10,266,709
Provisions－current		(11,000,810)	(10,042,398)
Current tax liabilities		(2,326,966)	(2,589,758)
Other current liabilities		44,702,727	46,354,976
Other non-current liabilities		249,017	-
Provisions－non-current		(178,686)	(229,757)
Retained earnings adjustments	$	-	-

(n) Under R.O.C. GAAP, if a valuation allowance is recognized at the acquisition date for deferred tax assets acquired through business combination accounted for using the purchase method of accounting, the income tax benefit recognized as a result of the elimination of valuation allowance subsequent to the acquisition is to be applied first to reduce goodwill related to the acquisition. The remaining tax benefit, if any, is applied to reduce income tax expense. Under Taiwan-IFRSs, the income tax benefit recognized as a result of the elimination of valuation allowance subsequent to the acquisition shall reduce income tax expense.

Under Taiwan-IFRSs, adjustments are made as follows:

		2012
Consolidated Statements of Comprehensive Income		
Income taxes	$	(84,904)

		December 31, 2012	January 1, 2012
Consolidated Balance Sheets			
Intangible assets	$	85,452	-
Retained earnings adjustments	$	85,452	-

(o) Under R.O.C. GAAP, the related revenue and expense related to investment property and share of profits of associate and operating expense related to managing investees are presented on a net basis under non-operating income and loss. Under Taiwan-IFRSs, the aforementioned revenue and expense is classified under revenue and operating expense.

Under Taiwan-IFRSs, adjustments are made as follows:

		2012
Consolidated Statements of Comprehensive Income		
Revenue	$	(116,279)
Cost of sales		15,261
Operating expenses		224,636
Other operating income and loss – net		(172,807)
Share of profits of associates		(30,815)
Other gains and losses		80,004
Pre-tax adjustments	$	-

(p) Under Taiwan-IFRSs, adjustments made on deferred income tax assets and liabilities using respective local tax rates are as follows:

		December 31, 2012	January 1, 2012
Adjustments to property, plant, equipment and investment property (e)	$	52,651	52,651
Decommission provisions (f)		2,579	2,578
Employee benefits –defined benefit plans and accumulated compensated absences (g, h)		30,777	28,393
Netting of deferred income tax assets and liabilities		386,671	336,910
Deferred income tax assets	$	472,678	420,532
Employee benefits – defined benefit plans (g)	$	(11,267)	-
Treasury stock (j)		88,539	71,175
Reset of foreign currency translation adjustment (k)		4,591	4,591
Netting of deferred income tax assets and liabilities		(386,671)	(336,910)
Deferred income tax liabilities	$	(304,808)	(261,144)

Under Taiwan-IFRSs, the income tax expense increased by $86,426 for the year ended December 31, 2012.

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(q) Under Taiwan-IFRSs, adjustments made to increase (decrease) retained earnings are as follows:

	December 31, 2012	January 1, 2012
Investments in associates (c)	$ 593,183	(14,017)
Adjustments to property, plant, equipment and investment property (e)	(664,069)	(665,728)
Decommission provisions (f)	(6,359)	(4,653)
Employee benefits –defined benefit plans and accumulated compensated absences (g, h)	(753,887)	(683,967)
Overseas convertible bonds (i)	557,823	811,788
Treasury stock (j)	27	27
Reset of foreign currency translation adjustment (k)	(3,923,045)	(3,923,045)
Business combination (l, n)	85,452	-
Decrease in retained earnings	$ (4,110,875)	(4,479,595)

Table 1

Acer Incorporated and Subsidiaries
Financing provided to other parties
For the year ended December 31, 2013

(In Thousands of New Taiwan Dollars)

No.	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Actually drawndown Amounts	Interest Rate	Nature of Financing	Transaction Amounts	Reasons for Short-term Financing	Allowance for Doubtful Accounts	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Total Financing Amount Limits
													Item	Value		
1	ACCN	ACCQ	Other receivables from related parties	Yes	716,160	-	-	0%~4%	Note 1	-	Operating requirements	-	None	-	6,286,796	31,433,978
2	ACCN	ACCQ	Other receivables from related parties	Yes	2,226,105	2,226,105	1,484,070	0%~4%	Note 1	-	Operating requirements	-	None	-	6,286,796	31,433,978
3	AHI	Boardwalk	Other receivables from related parties	Yes	687,125	-	-	0%~4%	Note 1	-	Operating requirements	-	None	-	6,286,796	31,433,978
4	AHI	ACA	Other receivables from related parties	Yes	384,182	384,182	384,182	0%~4%	Note 1	-	Operating requirements	-	None	-	6,286,796	31,433,978
5	AHI	Boardwalk	Other receivables from related parties	Yes	783,120	778,700	778,700	0%~4%	Note 1	-	Operating requirements	-	None	-	6,286,796	31,433,978
6	AWI	Boardwalk	Other receivables from related parties	Yes	179,250	-	-	0%~4%	Note 1	-	Operating requirements	-	None	-	6,286,796	31,433,978
7	GMY	GWI	Other receivables from related parties	Yes	150,300	-	-	0%~4%	Note 1	-	Operating requirements	-	None	-	6,286,796	31,433,978
8	GWI	AAC	Other receivables from related parties	Yes	1,762,625	1,587,350	838,600	0%~4%	Note 1	-	Operating requirements	-	None	-	6,286,796	31,433,978
9	GWI	AMEX	Other receivables from related parties	Yes	239,000	-	-	0%~4%	Note 1	-	Operating requirements	-	None	-	6,286,796	31,433,978
10	GIC	GWI	Other receivables from related parties	Yes	150,600	149,750	149,750	0%~4%	Note 1	-	Operating requirements	-	None	-	6,286,796	31,433,978
11	GIC	GWI	Other receivables from related parties	Yes	157,452	156,564	156,564	0%~4%	Note 1	-	Operating requirements	-	None	-	6,286,796	31,433,978
12	GRA	GWI	Other receivables from related parties	Yes	99,130	94,343	94,343	0%~4%	Note 1	-	Operating requirements	-	None	-	6,286,796	31,433,978
13	GMX	GMA	Other receivables from related parties	Yes	10,429	-	-	0%~4%	Note 1	-	Operating requirements	-	None	-	6,286,796	31,433,978
14	ALA	ATB	Other receivables from related parties	Yes	903,600	895,505	895,505	0%~4%	Note 1	-	Operating requirements	-	None	-	6,286,796	31,433,978
15	AEG	AIS	Other receivables from related parties	Yes	182,293	-	-	0%~4%	Note 1	-	Operating requirements	-	None	-	6,286,796	31,433,978
16	AEG	AIB	Other receivables from related parties	Yes	1,357,503	-	-	0%~4%	Note 1	-	Operating requirements	-	None	-	6,286,796	31,433,978
17	AEG	AEH	Other receivables from related parties	Yes	20,580	20,580	-	0%~4%	Note 1	-	Operating requirements	-	None	-	6,286,796	31,433,978

