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BYOC
build your
own cloud



Acer Incorporated 2014 Annual Report

www.acer-group.com

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APPENDIX

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

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DISCLAIMER

This is a translation of the 2014 Annual Report of Acer Incorporated (the "Company"). The translation is intended for reference only and nothing else, the Company hereby disclaims any and all liabilities whatsoever for the translation. The Chinese text of the Annual Report shall govern any and all matters related to the interpretation of the subject matter stated herein.

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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

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Business Report to Shareholders



Year 2014 marked an important turning point for Acer. Stan Shih, our honorary chairman, handed me the important role of leading the company forward as chairman in addition to my responsibility as executive secretary of the Transformation Committee. With the concerted determination and efforts of company CEO Jason Chen, the executive management team and worldwide colleagues, we gradually implemented the necessary changes and turned around the company operations.

Quarter after quarter, we made steady progress: with Q1 operating income of NTD127M (US\$4.2M) and profits after tax (PAT) of NTD1M (US\$37K); Q2 operating income of NTD662M (US\$22.14M) and PAT of NTD485M (US\$16.2M); and Q3 operating income of NTD1.10B (US\$36.27M) and PAT of NTD651M (US\$21.38M). Finally, in Q4 we reported the operating income of NTD814M (US\$25.67M) and PAT of NTD654M (US\$20.63M) to achieve the full year 2014 consolidated revenues of NTD329.68B (US\$10.39B). With this, we can declare that Acer has successfully returned to profitability and would like to express our deepest gratitude to our shareholders, as we could only have made it so far with your support. In addition to your persistent backing, we completed in February the second public offering of common shares raising a total of NTD5.4B (US\$180M) in funds. The extra funds will help with new business investments for the company's long-term sustainability and toward R&D to provide customers with even better products and services.

Under our Build Your Own Cloud (BYOC™) vision, Acer is transforming into a "hardware + software + services" player in the era of cloud technology and already achieved several milestones. Acer's BYOC is a world where users can easily create, personalize and enjoy their own

connected universe across different devices, operating systems and platforms. Through the BYOC alliance we have developed many new applications, and successfully provided a smooth online registration process for Taiwan's first IAAF certified marathon for which 12,000 spots for registration were filled and completed via the website created by Acer. Moreover, we operated the website and online ticketing of Taiwanese diva Jody Chiang's farewell concerts where tickets were sold out within 26 minutes. Going forward, we will continue to develop applications, work with more partners to design user-oriented and a diversified range of products and services.

With the Internet of Things (IoT) taking the world by storm; Acer has not only joined the IoT with our BYOC vision, but also incorporated the "Internet of Beings (IoB)" concept and mindset throughout our product offerings, perfectly integrating user intelligence with device functionality. In the future, all sorts of devices will wirelessly and seamlessly interconnect through the BYOC platform; while enterprises, families or even individuals can create their own cloud with their own intelligence and personal devices.

Change and transformation are what we have consistently worked on for the past two years. However, we realize that transformation is a long and continuous journey that may take as long as three years. Looking forward to 2015, Acer must adapt steadily and develop actively despite the instability of external factors. We must work harder and to face challenges with a positive attitude.

Once again I would like to thank all our shareholders, for your support is our greatest encouragement! Seeing light at the end of the tunnel, bright prospects await Acer, so please extend your support and allow us to enjoy the fruitful results together!

Yours sincerely,

George Huang

Acer Chairman

1.1 Acer's Core Values

Under the BYOC vision, Acer is transforming itself to a hardware + software + services company. Based on the Wangdao philosophy, Acer is working with partners to create value, and build an ecosystem that balances all interests. In the process of transition, we must create new core values, therefore, on top of our original values, we added new elements and goals and now present our refreshed Core Values to form and strengthen the core competencies we need to ensure a stronger Acer in the future.

In addition to Acer's long-held core values of Integrity, Teamwork and Innovation, we are expanding to include three new key values for a total of six: Passion, User-centric, Innovation, Teamwork, Balance of Interests, and Integrity.

Core Value	Rational Meaning	Emotional Meaning
Passion	Be ready to change the world with a positive, enthusiastic, dare-to-dream and determined attitude.	<ul style="list-style-type: none"> Serve as a bridge between people and technology. Be open to try new ideas, methods, and applications. Endeavor to face challenges, break through bottlenecks and create value. Sharpen professionalism to pursue excellence with dedication and enjoyment in work to keep one step ahead of our competitors. Care for, delegate to, and support people. Influence people through a positive attitude. Face up to difficulties and solve them in innovative and realistic ways.
User-centric	Never forget that we are here to create value for end-users. Always think about the benefits we can bring them in everything you do.	<ul style="list-style-type: none"> Explore users' habits and requirements by putting yourself in their position, and using the knowledge gained to design impressive products and services. Base your decisions on sound research into users' requirements. Listen to customers and understand the market trends from their point-of-view. Create systems for evaluating users' needs and experience. Build up a mechanism for developing products and services that meet global needs.
Innovation	Create unique competitive advantages and look for value-based innovations in everything you do.	<ul style="list-style-type: none"> When engaged with product or service innovation, always consider users' needs and what they value to assure customer stickiness. Remain curious and aggressive in the course of innovation. If you have criticism, make sure it is constructive. Consider the commercial value of your proposed innovations or improvements. Give equal consideration to cost, quality and the value that the innovation will deliver to end users. Collaborate with strategic partners, and share cutting-edge knowledge to create value.
Teamwork	Communicate, create consensus and collaborate as one team. Place the groups' interests above the individual's interests and work towards a common goal.	<ul style="list-style-type: none"> Use the five 5Cs (Communication, Communication, Communication, Consensus, Commitment) to enhance communication and collaboration. Specify performance indicators that are mutually agreed by the teams, and then devote all team-members' efforts to achieve the goals. Put the team's interests above an individual's interests. Enhance interactions, respect and trust between teams. Focus on the value chain as the highest priority in collaboration for maximizing customer value.

Balance of Interests	Work together to create value, overcome difficulties and construct a model that balances the interests of all stakeholders.	<ul style="list-style-type: none"> Keep promises and build trust-based relationships with stakeholders. Make an effort to overcome difficulties and construct a model that balances different parties' interests. Form collaborative relationships that balance the six aspect values: tangible vs. intangible; direct vs. indirect; present vs. future. Value the balance among associated groups (environment, social, and cultural). Motivate employees and partners and establish long-term partnerships.
Integrity	Abide by corporate governance, regulations and standards of business conduct not because we are required to, but because it is the right thing to do.	<ul style="list-style-type: none"> Follow the codes of conduct or social norms when performing duties and always serve as a role model for others. Never appropriate public resources for private use. Never reveal or leak confidential information when inappropriate. Be aware of and stop any behavior that may violate regulations or social codes.

1.2 2014 Operating Report

1.2.1 Consolidated Operating Results

Unit: NTD Thousand

Item	Period	2013	2014
Revenue		360,132,042	329,684,271
Gross profit		22,550,266	28,942,184
Operating (loss) income		(11,409,666)	2,707,665
Non-operating Loss		(9,654,070)	(93,246)
(Loss) income before taxes		(21,063,736)	2,614,419
(Loss) income from Continued segment		(20,519,349)	1,790,584
(Loss) income from Discontinued segment		0	0
Net (loss) income		(20,519,349)	1,790,584
Other comprehensive income for the year, net of taxes		2,262,505	2,438,464
Total comprehensive loss income for the year		(18,256,844)	4,229,048
Net (loss) income attributable to Shareholders of the Company		(20,519,428)	1,790,690
Net (loss) income attributable to Non-controlling interests		79	(106)
Total comprehensive (loss) income attributable to Shareholders of the Company		(18,526,899)	4,229,180
Total comprehensive (loss) income attributable to Non-controlling interests		55	(132)
EPS		(7.54)	0.66

1.2.2 Budget Expenditure in 2015

Not applicable.

1.2.3 Financial Income and Earning Abilities

Unit: NTD Thousand

Item		2014
Financial Income	Revenue	329,684,271
	Gross profit	28,942,184
	Net income	1,790,690
Earning Abilities	Return on total assets (%)	1.22
	Return on equity (%)	3.06
	Net income ratio (%)	0.54
	EPS (NTD)	0.66

1.3 2015 Business Plan

1.3.1 Business Direction

- Promote transformation, integrate existing resources, and continue to create value; with a consumer-centric product strategy, strengthen product positioning to enhance product offering and competitiveness.
- Engrain the core beliefs of the Wangdao philosophy into the corporate mindset: sustainable business, value creation, and the balance of interests.
- Embrace new opportunities of cloud technology with BYOC open platform to shape the strategy of New New Acer in the era of new C&C (Computing and Communications).
- Efficient use of all resources, enhance internal communication and corporate social responsibility.

1.3.2 Goals

- Increase key product unit shipments and develop new businesses.
- Combine cloud technology, develop new applications and services, and strengthen the transition to a hardware + software + services company.
- Pursue for better operating income.

1.3.3 Marketing Strategy

- Let consumer needs lead the research and development of products and services.
- Consolidate the product development resources, and effectively strengthen sales.
- With the Wangdao mindset, cooperate with suppliers and customers to create value and pursue for sustainable operations together.

1.3.4 Future Strategy

- Enhance the added value of key products and brand positioning.
- Develop innovative products based on the integration of hardware, software, services, and cloud technology.
- Uphold corporate social responsibilities, realize the sustainable business mindset, and accumulate long-term value for the company.

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

- Integration of the Internet of Things (IoT) and the ICT industry shifting toward a cross-platform connected model has prompted cloud services to ally with partners in various fields of work to develop new services.
- Understanding consumers' preferences and needs is essential to the new hardware, software and services of the ICT industry.
- Product strategy and product mix need to adapt quickly to the constant changing market needs and trends.



2. Company in Gerenal

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 – 2013

- Enhanced worldwide presence with a new multi-brand strategy

2014 – Beyond

- Transforming into a hardware + software + services company

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.

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 new Chief Financial Officer.
- 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 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 NTD3.5B (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 NTD6B 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 NTD9.94B (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 NTD5.78B 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.
- Appointed Nancy Hu as Chief Financial Officer.
- Unveiled the new visual identity for Acer's BYOC™ (Build Your Own Cloud) brand.
- Delivered the world's first 4k2k display, XB280K, for smoother and responsive gaming.
- Premiered BYOC solutions at the Experience Center Opening in Taiwan.
- Debuted the Liquid Leap as its first wearable device.
- Signed MOU with MediaTek for cloud and wearable technologies.
- The new Board of Directors elected George Huang as Acer Chairman.

- Announced new pan-Asia Pacific organization with Oliver Ahrens as president.
- Acer Chromebooks led the way in the US consumer market in Q1.
- Acer monitors topped the US retail market in 1H 2014.
- Expanded the Liquid smartphone sales in Pan America.
- Acer's Chrome devices expanded to include the Chrome-box desktop PC.
- Took the No. 1 position in Philippines in total PC, portable PC and projector shipments.
- Debuted on Dow Jones Sustainability Emerging Markets Index and listed on MSCI Global Sustainability Indexes for environmental, social and governance.
- Won three Good Design awards for Japan with the Liquid Jade smartphone, and the Aspire R13 convertible and Aspire V Nitro series notebooks.
- Hosted first BYOC forum to discuss IoT opportunities and trends
- Acer partners with Octon for BYOC solutions in the telecommunication field.
- Appointed Jerry Kao as president of Notebook Business Group.
- Aspire R13 convertible notebook named as 2014 CES Innovation Awards Honoree.
- Announced Emmanuel Fromont to lead EMEA operations and Sumit Agnihotry to lead Pan America operations.
- Reported 2014 full year results: consolidated revenues NT\$329.68B (US\$10.39B), operating income NT\$2.71B (US\$85.37M), net income NT\$1.79B (US\$56.46M)
- Announced industry's first Chromebase all-in-one desktop with touch display
- Received five Red Dot awards for product design excellence
- Revealed new back-to-school product range at the inaugural "next@acer" event in New York
- Reported Q1 2015 results: consolidated revenues NT\$67.95B (US\$2.16B), operating income NT\$304M (US\$9.68M), net income NT\$173M (US\$5.52M)

2015

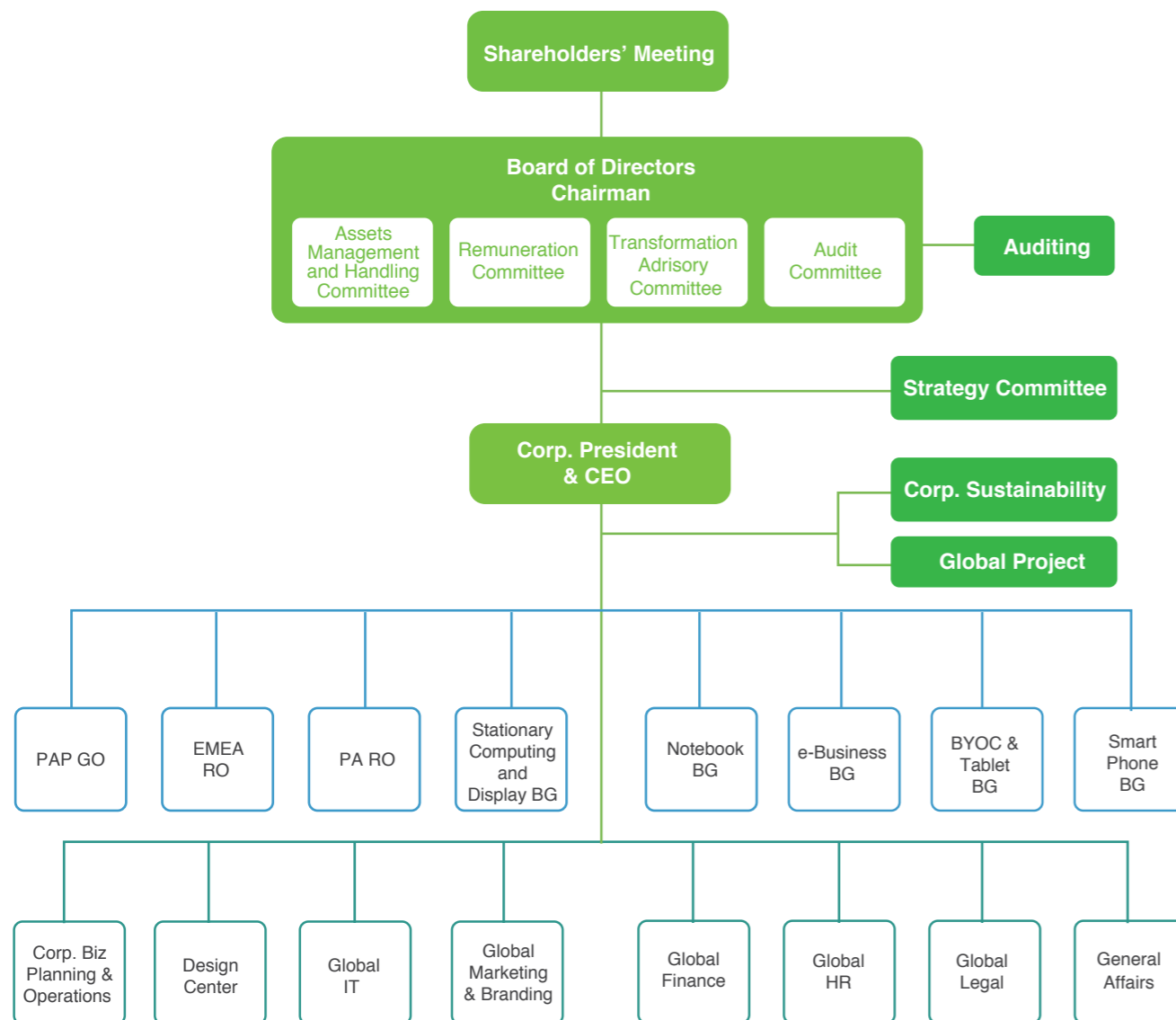
- Launched the industry's first Chromebook with 15.6-inch display.
- Acer smartphone debuted in Japan.
- Online ticketing system demonstrated Acer's hardware + software + services capabilities.
- Completed the second public offering of 300 million common shares to raise NTD5.4 billion (US\$180 million) in funds.
- Unveiled two new cloud application solutions for the era of computing and communication.
- Acer BYOC™ provided runner tracking service to Taiwan's First IAAF certified marathon



3. Corporate Governance Principles

3.1 Organization of the Company

3.1.1 Department Functions



3.1.2 Corporate Functions

Strategy Committee

- Long-term strategic initiatives and new business development

Auditing

- 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

Global Projects

- Global key project planning and execution

Pan Asia Pacific Operations

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

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

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 (Build Your Own Cloud) Services and Tablet Products global business development and management

Smartphone Business

- Managing smartphone product line business

Corporate Business Planning & Operations

- Managing the strategic planning and operations of all IT business back-end functions

Design Center

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

Global IT

- Corporate information infrastructure and information systems management

Global Marketing & Branding

- Corporate brand management, consolidation and implementation of global marketing strategies, public relations management

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 management

General Affairs

- General affairs, transportation services, office facilities management

3.2 Information Regarding Board of Directors, Supervisors and Key Managers

(1) Board of Directors and Supervisors (May 07, 2015)

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	Relationship
Chairman	George Huang	06/18/2014	3	8,261,844	0.27	9,147,642	0.30	1,987,819	0.06	Bachelor	1. Independent Director, PChome Online Inc. 2. Independent Director, Bio Net Corp. 3. Independent Director, Taiwan Taxi Co., LTD. 4. Independent Supervisor, InterServ International Inc. 5. Supervisor, Motech Industries Inc. 6. Supervisor, Les Enphants Co., Ltd. 7. Supervisor, Apacer Technology Inc. 8. Other (Note 2)	None	-	-
Director	Stan Shih	06/18/2014	3	74,592,499	2.41	80,904,395	2.61	18,839,229	0.61	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.	Legal Representative of Director	Carolyn Yeh	Wife
Director	Jason Chen	06/18/2014	3	0	0	1,735,480	0.06	0	0	Master	Chairman, Mu-Jin Investment Co., Ltd.	None	-	-
Director	Hsin-I Lin	06/18/2014	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, Guang Yuan Investment Co., Ltd.	None	-	-
Director	Hung Rouan Investment Corp.	06/18/2014	3	67,799,202	2.19	73,629,933	2.38	0	0	-	-	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	Relationship
Legal Representative of Director	Carolyn Yeh (Representative of Hung Rouan Investment Corp.)	06/18/2014	3	17,493,157	0.56	18,839,229	0.61	80,904,395	2.61	Bachelor	1. Chairman, iDSOFTcapotal Inc. 2. Chairman, Hung Rouan Investment Corp. 3. Director, AcoMo Technology Co., Ltd. 4. Director, IP Fund Six Co., Ltd. 5. Director, iD Innovation Inc. 6. Supervisor, Idealive International Co. Ltd. 7. Supervisor, iD Reengineering Fund Inc. 8. Supervisor, iD Branding Managerment Inc. 9. Other (Note 2)	Director	Stan Shih	Husband
Director	Smart Capital Corp.	06/18/2014	3	11,260	0	12,228	0	0	0	-	-	None	-	-
Legal Representative of Director	Philip Peng (Representative of Smart Capital Corp.)	06/18/2014	3	1,003,469	0.03	1,349,469	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 Managerment Inc. 8. Director, iD Reengineering Fund Inc. 9. Supervisor, iD Innovation Inc. 10. Others (Note2)	None	-	-
Director (Note1)	J.T. Wang	06/15/2011	3	0	0	0	0	0	0	Bachelor	-	None	-	-
Independent Director	F.C. Tseng	06/18/2014	3	0	0	0	0	0	0	Ph. D.	1. Chairman, TSMC China Company Ltd. 2. Chairman, Global Unichip Corp. 3. Vice Chairman, Vanguard International Semiconductor Corp. 4. Director, TSMC Solar Ltd. 5. Director, TSMC Solid State Lighting Ltd.	None	-	-
Independent Director	Ji-Ren Lee	06/18/2014	3	0	0	0	0	0	0	Ph. D.	1. Professor, Department of International Business, National Taiwan University 2. Independent Director, E.Sun Financial Holdings Co., Ltd. 3. Independent Director, Wowprime Corp. 4. Outside Director, AVerMedia Technologies, Inc. 5. Chairman of Compensation Committee, Nien Hsing Textile Co., Ltd.	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	Relationship
Independent Director	Chin-Cheng Wu	06/18/2014	3	0	0	0	0	0	0	Master	1. VP & Technical Fellow, Ericsson 2. Independent Director, Vello Systems 3. Consultant of Innovation and Prospective Technology Project, Institute for Information Industry 4. Honorary Chairman, New England Chinese Information and Networking Association	None	-	-
Independent Director (Note1)	Julian Michael Horn-Smith	06/15/2011	3	0	0	0	0	0	0	Bachelor	-	None	-	-

Note1: J.T. Wang resigned on 2014.01.21.

Julian Michael Horn-Smith resigned on 2014.06.18.

For those who resigned or be released from their positions, whose shareholdings are shown as 0.

Note2: Appointed by Company to be Director and/or President of certain subsidiaries.

Major Institutional Shareholders (May 07, 2015)

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

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	
George Huang			✓				✓	✓		✓	✓	✓	✓	3
Stan Shih			✓					✓				✓	✓	1
Jason Chen			✓			✓	✓	✓	✓	✓	✓	✓	✓	0
Hsin-I Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Hung Rouan Investment Corp.	Not applicable.			Not applicable.										
Carolyn Yeh (Representative of Hung Rouan Investment Corp.)			✓	✓								✓	✓	0
Smart Capital Corp.	Not applicable.			Not applicable.										
Smart Capital Corp. Philip Peng (Representative of Smart Capital Corp.)			✓	✓		✓	✓	✓		✓	✓	✓	✓	1
J.T. Wang(Note 2)			✓				✓	✓		✓	✓	✓	✓	0
F.C. Tseng			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Ji-Ren Lee	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Chin-Cheng Wu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Julian Michael Horn-Smith(Note 2)			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

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.

- Not an employee of the Company or any of its affiliates.
- 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.
- 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.
- 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.
- 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.
- 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.
- 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.

Note2: J.T. Wang resigned on 2014.01.21.

Julian Michael Horn-Smith resigned on 2014.06.18.

(2) Key Managers (May 07, 2015)

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
Corp. President & CEO (Note 2)	Jason Chen	01/01/2014	1,735,480	0.06	0	0		108,600	0	Master	1. Chairman, Mu-Jin Investment Co., Ltd. 2. Others (Note3)	None	-	-
Sr. Corp.VP & President of PAP	Oliver Ahrens	04/01/2009	0	0	0	0		0	0	Bachelor	(Note3)	None	-	-
Corp.VP & President of PA	Emmanuel Fromont	01/01/2011	0	0	0	0		0	0	Bachelor	(Note3)	None	-	-
Sr. Corp.VP & President of GC (Note 1)	Scott Lin	11/01/2001	0	0	0	0		0	0	Bachelor	-	None	-	-
Sr. Corp.VP & President of AAP	Steve Lin	11/01/2001	0	0	0	0		0	0	Bachelor	-	None	-	-
Corp.VP & President of CBG	James Chiang	01/01/2003	0	0	0	0		0	0	Bachelor	-	None	-	-
President of PA (Note2)	Sumit Agnihotry	01/01/2015	0	0	0	0		0	0	Bachelor	(Note3)	None	-	-
President of EMEA (Note 1 & 2)	Luca Rossi	08/01/2014	0	0	0	0		0	0	Bachelor	-	None	-	-
President of Taiwan Operations (Note2)	Towny Huang	05/01/2014	69,954	0	0	0		0	0	Master	-	None	-	-
President of China Consumer Business (Note2)	YH Zhang	05/01/2014	0	0	0	0		0	0	Master	-	None	-	-
President of NBBG (Note2)	Jerry Kao	12/01/2014	146,375	0	0	0		0	0	Master	-	None	-	-
President of SDBG (Note2)	Simon Hwang	01/24/2014	11,276,952	0.36	3,437,866	0.11		0	0	Bachelor	(Note3)	None	-	-
President of EBBG	Ben Wan	05/16/2002	391,388	0.01	0	0		0	0	Master	(Note3)	None	-	-
President of CBPO	Tiffany Huang	01/01/2013	154,817	0	90	0		0	0	Bachelor	-	None	-	-
CTO and President of Design Center	Jackson Lin	02/16/2004	354,723	0.01	2,274	0		0	0	Master	-	None	-	-
President of SPBG	ST Liew	01/01/2012	14,000	0	0	0		0	0	Bachelor	-	None	-	-
President of BYOC & Tablet (Note 2)	Maverick Shih	01/24/2014	1,687,733	0.05	1,172,878	0.04		0	0	Ph. D.	(Note3)	None	-	-
VP of SPBG	Wayne Ma	10/24/2012	1,037,095	0.03	607,419	0.02		0	0	Bachelor	-	None	-	-
VP of GCRO (Note 1)	Peter Shieh	11/01/2001	0	0	0	0		0	0	Bachelor	-	None	-	-
VP of GCRO (Note 1)	Jafa Lin	07/01/1996	0	0	0	0		0	0	Bachelor	-	None	-	-
VP of EBBG (Note 1)	Michael Wang	11/01/2008	0	0	0	0		0	0	Bachelor	-	None	-	-
VP of Global Marketing & Branding	Maarten Schellekens	07/01/2014	0	0	0	0		0	0	Bachelor	-	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	154,640	0	0	0		0	0	Master	1. Director, NHL CPA Limited, H, 2. Director, Cal-Comp Biotech Co., Limited 3. Director, Brotherelephants Co., Limited 4. Independent Director, Carnival Group International Holdings Limited 5. Independent Director, Enterprise Development Holdings Limited 6. Independent Director, United Pacific Industries Limited 7. Independent Director, LVGEM (China) Real Estate Investment Company Limited 8. Consultant, Beautimode Co., Limited 9. Others (Note3)	None	-	-
Accounting Officer (Note 2)	Grace Lung	05/01/2014	171,620	0.01	0	0		0	0	Bachelor	(Note3)	None	-	-
CFO (Note 1)	Eva Ho	03/01/2012	0	0	0	0		0	0	Master	-	None	-	-
Director of Branch Office (Note 1)	PH Wu	01/12/2006	0	0	0	0		0	0	Bachelor	-	None	-	-
Director of Branch Office (Note 1)	TC Yang	01/12/2006	0	0	0	0		0	0	Bachelor	-	None	-	-
Director of Branch Office (Note 1)	YS Shiau	01/12/2006	0	0	0	0		0	0	Bachelor	-	None	-	-

Note 1: Scott Lin released on 2014.04.30
Steve Lin released on 2014.10.01
James Chiang released on 2014.05.31
Luca Rossi released on 2015.01.01
Peter Shieh released on 2014.05.31
Jafa Lin released on 2014.06.30
Michael Wang released on 2014.08.15
Eva Ho released on 2014.04.30
PH Wu released on 2014.09.01
TC Yang released on 2014.09.01
YS Shiau released on 2014.05.31

Note 2: Sumit Agnihotry assumed position on 2015.01.01
Luca Rossi assumed position on 2014.08.01
Towny Huang assumed position on 2014.05.01
YH Zhang assumed position on 2014.05.01
Jerry Kao assumed position on 2014.12.01
Simon Hwang assumed position on 2014.01.24
Maverick Shih assumed position on 2014.01.24
Maarten Schellekens assumed position on 2014.07.01
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.

Note 4: For those who resigned or be released from their positions, whose shareholdings are shown as 0.

3.3 Corporate Governance Status

3.3.1 Meetings Held by the Board of Directors

The Board of Directors held five meetings from Jan.1, 2014 to June 17, 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	5	0	100%	
Director	J.T. Wang	0	0	0%	Note 1
Director	Hsin-I Lin	4	1	80%	
Director	Hung Rouan Investment Corp.	5	0	100%	
Director	Philip Peng (Representative of Smart Capital Corp.)	5	0	100%	
Director	Julian Michael Horn-Smith	1	1	20%	Note 2
Director	F.C. Tseng	5	0	100%	

Note1: J.T. Wang attended eight meetings. He resigned from the position of Chairman on 2013.11.21 and of Director on 2014.01.21.

Note2: Julian Michael Horn-Smith attended three meetings by tele-conference call.

The Board of Directors held six meetings from June 18, 2014 to May 7, 2015. 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	George Huang	6	0	100%	
Director	Stan Shih	6	0	100%	
Director	Jason Chen	6	0	100%	
Director	Hsin-I Lin	6	0	100%	
Director	Carolyn Yeh (Representative of Hung Rouan Investment Corp.)	6	0	100%	
Director	Philip Peng (Representative of Smart Capital Corp.)	6	0	100%	
Independent Director	F.C. Tseng	5	1	83%	
Independent Director	Ji-Ren Lee	6	0	100%	
Independent Director	Chin-Cheng Wu	4	1	67%	

3.3.2 Operational Situation of the Audit Committee

The Audit Committee held four meetings from June 18, 2014 to May 7, 2015. The record of the Members' attendances is shown below:

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

3.3.3 Supervisor's Participation of Meetings Held by the Board

The Board of Directors held five meetings from Jan.1, 2014 to June 17, 2014. The record of the Supervisors' attendances is shown below:

Title	Name	No. of Meetings Attended	Meeting Attendance Rate (%)	Note
Supervisor	Carolyn Yeh	4	80%	
Supervisor	George Huang	5	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
	Yes	No	Summary	
1. Has the Company enacted corporate governance best-practice principles according to Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies?	✓		Acer enacted Corporate Governance Best-Practice Principles according to Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies.	No discrepancy
2. The ownership structure and shareholders' rights				
(1) Whether the company has internal policy for handling of the shareholders' proposals and disputes?	✓		The Company has designated the Office of Shareholders' Affairs to handle the shareholders' proposal and disputes.	No discrepancy
(2) 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
(3) 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
(4) Internal policy preventing insider trading?	✓		Acer enacted Regulations on Insider Trading to prevent any illegal activities in terms of insider trading.	No discrepancy
3. The composition and duties of board of directors				
(1) Has the composition of the board of directors determined by taking diversity into consideration and formulating an appropriate policy on diversity?	✓		Although Acer has not yet adopted a policy indicating criteria of diversity and complementarity of skills for director candidates, but diversity has always been one of the crucial factors for recommending new director candidates.	No discrepancy
(2) Besides audit committee and compensation committee, is the Company willing to set up other functional committees?	✓		Acer has set up Audit Committee, Compensation Committee, Transformation Committee, and Assets Management and Handling Committee. Acer is willing to set up other functional committees depends on practical needs.	No discrepancy

Items	Enforcement Status			Discrepancy between the corporate governance principles implemented by the Company and the Principles, and the reason for the discrepancy
	Yes	No	Summary	
(3) Has the Company formulated rules and procedures for board of directors' performance assessments, and that each year it conduct regularly scheduled performance assessments of the board of directors?	✓		The Company has formulated rules and procedures for board of directors' performance assessments, and that each year we conduct regularly scheduled performance assessments of the board of directors.	No discrepancy
(4) Does the Company evaluate the independence and suitability of the CPA engaged by the company regularly?	✓		The annual evaluation by the CPA is one of the main duties of the Audit Committee, and being reported to the Board of Directors.	No discrepancy
4. Has the Company established a channel for supervisors to communicate with the employees, shareholders, and stakeholders, designated a stakeholders section on its website to respond those advises appropriately?	✓		The Company has established the appropriate communication channels with suppliers, buyers, banks, investors and other stakeholders, including a stakeholders section on our website.	No discrepancy
5. Has the Company engaged a professional shareholder services agent to handle shareholders meeting matters?		✓	The Company has designated the Office of Shareholders' Affairs to handle the shareholders' proposal and disputes.	The Office of Shareholders' Affairs handles the shareholders' proposal and disputes.
6. The disclosure of information				
(1) Has the Company set up website to disclose 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
(2) Others means of disclosing information	✓		The Company has one chief speaker, one acting speakers and a designated team to be responsible for gathering and disclosing relevant 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
	Yes	No	Summary	
7. 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.):	✓		<ul style="list-style-type: none"> The Company has actively participated in community or charitable activities. The Company has set up an exclusive web site for the new labor pension system containing information for employees regarding the laws and regulations, and to offer assistance. In addition 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. The relevant information has been disclosed on Acer Inc.'s official website (http://www.acer-group.com). 	No discrepancy
8. Has the Company regularly scheduled performance assessments or engaged outside professional institutions to conduct board of directors' performance assessments?	✓		The "2013 Acer BOD (Board of Directors) performance evaluation questionnaire" has been conducted from May 19, 2014 to May 30, 2014 anonymously on-line. The questionnaire invited all BOD members to self-evaluate the performance of Acer BOD on areas like Board effectiveness, Strategic Oversight & Risk Control, etc. At the end of the questionnaire, all BOD members are invited to give comments on "how to improve BOD performance in the coming year". The consolidated feedback result of the questionnaire has been reported in the Remuneration Committee meeting and BOD meeting, and take related improvement action such as increasing the independent directors so to ensure the operation of BOD meeting is more objective and comply with Corp. governance.	No discrepancy

