ACER INCORPORATED 2016 ANNUAL REPORT

www.acer-group.com

Published Date: April 23, 2017

APPENDIX

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

Principal	Nancy Hu	CFO	+886-2-2696-1234	Nancy.Hu @acer.com
Deputy	Claire Yang	Manager	+886-2-2696-1234	Claire.Yang@acer.com
Deputy	Wayne Chang	Manager	+886-2-2719-5000	Wayne.Chang@acer.com

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

Office	Address	Tel
Acer Inc. Registered Address	7F.-5, No.369, Fuxing N. Rd., Songshan Dist., Taipei City 105, Taiwan	+886-2-2719-5000
Acer Inc. (Xizhi Office)	8F., No.88, Sec. 1, Xintai 5th Rd., Xizhi Dist., New Taipei City 221, Taiwan	+886-2-2696-1234
Acer Inc. (Hsinchu Branch)	3F., No.139, Minzu Rd., East Dist., Hsinchu City 300, Taiwan	+886-3-533-9141
Acer Inc. (Taichung Branch)	3F., No.371, Sec. 1, Wenxin Rd., Nantun Dist., Taichung City 408, Taiwan	+886-4-2250-3355
Acer Inc. (Kaohsiung Branch)	4F.-6, No.38, Xinguang Rd., Lingya Dist., Kaohsiung City 802, Taiwan	+886-7-338-8386
Acer Inc. (Shipping & Warehouse Management Center)	No.28, Neixin Rd., Luzhu Dist., Taoyuan City 338, Taiwan	+886-3-324-5100

3. Address and Contact Details of Acer Shareholders' Services

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

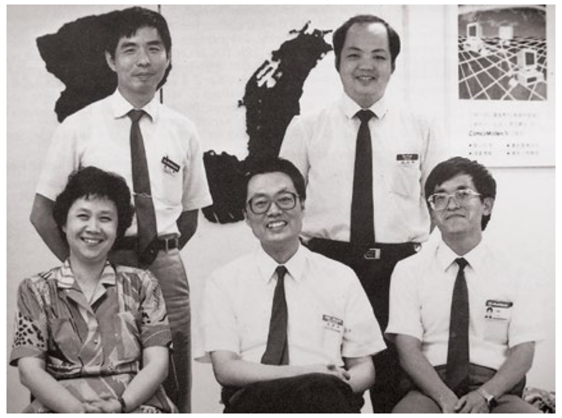
4. Address and Contact Details of Auditing CPAs in the Most Recent Year

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

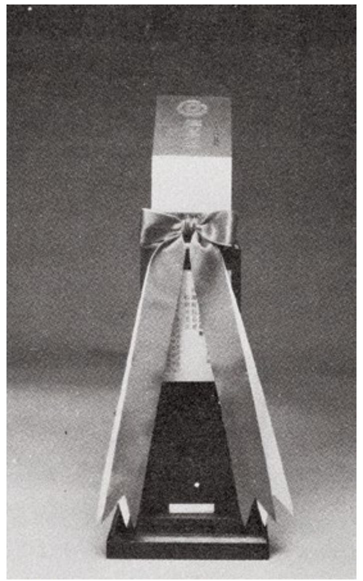
5. Overseas Securities Exchange

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

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









acer 40 YRS
GROWING WITH YOU

Breaking barriers between people and technology for 40 years

Acer's mission to make technology more accessible and put devices into the hands of the many has remained steadfast throughout its 40-year history. From computing hardware, to software, to cloud services – Acer is evolving with the times.

Today, we are taking bold steps to explore new possibilities with gaming and virtual reality, computers of different shapes and forms, and expanding our business boundaries to include elderly care, pet care, sports technology, robotics, and more to help people live their lives better than ever before.

abUC

Freely extend your office to your phone, call in to conferences anytime, anywhere
Easily integrated into existing phone systems
Route calls through the cloud for high quality communication
High-end architecture for quick connections and no signal decay

Acer CloudProfessor
IoT Starter Kit

Coding Anytime, Anywhere
Acer Cloud Support
A World of Extensions
Scenarios to Get You Started

Predator 21 X

BEYOND HORIZONS

Predator Z850

NEW HORIZONS

Swift 7

LEADING THE TREND IN STYLE

Spin 7

BRING LIFE FULL SWING

Switch Alpha 12

SUPERB PERFORMANCE WITHOUT THE NOISE

DISCLAIMER

This is a translation of the 2016 Annual Report of Acer Incorporated (the "Company"). The translation is intended for reference only and nothing else, the Company hereby disclaims any and all liabilities whatsoever for the translation. The Chinese text of the Annual Report shall govern any and all matters related to the interpretation of the subject matter stated herein.

INDEX

Acer Incorporated 2016 Annual Report
Index

1

Business Report to Shareholders

Business Report to Shareholders

In 2016 Acer celebrated its 40th anniversary and four decades ago, with our passion to change the world, we introduced microprocessor technology to Taiwan and thus helped to establish and progress the island's high-tech industry. With our innovations, such as Micro-Professor I, the Dragon Chinese Input Method and Aspire PCs, we have played a key role in transforming Taiwan into a technology powerhouse, with thriving PC and semiconductor industries, and establishing it as a major player on the world stage. But more than being a leader in the industry, Acer takes pride in being a catalyst of change and progress.

With the evolution of technology and the emergence of mobile computing, the established model of PC usage in the last 30 years is being subverted and we are now entering the era of the Internet of Things. Acer has prevailed throughout its journey and will leverage its unique experience to transform in the ICT industry that holds new challenges as well as opportunities. At the same time, Acer remains firmly committed to corporate social responsibly and sustainable development. In 2016, for the third year running, Acer was included in both the Dow Jones Sustainability Indices (DJSI) and the MSCI Global Sustainability Indexes. What's more, Acer was also included on the new FTSE4Good Emerging Index.

Acer reported 2016 consolidated revenue of NT$232.72 billion (US$7.21billion), loss of share of NT$1.62, net loss (or loss after tax) of NT$4.90 billion (US$151.81million) and net asset value per share of NT$19.01. However, excluding the impairment charge of NT$6.36 billion (US$197.16 million) that was approved in December, pro-forma net income (or profits after tax) would be NT$1.46 billion (US$ 45.35 million) with EPS of NT$0.48. The impairment charge did not impact the Company's operations and is expected to result in amortization expense reduction of approximately NT$230 million (US$7.13 million) in 2017. These results show Acer is healthy and stable overall.

Whether the core IT products business or new businesses, all are working, facing challenges, restructuring and transforming together and have their sights set on achieving operational excellence, continued profitability and a stronger Acer brand.

In the past three years, we have invested NT$30 billion into new business initiatives in line with the direction of our corporate transformation. These initiatives include areas such as artificial intelligence, smart cities, healthcare, education and automotive to name a few. While this will influence profitability, these investments are crucial in setting the foundations for our future success in the era of the Internet of Things.

While the PC industry continues to slow down, Acer's PC business is stable; this is in part to its strong product mix and offering to address various regional customer needs, as well as its innovations in the areas of gaming PCs, and ultra-thin and 2-in-1 notebooks. Along with other factors, we have gradually realized a double-digit annual gross profit margin and continue to maintain momentum. In addition, Acer is also investing resources into the fast-growing area of Virtual Reality (VR), working with key partners from various industries to bring new VR technologies and experiences to the market, and other areas such Artificial Intelligence and Deep Learning.

For Acer's core IT products business, beyond its continued commitment to innovate in products and technologies, it is focusing on niche product categories with higher margins as a basis for profit, such as gaming, while also enhancing its brand image to drive the momentum of its transformation.

Regarding our new businesses, which encompass BYOC™ (Build Your Own Cloud) and cloud-related businesses, they will continue to strengthen cooperation with partners, all the while continuing to offer diversified and integrated services to expand Acer's business scope, such as abPBX for unified communications, grandPad for senior care, Pawbo for pet care, Xplova for bicycle computing, and MPS in the area of mobile electric power systems for cars and other applications.

Acer is indebted to you the shareholder, as you have cheered us on during the last 40 years. Three years after we began our transformation, we are beginning to see the light at the end of the tunnel, signally that we are walking in the right direction. Thank you once again for your support and confidence in us as we journey into the future.

George Huang

Acer Chairman

1.1 Acer's Core Values

Under the Build Your Own Cloud (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 stakeholders' interests. In the process of transition, new core values have been added to the original ones, with new elements and goals to strengthen the core competencies needed to ensure a stronger Acer for the future.

Today, the six core values for Acer are: Passion, User-centric, Innovation, Teamwork, Balance of Interests, and Integrity.

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

acer | Acer Incorporated 2016 Annual Report
Business Report

1.2 2016 Operating Report

1.2.1 Consolidated Operating Results

Unit: NTD Thousand

Item \ Period	2012	2013	2014	2015	2016
Revenue	429,627,192	360,132,042	329,684,271	263,775,202	232,724,161
Gross profit	35,222,038	22,550,266	28,942,184	24,884,122	23,212,458
Operating (loss) income	938,497	(11,409,666)	2,707,665	938,608	1,192,513
Non-operating income and (loss)	(3,209,396)	(9,654,070)	(93,246)	(92,051)	(5,916,838)
Income (loss) before taxes	(2,270,899)	(21,063,736)	2,614,419	846,557	(4,724,325)
Income (loss) from Continued segment	(2,460,958)	(20,519,349)	1,790,584	603,795	(4,900,740)
Income (loss) from Discontinued segment	0	0	0	0	0
Net income (loss)	(2,460,958)	(20,519,349)	1,790,584	603,795	(4,900,740)
Other comprehensive income (loss) for the period, net of tax	(2,810,851)	2,262,505	2,438,464	(829,149)	(1,752,356)
Total comprehensive income (loss) for the period	(5,271,809)	(18,256,844)	4,229,048	(225,354)	(6,653,096)
Net income (loss) attributable to Shareholders of the Company	(2,461,098)	(20,519,428)	1,790,690	603,680	(4,900,296)
Net income (loss) attributable to Non-controlling interests	140	79	(106)	115	(444)
Total comprehensive income (loss) attributable to Shareholders of the Company	(5,271,735)	(18,526,899)	4,229,180	(225,467)	(6,654,809)
Total comprehensive income (loss) attributable to Non-controlling interests	(74)	55	(132)	113	1,713
EPS (in New Taiwan Dollars)	(0.90)	(7.54)	0.66	0.20	(1.62)

1.2.2 Budget Expenditure in 2017

Not applicable.

1.2.3 Financial Income and Earning Abilities

Unit: NTD Thousand

Item		2016
Financial Income	Operating revenue	232,724,161
	Gross profit	23,212,458
	Net Loss	(4,900,740)
Earning Abilities	Return on assets(%)	(2.78)
	Return on equity(%)	(7.93)
	Net income ratio (%)	(2.11)
	EPS（NTD）	(1.62)

1.3 2017 Business Plan

1.3.1 Business Strategy

A. Promote transformation, integrate existing resources, and continue to create value; with a people-centric product strategy, strengthen product positioning and differentiation to enhance competitiveness.

B. Engrain the Wangdao philosophy's core beliefs - sustainable business, value creation, and the balance of interests - into the corporate mindset.

C. Embrace new opportunities of cloud technology with Acer's Build Your Own Cloud (BYOC™) open platform and integrate with devices under the company's Internet of Beings (with intelligence) strategy.

D. Efficiently use all resources, enhance internal communication and fulfill corporate social responsibilities.

1.3.2 Goals

A. Increase sales of core IT product, strengthen capabilities in areas of new value creation products and improve product profitability.

B. Integrate cloud technology, develop new applications and services, and boost the transition to a "hardware + software + services" company.

C. Pursue for better operating income.

1.3.3 Marketing Strategy

A. Take a people-centric approach in the R&D of products and services.

B. Consolidate and effectively share product development resources, and strengthen sales.

C. Cooperate with suppliers and customers to create value and pursue for sustainable operations together, in accordance with the Wangdao philosophy that promotes the balance of all interests.

1.3.4 Future Strategy

A. Enhance the added value of key products and brand positioning.

B. Develop innovative products based on the integration of hardware, software, services, and cloud technology.

C. 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

A. In the Internet of Things (IoT), the ICT industry is shifting toward a cross-platform cloud integrated model, prompting the need for cloud service providers to find allies in a variety of fields to develop new services.

B. Understanding of consumers' preferences and needs is essential to the new hardware, software and services of the ICT industry.

C. Product strategy and product mix need to adapt quickly to the constant changing market needs and trends.

2

Company In General

2.1 Brief Account of the Company

2.1.1 Founded: August 1, 1976

1976 – 1986

- Commercialized microprocessor technology

1987 – 2000

- Created the Acer brand name and went global

2001 – 2007

- Transformed from manufacturing to a marketing and sales company

2008 – 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 at 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 to offer the 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 began shipping from China's Chongqing production base.
- 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.

2012

- Unveiled world's thinnest Ultrabook™: Aspire S5.
- Presented Aspire Timeline Ultra Series, extending mainstream notebook features with Ultrabook™ trend.
- Announced AcerCloud application results.
- 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 and earned high appraisals from the assembly.
- 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.

2013

- Extended AcerCloud to support top three operating systems, for easier file and media sharing among Windows, iOS and Android devices.
- Recognized NT$3.5B (US$120.1M) in intangible asset impairment based on the Generally Accepted Accounting Principle (GAAP) and thorough assessment.
- Launched B6 and V6 series commercial LED-backlit monitors made with post-consumer recycled plastic and compliance with EPEAT standards for environmental protection.
- Held the fifth annual Corporate Social Responsibility Forum to continue exploring and leading the global trend of sustainable management.
- Launched the full-featured one-handed tablet – Iconia A1.
- Proposed the second issuance of NT$6B in unsecured convertible corporate bond.
- Announced Liquid S2 6-inch smartphone with 4K recording.
- Reported the non-cash related intangible asset impairment of NT$9.94B (US$335.12M) in Q3 financial results.
- Set up a Transformation Committee with Acer co-founders Stan Shih as Chairman and 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 1, 2014.

2014

- Invested 7 million shares in PChome Group's third-party payment business.
- Wrote off additional NT$5.78B loss of 2013 in related costs to speed up corporate transformation.
- Announced first tier organization and personnel adjustments for end-to-end management and precise operating mechanism.
- South East Asia and Latin America markets began selling the Liquid Z5 smartphone.
- Unveiled new visual identity for the 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.
- 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 Chromebox 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 Japan Good Design awards.
- Hosted first BYOC forum to discuss IoT opportunities and trends.

- Acer partners with Octon for BYOC solutions in the telecommunication field.
- Aspire R 13 convertible notebook named as 2014 CES Innovation Awards Honoree.

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 NT$5.4 billion (US$180 million) in funds.
- Unveiled two new cloud application solutions for the era of computing and communication (C&C).
- Acer BYOC™ provided runner tracking service to Taiwan's First IAAF certified marathon.
- Reported first full year of profitability since it began its transformation with operating income of NT$2.71B (US$85.37M) and net income of 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.
- Announced Dr. RC Chang, CTO, to lead the Design Center as Jackson Lin retires.
- Announced the availability of the Predator gaming product line at the next@acer event at IFA Berlin.
- Acquired renowned GPS cycling computer brand, Xplova, to expand reach in the sports industry.
- Launched the CloudProfessor IoT training kit.
- Listed on Dow Jones Sustainability Indices for second consecutive year.
- Won five Japanese Good Design Awards.
- Acer subsidiary MPS Energy and Studio X-Gene announced new electric all-terrain vehicle.
- Announced third BYOC global operations with the establishment of Acer Cloud Technology (Chongqing) Limited in China, with the other two located in Taipei and Silicon Valley.
- Named as CES 2016 Innovations Award Honoree for three innovative products.
- Continued to sponsor Taiwan's Sole IAAF certified marathon with new services.
- Joined the American Business Act on Climate Pledge; Acer pledged to reduce global greenhouse gas emissions by 60 percent by 2020 and to continue purchasing100% green power for its U.S. operations.
- Announced the availability of Acer smartphones to Ecuador, reaching 60 countries around the world.