No.	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Actually drawndown Amounts	Interest Rate	Nature of Financing	Transaction Amounts	Reasons for Short-term Financing	Allowance for Doubtful Accounts	Collateral Item	Collateral Value	Financing Limit for Each Borrowing Company	Financing Company's Total Financing Amount Limits
18	AEG	AEH	Other receivables from related parties	Yes	1,440,611	1,440,611	-	0%~4%	Note 1	-	Operating requirements	-	None	-	6,286,796	31,433,978
19	AGU	AEG	Other receivables from related parties	Yes	205,802	205,801	205,802	0%~4%	Note 1	-	Operating requirements	-	None	-	6,286,796	31,433,978
20	AGU	AEG	Other receivables from related parties	Yes	205,802	205,801	205,802	0%~4%	Note 1	-	Operating requirements	-	None	-	6,286,796	31,433,978
21	ACCQ	AICQ	Other receivables from related parties	Yes	296,814	296,814	296,814	0%~4%	Note 1	-	Operating requirements	-	None	-	6,286,796	31,433,978
22	PBHO	AEG	Other receivables from related parties	Yes	205,802	205,801	205,802	0%~4%	Note 1	-	Operating requirements	-	None	-	6,286,796	31,433,978
23	ASCBVI	Boardwalk	Other receivables from related parties	Yes	90,360	89,850	89,850	0%~4%	Note 1	-	Operating requirements	-	None	-	6,286,796	31,433,978

Note 1: Nature for Financing：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 showed above is based on the net worth as of September 30, 2013), 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 directly or indirectly wholly owned by the Company provides financing to others, the aforementioned aggregate and individual financing amount are 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, 2013

Table 2

(In Thousands of New Taiwan Dollars)

No.	Endorsement/ Guarantee Provider	Guaranteed Party: Name	Guaranteed Party: Nature of Relationship (Note 1)	Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 2)	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)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
0	The Company	AAC	3	12,573,591	75,031	-	-	-	0.00%	62,867,955	Y		
0	The Company	LTS	2	12,573,591	5,000	5,000	5,000	-	0.01%	62,867,955	Y		
0	The Company	ACN/ACD/ACW/AFN	3	12,573,591	23,261	23,261	23,261	-	0.04%	62,867,955	Y		
0	The Company	AIL	3	12,573,591	298,750	121,150	-	-	0.19%	62,867,955	Y		
0	The Company	ATH	3	12,573,591	159,636	158,735	22,129	-	0.25%	62,867,955	Y		
0	The Company	AEG	3	12,573,591	201,254	201,254	201,254	-	0.32%	62,867,955	Y		
0	The Company	AMEX	3	12,573,591	271,080	269,550	61,398	-	0.43%	62,867,955	Y		
0	The Company	AGU	3	12,573,591	286,140	284,525	284,525	-	0.45%	62,867,955	Y		
0	The Company	ACCSI	2	12,573,591	300,000	300,000	10,000	-	0.48%	62,867,955	Y		
0	The Company	ACA	3	12,573,591	301,200	299,500	299,500	-	0.48%	62,867,955	Y		
0	The Company	SMA	3	12,573,591	350,307	348,613	77,723	-	0.55%	62,867,955	Y		
0	The Company	AJC	3	12,573,591	1,872,990	1,279,800	176,692	-	2.04%	62,867,955	Y		
0	The Company	ATB	3	12,573,591	1,506,000	1,497,500	-	-	2.38%	62,867,955	Y		
0	The Company	Acer Asia pacific subsidiaries	3	12,573,591	4,066,200	4,043,250	341,707	-	6.43%	62,867,955	Y		
0	The Company	Acer EMEA subsidiaries	3	12,573,591	4,616,276	4,590,221	461,152	-	7.30%	62,867,955	Y		
0	The Company	Acer Pan America subsidiaries	3	12,573,591	5,120,400	5,091,500	127,320	-	8.10%	62,867,955	Y		
0	The Company	Acer China Companies	3	12,573,591	1,656,600	1,647,250	117,357	-	2.62%	62,867,955	Y		Y

Note 1: Relationships between the endorsement/guarantee provider and the guaranteed party:
Type 2: a subsidiary directly owned by the Company
Type 3: a subsidiary indirectly owned by the Company
Note 2: The aggregate endorsement/guarantee amount provided shall not exceed the most recent audited or reviewed net worth of the Company (the amount showed above is based on the net worth as of September 30, 2013).
The endoresement/guarantee provided to individual guarantee party shall not exceed 20% of the most recent audited or reviewed net worth of the Company.

Acer Incorporated and Subsidiaries
Marketable securities held
(Excluding investments in subsidiaries, associates, and joint controlled entities)
December 31, 2013

Table 3

(In Thousands of New Taiwan Dollars/Shares(Units))