3.3.5 Code of Ethics and Business Conduct

Items	Enforcement Status			Discrepancy between the corporate governance principles implemented by the Company and the Principles, and the reason for the discrepancy
	Yes	No	Summary	
1. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures				
(1) Are the Company's guidelines on corporate conduct and ethics provided in internal policies and disclosed publicly? Have the Board of Directors and the management team demonstrated their commitments to implement the policies?	✓		Integrity is the most important core value of Acer's culture. The Board of Directors and the management team are dedicated to enforcing the Company's guideline on corporate conduct and ethics.	No discrepancy
(2) Has the company established relevant policies for preventing any unethical conduct? Are the implementation of the relevant procedures, guidelines and training mechanism provided in the policies?	✓		It is Acer Group's policy to fully comply with all laws and regulations governing our people and operations around the world and to conform to the highest legal and ethical standards. Our Standards of Business Conduct (SBC) are formulated to guide the way Acer Group employees behave with each other, our customers, business partners, our shareholders and the communities where Acer Group does business.	No discrepancy
(3) Has the company establishes appropriate measures against the acts listed in Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies or other higher potential unethical conducts in the relevant policies?	✓		In order to prevent any unethical conduct, we have enacted several policies and guidelines, such as Standards of Business Conduct, Antitrust and Fair Competition Guidelines, Regulations on Insider Trading, and Rules Governing Management of Personal Data, etc.	No discrepancy
2. Corporate Conduct and Ethics Compliance Practice				
(1) Has the company conducted investigation regarding unethical records with whomever the Company doing business with, and included business conduct and ethics related clauses in the business contracts.	✓		In addition to sending emails to our customers and suppliers to inform them about our ethical policy, in order to further enhance our commitment to ethical practice, we also request our contractors, vendors, suppliers and service providers to sign a letter of undertaking to demand compliance with our ethical policy.	No discrepancy

Items	Enforcement Status			Discrepancy between the corporate governance principles implemented by the Company and the Principles, and the reason for the discrepancy
	Yes	No	Summary	
(2) Has the Company set up dedicated unit in charge of promotion and execution of the company's corporate conduct and ethics?	✓		To perform Board of Directors' duty of supervision and to strengthen the management mechanism, Acer establishes the Audit Committee on June 18, 2014, which be composed of all independent directors, at least one (1) of whom shall have accounting or financial expertise.	No discrepancy
(3) Has the Company established policies to prevent conflicts of interest and provided appropriate communication and complaint channels?	✓		We have enacted "Acer Group Standards of Business Conduct" to prevent conflicts of interest and provide whistleblower mailbox on our website (http://www.acer-group.com/public/Investor_Relations/corporate.htm).	No discrepancy
(4) Has the Company established effective accounting and internal control systems for the implementation of policies, and the internal or external auditors audit such execution and compliance.	✓		Acer's Internal Control Systems are management processes designed by the managers, passed by the board of directors, and implemented by the board of directors, managers, and other employees for purpose of promoting sound operations of the Company. Our financial reports are also audited by external auditors regularly.	No discrepancy
(5) Does the Company provide training regarding ethic compliance practice regularly?	✓		It is Acer Group policy to fully comply with all laws and regulations governing our people and operations around the world and to conform to the highest legal and ethical standards. Our Standards of Business Conduct (SBC) are formulated to guide the way Acer Group employees behave with each other, our customers, business partners, our shareholders and the communities where Acer Group does business. Within their first month, new staff are put through training to better understand the company's Standards of Business Conduct (including instruction on labor rights, freedom of expression, sexual harassment prevention, and corruption prevention), thus helping them become fully integrated parts of the team.	No discrepancy
3. Channels for reporting any ethical irregularities	✓			No discrepancy

Items	Enforcement Status			Discrepancy between the corporate governance principles implemented by the Company and the Principles, and the reason for the discrepancy
	Yes	No	Summary	
(1) Has the Company established policy and channels in terms of reporting ethical irregularities and designated competent personnel to handle such matters?	✓		In order to enhance corporate governance, Acer provides a whistleblower mailbox on our website (http://www.acer-group.com/public/Investor_Relations/corporate.htm) for people to report any threats of involvement of fraudulence, corruption, violation of Acer's Standards of Business Conduct, any illegal conducts or conducts violated corporate governance by Acer employee. The audit office, which functions directly under the board of directors, will handle the report exclusively.	
(2) Has the Company established policy and security mechanisms regarding the procedures for responding to the reports of ethical irregularities?	✓		Acer has established policy and security mechanisms regarding the procedures for responding to the reports of ethical irregularities.	
(3) Has the Company established measures to protect the identity of the informer?	✓		The Company has taking measures to protect the identity of the informer.	
4. Information Disclosure			The Company has designated the Office of Shareholders' Affairs to handle the shareholders' proposal and disputes.	The Office of Shareholders' Affairs handles the shareholders' proposal and disputes.
(1) Has the Company published information relating to the Company's corporate conduct and ethics on its website or Market Observation Post System?	✓		The Company has published information relating to the Company's corporate conduct and ethics on our website (www.acer-group.com) and Market Observation Post System.	
5. If the company has established corporate governance policies based on TSE Corporate Conduct and Ethics Best Practice Principles, please describe any discrepancy between the policies and their implementation: No discrepancy				
6. Other important information to facilitate better understanding of the company's corporate conduct and ethics compliance practices (e.g., promote and demonstrate the company's commitment to ethical standard and provide training to its business partners; review the company's corporate conduct and ethics policy). For details on the implementation of Acer's Corporate Conduct and Ethics, please refer to "Acer's Corporate Governance Best-Practice Principles".				

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

The remuneration of Acer executive is governed under Acer Group "Executive remuneration guideline". The short-term incentive links to both individual and company overall team performance, while the long-term incentive links to long-term shareholders' value. The annual KPIs, which includes a portion of strategic KPIs assigned by the 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.

A. The term of Remuneration Committee: from August 31, 2011 to June 17, 2014.

(1) Remuneration Committee held two meetings from January 1, 2014 to June 17, 2014. The record of their attendance is shown below:

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

Note 1: F.C. Tseng was elected as the Chairman of Acer RemCo from March 26, 2014.

Note 2: Mr. Hsin-I Lin is no longer a RemCo voting member effective March 20, 2014 pursuant to R.O.C. regulations.

B. The term of Remuneration Committee: from June 18, 2014 to June 17, 2017.

(1) Remuneration Committee held five meetings from June 18, 2014 to May 7, 2015. The record of their attendance is shown below:

Title	Name	No. of Meetings Attended	No. of Meetings Attended by Proxy	Meeting Attendance Rate(%)	Note
Independent Director	Ji-Ren Lee	5	0	100%	(Note 1)
Independent Director	F.C. Tseng	5	0	100%	
Independent Director	Cheng Wu	5	0	100%	

Note 1: Ji-Ren Lee was elected as the Chairman of Acer RemCo from June 18, 2014.

3.3.7 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."

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

Name of Licenses	Numbers	
	Internal Auditor	Financial Officer
Certified Public Accountants (CPA)	0	2
US Certified Public Accountants (US CPA)	0	1
HK Certified Public Accountants (HK CPA)	0	1
Qualified Internal Auditor (QIA)	0	3
Certified Internal Auditor (CIA)	1	0
BS7799/ISO 27001 Lead Auditor	1	0
Certificated Business Valuator	0	1

3.3.9 Statement of Internal Control System

Date: March 25, 2015

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 2014:

1. The Company is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and managers. The Company has established such a system aimed at providing reasonable assurance regarding the achievement of objectives in the following categories: (1) effectiveness and efficiency of operations (including profitability, performance, and safe-guarding of assets), (2) reliability, timeliness, transparency, and regulatory compliance of reporting, and (3) compliance with applicable laws, regulations and bylaws.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three objectives mentioned above. Moreover, the effectiveness of an internal control system may be subject to changes of environment or circumstances. Nevertheless, the internal control system of the Company contains self-monitoring mechanisms, and the Company promptly takes corrective actions whenever a deficiency is identified.
3. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" promulgated by the Securities and Futures Bureau of the Financial Supervisory Commission (hereinafter, the "Regulations"). The criteria adopted by the Regulations identify five constituent elements of internal control based on the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communications, and (5) monitoring activities. Each constituent element further contains several items. Please refer to the Regulations for details.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the results of the evaluation mentioned in the preceding paragraph, the Company believes that, as of December 31, 2014, its internal control system (including its supervision of subsidiaries), was effective in design and operation, and reasonably assured the achievement of the above-stated objectives.
6. This Statement will be an essential content of the Company's Annual Report for the year 2014 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 25, 2015, with 0 of the 9 attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement

Acer Incorporated

President

Chairman of the Board of Directors

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

Resolutions of the Board of Directors' Meeting

Date	Meeting	Major Resolutions
2014.01.17	First 2014 Special Meeting	<ol style="list-style-type: none"> 1. Proposal to Increase Provision Of US\$44Million for One Time Cost of Global Organization and Business Restructuring 2. Appointment of Company executive officers
2014.03.27	First 2014 BOD Meeting	<ol style="list-style-type: none"> 1. To Approve the 2013 Financial 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 Eligible Employees 14. To Approve the Agenda and Logistics of 2014 General Shareholder's Meeting 15. To Approve the Capital Injection of A\$6 Million (NTD162Million) 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 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
2014.04.02	First 2014 Special Meeting	<ol style="list-style-type: none"> 1. The Company 1st Tier Executive Changes
2014.04.29	Third 2014 Special Meeting	<ol style="list-style-type: none"> 1. To Appoint the Company's Accounting Officer 2. To Postpone the Company 1st Tier Executive Retirement Schedule

Date	Meeting	Major Resolutions
2014.05.08	Second 2014 BOD Meeting	<ol style="list-style-type: none"> To Approve the First Quarter of 2014 Financial Statements To Decide Record Date of Capital Reduction Through Cancellation of The First Shares Repurchased in 2011 To Decide Record Date of Capital Reduction through Cancellation of The Second Shares Repurchased in 2011 To Review Shareholder's Proposal and nominated Director Candidates for 2014 General Shareholder's Meeting To Approve the Capital Injection of US\$15 Million into Acer SoftCapital Incorporated(ASCBVI) To Approve the Capital Injection of NTD600 Million into Acer Digital Service Co.,(ADSC) To Amend The "Internal Control Procedure of Stock Affairs Unit" The Company's Officers' Application for Retirement 1st Tier Organizational Change And Personnel Appointment Proposal To Amend the Company's "Board Director Remuneration Guidelines" Proposal of Nomination and Retainer Amount of Board Director Remuneration for the Next BOD term Proposal of Acer Inc.2014 1st time Employee Restricted Stock Award (RSA)Plan To Approve the Renewal of the Bank Facilities To Approve the Company's Corporate Guarantees To Report the Company's Worldwide Subsidiaries Inter-Company Loan and Related Matters
2014.06.18	Fourth 2014 Special Meeting	<ol style="list-style-type: none"> To Elect the Chairman of Acer Incorporated To Elect Members of Each Functional Committee under the To Restructure the Investment Framework of Acer EMEA Operations To Appoint of the 1st Tier Executive To Suggest to Adjust the Method of Coping with the 2013 Bonus of the 1st Tier Managers The Retirement Application of the 1st Tier Managers To Propose the 1st Tier Organization and Leader Appointment
2014.08.07	Third 2014 BOD Meeting	<ol style="list-style-type: none"> To Approve the Second Quarter of FY2014 Financial Statements To Amend the 2013 Issuing Plan of New Common Shares for Capital Increase by Cash To Adopt for Derivatives-Linked Structure Deposit To Approve of Investment Projects re Gravity and YRC To Approve the Amendments to ADSC and ASCBVI's "Procedures of Acquiring or Disposing of Assets" To suggest iD SoftCapital Inc.Manage HIB Investment Protfolio and Other trust cases To Propose the Retirements of the Executives To Appoint of the Executives To Amend Partial Articles of "Compensation Management Principles of High-Level Managers" To Discussion of Executives' compensation To Ratify 2014 Special Profit Bonus of High-Level Managers To Ratify 2014 Target Bonus, Performance Index Target Value Amendment of "2014 1st Employee Restricted Stock Award Plan" The Renewal of the Bank Facilities The Corporate Guarantees of Acer Incorporated and its Subsidiaries Reports of the Procedures Governing Lending of Capital to others for Acer subsidiaries and related items

Date	Meeting	Major Resolutions
2014.11.06	Fourth 2014 BOD Meeting	<ol style="list-style-type: none"> To Approve the Third Quarter of FY2014 Financial Statements To approve the Acer's Annual Audit Plan for 2015 To Amend the Partial Provisions of 「 Internal Control Systems 」 and 「 internal Audit Implementation Rules 」 Acer European Holding Limited ("AEH") to Execute Capital Injection in Boardwalk Capital Holdings Ltd. ("Boardwalk") To Make a Capital Injection of US\$9.5 Million into Acer Computer (Far East) Limited through Acer Greater China (B.V.I.) Corp To Establish Acer Octon Inc. By Acer Digital Service Co., to Develop "Multimedia Communication Platform" and "abPBX Plus" related Product and Service To Suggest Amend "2014 1st Employee Restricted Stock Award Plan" To Set up Pragmatic Management Regulations Evaluation and Adjustment Suggestion of 2014 High-Level Managers' Target Bonus Execution To Set up 2015 High-Level Managers' Target Bonus Plan To Approve the Executive Personnel Adjustment The Renewal of the Bank Facilities The Corporate Guarantees of Acer Incorporated and its Subsidiaries Reports of the Procedures Governing Lending of Capital to others for Acer subsidiaries and related items Evaluation of the Independence of the CPA
2014.12.23	Fifth 2014 Special Meeting	<ol style="list-style-type: none"> To Set up Issuance Price and Other Matters Concerned of 2014 Employee Stock Option Plan for Cash Injection To Approve the Proposal for Acer SoftCapital Incorporated Investing TruTag Technologies, Inc. To Approve the Proposal for Acer SoftCapital Incorporated Investing Gorilla Technology Group Inc To Approve the Executive Personnel Adjustment
2015.03.25	First 2015 BOD Meeting	<ol style="list-style-type: none"> To Approve the 2014 Financial Statements and Business Report To Approve the Company's Statement of Internal Control System for 2014 To Approve the Proposal for Distribution of 2014 Retained Earnings To Approve the Appointment of CPAs as Auditors of the Company To Approve the Amendments to the Company's Internal Rules To Convene the 2015 General Shareholders' Meeting To Propose Directly or Indirectly Establishing and Investing Acer Intellectual (Chongqing) Limited (proposed) as of Acer BYOC in Mainland China. To Approve Establishing a Subsidiary in Switzerland To Approve the Proposal for Acer Inc. Investing MPS project To Approve the Proposal for Acer SoftCapital Incorporated Investing Global Channel Resources To Approve the Proposal for Acer SoftCapital Incorporated Investing ATS Advanced Telematics Systems GmbH To Change the Registered Address of Acer Inc. Kaohsiung Branch To Amend Clauses of Payroll Cycle of the Internal Control System. Settlement of Senior Manger's Target Bonus of the Year of 2014. Discussion of Senior Managers' Compensation To Approve Acer Group Global Salary Increase Proposal of the Year of 2015

Date	Meeting	Major Resolutions
		17. To Approve Acer Group Executive Salary Increase Proposal of the Year of 2015 18. To Approve the Renewal of the Bank Facilities 19. To Approve the Company's Corporate Guarantees 20. To Report the Company's Worldwide Subsidiaries Inter-Company Loan and Related Matters 21. To Approve Buying Back the Year 2010 Second Issuance of Unsecured Overseas Convertible Corporate Bonds.
2015.05.07	Second 2015 BOD Meeting	1. To Approve the First Quarter of FY2015 Financial Statements 2. To Simplify the Investment Framework of Gateway's Subsidiaries 3. To Approve the Capital Injection of A\$11 Million into Acer Computer Australia Pty Ltd Through Acer Holdings International, Inc. 4. To Approve the Capital Injection of USD 30M into AGP TECNOLOGIAEM INFORMATICA DO BRASIL LTDA through Boardwalk Capital Holdings Ltd. 5. To Approve the Proposal for MPS Set-up Project 6. To Approve the Renewal of the Bank Facilities 7. To Approve the Company's Corporate Guarantees 8. To Report the Company's Worldwide Subsidiaries Inter-Company Loan and Related Matters 9. The Retirement Application of the Executives 10. Proposal of Profit Bonus allocation of Year 2014 for Acer employees and Executives.

Implementation of Resolutions in 2014 General Shareholders' Meeting

Major Resolutions	Carries out the situation
1. To Approve the Amendments to the Company's "The Election Regulation of Directors and Supervisors"	The resolutions of the Shareholders' Meeting has been implemented accordingly.
2. To Accept 2013 Financial Statements and Business Report	The resolutions of the Shareholders' Meeting has been implemented accordingly.
3. To Approve the Statements of Deficit Compensated for 2013	The resolutions of the Shareholders' Meeting has been implemented accordingly.
4. To Approve Amendments to the Company's Articles of Incorporation	The resolutions of the Shareholders' Meeting has been implemented accordingly.
5. To Approve Amendments to the Company's Following Internal Rules: i. Procedures of Acquiring or Disposing of Assets ii. Foreign Exchange Risk Management Policy and Guidelines iii. Procedure Governing Lending of Capital to Others iv. Procedures Governing Endorsement and Guarantee	The resolutions of the Shareholders' Meeting has been implemented accordingly.
6. To Approve the Issuance of Restricted Stock Awards ("RSA") to Key Employees	The resolutions of the Shareholders' Meeting has been implemented accordingly, which has issued a total number of 17,460,000 shares on August 26, 2014.
7. To Release the Restrictions on Competitive Activities of Newly-Elected Directors and their Representatives	Nine directors (including six directors and three independent directors) have been elected and approved to release the restriction on competitive activities of newly elected directors and their representatives.



4. Capital and Shares

4.1 Sources of Capital

4.1.1 Sources of Capital (April 25, 2015)

Unit: Share/NTD Thousand

Date	Price of Issuance	Authorized Common stock		Paid-in Common stock		Notes
		Shares	Value	Shares	Value	
March, 2015	Share/NTD10	3,500,000,000	35,000,000	3,096,567,828	30,965,678	-

Unit: Share

Shares Category	Authorized capital			Notes
	Issued shares	Non-issued	Total	
Common shares	3,096,567,828	403,432,172	3,500,000,000	-

4.1.2 Shareholding Structure (April 25, 2015)

Unit: Share

Category/Number	Government Institution	Financial Institution	Other Institution	Individual	FINI and Foreign Investors	Total
No. of Shareholders	7	8	676	350,095	932	351,718
Shares	1,044,249	11,873,916	250,034,742	2,237,359,185	596,255,736	3,096,567,828
Percentage	0.03%	0.38%	8.07%	72.25%	19.27%	100.00%

4.1.3 Distribution of Shareholdings (April 25, 2015)

Category	The Number of Shareholders	Shares	Percentage
1~999	118,942	33,696,265	1.09%
1,000~5,000	156,456	355,855,534	11.49%
5,001~10,000	36,897	276,835,607	8.94%
10,001~15,000	13,684	166,316,918	5.37%
15,001~20,000	7,489	134,350,336	4.34%
20,001~30,000	7,004	171,684,361	5.54%
30,001~50,000	5,380	208,734,180	6.74%
50,001~100,000	3,376	234,481,982	7.57%
100,001~200,000	1,440	196,687,452	6.35%
200,001~400,000	555	151,343,851	4.89%
400,001~600,000	171	83,910,191	2.71%
600,001~800,000	76	52,439,489	1.69%
800,001~1,000,000	56	50,789,045	1.64%
1,000,001 and above	192	979,442,617	31.63%
Total	351,718	3,096,567,828	100.00%

4.1.4 List of Major Shareholders (April 25, 2015)

Name	Shares	Percentage
Stan Shih	80,904,395	2.61%
Hung Rouan Investment Corp.	73,629,933	2.38%
VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	53,360,632	1.72%
Cathay Life Insurance Co., Ltd.	42,694,724	1.38%
Management Board of Public Service Pension Fund	39,901,034	1.29%
Acer GDR	34,161,105	1.10%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	20,955,682	0.68%
Carolyn Yeh	18,839,229	0.61%
The Master Trust Bank of Japan, Ltd. as trustee for Government Pension Investment Fund--Nomura Asset Management Co., Ltd. as external fund manager	17,486,972	0.56%
CTBC Trust Account	17,340,000	0.56%

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

Unit: NTD

Item	Period	2013	2014	Until Mar. 31st, 2015	
Market Price Per Share	Highest	28.20	25.70	22.15	
	Lowest	14.80	17.30	19.75	
	Average	21.89	20.65	20.80	
Net Value Per Share	Before Distribution	20.66	22.13	20.97	
	After Distribution	20.66	Un-appropriated	Un-appropriated	
Earning Per Share	Weighted Average Share Numbers	2,722,362 Thousand shares	2,722,362 Thousand shares	2,985,695 Thousand shares	
	Earning Per Share	Current	(7.54)	0.66	0.06
		Adjusted	(7.54)	Un-appropriated	Un-appropriated
Dividend Per Share	Cash Dividend (NTD)		0	Un-appropriated	Un-appropriated
	Stock Dividend	Retained Earning (%)	-	Un-appropriated	Un-appropriated
		Capital Surplus (%)	-	Un-appropriated	Un-appropriated
	Accumulated unpaid dividends		-	Un-appropriated	Un-appropriated
Return on Investment Analysis	P/E Ratio		(2.90)	31.29	346.67
	P/D Ratio		-	Un-appropriated	Un-appropriated
	Cash Dividend Yield		0.00%	Un-appropriated	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.

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

- 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:
 - Over five percent (5%) as employee bonuses; Employees may include subsidiaries that meet certain criteria set by the board of directors.
 - Not more than one percent (1%) as remuneration of directors and supervisors; and
 - The remainder may be allocated to shareholders as bonuses. The Company shall not pay dividends or bonuses when there is no profit.
- The Board of Directors proposed a dividend distribution plan of year 2014 as follows: NTD0 as cash bonuses to employees, NTD0 as remuneration to directors and supervisors.
- The Bonuses to Employees and Remunerations to Directors, Supervisors in 2014:

	2014			
	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: NTD Thousand)	NTD0	NTD0		
2. Stock Bonuses to Employees				
(1) Number of Shares	0 shares	0 shares	-	-
(2) Value (Unit: NTD Thousand)	0	0		
(3) Circulation Rate of Shares in Stock Market on Ex-right Day	0%	0%		
3. Remunerations to Directors, Supervisors (Unit: NTD Thousand)	NTD0	NTD0		
Earning Per Share (EPS):				
Original EPS	NTD-7.54	NTD-7.54	-	-
Reset EPS	NTD-7.54	NTD-7.54		

4.1.9 Buyback of Treasury Stock (March 31, 2015)

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	NTD55 to NTD100	NTD55 to NTD80	NTD28 to NTD35
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	NTD1,526,797,373	NTD 1,341,450,925	NTD 271,182,250
Number of Shares having been written off and Transferred	28,619,000 share	27,000,000 share	0 share
Number of the Company Shares Held in accumulation	0 shares	0 shares	10,000,000 shares
Number of the Company Shares Held in accumulation out of the Total Number Shares issued (%)	0%	0%	0.323%

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		<p>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.</p> <p>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.</p> <p>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.</p>	<p>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.</p> <p>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.</p> <p>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.</p>
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
Dilution 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

4.2.2 Domestic Unsecured Convertible Bonds

Corporate Bonds	The 2nd Domestic Unsecured Convertible Bonds
Issuing Date	May 14, 2013
Denomination	NTD100,000
Issue Price	NTD100,000
Issue Size	NTD6,000,000,000
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	NTD6,000,000,000

Corporate Bonds		The 2nd Domestic Unsecured Convertible Bonds
Redemption or Early Repayment Clause		<p>(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.</p> <p>(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.</p> <p>(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.</p>
Covenants		None
Credit Rating		None
Other rights of Bondholders	Amount of Converted or Exchanged Common Shares, GDRs or Other Securities	NTDO
	Conversion Right	In accordance with indicative Offering Plan for an Issue of Domestic Unsecured Convertible Bonds
Dilution 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

The 1st Overseas Unsecured Convertible Bonds:

Overseas Unsecured Convertible Bonds		The 1st Overseas Unsecured Convertible Bonds	
		2014	As of March 31, 2015
Item	Period		
	Market Price	Highest	US\$101.700
Lowest		US\$100.063	US\$101.339
Average		US\$100.938	US\$101.451
Conversion Price		NTD102.01	NTD100.59
Conversion Price in Issuing Date		August 10, 2010 NTD110.76	August 10, 2010 NTD110.76
Conversion Target		Common Shares of Acer	Common Shares of Acer

The 2nd Overseas Unsecured Convertible Bonds:

Overseas Unsecured Convertible Bonds		The 2nd Overseas Unsecured Convertible Bonds	
		2014	As of March 31, 2015
Item	Period		
	Market Price	Highest	US\$110.580
Lowest		US\$104.863	US\$111.028
Average		US\$107.183	US\$111.330
Conversion Price		NTD104.96	NTD103.50
Conversion Price in Issuing Date		August 10, 2010 NTD113.96	August 10, 2010 NTD113.96
Conversion Target		Common Shares of Acer	Common Shares of Acer

The 2nd Domestic Unsecured Convertible Bonds

Domestic Unsecured Convertible Bonds		The 2nd Domestic Unsecured Convertible Bonds	
		2014	As of March 31, 2015
Item	Period		
	Market Price	Highest	NTD100.00
Lowest		NTD98.85	NTD98.85
Average		NTD101.04	NTD99.45
Conversion Price		NTD25.72	NTD24.97
Conversion Price in Issuing Date		May 14, 2013 NTD25.72	May 14, 2013 NTD25.72
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, 2015)

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	6,830,275units of Global Deposit Receipt as representing 34,151,375 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	2014	Highest	US\$ 4.20
		Lowest	US\$ 2.85
		Average	US\$ 3.39
	Until March 31, 2015	Highest	US\$ 3.47
		Lowest	US\$ 3.16
		Average	US\$ 3.28

4.5 Employee Stock Options

Employee Stock Option Granted	Second Grant of 2010
Approval Date by the Authority	July 20, 2010
Grant Date	June 15, 2011
Number of Options Granted	10,000 units(Note1)
Percentage of Shares Exercisable to Outstanding Common Shares (%)	0.323%
Option Duration	3 years
Source of Option Shares	New common stocks
Vesting Schedule	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	0 share
Value of Shares Exercised	NTD0
Shares Unexercised	10,000,000 shares
Adjusted Exercise Price Per Share	NTD25.99
Percentage of Shares Unexercised to Outstanding Common Shares (%)	0.323%
Impact on Shareholders' Equity	None

Note 1: One unit shall purchase one thousand Acer common shares

4.6 Restricted Stock Awards (March 31, 2015)

Restricted Stock Awards Granted	First Grant of 2014
Approval Date by the Authority	August 26, 2014
Grant Date	August 26, 2014
Number of Shares Granted	17,460,000 shares
Price Per Share	None
Percentage of Shares Exercisable to Outstanding Common Shares (%)	0.56%
Number of Shares Redeemed/Buy-back	0 shares
Number of Shares Exercised	0 shares
Number of Shares Unexercised	17,460,000 shares
Percentage of Shares Unexercised to Outstanding Common Shares (%)	0.56%

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

None

4.8 Issuance of New Shares by Cash

Source of capital increase plan	Capital Increase by Cash of 2014						
Number of value issue	To raise NTD3,000,000,000 through an issue of 300,000,000 new common shares based on par value of NTD 10 per share, the actual issuing price of NTD18 per share and total monetary amount of the issue is NTD5,400,000,000.						
Utilization of the funds from the capital increase	In order to cope with needs for funds such as pay off bank loan and redemption repayment from the put option executed by the ECB holders.						
Progress in implementation	The status of implementation	2015 Q1	2015 Q2	2015 Q3	2015 Q4	Total	
	Amount expended	Book	NTD0	NTD1,800,000,000	NTD1,800,000,000	NTD1,800,000,000	NTD5,400,000,000
		Actual	NTD0	NTD0	NTD0	NTD0	NTD0
	Progress in implementation	Book	0%	33%	33%	34%	100%
Actual		0%	0%	0%	0%	0%	
Submitting date to MOPS	October 21,2014						



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 Acer, Gateway and Packard Bell brands, the company has 7,000 employees worldwide operating in more than 100 countries across EMEA (Europe, Middle East, Africa), Pan America and Pan Asia Pacific regions. Acer's main OEM vendor for notebook PCs is based in Chongqing in China and has its R&D team in Taiwan. Under the Build Your Own Cloud (BYOC™) vision, Acer is transforming into a "hardware + software + services" company and actively seeking to embrace new opportunities in the era of cloud technology.

PC remains the core of Acer's business; in 2014, notebook PCs accounted for 60% of the total revenues from ICT product lines, while desktops contributed 18%, and displays contributed 8%.

5.1.2 Industry Highlights

1. 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 ecosystems - 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 addition, the emergence of the Internet of Things (IoT) has driven the need for hardware devices to integrate with cloud services, providing new opportunities for innovation for different lines of work.
2. Acer's upstream suppliers include the CPU, chipset, graphics chip, DRAM, and other semi-conductor industries, as well as system programming and software industries. The midstream suppliers include motherboard, chassis, keyboard, monitor displays, optoelectronics, hard disk, battery, power supply, and other computer peripherals industries. The downstream industries include laptops,

desktops, projector, phone, server and other OEM / ODM system assembly industries.

3. Acer's core business of hardware products includes PCs, tablets, smartphones, servers, projectors and LED monitors. It will continue to invest in the research and development for new innovations and enhance its product offerings. With the prevalence of IoT, Acer shall combine hardware, application software, and devices with a focus on providing people-centric services to embrace the era of a new C&C (Computing and Communication), with a variety of communication devices to enter the new era of mobile communications.

5.1.3 Technology and R&D

In 2014, Acer spent NTD2.52 billion on R&D, which accounted for 0.77% of total revenues and focused on developing the user interface, industrial design, ICT related hardware and software, and cloud technology. 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.

Based on the company's core products, Acer is building the new BYOC business, by combining hardware with new software applications, integrating cloud platform with cloud services to complete the transition to a hardware + software + services company.

Designing for customer needs, Acer is developing innovative, easy-to-use products for an overall enhanced user experience. Acer has made special efforts to develop green products in its role as a global citizen. 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.
- Aspire R7 notebook, Liquid Z5 smartphone, TravelMate P645 notebook, and K137 projector were selected as winners of iF Product Design awards of Germany.
- Liquid Jade smartphone, Aspire R 13 convertible notebook and Aspire V Nitro series notebooks were honored with the Good Design Awards of Japan.

5.1.4 Long and Short Term Business Plan

In the short term, Acer will focus on strengthening the foundation of the existing product line and innovation, along with the development of software application, integrate cloud platform and cloud services.

In the long term, Acer will strive to enhance the brand positioning, increase operating margin, integrate hardware products with software applications, and cloud platforms with cloud services, to complete transition to a hardware + software + services company.

5.2 Market Highlights

5.2.1 Market Study

Acer's key market is EMEA (Europe, Middle East, Africa), followed by Pan Asia Pacific and Pan America. In 2014, EMEA accounted for 43% of Acer's total revenue, while Pan America contributed 24% and Pan Asia Pacific 35%

In terms of worldwide shipments in 2014, 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. In EMEA, Acer ranked No. 4 for both total PCs and portable PCs; and in the U.S. market, Acer ranked No. 6 for both total PCs and portable PCs.

5.3 Keys to a Sustainable Future

5.3.1 Promote Transformation and Consumer-centric Product Strategy

Transform into a hardware + software + services company by combining the strength and scale of existing core PC business with the Acer BYOC vision. From researching and understanding customer needs, develop innovative products that offer differentiation and high added value. Let consumer needs lead the way for the research and development of products and services. Establish an end-to-end marketing system, cultivate customer loyalty to the Acer brand, and rearrange the allocation of resources by utilizing them in areas of high value to maximize output.

5.3.2 Engrain Wangdaoism into the Corporate Mindset

Wangdao's philosophy of altruism with its three core beliefs, sustainable development, value creation, and balance of interests, is the foundation of Acer's corporate transformation. Realize the spirit of Wangdao through the continuous pursuit for innovation and value creation; set a mechanism that ensures the balance of interests and pursue for sustainable operations. Under the BYOC vision, ally with cross-platform and cross-industry partners to build the BYOC ecosystem. Together, create value, share the fruitful results, and balance stakeholders' interests to create applications for a better lifestyle.

5.3.3 New New Acer Embraces the Era of New C&C

BYOC is an open platform that lets people integrate their PC and various other digital devices to share contents seamlessly, along with security and privacy. The new C&C (computing and communication) is pivotal to the new generation of digital devices, and based on BYOC, Acer will integrate devices with new applications and services to become a hardware + software + services company. Integrate PCs, mobile smart devices with BYOC open cloud platform, backend services and different development models, to create new smart living applications. For cloud services in various industries, provide applications for smart homes and smart living. In the future, Acer welcomes more partners to join the BYOC alliance to develop products, create value together, and share the rewards of success.

Appendix

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

(1) Key Buyers for Acer Group

Unit: NTD Thousand

Item	Year 2013				Year 2014				Current Year as of Mar.31,2015			
	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	35,463,359	10.76	None	Customer A	7,223,297	10.63	None
	Others	360,132,042	100.00		Others	294,220,912	89.24		Others	60,724,251	89.37	
	Total Net Sales	360,132,042	100.00		Total Net Sales	329,684,271	100.00		Total Net Sales	67,947,548	100.00	

Note: There is no material change in the sales ratio of the major customer for 2014.