2016

- Announced the Liquid Jade Primo smartphone running on Windows 10 Mobile providing ultimate productivity for professionals with a PC-like experience when the smartphone is connected with a secondary display.
- Won fourteen Taiwan Excellence Awards.
- Showcased BYOC Solutions for connected car, business, education, and smart home at Mobile World Congress.
- Acer monitors ranked No. 1 in North American retail market in 2015.
- Scored five iF Design Awards.
- BYOC received ISO 27001 certification and passed HIPAA audit.
- Reported second year of profitability since it began its transformation with operating income of NT$939M (US$28.4M), net income of NT$604M (US$18.3M) and gross profit margin 9.4%.
- Regrouped new and core businesses to accelerate corporate transformation.
- Announced strategic partnership and equity investment in grandPad®.
- Debuted world's first Chromebook with 14-hour battery life.
- Unveiled 2016 back-to-school portfolio at the next@acer global press conference in New York, including the industry's first cycling computer with intelligent video recording applications as part of new businesses expansion.

- Introduced the "BeingWare" vertical business models with intelligent connected devices, which illustrate the vision of New New Acer in integrating hardware, intelligent software, and cloud services to create real value.
- Reported Q1 2016 results with consolidated revenues of NT$56.32 billion (US$1.74 billion), operating income of NT$866 million (US$ 26.84 million), and earnings per share (EPS) of NT$0.02.
- Announced the establishment of a joint venture with Swedish game developer Starbreeze AB, stepping foot into the virtual reality realm.
- Reported Q2 results with consolidated revenues of NT$56.16 billion (US$1.74 billion), and earnings per share (EPS) of NT$0.18.
- Revealed the world's first curved screen notebook, the Predator 21 X, and the world's thinnest notebook at that time during the next@acer global press conference in Berlin.
- First shipment of the StarVR virtual reality head-mounted display delivered.
- Celebrated its 40th anniversary with a series of forums and events.
- Named official sponsor for the 2016 League of Legends World Championships and All Star events.
- Two products awarded the Japanese Good Design award.
- Listed on the Dow Jones Sustainability Indices ranking in the top percentile for Supply Chain Management, Climate Change, and Corporate Citizenship & Philanthropy. Also listed on the MSCI Global Sustainability Indexes, with a "AA" rating in the Technology Hardware, Storage & Peripherals category.
- Announced investment in the IMAX VR Content Fund, which will support the development of high-quality and immersive VR content.
- Reported Q3 2016 results with consolidated revenues of NT$58.59 billion (US$1.87 billion), operating income of NT$471 million (US$15 million), and earnings per share (EPS) of NT$0.08.
- Gaming monitor with eye-tracking technology awarded "Best of Innovation" at the CES 2017 Innovation awards, with "Honoree" awards for two notebooks.
- Announced intangible asset impairment charge to address development needs of new businesses.

2017

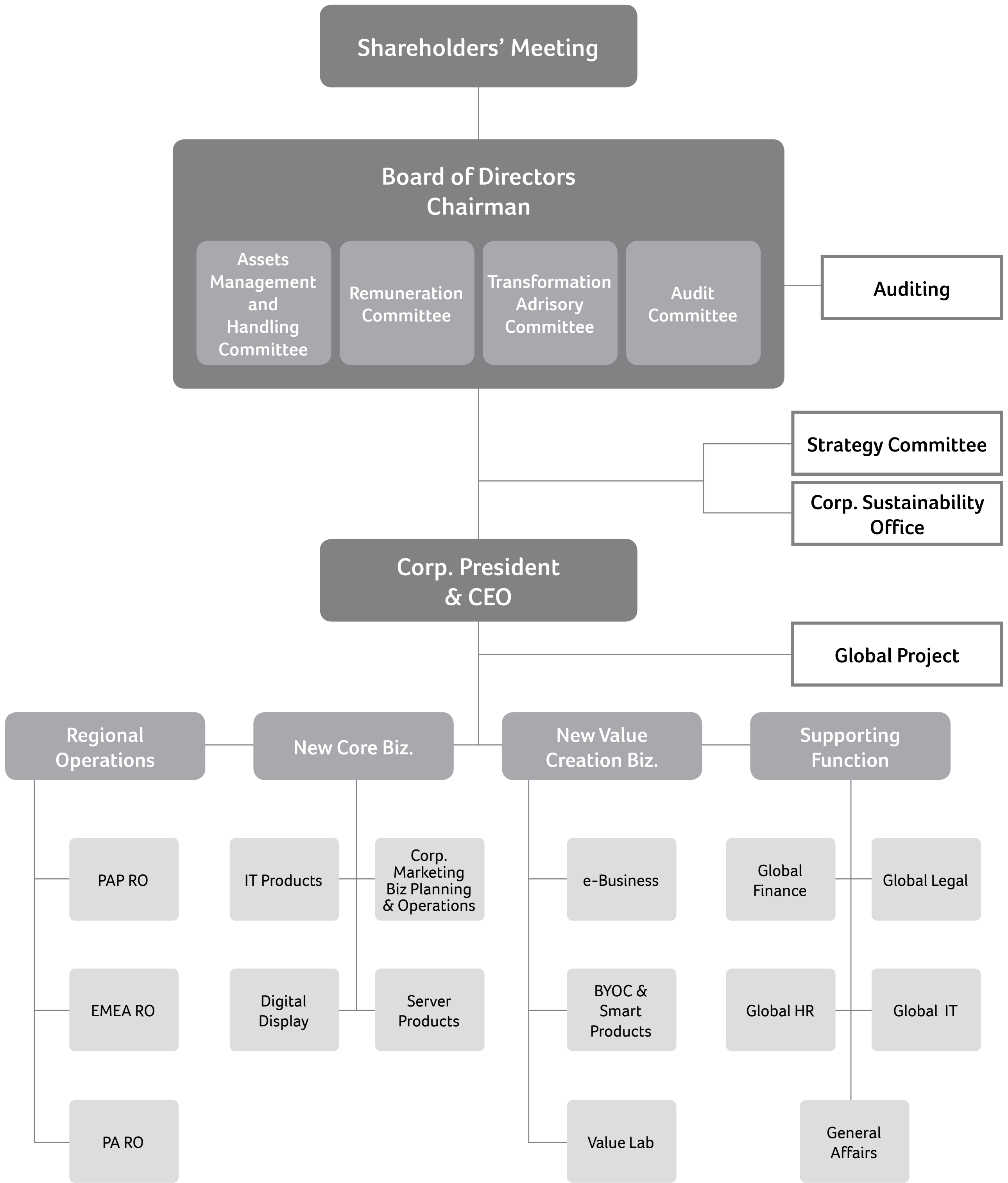
- Announced the sponsorship of the 29th Summer Universiade with Acer's smart wearable integrating technology from MediaTek Inc. and Easycard Corp.

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

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

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

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

Digital Display Business
- Managing global monitors, and projectors product lines business

IT Products Business
- Managing global notebook, desktops, Tablet, smart phone and wearable products line business

e- 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 Smart Products Business
- BYOC (Build Your Own Cloud) Services empower global business development and management through cloud-connected devices and solutions as well as diverse cloud-services providing flexible access to applications (SaaS), platforms (PaaS), and infrastructure (IaaS)

Server Products Business
- Managing server products line business

Corporate Marketing, Business Planning & Operations
- Corporate brand management, consolidation and implementation of global marketing strategies, public relations management, and the strategic planning ,operations of all IT business back-end function.

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

Global IT
- Corporate information infrastructure and information systems management

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

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

Global Legal
- Corporate and legal affairs, intellectual property management

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

Acer Incorporated 2016 Annual Report
Corporate Governance Principles

3.2 Information Regarding Board of Directors and Key Managers

(1) Board of Directors (April 23, 2017)

Title	Name	Date of Election	Term	Shares Held When Elected		Shares Held at Present			Shares Held by Spouse & Minors		Education	Current Position(s) in Other Companies	Spouse or Immediate Family Holding Managerial Position		
				Number	Percentage	Number	Percentage		Number	Percentage			Title	Name	Relation-ship
Chairman	George Huang	06/18/2014	3	8,761,844	0.27	8,767,642	0.28		1,787,819	0.06	Bachelor	1. Independent Director, PChome Online Inc. 2. Independent Director, Bio Net Corp. 3. Independent Director, Taiwan Taxi Co., LTD. 4. Director, Motech Industries Inc. 5. Supervisor, Les Enphants Co., Ltd. 6. Supervisor, Apacer Technology Inc. 7. Other (Note)	None	-	-
Director	Stan Shih	06/18/2014	3	74,592,499	2.41	69,024,395	2.24		6,839,225	0.22	Master	1. Independent Director, TSMC 2. Director, Wistron 3. Director, Nan Shan Life Insurance Co., ltd. 4. Director, Qisda 5. Director, Hung Rouan Investment Corp. 6. Director, Idealive International Co. Ltd. 7. Director, Egis Technology Inc. 8. Director, iD Innovation Inc. 9. Director, Dragon Investment Co., Ltd.. 10. Director, DIGITIMES Inc. 11. Director, Public Television Service Foundation. 12. Chairman, Stans Foundation 13. Director, Rongxin Management Consultants Co., Ltd 14. Director, Bingyu Co., Ltd. 15. Director, CTS Inc.	Director President	Carolyn Yeh Maverick Shih	Wife Son
Director	Jason Chen	06/18/2014	3	0	0	2,555,480	0.08		0	0	Master	1. Chairman, Mu-Jin Investment Co., Ltd. 2. Other (Note)	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. Chairman, Guang Yuan Investment Co.,Ltd.	None	-	-

Acer Incorporated 2016 Annual Report
Corporate Governance Principles

Title	Name	Date of Election	Term	Shares Held When Elected		Shares Held at Present			Shares Held by Spouse & Minors		Education	Current Position(s) in Other Companies	Spouse or Immediate Family Holding Managerial Position		
				Number	Percentage	Number	Percentage		Number	Percentage			Title	Name	Relation-ship
Director	Hung Rouan Investment Corp.	06/18/2014	3	67,799,202	2.19	73,629,933	2.39		0	0	-	-	None	-	-
Legal Represen-tative of Director	Carolyn Yeh (Representa-tive of Hung Rouan Invest-ment Corp.)	06/18/2014	3	17,493,157	0.56	6,839,225	0.22		69,024,395	2.24	Bachelor	1. Chairman, iDSoftcapotal Inc. 2. Chairman, Hung Rouan Investment Corp. 3. Director, IP Fund Six Co., Ltd. 4. Director, iD Innovation Inc. 5. Supervisor, ID Reengineering Fund Inc. 6. Director, Stans Foundation 7. Director, Noordhoff Craniofacial Foundation 8. Director, Cardinal Shan Foundation 9. Director, Sinyuan Foundation 10. Director, Fu Jen Catholic University 11. Supervisor, Shengxin Co., Ltd 12. Chairman, Rongxin Management Consul-tants Co., Ltd 13. Chairman, Bingyu Co., Ltd.	Director President	Stan Shih Maver-ick Shih	Husband Son
Director	Smart Capital Corp.	06/18/2014	3	11,260	0	12,228	0		0	0	-	-	None	-	-
Legal Represen-tative of Director	Philip Peng (Representa-tive 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. Director, Wistron NeWeb Corporation 3. Director, Aopen Inc. 4. Director, Wistron Information & Services Corp. 5. Chairman, Smart Capital Corp. 6. Director and President, iDSoftcapotal Inc. 7. Director, Global Strategic Investment Fund, Taiwan 8. Director, Dragon Investment Co., Ltd.. 9. Supervisor, iD Innovation Inc. 10. Others (Note)	None	-	-
Independent Director	F.C. Tseng	06/18/2014	3	0	0	0	0		0	0	Ph. D.	1. Vice Chairman, Taiwan Semiconductor Manufacturing Company Limited 2. Chairman, TSMC China Company Ltd. 3. Chairman, Global Unichip Corp. 4. Vice Chairman, Vanguard International Semiconductor Corp.	None	-	-

Acer Incorporated 2016 Annual Report
Corporate Governance Principles

Title	Name	Date of Election	Term	Shares Held When Elected		Shares Held at Present			Shares Held by Spouse & Minors		Education	Current Position(s) in Other Companies	Spouse or Immediate Family Holding Managerial Position		
				Number	Percentage	Number	Percentage		Number	Percentage			Title	Name	Relation-ship
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, Delta Electronics, Inc. 3. Independent Director, E.Sun Financial Hold-ings Co., Ltd. 4. Independent Director, Wowprime Corp. 5. Chairman of Compensation Committee , Nien Hsing Textile Co., Ltd. 6. Member of Remuneration Committee, MediaTek Inc.	None	-	-
Independent Director	Chin-Cheng Wu	06/18/2014	3	0	0	0	0		0	0	Master	1. Consultant of Innovation and Prospective Technology Project, Institute for Information Industry 2. Honorary Chairman, New England Chinese Information and Networking Association	None	-	-

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

Major Institutional Shareholders (April 23, 2017)

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

acer | Acer Incorporated 2016 Annual Report
Corporate Governance Principles

Professional qualifications and independence analysis of directors and supervisors

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

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

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

Acer Incorporated 2016 Annual Report
Corporate Governance Principles

(2) Key Managers (April 23, 2017)

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	Jason Chen	01/01/2014	2,555,480	0.08	0	0	1,008,600	0.03	Master	1. Chairman, Mu-Jin Investment Co., Ltd. 2. Others (Note3)	None	-	-
Corp.VP & President	Emmanuel Fromont	01/01/2011	0	0	0	0	0	0	Bachelor	(Note3)	None	-	-
President	Ben Wan	05/16/2002	30,388	0	0	0	0	0	Master	(Note3)	None	-	-
President	Tiffany Huang	01/01/2013	94,817	0	90	0	0	0	Bachelor	-	None	-	-
President	Maverick Shih	01/24/2014	6,997,733	0.23	7,172,880	0.23	0	0	Ph. D.	(Note3)	None	-	-
President	Jerry Kao	12/01/2014	206,375	0.01	0	0	0	0	Master	-	None	-	-
President	Gregg Prendergast	09/01/2015	0	0	0	0	0	0	Bachelor	(Note3)	None	-	-
President (Note1)	Andrew Hou	03/25/2016	30,000	0	19	0	0	0	Master	(Note3)	None	-	-
President (Note1)	Victor Chien	03/25/2016	6	0	11	0	0	0	Bachelor	-	None	-	-
CTO	RC Chang	09/01/2015	63,135	0	0	0	0	0	Ph. D.	(Note3)	None	-	-
Corp. CFO	Nancy Hu	05/01/2014	870,000	0.03	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,Arich Enterprise Co., Limited 8. Consultant, Beautimode Co., Limited Consultant	None	-	-
Accounting Officer	Grace Lung	05/01/2014	201,620	0.01	0	0	0	0	Bachelor	(Note3)	None	-	-
President (Note 2)	ST Liew	01/01/2012	0	0	0	0	0	0	Bachelor	-	None	-	-
President (Note 2)	Towny Huang	05/01/2014	0	0	0	0	0	0	Master	-	None	-	-
Vice President (Note 2)	Maarten Schellekens	07/01/2014	0	0	0	0	0	0	Bachelor	-	None	-	-