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	Ending Balance				Maximum percentage of ownership during 2013		Note
				Number of Shares	Carrying Value	Percentage of Ownership	Fair Value	Shares	Percentage of Ownership	
The Company	Stock: Wistron	-	Available-for-sale financial assets - Non Current	47,764	1,196,484	2.01%	1,196,484	47,764	2.01%	
The Company	Stock: Qisda	-	Available-for-sale financial assets - Non Current	81,713	598,954	4.15%	598,954	81,713	4.15%	
The Company	Stock: WPG Holdings	-	Available-for-sale financial assets - Non Current	4,360	149,561	0.26%	149,561	4,360	0.26%	
The Company	Stock: Hon Hai	-	Available-for-sale financial assets - Current	970	77,684	0.01%	77,684	970	0.01%	
The Company	Stock: iDSoftCapital Inc.	-	Available-for-sale financial assets - Non Current	398	3,675	19.90%	3,675	398	19.90%	
The Company	Stock: Legend Technology	-	Available-for-sale financial assets - Non Current	400	2,330	10.13%	2,330	683	10.13%	
The Company	Stock: InCOMM	-	Available-for-sale financial assets - Non Current	19	2,360	0.49%	2,360	39	0.49%	
The Company	Stock: World Venture, Inc.	-	Available-for-sale financial assets - Non Current	10,500	69,784	19.35%	69,784	15,000	19.35%	
The Company	Stock: Dragon Investment Co. Ltd.	-	Available-for-sale financial assets - Non Current	17,791	46,835	19.94%	46,835	17,791	19.94%	
The Company	Stock: IP Fund Two Co.	-	Available-for-sale financial assets - Non Current	6,688	10,024	19.82%	10,024	6,688	19.82%	
The Company	Shars: ID Reengineering Fund Inc.	-	Available-for-sale financial assets - Non Current	9,995	84,463	19.99%	84,463	15,992	19.99%	
The Company	Stock: Venture Power	-	Available-for-sale financial assets - Non Current	15	42	4.15%	42	15	4.15%	
ADSC	Stock: Wistron	-	Available-for-sale financial assets - Non Current	11,368	284,763	0.48%	284,763	11,368	0.48%	
ASCBVI	Stock: IP FUND III L.P.	-	Available-for-sale financial assets - Non Current	6,017	89,805	19.99%	89,805	6,017	19.99%	
ASCBVI	Stock: IDSCBVI	-	Available-for-sale financial assets - Non Current	60	1,311	19.90%	1,311	60	19.90%	
ASCBVI	Stock: ID5 Fund L.P.	-	Available-for-sale financial assets - Non Current	3,800	190,103	19.40%	190,103	3,800	19.40%	
ASCBVI	Stock: IP Cathay One, L.P.	-	Available-for-sale financial assets - Non Current	8,777	56,725	8.00%	56,725	8,777	8.00%	
ASCBVI	Stock: ID5 Annex I Fund L.P.	-	Available-for-sale financial assets - Non Current	766	21,542	19.40%	21,542	766	19.40%	
ATVAP	Stock: IP FUND 1 L.P.	-	Available-for-sale financial assets - Non Current	398	7,034	0.19%	7,034	398	0.19%	
AWI	Stock: Acer Inc.	Parent/Subsidiary	Treasury stock	12,730	522,237	0.45%	232,957	12,730	0.45%	
AWI	GDR: Acer Inc.	Parent/Subsidiary	Treasury stock	4,987	1,969,617	73.62%	480,985	4,987	73.62%	
CCI	Stock: China Development Financial	-	Available-for-sale financial assets - Current	5,049	45,446	0.03%	45,446	5,049	0.03%	
CCI	Stock: Acer Inc.	Parent/Subsidiary	Available-for-sale financial assets - Non Current	4,774	87,359	0.17%	87,359	4,774	0.17%	
ETEN	Stock: RoyalTek	-	Available-for-sale financial assets - Non Current	1,015	35,795	2.01%	35,795	1,015	2.01%	
ETEN	Stock: Acer Inc.	Parent/Subsidiary	Available-for-sale financial assets - Non Current	4,305	78,789	0.15%	78,789	4,305	0.15%	
ETEN	Stock: Abico Shi-pro Co., Ltd.	-	Available-for-sale financial assets - Non Current	284	2,931	7.89%	2,931	284	7.89%	
WLII	Stock: TekCare Co.	-	Available-for-sale financial assets - Non Current	1,260	12,600	15.00%	12,600	1,260	15.00%	
Boardwalk	Stock: FuHu	-	Available-for-sale financial assets - Non Current	2,315	33,213	15.12%	33,213	2,315	16.30%	

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, 2013

Table 4

(In Thousands of New Taiwan Dollars/Shares)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-Party	Name of Relationship	Beginning Balance		Acquisitions		Disposal				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Value	Gain (Loss) on Disposal	Shares	Amount (Note1)
The Company	Stock: Boardwalk	Investment accounted for using equity method	(Note 2)	Subsidiary	1,263,432	29,903,120	55,000	1,611,000	-	-	-	-	1,318,432	26,138,391
Boardwalk	Stock: ATB	Investment accounted for using equity method	(Note 2)	Subsidiary	119,101	(35,782)	30,711	435,000	-	-	-	-	149,812	203,081
Boardwalk	Stock: AAH	Investment accounted for using equity method	(Note 2)	Subsidiary	1	31,355,668	-	1,176,000	-	-	-	-	1	27,476,532
AAH	Stock: GWI	Investment accounted for using equity method	(Note 2)	Subsidiary	1	21,561,543	-	1,176,000	-	-	-	-	1	18,204,845
The Company	Stock: AEH	Investment accounted for using equity method	(Note 2)	Subsidiary	10	19,565,139	-	1,274,400	-	-	-	-	10	20,426,184
AEH	Stock: AHN	Investment accounted for using equity method	(Note 2)	Subsidiary	20	13,049,539	-	995,625	-	-	-	-	20	13,527,343
AHN	Stock: AEG	Investment accounted for using equity method	(Note 2)	Subsidiary	-	1,366,825	-	995,625	-	-	-	-	-	1,561,614

Note 1: The ending balance includes unrealized gains/losses on financial assets, share of gains/losses of investees, foreign currency translation adjustments and other related adjustments.
Note 2: Not applicable as it is a capital injection made to the subsidiary.

Acer Incorporated and Subsidiaries
Disposal of real estate which exceeds NT$300 million or 20% of the paid-in capital
For the year ended December 31, 2013

Table 5

(In Thousands of New Taiwan Dollars)

Company Name	Type of Property	Transcation Date	Acquisition Date	Carrying Amount	Transaction Amount	Status of receiving money	Disposal gain or loss (Note)	Counter-Party	Nature of Relationship	Purpose of Disposal	Reference price	Notes
The Company	Land	March 5, 2013	January 2008	398,817	555,550	Received	78,351	Crown Machinery	Non-Related Party	Disposal of investment property not in use	Carrying Value	None
The Company	Land	May 2, 20213	January 2008	46,930	67,500	Received	10,439	eChem Solutions Corp.	Non-Related Party	Disposal of investment property not in use	Carrying Value	None
The Company	Land	May 21, 2013	January 2008	56,307	84,600	Received	14,937	XZG Co. Ltd	Non-Related Party	Disposal of investment property not in use	Carrying Value	None
The Company	Land	August 13, 2013	January 2008	38,447	48,408	Received	4,144	Wei Pao Construction	Non-Related Party	Disposal of investment property not in use	Carrying Value	None
The Company	Land	November 28, 2013	January 2008	12,791	19,900	Received	5,782	Fan Chiang, Fu Wang Yeh, Kuo Yuan Tu, Yueh Lan	Non-Related Party	Disposal of investment property not in use	Carrying Value	None

Note: The disposal gain or loss is the net amount after deducting related taxes and service fees.