(2) Key Suppliers for Acer Group

Unit: NTD Thousand

Item	Year 2013				Year 2014				Current Year as of Mar.31,2015			
	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	46,100,459	18.34	None	Supplier A	39,187,143	16.92	None	Supplier C	7,373,586	15.50	None
2	Supplier B	36,783,934	14.64	None	Supplier C	29,861,637	12.89	None	Supplier A	6,405,882	13.46	None
3	Supplier D	28,707,958	11.42	None	Supplier B	25,475,062	11.00	None	Supplier B	5,625,708	11.82	None
4									Supplier D	5,325,529	11.19	None
	Others	139,736,005	55.60		Others	137,115,081	59.19		Others	22,854,818	48.03	
	Total Net Purchase	251,328,356	100.00		Total Net Purchase	231,638,923	100.00		Total Net Purchase	47,585,523	100.00	

Note: There is no material change in the purchase ratio of the key supplier for 2014.

2. Production Value in the Last Two Years:

Not applicable.

3. The Sales Value in the Last Two Years:

Unit: NTD Thousand

Major production	Year	2013		2014	
		Domestic Sales	Foreign Sales	Domestic Sales	Foreign Sales
Computer		8,026,059	290,224,232	7,448,015	260,514,088
Peripherals & Others		14,326,972	47,554,779	15,320,164	46,402,004
Total		22,353,031	337,779,011	22,768,179	306,916,092

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

Category	Date	December 31, 2013	December 31, 2014	March 31, 2015
Manpower		7,384	7,169	7,161
Average Age		36.1	37.2	37.5
Average Years of Employment		6.1	6.5	6.7
Male (%)		66.1%	65.8%	65.9%
Female (%)		33.9%	34.2%	34.1%

-By Job Function

Job Function	Date	December 31, 2013	December 31, 2014	March 31, 2015
General Management		201	193	196
Sales & Product Marketing		2,355	2,362	2,378
Customer Service		2,063	2,167	2,165
Research & Development		1,160	979	969
Sales Support		899	826	844
Administration		706	642	609
Total		7,384	71,69	7,161

- By Education Level

Education Level	Date	December 31, 2013	December 31, 2014	March 31, 2015
Doctor of Philosophy		0.6%	0.8%	0.9%
Master's Degree		29.0%	30.1%	30.2%
Bachelor's Degree		41.1%	41.6%	41.9%
Vocational Study		25.2%	23.6%	23.2%
Senior High School or below		4.1%	3.9%	3.8%
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

The focus of training in 2014 centers around New Acer's Core Values (including Passion, User-centric, Innovation, Teamwork, Balance of Interest, and Integrity). The six core values represent the six core competencies that help Acer adapt as the market changes and shape the belief for successful transition. The training design, therefore, aims at helping the employees incorporate them into daily work.

For management training, it will direct the efforts to incorporate the key elements of Wangdao's philosophy into business performance, and guide the staff to think about how to collaborate to create values and maintain the balance of interest by employing the sound business platform strategies. For general skill training, it emphasizes on 5C (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 2014 included the offering of 212 training courses which attracted 4,867 personnel for a total of 19,801 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 re-

ceive 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 Enjoyment at Work (Experience Sharing of senior managers), System Thinking for Solving Problems, Coordination and Communication Across Units, Effective Use of e-Documents in Cloud Computing Age, and Originality Stimulation Among Team-members—taking IDEO as an example, etc.
- **Professional Training:** The training is provided for advancing the professional knowledge and skills. For example, ICT Consumers' Trend Analysis, Trend Analysis of Cloud Computing in Big Data Wave, From Customer Insight to Product Concept Practices, Turn Product Innovation into Business Opportunities, Negotiation Skills for Multiple-Wins
- **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: Wangdao Philosophy in Building High Performance, Coaching Subordinates for Creating Values, How to Reach Consensus for Making Decisions, and RACI (Responsible, Responsible, Accountable, Consulted, Informed).
- **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.
- **Implementation of Wangdao's Philosophy: Communication about Company's Changes:** During the period of company's transition, we use such communication channels as email, StanShares, For implementing Wangdao's philosophy in organization, we employ a variety of channels for promulgating the core concept: Wangdao's Speech Forum by Stan Shih, Communication Sessions of Enjoy Work and Life hosted by Chairman George Huang; In addition, the guest speakers from other industries are invited to share their expertises to broaden the perspectives of the managers.
- **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, 2014~Jul 31, 2017	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
	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 NTD15 billion	Confidential, Non-assignable, Certain financial ratio covenants



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 Carving," 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.

Acer's Corporate Responsibility Policy includes:

- We aim to meet the growing expectations of stakeholders and seek continuous improvement in business operations, better communication with stakeholders, and recognition and support from the market.
- We will walk the talk on CSR by means of a top-down process with practical, prioritized, workable and measurable action plans which are relevant to our products and services.
- We will manage the risks and explore the opportunities of sustainable development through efficient governance wherever we operate.
- We will engage suppliers to work together for business ethics, mitigating climate change and improving resource efficiency.

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 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. We also increase green and renewable electricity in our major operation in Europe like German and Italy to reduce our carbon emission. Since August 2014, Acer American purchased enough green power to offset 100 percent of its carbon emissions from electricity at all U.S. facilities. Along with the renewable energy purchase, Acer has elected to become an EPA Green Power Partner and is now included in the Green Power Leadership Club and is also listed on the 100% Green Power Users and Top 30 Tech & Telecom top partner ranking lists.

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. Our suppliers showed higher return rate, disclosure score and performance than the global CDP Supply Chain Program participant average. 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 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's green product policies are:

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

All of Acer's products are in compliance with regulatory and customer requirements in all respective territories, protecting the health and safety of users and reducing potential risk to the environment. In addition to legal compliance, we also proactively comply with our various markets' voluntary environmental demands including product life cycle considerations such as energy efficiency, reduced use of toxic and/or hazardous substances, and end-of-life product processing. Since 2009, Acer has kept launching PVC-free and BFR (Bromine Flame Retardants)-free products, and is steadily accomplishing the target of non-halogenated products. In 2012, we created a standard that seven kinds of phthalates that might cause impact to human body are restricted to be used in our products. In 2013, the restriction has included two more phthalates. In 2014, Acer completed surveys of phthalates to comply with the Canada Gazette (Canada Gov. Gazette: Vol 147, No. 28 - July 13, 2013.).

In order to promote the reuse of resources, Acer has taken the initiative in using postconsumer recycled plastics (PCR) in its products. In 2013, Acer continued to expand the use of recycled plastic materials in B6 and V6 display new models and All-in-One desktop PC.

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

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

Acer incorporates environmental concerns during product design, striving to reduce the environmental impact of the product at each stage of its life cycle and aiming to design environmentally friendly, easily recycled products. Through both voluntary and legally required recycling programs, we provide consumers with compliant, convenient recycling channels and promote recycling and reuse of ICT products. We support Individual Producer Responsibility (IPR), and pledge to work with stakeholders like governments, consumers and retailers to undertake responsibility for the recycling and management of e-waste.

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 2014, we save electricity and reduce greenhouse gases emissions by improving the operation of air-conditioning system, increasing the efficiency of lighting, and producing green electricity.

6.1.2 Safety and Health

1. Environmental Safety and Health Management

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

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

Observing EHS policies and implementing the Acer EHS management system have assisted us in fulfilling our pledges and reaching our corporate targets, including management of potential hazards to people and the environment, reducing the environmental impact of our company operations and products, regular monitoring to ensure we are compliant with relevant laws and Acer standards, and ensuring Acer staff enjoy a comfortable environment and attach importance to health and safety precautions. In 2014, our Xizhi headquarters and 13 of our operation sites in Taiwan passed ISO 14001 and OH-SAS 18001 certifications.

2. Working Environment and Employee Safety

Acer cares about the working environment where employee's

safety and health would largely depend on. In 2014 we conducted a series of improvements, including improve noise, smoke, leaking windows, water filtration system; strengthen the computer room and warehouse safety. Acer also implemented environment, health and safety management system and conducted office sites hazards identification. We then improved items with significant risks to lower the hazards.

3. Emergency Accident Operation

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

In 2014, we completed two hours of labor safety and health e-learning course, which was then approved by the Ministry of Labor Occupational Safety and Health Department. The course covers four units including traffic safety, fire safety, office safety, and employee health care. With the lively interactive features and the practical design it offers, the course system led colleagues to learn and to raise awareness of health and safety.

4. Employee Health

Acer always cares about the health of colleagues. We keep promoting health management and promotion. In 2014, we were honoured with "Badge of Accredited Healthy Workplace" by Ministry of Healthy Welfare.

In order to implement health management, we set up the Health Management Center and offer health check conducted by medical organizations. According to the result of health check, we grade the employees into several health levels which enable us to track major abnormal cases, provide further care and assistance to ill colleagues.

We cooperated with Cathay General Hospital to offer lessons for promoting smoking cessation and weight loss. We also held a series of health seminars with a total of 4,616 participants and provided a variety of recreational facilities in the employee recreation area including table tennis, basketball shooting machine, video game consoles and electronic massage chairs to help to relieve stress. We also launched Acer massage station, bringing in visually-impaired masseurs to

provide colleagues massages which has been participated by 2,364 colleagues in 2014.

In order to enrich the lives of employees, Acer encourages employees to participate in a variety of clubs and has established the Acer Sports Team to encourage colleagues to join a variety of sporting events, including sports competitions such as the Taipei Marathon, Swim Across Sun Moon Lake, and the Acer Climbing Race. In 2014, a total of 1,966 colleagues and their families participated in these activities.

6.2 Supply Chain Management

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

Acer applied to the Electronic Industry Citizenship Coalition (EICC) in May 2008 basing on which developed 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, Acer continues to audit supplier performance in terms of social and environmental responsibility to identify supplier non-compliance in the fields of environmental and social responsibility. We conducted 72 audits of our supply chain in 2014. The companies audited in 2014 employ over 190 thousand workers, of whom some 1500 were interviewed. Between 2008 and 2014 we conducted a total of 284 supplier audits. 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.

On the issue of conflict minerals, we adopt EICC/GeSI Due Diligence Template tool 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. Acer's Policy on Conflict Minerals outlines our commitment to ensuring that working conditions in our supply chain are safe and that workers are treated with respect and dignity, while sourcing minerals from the Great Lakes Region:

- Conduct due diligence in accordance with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas;
- Require suppliers to conduct due diligence in accordance with OECD Guidance and provide routine reporting using the tools developed by the Conflict Free Sourcing Initiative to enable supply chain transparency;
- Co-work with its supply chain, industry groups (Conflict Free Sourcing Initiative), government, civil society, and other organizations (OECD Multi-Stakeholder Forum on due diligence in the tin, tantalum, tungsten (3Ts) and gold supply chains & Public-Private Alliance for Responsible Minerals Trade) to develop supply of conflict-free products when sourcing metals that originate in the DRC and adjoining countries;
- Seek to support organizations that focus on peace negotiations in the DRC and neighboring countries, a responsible and sustainable minerals trade, and diverse and stable economies; and
- Publicize Acer's progress on due diligence works and our path towards conflict-free products.

We also join 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. In 2014, we evaluated our second full cycle of Conflict Mineral Reporting Template responses that were collected from our suppliers in 2013. We also began publishing a Smelter List with the name and location of the smelters/refiners of tantalum, tin, tungsten, and gold that was identified in our supply chain as part of Acer's conflict minerals due diligence efforts. In the meantime, we released Acer's 2013 Conflict Minerals Report, which provides our due diligence efforts conducted during the 2013 calendar year and planned for 2014.

We developed our vendor CSR scorecard, to be used to investigate suppliers' performance in regard to CSR. The hope is that we will be able to gain an early insight into supply chain risks as concern the environment, society, and governance, and

then help suppliers implement appropriate measures to mitigate or eliminate those risks. The vendor CSR scorecard was first put into use in 2013. In 2014, the results of this scorecard was presented in the business review meetings of selective major suppliers, hopefully gradually creating a motivator for improvement on both sides.

6.3 Communication

6.3.1 Communication with Stakeholders

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

6.3.2 Supplier CSR Communication Meeting

Since 2009 Acer has held the CSR communication meeting with suppliers annually. We held the 6th supplier CSR communication meeting in December 2014 to share the CSR performance, CSR trend and Acer CSR directions. We also invited annual top CSR suppliers to share their experience in CSR operation, by sharing practical experiences to deepen the overall supply chain ability in CSR. Jason Chen, Acer's Corporate President and CEO, urged suppliers to take corporate social and environmental responsibility, and thanked suppliers to cooperate with Acer to become global citizenship.

6.3.3 Customer Relation

Acer has always followed a quality policy of "Delivering zero-defect, competitive products and services on time" and ad-

heres 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 2004 for the purpose of giving employees a channel to contribute their spare time and energy to public welfare service. Apart from providing opportunities for interaction and friendship between employees from different departments and backgrounds, the volunteer service also bring Acer employees new life experiences and personal growth through the activities. The focused areas of the Volunteer Team include digital inclusion, charity and philanthropy, international volunteer work, and environmental conservation. In 2014, 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 2014, 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 competitiveness 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.

To promote the development and application of technology and with the vision of fostering the young leaders of the next generation, Acer Foundation sponsored several international campaigns such as IOI (International Olympiad in Informatics) and AIESEC (Association Internationale des Étudiants en Sciences Économiques et Commerciales) in 2014.

6.5 Enforcement of Corporate Social Responsibility by the Company

Assessment Items	Implementation Status		Summary Description	Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No		
1.Exercising Corporate Governance				
(1) Does the company declare its corporate social responsibility policy and examine the results of the implementation?	V		<p>Acer’s CR policy states:</p> <ol style="list-style-type: none"> We strive to meet the expectations of our stakeholders – a goal we endeavor after continuously. And we will persist in improving our day-to-day operations, establishing better communications with our stakeholders and gaining market recognition and support. We will take a top-down approach, where our highest leadership will be in charge of promoting the CSR, as well as mapping out feasible action plans for marketing our products and services. We will effectively monitor and manage the risks derived from sustainability-related issues through our regional and branch offices, thus making use of inherent opportunities. We will work side by side with our suppliers to promote business ethics, minimize climate risk, and improve resource efficiency. <p>We formulate the action plans based on the corporate social responsibility policy and regularly review the performance. Please view Acer Corporate Responsibility Report for details.</p>	No discrepancy
(2) Is there any training about Corporate Social Responsibility (CSR) conducted regularly?	V		<p>Acer conducts Corporate Social Responsibility (CSR) training according to planned schedule. In 2014, the CSR trainings includes:</p> <ul style="list-style-type: none"> Green product training EICC training GHG training Acer’s management system on environment safety, and health Facet analysis of significant environmental impact ISO 14001/ OHSAS 18001-- regulations and implementation 	No discrepancy
(3) Does the company establish exclusively (or concurrently) dedicated units to be in charge the corporate social responsibility policies and report to the Board of Directors?	V		<p>In the spring of 2008, to materialize the implementation of our social responsibility, we set up the Corporate Sustainability Office (CSO). Then we established the Global CSR Committee (GCSRC) in 2012. The GCSRC primarily consists of senior managers of the major business units, functional units, the three global regions and the CSO. In order to effectively liaise and integrate with all overseas bases worldwide, we have established Regional Office (RO) CSR executive secretarial positions to represent the regions at Committee meetings. 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, the chairman of GCSRC reports to CSR Executive Committee regularly. Besides, authorized by the Board of Directors, the Audit Committee is responsible for the opportunities and risks related to Acer’s corporate responsibility, and the manager of the Corporate Sustainability Office also reports to the Audit Committee.</p> <p>Please view Acer Corporate Responsibility Report for details.</p>	No discrepancy

Assessment Items	Implementation Status		Summary Description	Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No		
(4) Have the critical factors of corporate social responsibility been clearly articulated in the performance appraisal system, with fair and effective rewarding or penalty system followed?	V		<p>Acer promulgates Standards of Business Conduct (SBC) as the guidelines to regulate the employees’ behavior in doing business. It is essential for each employee to abide by SBC. We require a new employee attend the training, emphasizing the importance of abiding by the regulations. The standards of SBC --- the core essence of CSR in doing business----- are built-in Acer’s performance appraisal system, which helps managerial staff to monitor the status of exercising the regulations. For any behavior that violates the regulations of SBC, the disciplinary actions will be taken, including an employment dismissal.</p>	No discrepancy
2. Fostering a Sustainable Environment				
(1) Does the company endeavors to utilize all resources more efficiently and uses renewable materials which have a low impact on the environment?	V		<p>Acer strives to lower the environmental impacts of our operation and products, and keeps improving the efficiency of resource usage. The major achievements of 2014 include:</p> <ol style="list-style-type: none"> Use of Post-Consumer Recycled Plastics <p>In 2014, Acer continued to expand the use of recycled plastic materials in B6 & V6 display new models and All-in-One desktop PCs (VZ2120G and VZ2120G).</p> <ol style="list-style-type: none"> Use of recycled paper in packaging <p>For the inner cushioning of the cartons, we have substituted folded cardboard with molded pulp in 2013 for 70% of our new notebook models, with the amount of recycled paper used increasing from 80% to 90%. In 2014, the percentage of notebook models packaged with molded pulp has reached 85%.</p>	No discrepancy
(2) Does the company establish proper environmental management systems based on the characteristics of their industries?	V		<p>Acer adopted international standards ISO 14001 to establish the environmental management system and keep maintaining the validity of the Certificate. We also adopted OHSAS 18000 for our occupational health and safety management.</p>	No discrepancy
(3) Does the company monitor the impact of climate change on its operations and establish company strategies for energy conservation and carbon and greenhouse gas reduction?	V		<p>Acer identifies and assesses the risk and opportunities coming along with the climate change, and joining international organization such as Carbon Disclosure Project Supply Chain Program and Electronic Industry Citizenship Coalition. We assisted suppliers to gradually enhance their overall capacity regarding climate change, carbon reduction and energy efficiency and to reach our mid-term and long-term carbon reduction target which compared with 2009; in 2015 Acer’s global GHG emissions will reduce by 30%, followed by a 60% reduction between 2009 and 2020.</p>	No discrepancy
3. Preserving Public Welfare				

Assessment Items	Implementation Status		Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons	
	Yes	No		Summary Description
(1) Are there any human right policies or processes formulated in the company in response to the request of International Bill of Human Rights?	V		The Standards of Business Conduct requires each site of Acer worldwide follow the principles of labor rights, which are both internationally or locally-regulated, including general labor laws, equal opportunity and transparency in recruitment process, with no discrimination of race, gender, age, religion, or nationality, in pursuit of our value emphasizing that right man should be in the right position. Besides, employing a child labor is forbidden. We have sound human resources management systems, for example, clear employment contracts, work rules, or human resources regulations, to ensure the legitimate rights and benefits of an employee being well-protected.	No discrepancy
(2) Are there any complaint channels created for employees, and are the complaints properly handled?	V		Acer builds up an open and transparent channels for collecting complaints, where there is no interested parties or persons involved in the process, to ensure the fairness in the review process. The window of receiving the complaints can be the highest level managers of auditing systems, human resources or legal units, depending on the subject of complaints. The privacy shall be strictly protected during the complaint handling process.	No discrepancy
(3) Does the company provide safe and healthy work environments for its employees, and organizes training on safety and health for its employees on a regular basis?	V		In order to build a good working environment and ensure colleague health and safety, the Acer Taiwan headquarters has launched an ESH (Environment, Safety, and Health) management system. The ESH management group is comprised of 44 members. In addition to regularly organizing meetings to discuss issues relating to ESH, the team also carries out an annual workplace hazard identification, considers environmental impact and proposes improvements for significant risk, high-impact projects. In order to continue to increase employee safety awareness in the workplace and strengthen health and hygiene concepts, Acer Taiwan has held the Education and Training for General Labor Safety and Health since 2011 in accordance with CLA Rules on Education and Training of Labor Safety and Health and the requirements of the OHSAS 18001 standards. Please refer to the section of "Improving Hardware and Software Facilities" and "Health and Safety Training" in 2014 Acer CR Report for detailed information.	No discrepancy
(4) Does the company build up sound communication channels and employ the appropriate methods to inform the employees of the possible significant impacts?	V		Acer attaches great importance to employees' opinions, and therefore strives to ensure communication channels open and candid, including the announcement of critical messages, dedicated hotlines of internal services, communication meetings across multiple-layers of managers, employee opinion survey, employees' complaint channels. Besides, the Employee Representative Meeting is held by on quarter basis, where Corporate President & CEO has a face-to-face communication with employee representatives, discussing about company's business operation, work environment, and employees' rights. For any consensus reached, the essential or corrective actions will be taken.	No discrepancy
(5) Does the company have effective career development plans for employees?	V		Acer provides a variety to training targeting to the requirements of new employees, staff in a variety of specialized functions, managerial staff, or general audience. All of the trainings will direct to meet the needs of organization development and employee growth, which facilitates to employees' career and competency growth to the fullest.	No discrepancy

Assessment Items	Implementation Status		Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons	
	Yes	No		Summary Description
(6) Does the company establish policies on consumer rights and provides grievance mechanism regarding its development and research, procurement, production operation and services?	V		Acer customers can contact us at any time and provide comments and suggestions through any one of the channels listed below: <ul style="list-style-type: none"> • Network download and support services • Telephone service support center/ technical support • Acer-managed service centers • Authorized service centers and professional maintenance companies • International travelers' warranty service centers • Acer Web Master (procedures and mechanism for handling customer complaints) • Facebook and Acer Community We also set up the email whistleblower@acer.com for all stakeholders to report any issue regarding our operation such as research and development, procurement, production, and service.	No discrepancy
(7) Does the company comply with the law and international regulations on marketing and labeling of its product and service?	V		Acer holds firmly to the principles of integrity, transparency, proactiveness, timeliness, and regularity, and carries out marketing communication with consumers and partners, in compliance with local laws and regulations, through the corporate website, subsidiary websites, advertising, product exhibitions, press conferences, and sponsorship of activities. In these ways the Company communicates information on its corporate ideals, products, and services. All Acer products and services carry required labeling and product information in accordance with the law. Manuals for Acer products include guidelines for safe usage, laying out proper usage of the product and relevant items to be aware of, as well as recycling measures for when replacing a product. Consumers will also find details on how to contact Acer and how to find our website, further facilitating troubleshooting via telephone or online customer service.	No discrepancy
(8) Has the company assessed the suppliers' records for the impact on the environment and society?	V		We conduct the environmental and social assessment for the suppliers that we have business relationship. Please view Acer Corporate Responsibility Report for details.	No discrepancy

Assessment Items	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Compa- nies” and reasons
	Yes	No	Summary Description	
(9) The company contracts with its major suppliers, such as whether to include supplier when it comes to violations of its corporate social responsibility policy, and there is a significant impact on the environment and society, may at any time terminate or cancel the terms of the contract?	V		Under our current-existing supply agreements with main suppliers, it contains provisions of compliance of laws and relevant Corporate Social Responsibility regulations such as the Electronic Industry Code of Conduct (“EICC”). In the event that a supplier breaches to the above-mentioned provisions, we are entitled to exercise any and all rights given by the supply agreements, including without limitation, the right to terminate such supply agreement.	No discrepancy
4. Enhancing Information Disclosure				
(1) Does the company disclose the relevant and reliable information relating to their corporate social responsibility in the website and the Market Observation Post System?	V		We disclose our CSR information and CR report on the below website: http://www.acer-group.com/public/Sustainability/index.htm	No discrepancy
5. If the Company has established corporate social responsibility principles based on “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies”, please describe any discrepancy between the principles and their implementation:				
To boost Acer’s overall competitiveness, fulfill its corporate responsibility in the social, economic and environmental aspects, and make Acer a leading brand-name in the history, the Standards of Business Conduct (SBC) were revised and promulgated in 2009 that serve as behavioral guidelines to Acer global employees providing them principles of conducting business at worldwide. These guidelines not 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. We also establish Antitrust and Fair Competition Guidelines, Regulations on Insider Trading, Rules Governing Management of Personal Data, and Subject Regulations of Prevention, Complaint and Punishment of Sexual Harassment to bring the practice of corporate responsibility into our daily operation.				
6. Other important information to facilitate better understanding of the Company’s corporate social responsibility practices:				
More information can be found at:				
1. Acer Sustainability website: http://www.acer-group.com/public/Sustainability/index.htm				
2. Acer Foundation website: http://www.acerfoundation.org.tw/english/index.php				
7. If the products or corporate social responsibility reports have received assurance from external institutions, they should state so below:				
Acer engaged KPMG to perform an independent limited assurance in accordance with ISAE 3000 on this Report, of which GRI G4 Core option was applied.				



aBeing series : Powerful Cross-Platform Smart Center

Suitable for individuals and other working environments, it combines AOP 3.0' s (Acer Open C&C Platform) core technology, supports cross CPU and OS, bridges the gap between public clouds, and can be used with various devices. aBeing series is based on the core concept that "computing is everywhere" and that any device can have computing functionality.



Personal Health Management



Wearable Device



Smart Home



Smart Transportation



Energy Management



Cloud Customer Service Center

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: NTD Thousand

Item		Period	2012	2013	2014	Current year as of Mar. 31, 2015
Current assets			169,029,413	147,088,855	150,885,170	139,824,535
Net property, plant and equipment			6,348,237	6,133,729	5,484,061	5,113,918
Intangible assets			39,134,920	28,720,088	26,727,547	26,130,822
Other assets			11,803,578	8,557,038	7,998,259	7,908,648
Total assets			226,316,148	190,499,710	191,095,037	178,977,923
Current Liabilities	Before Distribution		142,828,987	113,688,491	117,755,891	102,621,505
	After Distribution		142,828,987	113,688,491	Un-appropriated	Un-appropriated
Long-term liabilities			9,283,141	20,559,849	12,709,296	12,607,483
Total Liabilities	Before Distribution		152,112,128	134,248,340	130,465,187	115,228,988
	After Distribution		152,112,128	134,248,340	Un-appropriated	Un-appropriated
Equity attributable to owners of the Company						
Common stock			28,347,268	28,347,268	27,965,678	30,965,678
Capital surplus			43,403,533	43,707,727	34,098,396	36,408,966
Retained Earnings	Before Distribution		12,028,067	(8,325,852)	931,664	1,076,969
	After Distribution		12,028,067	0	Un-appropriated	Un-appropriated
Other reserves			(3,522,896)	(1,425,876)	817,893	(1,518,734)
Treasury Stock			(6,054,286)	(6,054,286)	(3,186,038)	(3,186,038)
Non-controlling interests			2,334	2,389	2,257	2,094
Total equity	Before Distribution		74,204,020	56,251,370	60,629,850	63,748,935
	After Distribution		74,204,020	56,251,370	Un-appropriated	Un-appropriated

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

Unit: NTD Thousand

Item		Period	2010	2011	2012
Current assets			225,760,825	195,729,745	170,840,056
Fund and Long-term equity investments			6,233,280	3,795,462	3,449,711
Net property, plant and equipment			5,818,230	6,938,898	6,572,348
Intangible assets			36,392,935	35,404,199	39,316,838
Other assets			6,293,260	6,439,424	6,480,041
Total assets			280,498,530	248,307,728	226,658,994
Current Liabilities	Before Distribution		162,558,924	146,039,649	143,018,437
	After Distribution		172,076,142	146,039,649	143,018,437
Long-term liabilities			20,666,296	24,281,583	4,755,200
Other liabilities			3,164,937	2,234,881	3,853,206
Total Liabilities	Before Distribution		186,390,156	172,556,113	151,626,843
	After Distribution		195,907,374	172,556,113	151,626,843
Common stock			27,023,449	27,098,915	28,347,268
Capital surplus			39,578,915	40,219,518	44,096,498
Retained Earnings	Before Distribution		35,329,280	19,049,268	16,138,942
	After Distribution		25,812,062	19,049,268	16,138,942
Unrealized Gain (loss) on Financial assets			460,600	(630,621)	(904,176)
Translation adjustments			(5,095,919)	(3,580,136)	(5,655,033)
Minimum Pension Liability adjustment			(23,957)	(16,993)	(331,754)
Treasury Stock			(3,522,598)	(6,390,846)	(6,662,028)
Minority Interest			358,604	2,510	2,434
Stockholders' Equity	Before Distribution		94,108,374	75,751,615	75,032,151
	After Distribution		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: NTD Thousand

Item	Period	2012	2013	2014	Current year as of Mar. 31, 2015
Revenue		429,627,192	360,132,042	329,684,271	67,947,548
Gross profit		35,222,038	22,550,266	28,942,184	6,663,268
Operating (loss) income		938,497	(11,409,666)	2,707,665	304,110
Non-operating income and loss		(3,209,396)	(9,654,070)	(93,246)	29,618
Income (loss) before taxes		(2,270,899)	(21,063,736)	2,614,419	333,728
Income (loss) from Continued segment		(2,460,958)	(20,519,349)	1,790,584	173,134
Income (loss) from Discontinued segment		0	0	0	0
Net income (loss)		(2,460,958)	(20,519,349)	1,790,584	173,134
Other comprehensive income (loss) for the year, net of taxes		(2,810,851)	2,262,505	2,438,464	(2,470,075)
Total comprehensive income (loss) for the year		(5,271,809)	(18,256,844)	4,229,048	(2,296,941)
Net income (loss) attributable to shareholders of the Parent		(2,461,098)	(20,519,428)	1,790,690	173,320
Net income (loss) attributable to non-controlling interests		140	79	(106)	(186)
Total comprehensive income (loss) attributable to Shareholders of the Company		(5,271,735)	(18,526,899)	4,229,180	(2,296,778)
Total comprehensive income (loss) attributable to Non-controlling interests		(74)	55	(132)	(163)
EPS		(0.90)	(7.54)	0.66	0.06

Unit: NTD Thousand

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

Item	Period	2010	2011	2012
Revenue		629,058,973	475,258,118	429,510,913
Gross profit		64,481,268	38,522,725	43,195,744
Operating (loss) income		18,203,913	(6,480,072)	1,024,706
Non-operating Income and gains		4,321,397	1,482,557	1,984,494
Non-operating expenses and loss		3,195,923	2,510,688	5,642,904
Continuing operating income before tax		19,329,387	(7,424,330)	(2,633,704)
Income(Loss) from Discontinued segment		0	0	0
Extraordinary Items		0	0	0
Cumulative Effect of changes in accounting principle		0	0	0
Net income (loss)		15,117,997	(6,601,968)	(2,910,326)
EPS		5.71	(2.52)	(1.07)

7.1.3 CPAs’ and Auditors’ Opinions

Year	Name of CPA(s)	Auditors’ Opinion
2010	Huei-Chen Chang, Agnes Yang	An Unqualified Opinion
2011	Huei-Chen Chang, Wei-Ming Shih	An Unqualified Opinion
2012	Huei-Chen Chang, Wei-Ming Shih	An Unqualified Opinion
2013	Huei-Chen Chang, Wei-Ming Shih	An Unqualified Opinion
2014	Tzu-Chieh Tang, Wei-Ming Shih	An Unqualified Opinion

7.2 Five-Year Financial Analysis

Financial Analysis under International Financial Reporting Standards (“IFRS”)

Item		Period	2012	2013	2014	Current year as of Mar. 31, 2015	
Financial Ratio	Total liabilities to total assets(%)		67.21	70.47	68.27	64.38	
	Long-term debts to fixed assets(%)		1,315.12	1,252.28	1,337.31	1,493.11	
Ability to Payoff Debt	Current ratio(%)		118.34	129.38	128.13	136.25	
	Quick Ratio(%)		86.30	95.39	94.52	96.51	
	Interest protection		(1.51)	(22.16)	5.01	3.56	
Ability to Operate	A/R turnover (times)		5.59	5.50	5.44	4.99	
	A/R turnover days		65.30	66.36	67.10	73.18	
	Inventory turnover (times)		9.47	8.56	8.33	6.57	
	A/P turnover (times)		5.06	5.32	5.47	4.95	
	Inventory turnover days		38.54	42.64	43.81	55.54	
	Fixed assets turnover (times)		64.90	56.90	56.76	51.29	
	Total assets turnover (times)		1.81	1.73	1.73	1.47	
Earning Ability	Return on assets(%)		(0.72)	(9.49)	1.22	0.61	
	Return on equity(%)		(3.30)	(31.46)	3.06	1.11	
	To Pay-in Capital %	Operating income		3.31	(40.25)	9.68	3.93
		PBT		(8.01)	(74.31)	9.35	4.31
	Net income ratio (%)		(0.57)	(5.70)	0.54	0.25	
	EPS (NTD)		(0.90)	(7.54)	0.66	0.06	
Cash Flow(%)	Cash flow ratio		0.80	(7.61)	4.78	(6.22)	
	Cash flow adequacy ratio		85.09	102.96	53.18	(11.95)	
	Cash reinvestment ratio		2.25	(15.60)	10.33	(11.02)	
Leverage	Operating leverage		38.68	(1.99)	10.65	21.21	
	Financial leverage		27.28	0.93	1.32	1.74	

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)

Five-Year Financial Analysis under Statements of Financial Accounting Standards (“SFAS”)

Item		Period			
		2010	2011	2012	
Financial Ratio	Total liabilities to total assets (%)	66.45	69.49	66.90	
	Long-term debts to fixed assets(%)	2,207.07	1,473.84	1,272.61	
Ability to Payoff Debt	Current ratio (%)	138.88	134.03	119.45	
	Quick Ratio (%)	110.22	102.13	86.52	
	Interest protection	20	(6)	(2)	
Ability to Operate	A/R turnover (times)	5.85	5.11	5.65	
	A/R turnover days	62	71	65	
	Inventory turnover (times)	12.22	10.75	9.27	
	Inventory turnover days	30	34	39	
	A/P turnover (times)	5.70	4.95	4.95	
	Fixed assets turnover (times)	108.12	68.49	65.35	
	Total assets turnover (times)	2.24	1.91	1.89	
Earning Ability	Return on assets (%)	5.59	(2.18)	(0.94)	
	Return on equity (%)	16.17	(7.77)	(3.86)	
	To Pay-in Capital %	Operating income	67.36	(23.91)	3.61
		PBT	71.53	(27.40)	(9.29)
	Net income ratio (%)	2.40	(1.39)	(0.68)	
	EPS(NTD)	5.71	(2.52)	(1.07)	
Cash Flow (%)	Cash flow ratio	8.14	4.14	0.41	
	Cash flow adequacy ratio	63.82	59.10	78.63	
	Cash reinvestment ratio	5.60	(4.81)	1.17	
Leverage	Operating leverage	2.99	(4.95)	33.22	
	Financial leverage	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 Audit Committee's Review Report

The Board of Directors has prepared the Company's 2014 Business Report, Financial Statements, and proposal for allocation of profits. The CPA Tzu-Chieh Tang and Wei-Ming Shih from KPMG were retained to audit Acer's Financial Statements and have issued an audit report relating to the Financial Statements. The said Business Report, Financial Statements, and profit allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee of Acer Incorporated in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, I hereby submit this Report.