Note 1: Andrew Hou assumed position on 2016.03.25
Victor Chien assumed position on 2016.03.25

Note 2: ST Liew released on 2016.10.11
Towny Huang released on 2016.06.30
Maarten Schellekens released on 2017.01.31

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 six meetings from Jan. 1, 2016 to Dec. 31, 2016. 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	4	2	67%	
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	6	0	100%	
Independent Director	Ji-Ren Lee	5	1	83%	
Independent Director	Chin-Cheng Wu	3	2	50%	

3.3.2 Operational Situation of the Audit Committee

The Audit Committee held six meetings from Jan. 1, 2016 to Dec. 31, 2016. 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	6	0	100%	
Independent Director	Ji-Ren Lee	6	0	100%	
Independent Director	Chin-Cheng Wu	4	2	67%	

acer | Acer Incorporated 2016 Annual Report
Corporate Governance Principles

3.3.3 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. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"?	✔		The Company has enacted Acer's "Corporate Governance Best-Practice Principles" to establish sound corporate governance systems.	No discrepancy
2. Shareholding structure & shareholders' rights				
(1) Does the company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure?	✔		The Company has designated the Office of Shareholders' Affairs to handle the shareholders' proposal and disputes.	No discrepancy
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	✔		The Company holds information on the identities of major shareholders and their ultimate controlling persons.	No discrepancy
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	✔		The Company has established the appropriate risk control mechanism and firewalls according to internal 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) Does the company establish internal rules against insiders trading with undisclosed information?	✔		The Company enacted Regulations on Insider Trading to prevent any illegal activities in terms of insider trading.	No discrepancy
3. Composition and Responsibilities of the Board of Directors				
(1) Does the Board develop and implement a diversified policy for the composition of its members?	✔		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. The Company has set the diversification policy of the board of directors in Article 20 of Acer's Corporate Governance Best Practice Principles.	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) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	✔		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
(3) Does the company establish a standard to measure the performance of the Board, and implement it annually?	✔		The Company has formulated rules and procedures for board of directors' performance assessments, and that each year we conduct regularly scheduled performance assessments of the board of directors.	No discrepancy
(4) Does the company regularly evaluate the independence of CPAs?	✔		1. The annual evaluation by the CPA is one of the main duties of the Audit Committee, and being passed by the Board of Directors meeting. 2. The Audit Committee comprehensively evaluates the independence of CPA based on CPA's Statement of Independence and items stated in relevant regulations. 3. The important evaluation items are summarized as following: (1) Whether the management of the Company will respect objective and challenging audit procedures. (2) Whether CPA's non-audit service may affect the independence of CPA's auditing. (3) Whether CPA firm enacts independence rules and request the itself, staffs and any other person to keep independence in accordance with the Norm of Professional Ethics for CPA, and prohibit insider trading, misusing internal information or any behavior which the security or capital market may be misleading. (4) Whether the CPA mandatory rotation is applied and implemented to the lead auditor and review auditor in accordance with competent regulations.	No discrepancy
4. Does a TWSE/TPEx listed company set up a full/part-time corporate governance unit or personnel to be in charge of corporate governance affairs including, but not limited to, providing directors and supervisors with required information for business execution, handling relevant matters with board meetings and shareholders meetings according to the laws, processing corporate registration and amendment registration, and preparing minutes of board meetings and shareholders meetings?	✔		Acer practices its corporate governance under Chairman and Corp President & CEO's supervision. The Company's Global Finance, Legal, HR, Corporate Sustainability Office and Internal Auditors handle related matters as following summary: 1. Developing and designing a competent system to improve transparency, compliance and implementation of internal auditing. 2. Preparing and providing Shareholder's meeting notice, agenda and meeting minute within the prescribed period. 3. Sending the board of directors (including independent directors, Audit Committee and other functional committees) the notice, information and materials which will be discussed in the meeting at least 7 days in advance. Providing and updating the status of applicable laws and regulations related to the Company's operation and business to assist the board of directors (including independent director) in compliance.	No discrepancy
5. Does the company establish a communication channel and build a designated section on its website for stakeholders, as well as handle all the issues they care for in terms of corporate social responsibilities?		✔	The Company has established the appropriate communication channels with suppliers, buyers, banks, investors and other stakeholders, including a stakeholders section on our website.	No discrepancy
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?			The Company has designated the Office of Shareholders' Affairs to handle the shareholders' proposal and disputes.	No discrepancy
7. Information Disclosure				
(1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	✔		The Company has set up Acer Group website (http://www.acer-group.com) containing the information regarding its finance and operations. The Company also discloses the enforcement of corporate governance in the shareholders' meeting and other institutional investor meetings.	No discrepancy

Acer Incorporated 2016 Annual Report
Corporate Governance Principles

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) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	✔		The Company has one chief speaker, two acting speakers and a designated team to be responsible for gathering and disclosing relevant information.	No discrepancy
8. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	✔		The Company has actively participated in community or charitable activities. • The Company has set up an exclusive web site for the new labor pension system containing information for employees regarding the laws and regulations, and to offer assistance. • In additional to the training courses required by authorities, the Company also held related training courses for members of the Board. • The Company has clearly set forth in the rules for the proceedings of Board meetings, that a director shall voluntarily abstain from voting on a proposal involved with his/her own interests. • 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. It's stipulated in Acer's "Corporate Governance Best-Practice Principles" that in case the Chairman also acts as the President or the Chairman and President are spouses or relatives within one degree of consanguinity, it is advisable that the number of independent directors be increased accordingly. • 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

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

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

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

Acer Incorporated 2016 Annual Report
Corporate Governance Principles

3.3.4 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?	✔		Acer Group has committed ourselves to meeting high standards of law and ethics compliance to carry out our business. The management is required to establish a paragon of placing a high value of corporate conduct and ethics. Under the supervision of the board of directors, HR, Legal, Internal Auditor and other cross-functional teams co-work to promote the Company's corporate conduct and ethics and urge all employees and stakeholders to act up to the corporate conduct and ethics. For the concrete implementation of the code of conduct and ethics, the pertinent compliance status will be reported to Audit Committee and the Board of Directors meeting by Chief Internal Auditor. The core implementation is summarized as follows: 1.Reviewing contractual terms and conditions to avoid dealing with someone who has negative record regarding corporate conduct and ethics. 2.Promoting the Company's cooperative parties to sign Acer's integrity declaration and undertaking (or including similar terms and conditions in the contracts) 3.Disseminating Acer's corporate conduct and ethics relevant policies to every employee. 4.Requesting anyone who participates in important project to sign non-disclosure agreement and promise not to disclose the Company's trade secret or other significant information to third party. 5.Promoting other project with respect to the corporate conduct and ethics.	No discrepancy
(3) Has the Company established policies to prevent conflicts of interest and provided appropriate communication and complaint channels?	✔		We have enacted "Acer Group Standards of Business Conduct" to prevent conflicts of interest and provide whistleblower mailbox on our website (http://www.acer-group.com/public/Investor_Relations/corporate.htm).	No discrepancy

Items	Enforcement Status			Discrepancy between the corporate governance principles implemented by the Company and the Principles, and the reason for the discrepancy
	Yes	No	Summary	
(4) Has the Company established effective accounting and internal control systems for the implementation of policies, and the internal or external auditors audit such execution and compliance.	✔		Acer's Internal Control Systems are management processes designed by the managers, passed by the board of directors, and implemented by the board of directors, managers, and other employees for purpose of promoting sound operations of the Company. Our financial reports are also audited by external auditors regularly.	No discrepancy
(5) Does the Company provide training regarding ethic compliance practice regularly?	✔		It is Acer Group policy to fully comply with all laws and regulations governing our people and operations around the world and to conform to the highest legal and ethical standards. Our Standards of Business Conduct (SBC) are formulated to guide the way Acer Group employees behave with each other, our customers, business partners, our shareholders and the communities where Acer Group does business. Within their first month, new staff are put through training to better understand the company's Standards of Business Conduct (including instruction on labor rights, freedom of expression, sexual harassment prevention, and corruption prevention), thus helping them become fully integrated parts of the team.	No discrepancy
3. Channels for reporting any ethical irregularities				
(1) Has the Company established policy and channels in terms of reporting ethical irregularities and designated competent personnel to handle such matters?	✔		In order to enhance corporate governance, Acer provides a whistleblower mailbox on our website (http://www.acer-group.com/public/Investor_Relations/corporate.htm) for people to report any threats of involvement of fraudulence, corruption, violation of Acer's Standards of Business Conduct, any illegal conducts or conducts violated corporate governance by Acer employee. The audit office, which functions directly under the board of directors, will handle the report exclusively.	No discrepancy
(2) Has the Company established policy and security mechanisms regarding the procedures for responding to the reports of ethical irregularities?	✔		Acer has established policy and security mechanisms regarding the procedures for responding to the reports of ethical irregularities.	No discrepancy

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

3.3.5 The Establishment and Enforcement of Remuneration Committee

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

The remuneration of Acer executive is governed under Acer Group "Executive remuneration guideline". The short-term incentive links to both individual and company overall team performance, while the long-term incentive links to long-term shareholders' value. The annual KPIs, which includes a portion of strategic KPIs assigned by the 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 June 18, 2014 to June 17, 2017.

Remuneration Committee held five meetings from January 1, 2016 to December 31, 2016. 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	Chin-Cheng Wu	3	2	60%	

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

3.3.6 Status and Measures of Ethical Practice

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

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

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

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

Acer Incorporated 2016 Annual Report
Corporate Governance Principles

3.3.8 Statement of Internal Control System

Date: March 30, 2017

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 2016:

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, 2016, 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 2016 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 30, 2017, with 0 of the 9 attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Acer Incorporated

Jason Chen	George Huang
Corporate President & CEO	Chairman of the Board of Directors

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

Resolutions of the Board of Directors' Meeting

Date	Meeting	Major Resolutions
2016.03.24	First 2016 BOD Meeting	1. To Approve Proposal of total remuneration for the staffs & the board of directors of 2015 2. To Approve the 2015 Financial Statements and Business Report 3. To Approve the Acer's Statement of Internal Control System for 2015 4. To Approve the Proposal for Profit & Loss Appropriation of 2015 5. To Approve the Cash Distribution from Capital Surplus 6. To Approve Convene the 2016 General Shareholders' Meeting 7. To Approve the Appointment CPAs of KPMG as the Auditors of Acer Incorporated 8. To Approve Simplify the Investment Framework of Gateway's Subsidiaries 9. To Approve Negotiate a Syndicated Loan Arrangement With Selected Bank Group 10. To Approve the Capital Injection into Acer SoftCapital Incorporated 11. To Approve Strategic Investment in Subsidiaries 12. To Approve directly or indirectly invest in Acer TW-US Venture Investment Fund I through Subsidiaries 13. To Approve Propose to establish Chongqing Capital Venture Fund 14. To Approve Modify and adjust the Investment Framework in EMEA 15. To Approve Propose to establish New Business Holding and its Subsidiaries 16. To Approve the Renewal of the Bank Facilities 17. To Approve the Company's Corporate Guarantees 18. To Approve Adoption of the Company and Worldwide Subsidiaries' Lending of Capital to others 19. To Approve Proposal of target bonus for the executives of 2015 20. To Approve Approval for the personnel adjustments of the Executives 21. Proposal of 2016 merit increase figures for all executives

Date	Meeting	Major Resolutions
2016.05.12	Second 2016 BOD Meeting	1. To Approve the First Quarter of FY2016 Consolidated Financial Statements 2. Propose to Set the Record Date of Capital Reduction by Redeeming and Cancelling a Portion of Restricted Stock Awards ("RSA") Initially Issued in 2014. 3. To Modify the Cash Distribution from Capital Surplus 4. Structural Adjustment of Service Business Units 5. To Approve Strategic Investment in Subsidiaries 6. Management of the idle assets and sale of land in France 7. Donation of Acer Foundation 8. To Approve the Renewal of the Bank Facilities 9. To Approve the Company's Corporate Guarantees 10. To Adoption of the Company and Worldwide Subsidiaries' Lending of Capital to others 11. Proposal of profit sharing guideline and executives allocation of 2015 12. Proposal of target bonus for new executives of 2016 13. Proposal of new business company stock option program guideline 14. The Retirement Application of the Executives
2016.06.24	First 2016 Special Meeting	1. Propose to Set the Record Date for the Cash Distribution from Capital Surplus 2. Proposed to Establish a Joint Venture Named Acer GrandPad International Inc. 3. Propose to Approve Acer Cloud Technology (Taiwan) Inc. to make capital injection to the subsidiary, Acer Being Communication Inc. 4. Propose to Establish a Joint Venture for Virtual Reality Business
2016.08.11	Third 2016 BOD Meeting	1. To Approve the Second Quarter of FY2016 Consolidated Financial Statements 2. Propose to Set the Record Date of Capital Reduction by Redeeming and Cancelling a Portion of Restricted Stock Awards ("RSA") Initially Issued in 2014. 3. To Establish a Subsidiary for the New Service Business 4. To Establish a Subsidiary for the Healthcare Business 5. To Approve Strategic Investment and disposal 6. To Approve the capital injection into Acer Computer (Shanghai) Ltd. Directly or Indirectly 7. To Amend The "Internal Control Procedure of Stock Affairs Unit" 8. To Approve the Renewal of the Bank Facilities 9. To Approve the Company's Corporate Guarantees 10. To Adoption of the Company and Worldwide Subsidiaries' Lending of Capital to others 11. Proposal of merit increase figures for all executives 12. To Agree on the Remuneration Proposal of 1st Tier Executive

Date	Meeting	Major Resolutions
2016.11.10	Fourth 2016 BOD Meeting	1. To Approve the Third Quarter of FY2016 Consolidated Financial Statements 2. To Approve the Acer's Annual Audit Plan for 2017 3. Propose to Agree Acer Holdings International, Incorporated to Make Capital Injection to Acer Subsidiary of Service and Repair in Malaysia 4. Propose to Make Capital Injection to Acer Europe S.A. 5. Propose to Dispose of Buildings owned by Acer Subsidiary in Middle East 6. Propose to Dispose of Idle Land owned by Acer Subsidiary in Thailand 7. Propose to acquire the ownership of the building and land of Acer Xizhi Office Building 8. To Approve the Modification the Investment subsidiaries and fund Usage for Strategic Investment 9. To Approve Strategic Investment and disposal in Subsidiaries 10. To Approve the Plan and Establishment of Liquidity Management Arrangement for the Company and Subsidiaries 11. To Approve the Subsidiaries' Procedures Governing Lending of Capital to Others 12. To Approve the Renewal of the Bank Facilities 13. To Approve the Company's Corporate Guarantees 14. To Adoption of the Company and Worldwide Subsidiaries' Lending of Capital to others 15. To Release Non-Compete Restriction on Managers 16. To Propose the Executive Adjustments 17. Acer Group Global Salary Increase Proposal of the Year of 2016
2016.12.20	Second 2016 Special Meeting	1. Proposal of the modification target bonus for the executives of the Year 2016 2. The Evaluation and Test on Impairment of Non-Financial Assets 3. To Maintain the Company's Credit and Shareholders' Equity, to Propose the Shares Buy-back

Acer Incorporated 2016 Annual Report
Corporate Governance Principles

Implementation of Resolutions in 2016 General Shareholders' Meeting

Major Resolutions	Carries out the situation
1. To Approve Amendments to the Company's Articles of Incorporation.	The registration was approved by the MOEA on July 21, 2016 and could be reviewed on the Company's website
2. To Accept 2015 Financial Statements and Business Report.	The shareholder resolution was adopted and approved as proposed.
3. To Approve the Proposal for Distribution of 2015 Retained Earnings.	To set July 22, 2016 and August 18, 2016 as the record date and the distribution date of ex-dividend respectively. (Distribution ratio for cash dividend : NT$0.5 per share)
4. To Approve the Proposal of Cash Distribution from the Capital Surplus.	To set July 22, 2016 and August 18, 2016 as the record date and the distribution date of ex-dividend respectively. (Distribution ratio for cash dividend : NT$0.5 per share)
5. To Accept the Modification of the 2014 Utilization Plan of Funds Obtained Through the Sale of New Stocks.	The shareholder resolution was adopted and approved as proposed, and be announced according to the authority regulations.