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, 2013

Table 6

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Name of Relationship	Transaction Detail				Transactions with Terms Different from Others (Note 1)		Notes/Accounts Payable or Receivable		Note
			Purchases/ (Sales)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Company	AEG	Parent/Subsidiary	(Sales)	(109,237,255)	(39.88)%	OA60	-	-	695,747	2.84%	
The Company	AAC	Parent/Subsidiary	(Sales)	(63,472,412)	(23.17)%	OA90	-	-	9,952,119	40.60%	
The Company	AAPH	Parent/Subsidiary	(Sales)	(47,804,873)	(17.45)%	OA60	-	-	3,922,309	16.00%	
The Company	ACCN	Parent/Subsidiary	(Sales)	(29,108,705)	(10.63)%	OA45	-	-	3,089,465	12.60%	
The Company	ACCQ	Parent/Subsidiary	(Sales)	(7,710,655)	(2.82)%	OA60	-	-	1,529,100	6.24%	
The Company	WLII	Parent/Subsidiary	(Sales)	(1,665,434)	(0.61)%	EM45	-	-	74,410	0.30%	
The Company	AFE	Parent/Subsidiary	(Sales)	(1,166,820)	(0.43)%	OA60	-	-	33,533	0.14%	
The Company	APX	Parent/Subsidiary	(Sales)	(529,135)	(0.19)%	OA60	-	-	91,169	0.37%	
The Company	HSN	Parent/Subsidiary	(Sales)	(125,960)	(0.05)%	OA60	-	-	15,245	0.06%	
The Company	ASC	Parent/Subsidiary	(Sales)	(115,795)	(0.04)%	OA60	-	-	11,183	0.05%	
The Company	ACCSI	Parent/Subsidiary	Purchases	729,623	0.26%	OA60	-	-	(63,707)	(0.14)%	
The Company	WLII	Parent/Subsidiary	Purchases	694,736	0.24%	EM60	-	-	(136,997)	(0.31)%	
The Company	ACTI	Parent/Subsidiary	Purchases	212,858	0.07%	OA60	-	-	(83,646)	(0.19)%	
The Company	AEG	Parent/Subsidiary	Purchases	130,298	0.05%	OA60	-	-	-	-	
WLII	The Company	Parent/Subsidiary	(Sales)	(694,736)	(7.52)%	EM60	-	-	136,997	7.44%	
WLII	The Company	Parent/Subsidiary	Purchases	1,665,434	19.41%	EM45	-	-	(74,410)	(6.19)%	
ACCSI	The Company	Parent/Subsidiary	(Sales)	(729,623)	(76.21)%	OA60	-	-	63,707	53.57%	
AAC	AMEX Associate		(Sales)	(5,348,810)	(7.77)%	OA60	-	-	1,495,405	20.66%	
AAC	ATB	Associate	(Sales)	(200,150)	(0.29)%	OA60	-	-	54,019	0.75%	
AAC	ASC	Associate	(Sales)	(176,648)	(0.26)%	OA60	-	-	30,917	0.43%	
AAC	The Company	Parent/Subsidiary	Purchases	63,472,412	96.88%	OA90	-	-	(9,952,119)	(92.94)%	
AAF	AME	Associate	(Sales)	(158,196)	(72.89)%	OA60	-	-	10,429	29.66%	
AAPH	AIL	Associate	(Sales)	(8,720,002)	(17.48)%	OA60	-	-	3,402,706	37.29%	
AAPH	AIN	Associate	(Sales)	(7,627,731)	(15.29)%	OA60	-	-	554,240	6.07%	
AAPH	AJC	Associate	(Sales)	(5,025,826)	(10.07)%	OA60	-	-	1,820,421	19.95%	
AAPH	ATH	Associate	(Sales)	(7,411,042)	(14.85)%	OA60	-	-	731,218	8.01%	
AAPH	ACA	Associate	(Sales)	(6,868,476)	(13.76)%	OA60	-	-	1,452,049	15.91%	
AAPH	ASSB	Associate	(Sales)	(5,114,447)	(10.25)%	OA60	-	-	278,452	3.05%	

Company Name	Related Party	Name of Relationship	Transaction Detail				Transactions with Terms Different from Others (Note 1)		Notes/Accounts Payable or Receivable		Note
			Purchases/(Sales)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
AAPH	ACS	Associate	(Sales)	(2,470,711)	(4.95)%	OA60	-	-	88,505	0.97%	
AAPH	ACNZ	Associate	(Sales)	(834,376)	(1.67)%	OA60	-	-	111,418	1.22%	
AAPH	APHI	Associate	(Sales)	(659,299)	(1.32)%	OA60	-	-	246,980	2.71%	
AAPH	AMI	Associate	(Sales)	(104,150)	(0.21)%	OA60	-	-	-	-	
AAPH	The Company	Parent/Subsidiary	Purchases	47,804,873	98.39%	OA60	-	-	(3,922,309)	(98.98)%	
AAPH	APHI	Associate	Purchases	143,010	0.29%	OA60	-	-	300	0.01%	
ACA	ACNZ	Associate	(Sales)	(313,779)	(3.58)%	OA60	-	-	39,213	3.08%	
ACA	AAPH	Associate	Purchases	6,868,476	77.87%	OA60	-	-	(1,452,049)	(97.64)%	
ACA	HSN	Associate	Purchases	183,124	2.08%	OA60	-	-	(5,481)	(0.37)%	
ACA	Bluechip	Other related party	(Sales)	(272,170)	(3.10)%	OA60	-	-	22,592	1.77%	
ACCN	The Company	Parent/Subsidiary	Purchases	29,108,705	88.16%	OA45	-	-	(3,089,465)	(79.83)%	
ACCQ	The Company	Parent/Subsidiary	Purchases	7,710,655	75.29%	OA60	-	-	(1,529,100)	(97.33)%	
ACD	ACG	Associate	(Sales)	(103,140)	(78.07)%	OA60	-	-	7,580	79.42%	
ACF	AEG	Associate	(Sales)	(406,705)	(2.23)%	OA60	-	-	584,933	13.98%	
ACF	AEG	Associate	Purchases	16,617,380	92.51%	OA60	-	-	(978,588)	(92.47)%	
ACF	APX	Associate	Purchases	237,043	1.32%	OA60	-	-	(20,253)	(1.91)%	
ACG	AEG	Associate	(Sales)	(773,211)	(2.33)%	OA60	-	-	1,111,687	14.40%	
ACG	APX	Associate	(Sales)	(230,458)	(0.69)%	OA60	-	-	34,872	0.45%	
ACG	AEG	Associate	Purchases	30,361,624	98.19%	OA60	-	-	(2,683,058)	(95.62)%	
ACG	APX	Associate	Purchases	513,827	1.66%	OA60	-	-	(84,871)	(3.02)%	
ACG	ACW	Associate	Purchases	194,308	0.63%	OA60	-	-	(20,541)	(0.73)%	
ACG	ACD	Associate	Purchases	103,140	0.33%	OA60	-	-	(7,580)	(0.27)%	
ACH	AEG	Associate	(Sales)	(281,942)	(3.34)%	OA60	-	-	383,627	15.92%	
ACH	AEG	Associate	Purchases	7,294,648	91.67%	OA60	-	-	(1,417,153)	(98.97)%	
ACH	APX	Associate	Purchases	187,646	2.36%	OA60	-	-	(14,264)	(1.00)%	
ACN	AEG	Associate	(Sales)	(102,170)	(33.58)%	OA60	-	-	13,237	39.60%	
ACNZ	AAPH	Associate	Purchases	834,376	65.57%	OA60	-	-	(111,418)	(70.74)%	
ACNZ	ACA	Associate	Purchases	313,779	24.66%	OA60	-	-	(39,213)	(24.90)%	
ACR	APX	Associate	(Sales)	(104,483)	(0.48)%	OA60	-	-	12,336	0.81%	
ACR	AEG	Associate	Purchases	23,478,191	100.00%	OA60	-	-	(3,157)	(4.87)%	
ACR	APX	Associate	Purchases	279,365	1.31%	OA60	-	-	(44,977)	(69.37)%	
ACR	ARU	Associate	Purchases	237,189	1.11%	OA60	-	-	(19,710)	(30.40)%	
ACS	AAPH	Associate	Purchases	2,470,711	96.97%	OA60	-	-	(88,505)	(95.13)%	
ACTI	The Company	Parent/Subsidiary	(Sales)	(212,858)	(22.98)%	OA60	-	-	83,646	100.00%	