Acer Incorporated

Convener of the Audit Committee: F.C. Tseng

March 24, 2015

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 2014

Not applicable.



8. Risk Management

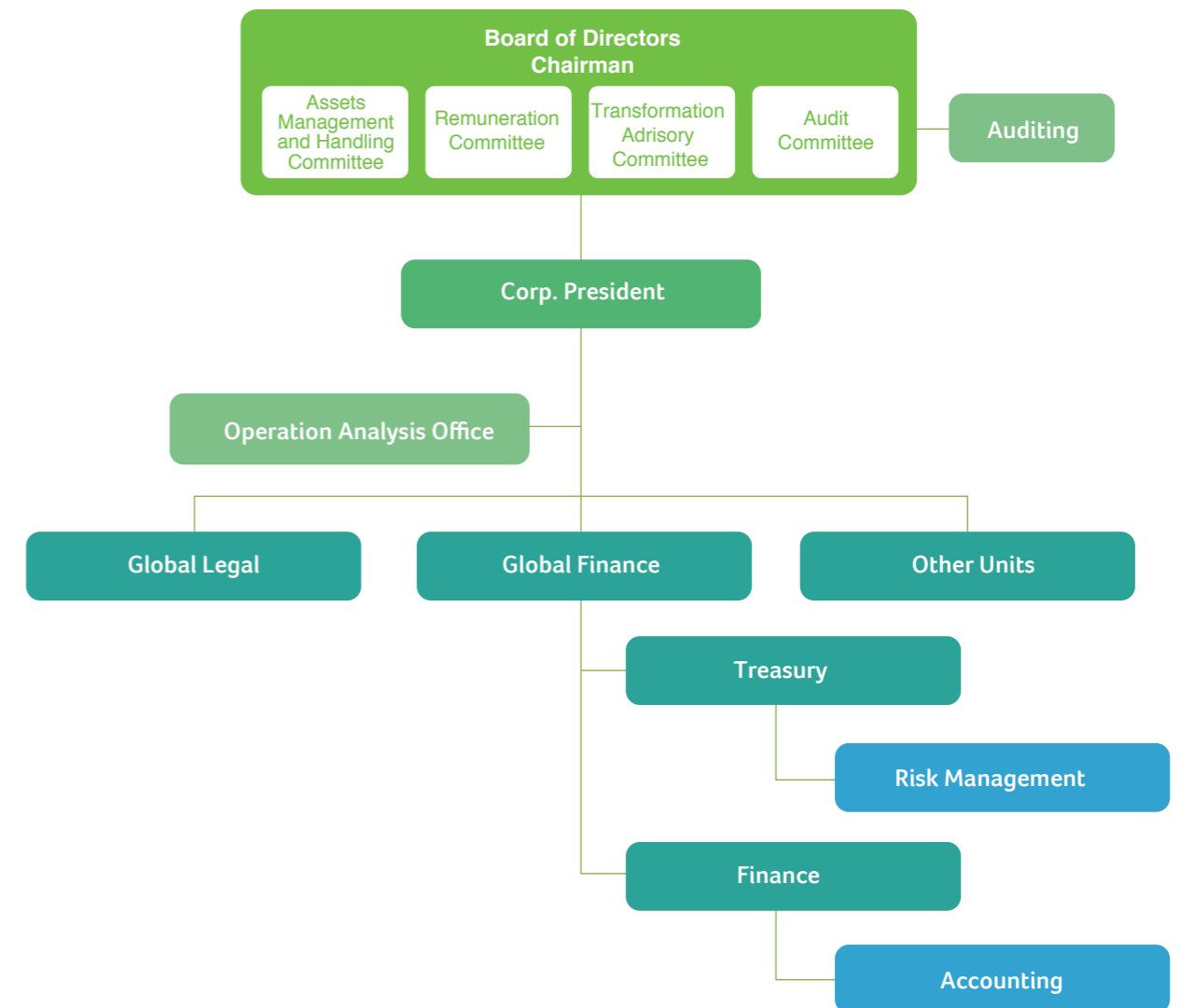
8.1 Recent Annual Investment Policy and Main Reasons of Gain or Loss and Improvement Plan

Unit: NTD Thousand

Item	Description	Amount	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.		20,036,848	Sales and Maintenance of "Acer" brand-name information technology products	1,483,521	Due to the restructuring costs and Foreign exchange loss	NA	No material investment plan for next year
Acer Holdings International, Incorporated		9,080,603	Sales and Maintenance of "Acer" brand-name information technology products	(69)	Due to the operating loss for the market of AAP	After the organization adjustment on Oct., 2014, it may turn to profit in the coming year by more efficient operating.	
Boardwalk Capital Holdings Limited		30,178,680	Sales and Maintenance of "Acer" brand-name information technology products	1,605,968	Due to the operating loss for the market of PA	NA	
Acer Worldwide Incorporated		260,967	Investing and Holding company	1,127	Increasing of Interest Income	NA	
E-TEN Information Systems Co., Ltd.		2,770,216	PDA manufacturing and sale	(119,718)	Loss on Operating activities	Investing new business and processing appropriate scope-down will keep the earnings.	
Cross Century Investment Limited		1,150,288	Investing and Holding company	2,935	Recognized Interest and Dividend income	NA	
Acer CyberCenter Services Ltd.		1,940,633	Data storage and processing company	169,233	Gain on Operating activities	NA	
Acer Greater China (B.V.I.) Corp.		5,754,834	Sales and Maintenance of "Acer" brand-name information technology products	(1,016,016)	Due to the impairment loss for intangible assets	After the organization adjustment on Oct., 2014, it may improve the deficit in the coming year by more efficient operating.	
Acer Softcapital Incorporated		1,112,290	Investing and Holding company	5,884	Recognized Interest and Disposal Stock gain	NA	
Acer Digital Service Co., Ltd		1,873,565	Investing and holding companies	58,739	Gain on Investment activities	NA	
Weblink International Inc.		1,215,406	Sales and distribution of computer products and electronic communication products	31,414	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
- Auditor – 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

Due to slow recovery of economy in Eurozone, ECB started to implement quantitative easing monetary policy from March 2015. In short term, ECB may expect to maintain a low interest rate to sustain economic growth. US economy has been recovering as expected, FED states that any changes of the interest rate will depend on situation of the economy. Given the modest inflation outlook and positive expectation for Taiwan's economy, there is a possibility that Taiwan Central Bank remains identical policy for the first half of this year. Short-term TWD and foreign currency deposits remain to be the most common used instruments for Acer to optimize return while reducing risk.

2. Exchange Rate

With implementation of quantitative easing monetary policy, and also the uncertainty of the Greek debt negotiation, EUR may be bearish in the long-term. About CNY, expected two-way fluctuation is caused by recent economic adjustments. Meanwhile, strong USD increases the concern of currency depreciation in emerging markets. Acer will maintain its strategy to meticulously hedge its foreign positions to minimize the impacts on earnings caused by foreign exchange rate fluctuations.

3. Inflation

We're facing a deflation and low economic growth situation this year. For declining oil price and downturn of demand, oil price may drop further to lead deflation worldwide. However, appropriate measures will be taken accordingly to minimize impacts on business operation if need.

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 Concentration of Procurement and Sales

None

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) 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) 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. Qimonda withdrew this lawsuit in Q4 2014 after it was solved by component suppliers.

(4) 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.

(5) Andrea Electronics Corporation filed patent infringement lawsuits against Acer and other companies on audio enhancement technology for PCs before the United States District Court for the Eastern District of New York in July 2014 and United States International Trade Commission (ITC) in February 2015. Acer is accused because of component suppliers' products. The outside counsel is retained to deal with this case. Meanwhile, no immediate material adverse effect on the Acer's business operations and finance is foreseen.

2. In year 2014 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 2014 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, 2014 and 2013
(With Independent Auditors' Report Thereon)



安侯建業聯合會計師事務所

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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, 2014 and 2013, and the related consolidated statements of comprehensive income, changes in equity, and cash flows for the years ended December 31, 2014 and 2013. 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, 2014 and 2013, and the results of their consolidated financial performance and their consolidated cash flows for the years then ended, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and 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 parent company only financial statements of Acer Incorporated as of and for the years ended December 31, 2014 and 2013 on which we have issued an unqualified opinion.

Taipei, Taiwan (the Republic of China)
March 25, 2015

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 International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the Financial Supervisory Commission of the Republic of China. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

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

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2014 and 2013

(in thousands of New Taiwan dollars)

Assets	2014.12.31	2013.12.31
Current assets:		
Cash and cash equivalents (notes 6(1) and (25))	\$ 47,558,651	42,983,663
Financial assets at fair value through profit or loss — current (notes 6(2) and (25))	1,899,626	246,295
Hedging derivative financial assets — current (notes 6(3) & (25))	-	12,161
Available-for-sale financial assets — current (notes 6(4) & (25))	146,479	123,130
Notes and accounts receivable, net (notes 6(5) & (25))	59,167,731	62,081,029
Accounts receivable from related parties (notes 6(5) & (25) and 7)	23,837	22,712
Other receivables (notes 6(6) & (25))	1,261,631	1,701,702
Other receivables from related parties (notes 6(25) and 7)	9	17
Current income tax assets	1,244,873	1,272,678
Inventories (note 6(7))	36,600,487	35,566,324
Other current assets	<u>2,981,846</u>	<u>3,079,144</u>
Total current assets	<u>150,885,170</u>	<u>147,088,855</u>
Non-current assets:		
Available-for-sale financial assets — non-current (notes 6(4) & (25))	3,859,807	2,900,334
Investments in associates (note 6(8))	142,461	176,334
Property, plant and equipment (note 6(9))	5,484,061	6,133,729
Investment property (note 6(10))	1,113,067	1,590,433
Intangible assets (note 6(11))	26,727,547	28,720,088
Deferred income tax assets (note 6(17))	1,018,564	1,903,883
Other non-current assets (note 6(16))	701,834	820,243
Other financial assets — non-current (notes 6(25) and 8)	<u>1,162,526</u>	<u>1,165,811</u>
Total non-current assets	<u>40,209,867</u>	<u>43,410,855</u>
Total assets	\$ <u>191,095,037</u>	<u>190,499,710</u>

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2014 and 2013

(in thousands of New Taiwan dollars)

Liabilities and Equity	2014.12.31	2013.12.31
Current liabilities:		
Short-term borrowings (notes 6(12), (25) & (26))	\$ 317,000	389,989
Financial liabilities at fair value through profit or loss — current (notes 6(2), (13), (25) & (26))	624,227	475,425
Notes and accounts payable (notes 6(25) & (26))	54,824,412	55,217,361
Accounts payables to related parties (notes 6(25) & (26) and 7)	13,961	665
Other payables (notes 6(25) & (26) and 7)	42,165,243	41,371,865
Other payables to related parties (notes 6(25) & (26) and 7)	788	656
Current income tax liabilities	927,296	847,385
Provisions — current (note 6(14))	8,972,446	10,305,579
Current portion of bonds payable (notes 6(13), (25) & (26))	3,634,818	-
Current portion of long-term debt (notes 6(13), (25) & (26))	3,600,000	1,800,000
Other current liabilities	<u>2,675,700</u>	<u>3,279,566</u>
Total current liabilities	<u>117,755,891</u>	<u>113,688,491</u>
Non-current liabilities:		
Financial liabilities at fair value through profit or loss — non-current (notes 6(2), (13) & (25))	-	496,143
Bonds payable (notes 6(13), (25) & (26))	5,880,437	8,974,513
Long-term debt (notes 6(13), (25) & (26))	3,600,000	7,200,000
Provisions — non-current (note 6(14))	127,752	342,938
Deferred income tax liabilities (note 6(17))	1,397,284	1,946,343
Other non-current liabilities (note 6(16))	<u>1,703,823</u>	<u>1,599,912</u>
Total non-current liabilities	<u>12,709,296</u>	<u>20,559,849</u>
Total liabilities	<u>130,465,187</u>	<u>134,248,340</u>
Equity (note 6(18)):		
Common stock	27,965,678	28,347,268
Capital surplus	34,098,396	43,707,727
Retained earnings:		
Legal reserve	-	10,012,168
Special reserve	-	6,126,774
Unappropriated earnings (accumulated deficit)	931,664	(24,464,794)
Other reserves	817,893	(1,425,876)
Treasury stock	<u>(3,186,038)</u>	<u>(6,054,286)</u>
Equity attributable to shareholders of the Company	<u>60,627,593</u>	<u>56,248,981</u>
Non-controlling interests	<u>2,257</u>	<u>2,389</u>
Total equity	<u>60,629,850</u>	<u>56,251,370</u>
Total liabilities and equity	\$ <u>191,095,037</u>	<u>190,499,710</u>

See accompanying notes to consolidated financial statements.

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2014 and 2013

(in thousands of New Taiwan dollars, except earnings (losses) per share data)

	2014	2013
Revenue (notes 6(21), 7 and 14)	\$ 329,684,271	360,132,042
Cost of revenue (notes 6(7), (11), (14) & (15), 7 and 12)	<u>300,742,087</u>	<u>337,581,776</u>
Gross profit	<u>28,942,184</u>	<u>22,550,266</u>
Operating expenses (notes 6(5), (9), (10), (11), (14), (15), (16), (18), (19) & (22), 7 and 12):		
Selling expenses	19,143,432	21,802,936
Administrative expenses	4,899,465	8,006,491
Research and development expenses	2,524,381	3,091,790
Other expenses	-	<u>1,293,223</u>
Total operating expenses	<u>26,567,278</u>	<u>34,194,440</u>
Other operating income and loss – net (note 6(23))	<u>332,759</u>	<u>234,508</u>
Operating income (losses)	<u>2,707,665</u>	<u>(11,409,666)</u>
Non-operating income and loss:		
Other income (note 6(24))	414,732	530,124
Other gains and losses – net (notes 6(3), (13) & (24))	17,599	808,082
Finance costs (note 6(24))	(651,206)	(909,476)
Share of profits of associates (note 6(8))	125,629	5,175
Impairment loss on property, plant, and equipment (note 6(9))	-	(143,102)
Impairment loss on intangible assets (note 6(11))	-	(9,943,350)
Impairment loss on investment property (note 6(10))	-	<u>(1,523)</u>
Total non-operating income and loss	<u>(93,246)</u>	<u>(9,654,070)</u>
Income (losses) before taxes	2,614,419	(21,063,736)
Income tax benefits (expenses) (note 6(17))	<u>(823,835)</u>	<u>544,387</u>
Net income (losses)	<u>1,790,584</u>	<u>(20,519,349)</u>
Other comprehensive income:		
Exchange differences on translation of foreign operations (note 6(18))	1,445,638	1,966,965
Change in fair value of available-for-sale financial assets (note 6(18))	1,049,440	(274,147)
Change in fair value of cash flow hedges (note 6(18))	-	402,433
Actuarial gains (losses) from defined benefit plans (note 6(16))	(54,382)	178,404
Less: Income taxes related to components of other comprehensive income (note 6(17))	<u>2,232</u>	<u>11,150</u>
Other comprehensive income for the year, net of taxes	<u>2,438,464</u>	<u>2,262,505</u>
Total comprehensive income for the year	<u>\$ 4,229,048</u>	<u>(18,256,844)</u>
Net income (losses) attributable to:		
Shareholders of the Company	\$ 1,790,690	(20,519,428)
Non-controlling interests	<u>(106)</u>	<u>79</u>
	<u>\$ 1,790,584</u>	<u>(20,519,349)</u>
Total comprehensive income attributable to:		
Shareholders of the Company	\$ 4,229,180	(18,256,899)
Non-controlling interests	<u>(132)</u>	<u>55</u>
	<u>\$ 4,229,048</u>	<u>(18,256,844)</u>
Earnings (losses) per share (in New Taiwan dollars)(note 6(20)):		
Basic earnings (losses) per share	\$ <u>0.66</u>	<u>(7.54)</u>
Diluted earnings (losses) per share	\$ <u>0.63</u>	<u>(7.54)</u>

See accompanying notes to consolidated financial statements.

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2014 and 2013

(in thousands of New Taiwan dollars)

	Attributable to shareholders of the Company														
	Retained earnings						Other reserves				Other equity— unearned compensation cost arising from restricted shares of stock issued to employees		Non-controlling interests	Total equity	
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings (accumulated deficit)	Total	Foreign currency translation differences	Unrealized gain (loss) from available-for-sale financial assets	Cash flow hedge reserve	Total	Treasury stock	Total			
Balance at January 1, 2013	\$ 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:															
Share-based compensation cost	-	43,194	-	-	-	-	-	-	-	-	-	-	43,194	-	43,194
Conversion right from issuance of convertible bonds	-	261,000	-	-	-	-	-	-	-	-	-	-	261,000	-	261,000
Net losses 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	<u>28,347,268</u>	<u>43,707,727</u>	<u>10,012,168</u>	<u>6,126,774</u>	<u>(24,464,794)</u>	<u>(8,325,852)</u>	<u>(262,231)</u>	<u>(1,163,645)</u>	<u>-</u>	<u>-</u>	<u>(1,425,876)</u>	<u>(6,054,286)</u>	<u>56,248,981</u>	<u>2,389</u>	<u>56,251,370</u>
Appropriation approved by the stockholders:															
Decrease in capital surplus to offset accumulated deficit	-	(8,325,852)	-	-	8,325,852	8,325,852	-	-	-	-	-	-	-	-	-
Decrease in legal reserve to offset accumulated deficit	-	-	(10,012,168)	-	10,012,168	-	-	-	-	-	-	-	-	-	-
Decrease in special reserve to offset accumulated deficit	-	-	-	(3,460,642)	3,460,642	-	-	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(2,666,132)	2,666,132	-	-	-	-	-	-	-	-	-	-
Other changes in capital surplus:															
Change in equity of investments in subsidiaries	-	168	-	-	-	-	-	-	-	-	-	-	168	-	168
Compensation cost arising from issuance of new shares reserved for employee subscription	-	90,000	-	-	-	-	-	-	-	-	-	-	90,000	-	90,000
Issuance of restricted shares of stock to employees	174,600	136,374	-	-	-	-	-	-	-	(310,974)	(310,974)	-	-	-	-
Compensation cost arising from restricted shares of stock issued to employees	-	-	-	-	-	-	-	-	-	59,264	59,264	-	59,264	-	59,264
Retirement of treasury stock	(556,190)	(1,510,021)	-	-	(802,037)	(802,037)	-	-	-	-	-	2,868,248	-	-	-
Net income in 2014	-	-	-	-	1,790,690	1,790,690	-	-	-	-	-	-	1,790,690	(106)	1,790,584
Other comprehensive income in 2014	-	-	-	-	(56,989)	(56,989)	1,446,039	1,049,440	-	-	2,495,479	-	2,438,490	(26)	2,438,464
Total comprehensive income in 2014	-	-	-	-	1,733,701	1,733,701	1,446,039	1,049,440	-	-	2,495,479	-	4,229,180	(132)	4,229,048
Balance at December 31, 2014	<u>\$ 27,965,678</u>	<u>34,098,396</u>	<u>-</u>	<u>-</u>	<u>931,664</u>	<u>931,664</u>	<u>1,183,808</u>	<u>(114,205)</u>	<u>-</u>	<u>(251,710)</u>	<u>817,893</u>	<u>(3,186,038)</u>	<u>60,627,593</u>	<u>2,257</u>	<u>60,629,850</u>

See accompanying notes to consolidated financial statements.

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2014 and 2013

(in thousands of New Taiwan dollars)

	2014	2013
Cash flows from operating activities:		
Income (losses) before taxes	\$ <u>2,614,419</u>	<u>(21,063,736)</u>
Adjustments for:		
Depreciation	791,209	947,566
Amortization	1,202,555	1,751,961
Valuation gain on derivative financial assets and liabilities	(1,988,511)	(517,236)
Interest expense	651,206	909,476
Interest income	(283,592)	(324,821)
Dividend income	(131,140)	(205,303)
Share-based compensation cost	350,285	306,597
Effects of exchange rate changes on bonds payable	200,218	236,923
Share of profits of associates	(125,629)	(5,175)
Gain on disposal of property, plant and equipment and investment property, net	(65,727)	(105,317)
Gain on disposal of available-for-sale financial assets	-	(227,722)
Loss on disposal of subsidiaries	13,291	
Gain on disposal of investments in associates	(41,495)	-
Impairment loss on non-financial assets	-	10,087,975
Loss on purchase and redemption of bonds payable	-	73,972
Other investment loss	7,131	38,995
Intangible assets charged to cost of revenue	<u>2,174,851</u>	<u>-</u>
Total profit and loss	<u>2,754,652</u>	<u>12,967,891</u>
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Notes and accounts receivable	2,913,298	6,737,926
Receivables from related parties	(1,125)	18,571
Inventories	(1,087,115)	7,710,531
Other receivables and other current assets	533,462	(111,992)
Non-current accounts receivable	<u>(45,523)</u>	<u>16,569</u>
Net changes in operating assets	<u>2,312,997</u>	<u>14,371,605</u>
Net changes in operating liabilities:		
Notes and accounts payable	(392,949)	(16,421,367)
Payables to related parties	13,428	(593)
Other payables and other current liabilities	153,180	2,481,522
Provisions	(1,548,319)	(544,348)
Other non-current liabilities	<u>103,911</u>	<u>197,756</u>
Net changes in operating liabilities	<u>(1,670,749)</u>	<u>(14,287,030)</u>
Total changes in operating assets and liabilities	<u>642,248</u>	<u>84,575</u>
Cash provided by (used in) operations	6,011,319	(8,011,270)
Interest received	283,326	324,568
Income taxes paid	<u>(671,046)</u>	<u>(964,282)</u>
Net cash provided by (used in) operating activities	<u>5,623,599</u>	<u>(8,650,984)</u>

(Continued)

See accompanying notes to consolidated financial statements.

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2014 and 2013

(in thousands of New Taiwan dollars)

	2014	2013
Cash flows from investing activities:		
Purchase of available-for-sale financial assets	(70,000)	-
Proceeds from sale of available-for-sale financial assets	-	273,062
Proceeds from capital return of available-for-sale investment	80,109	147,743
Additions to investment in associates	(20,462)	-
Proceeds from sale of investment in associates	41,195	-
Proceeds from capital return of investment in associates	172,130	-
Additions to property, plant and equipment	(228,752)	(377,087)
Proceeds from disposal of property, plant and equipment and investment property	590,954	684,807
Decrease in advances to related parties	8	-
Additions to intangible assets	(103,873)	(191,985)
Decrease (increase) in other non-current financial assets and other non-current assets	177,098	(21,743)
Dividend received	<u>139,854</u>	<u>213,269</u>
Net cash provided by investing activities	<u>778,261</u>	<u>728,066</u>
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	(72,989)	40,015
Issuance of bonds payable	-	6,000,000
Purchase and redemption of bonds payable	-	(6,669,074)
Repayment of long-term debt	(1,800,000)	-
Interest paid	<u>(260,250)</u>	<u>(396,800)</u>
Net cash used in financing activities	<u>(2,133,239)</u>	<u>(1,025,859)</u>
Effects of foreign exchange rate changes	<u>306,367</u>	<u>1,319,876</u>
Net increase (decrease) in cash and cash equivalents	4,574,988	(7,628,901)
Cash and cash equivalents at beginning of year	<u>42,983,663</u>	<u>50,612,564</u>
Cash and cash equivalents at end of year	<u>\$ 47,558,651</u>	<u>42,983,663</u>

See accompanying notes to consolidated financial statements.

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the years ended December 31, 2014 and 2013
(amounts expressed in thousands of New Taiwan dollars
except for 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 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 smartphone 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, and regional sales and marketing channels of Founder Technology Group Corporation. On January 12, 2012, the Company acquired 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 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, 2014, comprise the Group and the Group’s interests in associates.

2. Authorization of the Consolidated Financial Statements

These consolidated financial statements were authorized for issuance by the Board of Directors on March 25, 2015.

3. New Accounting Standards and Interpretations Not Yet Adopted

- (1) International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations (collectively “IFRSs”) endorsed by the Financial Supervisory Commission of the R.O.C. (FSC) but not yet in effect

According to Ruling No. 1030010325 issued by the FSC on April 3, 2014, starting from 2015, companies with shares listed on the Taiwan Stock Exchange or traded on the Taipei Exchange or Emerging Stock Market are required to prepare their financial statements in accordance with the 2013 IFRSs endorsed by the FSC (2013 Taiwan-IFRSs version). IFRS 9 *Financial Instruments* is excluded from the 2013 Taiwan-IFRSs.

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The new or amended standards and interpretations issued by the International Accounting Standards Board (“IASB”) and endorsed by the FSC but not yet in effect are as follows:

New or amended standards and interpretations	Effective date per IASB
• Amendments to IFRS 1 <i>Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters</i>	July 1, 2010
• Amendments to IFRS 1 <i>Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i>	July 1, 2011
• Amendments to IFRS 1 <i>Government Loans</i>	January 1, 2013
• Amendments to IFRS 7 <i>Disclosure — Transfers of Financial Assets</i>	July 1, 2011
• Amendments to IFRS 7 <i>Disclosure — Offsetting Financial Assets and Financial Liabilities</i>	January 1, 2013
• IFRS 10 <i>Consolidated Financial Statements</i>	January 1, 2013 (investment entities (amendments to IFRS 10, IFRS 12 and IAS 27) effective January 1, 2014)
• IFRS 11 <i>Joint Arrangements</i>	January 1, 2013
• IFRS 12 <i>Disclosure of Interests in Other Entities</i>	January 1, 2013
• IFRS 13 <i>Fair Value Measurement</i>	January 1, 2013
• Amendments to IAS 1 <i>Presentation of Items of Other Comprehensive Income</i>	July 1, 2012
• Amendments to IAS 12 <i>Deferred Tax: Recovery of Underlying Assets</i>	January 1, 2012
• Amendments to IAS 19 (Revised 2011) <i>Employee Benefits</i>	January 1, 2013
• Amendments to IAS 27 (Revised 2011) <i>Separate Financial Statements</i>	January 1, 2013
• Amendments to IAS 32 <i>Offsetting Financial Assets and Financial Liabilities</i>	January 1, 2014
• IFRIC 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i>	January 1, 2013

Except for the following items, the Group believed that the adoption of the aforementioned 2013 Taiwan-IFRSs will not have a significant impact on the Group’s consolidated financial statements.

A. Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income*

According to the amendments to IAS 1, the items of other comprehensive income will be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. In addition, income tax on items of other comprehensive income is also required to be allocated on the same basis.

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Furthermore, IAS 19 (Revised 2011) has eliminated the requirement of recognizing actuarial gains or losses arising from defined benefit plans in retained earnings. The Group has opted to recognize the aforementioned actuarial gains or losses in other equity accounts starting in 2015, and a retrospective adjustment will be made. Accordingly, the Group will reclassify the actuarial gains or losses arising from the defined benefit plans recognized and accumulated in retained earnings prior to January 1, 2015, from retained earnings to other equity accounts. Except for the adjustments in retained earnings for a decrease of \$28,012 against an increase in other equity of same amount, there is no significant impact on the consolidated financial statements.

B. IFRS 12 *Disclosure of Interests in Other Entities*

IFRS 12 integrates the disclosure requirements stated in other standards with respect to an entity's interests in subsidiaries, joint arrangements, associates, and unconsolidated structured entities. The Group will expand the disclosure relating to the consolidated entities and associates in accordance with the standard.

C. IFRS 13 *Fair Value Measurement*

IFRS 13 defines fair value and establishes a framework for measuring fair value and requires disclosures on fair value measurement. Based on the Group's assessment, IFRS 13 will not have significant impact on the consolidated financial position and results of operations. The Group will expand the disclosure relating to fair value measurement in accordance with the standard.

(2) Impact of IFRS issued by the IASB but not yet endorsed by the FSC

Below is a summary of IFRS issued by the IASB but not yet endorsed by the FSC.

New or amended standards and interpretations	Effective date per IASB
• IFRS 9 <i>Financial Instruments</i>	January 1, 2018
• Amendments to IFRS 10 and IAS 28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	January 1, 2016
• Amendments to IFRS10, IFRS12 and IAS 28 <i>Investment Entities: Applying the Consolidation Exception</i>	January 1, 2016
• Amendments to IFRS 11 <i>Accounting for Acquisitions of Interests in Joint Operations</i>	January 1, 2016
• IFRS 14 <i>Regulatory Deferral Accounts</i>	January 1, 2016
• IFRS 15 <i>Revenue from Contracts with Customers</i>	January 1, 2017
• Amendments to IAS1 <i>Disclosure Initiative</i>	January 1, 2016
• Amendments to IAS 16 and IAS 38 <i>Clarification of Acceptable Methods of Depreciation and Amortization</i>	January 1, 2016
• Amendments to IAS 16 and IAS 41 <i>Bearer Plants</i>	January 1, 2016
• Amendments to IAS 19 <i>Defined Benefit Plans: Employee Contributions</i>	July 1, 2014

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

New or amended standards and interpretations	Effective date per IASB
<ul style="list-style-type: none"> • Amendments to IAS 27 <i>Equity Method in Separate Financial Statements</i> • Amendments to IAS 36 <i>Recoverable Amount Disclosures for Non-Financial Assets</i> • Amendments to IAS 39 <i>Novation of Derivatives and Continuation of Hedge Accounting</i> • IFRIC 21 <i>Levies</i> 	<p>January 1, 2016</p> <p>January 1, 2014</p> <p>January 1, 2014</p> <p>January 1, 2014</p>

The Group continues to evaluate the impact on the consolidated financial position and the results of operations as a result of the adoption of the above standards or interpretations. The related impact will be disclosed when the Group completes the assessments.

4. Summary of significant accounting policies

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

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 "Regulations Governing the Preparation of Financial Reports by Securities Issuers" (the "Regulations") and the IFRSs, IASs, IFRIC Interpretations and SIC Interpretations endorsed by the FSC (collectively "Taiwan-IFRSs").

(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 the benefit obligation.

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ACER INCORPORATED AND SUBSIDIARIES**Notes to Consolidated Financial Statements**

(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 dollars, which is the Company's functional currency. Except when otherwise indicated, all financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(3) Basis of consolidation

(a) Principles of preparation of the consolidated financial statements

The accompanying consolidated financial statements incorporate the financial statements of the Company and its controlled entities (the subsidiaries). 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. Profit 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 the 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 non-controlling 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 a 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.