4

Capital and Shares

Acer Incorporated 2016 Annual Report
Capital and Shares

4.1 Sources of Capital

4.1.1 Sources of Capital (April 23, 2017)

Unit: Share/NTD Thousand

Date	Price of Issuance	Authorized Common stock		Paid-in Common stock		Notes
		Shares	Value	Shares	Value	
September, 2016	Share/NTD10	3,500,000,000	35,000,000	3,080,732,828	30,807,328	-

Unit: Share

Shares Category	Authorized capital			Notes
	Issued shares	Non-issued	Total	
Common shares	3,080,732,828	419,267,172	3,500,000,000	-

4.1.2 Shareholding Structure (April 23, 2017)

Unit: Share

Category Number	Government Institution	Financial Institution	Other Institution	Individual	FINI and Foreign Investors	Total
No. of Shareholders	8	41	497	329,092	909	330,547
Shares	4,875,569	11,005,608	159,993,882	2,153,143,805	751,713,964	3,080,732,828
Percentage	0.16%	0.32%	5.33%	69.89%	24.40%	100.00%

4.1.3 Distribution of Shareholdings (April 23, 2017)

Category	The Number of Shareholders	Shares	Percentage
1~999	118,821	32,167,419	1.044%
1,000~5,000	140,659	320,929,248	10.417%
5,001~10,000	33,766	255,217,944	8.284%
10,001~15,000	12,437	152,159,439	4.939%
15,001~20,000	7,153	129,200,394	4.194%
20,001~30,000	6,578	162,224,816	5.266%
30,001~50,000	5,216	203,484,008	6.605%
50,001~100,000	3,394	238,897,641	7.755%
100,001~200,000	1,453	200,174,786	6.498%
200,001~400,000	556	153,214,785	4.973%
400,001~600,000	154	74,240,858	2.410%
600,001~800,000	94	64,950,953	2.108%
800,001~1,000,000	41	37,345,633	1.212%
1,000,001 and above	225	1,056,524,904	34.295%
Total	330,547	3,080,732,828	100.00%

4.1.4 List of Major Shareholders (April 23, 2017)

Item / Name	Shares	Percentage
Hung Rouan Investment Corp.	73,629,933	2.39%
Stan Shih	69,024,395	2.24%
VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	52,911,632	1.72%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	36,045,682	1.17%
Acer GDR	33,214,605	1.08%
Management Board of Public Service Pension Fund	32,031,600	1.04%
The Hartford International Value Fund	20,836,355	0.68%
Polunin Developing Countries Fund, LLC	19,588,197	0.64%
Government of Singapor	17,241,718	0.56%
MSCI Equity Index Fund B - Taiwan	16,894,764	0.55%

Acer Incorporated 2016 Annual Report
Capital and Shares

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

Unit: NTD

Item			Period: 2015	2016	Until Mar. 31st, 2017
Market Price Per Share	Highest		22.15	16.20	15.45
	Lowest		9.31	10.10	13.00
	Average		16.00	13.28	14.43
Net Value Per Share	Before Distribution		21.67	19.01	18.13
	After Distribution		21.16	Un-appropriated	Un-appropriated
Earning Per Share	Weighted Average Share Numbers		3,014,625 Thousand shares	3,026,277 Thousand shares	3,026,277 Thousand shares
	Earning Per Share	Current	0.20	(1.62)	0.02
		Adjusted	0.20	Un-appropriated	Un-appropriated
Dividend Per Share	Cash Dividend (NTD)		0.50	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		80.00	(8.20)	Un-appropriated
	P/D Ratio		32.00	Un-appropriated	Un-appropriated
	Cash Dividend Yield		3.13%	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 Compensation of Employees, Directors, and Supervisors:

1. (1) Remunerations to Directors:

Where there is profit in each fiscal year, after covering the accumulated losses, not more than one percent (1%) of the profit shall be distributed as remuneration of directors; the standard for distribution of remuneration will be recommended by Remuneration Committee and determined by the Board of Directors.

(2) Employees' Bonuses:

Where there is profit at the end of each fiscal year, after covering the accumulated losses, at least 5% of the profit shall be distributed as employees' compensation.

The employees' compensation in the previous section shall be distributed, in the form of either cash or stock bonus, by resolution approved by a majority voting attended by two-thirds of the directors of the Company. Qualification requirements of the employees who are entitled to receive the employees' compensation may be specified by the Board of Directors.

2. The Board of Directors proposed a dividend distribution plan of year 2016 as follows:

None

3. The remunerations to Employees, Directors and Supervisors in 2016:

	2016		
	Dividend Distribution Proposed by the BOD	Actual Dividend Distribution	
		Amount	Share
Remunerations to Employees is paid in cash	NTD 28,200,077	NTD 28,200,077	-
Remunerations to Employees is paid in stock	NTD 0	NTD 0	0 Share
Remunerations to Directors	NTD 0	NTD 0	-
Total	NTD 28,200,077	NTD 28,200,077	0 Share

Note: The Company's directors have voluntarily surrendered the compensation to directors. The difference of NT$5,640,015 is treated as change in accounting estimate and charged to profit and loss in 2016.

Acer Incorporated 2016 Annual Report
Capital and Shares

4.1.9 Buyback of Treasury Stock (March 31, 2017)

Term of Buyback	The Buyback in Year 2016
Purpose of Buyback	In order to maintain the Company's credit and shareholders' equity
Period of Buyback	December 21, 2016 to February 20, 2017
Price Range of Buyback	NTD 10 to NTD 19
Class and Quality of Bought back	Common Shares: 0 shares
Amount of Shares Bought back	NTD 0
Number of Shares having been written off and Transferred	0 share
Number of the Company Shares Held in accumulation	0 shares
Number of the Company Shares Held in accumulation out of the Total Number Shares issued (%)	0%

4.2 Corporate Bonds

None

4.3 Special Shares

None

4.4 Global Depository Receipts (GDRs) Issuance (March 31, 2017)

Date of issuance / Description			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$40.15
Total number of units issued			6,800,000units	4,000,000units
Sources of valuable securities demonstrated			Capital increased in cash	Capital increased in cash
Number of valuable securities demonstrated			Each unit stands for Acer's 5 common shares	Each unit stands for Acer's 5 common shares
Rights and obligations of GDR holders			Same as Acer's common shareholders	Same as Acer's common shareholders
Consignee			None	None
Depository organization			Citicorp	Citicorp
Custodian organization			Citibank Taipei Branch	Citibank Taipei Branch
Balance not retrieved			6,642,902units of Global Deposit Receipt as representing 33,214,510 shares of common stocks	
Method to allocate fees incurred during the period of issuance and existence			The expenses incurred by issuance being taken to offset premium reserve. Expenses incurred during existence being taken as expenses of the current term.	The expenses incurred by issuance being taken to offset premium reserve. Expenses incurred during existence being taken as expenses of the current term.
Any key issue for the depository and custodian agreements			None	None
Market Price Per Share	2016	Highest	US$ 2.47	
		Lowest	US$ 1.00	
		Average	US$ 2.04	
	Until March 31, 2017	Highest	US$ 2.45	
		Lowest	US$ 2.03	
		Average	US$ 2.31	

4.5 Employee Stock Options

None

4.6 Restricted Stock Awards (March 31, 2017)

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	5,835,000 shares
Number of Shares Exercised	3,915,000 shares
Number of Shares Unexercised	7,710,000shares
Percentage of Shares Unexercised to Outstanding Common Shares (%)	0.25%

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

None

4.8 Issuance of New Shares by Cash

None

5

Acer's Business Formula

Acer Incorporated 2016 Annual Report
Acer's Business Formula

5.1 Business Scope

5.1.1 Business Portfolio

Acer's core business comprises of the marketing, research, design, sales, and services of its brand name products that include PCs, displays, projectors, servers, tablets, and other smart devices. The company has 7000 employees worldwide and presence in over 160 countries with regional offices for Europe, Middle East, and Africa (EMEA), Pan America, and Pan Asia Pacific. Acer has its own R&D center in Taiwan and its main manufacturing vendors for notebook PCs are based in Chongqing in China.

With the company's Build Your Own Cloud (BYOC™) and Internet of Beings (IoB) visions, Acer is continuing its transformation into a "hardware + software + services" company, actively embracing new opportunities while building on the solid foundation of its core IT product business.

PCs are the core of Acer's business; in 2016, notebooks accounted for 63% of the total revenues from ICT product lines, while desktops contributed toward 15%, and displays increased to 12%.

5.1.2 Industry Highlights

1. Status and Opportunity: The popularization of mobile devices has brought about profound changes to the ICT industry. Whereas PCs dominated in the past, the rise of smart mobile devices with a wide range of functionalities means there is no longer a single technical standard but a wide range of integrated products and solutions, with new cross-category products surfacing. In addition, the growth of the Internet of Things (IoT) has propelled the need for hardware devices to integrate with cloud services, opening the way for a wider scope of innovation.
2. Upstream to Downstream Suppliers: Acer's upstream suppliers include the CPU, chipset, graphics chip, DRAM, and other semi-conductor industries, as well as system programing and software industries. The midstream suppliers include motherboard, chassis, keyboard, monitor displays, optoelectronics, hard disk, battery, power supply, and other computer peripherals industries. The downstream suppliers include notebook, desktop, projector, smartphone, server and other OEM / ODM system assembly industries.
3. Trends: Acer's core business in IT products includes PCs, tablets, servers, projectors, LCD monitors and other smart devices. While continuing to research and innovate to enhance its product offerings, Acer will also dedicate more resources to high-margin products such as gaming-related products and personal mobile devices to optimize its investments. With the prevalence of the IoT, Acer is actively investing in new businesses to develop software and devices for cloud applications, along with people-centric services to integrate multiple modes of communication to create new business models in the new mobile era.
4. Competition: The PC industry is facing a pivotal change as it reacts to the demand for increasingly thin, light, and mobile devices. With the rise of the IoT, the industry must transform to expand business opportunities. In light of this trend, Acer has defined its new "hardware + software + services" direction in order to create service-oriented products rather than just hardware. With software and services, more value will be created for the product and brand. The product mix and marketing strategy must be tailored to each market to create differentiation and higher margins.

5.1.3 Technology and R&D

In 2016, Acer spent NT$2.05 billion on R&D, which accounted for 0.9% of total revenues, focusing on user interface, industrial design, ICT related hardware and software, cloud, and gaming technology. In addition the company is building on its core business and expanding into new areas such as BYOC, that can seamlessly integrate PCs and other personal mobile devices with new software applications, and also integrate cloud platforms with cloud services to complete the transition to a "hardware + software + services" company.

With the commitment toward designing for customer needs, Acer is developing award-winning products that are innovative and provide intuitive user experiences.

- Seven products earned the Red Dot Product Design Award, including the Aspire S 13 ultra-slim notebook, Aspire R 15 convertible notebook with 360-degree versatility, flagship TravelMate P6 series commercial notebooks, Revo Build mini PC, Veriton N series compact commercial desktops, XR342CK curved gaming monitor, and full-functioned abTouchPhone touchscreen IP desk phone.

- Five products earned the iF Design Award, including the Predator G6 gaming desktop, the Revo Build mini PC, Predator Z35 curved gaming monitor, XR342CK curved monitor, and HU277HU USB Type-C monitor.
- Three products were honored with Japan's Good Design Award, including the Swift 7 ultra-slim notebook, which is the world's first notebook to measure less than 1 cm thin, and Spin 7 convertible notebook, weighing just 1.2 kg. The abTouchPhone touchscreen IP desk phone was also awarded.
- Fourteen products received the Taiwan Excellence Awards. Among the awarded products, the Revo Build mini PC and Z3-700 portable all-in-one desktop were nominated for the Gold and Silver awards.
- Eight Computex d&i (design and innovation) awards: Revo Build mini PC, Aspire One 11 notebook, Liquid Jade 2 smartphone, Liquid Jade Primo Desktop Kit, Predator Z850 gaming projector, K138STi portable projector, XR342CK gaming monitor, and RT240Y ultra-slim monitor..

In 2016, Acer introduced the industry's first cycling computer with video recording capabilities through its subsidiary Xplova, and forayed into the virtual reality market, setting up a joint venture with Swedish game developer Starbreeze to develop high-end VR head-mounted displays for cinematic use, and also investing in the IMAX VR content fund. To strengthen its interaction with gamers, Acer was named Official Sponsor and Monitor Provider for the 2016 League of Legends World Championships and All Star Events. Acer hosted a forum titled "Smart Cities of a New Si-vilization" in October in celebration of its 40th anniversary.

5.1.4 Long and Short Term Business Plan

In the short term, Acer will focus on strengthening the foundation of existing product lines and innovations, along with the development of software applications, integrating cloud platforms and cloud services.

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

5.2 Market Highlights

5.2.1 Market Study

In 2016, Acer's revenue contributions among its regional operations were: EMEA with 43%, Pan America with 30%, and Pan Asia Pacific with 27%.

In worldwide PC shipments, Acer ranked No. 6 for total PCs with 6.8% market share, No. 6 for notebooks with 8.6% market share, and No. 4 for desktops with 4.0 % market share, according to data by research firm, IDC.

5.3 Keys to a Sustainable Future

5.3.1 Promote Transformation and People-centric Product Strategy

Acer is transforming into a "hardware + software + services" company by combining the strength and scale of its existing core IT product businesses with the foundation and innovative capabilities of new businesses. In addition, Acer will stand by its core foundations: innovation, human capital, entrepreneurship, and brand. By researching and understanding customer needs, Acer aims to develop innovative and high-margin products that offer differentiation and high added value. The company is also taking a people-centric approach in the R&D of products and services, cultivating customer loyalty to the Acer brand, and driving operational growth through locally-tailored products and marketing strategies.

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. Realizing the spirit of Wangdao through the continuous pursuit for innovation and value creation; Acer is setting a mechanism that ensures the balance of interests and pursuit for sustainable operations.