Company Name	Related Party	Name of Relationship	Transaction Detail				Transactions with Terms Different from Others (Note 1)		Notes/Accounts Payable or Receivable		Note
			Purchases/(Sales)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
ACW	ACG	Associate	(Sales)	(194,308)	(63.84)%	OA60	-	-	20,541	100.00%	
ACW	AEG	Associate	(Sales)	(110,073)	(36.16)%	OA60	-	-	(3)	(0.02)%	
ACZ	AEG	Associate	(Sales)	(276,312)	(48.98)%	OA60	-	-	22,666	43.12%	
ACZ	APX	Associate	Purchases	196,189	39.51%	OA60	-	-	(30,100)	(90.38)%	
AEG	ACR	Associate	(Sales)	(23,478,191)	(17.78)%	OA60	-	-	3,157	0.02%	
AEG	ACG	Associate	(Sales)	(30,361,624)	(22.99)%	OA60	-	-	2,683,058	17.11%	
AEG	ACF	Associate	(Sales)	(16,617,380)	(12.58)%	OA60	-	-	978,588	6.24%	
AEG	AME	Associate	(Sales)	(14,861,020)	(11.25)%	OA60	-	-	1,833,072	11.69%	
AEG	AUK	Associate	(Sales)	(12,431,838)	(9.41)%	OA60	-	-	3,143,989	20.05%	
AEG	AIT	Associate	(Sales)	(7,157,753)	(5.42)%	OA60	-	-	2,186,097	13.94%	
AEG	ACH	Associate	(Sales)	(7,294,648)	(5.52)%	OA60	-	-	1,417,153	9.04%	
AEG	AIB	Associate	(Sales)	(5,833,540)	(4.42)%	OA60	-	-	1,547,070	9.87%	
AEG	ASZ	Associate	(Sales)	(2,798,984)	(2.12)%	OA60	-	-	240,794	1.54%	
AEG	AUA	Associate	(Sales)	(3,428,693)	(2.60)%	OA60	-	-	139,309	0.89%	
AEG	ASK	Associate	(Sales)	(7,732,149)	(5.86)%	OA60	-	-	727,038	4.64%	
AEG	The Company	Parent/Subsidiary	(Sales)	(130,298)	(0.10)%	OA60	-	-	-	-	
AEG	The Company	Parent/Subsidiary	Purchases	109,237,255	85.47%	OA60	-	-	(695,747)	(7.31)%	
AEG	ACG	Associate	Purchases	773,211	0.60%	OA60	-	-	(1,111,687)	(11.69)%	
AEG	APX	Associate	Purchases	352,211	0.28%	OA60	-	-	(4,133)	(0.04)%	
AEG	AIT	Associate	Purchases	445,427	0.35%	OA60	-	-	(413,096)	(4.34)%	
AEG	ACF	Associate	Purchases	406,705	0.32%	OA60	-	-	(584,933)	(6.15)%	
AEG	ACZ	Associate	Purchases	276,312	0.22%	OA60	-	-	(22,666)	(0.24)%	
AEG	AIB	Associate	Purchases	273,614	0.21%	OA60	-	-	(412,241)	(4.33)%	
AEG	ACH	Associate	Purchases	281,942	0.22%	OA60	-	-	(383,627)	(4.03)%	
AEG	AUK	Associate	Purchases	140,280	0.11%	OA60	-	-	(503,713)	(5.30)%	
AEG	ACW	Associate	Purchases	110,073	0.09%	OA60	-	-	3	-	
AEG	ACN	Associate	Purchases	102,170	0.08%	OA60	-	-	(13,237)	(0.14)%	
AFE	The Company	Parent/Subsidiary	Purchases	1,166,820	93.42%	OA60	-	-	(33,533)	(59.06)%	
AIB	AEG	Associate	(Sales)	(273,614)	(4.09)%	OA60	-	-	412,241	14.13%	
AIB	AEG	Associate	Purchases	5,833,540	97.21%	OA60	-	-	(1,547,070)	(98.30)%	
AIB	APX	Associate	Purchases	165,144	2.75%	OA60	-	-	(26,654)	(1.69)%	
AIL	AAPH	Associate	Purchases	8,720,002	69.81%	OA60	-	-	(3,402,706)	(91.06)%	
AIL	HSN	Associate	Purchases	114,853	0.92%	OA60	-	-	(4,323)	(0.12)%	
AIN	AMI	Parent/Subsidiary	(Sales)	(194,867)	(2.14)%	OA60	-	-	24,644	14.28%	