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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 at the end of the reporting period were as follows:

Name of Investor	Name of Investee	Main Business and Products	Percentage of Ownership	
			2014.12.31	2013.12.31
The Company	Acer Greater China (B.V.I.) Corp. ("AGC", British Virgin Islands)	Investment and holding activity	100.00	100.00
AGC	Acer Market Services Limited ("AMS", Hong Kong)	Investment and holding activity	100.00	100.00
AGC	Acer Computer (Far East) Limited ("AFE", Hong Kong)	Sale of brand-name IT products	100.00	100.00
AGC	Acer Intellectual (Chongqing) Limited ("AICQ", China)	Research and design of smart phone and touchpad products	-	100.00
AGC	Acer Information Technology R&D (Shanghai) Co., Ltd. ("ARD", China)	Research and design of smart phone products	100.00	100.00
AMS	Acer Information (Zhong Shan) Co., Ltd. ("AIZS", China)	Sale of brand-name IT products	100.00	100.00
AMS	Beijing Acer Information Co., Ltd. ("BJAI", China)	Sale of brand-name IT products	100.00	100.00
AMS	Acer Computer (Shanghai) Ltd. ("ACCN", China)	Sale of brand-name IT products	100.00	100.00
AMS	Acer (Chongqing) Ltd. ("ACCC", China)	Sale of brand-name IT products	100.00	100.00
The Company	Acer European Holdings Limited ("AEH", Cyprus)	Investment and holding activity	100.00	100.00
AEH	Acer Europe B.V. ("AHN", the Netherlands)	Investment and holding activity	100.00	100.00
AEH	Acer CIS Incorporated ("ACR", British Virgin Islands)	Sale of brand-name IT products	100.00	100.00
AEH	Acer BSEC Inc. ("AUA", British Virgin Islands)	Sale of brand-name IT products	100.00	100.00
AEH	Acer Computer (M.E.) Ltd. ("AME", British Virgin Islands)	Sale of brand-name IT products	100.00	100.00
AEH	Acer Africa (Proprietary) Limited ("AAF", South Africa)	Sale of brand-name IT products	100.00	100.00
AEH	AGP Insurance (Guernsey) Limited ("AGU", Guernsey)	Financial company	100.00	100.00
AHN	Acer Computer France S.A.S.U. ("ACF", France)	Sale of brand-name IT products	100.00	100.00
AHN	Acer U.K. Limited ("AUK", the United Kingdom)	Sale of brand-name IT products	100.00	100.00
AHN	Acer Italy S.R.L. ("AIT", Italy)	Sale of brand-name IT products	100.00	100.00
AHN	Acer Computer GmbH ("ACG", Germany)	Sale of brand-name IT products	100.00	100.00
AHN	Acer Austria GmbH ("ACV", Austria)	Sale of brand-name IT products	100.00	100.00
AHN	Acer Europe SA ("AEG", Switzerland)	Sale of brand-name IT products	100.00	100.00
AHN	Acer Czech Republic S.R.O. ("ACZ", Czech Republic)	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	
			2014.12.31	2013.12.31
AHN	Esplex Limited (“AEX”, the United Kingdom)	Repair and maintenance of brand-name IT products	-	100.00
AHN	Acer Computer Iberica, S.A. (“AIB”, Spain)	Sale of brand-name IT products	100.00	100.00
AHN	Acer Computer (Switzerland) AG (“ASZ”, Switzerland)	Sale of brand-name IT products	100.00	100.00
AHN	Acer Slovakia s.r.o. (“ASK”, Slovakia)	Sale of brand-name IT products	100.00	100.00
AHN	Asplex Sp. z.o.o. (“APX”, Poland)	Repair and maintenance of brand-name IT products	100.00	100.00
AHN	Acer Marketing Services LLC (“ARU”, Russia)	Sale of brand-name IT products	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
AHN	Acer Poland sp. z.o.o. (“APL”, Poland)	Sale of brand-name IT products	100.00	100.00
AHN	Acer Bilisim Teknolojileri Limited Sirketi (“ATR, Turkey)	Sale of brand-name IT products	100.00	100.00
AHN	Packard Bell B.V. (“PBHO”, the Netherlands)	Investment and holding activity	100.00	100.00
AHN (note 1)	Acer Computer B.V. (“ACH”, Netherlands)	Sale of brand-name IT products	100.00	100.00
ACH	Acer Computer Norway AS (“ACN”, Norway)	Sale of brand-name IT products	100.00	100.00
ACH	Acer Computer Finland Oy (“AFN”, Finland)	Sale of brand-name IT products	100.00	100.00
ACH	Acer Computer Sweden AB (“ACW”, Sweden)	Sale of brand-name IT products	100.00	100.00
ACH	Acer Denmark A/S (“ACD”, Denmark)	Sale of brand-name IT products	100.00	100.00
The Company and AEH (note 2)	Boardwalk Capital Holdings Limited (“Boardwalk”, British Virgin Islands)	Investment and holding activity	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
Boardwalk	Acer American Holding Corp. (“AAH”, U.S.A.)	Investment and holding activity	100.00	100.00
Boardwalk	AGP Tecnologia em Informatica do Brasil Ltda. (“ATB”, Brazil)	Sale of brand-name IT products	100.00	100.00
AMEX	Aurion Tecnologia, S.A. de C.V. (“Aurion”, Mexico)	Sale of brand-name IT products	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
GWI	Acer Latin America, Inc. (“ALA”, U.S.A.)	Sale of brand-name IT products	100.00	100.00
GWI	Acer America Corporation. (“AAC”, U.S.A.)	Sale of brand-name IT products	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	
			2014.12.31	2013.12.31
GWI	Acer Service Corporation (“ASC”, U.S.A.)	Repair and maintenance of brand-name IT products	100.00	100.00
The Company	Acer Holdings International, Incorporated (“AHI”, British Virgin Islands)	Investment and holding activity	100.00	100.00
AHI	Acer Computer Co., Ltd. (“ATH”, Thailand)	Sale of brand-name IT products	100.00	100.00
AHI	Acer Japan Corp. (“AJC”, Japan)	Sale of brand-name IT products	100.00	100.00
AHI	Acer Computer Australia Pty. Limited (“ACA”, Australia)	Sale of brand-name IT products	100.00	100.00
AHI	Acer Sales and Service Sdn Bhd (“ASSB”, Malaysia)	Sale of brand-name IT products	100.00	100.00
AHI	Acer Asia Pacific Sdn Bhd (“AAPH, Malaysia”)	Sale of brand-name IT products	100.00	100.00
AHI	Acer Computer (Singapore) Pte. Ltd. (“ACS”, Singapore)	Sale of brand-name IT products	100.00	100.00
AHI	Acer Computer New Zealand Limited (“ACNZ”, New Zealand)	Sale of brand-name IT products	100.00	100.00
AHI	PT Acer Indonesia (“AIN”, Indonesia)	Sale of brand-name IT products	100.00	100.00
AIN	PT Acer Manufacturing Indonesia (“AMP”, Indonesia)	Assembly 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
AHI	Acer Vietnam Co., Ltd. (“AVN”, Vietnam)	Sale of brand-name IT products	100.00	100.00
AHI	Acer Philippines, Inc. (“APHI”, Philippines)	Sale of brand-name IT products	100.00	100.00
ACA	Highpoint Australia Pty. Ltd. (“HPA”, Australia)	Repair and maintenance of brand-name IT products	100.00	100.00
ASSB	Highpoint Service Network Sdn Bhd (“HSN”, Malaysia)	Repair and maintenance of brand-name IT products	100.00	100.00
ASSB	Servex (Malaysia) Sdn Bhd (“SMA”, Malaysia)	Sale of computers and communication products	100.00	100.00
ACS	Logistron Service Pte Ltd. (LGS, Singapore)	Assembly of brand-name IT products	100.00	100.00
The Company	Weblink International Inc. (“WII”, Taiwan)	Sale of computers and communication products	99.79	99.79
WII	Weblink (H.K.) International Ltd. (“WHI”, Hong Kong)	Sale of computers and communication products	99.79	99.79
The Company	Acer Digital Service Co. (“ADSC”, Taiwan)	Investment and holding activity	100.00	100.00
ADSC	Acer Property Development Inc. (“APDI”, Taiwan)	Property development	100.00	100.00
ADSC	Aspire Service & Development Inc. (“ASDI”, Taiwan)	Property development	100.00	100.00
ADSC	Acer Octon Inc. (“AOI”, Taiwan)	Communication service	100.00	-

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ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Name of Investor	Name of Investee	Main Business and Products	Percentage of Ownership	
			2014.12.31	2013.12.31
The Company	Acer Worldwide Incorporated (“AWI”, British Virgin Islands)	Investment and holding activity	100.00	100.00
The Company	Cross Century Investment Limited (“CCI”, Taiwan)	Investment and holding activity	100.00	100.00
The Company	Acer Digital Services (B.V.I.) Holding Corp. (“ADSBH”, British Virgin Islands)	Investment and holding activity	100.00	100.00
ADSBH	Acer Digital Services (Cayman Islands) Corp. (“ADSCC”, Cayman Islands)	Investment and holding activity	100.00	100.00
ADSCC	Longwick Enterprises Inc. (“LONG”, Seychelles)	Investment and holding activity	100.00	100.00
LONG	S. Excel. Co., Ltd. (“SURE”, Samoa)	Investment and holding activity	100.00	100.00
The Company	Acer SoftCapital Incorporated (“ASCBVI”, British Virgin Islands)	Investment and holding activity	100.00	100.00
ASCBVI	ASC Cayman, Limited (“ASCCAM”, Cayman Islands)	Investment and holding activity	100.00	100.00
ASCBVI	Acer Technology Venture Asia Pacific Ltd. (“ATVAP”, Cayman Islands)	Investment and holding activity	-	100.00
The Company	Eten Information System Co., Ltd. (“ETEN”, Taiwan)	Research, design and sale of smart handheld products	100.00	100.00
The Company	Acer Cyber Center Services Ltd. (“ACCSI”, Taiwan)	Electronic data supply, processing and storage services	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
TWPBVI	Acer Third Wave Software (Beijing) Co., Ltd. (“TWPBJ”, China)	Software research, development, design, trading and consultation	100.00	100.00
The Company	Lottery Technology Service Corp. (“LTS”, Taiwan)	Electronic data supply, processing and storage services	100.00	100.00

Note 1 ACH was formerly owned by AEH. The ownership of ACH was transferred to AHN after restructuring in 2014.

Note 2 Boardwalk was formerly 100% owned by the Company. After restructuring in 2014, the Company and AEH owned 91.68% and 8.32%, respectively, of Boardwalk.

In 2014, the Group established a new subsidiary, AOI. In 2014, the subsidiaries ATVAP and AEX were liquidated, and were excluded from consolidation since the Group ceased control thereof. In 2014, AICQ merged with ACCQ, and ACCQ was the surviving entity from the merger.

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

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ACER INCORPORATED AND SUBSIDIARIES**Notes to Consolidated Financial Statements**

(4) Foreign currency

(a) Foreign currency transactions

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

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

(b) Foreign operations

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

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

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

(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.

(Continued)

ACER INCORPORATED AND SUBSIDIARIES**Notes to Consolidated Financial Statements**

- (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 date; or
- (d) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

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 date; or
- (d) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. 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 consists of cash on hand, checking deposits, and demand deposits. Cash equivalents consist of short-term and highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits that meet the aforesaid criteria and are not held for investing purposes are also classified as cash equivalents.

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

(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)

ACER INCORPORATED AND SUBSIDIARIES**Notes to Consolidated Financial Statements**

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

- 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 receivable 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 costs. Subsequent to initial recognition, these assets are measured at fair value, and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on monetary financial assets, are recognized in other comprehensive income and 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.

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

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ACER INCORPORATED AND SUBSIDIARIES**Notes to Consolidated Financial Statements**

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

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, an increase of delayed payments, and national or local economic conditions that correlate with arrears of receivables.

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

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

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

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ACER INCORPORATED AND SUBSIDIARIES**Notes to Consolidated Financial Statements**

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 non-operating income and loss of 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 or receivable for the part of the financial asset derecognized and the cumulative gain or loss that has been recognized in other comprehensive income allocated to the part derecognized is charged to profit or loss. 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.

For overseas convertible bonds issued by the Group, for 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 consideration received from the issuance of the bonds and the 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, for 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

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ACER INCORPORATED AND SUBSIDIARIES**Notes to Consolidated Financial Statements**

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 are 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 are 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 a 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 those 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.

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 and included in the non-operating income and loss of the consolidated statement of comprehensive income.

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, accounts payable, and other payables, are measured at fair value plus any directly attributable transaction costs at initial recognition. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

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ACER INCORPORATED AND SUBSIDIARIES**Notes to Consolidated Financial Statements**

iv. Derecognition of financial liabilities

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

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 and included in the non-operating income and 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 the timing of the recognition in profit or loss depends on the nature of the hedge relationship. If the valuation of a derivative instrument results in a positive fair value, it is classified as a financial asset; otherwise, it is classified as a financial liability.

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.

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.

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ACER INCORPORATED AND SUBSIDIARIES**Notes to Consolidated Financial Statements**

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 had 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 are 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 cost 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) 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 Group discontinues the use of the equity method from the date when the Group ceases to have significant influence over an associate. When the Group retains an interest in the former associate, the Group measures the retained interest at fair value at that date. Any difference between the fair value of any retained interest and any proceeds from disposing of the part interest in the associate, and the carrying amount of the associate 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.

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ACER INCORPORATED AND SUBSIDIARIES**Notes to Consolidated Financial Statements**

Unrealized profits resulting from 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 policies applied by the Group.

(10) 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 and bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that is eligible for capitalization. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

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

(b) Reclassification to investment property

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

(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 in 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.

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ACER INCORPORATED AND SUBSIDIARIES**Notes to Consolidated Financial Statements**

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-conditioning system - 10 years; other equipment pertaining to buildings - 20 years; computer and communication equipment - 2 to 5 years; and other equipment - 3 to 10 years.

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, with the effect of any changes in estimate accounted for on a prospective basis.

(11) Investment property

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

Cost includes expenditure that is directly attributable to the acquisition of the investment property, bringing the investment property to the condition necessary for 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 purpose of the investment property has been changed from investment to owner-occupied.

(12) Leases

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

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

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ACER INCORPORATED AND SUBSIDIARIES**Notes to Consolidated Financial Statements**

(b) The Group as lessee

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

(13) Intangible assets

(a) Goodwill

Goodwill arising from acquisitions of subsidiaries is accounted for as intangible assets. Refer to note 4(21) for the description of the measurement of goodwill at initial recognition. Goodwill arising from acquisitions of associates is included in the carrying amount of investments in associates. Goodwill is not amortized but is measured at cost less accumulated impairment losses.

(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 lives are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over the estimated useful lives of 7 to 20 years. Trademarks with indefinite useful lives are carried at cost less any accumulated impairment losses 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 on a straight-line basis over the following estimated useful lives: customer relationships - 7 to 10 years; developed technology - 10 years; channel resources - 8.8 years; developing technology - 15 years; patents - 4 to 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, with the effect of any changes in estimate accounted for on a prospective basis.

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ACER INCORPORATED AND SUBSIDIARIES**Notes to Consolidated Financial Statements**

(14) 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

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

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

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

(15) 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.

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ACER INCORPORATED AND SUBSIDIARIES**Notes to Consolidated Financial Statements**

(a) Warranties

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

(b) Sales return provision

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

(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 been announced publicly. Provisions are not recognized for future operating losses.

(d) Others

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

(16) 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.

(17) 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.

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ACER INCORPORATED AND SUBSIDIARIES**Notes to Consolidated Financial Statements**

(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 the sale of key components to an original design manufacturer for manufacture or assembly as the significant risks and rewards of the ownership of materials are not transferred.

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

(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 on a straight-line basis.

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

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

(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 in the period in which it becomes receivable.

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ACER INCORPORATED AND SUBSIDIARIES**Notes to Consolidated Financial Statements**

(18) 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 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.

The Group recognizes all actuarial gains and losses arising from defined benefit plans in other comprehensive income and recognizes them immediately in retained earnings.

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.

(19) Share-based payment

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

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ACER INCORPORATED AND SUBSIDIARIES**Notes to Consolidated Financial Statements**

The grant date of new shares reserved for employee subscription is the date when the Board of Directors approves the exercise price and the shares for which employees can subscribe.

(20) Income taxes

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

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

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

- (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 differences, 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.

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

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.

(21) Business combination

Goodwill is measured as the excess of the acquisition-date fair value of consideration transferred (including any non-controlling interest in the acquiree) over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed (generally at fair value). If the residual balance is negative, the Group shall re-assess whether it has correctly identified all of the assets acquired and liabilities assumed and recognize any

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ACER INCORPORATED AND SUBSIDIARIES**Notes to Consolidated Financial Statements**

additional assets or liabilities that are identified in that review, and shall recognize a gain on the bargain purchase thereafter.

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

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

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

(22) Earnings per share ("EPS")

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

(23) Operating segments

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

5. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

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

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

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ACER INCORPORATED AND SUBSIDIARIES**Notes to Consolidated Financial Statements**

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

(1) Revenue recognition

The Group recognizes revenue when the conditions described in note 4(17) 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 is reviewed periodically. The fierce market competition and rapid evolution of technology could result in significant adjustments to the provision made.

(2) Impairment of intangible assets

The assessment of impairment of goodwill requires the Group to make subjective judgments to identify cash-generating units, allocate the goodwill to relevant cash-generating units, and estimate the recoverable amount of relevant cash-generating units. Refer to note 6(11) 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 and expected future revenue and expenses related to the specific asset groups considering 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 judgments and estimates, including future revenue growth and profitability and feasible tax planning strategies. Any changes in the global economic environment, 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 obligation, 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(16) for further description.

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ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(5) Valuation of inventory

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

Due to rapid technological changes, the Group estimates the net realizable value of inventory, taking into account 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.

(6) Warranty provision

The warranty provision is made based on the estimated product warranty cost 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 ongoing basis and revised when appropriate. Any changes to the aforementioned basis of estimation may significantly impact the amount of the warranty provision.

(7) Litigation provisions

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, 2014	December 31, 2013
Cash on hand	\$ 5,982	7,521
Bank deposits	33,805,507	36,619,580
Time deposits	<u>13,747,162</u>	<u>6,356,562</u>
	\$ <u>47,558,651</u>	<u>42,983,663</u>

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ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

	December 31, 2014	December 31, 2013
Financial assets held for trading – current:		
Derivatives – Foreign currency forward contracts	\$ <u>1,899,626</u>	<u>246,295</u>
Financial liabilities held for trading:		
Derivatives – Foreign currency forward contracts	\$ (101,728)	(475,425)
Financial liabilities at fair value through profit or loss:		
Redemption options of convertible bonds (note 6(13))	<u>(522,499)</u>	<u>(496,143)</u>
Financial liabilities at fair value through profit or loss	\$ <u>(624,227)</u>	<u>(971,568)</u>
Current	\$ (624,227)	(475,425)
Non-current	<u>-</u>	<u>(496,143)</u>
	\$ <u>(624,227)</u>	<u>(971,568)</u>

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, 2014		
	Contract amount (in thousands)	Buy	Sell	Maturity period
EUR	4,159	CHF /	EUR	2015/01
EUR	1,209	DKK /	EUR	2015/01
EUR	10,379	EUR /	CHF	2015/01~2015/03
EUR	4,190	EUR /	NOK	2015/01~2015/04
EUR	5,269	EUR /	SEK	2015/01~2015/03
EUR	332,485	EUR /	USD	2015/01
EUR	2,101	SEK /	EUR	2015/01
USD	51,535	USD /	AUD	2015/01~2015/11
USD	48,480	USD /	CAD	2015/01~2015/03
USD	170,000	USD /	CNY	2015/01~2015/03
EUR	494,000	USD /	EUR	2015/01~2015/04
USD	146,043	USD /	GBP	2015/01~2015/07
USD	20,000	USD /	IDR	2015/01~2015/02
USD	120,232	USD /	INR	2015/01~2015/07
USD	52,000	USD /	JPY	2015/01~2015/06
USD	42,000	USD /	MXN	2015/01~2015/03
USD	26,000	USD /	MYR	2015/01~2015/02
USD	674,500	USD /	NTD	2015/01
USD	13,000	USD /	NZD	2015/01~2015/05
USD	6,060	USD /	PHP	2015/01~2015/04
USD	82,084	USD /	RUB	2015/01~2015/03
USD	6,000	USD /	SGD	2015/01~2015/02
USD	32,000	USD /	THB	2015/01~2015/02

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

		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

(3) Hedging derivative financial assets and liabilities — current

	December 31, 2014	December 31, 2013
Hedging derivative financial assets:		
Cash flow hedge — Foreign currency forward contracts	\$ <u> - </u>	<u> 12,161 </u>

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, the amount accumulated in equity — cash flow hedge reserve is reclassified to profit or loss.

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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

For the year ended December 31, 2013, the Group reclassified foreign currency forward contract losses of \$9,493 arising from transactions that were 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, 2014	December 31, 2013
Domestic listed stock	\$ 3,264,003	2,388,686
Unlisted stock	<u>742,283</u>	<u>634,778</u>
	\$ 4,006,286	<u>3,023,464</u>
Current	\$ 146,479	123,130
Non-current	<u>3,859,807</u>	<u>2,900,334</u>
	\$ 4,006,286	<u>3,023,464</u>

As of December 31, 2014 and 2013, the available-for-sale financial assets were not pledged as collateral for loans and borrowings.

(5) Notes and accounts receivable, net

	December 31, 2014	December 31, 2013
Notes receivable	\$ 1,269,167	802,457
Accounts receivable	58,095,839	61,517,420
Less: allowance for doubtful receivables	<u>(197,275)</u>	<u>(238,848)</u>
	59,167,731	62,081,029
Notes and accounts receivable – related parties	<u>23,837</u>	<u>22,712</u>
	\$ 59,191,568	<u>62,103,741</u>

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ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

	December 31, 2014	December 31, 2013
Past due 1-30 days	\$ 4,999,216	5,145,971
Past due 31-60 days	775,218	1,230,378
Past due 61-90 days	738,515	1,148,052
Past due 91 days or over	<u>632,636</u>	<u>212,884</u>
	\$ <u>7,145,585</u>	<u>7,737,285</u>

For the years ended December 31, 2014 and 2013, movements of the allowance for doubtful receivables were as follows:

	Individually assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2014	\$ 229,095	9,753	238,848
Reversal of impairment loss	(2,421)	(4,726)	(7,147)
Write-off	(32,246)	-	(32,246)
Effect of exchange rate changes	<u>(2,180)</u>	<u>-</u>	<u>(2,180)</u>
Balance at December 31, 2014	\$ <u>192,248</u>	<u>5,027</u>	<u>197,275</u>
	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	<u>4,259</u>	<u>-</u>	<u>4,259</u>
Balance at December 31, 2013	\$ <u>229,095</u>	<u>9,753</u>	<u>238,848</u>

In principle, the average credit term granted to customers for the sale of goods ranged from 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 based on an individual trade term analysis, the historical payment behavior and current financial condition of customers, and the provision for sales returns and allowances. Notes and accounts receivable that are past due but for which the Group has not recognized a specific allowance for doubtful receivables after the assessment are still considered recoverable.

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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:

Underwriting bank	December 31, 2014			Interest rate	Collateral
	Factoring credit limit	Receivables sold	Receivables derecognized		
China Trust Bank	\$ 780,000	83,606	83,606		Nil
Taipei Fubon Bank	750,000	186,729	186,729		Nil
Taishin International Bank	<u>170,000</u>	<u>11,037</u>	<u>11,037</u>		Nil
	\$ <u>1,700,000</u>	<u>281,372</u>	<u>281,372</u>	1.51%~1.77%	

Underwriting bank	December 31, 2013			Interest rate	Collateral
	Factoring credit limit	Receivables sold	Receivables derecognized		
China Trust Bank	\$ 880,000	177,719	177,719		Nil
Taipei Fubon Bank	750,000	154,525	154,525		Nil
Norden Finans Norge AS	<u>164,641</u>	<u>74,002</u>	<u>74,002</u>		Nil
	\$ <u>1,794,641</u>	<u>406,246</u>	<u>406,246</u>	1.19%~2.72%	

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

As of December 31, 2014 and 2013, the notes and accounts receivable were not pledged as collateral for loans and borrowings.

(6) Other receivables

	December 31, 2014	December 31, 2013
Receivables from reimbursement of advertising expense	\$ 107,271	265,235
Receivables from purchase discount	759,450	780,628
Other receivables	<u>394,910</u>	<u>655,839</u>
	\$ <u>1,261,631</u>	<u>1,701,702</u>

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.

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ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(7) Inventories

	December 31, 2014	December 31, 2013
Raw materials	\$ 9,661,265	11,751,803
Work in process	1,892	16,888
Finished goods and merchandise	15,964,434	13,034,377
Spare parts	1,464,540	1,524,411
Inventories in transit	<u>9,508,356</u>	<u>9,238,845</u>
	\$ <u>36,600,487</u>	<u>35,566,324</u>

For the years ended December 31, 2014 and 2013, the cost of inventories sold amounted to \$256,422,720 and \$289,745,422, respectively. For the year ended December 31, 2014, the reversal gain on write-down of inventories, arising from the increase in net realizable value or disposal or use of inventories, amounted to \$1,327,718. For the year ended December 31, 2013, the write-down of inventories to net realizable value amounted to \$2,585,327.

As of December 31, 2014 and 2013, the inventories were not pledged as collateral.

(8) Investments in associates

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

Name of Associates	December 31, 2014		December 31, 2013	
	Percentage of ownership	Carrying amount	Percentage of ownership	Carrying amount
Aegis Semiconductor Technology Inc. ("Aegis")	44.04%	15,778	44.04%	64,180
ECOM Software Inc. ("ECOM")	33.93%	23,154	33.93%	21,860
Bluechip Infotech Pty Ltd.	30.00%	74,226	34.05%	76,136
Others	-	<u>29,303</u>	-	<u>14,158</u>
		\$ <u>142,461</u>		<u>176,334</u>
			2014	2013
Share of profits of associates		\$ <u>125,629</u>		<u>5,175</u>

In 2014, Aegis returned capital of \$172,130 to the Group.

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ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

	December 31, 2014	December 31, 2013
Total assets	\$ <u>943,050</u>	<u>855,676</u>
Total liabilities	\$ <u>537,320</u>	<u>334,865</u>
	2014	2013
Revenue	\$ <u>2,388,745</u>	<u>2,167,654</u>
Net income	\$ <u>255,577</u>	<u>20,421</u>

As of December 31, 2014 and 2013, the investments in associates were not pledged as collateral.

(9) Property, plant and equipment

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

	Land	Buildings	Computer and communication equipment	Other equipment	Construction in progress	Total
Cost or deemed cost:						
Balance at January 1, 2014	\$ 1,594,331	4,077,199	4,326,181	3,485,485	-	13,483,196
Additions	-	30,696	80,834	116,076	1,146	228,752
Disposals	(15,556)	(137,904)	(79,317)	(157,653)	-	(390,430)
Reclassification from investment property	91,045	63,432	-	-	-	154,477
Other reclassification and effect of exchange rate changes	<u>(24,219)</u>	<u>(4,445)</u>	<u>30,655</u>	<u>(141,429)</u>	<u>(82)</u>	<u>(139,520)</u>
Balance at December 31, 2014	\$ <u>1,645,601</u>	<u>4,028,978</u>	<u>4,358,353</u>	<u>3,302,479</u>	<u>1,064</u>	<u>13,336,475</u>
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	<u>22,954</u>	<u>43,484</u>	<u>(18,139)</u>	<u>185,435</u>	<u>(41,747)</u>	<u>191,987</u>
Balance at December 31, 2013	\$ <u>1,594,331</u>	<u>4,077,199</u>	<u>4,326,181</u>	<u>3,485,485</u>	<u>-</u>	<u>13,483,196</u>

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

	Land	Buildings	Computer and communication equipment	Other equipment	Construction in progress	Total
Accumulated depreciation and impairment loss:						
Balance at January 1, 2014	\$ 166,798	2,490,379	2,572,035	2,120,255	-	7,349,467
Depreciation	-	117,626	376,826	287,175	-	781,627
Disposals	-	(2,745)	(75,863)	(122,459)	-	(201,067)
Reclassification from investment property	-	22,557	-	-	-	22,557
Other reclassification and effect of exchange rate changes	<u>(7,692)</u>	<u>(1,998)</u>	<u>2,943</u>	<u>(93,423)</u>	<u>-</u>	<u>(100,170)</u>
Balance at December 31, 2014	\$ <u>159,106</u>	<u>2,625,819</u>	<u>2,875,941</u>	<u>2,191,548</u>	<u>-</u>	<u>7,852,414</u>
Balance at January 1, 2013	\$ 136,452	2,196,459	2,305,232	1,802,775	-	6,440,918
Depreciation	-	164,011	411,651	355,553	-	931,215
Impairment loss	30,610	112,492	-	-	-	143,102
Disposals	-	(727)	(96,323)	(102,502)	-	(199,552)
Reclassification to investment property	-	(28,080)	-	-	-	(28,080)
Other reclassification and effect of exchange rate changes	<u>(264)</u>	<u>46,224</u>	<u>(48,525)</u>	<u>64,429</u>	<u>-</u>	<u>61,864</u>
Balance at December 31, 2013	\$ <u>166,798</u>	<u>2,490,379</u>	<u>2,572,035</u>	<u>2,120,255</u>	<u>-</u>	<u>7,349,467</u>
Carrying amounts:						
Balance at December 31, 2014	\$ <u>1,486,495</u>	<u>1,403,159</u>	<u>1,482,412</u>	<u>1,110,931</u>	<u>1,064</u>	<u>5,484,061</u>
Balance at December 31, 2013	\$ <u>1,427,533</u>	<u>1,586,820</u>	<u>1,754,146</u>	<u>1,365,230</u>	<u>-</u>	<u>6,133,729</u>

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

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(10) Investment property

	Land	Buildings	Total
Cost or deemed cost:			
Balance at January 1, 2014	\$ 1,558,388	3,227,760	4,786,148
Disposals	(345,118)	-	(345,118)
Reclassification to property, plant and equipment	(91,045)	(63,432)	(154,477)
Other reclassification	<u>5,623</u>	<u>(5,623)</u>	<u>-</u>
Balance at December 31, 2014	<u>\$ 1,127,848</u>	<u>3,158,705</u>	<u>4,286,553</u>
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	<u>\$ 1,558,388</u>	<u>3,227,760</u>	<u>4,786,148</u>
Accumulated depreciation and impairment loss:			
Balance at January 1, 2014	\$ 452,978	2,742,737	3,195,715
Depreciation	-	9,582	9,582
Disposals	(9,254)	-	(9,254)
Reclassification to property, plant and equipment	<u>-</u>	<u>(22,557)</u>	<u>(22,557)</u>
Balance at December 31, 2014	<u>\$ 443,724</u>	<u>2,729,762</u>	<u>3,173,486</u>
Balance at January 1, 2013	\$ 668,948	2,480,813	3,149,761
Depreciation	-	16,351	16,351
Impairment loss	-	217,493	217,493
Reversal of impairment loss	(215,970)	-	(215,970)
Reclassification from property, plant and equipment	<u>-</u>	<u>28,080</u>	<u>28,080</u>
Balance at December 31, 2013	<u>\$ 452,978</u>	<u>2,742,737</u>	<u>3,195,715</u>
Carrying amounts:			
Balance at December 31, 2014	<u>\$ 684,124</u>	<u>428,943</u>	<u>1,113,067</u>
Balance at December 31, 2013	<u>\$ 1,105,410</u>	<u>485,023</u>	<u>1,590,433</u>
Fair value:			
Balance at December 31, 2014			<u>\$ 1,532,827</u>
Balance at December 31, 2013			<u>\$ 1,888,870</u>

The fair value of the investment property was determined by referring to the market price of similar real estate, 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 property. The value in use is the present value of future cash flows from continuous lease activities. On December 31, 2014 and 2013, the estimated discount rate used for the calculation of the present value of future cash flows was 5.40% and 6.73%, respectively.

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Notes to Consolidated Financial Statements

In 2013, after assessing the recoverable amounts of investment property, 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, 2014 and 2013, investment property was not pledged as collateral.

(11) Intangible assets

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

	Goodwill	Trademarks and trade names	Others	Total
January 1, 2014				
Cost	\$ 25,452,036	10,430,695	14,989,997	50,872,728
Accumulated amortization and impairment loss	<u>(4,365,349)</u>	<u>(10,215,713)</u>	<u>(7,571,578)</u>	<u>22,152,640</u>
Balance at January 1, 2014	21,086,687	214,982	7,418,419	28,720,088
Additions	-	-	103,873	103,873
Disposals and charged to cost of revenue	(185,313)	-	(1,989,538)	(2,174,851)
Reclassification	-	-	34,408	34,408
Amortization	-	(17,286)	(1,092,688)	(1,109,974)
Effect of exchange rate changes	<u>937,323</u>	<u>1,533</u>	<u>215,147</u>	<u>1,154,003</u>
Balance at December 31, 2014	<u>\$ 21,838,697</u>	<u>199,229</u>	<u>4,689,621</u>	<u>26,727,547</u>
December 31, 2014				
Cost	\$ 26,473,881	10,576,769	12,722,740	49,773,390
Accumulated amortization and impairment loss	<u>(4,635,184)</u>	<u>(10,377,540)</u>	<u>(8,033,119)</u>	<u>(23,045,843)</u>
Carrying amount	<u>\$ 21,838,697</u>	<u>199,229</u>	<u>4,689,621</u>	<u>26,727,547</u>

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ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

	Goodwill	Trademarks and trade names	Others	Total
January 1, 2013				
Cost	\$ 24,747,209	10,367,632	14,568,812	49,683,653
Accumulated amortization and impairment loss	<u>-</u>	<u>(4,409,390)</u>	<u>(6,139,343)</u>	<u>(10,548,733)</u>
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	<u>704,827</u>	<u>63,063</u>	<u>212,559</u>	<u>980,449</u>
Balance at December 31, 2013	<u>\$ 21,086,687</u>	<u>214,982</u>	<u>7,418,419</u>	<u>28,720,088</u>
December 31, 2013				
Cost	\$ 25,452,036	10,430,695	14,989,997	50,872,728
Accumulated amortization and impairment loss	<u>(4,365,349)</u>	<u>(10,215,713)</u>	<u>(7,571,578)</u>	<u>(22,152,640)</u>
Carrying amount	<u>\$ 21,086,687</u>	<u>214,982</u>	<u>7,418,419</u>	<u>28,720,088</u>

In 2013, the Group licensed out part of its intangible assets to one of its key customers. The economic benefits of those intangible assets were realized, and the carrying amounts of those intangible assets were charged to cost of revenue accordingly.

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

	2014	2013
Cost of revenue	\$ <u>2,662</u>	<u>13,898</u>
Operating expenses	\$ <u>1,107,312</u>	<u>1,655,121</u>
Non-operating loss	\$ <u>-</u>	<u>9,943,350</u>

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

In the fourth quarter of 2014, the Group underwent an organization restructuring and integrated RO-AAP, RO-China and RO-TWN into ITRO-PAP; the related intangible assets were re-allocated to RO-PAP as well.