5.3.3 BYOC and the Internet of Beings

BYOC is an open platform that lets people integrate their PC and other digital devices to share contents seamlessly at any time, securely and privately. Based on the Internet of Things (IoT) architecture, the concept of Acer's Internet of Beings (IoB) is to integrate PCs, mobile smart devices with the BYOC open platform, backend services and various development models, to create new smart living applications. For cloud services in various industries, Acer is providing applications for smart homes and smart living. Acer is seeking for more partners to join the BYOC alliance to develop products, create value, 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	2015				2016			
	From	Amount	Percentage of total net sales (%)	Relationship with Acer Inc.	From	Amount	Percentage of total net sales (%)	Relationship with Acer Inc.
1	Customer A	27,450,667	10.41	None	None			
	Others	236,324,535	89.59		Others	232,724,161	100.00	
	Total Net Sales	263,775,202	100.00		Total Net Sales	232,724,161	100.00	

(2) Key Suppliers for Acer Group

Unit: NTD Thousand

Item	2015				2016			
	From	Amount	Percentage of total net purchase (%)	Relationship with Acer Inc.	From	Amount	Percentage of total net purchase (%)	Relationship with Acer Inc.
1	Supplier C	32,540,848	18.35	None	Supplier C	33,366,055	20.22	None
2	Supplier B	21,069,623	11.88	None	Supplier D	21,276,641	12.90	None
3	Supplier D	20,773,016	11.72	None	Supplier B	17,430,648	10.56	None
	Others	102,922,862	58.05		Others	92,912,727	56.32	
	Total Net Purchase	177,306,349	100.00		Total Net Purchase	164,986,071	100.00	

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	2015		2016	
	Domestic Sales	Foreign Sales	Domestic Sales	Foreign Sales
Computer	6,962,782	200,701,021	6,629,473	174,825,937
Peripherals & Others	15,009,414	41,101,985	15,108,983	36,159,768
Total	21,972,196	241,803,006	21,738,456	210,985,705

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 2015	December 2016	March 2017
Manpower	6,958	7,033	7,033
Average Age	37.7	37.4	38.5
Average Years of Employment	7.5	7.7	7.8
Male (%)	66.1%	64.7%	64.2%
Female (%)	33.9%	35.3%	35.8%

Acer Incorporated 2016 Annual Report
Acer's Business Formula

-By Job Function

Job Function \ Date	December 2015	December 2016	March 2017
General Management	177	202	184
Sales & Product Marketing	2,221	2,323	2,322
Customer Service	2,130	1,997	2,004
Research & Development	961	859	867
Sales Support	844	851	846
Administration	625	801	810
Total	6,958	7,033	7,033

- By Education Level

Education Level \ Date	December 2015	December 2016	March 2017
Doctor of Philosophy	0.8%	1.1%	1.2%
Master's Degree	39.9%	40.0%	43.0%
Bachelor's Degree	40.7%	42.2%	41.3%
Vocational Study	15.6%	14.1%	13.3%
Senior High School or below	3.0%	2.6%	1.2%
Total	100%	100%	100.0%

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 training in 2016 aimed to help Acer accelerate the transition from hardware-focused to hardware, software, and service company. Thus, we focused to help the employees to have a deep understanding of trend, technology, and business opportunities, along with the utilization of digital marketing.

In addition, the value creation was persistently addressed so as to have employees incorporate the values into daily work.

For management training, we have been dedicated to enhancing the people management competencies, expecting the managers to acquire more sophisticated skills in managing teams' performance and using incentive tools effectively, in order to enhance individual's and teams' performance for value creation.

For profession training, there had been multiple speech sessions held covering a variety of technological development topics, to assist the employees of product business , e-Business, BYOC to recognize the business trend, and further target the consumers' needs in more precise manner.

For general staff training, the employees are guided to make use of the latest technological applications in doing marketing and selling. With the guide of core values, we continued to enhance the skills in the aspect of innovative application, cross-unit collaboration, 5C (Communication, Communication, Communication, Consensus, Commitment), and implementation of projects.

To assure training quality and effectiveness, all trainings were carried out in compliance with the "Management Procedures for Internal and External Training." Training in worldwide attracted 19,129 personnel for a total of 52,272 person-hours of training. All of the trainings were initiated and conducted based on the principle of development needs, with gender equity and equal opportunity addressed.

Training Scheme and Implementation

- New Employee Training: Orientated the new employees by shaping essential mindset and providing essential knowledge, covering the overview of Acer's organization, culture, core values and standards of business conduct (including labor rights, freedom of expression, sexual harassment prevention, anti-corruption), policies and systems, Welfare Committee and Employee Representative Meeting, IP sense, etc. The new employees of product lines need to receive patent prosecution and protection training, training of Green Products, EICC, and GHG, Electrostatic Discharge (ESD)training. Cardiopulmonary Resuscitation (CPR) and Automatic External Defibrillators (AED) Training.
- General Skill Training: The training focused on how to use the latest technology to enhance the work efficiency. For example, How to Run Social Media Successfully, Advanced Outlook. Meanwhile, the basic skills and core competencies are also stressed, for example, Project Implementation and Communication, Successful Presentation Skills, and Patent Protection, etc.
- Professional Training: The training was provided for advancing the professional knowledge and skills in technological trend development. In 2015, we held a series of speech sessions on technological development by inviting internal experienced manager or staff to share the latest development of technology, including Wi-Fi field, Touch Tech, Cloud Applications, SmartHome Remote Control, and Big Data applications, etc.
- Managerial Training: In order to enhance the management skills of people managers, we held a series of people management training, including People Selection and Interview Skills, Goal Setting, Delegation Skills, Coaching for Performance Improvement, Performance Management and Incentives Management. All people managers are requested to attend the series of training. For the level of senior managers, we emphasize about how to apply Wangdao concept to performance management to create values collectively, for example, Platform Strategy, and Wangdao Management Program.
- 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
Patent License Agreement	IBM Corporation	Oct. 29, 2003 until the end of related patents period Nov 22, 2006 until the end of related patents period	Cross license arrangements for certain patents	Confidential
	Microsoft Corp.	Jan 1, 2016~Dec 31, 2018	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 until the loan has been fully repaid on Apr 18, 2016	A maximum syndicated financing amount of NTD15 billion	Confidential, Non-assignable, Certain financial ratio covenants
Syndicated Loan Agreement	A bank group led by the arrangers, Bank of Taiwan, Chinatrust, Taiwan Cooperative, Megabank, Taipei Fubon, Taishin, Bank SinoPac, DBS, Chang Hwa, Landbank, Taiwan Business Bank, KGI and Agricultural Bank of Taiwan	From April 29, 2016 for a period of no longer than four years	A maximum syndicated financing amount of NTD12 billion	Confidential, Non-assignable, Specific 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 in the world grow as a whole by pursuing global economic 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 can be achieved through corporate responsible way. 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.

Acer engages suppliers to work together for business ethics and the third consecutive year for Acer to be included in MSCI Global Sustainability Indexes and Dow Jones Sustainability Indices (DJSI), also the third consecutive year to be awarded the gold medal of sustainability report from the Taiwan Corporate Sustainability Awards. Additionally, in 2016 Acer is first year to be included in FTSE4Good Emerging Index

In 2008, Acer stablished the Corporate Sustainability Office (CSO) as an establishment directly in charge of Acer Group's CSR. The Office is in charge of promoting campaigns on companywide sustainability issues. Since then, we take into account stakeholders' suggestions to establish longer term CSR targets and strategies to internalize CSR programs throughout the whole global organization and suppliers. In 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. To deepen corporate responsibility governance and integrate it with business strategy, in 2015 Acer made further adjustments to its governance structure. Our dedicated corporate responsibility management unit, the Corporate Sustainability Office, changed from reporting to the Corporate President and CEO to reporting to the chairman of the board, while the head of the Office also appointed as the Corporate Sustainability Officer. In 2016, we focus on: global corporate social responsibility practice, smart strategy interviews and new sustainable governance framework.

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) and United Kingdom's Modern Slavery Act 2015. 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 to reduce our carbon emission. And we keep the increasing the coverage of our operation site.

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.

Going forward, Acer will continue to evaluate the factors of accessibility, effectiveness and maturity of green electricity and recycled energy supply in operation sites worldwide to expand the use of recycled energy to achieve the goal of 60% carbon reduction by 2020.

2. Green Product Management

Acer Green Product Management Policy is:

- Based on the product Management cycle on the Management 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.

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. Until the end of 2016, we listed 45 kinds of chemical substances that might cause impact to human body are restricted to be used in our products.

In order to promote the reuse of resources, Acer has taken the initiative in using postconsumer recycled plastics (PCR) in its products. In 2016, we continued to expand the use of recycled plastic materials in B6 and V6 display new models and some 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

Most energy consumption of Acer are from 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 2016, we save electricity and reduce greenhouse gases emissions by improving the operation of air-conditioning system, increasing the efficiency of lighting, producing green electricity and installing energy monitoring system.

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 2015, we expanded the operation sites in Taiwan with ISO 14001 and OHSAS 18001 certifications.

2. Working Environment and Employee Safety

Acer cares about the working environment where employee engagement system have assisted us in fulfilling our p6, we conducted a series of improvements, including water filtration system, drinking water quality, and indoor air quality; strengthen the computer room and warehouse safety. Acer also implemented environment, health and safety management system and conducted office sites hazards identification. We then improved items with significant risks to lower the hazards.

3. Emergency Accident Operation

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

In 2016, we implemented nine sections of labor safety and health e-learning course. 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. Acer has been involved various sport activities, and encourage employees to choose a healthier lifestyle. In 2016, Acer has awarded the Taiwan Sport Corporate Certificate from the Ministry of Education. In addition, Acer has been involved various sport activities and excellent class by New Taipei City government. 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 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.

To enrich the lives of our 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 New Taipei City Wan-Jin-Shi Marathon and the Acer Climbing Race. In 2016, a total of 1,136 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 70 audits of our supply chain in 2016. Between 2008 and 2016 we conducted a total of 422supplier 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 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 organizations that focus on peace negotiations in the conflict-free products.

We also join the organizations that focus on peace negotiations in the conflict-free products. In 2013, Acer joined the Public- Private Alliance (PPA) for Responsible Minerals Trade. In 2016, we evaluated our fourth full cycle of Conflict Mineral Reporting Template responses that were collected from our suppliers. 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 continuously released Acer 2015 Conflict Minerals Report, which provides our due diligence efforts conducted during the 2014 calendar year and planned for future. 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.

In 2013, we began implementing vendor CSR scorecard assessment in order to look at performance in CSR and with regard to the environmental, social, and governance aspects. In 2014, we began to include the assessment result into quarterly business reviews, providing suppliers' CSR evaluations to the senior management of Acer in the hopes that it becoming one of the driving forces of the business relationship between Acer and suppliers. In order to put into practice environmental and social responsibility in Acer's supply chain, since 2016, our suppliers have to implemented risk assessment and management for their own suppliers based on the EICC Code of Conduct. For suppliers with higher risk, they should carry out on-site audits and management of follow-up improvement efforts. We'll include this practice into CSR scorecard.

acer | Acer Incorporated 2016 Annual Report
Corporate Social Responsibility

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 8th supplier CSR communication meeting in December 2016 to share the CSR performance, CSR trend and Acer CSR directions. We also invited the consultant form Industrial Technology Research Institute to introduce the methodology for Science Based Target setting for the carbon reduction. We also expect all our major suppliers to make their long-term carbon reduction target by the end of 2018 by SBT to lower the whole emission from our supply chain.

6.3.3 Customer Relations

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

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

(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 2016, 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 competiveness which can better their lives. At the same time, we have colleagues to voluntarily teach them to use hardware, software and Internet, that helps them gain the knowledge of technology.

Meanwhile, Acer Foundation continues to hold the Dragon Smile Contest and Acer BeingLife NEXT Innovation 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 in 2014. In 2015, Acer has become the official IT infrastructure sponsor for the IOI for five years, providing the hardware, networking equipment, and on-site maintenance and services required by the various host countries. The sponsorship will be started from 2018. We hope our inputs will allow these passionate young people to develop their gifts.

6.5 Enforcement of Corporate Social Responsibility by the Company

Assessment Items	Implementation Status: Yes	Implementation Status: No	Implementation Status: Summary Description	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
1.Exercising Corporate Governance				
(1) Does the company declare its corporate social responsibility policy and examine the results of the implementation?	✔		Acer's Corporate Responsibility states: 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. 1. 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. 2. 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. 3. We will work side by side with our suppliers to promote business ethics, minimize climate risk, and improve resource efficiency. We formulate the action plans based on the corporate social responsibility policy and regularly review the performance. Please view Acer Corporate Responsibility Report for details.	No discrepancy
(2) Is there any training about Corporate Social Responsibility (CSR) conducted regularly?	✔		Acer conducts Corporate Social Responsibility (CSR) training according to planned schedule. In 2016, the CSR trainings includes: • 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?	✔		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 Management Committee Meeting. To deepen corporate responsibility governance and integrate it with business strategy. In 2015 Acer made further adjustments to its governance structure. Our dedicated corporate responsibility management unit, the Corporate Sustainability Office, changed from reporting to the Corporate President and CEO to reporting to the chairman of the board, while the head of the Office also appointed as the Corporate Sustainability Officer. In 2016, we focus on global corporate social responsibility practice, smart strategy interviews and new sustainable governance framework. Please view Acer Corporate Responsibility Report for details.	No discrepancy
(4) Have the critical factors of corporate social responsibility been clearly articulated in the performance appraisal system, with fair and effective rewarding or penalty system followed?	✔		Acer promulgates Standards of Business Conduct (SBC) as the guidelines to regulate the employees' behavior in doing business. It is essential for each employee to abide by SBC. We require a new employee attend the training, emphasizing the importance of abiding by the regulations. The standards of SBC --- the core essence of CSR in doing business----- are built-in Acer's performance appraisal system, which helps managerial staff to monitor the status of exercising the regulations. For any behavior that violates the regulations of SBC, the disciplinary actions will be taken, including an employment dismissal.	No discrepancy

Assessment Items	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary Description	
2. Fostering a Sustainable Environment				
(1) (Does the company endeavors to utilize all resources more efficiently and uses renewable materials which have a low impact on the environment?	✔		Acer strives to lower the environmental impacts of our operation and products, and keeps improving the efficiency of resource usage. The major achievements of 2016 include: a. Use of Post-Consumer Recycled Plastics Acer continued to expand the use of recycled plastic materials in B6 & V6 display new models and All-in-One desktop PCs (VZ4810G, VZ4710G and so on). b. Use of recycled paper in packaging For the inner cushioning of the cartons, we have substituted folded cardboard with molded pulp since. Since2015, the percentage of notebook models packaged with molded pulp has reached over 90%.	No discrepancy
(2) Does the company establish proper environmental management systems based on the characteristics of their industries?	✔		Acer adopted international standards ISO 14001 to establish the environmental management system and keep maintaining the validity of the Certificate. We also adopted OHSAS 18001 for our occupational health and safety management.	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?	✔		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 identifies and assesses already reduced by 30% compared to 2009,and will fulfill the 60% reduction by 2020.	No discrepancy
3. Preserving Public Welfare				
(1) Are there any human right policies or processes formulated in the company in response to the request of International Bill of Human Rights?	✔		The Standards of Business Conduct requires each site of Acer worldwide follow the principles of labor rights, which are both internationally or locally-regulated, including general labor laws, equal opportunity and transparency in recruitment process, with no discrimination of race, gender, age, religion, or nationality, in pursuit of our value emphasizing that right man should be in the right position. Besides, employing a child labor is forbidden. We have sound human resources management systems, for example, clear employment contracts, work rules, or human resources regulations, to ensure the legitimate rights and benefits of an employee being well-protected.	No discrepancy