Company Name	Related Party	Name of Relationship	Transaction Detail				Transactions with Terms Different from Others (Note 1)		Notes/Accounts Payable or Receivable		Note
			Purchases/ (Sales)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
AIN	AMI	Parent/Subsidiary	Purchases	342,770	4.03%	OA60	-	-	(20,107)	(2.75)%	
AIN	AAPH	Associate	Purchases	7,627,731	89.61%	OA60	-	-	(554,240)	(75.82)%	
AIT	AEG	Associate	(Sales)	(445,427)	(5.44)%	OA60	-	-	413,096	12.20%	
AIT	AEG	Associate	Purchases	7,157,753	91.22%	OA60	-	-	(2,186,097)	(98.76)%	
AIT	APX	Associate	Purchases	172,296	2.20%	OA60	-	-	(25,957)	(1.17)%	
AJC	AAPH	Associate	Purchases	5,025,826	100.00%	OA60	-	-	(1,820,421)	(97.25)%	
AME	AEG	Associate	Purchases	14,861,020	58.73%	OA60	-	-	(1,833,072)	(97.45)%	
AME	AAF	Associate	Purchases	158,196	0.63%	OA60	-	-	(10,429)	(0.55)%	
AME	APX	Associate	Purchases	147,693	0.58%	OA60	-	-	(21,891)	(1.16)%	
AMEX AAC		Associate	Purchases	5,348,810	94.56%	OA60	-	-	(1,495,405)	(96.57)%	
AMI	AIN	Parent/Subsidiary	(Sales)	(342,770)	(100.00)%	OA60	-	-	20,107	100.00%	
AMI	AIN	Parent/Subsidiary	Purchases	194,867	62.90%	OA60	-	-	(24,644)	(84.81)%	
AMI	AAPH	Associate	Purchases	104,150	33.62%	OA60	-	-	-	-	
APHI	AAPH	Associate	(Sales)	(143,010)	(16.15)%	OA60	-	-	(300)	(1.33)%	
APHI	AAPH	Associate	Purchases	659,299	100.00%	OA60	-	-	(246,980)	(96.70)%	
APX	ACG	Associate	(Sales)	(513,827)	(19.44)%	OA60	-	-	84,871	24.97%	
APX	AEG	Associate	(Sales)	(352,211)	(13.33)%	OA60	-	-	4,133	1.22%	
APX	ACR	Associate	(Sales)	(279,365)	(10.57)%	OA60	-	-	44,977	13.23%	
APX	ACF	Associate	(Sales)	(237,043)	(8.97)%	OA60	-	-	20,253	5.96%	
APX	ACZ	Associate	(Sales)	(196,189)	(7.42)%	OA60	-	-	30,100	8.86%	
APX	ACH	Associate	(Sales)	(187,646)	(7.10)%	OA60	-	-	14,264	4.20%	
APX	AIT	Associate	(Sales)	(172,296)	(6.52)%	OA60	-	-	25,957	7.64%	
APX	AIB	Associate	(Sales)	(165,144)	(6.25)%	OA60	-	-	26,654	7.84%	
APX	AME	Associate	(Sales)	(147,693)	(5.59)%	OA60	-	-	21,891	6.44%	
APX	AUK	Associate	(Sales)	(144,051)	(5.45)%	OA60	-	-	26,633	7.84%	
APX	The Company	Parent/Subsidiary	Purchases	529,135	23.16%	OA60	-	-	(91,169)	(28.64)%	
APX	ACG	Associate	Purchases	230,458	10.09%	OA60	-	-	(34,872)	(10.96)%	
APX	ACR	Associate	Purchases	104,483	4.57%	OA60	-	-	(12,336)	(3.88)%	
ARU	ACR	Associate	(Sales)	(237,189)	(100.00)%	OA60	-	-	19,710	100.00%	
ASSB	SMA	Parent/Subsidiary	(Sales)	(476,289)	(7.73)%	OA60	-	-	9,375	2.10%	
ASSB	AAPH	Associate	Purchases	5,114,447	95.44%	OA60	-	-	(278,452)	(92.46)%	
ASSB	HSN	Parent/Subsidiary	Purchases	159,234	2.97%	OA60	-	-	(5)	-	
ASC	The Company	Parent/Subsidiary	Purchases	115,795	17.81%	OA60	-	-	(11,183)	(12.77)%	
ASC	AAC	Associate	Purchases	176,648	27.18%	OA60	-	-	(30,917)	(35.30)%	

Company Name	Related Party	Name of Relationship	Transaction Detail				Transactions with Terms Different from Others (Note 1)		Notes/Accounts Payable or Receivable		Note
			Purchases/ (Sales)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
ASK	AEG	Associate	Purchases	7,732,149	98.94%	OA60	-	-	(727,038)	(97.68)%	
ASZ	AEG	Associate	Purchases	2,798,984	95.20%	OA60	-	-	(240,794)	(98.96)%	
ATB	AAC	Associate	Purchases	200,150	1.42%	OA60	-	-	(54,019)	(1.59)%	
ATH	AAPH	Associate	Purchases	7,411,042	97.96%	OA60	-	-	(731,218)	(94.28)%	
AUA	AEG	Associate	Purchases	3,428,693	95.95%	OA60	-	-	(139,309)	(92.67)%	
AUK	AEG	Associate	(Sales)	(140,280)	(1.06)%	OA60	-	-	503,713	10.54%	
AUK	AEG	Associate	Purchases	12,431,838	90.47%	OA60	-	-	(3,143,989)	(99.16)%	
AUK	APX	Associate	Purchases	144,051	1.05%	OA60	-	-	(26,633)	(0.84)%	
HSN	ACA	Associate	(Sales)	(183,124)	(21.33)%	OA60	-	-	5,481	17.96%	
HSN	ASSB	Parent/Subsidiary	(Sales)	(159,234)	(18.55)%	OA60	-	-	5	0.02%	
HSN	AIL	Associate	(Sales)	(114,853)	(13.38)%	OA60	-	-	4,323	14.17%	
HSN	The Company	Parent/Subsidiary	Purchases	125,960	22.04%	OA60	-	-	(15,245)	(20.41)%	
SMA	ASSB	Parent/Subsidiary	Purchases	476,289	9.18%	OA60	-	-	(9,375)	(3.54)%	