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The carrying amounts of significant goodwill and trademarks and trade names with indefinite useful lives and the respective CGUs to which they were allocated as of December 31, 2014 and 2013, were as follows:

December 31, 2014							Platform Service of Console Game
	RO-EMEA	RO-PA	RO-PAP	RO-AAP	RO-China	RO-TWN	
Goodwill	\$ 11,977,977	1,931,403	7,911,595	-	-	-	-
Trademarks & trade names	102,867	30,279	66,083	-	-	-	-

December 31, 2013							Platform Service of Console Game
	RO-EMEA	RO-PA	RO-PAP	RO-AAP	RO-China	RO-TWN	
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	-

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.

In the third quarter of 2013, the Group re-adjusted its brand strategy and re-allocated its resources after assessing the current position and possible future changes of the global PC industry and handheld device industry (including tablets and smartphones). 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 profitability were below expectation for a continuous period and the carrying amount of the Group’s net assets exceeded its market capitalization, the Group concluded that there were indications that non-financial assets may be impaired, so an impairment test was made in the third quarter of 2013. As a result of the test, the Group recognized an impairment loss on goodwill and other intangible assets of \$4,365,349 and \$41,564, respectively.

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, 2014.

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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 following growth rates:

	RO-EMEA	RO-PA	RO-PAP	RO-AAP	RO-China	RO-TWN	Platform Service of Console Game
2014.12.31	0%	0%	0%	-	-	-	-
2013.12.31	0%	0%	-	0%	0%	0%	0%

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

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

	RO-EMEA	RO-PA	RO-PAP	RO-AAP	RO-China	RO-TWN	Platform Service of Console Game
2014.12.31	17.4%	9.3%	15.2%	-	-	-	-
2013.12.31	15.1%	9.3%	-	20.9%	17.6%	16.7%	10.8%

(12) Short-term borrowings

	December 31, 2014	December 31, 2013
Short-term notes and bills payable	\$ -	99,989
Unsecured bank loans	317,000	290,000
	<u>\$ 317,000</u>	<u>389,989</u>
Unused credit facilities	\$ 33,481,766	32,403,312
Interest rate	<u>1.16%~1.42%</u>	<u>0.67%~1.38%</u>

(13) Long-term debt and bonds payable

	December 31, 2014	December 31, 2013
Citibank syndicated loan	\$ 7,200,000	9,000,000
Overseas convertible bonds	3,634,818	3,179,548
Domestic convertible bonds	5,880,437	5,794,965
Less: current portion of long-term debt	(3,600,000)	(1,800,000)
Less: current portion of bonds payable	(3,634,818)	-
	<u>\$ 9,480,437</u>	<u>16,174,513</u>

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Notes to Consolidated Financial Statements

(a) Bank loans

Type of Loan	Creditor	Credit Line	Term	December 31, 2014	December 31, 2013
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	\$ 7,200,000	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 portion of long-term debt				<u>(3,600,000)</u>	<u>(1,800,000)</u>
				\$ <u>3,600,000</u>	<u>7,200,000</u>
Unused credit facilities				\$ <u>6,000,000</u>	<u>6,000,000</u>
Interest rate				<u>1.71%</u>	<u>1.59%</u>

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, 2014, the Group was not in compliance with some of the 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 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 an event of default under the loan agreements.

As of December 31, 2013, the Group was not in compliance with some of the financial covenants. Nevertheless, on June 20, 2014, the Group obtained a waiver from the syndicated banks, which exempted the Group from complying with the required financial covenants.

(b) Overseas convertible bonds

	2014	2013
Bonds payable:		
Beginning balance	\$ 3,179,548	8,732,093
Purchase and redemption	-	(6,231,463)
Amortization of bond discount and transaction cost (recognized as interest expense)	255,052	441,995
Unrealized exchange loss on bonds payable	<u>200,218</u>	<u>236,923</u>
	3,634,818	3,179,548
Less: current portion of bonds payable	<u>(3,634,818)</u>	-
Ending balance	\$ <u><u>-</u></u>	<u><u>3,179,548</u></u>

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ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

	2014	2013
Financial liabilities at fair value through profit or loss (redemption options of the convertible bonds):		
Beginning balance	\$ 496,143	799,511
Purchase and redemption	-	(363,639)
Evaluation loss	<u>26,356</u>	<u>60,271</u>
	522,499	496,143
Less: current portion	<u>(522,499)</u>	<u>-</u>
Ending balance	<u>\$ -</u>	<u>496,143</u>

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") on the Singapore Exchange Securities Trading Limited, for the purpose of purchasing merchandise in line with business growth. The significant terms and conditions of the convertible bonds are as follows:

i. The 2015 Bonds

- i) Par value US\$300,000,000
- 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 41st day from the issue date until 10 days prior to the maturity date. On December 31, 2014, the conversion price was \$102.01 (dollars) 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. A bondholder 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").

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Notes to Consolidated Financial Statements

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 the 2015 Early Redemption Amount.

vii) Redemption at the option of the Company

The Company may 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 the 2015 Bonds have been redeemed, repurchased and cancelled, or converted;

C. A change in ROC tax regulations causes the Company to 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\$200,000,000
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 41st day from the issue date until 10 days prior to the maturity date. On December 31, 2014, the conversion price was \$104.96 (dollars) 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. A bondholder 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.

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ACER INCORPORATED AND SUBSIDIARIES**Notes to Consolidated Financial Statements**

- 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 may 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 the 2017 Bonds have been redeemed, repurchased and cancelled, or converted;
- C. A change in ROC tax regulations causes the Company to 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 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 on the open market at a price of \$1,559,524 (approximately US\$52,158 thousand) in 2013. The redemption price and purchase price were 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.

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Notes to Consolidated Financial Statements

(c) Domestic convertible bonds

	2014	2013
Bonds payable:		
Beginning balance (balance at issue date)	\$ 5,794,965	5,742,000
Amortization of bond discount (recognized as interest expense)	<u>85,472</u>	<u>52,965</u>
Ending balance	<u>\$ 5,880,437</u>	<u>5,794,965</u>
Financial assets at fair value through profit or loss (redemption options of the convertible bonds):		
Beginning balance (balance at issue date)	\$ -	3,000
Evaluation loss	<u>-</u>	<u>(3,000)</u>
Ending balance	<u>\$ -</u>	<u>-</u>
	December 31, 2014	December 31, 2013
Capital surplus — conversion right (note 6(18))	<u>\$ 261,000</u>	<u>261,000</u>

On May 14, 2013, the Group issued \$6,000,000 of zero coupon domestic convertible bonds due 2016 (the “2016 Bond”) on the Taipei Exchange. The significant terms and conditions of the 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 the 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 may 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 the convertible bonds is less than 10% of the original issuance amount.

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Notes to Consolidated Financial Statements

vii. Redemption at maturity

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

(14) Provisions

	Warranties	Litigation	Sales returns	Restructuring	Environmental protection and others	Total
Balance at January 1, 2014	\$ 6,487,775	1,740,947	1,491,118	660,651	268,026	10,648,517
Provisions made	8,188,488	178,560	4,015,670	-	163,657	12,546,375
Amount utilized	(7,950,456)	(711,200)	(4,262,914)	(408,694)	(122,257)	(13,455,521)
Amount reversed	-	(473,998)	-	(122,085)	(35,663)	(631,746)
Effect of exchange rate changes	(110,474)	39,502	77,048	(3,954)	(9,549)	(7,427)
Balance at December 31, 2014	<u>\$ 6,615,333</u>	<u>773,811</u>	<u>1,320,922</u>	<u>125,918</u>	<u>264,214</u>	<u>9,100,198</u>
Current	\$ 6,615,333	750,406	1,320,922	125,918	159,867	8,972,446
Non-current	-	23,405	-	-	104,347	127,752
	<u>\$ 6,615,333</u>	<u>773,811</u>	<u>1,320,922</u>	<u>125,918</u>	<u>264,214</u>	<u>9,100,198</u>
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	<u>\$ 6,487,775</u>	<u>1,740,947</u>	<u>1,491,118</u>	<u>660,651</u>	<u>268,026</u>	<u>10,648,517</u>
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
	<u>\$ 6,487,775</u>	<u>1,740,947</u>	<u>1,491,118</u>	<u>660,651</u>	<u>268,026</u>	<u>10,648,517</u>

(a) Warranties

The provision for warranties is 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 ongoing 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. District Courts of three states in the U.S.A. listed eMachines as a defendant in consumer class action between 2004 and 2005. The Group reached a settlement with the plaintiffs, and final approval was given by the Court in July 2013. In addition to the settlement with the plaintiffs, the Group was also required to pay compensation to customers who had purchased the defective products in prior years. The compensation 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 a related provision in accordance with the compensation claims made by customers.

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(c) Sales returns

Expected sales returns are estimated based on historical experience.

(d) Restructuring

Due to the tremendous impact of the rapid development in tablets and smartphones on the PC industry, the Company'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.

(e) Environmental protection and others

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

(15) 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, 2014	December 31, 2013
Not later than 1 year	\$ 553,268	643,440
Later than 1 year but not later than 5 years	871,125	1,024,955
Later than 5 years	<u>448,369</u>	<u>560,092</u>
	<u>\$ 1,872,762</u>	<u>2,228,487</u>

For the years ended December 31, 2014 and 2013, rental expenses of \$1,032,235 and \$1,076,141, respectively, were recognized and included in the cost of revenue and operating expenses.

Office and warehouse leases entered into by the Group include leases of both land and buildings where the offices 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 the 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. Therefore, the office and warehouse leases are operating leases.

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(b) Lessor

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

	December 31, 2014	December 31, 2013
Not later than 1 year	\$ 31,312	27,786
Later than 1 year but not later than 5 years	<u>25,654</u>	<u>39,016</u>
	<u>\$ 56,966</u>	<u>66,802</u>

In 2014 and 2013, the rental income from investment property amounted to \$89,205 and \$88,928, respectively. Related repair and maintenance expenses were as follows:

	2014	2013
Arising from investment property that generated rental income during the period	\$ 26,221	33,895
Arising from investment property that did not generate rental income during the period	<u>76,959</u>	<u>72,916</u>
	<u>\$ 103,180</u>	<u>106,811</u>

(16) 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, 2014	December 31, 2013
Present value of benefit obligations	\$ 2,056,189	1,995,552
Fair value of plan assets	<u>(1,051,029)</u>	<u>(1,128,400)</u>
Recognized liabilities for defined benefit plans (classified under other non-current liabilities)	<u>\$ 1,005,160</u>	<u>867,152</u>
	December 31, 2014	December 31, 2013
Present value of benefit obligations	\$ 32,488	34,320
Fair value of plan assets	<u>(71,121)</u>	<u>(68,780)</u>
Recognized assets for defined benefit plans (classified under other non-current assets)	<u>\$ (38,633)</u>	<u>(34,460)</u>

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Notes to Consolidated Financial Statements

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

Foreign subsidiaries, including AJC, ATH, AIN, APHI, AEG, ASZ, AIT, AME, ACN and ACF, also have defined benefit pension plans based on their 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 Bureau of Labor Funds of the Ministry of Labor (the Bureau of Labor Funds). According to the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund", with regard to the utilization of the Fund, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks. The Company and its domestic subsidiaries also established pension funds in accordance with the "Regulations Governing the Management, Investment, and Distribution of the Employees' Retirement Fund Established by a Profit-seeking Enterprise", which are funded by time deposits and bank deposits deposited in the designated financial institutions. The administration of pension funds is separate from the Group, and the principal and interest from such funds shall not be used in any form except for the payment of pension and severance to employees.

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

As of December 31, 2014 and 2013, the Group's fair value of plan assets, by major categories, was as follows:

	December 31, 2014	December 31, 2013
Cash	\$ 669,861	784,599
Equity instruments	255,014	231,986
Instruments with fixed return	115,478	120,212
Real estate	<u>81,797</u>	<u>60,383</u>
	\$ <u>1,122,150</u>	<u>1,197,180</u>

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

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Notes to Consolidated Financial Statements

ii. Movements in present value of the defined benefit obligations

In 2014 and 2013, the movements in present value of the defined benefit obligations of the Group were as follows:

	2014	2013
Defined benefit obligation at January 1	\$ 2,029,872	2,346,454
Current service costs	222,829	217,436
Interest costs	44,919	45,465
Benefits paid by the plan	(210,355)	(237,504)
Settlement	-	(95,900)
Curtailement gains	(2,331)	(68,164)
Actuarial losses (gains)	35,057	(210,849)
Past service cost	-	(26,398)
Contributions by plan participants	27,371	3,488
Effect of exchange rate changes	<u>(58,685)</u>	<u>55,844</u>
Defined benefit obligation at December 31	<u>\$ 2,088,677</u>	<u>2,029,872</u>

iii. Movements in fair value of plan assets

In 2014 and 2013, the movements in fair value of plan assets of the Group were as follows:

	2014	2013
Fair value of plan assets at January 1	\$ 1,197,180	1,380,238
Benefits paid by the plan	(199,046)	(228,170)
Settlement	-	(95,900)
Expected return on plan assets	25,418	26,616
Contributions by plan participants	27,371	3,488
Contributions by the employer	146,064	123,103
Actuarial gains (losses)	(19,325)	(32,445)
Effect of exchange rate changes	<u>(55,512)</u>	<u>20,250</u>
Fair value of plan assets at December 31	<u>\$ 1,122,150</u>	<u>1,197,180</u>

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Notes to Consolidated Financial Statements

iv. Expenses recognized in profit or loss

In 2014 and 2013, the expenses recognized in profit or loss were as follows:

	2014	2013
Current service costs	\$ 222,829	217,436
Interest costs	44,919	45,465
Curtailment gains	(2,331)	(68,164)
Expected return on plan assets	(25,418)	(26,616)
Past service costs	-	(26,398)
	<u>\$ 239,999</u>	<u>141,723</u>
Classified under operating expense	<u>\$ 239,999</u>	<u>141,723</u>
Actual return on plan assets	<u>\$ 6,093</u>	<u>(5,829)</u>

v. Actuarial gains and losses recognized in other comprehensive income

In 2014 and 2013, the actuarial gains and losses recognized in other comprehensive income were as follows:

	2014	2013
Cumulative amount at January 1	\$ 98,829	(79,575)
Recognized during the period	<u>(54,382)</u>	<u>178,404</u>
Cumulative amount at December 31	<u>\$ 44,447</u>	<u>98,829</u>

vi. Actuarial assumptions

The principal assumptions of the actuarial valuation were as follows:

	December 31, 2014	December 31, 2013
Discount rate	0.90%~8.30%	1.30%~5.20%
Expected return rate on plan assets	1.25%~3.00%	1.75%~4.10%
Future salary increase rate	1.80%~6.00%	1.80%~8.00%

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.

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ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

vii. Experience adjustments based on historical information

	December 31, 2014	December 31, 2013	December 31, 2012	January 1, 2012
Present value of defined benefit obligations	\$ 2,056,189	1,995,552	2,316,364	2,189,336
Fair value of plan assets	<u>(1,051,029)</u>	<u>(1,128,400)</u>	<u>(1,312,329)</u>	<u>(1,347,962)</u>
Liabilities for defined benefit plans	\$ <u>1,005,160</u>	<u>867,152</u>	<u>1,004,035</u>	<u>841,374</u>
Experience adjustments arising from present value of defined benefit obligations	\$ <u>(45,299)</u>	<u>(110,097)</u>	<u>(12,304)</u>	<u>-</u>
Experience adjustments arising from fair value of plan assets	\$ <u>20,291</u>	<u>(32,126)</u>	<u>(47,438)</u>	<u>-</u>
	December 31, 2014	December 31, 2013	December 31, 2012	January 1, 2012
Present value of defined benefit obligations	\$ 32,488	34,320	30,090	30,606
Fair value of plan assets	<u>(71,121)</u>	<u>(68,780)</u>	<u>(67,909)</u>	<u>(67,259)</u>
Assets for defined benefit plans	\$ <u>(38,633)</u>	<u>(34,460)</u>	<u>(37,819)</u>	<u>(36,653)</u>
Experience adjustments arising from present value of defined benefit obligations	\$ <u>(10,644)</u>	<u>1,478</u>	<u>(358)</u>	<u>-</u>
Experience adjustments arising from fair value of plan assets	\$ <u>(966)</u>	<u>(319)</u>	<u>(694)</u>	<u>-</u>

The Group expects to contribute \$152,501 to the defined benefit plans in the year following December 31, 2014.

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, 2014, the Group's accrued pension liabilities and prepaid pension were \$1,005,160 and \$38,633, respectively. If the discount rate had increased or decreased by 0.25%, the Group's accrued pension liabilities would have decreased by \$73,901 or increased by \$109,925, respectively, while the Group's prepaid pension would have increased by \$1,168 or decreased by \$1,222, respectively. If the salary adjustment rate had increased or decreased by 0.25%, the Group's accrued pension liabilities would have increased by \$66,066 or decreased by \$53,935, respectively, while the Group's prepaid pension would have decreased by \$1,188 or increased by \$1,189, respectively.

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

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For the years ended December 31, 2014 and 2013, the Group recognized pension expenses of \$389,109 and \$425,390, respectively, in relation to the defined contribution plans.

(17) 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 R.O.C. are subject to R.O.C. income tax at a rate of 17% for the years 2014 and 2013. Foreign subsidiaries calculated income tax in accordance with their respective local tax law and regulations. The components of income tax expense (benefit) for the years ended December 31, 2014 and 2013, were as follows:

	2014	2013
Current income tax expense (benefit)		
Current period	\$ 525,688	560,290
Adjustments for prior years	<u>(35,881)</u>	<u>(1,374,100)</u>
	<u>489,807</u>	<u>(813,810)</u>
Deferred tax expense (benefit)		
Origination and reversal of temporary differences	808,819	(4,452,029)
Change in unrecognized deductible temporary differences and tax losses	<u>(474,791)</u>	<u>4,721,452</u>
	<u>334,028</u>	<u>269,423</u>
Income tax expense (benefit)	<u>\$ 823,835</u>	<u>(544,387)</u>

In 2014 and 2013, the components of income tax recognized in other comprehensive income were as follows:

	2014	2013
Exchange differences on translation of foreign operations	\$ (375)	(1,745)
Actuarial losses arising from defined benefit plans	<u>2,607</u>	<u>12,895</u>
	<u>\$ 2,232</u>	<u>11,150</u>

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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 statements of comprehensive income for 2014 and 2013 was as follows:

	2014	2013
Income (losses) before taxes	\$ <u>2,614,419</u>	<u>(21,063,736)</u>
Income tax using the Company's statutory tax rate	\$ 444,451	(3,580,835)
Effect of tax rates in foreign jurisdictions	815,445	(2,383,670)
Adjustments for prior-year income tax expense	(35,881)	(1,374,100)
Impairment loss on intangible assets	-	1,451,155
Taxable loss not qualified to be carried forward	149,582	155,447
Change in unrecognized temporary differences and tax losses	(474,791)	4,721,452
Others	<u>(74,971)</u>	<u>466,164</u>
	<u>\$ 823,835</u>	<u>(544,387)</u>

(b) Deferred income tax assets and liabilities

i. Unrecognized deferred income tax assets

	December 31, 2014	December 31, 2013
Deductible temporary differences	\$ 6,951,267	6,809,547
Tax losses	<u>7,450,099</u>	<u>8,066,610</u>
	<u>\$ 14,401,366</u>	<u>14,876,157</u>

The tax benefits from tax losses that each entity in the Group is entitled to in accordance with the 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, 2014, the unrecognized tax losses and the respective expiry years were as follows:

<u>Tax effects of tax losses</u>	<u>Year of expiry</u>
\$ 115,426	2015
96,485	2016
87,478	2017
114,341	2018
<u>7,036,369</u>	2019 and thereafter
<u>\$ 7,450,099</u>	

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ii. Unrecognized deferred income tax liabilities

	December 31, 2014	December 31, 2013
Net profits associated with investments in subsidiaries	\$ <u>4,615,822</u>	<u>4,878,965</u>

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 2014 and 2013 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, 2014	\$ 3,280	341,964	910,916	519,838	127,885	1,903,883
Recognized in profit or loss	(966)	(130,708)	(450,002)	(284,012)	(24,835)	(890,523)
Recognized in other comprehensive income	-	-	-	-	5,204	5,204
Balance at December 31, 2014	\$ <u>2,314</u>	<u>211,256</u>	<u>460,914</u>	<u>235,826</u>	<u>108,254</u>	<u>1,018,564</u>
	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	\$ <u>3,280</u>	<u>341,964</u>	<u>910,916</u>	<u>519,838</u>	<u>127,885</u>	<u>1,903,883</u>

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, 2014	\$ 250,899	2,683	1,624,772	67,989	1,946,343
Recognized in profit or loss	263,148	2,592	(757,672)	(64,563)	(556,495)
Recognized in other comprehensive income	-	-	-	7,436	7,436
Balance at December 31, 2014	\$ <u>514,047</u>	<u>5,275</u>	<u>867,100</u>	<u>10,862</u>	<u>1,397,284</u>

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ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

	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	\$ <u>250,899</u>	<u>2,683</u>	<u>1,624,772</u>	<u>67,989</u>	<u>1,946,343</u>

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

(d) Information about the integrated income tax system

	December 31, 2014	December 31, 2013
Unappropriated earnings earned commencing from January 1, 1998	\$ <u>931,664</u>	<u>(24,464,794)</u>
Balance of imputation credit account	\$ <u>1,729,097</u>	<u>1,538,555</u>
	2014 (estimated)	2013 (actual)
Creditable ratio for distribution of earnings to R.O.C. residents	<u>20.48%</u>	<u>-</u>

Effective January 1, 2015, the creditable ratio for distribution of earnings to R.O.C. residents will be half of the original creditable ratio mentioned above in accordance with the amended Income Tax Act.

(18) Capital and other equity

(a) Common stock

During their meeting on June 18, 2014, the Company's shareholders resolved to issue 50,000,000 restricted shares of stock to employees in one tranche or in installments within one year following the date of receipt of approval from the government authorities. As of December 31, 2014, the Company has issued 17,460,000 restricted shares of stock to employees. The effective date of the capital increase was August 26, 2014, and the related registration process has been completed.

The Board of Directors approved a resolution to issue 300,000,000 shares of common stock for cash at a price of \$18 (dollars) per share on August 7 and December 23, 2014. The cash injection has been approved by the government authorities, and the effective date of capital increase is January 11, 2015.

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Notes to Consolidated Financial Statements

As of December 31, 2014 and 2013, the Company's authorized shares of common stock consisted of 3,500,000,000 shares, of which 2,796,567,828 shares and 2,834,726,828 shares, respectively, were issued and outstanding. The par value of the Company's common stock is \$10 (dollars) per share. All issued shares were paid up upon issuance.

As of December 31, 2014 and 2013, the Company had issued 6,862 thousand units and 6,775 thousand units, respectively, of global depository receipts (GDRs). The GDRs were listed on the London Stock Exchange, and each GDR represents five common shares.

The movements in outstanding common shares of stock in 2014 and 2013 were as follows (in thousands of shares):

	Ordinary Shares	
	2014	2013
Balance at January 1 and December 31	<u><u>2,722,362</u></u>	<u><u>2,722,362</u></u>
 (b) Capital surplus		
	December 31,	December 31,
	2014	2013
Share premium:		
Paid-in capital in excess of par value	\$ 13,904,632	13,937,133
Surplus from mergers	19,538,716	22,781,719
Premium on common stock issued from conversion of convertible bonds	-	4,552,585
Forfeited interest from conversion of convertible bonds	-	1,006,210
Surplus related to treasury stock transactions and cash dividends	-	760,447
Others:		
Employee share options	90,000	241,127
Surplus from equity-method investments	167,674	167,506
Conversion right of convertible bonds (note 6(13))	261,000	261,000
Restricted shares of stock to employees	136,374	-
	<u><u>\$ 34,098,396</u></u>	<u><u>43,707,727</u></u>

Pursuant to the Company Act, any realized capital surplus is initially used to cover accumulated deficit, and the balance, if any, could be transferred to common stock as stock dividends based on the 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 donations received by the Company. In accordance with the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers", distribution of stock dividends from capital surplus in any one year shall not exceed 10% of paid-in capital.

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ACER INCORPORATED AND SUBSIDIARIES**Notes to Consolidated Financial Statements**

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

The Company's articles of incorporation stipulate that at least 10% of annual net income after deducting accumulated deficit, if any, must be retained as legal reserve until such retention equals the amount of paid-in capital. In addition, a special reserve shall be set aside in accordance with applicable laws and regulations. The remaining balance of annual net income, if any, can be distributed as follows:

- i. At least 5% as employee bonuses; employees entitled to a stock bonus may include subsidiaries' employees that meet certain criteria set by the Board of Directors;
- ii. 1% or lower as remuneration to directors; the distribution is proposed by the compensation committee and approved by the Board of Directors;
- iii. The remaining balance, together with unappropriated earnings from previous years, after retaining a certain portion for business considerations, as dividends to stockholders; except for the distribution of earnings made from capital surplus and legal reserve, 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 for directors 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 the Board of Directors. Additionally, when the Company makes profits, directors 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, related laws and decrees, and the Company's long-term development and stability in its financial position. The Company has adopted a stable dividend policy, in which a cash dividend comprises at least 10% of the total dividend distribution.

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

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

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ACER INCORPORATED AND SUBSIDIARIES**Notes to Consolidated Financial Statements**

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

iv. Earnings distribution

During their meeting on June 18, 2014, the Company's shareholders decided not to distribute earnings for 2014 as the Company incurred a net loss in 2013 and approved a decrease in legal reserve of \$10,012,168, in special reserve of \$3,460,642, and in capital surplus of \$8,325,852 to offset accumulated deficit. During their meeting on June 19, 2013, the Company's shareholders decided not to distribute earnings for 2012 as the Company incurred a net loss in 2012 and approved a decrease in legal reserve of \$2,595,765 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 had no earnings to distribute for 2014 and incurred a net loss in 2013, no employee bonus or remuneration for directors and supervisors was accrued for the years ended December 31, 2014 and 2013. However, remuneration for directors and supervisors of \$15,990 and \$21,796 was recognized in 2014 and 2013, respectively, regardless of whether or not there were earnings. Related information on the distribution of employee bonus and remuneration for directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

(d) Treasury stock

In accordance with Article 28-2 of the Securities and Exchange Act, the Company purchased 10,000,000 shares of its own common stock 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.

On May 8, 2014, the Board of Directors approved a resolution to retire 28,619,000 shares and 27,000,000 shares of treasury stock for which the effective date of the retirement of treasury stock was May 26 and June 29, 2014, respectively. The related registration process has been completed.

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

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As of December 31, 2014 and 2013, details of the GDRs (for the implementation of an overseas employee stock option plan) held by subsidiary AWI and the Company's common stock held by subsidiaries AWI (to maintain the Company's shareholders' equity), CCI (to maintain the Company's shareholders' equity), and E-Ten (resulting from the acquisition of E-Ten) were as follows (expressed in thousands of shares):

	December 31, 2014		
	Number of shares	Carrying amount	Market value
Common stock	21,809	\$ 945,239	465,622
GDRs	24,937	<u>1,969,617</u>	<u>544,972</u>
		<u>\$ 2,914,856</u>	<u>1,010,594</u>
	December 31, 2013		
	Number of shares	Carrying amount	Market value
Common stock	21,809	\$ 945,239	399,105
GDRs	24,937	<u>1,969,617</u>	<u>480,985</u>
		<u>\$ 2,914,856</u>	<u>880,090</u>

(e) Other equity items (net after tax)

i. Foreign currency translation differences:

	2014	2013
Balance at January 1	\$ (262,231)	(2,230,965)
Foreign exchange differences arising from translation of foreign operations	<u>1,446,039</u>	<u>1,968,734</u>
Balance at December 31	<u>\$ 1,183,808</u>	<u>(262,231)</u>

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Notes to Consolidated Financial Statements

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

	2014	2013
Balance at January 1	\$ (1,163,645)	(889,498)
Changes in fair value of available-for-sale financial assets	1,049,440	(46,425)
Net gain on disposal of available-for-sale financial assets reclassified to profit or loss	<u>-</u>	<u>(227,722)</u>
Balance at December 31	<u>\$ (114,205)</u>	<u>(1,163,645)</u>

iii. Cash flow hedge reserve:

	2014	2013
Balance at January 1	\$ -	(402,433)
Change in fair value of cash flow hedges	-	556,883
Net change in fair value of cash flow hedges reclassified to profit or loss	-	(163,943)
Net change in fair value of cash flow hedges reclassified to profit or loss for forecasted transactions which are no longer expected to occur	<u>-</u>	<u>9,493</u>
Balance at December 31	<u>\$ -</u>	<u>-</u>

v. Unearned compensation cost:

	2014	2013
Balance at January 1	\$ -	-
Unearned compensation cost arising from restricted shares of stock issued to employees	<u>(251,710)</u>	<u>-</u>
Balance at December 31	<u>\$ (251,710)</u>	<u>-</u>

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(19) Share-based payment

As of December 31, 2014, the Group had 3 share-based payment transactions as follows:

	Equity-settled		
	Employee stock option plans (ESOPs) of the Company	Restricted shares of stock issued to employees	Issuance of new shares reserved for employee subscription
Grant date	2011/6/15	2014/8/26	2014/12/23
Number of shares granted (in thousands)	10,000	17,460	30,000
Contract term	3 years	1~4 years	35 days
Qualified employees	Note 1	Employees of the Company conforming to certain requirements	Note 2
Vesting conditions	2 years of service subsequent to grant date	1~4 years of service subsequent to grant date	Nil

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.

Note 2: The options are granted to the full-time employees who are with the Company at the grant date.

(a) Employee stock option plan

Movements in number of ESOPs outstanding:

	2014	
	Number of options (in thousands)	Weighted-average exercise price (in New Taiwan dollars)
Outstanding, beginning of year	9,354	\$25.99
Granted	-	-
Forfeited	(9,354)	-
Exercised	-	-
Outstanding, end of year	<u>-</u>	
Exercisable, end of year	<u>-</u>	

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

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

Year of grant	December 31, 2013			
	Number outstanding (in thousands)	Weighted-average remaining contractual years	Weighted-average exercise price (in New Taiwan dollars)	Number exercisable (in thousands)
2011	<u>9,354</u>	0.46	25.99	<u>9,354</u>

For the year ended December 31, 2013, the compensation costs recognized for the aforementioned ESOPs amounted to \$43,194, recorded under operating expenses.

(b) Restricted shares of stock issued to employees

During their meeting on June 18, 2014, the Company's shareholders approved a resolution to issue 50,000,000 restricted shares of stock to full-time employees who conformed to certain requirements in one tranche or in installments within one year following the date of receipt of approval from the government authorities. The Company has received approval from the Securities and Futures Bureau of the FSC.

On August 26, 2014, the Board of Directors approved a resolution to issue 17,460,000 restricted shares of stock to employees, and the effective date of capital increase was set on the same date. The employees who were granted restricted shares of stock are entitled to purchase the restricted shares of stock at the exercise price of \$0. The vesting period of the restricted shares of stock is 1~4 years subsequent to the grant date, and the restricted shares of stock will be vested from 0% to 25% considering the Company's and individual employee's performance conditions. The restricted shares of stock received by the employees shall be deposited and held in an escrow account and could not be sold, pledged, transferred, gifted, or disposed of in any other forms during the vesting period; nevertheless, the rights of

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a shareholder (such as voting and election at the shareholders' meeting) are the same as the rights of the Company's shareholders but are executed by the custodian. During the vesting period, the restricted shares of stock are entitled to any earnings distribution. The Company will take back the restricted shares of stock from employees and retire those shares when the vesting conditions are not met by the employees.

Movements in number of restricted shares of stock issued (in thousands):

	2014	2013
Issued, beginning of the year	-	-
Granted	17,460	-
Forfeited	<u>(240)</u>	<u>-</u>
Issued, end of the year	<u><u>17,220</u></u>	<u><u>-</u></u>

The fair value of the restricted shares of stock was \$24.15 (in New Taiwan dollars) per share, which was determined by reference to the closing price of the Company's common stock traded on the Taiwan Stock Exchange at the grant date. For the year ended December 31, 2014, the compensation cost for the restricted shares of stock amounted to \$59,264, recognized as operating expenses.

(c) Issuance of new shares reserved for employee subscription

On August 7 and December 23, 2014, the Board of Directors approved a resolution to issue 300,000,000 shares of common stock, of which 30,000,000 shares were reserved for employees to subscribe. The Company utilized the Black-Scholes pricing model to calculate the fair value of the share-based transactions at the grant date. The assumptions adopted in the valuation model were as follows:

Expected volatility	29.23%
Expected contractual life	35 days
Risk-free interest rate	0.88%
Market price for underlying common stock at the grant date (in New Taiwan dollars)	\$21
Exercise price per share (in New Taiwan dollars)	\$18

The expected volatility is calculated based on the weighted average of historical volatility, while the expected contractual life of the option is determined by the contract term. The risk-free interest rate refers to the interest rate on one-month time deposits offered by Bank of Taiwan. Performance conditions and non-market conditions were excluded from the determination of fair value.

For the year ended December 31, 2014, the compensation cost arising from issuance of new shares reserved for employee subscription amounted to \$90,000, recognized as operating expenses.

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On January 12, 2012, the Group completed the acquisition of 100% equity ownership of iGware Inc.. In order to retain the Restricted Stock Units issued by iGware Inc. to its employee shareholders, the Company paid cash of US\$18,144 and issued 11,517,053 shares of its common stock 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 right to vote and receive earnings distributions. 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. For the years ended December 31, 2014 and 2013, the related compensation costs recognized amounted to \$201,021 and \$263,403, respectively.