Assessment Items	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary Description	
(2) Are there any complaint channels created for employees, and are the complaints properly handled?	✔		Acer builds up an open and transparent channel for collecting complaints, where there are 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 employeeson a regular basis?	✔		In order to build a good working environment and ensure colleague health and safety, the Acer Taiwan headquarters has launched an ESH (Environment, Safety, and Health) management system. The ESH management group is comprised of 43 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.	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?	✔		Acer attaches great importance to employees communication channels and employ the appropriate methods to inform the employees of the possible significant 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 hotlines of internal services, communication meetings across multiple-layers of managers.	No discrepancy
(5) Does the company have effective career development plans for employees?	✔		Acer provides a variety to training targeting to the requirements of new employees, staff in a variety of specialized functions, managerial staff, or general audience. All of the trainings will direct to meet the needs of organization development and employee growth, which facilitates to employees' career and competency growth to the fullest.	No discrepancy
(6) Does the company establish policies on consumer rights and provides grievance mechanism regarding its development and research, procurement, production operation and services?	✔		Acer customers can contact us at any time and provide comments and suggestions through any one of the channels listed below: • Network download and support services • Telephone service support center/ technical support • Acer-managed service centers • Authorized service centers and professional maintenance companies • International travelers' warranty service centers • Acer Web Master (procedures and mechanism for handling customer complaints) • Facebook and Acer Community	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	
(7) Does the company comply with the law and international regulations on marketing and labeling of its product and service?	✔		Acer holds firmly to the principles of integrity,transparency, proactiveness, timeliness, andregularity, and carries out marketing communication with consumers and partners, in compliance with local laws and regulations, through the corporate website, subsidiary websites, advertising, product exhibitions, press conferences, and sponsorship of activities. In these ways the Company communicates information on its corporate ideals, products, and services. All Acer products and services carry 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?	✔		We conduct the environmental and social assessment for the suppliers that we have business relationship. In 2013, we began implementing vendor CSR scorecard assessment in order to look at performance in CSR and with regard to the environmental, social, and governance aspects. In 2014, we began to include the assessment result into quarterly business reviews, providing suppliers' CSR evaluations to the senior management of Acer in the hopes that it becoming one of the driving force of the business relationship between Acer and suppliers. In order to put into practice environmental and social responsibility in Acer's supply chain, Please view Acer Corporate Responsibility Report for details.	No discrepancy
(9) The company contracts with its major suppliers, such as whether to include supplier when it comes to violations of its corporate social responsibility policy, and there is a significant impact on the environment and society, may at any time terminate or cancel the terms of the contract?	✔		Under our current-existing supply agreements with main suppliers, it contains provisions of compliance of laws and relevant Corporate Social Responsibility regulations such as the 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

acer | Acer Incorporated 2016 Annual Report
Corporate Social Responsibility

Assessment Items	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary Description	
4. Enhancing Information Disclosure				
(1) Does the company disclose the relevant and reliable information relating to their corporate social responsibility in the website and the Market Observation Post System?	✔		We disclose our CSR information and CR report on the below website: https://www.acer-group.com/ag/en/TW/content/reports-certificates	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 no only protect Acer's global business interest in a legitimate manner but also help to enhance its service quality for customers, partners, and the communities. 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 the social, economic and environmental aspect. More information can be found at:
1. Acer Sustainability website: https://www.acer-group.com/ag/en/TW/content/high-level-statement
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.

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 (Restated)	2015	2016
Current assets		169,029,413	147,088,855	150,885,170	132,949,777	133,863,136
Net property, plant and equipment		6,348,237	6,133,729	5,484,061	4,827,412	4,321,152
Intangible assets		39,134,920	28,720,088	26,727,547	26,609,427	18,595,922
Other assets		11,803,578	8,557,038	7,998,259	7,355,587	8,893,852
Total assets		226,316,148	190,499,710	191,095,037	171,742,203	165,674,062
Current Liabilities	Before Distribution	142,828,987	113,688,491	117,755,891	102,576,092	105,421,675
	After Distribution	142,828,987	113,688,491	117,755,891	102,576,092	Un-appropriated
Long-term liabilities		9,283,141	20,559,849	12,709,296	3,311,010	2,573,909
Total Li-abilities	Before Distribution	152,112,128	134,248,340	130,465,187	105,887,102	107,995,584
	After Distribution	152,112,128	134,248,340	130,465,187	105,887,102	Un-appropriated
Equity attributable to shareholders of the Company		74,201,686	56,248,981	60,627,593	65,852,731	57,674,395
Common stock		28,347,268	28,347,268	27,965,678	30,854,428	30,807,328
Capital surplus		43,403,533	43,707,727	34,098,396	36,232,755	34,743,105
Retained Earnings	Before Distribution	12,028,067	(8,325,852)	903,649	1,451,899	(3,448,397)
	After Distribution	12,028,067	0	903,649	1,451,899	Un-appropriated
Other reserves		(3,522,896)	(1,425,876)	845,908	228,505	(1,512,785)
Treasury Stock		(6,054,286)	(6,054,286)	(3,186,038)	(2,914,856)	(2,914,856)
Non-controlling interests		2,334	2,389	2,257	2,370	4,083
Total equity	Before Distribution	74,204,020	56,251,370	60,629,850	65,855,101	57,678,478
	After Distribution	74,204,020	56,251,370	60,629,850	65,855,101	Un-appropriated

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

Unit: NTD Thousand

Item \ Period		2012
Current assets		170,840,056
Fund and Long-term equity investments		3,449,711
Net property, plant and equipment		6,572,348
Intangible assets		39,316,838
Other assets		6,480,041
Total assets		226,658,994
Current Liabilities	Before Distribution	143,018,437
	After Distribution	143,018,437
Long-term liabilities		4,755,200
Other liabilities		3,853,206
Total Liabilities	Before Distribution	151,626,843
	After Distribution	151,626,843
Common stock		28,347,268
Capital surplus		44,096,498
Retained Earnings	Before Distribution	16,138,942
	After Distribution	16,138,942
Unrealized Gain (loss) on Financial assets		(904,176)
Translation adjustments		(5,655,033)
Minimum Pension Liability adjustment		(331,754)
Treasury Stock		(6,662,028)
Minority Interest		2,434
Stockholders' Equity	Before Distribution	75,032,151
	After Distribution	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	2015	2016
Revenue	429,627,192	360,132,042	329,684,271	263,775,202	232,724,161
Gross profit	35,222,038	22,550,266	28,942,184	24,884,122	23,212,458
Operating (loss) income	938,497	(11,409,666)	2,707,665	938,608	1,192,513
Non-operating Loss	(3,209,396)	(9,654,070)	(93,246)	(92,051)	(5,916,838)
Income (loss) before taxes	(2,270,899)	(21,063,736)	2,614,419	846,557	(4,724,325)
Income (loss) from Continued segment	(2,460,958)	(20,519,349)	1,790,584	603,795	(4,900,740)
Income (loss) from Discontinued segment	0	0	0	0	0
Net income (loss)	(2,460,958)	(20,519,349)	1,790,584	603,795	(4,900,740)
Other comprehensive income (loss) for the period, net of taxes	(2,810,851)	2,262,505	2,438,464	(829,149)	(1,752,356)
Total comprehensive income (loss) for the period	(5,271,809)	(18,256,844)	4,229,048	(225,354)	(6,653,096)
Net income (loss) attributable to shareholders of the Company	(2,461,098)	(20,519,428)	1,790,690	603,680	(4,900,296)
Net income (loss) attributable to non-controlling interests	140	79	(106)	115	(444)
Total comprehensive income (loss) attributable to Shareholders of the Company	(5,271,735)	(18,526,899)	4,229,180	(225,467)	(6,654,809)
Total comprehensive income (loss) attributable to Non-controlling interests	(74)	55	(132)	113	1,713
EPS (in New Taiwan Dollars)	(0.90)	(7.54)	0.66	0.20	(1.62)

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

Unit: NTD Thousand

Item \ Period	2012
Operating Revenue	429,510,913
Gross profit	43,195,744
Operating income	1,024,706
Non-operating Income and gain	1,984,494
Non-operating expenses and loss	5,642,904
Continuing operating income before tax	(2,633,704)
Income(Loss) from Discontinued segment	0
Extraordiniary Items	0
Cumulative Effect of changes in accounting principle	0
Loss after income taxes	(2,910,326)
EPS (in New Taiwan Dollars)	(1.07)

7.1.3 CPAs' and Auditors' Opinions

Year	Name of CPA(s)	Auditors' Opinion
2012	Huei-Chen Chang, Wei-Ming Shih	Unqualified
2013	Huei-Chen Chang, Wei-Ming Shih	Unqualified
2014	Tzu-Chieh Tang, Wei-Ming Shih	Unqualified
2015	Tzu-Chieh Tang, Wei-Ming Shih	Modified Unqualified
2016	Huei-Chen Chang, Tzu-Chieh Tang	Unqualified

7.2 Five-Year Financial Analysis

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

Item \ Period			2012	2013	2014	2015	2016
Financial Ratio	Total liabilities to total assets(%)		67.21	70.47	68.27	61.65	65.19
	Long-term funds to Net property, plant and equipment(%)		1,315.12	1,252.28	1,337.31	1,432.78	1,394.36
Ability to Payoff Debt	Current ratio(%)		118.34	129.38	128.13	129.61	126.98
	Quick Ratio(%)		86.30	95.39	94.52	93.45	86.93
	Interest protection		(1.51)	(22.16)	5.01	3.49	(17.88)
Ability to Operate	A/R turnover (times)		5.59	5.50	5.44	4.91	5.03
	A/R turnover days		65.30	66.36	67.09	74.33	72.56
	Inventory turnover (times)		9.47	8.56	8.33	6.76	5.73
	A/P turnover (times)		5.06	5.32	5.47	4.90	4.38
	Inventory turnover days		38.54	42.64	43.81	53.99	63.69
	Fixed assets turnover (times)		64.90	56.90	56.76	51.16	50.88
	Total assets turnover (times)		1.81	1.73	1.73	1.45	1.38
Earning Ability	Return on assets(%)		(0.72)	(9.49)	1.22	0.49	(2.78)
	Return on equity(%)		(3.30)	(31.46)	3.06	0.95	(7.93)
	To Pay-in Capital (%)	Operating income	3.31	(40.25)	9.68	3.04	3.87
		PBT	(8.01)	(74.31)	9.35	2.74	(15.34)
	Net income ratio(%)		(0.57)	(5.70)	0.54	0.23	(2.11)
	EPS(NTD)		(0.90)	(7.54)	0.66	0.20	(1.62)
Cash Flow(%)	Cash flow ratio		0.80	(7.61)	4.78	(0.84)	7.85
	Cash flow adequacy ratio		85.09	102.96	53.18	18.83	46.07
	Cash reinvestment ratio		2.25	(15.60)	10.33	(1.71)	16.63
Leverage	Operating leverage		38.68	(1.99)	10.65	25.94	18.62
	Financial leverage		27.28	0.93	1.32	1.57	1.27

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 days=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 days=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) Operating income to pay-in capital=Operating income/Pay-in capital

(4) PBT to pay-in capital=PBT/Pay-in capital

(5) Net income ratio=PAT/Net sales

(6) 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)

acer | Acer Incorporated 2016 Annual Report
Financial Standing

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

Item \ Pariod			2012
Financial Ratio	Total liabilities to total assets (%)		66.90
	Long-term debts to fixed assets(%)		1,272.61
Ability to Payoff Debt	Current ratio (%)		119.45
	Quick Ratio (%)		86.52
	Interest protection		(2)
Ability to Operate	A/R turnover (times)		5.65
	A/R turnover days		65
	Inventory turnover (times)		9.27
	Inventory turnover days		39
	A/P turnover (times)		4.95
	Fixed assets turnover (times)		65.35
	Total assets turnover (times)		1.89
Earning Ability	Return on assets (%)		(0.94)
	Return on equity (%)		(3.86)
	To Pay-in Capital %	Operating income	3.61
		PBT	(9.29)
	Net income ratio (%)		(0.68)
	EPS(NTD)		(1.07)
Cash Flow (%)	Cash flow ratio		0.41
	Cash flow adequacy ratio		78.63
	Cash reinvestment ratio		1.17
Leverage	Operating leverage		33.22
	Financial leverage		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)

Acer Incorporated 2016 Annual Report
Financial Standing

7.3 Audit Committee Review Report

The Board of Directors has prepared the Company's 2016 Business Report, Financial Statements, and proposal for deficit compensated. The CPA Huei Chen Chang and Tzu-Chieh Tang from KPMG were retained to audit Acer's Financial Statements and have issued an audit report relating to the Financial Statements. The said Business Report, Financial Statements, and Appropriate of Retained Earnings 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 29, 2017

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 2016

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 2016 P&L	Main reason of Gain or Loss	The Plan for Improve-ment	Investment Plan for Next Year
Acer European Holdings Limited	16,615,454	Sales and Maintenance of "Acer" brand-name information technology products	(546,562)	Due to the he operating loss for the market of EMEA	Developing niche products	NA
Acer Holdings International, Incorporated	8,814,102	Sales and Maintenance of "Acer" brand-name information technology products	28,290	Due to the operating gain for the market of AAP	NA	NA
Boardwalk Capital Holdings Limited	26,644,070	Sales and Maintenance of "Acer" brand-name information technology products	(4,800,609)	Recognized impairment loss on intangible assets	Reducing amortization expenses and developing niche products	NA
Acer Worldwide Incorporated	284,735	Investing and Holding company	(1,162)	Increasing of operating expense	NA	NA
E-TEN Information Systems Co., Ltd.	2,373,470	PDA manufacturing and sale	(172,626)	Loss on Operating activities	Expect to maintain business operation's profit by investing in new business	NA
Cross Century Investment Limited	528,310	Investing and Holding company	(622,345)	Recognized investment loss	Loss of investment in associate has been recognized in 2016	NA
Acer CyberCenter Services Inc.	1,893,531	Data storage and processing company	93,561	Gain on Operating activities	NA	NA
Acer Greater China (B.V.I.) Corp.	5,030,605	Sales and Maintenance of "Acer" brand-name information technology products	(372,499)	Due to the operating loss for the market of GC	Reorganization of the sales system	NA

Item \ Description	Amount	Business Type	Year 2016 P&L	Main reason of Gain or Loss	The Plan for Improve-ment	Investment Plan for Next Year
Acer Softcapital Incorporated	1,190,242	Investing and Holding company	69,924	Recognized dividend income and gain on disposal of investment	NA	NA
Acer Digital Service Co.	1,792,129	Investing and holding companies	(197)	Loss on Operating activities	NA	NA
Weblink International Inc.	1,253,912	Sales and distribution of computer products and electronic communication products	50,869	Gain on Operating activities	NA	NA
Acer Digital Services (B.V.I.) Holding Corp	(314,243)	Investing and Holding company	(6,108)	Loss on investment	NA	NA
Acer BeingWare Holding Inc.	1,479,013	Investing and Holding company	(236,852)	Loss on investment	Competition of new product	NA
Aegis Semiconductor Technology Inc.	6,944	Integrated circuit test service	647,957	Gain on investment	NA	NA
Bluechip Infotech Pty Ltd	67,262	Sale of peripheral and software system	3,997	Gain on Operating activities	NA	NA
Acer Starbreeze Corporation	33,047	Manufactured of computers and peripherals	1,047	Gain on Operating activities	NA	NA

8.2 Important Notices for Risk Management and Evaluation

Risk Management Organization

The ultimate goal of Acer's business philosophy is sustainability. Our stringent commitment to risk management not only represents the seriousness with which Acer takes its long-term commitment to its customers, partners, and shareholders, but also ensures stable operating performance and concrete actions toward the implementation of corporate social responsibility. It is our belief that sustainable corporate development and risk management are inextricably linked, and only tireless efforts toward the identification of changing risks and effective implementation of relevant risk management mechanisms can ensure the company's hard-won results are actually sustainable.