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, 2013

Table 7

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue Amount	Overdue Action Taken	Amount Received in Subsequent Period	Allowance for Bad Debts
The Company	AEG	Parent/Subsidiary	695,958	31.61	-		695,958	
The Company	AAC	Parent/Subsidiary	9,952,119	5.76	-		7,650,385	
The Company	AAPH	Parent/Subsidiary	3,922,309	14.97	-		3,922,309	
The Company	ACCN	Parent/Subsidiary	3,089,465	6.49	1,490,492	Collection in Pursuit	1,598,973	
The Company	ACCQ	Parent/Subsidiary	1,571,940	5.32	684,834	Collection in Pursuit	887,106	
The Company	TWPBJ	Parent/Subsidiary	106,852	0.54	96,423	Collection in Pursuit	10,429	
The Company	ASSCI	Parent/Subsidiary	549,259	-	-		42,000	
WLII	The Company	Parent/Subsidiary	137,164	3.04	106,516	Collection in Pursuit	30,648	
AAC	AMEX	Affiliates	1,515,572	3.27	450,013	Collection in Pursuit	644,947	
AAC	ASC	Affiliates	601,800	7.64	-		30,747	
AAC	ALA	Affiliates	113,684	-	-		-	
AAC	AEG	Affiliates	106,807	-	-		-	
AAC	GWI	Parent/Subsidiary	205,311	-	-		-	
AAC	The Company	Parent/Subsidiary	790,679	-	12	Collection in Pursuit	26,647	
AAF	AME	Affiliates	124,601	6.63	-		10,429	
AAPH	AIL	Affiliates	3,402,706	3.07	1,001,509	Collection in Pursuit	526,156	
AAPH	AIN	Affiliates	554,240	12.54	-		50,721	
AAPH	ATH	Affiliates	731,218	9.58	-		731,218	
AAPH	ACA	Affiliates	1,452,049	5.05	-		918,221	
AAPH	ASSB	Affiliates	278,452	13.60	11	Collection in Pursuit	278,440	
AAPH	AJC	Affiliates	1,820,421	2.74	-		1,107,896	
AAPH	ACNZ	Affiliates	111,418	7.09	-		111,418	
AAPH	APHI	Affiliates	246,980	3.90	-		133,754	
AAPH	AVN	Affiliates	140,923	0.43	91,764	Collection in Pursuit	18,430	
ACCN	ACCQ	Affiliates	1,729,933	0.86	-		3,203	

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue Amount	Overdue Action Taken	Amount Received in Subsequent Period	Allowance for Bad Debts
ACCN	The Company	Parent/Subsidiary	209,102	8.23	-		62	
ACCQ	AICQ	Affiliates	296,814	-	-		-	
ACF	AEG	Affiliates	733,033	0.70	-		51,296	
ACG	AEG	Affiliates	1,265,296	0.70	-		131,757	
ACH	AEG	Affiliates	398,044	0.84	-		23,223	
ACR	AEG	Affiliates	459,947	-	-		1,040	
AEG	ACG	Affiliates	2,683,058	11.33	-		2,628,501	
AEG	ACF	Affiliates	1,025,387	16.04	-		982,284	
AEG	AME	Affiliates	1,840,491	8.10	-		1,833,072	
AEG	AUK	Affiliates	3,144,847	4.02	-		2,857,080	
AEG	ASK	Affiliates	742,856	7.97	-		727,153	
AEG	ACH	Affiliates	1,432,917	4.70	-		1,417,712	
AEG	AIT	Affiliates	2,283,582	3.42	-		1,558,625	
AEG	AIB	Affiliates	1,578,374	4.30	-		1,547,070	
AEG	AUA	Affiliates	139,790	45.63	-		139,309	
AEG	ASZ	Affiliates	240,794	12.38	-		240,719	
AGU	AEG	Affiliates	411,604	-	-		-	
AHI	Boardwalk	Affiliates	778,700	-	-		-	
AHI	ACA	Parent/Subsidiary	384,182	-	-		-	
AIB	AEG	Affiliates	429,508	0.65	-		-	
AIT	AEG	Affiliates	663,920	0.99	-		44,558	
ALA	ATB	Affiliates	895,505	-	-		-	
ASC	AAC	Affiliates	230,523	1.86	-		168	
ASCBVI	LONG	Parent/Subsidiary	299,500	-	-		-	
ASK	AEG	Affiliates	251,779	-	16,135	Collection in Pursuit	-	
ASZ	AEG	Affiliates	183,058	0.31	-		12,786	
AUK	AEG	Affiliates	613,380	0.31	-		41,758	
GIC	GWI	Parent/Subsidiary	306,314	-	-		-	
GWI	AAC	Parent/Subsidiary	1,060,100	-	-		-	
LONG	SURE	Parent/Subsidiary	299,500	-	-		-	
PBHO	AEG	Affiliates	205,802	-	-		-	

Acer Incorporated and Subsidiaries
Business relationships and significant intercompany transactions
For the year ended December 31, 2013

Table 8

(In Thousands of New Taiwan Dollars)

Intercomapny relationships and significant intercompany transactions for the year ended December 31, 2013 were as follows:

Number (Note A)	Company Name	Counter Party	Nature of Relationship (Note B)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
0	The Company	AEG	1	Sales	109,237,255	OA60	30.33%
0	The Company	AAC	1	Sales	63,472,412	OA90	17.62%
0	The Company	AAPH	1	Sales	47,804,873	OA60	13.27%
0	The Company	ACCN	1	Sales	29,108,705	OA45	8.08%
0	The Company	ACCQ	1	Sales	7,710,655	OA60	2.14%
0	The Company	AAC	1	Accounts receivable	9,952,119	OA90	5.22%
0	The Company	AAPH	1	Accounts receivable	3,922,309	OA60	2.06%
0	The Company	ACCN	1	Accounts receivable	3,089,465	OA45	1.62%

Note A: Parties to the intercompany transactions are identified and numbered as follows:
1. "0" represents the Company.
2. Subsidiaries are numbered from "1".

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

Note C: Intercompany relationships and significant intercompany transactions are disclosed only for the amounts that exceed 1% of consolidated total revenue or 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
For the year ended December 31, 2013