(20) Earnings (losses) per share (“EPS”)

(a) Basic earnings (losses) per share

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

	2014	2013
Net income (losses) attributable to the shareholders of the Company	\$ <u>1,790,690</u>	<u>(20,519,428)</u>
Weighted-average number of ordinary shares outstanding (in thousands)	<u>2,722,362</u>	<u>2,722,362</u>
Basic earnings (losses) per share (in New Taiwan dollars)	\$ <u><u>0.66</u></u>	<u><u>(7.54)</u></u>

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(b) Diluted earnings (losses) per share

	2014	2013
Net income (losses) attributable to the shareholders of the Company	\$ 1,790,690	(20,519,428)
Effect of dilutive potential common stock:		
Interest expense from convertible bonds, net of tax	<u>70,942</u>	<u>-</u>
Net income (losses) attributable to the shareholders of the Company (including effect of dilutive potential common stock)	\$ <u><u>1,861,632</u></u>	<u><u>(20,519,428)</u></u>
Weighted-average number of ordinary shares outstanding (in thousands of shares)	2,722,362	2,722,362
Effect of dilutive potential common stock:		
Restricted shares of stock issued to employees	5,780	-
Domestic convertible bonds	<u>233,281</u>	<u>-</u>
Weighted-average shares of common stock outstanding (including effect of dilutive potential common stock)	<u><u>2,961,423</u></u>	<u><u>2,722,362</u></u>
Diluted earnings (losses) per share (in New Taiwan dollars)	\$ <u><u>0.63</u></u>	<u><u>(7.54)</u></u>

When the Company incurs a net loss or the potential common stock arising from convertible bonds and employee stock options has an anti-dilutive effect, convertible bonds and employee stock options are not included in the calculation of diluted EPS.

(21) Revenue

	2014	2013
Revenue from sale of goods	\$ 316,476,644	351,619,000
Revenue from services rendered	4,946,292	5,233,600
Others	<u>8,261,335</u>	<u>3,279,442</u>
	\$ <u><u>329,684,271</u></u>	<u><u>360,132,042</u></u>

(22) Other expenses

	2014	2013
Restructuring costs (note 6(14))	\$ -	1,019,641
Tax penalty	<u>-</u>	<u>273,582</u>
	\$ <u><u>-</u></u>	<u><u>1,293,223</u></u>

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(23) Other operating income and loss – net

	2014	2013
Rental income (note 6(15))	\$ 154,191	146,343
Government grants	<u>178,568</u>	<u>88,165</u>
	\$ <u>332,759</u>	<u>234,508</u>

(24) Non-operating income and loss

(a) Other income

	2014	2013
Interest income	\$ 283,592	324,821
Dividend income	<u>131,140</u>	<u>205,303</u>
	\$ <u>414,732</u>	<u>530,124</u>

(b) Other gains and losses

	2014	2013
Foreign currency exchange loss	\$ (3,642,695)	(447,456)
Gain on financial assets and liabilities at fair value through profit or loss	3,502,725	311,208
Gain (loss) on hedging instruments – fair value hedge	(12,161)	37,600
Net change in fair value of cash flow hedges reclassified from equity	-	163,943
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)
Gain on disposal of available-for-sale financial assets	-	227,722
Gain on disposal of property, plant and equipment and investment property, net	65,727	105,317
Loss on purchase and redemption of bonds payable	-	(73,972)
Loss on disposal of investments in subsidiaries	(13,291)	-
Gain on disposal of investments accounted for using equity method	41,495	-
Other investment gain (loss)	(7,131)	355,620
Others	<u>82,930</u>	<u>137,593</u>
	\$ <u>17,599</u>	<u>808,082</u>

(Continued)

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Notes to Consolidated Financial Statements

(c) Finance costs

	2014	2013
Interest expense from convertible bonds (note 6(13))	\$ 340,524	494,960
Interest expense from bank loans	265,775	341,049
Others	<u>44,907</u>	<u>73,467</u>
	\$ <u>651,206</u>	<u>909,476</u>

(25) Financial instruments

(a) Categories of financial instruments

i. Financial assets

	December 31, 2014	December 31, 2013
Financial assets at fair value through profit or loss	\$ 1,899,626	246,295
Hedging derivative financial assets	-	12,161
Available-for-sale financial assets	4,006,286	3,023,464
Loans and receivables:		
Cash and cash equivalents	47,558,651	42,983,663
Notes and accounts receivable and other receivables (including related parties)	60,453,208	63,805,460
Other financial assets – non-current	<u>1,162,526</u>	<u>1,165,811</u>
	\$ <u>115,080,297</u>	<u>111,236,854</u>

ii. Financial liabilities

	December 31, 2014	December 31, 2013
Financial liabilities at fair value through profit or loss	\$ 624,227	971,568
Financial liabilities measured at amortized cost:		
Short-term borrowings	317,000	389,989
Accounts payable and other payables (including related parties)	93,627,646	93,837,561
Bonds payable (including current portion)	9,515,255	8,974,513
Long-term debt (including current portion)	<u>7,200,000</u>	<u>9,000,000</u>
	\$ <u>111,284,128</u>	<u>113,173,631</u>

(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, 2014		December 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities:				
Bonds payable (including current portion)	\$ 9,515,255	9,709,282	8,974,513	9,317,672

(c) Fair value hierarchy

The table below analyzes 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, 2014				
Available-for-sale financial assets	\$ 3,264,003	-	742,283	4,006,286
Derivative financial assets	-	1,899,626	-	1,899,626
	<u>\$ 3,264,003</u>	<u>1,899,626</u>	<u>742,283</u>	<u>5,905,912</u>
Derivative financial liabilities	\$ -	(624,227)	-	(624,227)
December 31, 2013				
Available-for-sale financial assets	\$ 2,388,686	-	634,778	3,023,464
Derivative financial assets	-	258,456	-	258,456
	<u>\$ 2,388,686</u>	<u>258,456</u>	<u>634,778</u>	<u>3,281,920</u>
Derivative financial liabilities	\$ -	(971,568)	-	(971,568)

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

There were no transfers between fair value levels for the years ended December 31, 2014 and 2013.

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

	2014	2013
Balance at January 1	\$ 634,778	717,137
Total gains or losses:		
Recognized in other comprehensive income	109,369	58,465
Additions	70,000	-
Disposal	(80,109)	(147,743)
Effect of exchange rate changes	<u>8,245</u>	<u>6,919</u>
Balance at December 31	<u>\$ 742,283</u>	<u>634,778</u>

(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 values 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 that 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 using quotes provided by Bloomberg.
- iii. The fair value of privately held stock is estimated by using the market approach and is determined by reference to recent financing activities, valuations of similar companies, market conditions, and other economic indicators.
- iv. The fair value of overseas convertible bonds payable is estimated based on the 4-Factor Quad Tree Approach, which considers the expected volatility and risk-free interest rate; the fair value of domestic convertible bonds payable is estimated based on the Binomial Tree Approach.

(26) Financial risk management

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

(Continued)

ACER INCORPORATED AND SUBSIDIARIES**Notes to Consolidated Financial Statements**

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 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, and arises principally from the Group's cash and cash equivalents, derivative instruments, receivables from customers, and other receivables. The maximum exposure to credit risk is equal to the carrying amount of the Group's financial assets.

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

(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 asset. The Group manages liquidity risk by monitoring regularly the current and mid- to long-term cash demand, maintaining adequate cash and banking facilities, and ensuring compliance with the terms of the loan agreements. As of December 31, 2014 and 2013, the Group had unused credit facilities of \$39,481,766 and \$38,403,312, respectively.

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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 principal and interest.

	Contractual cash flows	Within 1 year	1-2 years	2-5 years
December 31, 2014				
Non-derivative financial liabilities:				
Short-term borrowings carrying floating interest rates	\$ 317,216	317,216	-	-
Bonds payable with fixed interest rates	9,773,177	3,773,177	6,000,000	
Long-term borrowings carrying floating interest rates	7,338,112	3,638,364	3,699,748	
Accounts payable (including related party)	54,838,373	54,838,373	-	-
Other payables (including related party)	<u>38,789,273</u>	<u>38,717,346</u>	<u>70,023</u>	<u>1,904</u>
	\$ <u>111,056,151</u>	<u>101,284,476</u>	<u>9,769,771</u>	<u>1,904</u>
Derivative financial instruments:				
Foreign currency forward contracts — settled in gross:				
Outflow	\$ 78,940,401	78,940,401	-	-
Inflow	<u>(80,702,056)</u>	<u>(80,702,056)</u>	-	-
	\$ <u>(1,761,655)</u>	<u>(1,761,655)</u>	-	-
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 (including related party)	55,218,026	55,218,026	-	-
Other payables (including related party)	<u>38,619,535</u>	<u>37,020,443</u>	<u>1,599,092</u>	<u>-</u>
	\$ <u>113,058,050</u>	<u>94,453,506</u>	<u>8,854,705</u>	<u>9,749,839</u>
Derivative financial instruments:				
Foreign currency forward contracts — settled in gross:				
Outflow	\$ 76,440,473	76,440,473	-	-
Inflow	<u>(76,078,207)</u>	<u>(76,078,207)</u>	-	-
	\$ <u>362,266</u>	<u>362,266</u>	-	-

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

(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 the US dollar (USD) and Euro (EUR).

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ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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 receivable (including related-party transactions), notes and accounts payable (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 the Group entities. At the reporting date, the carrying amounts of the Group's significant monetary assets and liabilities denominated in a currency other than the respective functional currencies of Group entities were as follows (including the monetary items that have been eliminated in the accompanying consolidated financial statements):

December 31, 2014					
	Foreign currency (in thousands)	Exchange rate	NTD (in thousands)	Change in magnitude	Pre-tax effect on profit or loss (in thousands)
<u>Financial assets</u>					
EUR	28,886	38.3724	1,108,426	1%	11,084
USD	1,720,697	31.7180	54,577,067	1%	545,771
<u>Financial liabilities</u>					
EUR	22,295	38.3724	855,513	1%	8,555
USD	2,556,850	31.7180	81,098,176	1%	810,982
 December 31, 2013					
	Foreign currency (in thousands)	Exchange rate	NTD (in thousands)	Change in magnitude	Pre-tax effect on profit or loss (in thousands)
<u>Financial assets</u>					
EUR	48,604	41.1603	2,000,555	1%	20,006
USD	1,524,321	29.9500	45,653,414	1%	456,534
<u>Financial liabilities</u>					
EUR	18,647	41.1603	767,516	1%	7,675
USD	2,699,280	29.9500	80,843,436	1%	808,434

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ACER INCORPORATED AND SUBSIDIARIES**Notes to Consolidated Financial Statements**

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 relationships with financial institutions to obtain lower financing costs. The Group also strengthens the management of working capital to reduce the dependence on bank loans as well as the risk arising from fluctuation of interest rates.

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

If the interest rate had been 100 basis points (1%) higher/lower with all other variables held constant, pre-tax loss for the years ended December 31, 2014 and 2013, would have been \$75,170 and \$93,900, respectively, higher/lower, which mainly resulted from the borrowings with floating interest rates.

iii. Other market price risk

The Group is exposed to the risk of price fluctuation in the securities market due to the investment in publicly traded stocks. The Group supervises the equity price risk actively and manages the risk based on fair value. The Group also has strategic investments in privately held stocks, 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, 2014 and 2013, would have increased or decreased by \$200,314 and \$151,173, respectively.

(27) 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 its capital through reviewing the financial ratios periodically.

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ACER INCORPORATED AND SUBSIDIARIES

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The Group's equity ratio at the end of each reporting period was as follows:

	December 31, 2014	December 31, 2013
Total equity (excluding non-controlling interests)	\$ <u>60,627,593</u>	<u>56,248,981</u>
Total assets	\$ <u>191,095,037</u>	<u>190,499,710</u>
Equity percentage	<u>31.73%</u>	<u>29.53%</u>

As of December 31, 2014, 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.

(2) Significant related-party transactions

(a) Revenue

	2014	2013
Associates	\$ <u>244,109</u>	<u>276,705</u>

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

(b) Purchases

	2014	2013
Associates	\$ <u>101,567</u>	<u>82,942</u>

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

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ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(c) Operating expenses

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

		2014	2013
Associates	\$	<u>20,000</u>	<u>20,417</u>

(d) Receivables

Account	Related party category	December 31, 2014	December 31, 2013
Accounts receivable	Associates	\$ 23,836	22,602
Notes receivable	Associates	1	110
Other receivables	Associates	<u>9</u>	<u>17</u>
		<u>\$ 23,846</u>	<u>22,729</u>

(e) Payables

Account	Related party category	December 31, 2014	December 31, 2013
Accounts payable	Associates	\$ 13,961	665
Other payables	Associates	<u>788</u>	<u>656</u>
		<u>\$ 14,749</u>	<u>1,321</u>

(f) Others

Account	Related party category	December 31, 2014	December 31, 2013
Advertising expense payable (accounted for as "other current liabilities")	Associates	<u>\$ 139,392</u>	<u>131,622</u>

(3) Compensation for key management personnel

	2014	2013
Short-term employee benefits	\$ 343,971	622,079
Post-employment benefits	70,833	100,722
Other long-term benefits	3,738	35,247
Termination benefits	-	113,131
Share-based payments	<u>13,304</u>	<u>7,961</u>
	<u>\$ 431,846</u>	<u>879,140</u>

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ACER INCORPORATED AND SUBSIDIARIES

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Refer to note 6(19) for the information related to share-based payments.

8. Pledged assets

The carrying amounts of assets pledged as collateral (classified as “other financial assets – non-current”) are detailed below:

Asset	Pledged to secure	December 31, 2014	December 31, 2013
Cash in bank and time deposits	Contract bidding, security for letters of credit, project fulfillment, and lease guarantee	\$ <u>671,904</u>	<u>702,093</u>

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”). These license agreements in essence authorize both parties to use each other’s worldwide computer-related patents for manufacturing and selling personal computer products. The Company agrees 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 and its Acer America Corporation and Gateway Inc. subsidiaries which are pending before the United States District Court for the Eastern District of Texas; and Telefonaktiebolaget LM Ericsson filed patent infringement lawsuits against the Company’s Acer Computer GmbH subsidiary, which are pending before the German Regional Court of Mannheim. American and German law firms have been retained to consult with and represent the Group on those matters. For the patent lawsuits in the U.S.A., decisions made by the courts of first instance were in favor of the Company and its subsidiaries and Ericsson Inc., and both parties appealed the decisions. For the patent lawsuits in Germany, one case was suspended, and the final decisions of the other two cases were in favor of Acer Computer GmbH. The Group continues to manage these cases and to receive support from component suppliers. In addition, the Group made a provision to address the matters described above. Therefore, management foresees no immediate material adverse effect on the Group’s business operations and finances.

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ACER INCORPORATED AND SUBSIDIARIES**Notes to Consolidated Financial Statements**

- (3) Andrea Electronics Corporation filed patent infringement lawsuits against the Company, Acer America Corporation, and other companies regarding audio enhancement technology for PCs with the United States District Court for the Eastern District of New York in mid-2014 and the United States International Trade Commission (ITC) at the beginning of 2015. The Group is being sued because of component suppliers' products. Outside counsel was retained to deal with this case. Management foresees no immediate material adverse effect on 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 levies on the sales of PC products in Germany in recent years. Among these lawsuits, the outcome of litigation brought by VG Wort against Fujitsu, which has been reviewed by the courts for several years, will be a leading case for the PC industry. If the final decision of the aforesaid lawsuit is in favor of VG Wort, it is expected that VG Wort will claim against other PC companies by invoking such decision. Given that the possibility of the courts making contrary decisions in similar cases is extremely remote, the Group has properly accrued provisions based on the aforesaid lawsuit and is keeping an eye on its status. Since the Group has not yet been a party to the lawsuits, management foresees no immediate material adverse effect on the Group's business operations and finance.
- (5) In the ordinary course of its business, from time to time, the Group receives notices from third parties asserting that Acer has infringed certain patents or demanding that Acer obtain certain patent licenses. Although the Group does not expect that the outcome in any of these other legal proceedings, individually or collectively, will have a material adverse effect on the Group's 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 results or cash flows in a particular period.
- (6) As of December 31, 2014 and 2013, the Group had outstanding stand-by letters of credit totaling \$326,926 and \$170,686, respectively, for purposes of bids and contracts.
- (7) As of December 31, 2014 and 2013, the Group had issued promissory notes amounting to \$47,758,012 and \$46,976,910, respectively, as collateral for factoring of accounts receivable and for obtaining credit facilities from financial institutions.

10. Significant loss from Casualty: None.**11. Significant subsequent events**

In order to repay bank loans and meet the requests for redemption made by the holders of the 2017 Bonds, the Company issued 300,000,000 new shares for cash at a price of \$18 (dollars) per common share. The effective date of the capital increase was January 11, 2015. All issued shares were paid up, and the relevant registration process has been completed.

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ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

12. Others

	2014			2013		
	Cost of sales	Operating expense	Total	Cost of sales	Operating expense	Total
	\$	\$	\$	\$	\$	\$
Employee benefits:						
Salaries	1,390,113	10,824,600	12,214,713	1,371,410	11,328,917	12,700,327
Insurance	177,336	1,184,259	1,361,595	170,538	1,275,604	1,446,142
Pension	23,643	605,465	629,108	26,452	540,661	567,113
Other	72,120	643,571	715,691	123,039	853,402	976,441
Depreciation	48,199	743,010	791,209	54,115	893,451	947,566
Amortization	2,662	1,199,893	1,202,555	22,360	1,729,601	1,751,961

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)
 - (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 derivative instruments transactions: Please refer to notes 6(2) and 6(3).
 - (j) Business relationships and significant intercompany transactions: Table 8 (attached)

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

- (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 investee companies, the prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: For the Group's significant direct or indirect transactions (eliminated when compiling the consolidated financial report) with investee companies in Mainland China for the year ended December 31, 2014, 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 comprise the device business group ("Device BG") and other business groups. The Device BG engages mainly in the research, design, marketing and service activities of personal computers, IT products, and smart handheld and tablet products. Other business groups which do not meet the quantitative threshold mainly engage in the activities of e-commerce, distribution of IT products, cloud services, and handheld devices for the finance field and real estate services.

Restructuring costs and strategic investment expenditures (such as global branding expenditures, the amortization of the capital expenditures for the strengthening of the global information structure, and non-routine long-term strategic expenditures) are not allocated to reportable segments. Operating profit is used as the measurement for segment profit and the basis for performance evaluation. The reporting amount is consistent with the report used by chief operating decision maker. There was no material inconsistency between the accounting policies adopted for the operating segments and the accounting policies described in note 4.

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

	<u>2014</u>			
	<u>Device BG</u>	<u>Others</u>	<u>Adjustments and eliminations</u>	<u>Total</u>
Revenues from external customers	\$ 309,534,058	20,150,213	-	329,684,271
Intra-group revenue	<u>1,727,649</u>	<u>1,201,520</u>	<u>(2,929,169)</u>	<u>-</u>
Total revenues	\$ <u>311,261,707</u>	<u>21,351,733</u>	<u>(2,929,169)</u>	<u>329,684,271</u>
Segment profit	\$ <u>5,147,794</u>	<u>1,541,084</u>	<u>(3,981,213)</u>	<u>2,707,665</u>

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

(2) Product information

Revenues from external customers are detailed below:

Products	2014	2013
Personal computers	\$ 267,962,103	298,250,826
Peripherals and others	<u>61,722,168</u>	<u>61,881,216</u>
	\$ <u>329,684,271</u>	<u>360,132,042</u>

(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	2014	2013
Americas	\$ 63,303,062	65,018,320
Mainland China	33,192,182	46,356,837
Taiwan	22,768,179	22,353,031
Others	<u>210,420,848</u>	<u>226,403,854</u>
	\$ <u>329,684,271</u>	<u>360,132,042</u>

Non-current assets:

Region	December 31, 2014	December 31, 2013
Americas	\$ 18,636,984	20,524,559
Taiwan	8,044,084	9,146,094
Mainland China	3,251,514	3,343,275
Others	<u>4,055,294</u>	<u>3,953,336</u>
	\$ <u>33,987,876</u>	<u>36,967,264</u>

(Continued)

ACER INCORPORATED AND SUBSIDIARIES**Notes to Consolidated Financial Statements**

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

(4) Major customers' information

	2014	2013
Customer A	\$ 35,463,359	35,330,188

Acer Incorporated and Subsidiaries
Financing provided to other parties
For the year ended December 31, 2014

Table 1

(Amounts in Thousands of New Taiwan Dollars)

No.	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Actually drawdown Amounts	Interest Rate	Nature of Financing (Note 1)	Transaction Amounts	Reasons for Short-term Financing	Allowance for Doubtful Accounts	Collateral		Financing Limit for Each Borrowing Company (Note 2)	Financing Company's Total Financing Amount Limits (Note 2)
													Item	Value		
1	ACCN	ACCQ	Other receivables from related parties	Yes	2,255,175	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,794,946	28,974,732
2	ACCQ	AICQ	Other receivables from related parties	Yes	300,690	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,794,946	28,974,732
2	ACCQ	ACCN	Other receivables from related parties	Yes	1,022,260	1,022,260	-	0%~4%	2	-	Operating requirements	-	None	-	5,794,946	28,974,732
3	AHI	ACA	Other receivables from related parties	Yes	389,683	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,794,946	28,974,732
3	AHI	Boardwalk	Other receivables from related parties	Yes	793,260	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,794,946	28,974,732
3	AHI	ACCQ	Other receivables from related parties	Yes	951,540	951,540	-	0%~4%	2	-	Operating requirements	-	None	-	5,794,946	28,974,732
3	AHI	ACA	Other receivables from related parties	Yes	237,009	217,429	217,429	0%~4%	2	-	Operating requirements	-	None	-	5,794,946	28,974,732
3	AHI	Boardwalk	Other receivables from related parties	Yes	919,822	919,822	-	0%~4%	2	-	Operating requirements	-	None	-	5,794,946	28,974,732
4	ASCBVI	Boardwalk	Other receivables from related parties	Yes	91,530	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,794,946	28,974,732
5	GWI	AAC	Other receivables from related parties	Yes	1,617,030	634,360	459,911	0%~4%	2	-	Operating requirements	-	None	-	5,794,946	28,974,732
6	GIC	GWI	Other receivables from related parties	Yes	159,491	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,794,946	28,974,732
6	GIC	GWI	Other receivables from related parties	Yes	152,550	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,794,946	28,974,732
7	GRA	GWI	Other receivables from related parties	Yes	101,498	101,498	101,498	0%~4%	2	-	Operating requirements	-	None	-	5,794,946	28,974,732
8	ALA	ATB	Other receivables from related parties	Yes	948,368	948,368	-	0%~4%	2	-	Operating requirements	-	None	-	5,794,946	28,974,732
8	ALA	AAC	Other receivables from related parties	Yes	862,730	862,730	862,730	0%~4%	2	-	Operating requirements	-	None	-	5,794,946	28,974,732
9	AEG	AEH	Other receivables from related parties	Yes	1,466,360	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,794,946	28,974,732
9	AEG	AEH	Other receivables from related parties	Yes	21,005	-	-	0%~4%	2	-	Operating requirements	-	None	-	5,794,946	28,974,732

(Amounts in Thousands of New Taiwan Dollars)

No.	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Actually drawdown Amounts	Interest Rate	Nature of Financing (Note 1)	Transaction Amounts	Reasons for Short-term Financing	Allowance for Doubtful Accounts	Collateral		Financing Limit for Each Borrowing Company (Note 2)	Financing Company's Total Financing Amount Limits (Note 2)
													Item	Value		
10	AGU	AEG	Other receivables from related parties	Yes	210,046	191,862	191,862	0%~4%	2	-	Operating requirements	-	None	-	5,794,946	28,974,732
10	AGU	AEG	Other receivables from related parties	Yes	210,046	191,862	191,862	0%~4%	2	-	Operating requirements	-	None	-	5,794,946	28,974,732
10	AGU	AEG	Other receivables from related parties	Yes	204,798	191,862	191,862	0%~4%	2	-	Operating requirements	-	None	-	5,794,946	28,974,732
10	AGU	AEG	Other receivables from related parties	Yes	193,249	191,862	191,862	0%~4%	2	-	Operating requirements	-	None	-	5,794,946	28,974,732
11	PBHO	AEG	Other receivables from related parties	Yes	210,046	191,862	191,862	0%~4%	2	-	Operating requirements	-	None	-	5,794,946	28,974,732
12	AAC	ATB	Other receivables from related parties	Yes	1,268,720	1,268,720	1,268,720	0%~4%	2	-	Operating requirements	-	None	-	5,794,946	28,974,732
13	ACTI	Boardwalk	Other receivables from related parties	Yes	951,540	951,540	-	0%~4%	2	-	Operating requirements	-	None	-	5,794,946	28,974,732
13	ACTI	AAC	Other receivables from related parties	Yes	1,585,900	1,585,900	1,585,900	0%~4%	2	-	Operating requirements	-	None	-	5,794,946	28,974,732
13	ACTI	AAC	Other receivables from related parties	Yes	2,537,440	2,537,440	2,537,440	0%~4%	2	-	Operating requirements	-	None	-	5,794,946	28,974,732
14	AIZS	ACCN	Other receivables from related parties	Yes	230,008	230,008	230,008	0%~4%	2	-	Operating requirements	-	None	-	5,794,946	28,974,732
15	BJAI	ACCN	Other receivables from related parties	Yes	40,890	40,890	40,890	0%~4%	2	-	Operating requirements	-	None	-	5,794,946	28,974,732
16	AI	ACCQ	Other receivables from related parties	Yes	920,034	920,034	920,034	0%~4%	2	-	Operating requirements	-	None	-	5,794,946	28,974,732

Note 1: Nature for Financing :

Type 2: Short-term financing purpose

Note 2: The aggregate financing amount shall not exceed 50% of the most recent audited or reviewed net worth of the Company (the amount showed above is based on the net worth as of September 30, 2014), 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 limitation of aggregate and individual financing amount is applied.

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

Acer Incorporated and Subsidiaries
Guarantees and endorsements provided to other parties
For the year ended December 31, 2014

Table 2

(Amounts in Thousands of New Taiwan Dollars)

No.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 2)	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
		Name	Nature of Relationship (Note 1)										
0	The Company	ALL	3	11,589,893	930,735	930,735	395,635	-	1.61%	57,949,465	Y		
0	The Company	LTS	2	11,589,893	5,000	-	-	-	0.00%	57,949,465	Y		
0	The Company	ACN/ACD/ACW/AFN	3	11,589,893	23,682	20,314	20,314	-	0.04%	57,949,465	Y		
0	The Company	ATH	3	11,589,893	168,105	168,105	4,005	-	0.29%	57,949,465	Y		
0	The Company	AEG	3	11,589,893	206,941	191,399	191,399	-	0.33%	57,949,465	Y		
0	The Company	SMA	3	11,589,893	216,312	206,327	8,202	-	0.36%	57,949,465	Y		
0	The Company	AGU	3	11,589,893	301,321	301,321	301,321	-	0.52%	57,949,465	Y		
0	The Company	ACCSI	2	11,589,893	300,000	300,000	77,000	-	0.52%	57,949,465	Y		
0	The Company	ACA	3	11,589,893	317,180	317,180	317,180	-	0.55%	57,949,465	Y		
0	The Company	AJC	3	11,589,893	1,341,900	609,040	68,734	-	1.05%	57,949,465	Y		
0	The Company	ATB	3	11,589,893	1,585,900	1,585,900	-	-	2.74%	57,949,465	Y		
0	The Company	Acer Asia Pacific subsidiaries	3	11,589,893	4,281,930	4,281,930	219,608	-	7.39%	57,949,465	Y		
0	The Company	Acer EMEA subsidiaries	3	11,589,893	4,861,190	4,861,190	189,714	-	8.39%	57,949,465	Y		
0	The Company	Acer Pan America subsidiaries	3	11,589,893	5,392,060	5,392,060	75,786	-	9.30%	57,949,465	Y		
0	The Company	Acer Greater China subsidiaties	3	11,589,893	1,744,490	1,744,490	318,436	-	3.01%	57,949,465	Y		Y
0	The Company	AMEX	3	11,589,893	285,462	285,462	-	-	0.49%	57,949,465	Y		

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

Type 2: a subsidiary directly owned by the Company over 50%

Type 3: a subsidiary indirectly owned by the Company over 50%

Note 2: The aggregate endorsement/guarantee amount provided shall not exceed the most recent audited or reviewed net worth of the Company (the amount showed above is based on the net worth as of September 30, 2014).

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, 2014

Table 3

(Amounts in Thousands of New Taiwan Dollars)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	Ending Balance				Maximum ownership during 2014		Note
				Number of Shares/ Units (in thousands)	Carrying Value	Percentage of Ownership	Fair Value	Shares/ Units (in thousands)	Percentage of Ownership	
The Company	Stock: Hon Hai	-	Available-for-sale financial assets - Current	1,086	95,479	0.01%	95,479	1,086	0.01%	
The Company	Stock: Qisda	-	Available-for-sale financial assets - Non Current	81,713	1,188,920	4.15%	1,188,920	81,713	4.15%	
The Company	Stock: WPG Holdings	-	Available-for-sale financial assets - Non Current	4,360	160,680	0.26%	160,680	4,360	0.26%	
The Company	Stock: Wistron	-	Available-for-sale financial assets - Non Current	48,720	1,398,274	1.97%	1,398,274	48,720	1.99%	
The Company	Stock: InCOMM	-	Available-for-sale financial assets - Non Current	19	2,360	0.24%	2,360	39	0.24%	
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: World Venture, Inc.	-	Available-for-sale financial assets - Non Current	8,505	28,865	19.35%	28,865	10,500	19.35%	
The Company	Shars: ID Reengineering Fund Inc.	-	Available-for-sale financial assets - Non Current	5,597	91,455	19.99%	91,455	9,995	19.99%	
The Company	Stock: Dragon Investment Co. Ltd.	-	Available-for-sale financial assets - Non Current	17,791	44,573	19.94%	44,573	17,791	19.94%	
The Company	Stock: Venture Power	-	Available-for-sale financial assets - Non Current	15	670	4.15%	670	15	4.15%	
ADSC	Stock: Wistron	-	Available-for-sale financial assets - Non Current	11,595	332,789	0.47%	332,789	11,595	0.47%	
ADSC	Stock: PChome Pay	-	Available-for-sale financial assets - Non Current	7,000	70,000	15.56%	70,000	7,000	15.56%	
ASCBVI	Stock: IP FUND III L.P.	-	Available-for-sale financial assets - Non Current	4,068	69,001	19.99%	69,001	4,068	19.99%	
ASCBVI	Stock: IDSCBVI	-	Available-for-sale financial assets - Non Current	60	1,389	19.90%	1,389	60	19.90%	
ASCBVI	Stock: ID5 Fund L.P.	-	Available-for-sale financial assets - Non Current	3,800	318,872	19.39%	318,872	3,800	19.39%	
ASCBVI	Stock: IP Cathay One, L.P.	-	Available-for-sale financial assets - Non Current	6,282	46,323	8.00%	46,323	6,282	8.00%	
ASCBVI	Stock: ID5 Annex I Fund L.P.	-	Available-for-sale financial assets - Non Current	970	14,397	19.39%	14,397	970	19.39%	
AWI	Stock: Acer Inc.	Parent/Subsidiary	Treasury stock	12,730	522,237	0.46%	271,783	12,730	0.46%	
AWI	GDR: Acer Inc.	Parent/Subsidiary	Treasury stock	4,987	1,969,617	0.90%	544,972	4,987	0.90%	
CCI	Stock: China Development Financial	-	Available-for-sale financial assets - Current	5,049	51,000	0.03%	51,000	5,049	0.03%	
CCI	Stock: Acer Inc.	Parent/Subsidiary	Available-for-sale financial assets - Non Current	4,774	101,919	0.17%	101,919	4,774	0.17%	
ETEN	Stock: RoyalTek	-	Available-for-sale financial assets - Non Current	1,015	36,861	2.01%	36,861	1,015	2.01%	
ETEN	Stock: Acer Inc.	Parent/Subsidiary	Available-for-sale financial assets - Non Current	4,305	91,920	0.15%	91,920	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	35,172	17.23%	35,172	2,315	17.23%	

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, 2014

Table 4

(Amounts in Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-Party	Name of Relationship	Beginning Balance		Acquisitions		Disposal				Ending Balance	
					Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Carrying Value	Gain (Loss) on Disposal	Shares (in thousands)	Amount (Note1)
The Company	Stock: ADSC	Investment accounted for using equity method	Note 2	Subsidiary	40,931	1,166,534	87,351 (Note 3)	600,000	-	-	-	-	128,282	1,873,565
AEH	Stock: Boardwalk	Investment accounted for using equity method	Note 2	Fellow subsidiary	-	-	109,639	3,333,032	-	-	-	-	109,639	2,766,203

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 / fellow subsidiary.

Note 3: It includes the stock dividend of 27,351,000 shares.