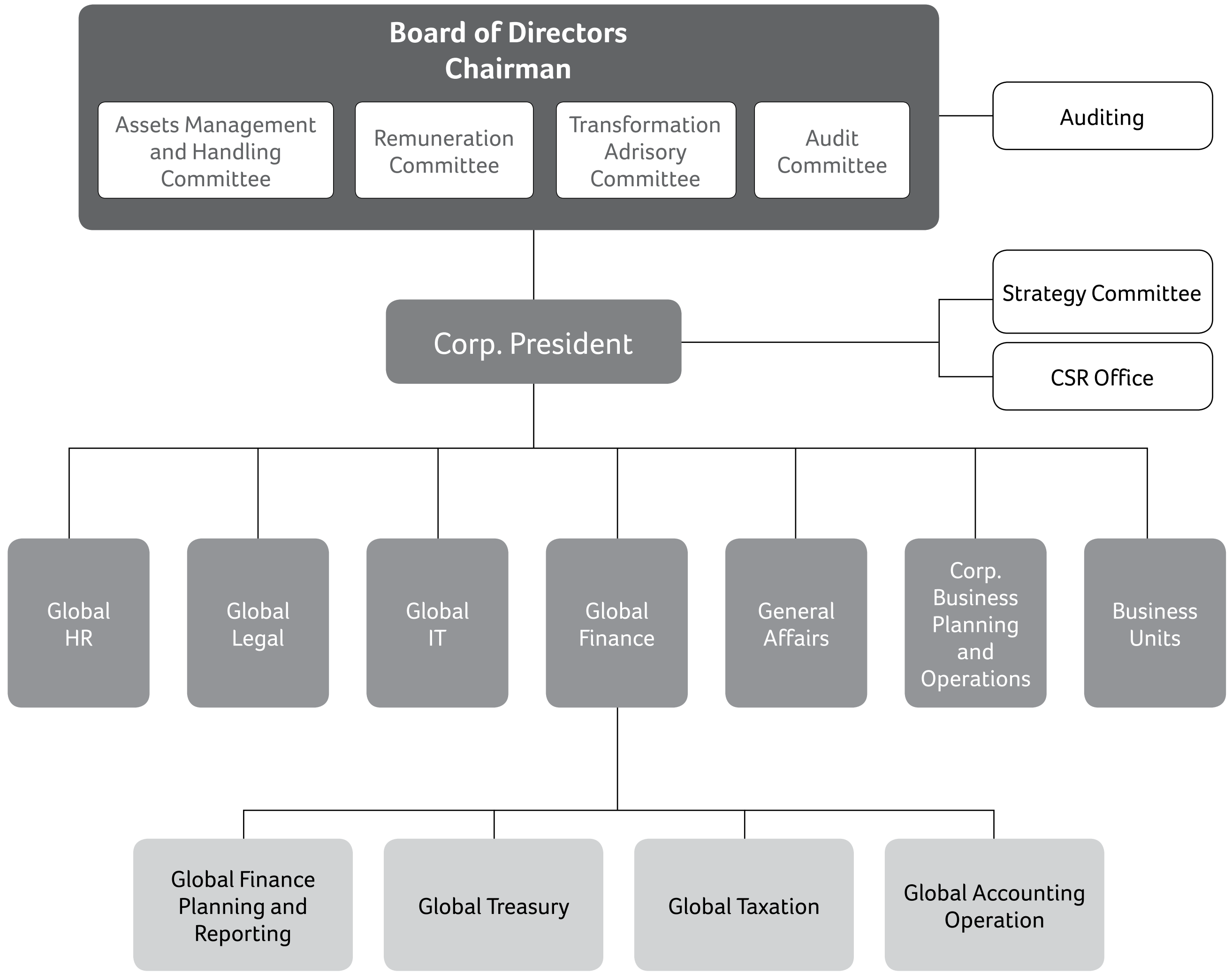
Acer collects and evaluates potential strategic, operational, financial, and hazard risks that could impact the company's operations, setting out management policies and enforcements mechanisms and organizations in response to ensure risks are controlled and responded to appropriately. For the sake of ongoing monitoring, strengthening of risk management, timely response, where risk has been identified, it is included in routine meetings of the Audit Committee, where it is taken into consideration alongside the operating conditions of the company and a decision regarding the relevant department and issue is made.

Acer's Risk Management Framework

In late 2012 Acer established the Risk Management Workgroup, which spans the Legal, Finance, Human Resource, Supply Chain Management, Marketing, IT, Environmental Safety and Health, Asset Management, and Product Business Groups and the Corporate Sustainability Office. Every year, the workgroup holds regular meetings, inviting group members to identify and discuss operating and emerging risks the company may face in the three broad categories of economic, environmental, and social risk.

- In order to ensure robust, strengthened corporate governance, the board decides upon the strategic direction for risk management, while also adjusting to each kind of operating risk, drafting relevant guidelines, and specifying responsible units. The board is also responsible for monitoring the implementation of controls and management with regard to the risk management items reported by management and committees underneath them, further strengthening internal management functions and improving risk management effectiveness.
- Management is responsible for supervising adherence to risk management strategies and conducting regular effectiveness assessments
- Audit Office regularly reviews and monitors internal control processes, annual audit plan, etc.
- The Corporate Sustainability Office is responsible for identifying and management sustainability risks, and for the implementation of analytical methods to discriminate between various operational risks, including forward-looking social and environmental issues risk management, and drafting follow-up management plans to mitigate the impact of said risks to organizational operations
- Global Human Resources Headquarters is responsible for the implementation of HR policies, including planning, organization, guidance, control, and coordination of hiring, performance evaluation, and remuneration, as well as for the realization of enterprise developing goals and the creation of adaptable organizational systems
- Global Legal Headquarters is responsible for legal risk management, reviewing and processes contract disputes, etc. to reduce legal risk
- Global Information Technology Headquarters is responsible for the construction and planning of overall IT systems and information security management.
- Global Financial Headquarters:
  - ✔ Global Financial Information Head Office is responsible for business analysis and planning, management of financial information integration and investment, and for responding to relevant risks.
  - ✔ Global Funds Head Office is responsible for finance-related planning and for relevant risk sharing and insurance allocation.
  - ✔ Global Taxation Head Office is responsible for overall planning and coordination of international investments, and for planning, managing, and responding to tax risk.
  - ✔ Global Accounting Head Office is responsible for verifying and checking hedging transactions, ensuring validity of transactions and reliability of financial statements.
- Head Office is responsible for risk management regarding environmental health & safety and potential risks to group assets.
- Global Brand Marketing & Strategic Operations Planning Center is responsible for business intelligence & market analysis, supply chain risk management, brand & PR risk management, strategic planning for quality assurance risk, and managing/implementing relevant improvements.

Acer's Risk Management Framework



Risk Identification

The Risk Management Workgroup makes use of risk maps to evaluate the possibility of various forms of risks eventuating and the level of loss that would be incurred should they occur, as well as analyzing the potential threat presented to the company by those risks. The Workgroup also undertakes categorization of risks to ensure that corporate risk management policies are appropriately prioritized. At the same time, using the following risk analys is and testing methods, the Workgroup pursues further quantitative analysis of each form of risk and examines whether there exists a high correlation between risk factors.

- Correlation Analysis
- Sensitivity Analysis
- Stress Test

The Risk Management Workgroup aggregates the results of each of these analyses and tests, after which they draft follow-up action plans and report to the convener of the Workgroup. Material risk information is also provided in Audit Committee reports. In 2016, the Risk Management Workgroup identified a total of 62 risk items, of which 8 were categorized as medium-high risk or higher, including Intellectual Property Risk, market risk, foreign exchange risk.

With regard to risk items that have already been identified and analyzed, staff of relevant departments are assigned to draft follow-on risk management strategies and plans for their implementation, including such commonly seen risk factor response methods as loss prevention, avoidance, separation & duplication, risk transfer, and risk retention. They also evaluate appropriate investment of resources, implementation priorities, and methods for following-up on progress. At the same time, they draft risk contingency plans and crisis management mechanisms in order to mitigate the potential adverse impacts of risks on business operations.

In summary, we continue to be actively engaged in risk management, aiming to implement forward-thinking prevention measures and to confront future risks and challenges with an attitude of prudence.

For details on risk management, please refer to the Company's "2016 Risk Analysis and Evaluation Annual Reports".

Acer Incorporated 2016 Annual Report
Risk Management

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

1.Interest Rate Fluctuation

ECB may continue its expansionary policy due to slow recovery of economy in Eurozone. Fed may raise rates, depending on incoming data for labour market and inflation. Under the assumption of controlled inflation, Central Bank of the Republic of China (Taiwan) is unlikely to raise interest rate. Short-term TWD and foreign currency deposits remain to be the most common used instruments for Acer to optimize return while reducing risk.

2.Exchange Rate

The incoming political risks, including the initiation of Brexit, may weaken EUR. Fed is expected to raise interest rate, which may strengthen USD and weaken NTD comparatively. The international relations between the US and China may influence CNY's exchange rate. The monetary policies of major economies influence the stability of the currencies in emerging markets. Acer will maintain its strategy to meticulously hedge its foreign positions to minimize the impacts on earnings caused by foreign exchange rate fluctuations.

3.Inflation

According to recent IMF World Economic Outlook, there may be signs that economic activity is going to pick up pace. With commodity prices rising, inflation rate is expected to be higher than last year. 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 Consentration 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. The status of the dispute as of the date of printing of this annual report:

   (1) Acer has signed software and patent licensing agreement with Microsoft and IBM, and has performed in accordance with relevant contracts.

   (2) Verwertungsgesellschaft Wort (VG Wort), a German language copyright association, has filed several lawsuits against PC companies for copyright levy due to the sale of PC products in Germany in recent years. Among the lawsuits, the outcome of litigation brought by VG Wort reached an agreement on PC levies for the disputed period. Acer decided to participate in the application of the aforesaid agreement. In respect of participation in such application of the aforesaid agreement, no material adverse effect on the Acer's business operations and finance is foreseen.

   (3) A US company filed a lawsuit against Acer in the superior court for the state of California, country of Santa Clara based on cause of actions for misappropriation of trade secrets and breach of a non-disclosure agreement. Acer has engaged external law firms. The final result is still unpredictable; however, Acer has properly accrued provisions based on development of the aforesaid lawsuit. Thus Acer foresees no immediate material adverse effect on the Acer's business operations and finance.

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

2. In year 2016 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 2016 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

Stock Code:2353

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

ACER INCORPORATED
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015
(With Independent Auditors' Report Thereon)

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

Table of contents

Contents	Page

Representation Letter

The entities that are required to be included in the combined financial statements of Acer Incorporated as of and for the year ended December 31, 2016 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 "Consolidated Financial Statements" endorsed by the Financial Supervisory Commission. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Acer Incorporated and its subsidiaries do not prepare a separate set of combined financial statements.

Hereby declare

Acer Incorporated
George Huang
Chairman
March 30, 2017

安侯建業聯合會計師事務所
KPMG
台北市11049信義路5段7號68樓(台北101大樓)
68F, TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei, 11049, Taiwan, R.O.C.
Telephone 電話 + 886 (2) 8101 6666
Fax 傳真 + 886 (2) 8101 6667
Internet 網址 kpmg.com/tw

Independent Auditors' Report

To the Board of Directors
Acer Incorporated:

Opinion

We have audited the consolidated financial statements of Acer Incorporated and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards, International Accounting Standards, interpretations as well as related guidance endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2016 are stated as follows:

1. Revenue recognition

   Refer to Note 4(q) "Revenue recognition" for the significant accounting policies on recognizing revenue, and Note 5(a) "Critical accounting judgments and key sources of estimation uncertainty" for estimation uncertainty of sales returns and allowances.

Description of key audit matter:

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

How the matter was addressed in our audit:

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

2. Valuation of inventories

Refer to Note 4(h) "Inventories" for the significant inventory accounting policies, Note 5(b) "Critical accounting judgments and key sources of estimation uncertainty" for estimation uncertainty of inventory valuation and Note 6(g) "Inventories" for the related disclosures.

Description of key audit matter:

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

How the matter was addressed in our audit:

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

3. Impairment of goodwill

Refer to Note 4(n) "Impairment of non-financial assets" for the significant accounting policies on goodwill impairment, Note 5(c) "Critical accounting judgments and key sources of estimation uncertainty" for estimation uncertainty of goodwill impairment and Note 6(k) "Intangible assets" for the related disclosures.

Description of key audit matter:

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

How the matter was addressed in our audit:

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

Other Matter

Acer Incorporated has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2016 and 2015, on which we have issued an unmodified audit opinion.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remained solely responsible for our audit opinion.

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)
March 30, 2017

Notes to Readers

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

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

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

ACER INCORPORATED AND ITS SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2016		December 31, 2015	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (note 6(a) & (y))	$ 44,289,673	27	44,621,527	26
1110	Financial assets at fair value through profit or loss－current (note 6(b) & (y))	1,577,442	1	791,575	-
1125	Available-for-sale financial assets－current (note 6(c) & (y))	100,025	-	93,313	-
1147	Investments in debt instrument without an active market－current (note 6(d) & (y))	32,279	-	-	-
1170	Notes and accounts receivable, net (note 6(e) & (y))	44,230,305	27	48,173,027	28
1180	Accounts receivable from related parties (note 6(e) & (y) and 7)	81,975	-	52,749	-
1200	Other receivables (note 6(f) & (y))	738,719	-	1,309,972	1
1210	Other receivables from related parties (note 6(y) and 7)	6,737	-	276	-
1220	Current income tax assets	587,864	-	818,938	-
130X	Inventories (note 6(g))	39,095,487	24	34,043,598	20
1470	Other current assets	3,122,630	2	3,044,802	2
	Total current assets	133,863,136	81	132,949,777	77
	Non-current assets:				
1510	Financial assets at fair value through profit or loss－non-current (note 6(b) & (y))	70,340	-	-	-
1523	Available-for-sale financial assets－non-current (note 6(c) & (y))	4,272,766	3	3,159,771	2
1546	Investments in debt instrument without an active market－non-current (note 6(d) & (y))	178,238	-	-	-
1550	Investments accounted for using equity method (note 6(h))	416,343	-	155,992	-
1600	Property, plant and equipment (note 6(i))	4,321,152	3	4,827,412	3
1760	Investment property (note 6(j))	1,180,317	1	1,192,699	1
1780	Intangible assets (note 6(k))	18,595,922	11	26,609,427	15
1840	Deferred income tax assets (note 6(q))	662,277	-	838,146	-
1900	Other non-current assets (note 6(p))	1,152,928	1	1,065,370	1
1980	Other financial assets－non-current (note 6(y) and 8)	960,643	-	943,609	1
	Total non-current assets	31,810,926	19	38,792,426	23
	Total assets	**$ 165,674,062**	**100**	**171,742,203**	**100**

See accompanying notes to financial statements.