Table 9

(In Thousands of New Taiwan Dollars/Shares)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balances as of December 31, 2013			Net Income (Loss) of the Investee	Investment Income (Loss)	Maximum percentage of ownership during 2013		Note
				December 31, 2013	December 31, 2012	Shares	Percentage of Ownership	Carrying Value			Shares	Percentage of Ownership	
The Company	ADSC	Taiwan	Investing and holding company	1,146,549	1,146,549	40,931	100.00	1,166,534	303,694	303,694	40,931	100.00	Equity-method investee of the Company
The Company	Boardwalk	British Virgin Islands	Investing and holding company	39,757,383	38,146,383	1,318,432	100.00	26,138,391	(6,144,908)	(6,144,908)	1,318,432	100.00	Equity-method investee of the Company
The Company	AEH	Cyprus	Investing and holding company	2,464,262	1,189,862	10	100.00	20,426,184	(1,667,036)	(1,667,036)	10	100.00	Equity-method investee of the Company
The Company	AHI	British Virgin Islands	Investing and holding company	1,130,566	1,130,566	33,550	100.00	10,225,339	(2,490,408)	(2,490,408)	33,550	100.00	Equity-method investee of the Company
The Company	Bluechip	Australia	Sale of peripheral information technology system	24,249	24,249	1,073	34.05	76,136	144	49	1,073	34.05	Equity-method investee of the Company
The Company	AWI	British Virgin Islands	Investing and holding company	4,069,764	4,069,764	1,326,193	100.00	245,301	545	545	1,326,193	100.00	Equity-method investee of the Company
The Company	ASCBVI	British Virgin Islands	Investing and holding company	1,718,547	2,009,547	35,067	100.00	915,273	148,028	148,028	48,400	100.00	Equity-method investee of the Company
The Company	CCI	Taiwan	Investing and holding company	1,299,817	1,299,817	-	100.00	1,141,799	1,686	1,686	-	100.00	Equity-method investee of the Company
The Company	ADSBH	British Virgin Islands	Investing and holding company	1,175,933	1,175,933	2,246	100.00	(159,289)	(63,619)	(63,619)	2,246	100.00	Equity-method investee of the Company
The Company	ACCSI	Taiwan	Electronic data supply, processing and storage services	2,943,044	2,943,044	187,092	100.00	1,934,270	175,959	175,959	187,092	100.00	Equity-method investee of the Company
The Company	MINLY	Taiwan	Electronic data supply, processing and storage services	-	38,105	-	-	-	(189)	(189)	1,004	100.00	Equity-method investee of the Company
The Company	AGC	British Virgin Islands	Investing and holding company	4,834,892	4,834,892	157,489	100.00	6,455,612	(1,251,641)	(1,251,641)	157,489	100.00	Equity-method investee of the Company
The Company	AEB	Taiwan	Electronic data supply, processing and storage services	250,000	250,000	25,000	100.00	254,398	7,798	7,798	25,000	100.00	Equity-method investee of the Company
The Company	WLII	Taiwan	Sale of computers and communication products	1,115,474	1,115,474	67,425	99.79	1,214,293	35,072	34,997	67,425	99.79	Equity-method investee of the Company
The Company	ATI	Taiwan	Repair and maintenance of information technology products	895,571	895,571	12,028	19.39	27,908	-	-	12,028	19.39	Equity-method investee of the Company
The Company	LTS	Taiwan	Electronic data supply, processing and storage services	-	-	100	100.00	33,155	156	156	100	100.00	Equity-method investee of the Company
The Company	ETEN	Taiwan	Research, design and sale of smart hand held products	7,100,751	7,100,751	50,000	100.00	4,203,232	(749,224)	(749,224)	50,000	100.00	Equity-method investee of the Company
The Company	AHB	The Netherlands	Investing and holding company	-	3	-	-	-	-	(3)	-	100.00	Equity-method investee of the Company
ACCSI	TWPBVI	British Virgin Islands	Investing and holding company	32,298	32,298	11,068	100.00	5,850	6,076	6,076	11,068	100.00	Equity-method investee of the Company
ADSC	ECOM	Taiwan	Repair information technology system	40,851	40,851	1,244	24.88	17,764	9,073	2,258	1,244	24.88	Equity-method investee of the Company's subsidiary
ADSC	APDI	Taiwan	Property development	29,577	29,577	2,958	100.00	100,010	(590)	(590)	2,958	100.00	Equity-method investee of the Company's subsidiary

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balances as of December 31, 2013			Net Income (Loss) of the Investee	Investment Income (Loss)	Maximum percentage of ownership during 2013		Note
				December 31, 2013	December 31, 2012	Shares	Percentage of Ownership	Carrying Value			Shares	Percentage of Ownership	
ADSC	ASDI	Taiwan	Property development	500,000	500,000	22,593	100.00	219,611	360	360	22,593	100.00	Equity-method investee of the Company's subsidiary
WLII	HPT	Taiwan	Sale of computers and communication products	23,668	23,668	882	30.22	14,541	9,747	2,946	882	30.22	Equity-method investee of the Company's subsidiary
AHN	Olidata shares	Italy	Researching, developmenting, assembling and sale of information technology product	119,690	119,808	10,156	29.87	-	-	-	10,166	29.90	Equity-method investee of the Company's subsidiary
AHN	Fizzle shares	Cyprus	Holding company	241,478	241,478	1	40.00	-	-	-	1	40.00	Equity-method investee of the Company's subsidiary

Acer Incorporated and Subsidiaries
Information on Investment in Mainland China
For the year ended December 31, 2013

Table 10

(In Thousands of New Taiwan Dollars)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2013	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2013	Net Income (Loss) of Investee	% of Ownership of Direct or Indirect Investment	Investment Income (Loss)	Carrying Value as of December 31, 2013	Accumulated Inward Remittance of Earnings as of December 31, 2013	Maximum percentage of ownership during 2013	
					Outflow	Inflow							Shares	Percentage of Ownership
Acer Third Wave Software (Beijing) Co., Ltd	Software research, development, design, trading and	89,850	Note 1	89,850	-	-	89,850	6,401	100.00	6,401	1,106	-	-	100.00
Beijing Acer Information Co., Ltd.	Sale of brand-name information technology	53,910	Note 1	-	-	-	-	(171)	100.00	(171)	42,155	-	2,199	100.00
Acer Information (Zhong Shan) Co., Ltd.	Sale of brand-name information technology product	44,925	Note 1	-	-	-	-	2,510	100.00	2,510	222,955	-	1,819	100.00
Acer Computer (Shanghai) Ltd.	Sale of brand-name information technology product	59,900	Note 1	59,900	-	-	59,900	266,575	100.00	266,575	2,737,709	-	2,369	100.00
Acer (Chongqing) Ltd.	Sale of brand-name information technology product	4,492,500	Note 1	4,492,500	-	-	4,492,500	(1,360,769)	100.00	(1,360,769)	3,079,775	-	150,000	100.00
Acer Intellectual (Chongqing) Limited	Research and design of smart hand held and touchpad products	119,800	Note 1	119,800	-	-	119,800	(118,539)	100.00	(118,539)	(84,680)	-	2,564	100.00
Acer Information Technology R&D (Shanghai) Co., Ltd	Research and design of smart hand held products	59,900	Note 1	-	-	-	-	630	100.00	630	19,794	-	1,400	100.00

Note 1: Indirect investment in Mainland China through a holding company established in a third country.

Investee Company Name	Accumulated Investment in Mainland China as of December 31, 2013	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
The Company and Subsidiaries	NT$ 4,762,050 (US $159,000,000)	NT $5,442,642 (US $181,724,286.5)	(Note 2)

The above amounts were translated into New Taiwan dollars at the exchange rate of US$1 =NT$29.95 as of December 31, 2013.
Note 2: Since the Company has obtained the Certificate of Headquarter Operation, there is no upper limitation on investment in Mainland China.

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