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, 2014

Table 5

(Amounts in Thousands of New Taiwan Dollars)

Company Name	Type of Property	Transaction 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	February 13, 2014	January 2008	9,159	-	Received	(9,273)	Taoyuan City Government	Non-Related Party	Disposal of investment property not in use	Carrying Value	None
The Company	Land	March 6, 2014	January 2008	-	1,200	Received	1,200	AU Optronics Corp.	Non-Related Party	Disposal of investment property not in use	Carrying Value	None
The Company	Land	March 20, 2014	January 2008	48,736	105,430	Received	44,923	KE, ZHEN-LIANG	Non-Related Party	Disposal of investment property not in use	Appraisal report	None
The Company	Land	April 28, 2014	January 2008	14,826	22,870	Received	3,265	TSAI, SU-HUI	Non-Related Party	Disposal of investment property not in use	Appraisal report	None
The Company	Land	August 7, 2014	January 2008	104,366	120,320	Received	881	LIU, CAI-BAO	Non-Related Party	Disposal of investment property not in use	Appraisal report	None
The Company	Land	August 7, 2014	January 2008	155,669	179,470	Received	1,433	LIU, CAI-BAO	Non-Related Party	Disposal of investment property not in use	Appraisal report	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, 2014

Table 6

(Amounts in Thousands of New Taiwan Dollars)

Company Name	Related Party	Name of Relationship	Transaction Details				Transactions with Terms Different from Others (Note 1)		Notes/Accounts Receivable or (Payable)		Note
			Purchases/(Sales)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Company	AEG	Parent/Subsidiary	(Sales)	(101,677,610)	(41.23)%	OA60	-	-	597,306	2.43%	
The Company	AAC	Parent/Subsidiary	(Sales)	(62,862,909)	(25.49)%	OA90	-	-	11,443,761	46.52%	
The Company	AAPH	Parent/Subsidiary	(Sales)	(40,321,281)	(16.35)%	OA60	-	-	3,823,866	15.54%	
The Company	ACCN	Parent/Subsidiary	(Sales)	(16,159,625)	(6.55)%	OA45	-	-	2,211,805	8.99%	
The Company	ACCQ	Parent/Subsidiary	(Sales)	(8,478,887)	(3.44)%	OA60	-	-	1,456,754	5.92%	
The Company	WLII	Parent/Subsidiary	(Sales)	(2,319,527)	(0.94)%	EM45	-	-	23,262	0.09%	
The Company	AFE	Parent/Subsidiary	(Sales)	(981,338)	(0.40)%	OA60	-	-	41,237	0.17%	
The Company	AIL	Parent/Subsidiary	(Sales)	(634,816)	(0.26)%	OA60	-	-	25	0.00%	
The Company	APX	Parent/Subsidiary	(Sales)	(384,123)	(0.16)%	OA60	-	-	47,944	0.19%	
The Company	HSN	Parent/Subsidiary	(Sales)	(101,239)	(0.04)%	OA60	-	-	40,276	0.16%	
The Company	ACCSI	Parent/Subsidiary	Purchases	734,745	0.31%	OA60	-	-	(93,701)	(0.20)%	
The Company	WLII	Parent/Subsidiary	Purchases	611,306	0.26%	OA60	-	-	(122,563)	(0.27)%	
The Company	ACTI	Parent/Subsidiary	Purchases	228,989	0.10%	OA60	-	-	(66,787)	(0.15)%	
ACCSI	The Company	Parent/Subsidiary	(Sales)	(734,745)	(70.24)%	OA60	-	-	93,701	55.51%	
WLII	The Company	Parent/Subsidiary	(Sales)	(611,306)	(6.38)%	EM60	-	-	122,563	6.80%	
WLII	WHI	Parent/Subsidiary	(Sales)	(114,545)	(1.20)%	OA60	-	-	21,732	1.21%	
WLII	The Company	Parent/Subsidiary	Purchases	2,319,527	25.10%	EM45	-	-	(23,262)	(1.86)%	
AAC	AMEX	Fellow subsidiary	(Sales)	(5,450,919)	(8.67)%	OA60	-	-	1,686,071	25.41%	
AAC	ASC	Fellow subsidiary	(Sales)	(412,506)	(0.66)%	OA60	-	-	69,561	1.05%	
AAC	The Company	Parent/Subsidiary	Purchases	62,862,909	100.00%	OA90	-	-	(11,443,761)	(96.57)%	
AAF	AME	Fellow subsidiary	(Sales)	(146,410)	(73.78)%	OA60	-	-	4,508	35.91%	
AAPH	ATH	Fellow subsidiary	(Sales)	(6,795,136)	(16.29)%	OA60	-	-	979,698	11.66%	
AAPH	AIL	Fellow subsidiary	(Sales)	(6,253,421)	(14.99)%	OA60	-	-	2,898,047	34.49%	
AAPH	AIN	Fellow subsidiary	(Sales)	(5,339,743)	(12.80)%	OA60	-	-	384,537	4.58%	
AAPH	ACA	Fellow subsidiary	(Sales)	(5,287,452)	(12.67)%	OA60	-	-	1,303,233	15.51%	
AAPH	ASSB	Fellow subsidiary	(Sales)	(4,547,620)	(10.90)%	OA60	-	-	434,658	5.17%	
AAPH	AJC	Fellow subsidiary	(Sales)	(3,856,005)	(9.24)%	OA60	-	-	1,167,673	13.90%	
AAPH	ACS	Fellow subsidiary	(Sales)	(2,478,998)	(5.94)%	OA60	-	-	165,737	1.97%	

Company Name	Related Party	Name of Relationship	Transaction Details				Transactions with Terms Different from Others (Note 1)		Notes/Accounts Receivable or (Payable)		Note
			Purchases/(Sales)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
AAPH	ACNZ	Fellow subsidiary	(Sales)	(930,596)	(2.23)%	OA60	-	-	213,332	2.54%	
AAPH	APHI	Fellow subsidiary	(Sales)	(771,094)	(1.85)%	OA60	-	-	152,198	1.81%	
AAPH	AMI	Fellow subsidiary	(Sales)	(104,632)	(0.25)%	OA60	-	-	14,150	0.17%	
AAPH	The Company	Parent/Subsidiary	Purchases	40,321,281	97.59%	OA60	-	-	(3,823,866)	(99.94)%	
AAPH	APHI	Fellow subsidiary	Purchases	107,967	0.26%	OA60	-	-	0	0.00%	
ACA	ACNZ	Fellow subsidiary	(Sales)	(201,685)	(2.75)%	OA60	-	-	15,813	1.24%	
ACA	Bluechip	Other related party	(Sales)	(234,988)	(3.21)%	OA60	-	-	23,759	1.87%	
ACA	AAPH	Fellow subsidiary	Purchases	5,287,452	77.07%	OA60	-	-	(1,303,233)	(88.21)%	
ACA	HSN	Fellow subsidiary	Purchases	118,782	1.73%	OA60	-	-	(47,130)	(3.19)%	
ACCN	The Company	Parent/Subsidiary	Purchases	16,159,625	77.51%	OA45	-	-	(2,211,805)	(81.04)%	
ACQ	The Company	Parent/Subsidiary	Purchases	8,478,887	81.03%	OA60	-	-	(1,456,754)	(89.91)%	
ACF	AEG	Fellow subsidiary	(Sales)	(420,705)	(2.37)%	OA60	-	-	669,192	14.47%	
ACF	AEG	Fellow subsidiary	Purchases	16,229,712	91.58%	OA60	-	-	(1,514,597)	(95.58)%	
ACF	APX	Fellow subsidiary	Purchases	222,591	1.26%	OA60	-	-	(12,763)	(0.81)%	
ACG	AEG	Fellow subsidiary	(Sales)	(812,536)	(2.31)%	OA60	-	-	1,296,911	19.45%	
ACG	APX	Fellow subsidiary	(Sales)	(210,991)	(0.60)%	OA60	-	-	31,553	0.47%	
ACG	AEG	Fellow subsidiary	Purchases	32,654,669	89.87%	OA60	-	-	(2,896,034)	(102.19)%	
ACG	APX	Fellow subsidiary	Purchases	478,750	1.32%	OA60	-	-	(79,471)	(2.80)%	
ACG	ACW	Fellow subsidiary	Purchases	132,152	0.36%	OA60	-	-	(12,300)	(0.43)%	
ACH	AEG	Fellow subsidiary	(Sales)	(279,820)	(3.16)%	OA60	-	-	418,826	20.81%	
ACH	AEG	Fellow subsidiary	Purchases	7,958,717	91.76%	OA60	-	-	(1,120,830)	(97.61)%	
ACH	APX	Fellow subsidiary	Purchases	173,982	2.01%	OA60	-	-	(27,049)	(2.36)%	
ACNZ	AAPH	Fellow subsidiary	Purchases	930,596	75.22%	OA60	-	-	(213,332)	(89.50)%	
ACNZ	ACA	Fellow subsidiary	Purchases	201,685	16.30%	OA60	-	-	(15,813)	(6.63)%	
ACR	APX	Fellow subsidiary	(Sales)	(102,521)	(0.59)%	OA60	-	-	29,546	1.01%	
ACR	AEG	Fellow subsidiary	Purchases	14,033,649	81.25%	OA60	-	-	(1,743,989)	(97.13)%	
ACR	ARU	Fellow subsidiary	Purchases	217,756	1.26%	OA60	-	-	(16,843)	(0.94)%	
ACR	APX	Fellow subsidiary	Purchases	211,140	1.22%	OA60	-	-	(29,818)	(1.66)%	
ACS	AAPH	Fellow subsidiary	Purchases	2,478,998	94.14%	OA60	-	-	(165,737)	(95.50)%	
ACTI	The Company	Parent/Subsidiary	(Sales)	(228,989)	(3.42)%	OA60	-	-	66,787	26.94%	
ACW	ACG	Fellow subsidiary	(Sales)	(132,152)	(76.58)%	OA60	-	-	12,300	78.78%	
ACZ	AEG	Fellow subsidiary	(Sales)	(267,790)	(47.82)%	OA60	-	-	181	0.67%	
ACZ	APX	Fellow subsidiary	Purchases	187,958	37.59%	OA60	-	-	(30,232)	(92.24)%	
AEG	ACG	Fellow subsidiary	(Sales)	(32,654,669)	(26.28)%	OA60	-	-	2,896,034	15.24%	

Company Name	Related Party	Name of Relationship	Transaction Details				Transactions with Terms Different from Others (Note 1)		Notes/Accounts Receivable or (Payable)		Note
			Purchases/(Sales)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
AEG	ACF	Fellow subsidiary	(Sales)	(16,229,712)	(13.06)%	OA60	-	-	1,514,597	7.97%	
AEG	ACR	Fellow subsidiary	(Sales)	(14,033,649)	(11.29)%	OA60	-	-	1,743,989	9.18%	
AEG	AUK	Fellow subsidiary	(Sales)	(12,393,055)	(9.97)%	OA60	-	-	2,975,063	15.66%	
AEG	AME	Fellow subsidiary	(Sales)	(12,040,693)	(9.69)%	OA60	-	-	1,837,496	9.67%	
AEG	ASK	Fellow subsidiary	(Sales)	(8,462,635)	(6.81)%	OA60	-	-	966,689	5.09%	
AEG	AIB	Fellow subsidiary	(Sales)	(8,401,034)	(6.76)%	OA60	-	-	2,031,669	10.69%	
AEG	ACH	Fellow subsidiary	(Sales)	(7,958,717)	(6.40)%	OA60	-	-	1,120,830	5.90%	
AEG	AIT	Fellow subsidiary	(Sales)	(7,885,669)	(6.35)%	OA60	-	-	2,481,091	13.06%	
AEG	ASZ	Fellow subsidiary	(Sales)	(2,848,929)	(2.29)%	OA60	-	-	497,914	2.62%	
AEG	AUA	Fellow subsidiary	(Sales)	(1,204,279)	(0.97)%	OA60	-	-	24,091	0.13%	
AEG	The Company	Parent/Subsidiary	Purchases	101,677,610	86.84%	OA60	-	-	(597,306)	(6.39)%	
AEG	ACZ	Fellow subsidiary	Purchases	267,790	0.23%	OA60	-	-	(181)	0.00%	
AEG	APX	Fellow subsidiary	Purchases	265,424	0.23%	OA60	-	-	(709)	(0.01)%	
AEG	ACG	Fellow subsidiary	Purchases	812,536	0.69%	OA60	-	-	(1,296,911)	(13.87)%	
AEG	ACF	Fellow subsidiary	Purchases	420,705	0.36%	OA60	-	-	(669,192)	(7.16)%	
AEG	AIT	Fellow subsidiary	Purchases	367,223	0.31%	OA60	-	-	(457,704)	(4.89)%	
AEG	ACH	Fellow subsidiary	Purchases	279,820	0.24%	OA60	-	-	(418,826)	(4.48)%	
AEG	AIB	Fellow subsidiary	Purchases	241,224	0.21%	OA60	-	-	(525,495)	(5.62)%	
AEG	AUK	Fellow subsidiary	Purchases	144,235	0.12%	OA60	-	-	(788,701)	(8.43)%	
AEG	The Company	Parent/Subsidiary	Purchases	981,338	91.40%	OA60	-	-	(41,237)	(84.72)%	
AIB	AEG	Fellow subsidiary	(Sales)	(241,224)	(2.65)%	OA60	-	-	525,495	14.63%	
AIB	AEG	Fellow subsidiary	Purchases	8,401,034	98.49%	OA60	-	-	(2,031,669)	(98.60)%	
AIB	APX	Fellow subsidiary	Purchases	156,811	1.84%	OA60	-	-	(28,542)	(1.39)%	
AIL	The Company	Parent/Subsidiary	Purchases	634,816	5.90%	EM60	-	-	(25)	0.00%	
AIL	AAPH	Fellow subsidiary	Purchases	6,253,421	58.07%	OA60	-	-	(2,898,047)	(90.19)%	
AIN	AMI	Parent/Subsidiary	(Sales)	(638,038)	(9.87)%	OA60	-	-	22,814	10.96%	
AIN	AMI	Parent/Subsidiary	Purchases	833,012	13.06%	OA60	-	-	(3,565)	(0.49)%	
AIN	AAPH	Fellow subsidiary	Purchases	5,339,743	83.70%	OA60	-	-	(384,537)	(53.26)%	
AIT	AEG	Fellow subsidiary	(Sales)	(367,223)	(4.16)%	OA60	-	-	457,704	13.88%	
AIT	AEG	Fellow subsidiary	Purchases	7,885,669	91.98%	OA60	-	-	(2,481,091)	(99.22)%	
AIT	APX	Fellow subsidiary	Purchases	115,324	1.35%	OA60	-	-	(18,110)	(0.72)%	
AJC	AAPH	Fellow subsidiary	Purchases	3,856,005	89.88%	OA60	-	-	(1,167,673)	(95.62)%	
AME	AEG	Fellow subsidiary	Purchases	12,040,693	88.56%	OA60	-	-	(1,837,496)	(96.92)%	
AME	AAF	Fellow subsidiary	Purchases	146,410	1.08%	OA60	-	-	(4,508)	(0.24)%	

Company Name	Related Party	Name of Relationship	Transaction Details				Transactions with Terms Different from Others (Note 1)		Notes/Accounts Receivable or (Payable)		Note
			Purchases/(Sales)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
AME	APX	Fellow subsidiary	Purchases	114,378	0.84%	OA60	-	-	(18,803)	(0.99)%	
AMEX	AAC	Fellow subsidiary	Purchases	5,450,919	97.26%	OA60	-	-	(1,686,071)	(100.65)%	
AMI	AIN	Parent/Subsidiary	(Sales)	(833,012)	(100.00)%	OA60	-	-	3,565	100.00%	
AMI	AIN	Parent/Subsidiary	Purchases	638,038	77.24%	OA60	-	-	(22,814)	(119.58)%	
AMI	AAPH	Fellow subsidiary	Purchases	104,632	12.67%	OA60	-	-	(14,150)	(74.16)%	
APHI	AAPH	Fellow subsidiary	(Sales)	(107,967)	(9.21)%	OA60	-	-	0	0.00%	
APHI	AAPH	Fellow subsidiary	Purchases	771,094	75.34%	OA60	-	-	(152,198)	(88.06)%	
APX	ACG	Fellow subsidiary	(Sales)	(478,750)	(20.71)%	OA60	-	-	79,471	27.02%	
APX	AEG	Fellow subsidiary	(Sales)	(265,424)	(11.48)%	OA60	-	-	709	0.24%	
APX	ACF	Fellow subsidiary	(Sales)	(222,591)	(9.63)%	OA60	-	-	12,763	4.34%	
APX	ACR	Fellow subsidiary	(Sales)	(211,140)	(9.13)%	OA60	-	-	29,818	10.14%	
APX	ACZ	Fellow subsidiary	(Sales)	(187,958)	(8.13)%	OA60	-	-	30,232	10.28%	
APX	ACH	Fellow subsidiary	(Sales)	(173,982)	(7.52)%	OA60	-	-	27,049	9.20%	
APX	AIB	Fellow subsidiary	(Sales)	(156,811)	(6.78)%	OA60	-	-	28,542	9.70%	
APX	AUK	Fellow subsidiary	(Sales)	(144,748)	(6.26)%	OA60	-	-	22,025	7.49%	
APX	AIT	Fellow subsidiary	(Sales)	(115,324)	(4.99)%	OA60	-	-	18,110	6.16%	
APX	AME	Fellow subsidiary	(Sales)	(114,378)	(4.95)%	OA60	-	-	18,803	6.39%	
APX	The Company	Parent/Subsidiary	Purchases	384,123	18.81%	OA60	-	-	(47,944)	(14.83)%	
APX	ACG	Fellow subsidiary	Purchases	210,991	10.33%	OA60	-	-	(31,553)	(9.76)%	
APX	ACR	Fellow subsidiary	Purchases	102,521	5.02%	OA60	-	-	(29,546)	(9.14)%	
ARU	ACR	Fellow subsidiary	(Sales)	(217,756)	(100.00)%	OA60	-	-	16,843	100.00%	
ASC	AAC	Fellow subsidiary	Purchases	412,506	50.60%	OA60	-	-	(69,561)	(54.42)%	
ASK	AEG	Fellow subsidiary	Purchases	8,462,635	98.99%	OA60	-	-	(966,689)	(99.37)%	
ASSB	SMA	Parent/Subsidiary	(Sales)	(402,593)	(7.92)%	OA60	-	-	24,997	5.01%	
ASSB	HSN	Parent/Subsidiary	(Sales)	(105,542)	(2.08)%	OA60	-	-	15,574	3.12%	
ASSB	AAPH	Fellow subsidiary	Purchases	4,547,620	96.00%	OA60	-	-	(434,658)	(95.16)%	
ASSB	HSN	Parent/Subsidiary	Purchases	121,637	2.57%	OA60	-	-	(6)	0.00%	
ASZ	AEG	Fellow subsidiary	Purchases	2,848,929	94.00%	OA60	-	-	(497,914)	(98.99)%	
ATH	AAPH	Fellow subsidiary	Purchases	6,795,136	93.84%	OA60	-	-	(979,698)	(92.78)%	
AUA	AEG	Fellow subsidiary	Purchases	1,204,279	89.83%	OA60	-	-	(24,091)	(82.13)%	
AUK	AEG	Fellow subsidiary	(Sales)	(144,235)	(1.07)%	OA60	-	-	788,701	15.80%	
AUK	AEG	Fellow subsidiary	Purchases	12,393,055	92.52%	OA60	-	-	(2,975,063)	(99.25)%	
AUK	APX	Fellow subsidiary	Purchases	144,748	1.08%	OA60	-	-	(22,025)	(0.73)%	
HSN	ASSB	Parent/Subsidiary	(Sales)	(121,637)	(19.54)%	OA60	-	-	6	0.01%	

Company Name	Related Party	Name of Relationship	Transaction Details				Transactions with Terms Different from Others (Note 1)		Notes/Accounts Receivable or (Payable)		Note
			Purchases/(Sales)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
HSN	ACA	Fellow subsidiary	(Sales)	(118,782)	(19.08)%	OA60	-	-	47,130	50.40%	
HSN	The Company	Parent/Subsidiary	Purchases	101,239	20.37%	OA60	-	-	(40,276)	(33.94)%	
HSN	ASSB	Parent/Subsidiary	Purchases	105,542	21.23%	OA60	-	-	(15,574)	(13.12)%	
SMA	ASSB	Parent/Subsidiary	Purchases	402,593	8.94%	OA60	-	-	(24,997)	(14.15)%	
WHI	WLII	Parent/Subsidiary	Purchases	114,545	97.94%	OA60	-	-	(21,732)	(100.00)%	

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 prepare 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, 2014

Table 7

(Amounts in Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
The Company	AEG	Parent/Subsidiary	597,306	157.27	-	-	597,306	
The Company	AAC	Parent/Subsidiary	11,443,761	5.88	25	Under collection	8,908,846	
The Company	AAPH	Parent/Subsidiary	3,823,866	10.41	-	-	3,823,866	
The Company	ACCN	Parent/Subsidiary	2,211,805	6.10	-	-	2,211,805	
The Company	ACCQ	Parent/Subsidiary	2,378,065	5.68	1,278	Under collection	1,456,754	
The Company	TWPBJ	Parent/Subsidiary	102,624	0.76	93,042	Under collection	-	
The Company	ACCSI	Parent/Subsidiary	298,248	14.83	-	-	42,000	
WLII	The Company	Parent/Subsidiary	123,175	4.71	-	-	-	
AAC	AMEX	Fellow subsidiary	1,687,107	6.47	161	Under collection	624,069	
AAC	ASC	Fellow subsidiary	655,203	8.21	-	-	68,734	
AAC	AEG	Fellow subsidiary	113,112	-	-	-	-	
AAC	ATB	Fellow subsidiary	1,271,956	0.59	-	-	2,820	
AAPH	ATH	Fellow subsidiary	979,698	7.94	-	-	951,615	
AAPH	AIL	Fellow subsidiary	2,898,047	1.98	-	-	1,074,535	
AAPH	AIN	Fellow subsidiary	384,537	11.38	2,811	Under collection	384,537	
AAPH	ACA	Fellow subsidiary	1,303,233	3.84	-	-	880,462	
AAPH	ASSB	Fellow subsidiary	434,853	12.75	-	-	434,849	
AAPH	AJC	Fellow subsidiary	1,167,673	2.58	-	-	365,352	
AAPH	ACS	Fellow subsidiary	165,737	19.50	-	-	165,737	
AAPH	ACNZ	Fellow subsidiary	213,476	5.73	-	-	144,811	
AAPH	APHI	Fellow subsidiary	152,198	3.86	6,196	Under collection	100,973	
ACCN	ACCQ	Fellow subsidiary	333,023	0.71	-	-	1,699	
ACF	AEG	Fellow subsidiary	860,595	0.67	-	-	97,293	
ACG	AEG	Fellow subsidiary	1,393,915	0.67	-	-	-	
ACH	AEG	Fellow subsidiary	458,279	0.70	-	-	23,328	

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
ACR	AEG	Fellow subsidiary	265,470	-	-	-	822	
ACTI	AAC	Fellow subsidiary	4,123,340	-	-	-	-	
AEG	ACG	Fellow subsidiary	2,896,034	11.71	-	-	2,882,334	
AEG	ACF	Fellow subsidiary	1,514,597	13.02	-	-	1,514,597	
AEG	ACR	Fellow subsidiary	1,748,710	16.06	64	Under collection	1,743,989	
AEG	AUK	Fellow subsidiary	2,976,421	4.05	-	-	2,975,821	
AEG	AME	Fellow subsidiary	1,841,572	6.56	-	-	1,841,572	
AEG	ASK	Fellow subsidiary	966,689	9.99	-	-	966,689	
AEG	AIB	Fellow subsidiary	2,031,677	4.69	-	-	1,899,377	
AEG	ACH	Fellow subsidiary	1,120,830	6.27	-	-	1,120,830	
AEG	AIT	Fellow subsidiary	2,481,091	3.38	-	-	1,805,426	
AEG	ASZ	Fellow subsidiary	497,939	7.71	39	Under collection	497,939	
AGU	AEG	Fellow subsidiary	767,448	-	-	-	-	
AHI	ACA	Parent/Subsidiary	217,429	-	-	-	-	
AIB	AEG	Fellow subsidiary	557,231	0.51	-	-	-	
AIT	AEG	Fellow subsidiary	600,929	0.84	-	-	71,756	
AIZS	ACCN	Fellow subsidiary	230,009	-	-	-	-	
ALA	AAC	Fellow subsidiary	862,730	-	-	-	-	
AME	AEG	Fellow subsidiary	208,503	1.17	-	-	12,700	
ASC	AAC	Fellow subsidiary	126,888	3.28	-	-	16	
ASCBVI	LONG	Parent/Subsidiary	317,180	-	-	-	-	
ASK	AEG	Fellow subsidiary	381,501	-	15,042	Under collection	-	
ASZ	AEG	Fellow subsidiary	234,954	0.35	-	-	14,709	
AUK	AEG	Fellow subsidiary	923,066	0.22	-	-	38,466	
GRA	GWI	Parent/Subsidiary	101,498	-	-	-	-	
GWI	AAC	Parent/Subsidiary	694,242	-	-	-	-	
LONG	SURE	Parent/Subsidiary	317,181	-	-	-	-	

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

Acer Incorporated and Subsidiaries
Intercompany relationships and significant intercompany transactions
For the year ended December 31, 2014

Table 8

(Amounts in Thousands of New Taiwan Dollars)

Intercompany relationships and significant intercompany transactions for the year ended December 31, 2014 were as follows:

Number (Note 1)	Company Name	Counter Party	Nature of Relationship (Note 2)	Transaction Details			Percentage of Consolidated Net Revenue or Total Assets
				Account	Amount	Transaction Terms	
0	The Company	AEG	1	Sales	101,677,610	OA60	30.84%
0	The Company	AAC	1	Sales	62,862,909	OA90	19.07%
0	The Company	AAPH	1	Sales	40,321,281	OA60	12.23%
0	The Company	ACCN	1	Sales	16,159,625	OA45	4.90%
0	The Company	ACCQ	1	Sales	8,478,887	OA60	2.57%
0	The Company	AAC	1	Accounts receivable	11,443,761	OA90	5.99%
0	The Company	ACCN	1	Accounts receivable	2,211,805	OA45	1.16%
0	The Company	AAPH	1	Accounts receivable	3,823,866	OA60	2.00%

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

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

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

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

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

Acer Incorporated and Subsidiaries
Names, Locations, and Related Information of Investees over which The Company Exercises Significant Influence
December 31, 2014

Table 9 **(Amounts in Thousands of New Taiwan Dollars)**

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount		Balances as of December 31, 2014			Maximum ownership during 2014		Net Income (Loss) of the Investee	Share of profits/ losses of investee	Note
				December 31, 2014	December 31, 2013	Shares (in thousands)	Percentage of Ownership	Carrying Value	Shares (in thousands)	Percentage of Ownership			
The Company	ADSC	Taiwan	Investing and holding company	1,746,549	1,146,549	128,282	100.00	1,873,565	128,282	100.00	58,739	58,739	Parent/Subsidiary
The Company	Boardwalk	British Virgin Islands	Investing and holding company	39,757,383	39,757,383	1,278,432	91.68	30,178,680	1,278,432	100.00	1,605,968	1,474,301	Parent/Subsidiary
The Company	AEH	Cyprus	Investing and holding company	2,464,262	2,464,262	10	100.00	20,036,848	10	100.00	1,483,521	1,483,521	Parent/Subsidiary
The Company	AHI	British Virgin Islands	Investing and holding company	1,130,566	1,130,566	33,550	100.00	9,080,603	33,550	100.00	(69)	(69)	Parent/Subsidiary
The Company	Bluechip	Australia	Sale of peripheral and software system	24,249	24,249	1,073	30.00	74,226	1,073	34.05	5,053	3,307	Associate
The Company	AWI	British Virgin Islands	Investing and holding company	4,069,764	4,069,764	1,326,193	100.00	260,967	1,326,193	100.00	1,127	1,127	Parent/Subsidiary
The Company	ASCBVI	British Virgin Islands	Investing and holding company	1,718,547	1,718,547	35,067	100.00	1,112,290	35,067	100.00	5,884	5,884	Parent/Subsidiary
The Company	CCI	Taiwan	Investing and holding company	1,299,817	1,299,817	-	100.00	1,150,288	-	100.00	2,935	2,935	Parent/Subsidiary
The Company	ADSBH	British Virgin Islands	Investing and holding company	1,175,933	1,175,933	2,246	100.00	(235,857)	2,246	100.00	(64,312)	(64,312)	Parent/Subsidiary
The Company	ACCSI	Taiwan	Electronic data supply, processing and storage services	2,943,044	2,943,044	187,092	100.00	1,940,633	187,092	100.00	169,233	169,233	Parent/Subsidiary
The Company	AGC	British Virgin Islands	Investing and holding company	4,941,292	4,834,892	160,989	100.00	5,754,834	160,989	100.00	(1,016,016)	(1,016,016)	Parent/Subsidiary
The Company	AEB	Taiwan	Electronic data supply, processing and storage services	250,000	250,000	25,000	100.00	280,971	25,000	100.00	31,208	31,208	Parent/Subsidiary
The Company	WLII	Taiwan	Sale of computers and communication products	1,115,474	1,115,474	67,425	99.79	1,215,406	67,425	99.79	31,481	31,414	Parent/Subsidiary
The Company	ATI	Taiwan	Integrated circuit test service	819,792	895,571	1,203	19.39	6,599	12,028	19.39	254,070	54,470	Associate
The Company	LTS	Taiwan	Electronic data supply, processing and storage services	-	-	100	100.00	38,704	100	100.00	5,704	5,704	Parent/Subsidiary
The Company	ETEN	Taiwan	Research, design and sale of smart hand held products	6,800,751	7,100,751	20,000	100.00	2,770,216	50,000	100.00	(119,718)	(119,718)	Parent/Subsidiary
ACCSI	TWPBVI	British Virgin Islands	Investing and holding company	32,298	32,298	11,068	100.00	7,215	11,068	100.00	904	904	Parent/Subsidiary
ADSC	ECOM	Taiwan	Business integration system	40,851	40,851	1,244	24.88	18,838	1,244	24.88	11,429	2,866	Associate
ADSC	APDI	Taiwan	Property development	29,577	29,577	2,958	100.00	114,276	2,958	100.00	14,266	14,266	Parent/Subsidiary
ADSC	ASDI	Taiwan	Property development	500,000	500,000	22,593	100.00	219,234	22,593	100.00	326	326	Parent/Subsidiary
ADSC	AOI	Taiwan	Software design services	30,000	-	3,000	100.00	29,958	3,000	100.00	(42)	(42)	Parent/Subsidiary
ADSC	YR Creative Cultural Art International Co.	Taiwan	Cultural and creative industries	6,000	-	600	20.00	1,836	600	20.00	(21,661)	(4,332)	Associate
WLII	Provision International	Taiwan	Retail of information software	23,668	23,668	882	30.22	16,103	882	30.22	13,944	4,214	Associate
AEH	Boardwalk	British Virgin Islands	Investing and holding company	3,333,032	-	109,639	8.32	2,766,203	109,639	8.32	1,605,968	131,666	Associate
AHN	Fizzle shares	Cyprus	Holding company	241,478	241,478	1	40.00	-	1	40.00	-	-	Associate
AHN	Sertec 360	Switzerland	After-sales maintenance service	14,462	-	1	51.00	10,874	1	51.00	(7,036)	(3,588)	Associate

Acer Incorporated and Subsidiaries
Information on Investment in Mainland China
For the year ended December 31, 2014

Table 10

(Amounts 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, 2014	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2014	Net Income (Losses) of Investee	% of Ownership of Direct or Indirect Investment	Maximum ownership during 2014		Share of profits/ losses of investee	Carrying Value as of December 31, 2014	Accumulated Inward Remittance of Earnings as of December 31, 2014
					Outflow	Inflow				Shares	Percentage of Ownership			
Acer Third Wave Software (Beijing) Co., Ltd.	Software research, development, design, trading and consultation	95,154	Note 1	95,154	-	-	95,154	1,109	100.00	-	100.00	1,109	2,251	-
Beijing Acer Information Co., Ltd.	Sale of brand-name information technology product	57,092	Note 1	-	-	-	-	(24)	100.00	-	100.00	(24)	43,532	-
Acer Information (Zhong Shan) Co., Ltd.	Sale of brand-name information technology product	47,577	Note 1	-	-	-	-	1,440	100.00	-	100.00	1,440	231,804	-
Acer Computer (Shanghai) Ltd.	Sale of brand-name information technology product	63,436	Note 1	63,436	-	-	63,436	(1,460,785)	100.00	-	100.00	(1,460,785)	1,367,892	-
Acer (Chongqing) Ltd.	Sale of brand-name information technology product	4,757,700	Note 1	4,884,572 (Note 2)	-	-	4,884,572	528,776	100.00	-	100.00	528,776	3,646,674	-
Acer Information Technology R&D (Shanghai) Co., Ltd	Research and design of smart hand held products	63,436	Note 1	-	-	-	-	(16,697)	100.00	-	100.00	(16,697)	3,755	-

Note 1: Indirect investment in Mainland China through a holding company established in other country.

Note 2: Acer Intellectual (Chongqing) Limited had merged with Acer (Chongqing) Ltd. in 2014, and Acer (Chongqing) Ltd. was the surviving entity from the merger. This amount included the original investment in Acer Intellectual (Chongqing) Limited of \$ 126,872.

Investor Company Name	Accumulated Investment in Mainland China as of December 31, 2014	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
The Company and Subsidiaries	\$ 5,043,162 (US \$159,000,000)	\$ 5,763,931 (US \$181,724,286.5)	(Note 3)

The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1=NT\$31.718 as of December 31, 2014.

Note 3: Since the Company has obtained the Certificate of Headquarter Operation, there is no upper limitation on investment in Mainland China.

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