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

ACER INCORPORATED AND ITS SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2016		December 31, 2015	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (note 6(l), (y) & (z))	$ 103,000	-	2,584,377	2
2120	Financial liabilities at fair value through profit or loss－current (note 6(b), (y) & (z))	112,606	-	318,934	-
2170	Notes and accounts payable (note 6(y) & (z))	52,866,900	32	42,736,897	25
2180	Accounts payable to related parties (note 6(y) & (z) and 7)	3,514	-	10,285	-
2200	Other payables (note 6(v), (y) & (z) and 7)	37,104,994	22	38,795,055	23
2250	Provisions－current (note 6(n) and 9)	6,476,306	4	6,979,705	4
2321	Current portion of bonds payable (note 6(m), (y) & (z))	-	-	5,966,431	3
2322	Current portion of long-term debt (note 6(m), (y) & (z))	6,000,000	4	1,800,000	1
2399	Other current liabilities	2,754,355	2	3,384,408	2
	Total current liabilities	105,421,675	64	102,576,092	60
	Non-current liabilities:				
2550	Provisions－non-current (note 6(n) and 9)	60,520	-	94,946	-
2570	Deferred income tax liabilities (note 6(q))	692,713	-	1,437,179	1
2600	Other non-current liabilities (note 6(p))	1,820,676	1	1,778,885	1
	Total non-current liabilities	2,573,909	1	3,311,010	2
	Total liabilities	107,995,584	65	105,887,102	62
	Equity (note 6(r)):				
3110	Common stock	30,807,328	19	30,854,428	18
3200	Capital surplus	34,743,105	21	36,232,755	21
	Retained earnings:				
3310	Legal reserve	145,190	-	93,166	-
3320	Special reserve	1,306,709	1	838,498	1
3351	Unappropriated earnings (accumulated deficit)	(4,900,296)	(3)	520,235	-
3400	Other equity	(1,512,785)	(1)	228,505	-
3500	Treasury stock	(2,914,856)	(2)	(2,914,856)	(2)
	Equity attributable to shareholders of the Company	57,674,395	35	65,852,731	38
36XX	**Non-controlling interests**	4,083	-	2,370	-
	Total equity	57,678,478	35	65,855,101	38
	Total liabilities and equity	**$ 165,674,062**	**100**	**171,742,203**	**100**

See accompanying notes to financial statements.

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

ACER INCORPORATED AND ITS SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Loss)

For the years ended December 31, 2016 and 2015

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

		2016		2015	
		Amount	%	Amount	%
4000	**Revenue (note 6(n) & (u), 7 and 14)**	$ 232,724,161	100	263,775,202	100
5000	**Cost of revenue (note 6(g), (k), (n) & (o), 7 and 12)**	209,511,703	90	238,891,080	91
	Gross profit	23,212,458	10	24,884,122	9
	Operating expenses(note 6(e), (i), (j), (k), (n), (o), (p), (s) & (v), 7 and (12))				
6100	Selling expenses	16,097,142	7	17,701,583	7
6200	Administrative expenses	4,153,928	1	4,431,082	1
6300	Research and development expenses	2,048,469	1	2,089,306	1
	Total operating expenses	22,299,539	9	24,221,971	9
6500	**Other operating income and loss－net (note 6(o) & (w))**	279,594	-	276,457	-
	Operating income	1,192,513	1	938,608	-
	Non-operating income and loss:				
7010	Other income (note 6(x))	435,145	-	476,684	-
7020	Other gains and losses－net (note 6(m), (x) and (y))	280,488	-	(228,810)	-
7050	Finance costs (note 6(m) & (x))	(250,257)	-	(340,454)	-
7060	Share of profits (losses) of associates and joint ventures (note 6(h))	(17,970)	-	529	-
7675	Loss on impairment of intangible assets (note 6(k))	(6,364,244)	(3)	-	-
	Total non-operating income and loss	(5,916,838)	(3)	(92,051)	-
7900	**Income (loss) before taxes**	(4,724,325)	(2)	846,557	-
7950	**Income tax expense (note 6(q))**	176,415	-	242,762	-
	Net income (loss)	(4,900,740)	(2)	603,795	-
	Other comprehensive income (loss):				
8310	**Items that will not be reclassified subsequently to profit or loss (note 6(p), (q) & (r)) :**				
8311	Remeasurements of defined benefit plans	(42,601)	-	(104,521)	-
8349	Income tax benefit related to items that will not be reclassified subsequently to profit or loss	29,720	-	12,130	-
		(12,881)	-	(92,391)	-
8360	**Items that may be reclassified subsequently to profit or loss (note 6(q), (r) & (y)) :**				
8361	Exchange differences on translation of foreign operations	(2,496,623)	(1)	252,979	-
8362	Change in fair value of available-for-sale financial assets	756,795	-	(990,360)	-
8399	Income tax benefit related to items that may be reclassified subsequently to profit or loss	353	-	623	-
		(1,739,475)	(1)	(736,758)	-
	Other comprehensive income (loss) for the year, net of taxes	(1,752,356)	(1)	(829,149)	-
	Total comprehensive income (loss) for the year	**$ (6,653,096)**	**(3)**	**(225,354)**	
	Net income (loss) attributable to:				
8610	Shareholders of the Company	$ (4,900,296)	(2)	603,680	
8620	Non-controlling interests	(444)	-	115	-
		$ (4,900,740)	**(2)**	**603,795**	
	Total comprehensive income (loss) attributable to:				
8710	Shareholders of the Company	$ (6,654,809)	(3)	(225,467)	-
8720	Non-controlling interests	1,713	-	113	-
		$ (6,653,096)	**(3)**	**(225,354)**	**-**
	Earnings (loss) per share (in New Taiwan dollars) (note 6(t)) :				
9750	Basic earnings (loss) per share	**$**	**(1.62)**		**0.20**
9850	Diluted earnings (loss) per share	**$**	**(1.62)**		**0.20**

See accompanying notes to financial statements.

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

ACER INCORPORATED AND ITS SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

	Attributable to shareholders of the Company														
			Retained earnings				Other equity								
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings (accumulated deficit)	Total	Foreign currency translation differences	Unrealized gain (loss) from available-for-sale financial assets	Remeasurements of defined benefit plans	Unearned compensation cost arising from restricted shares of stock issued to employees	Total	Treasury stock	Total	Non-controlling interests	Total equity
Balance at January 1, 2015	$ 27,965,678	34,098,396	-	-	903,649	903,649	1,183,808	(114,205)	28,015	(251,710)	845,908	(3,186,038)	60,627,593	2,257	60,629,850
Appropriation approved by the stockholders:															
Legal reserve	-	-	93,166	-	(93,166)	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	838,498	(838,498)	-	-	-	-	-	-	-	-	-	-
Other changes in capital surplus:															
Change in equity of investments in associates	-	(4,662)	-	-	-	-	-	-	-	-	-	-	(4,662)	-	(4,662)
Issuance of new shares for cash	3,000,000	2,400,000	-	-	-	-	-	-	-	-	-	-	5,400,000	-	5,400,000
Retirement of treasury stock	(100,000)	(115,752)	-	-	(55,430)	(55,430)	-	-	-	-	-	271,182	-	-	-
Retirement of restricted shares of stock issued to employees	(11,250)	11,250	-	-	-	-	-	-	-	-	-	-	-	-	-
Compensation cost arising from restricted shares of stock issued to employees	-	(156,477)	-	-	-	-	-	-	-	211,744	211,744	-	55,267	-	55,267
Net income in 2015	-	-	-	-	603,680	603,680	-	-	-	-	-	-	603,680	115	603,795
Other comprehensive income (loss) in 2015	-	-	-	-	-	-	253,604	(990,360)	(92,391)	-	(829,147)	-	(829,147)	(2)	(829,149)
Total comprehensive income (loss) in 2015	-	-	-	-	603,680	603,680	253,604	(990,360)	(92,391)	-	(829,147)	-	(225,467)	113	(225,354)
Balance at December 31, 2015	30,854,428	36,232,755	93,166	838,498	520,235	1,451,899	1,437,412	(1,104,565)	(64,376)	(39,966)	228,505	(2,914,856)	65,852,731	2,370	65,855,101
Appropriation approved by the stockholders:															
Legal reserve	-	-	52,024	-	(52,024)	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	468,211	(468,211)	-	-	-	-	-	-	-	-	-	-
Other changes in capital surplus:															
Cash distributed from capital surplus	-	(1,517,007)	-	-	-	-	-	-	-	-	-	-	(1,517,007)	-	(1,517,007)
Change in equity of investments in associates	-	(19,743)	-	-	-	-	-	-	-	-	-	-	(19,743)	-	(19,743)
Compensation cost arising from restricted shares of stock issued to employees	-	-	-	-	-	-	-	-	-	13,223	13,223	-	13,223	-	13,223
Retirement of restricted shares of stock issued to employees	(47,100)	47,100	-	-	-	-	-	-	-	-	-	-	-	-	-
Net loss in 2016	-	-	-	-	(4,900,296)	(4,900,296)	-	-	-	-	-	-	(4,900,296)	(444)	(4,900,740)
Other comprehensive income (loss) in 2016	-	-	-	-	-	-	(2,498,427)	756,795	(12,881)	-	(1,754,513)	-	(1,754,513)	2,157	(1,752,356)
Total comprehensive income (loss) in 2016	-	-	-	-	(4,900,296)	(4,900,296)	(2,498,427)	756,795	(12,881)	-	(1,754,513)	-	(6,654,809)	1,713	(6,653,096)
Balance at December 31, 2016	**$ 30,807,328**	**34,743,105**	**145,190**	**1,306,709**	**(4,900,296)**	**(3,448,397)**	**(1,061,015)**	**(347,770)**	**(77,257)**	**(26,743)**	**(1,512,785)**	**(2,914,856)**	**57,674,395**	**4,083**	**57,678,478**

See accompanying notes to financial statements.

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

ACER INCORPORATED AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

	2016	2015
Cash flows from operating activities:		
Income (loss) before income taxes	$ (4,724,325)	846,557
Adjustments for:		
Depreciation	613,178	684,885
Amortization	851,398	1,000,991
Interest expense	250,257	340,454
Interest income	(210,263)	(227,438)
Dividend income	(224,882)	(249,246)
Share-based compensation cost	13,223	131,912
Effects of exchange rate changes on investments in debt instrument with no active market	11,597	-
Effects of exchange rate changes on bonds payable	-	(103,634)
Share of profits (losses) of associates and joint venture	17,970	(529)
Loss on disposal of property, plant and equipment and investment property, net	7,800	12,045
Gain on disposal of intangible assets	-	(24,107)
Other investment loss (gain)	5,861	(23,613)
Impairment loss on non-financial assets	6,364,244	-
Gain on repurchase of bonds payable	-	(446,429)
Total profit and loss	7,700,383	1,095,291
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Derivative financial assets and liabilities	(936,275)	1,303,264
Notes and accounts receivable	3,942,722	10,994,704
Receivables from related parties	(29,226)	(28,912)
Inventories	(5,072,154)	2,535,275
Other receivables and other current assets	498,796	(110,650)
Non-current accounts receivable	(33,429)	46,725
Net changes in operating assets	(1,629,566)	14,740,406
Net changes in operating liabilities:		
Notes and accounts payable	10,130,003	(12,087,515)
Payables to related parties	(7,856)	(3,379)
Other payables and other current liabilities	(2,364,099)	(3,354,855)
Provisions	(537,825)	(2,025,547)
Other non-current liabilities	(810)	75,062
Net changes in operating liabilities	7,219,413	(17,396,234)
Total changes in operating assets and liabilities	5,589,847	(2,655,828)
Cash provided by (used in) operations	8,565,905	(713,980)
Interest received	193,954	227,762
Income taxes paid	(488,234)	(379,349)
Net cash provided by (used in) operating activities	8,271,625	(865,567)

See accompanying notes to financial statements.

(English Translation of Financial Report Originally Issued in Chinese)

ACER INCORPORATED AND ITS SUBSIDIARIES (Continued)

Consolidated Statements of Cash Flows

For the years ended December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

	2016	2015
Cash flows from investing activities:		
Purchase of available-for-sale financial assets	(429,439)	(345,581)
Proceeds from disposal of available-for-sale financial assets	16,884	52,261
Proceeds from capital return of available-for-sale financial assets	40,948	114,104
Purchase of investments in debt instrument without an active market	(332,094)	-
Increase in advances to related parties	(6,461)	(267)
Acquisition of investments accounted for using equity method	(295,056)	(30,552)
Additions to property, plant and equipment	(164,670)	(267,654)
Proceeds from disposal of property, plant and equipment and investment property	13,111	57,138
Additions to intangible assets	(5,070)	(62,930)
Proceeds from disposal of intangible assets	-	44,643
Decrease (increase) in other non-current financial assets and other non-current assets	(183,818)	1,439
Dividend received	224,882	250,150
Net cash used in investing activities	(1,120,783)	(187,249)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	(2,481,377)	2,267,377
Repurchase of bonds payable	(6,000,000)	(3,677,046)
Increase in long-term debt	6,000,000	-
Repayment of long-term debt	(1,800,000)	(5,400,000)
Issuance of new shares for cash	-	5,400,000
Cash distributed from capital surplus	(1,517,007)	-
Interest paid	(208,722)	(194,790)
Net cash used in financing activities	(6,007,106)	(1,604,459)
Effects of foreign exchange rate changes	(1,475,590)	(279,849)
Net decrease in cash and cash equivalents	(331,854)	(2,937,124)
Cash and cash equivalents at beginning of year	44,621,527	47,558,651
Cash and cash equivalents at end of year	$ **44,289,673**	**44,621,527**

See accompanying notes to financial statements.

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

ACER INCORPORATED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

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

1. Organization and business

Acer Incorporated (the "Company") was incorporated on August 1, 1976, as a company limited by shares under the laws of the Republic of China ("R.O.C.") and registered under the Ministry of Economic Affairs, R.O.C. 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 Acer Cloud platform in order to enhance Acer brand positioning and increase its brand value, as well as transforming it into an enterprise who provides hardware, software and service to clients. The Company and its subsidiaries (collectively as the "Group") primarily engaged in marketing and sale of the aforementioned brand-name IT products, providing electronic information services to clients and developing BYOC (Build Your Own Cloud) platform related services.

2. Authorization of the Consolidated Financial Statements

These consolidated financial statements were authorized for issuance by the Board of Directors on March 30, 2017.

3. Application of New and Revised Accounting Standards and Interpretations

(a) Impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") but not yet in effect

According to Ruling No. 1050026834 issued on July 18, 2016, by the FSC, commencing January 1, 2017, public entities are required to conform to the IFRSs which were issued by the International Accounting Standards Board (IASB) before January 1, 2016 and were endorsed by the FSC in preparing their financial statements. The related new standards, interpretations and amendments are as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception*	January 1, 2016
Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*	January 1, 2016
IFRS 14 *Regulatory Deferral Accounts*	January 1, 2016
Amendments to IAS 1 *Disclosure Initiative*	January 1, 2016
Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortization*	January 1, 2016

(Continued)

ACER INCORPORATED AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*	January 1, 2016
Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*	July 1, 2014
Amendments to IAS 27 *Equity Method in Separate Financial Statements*	January 1, 2016
Amendments to IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*	January 1, 2014
Amendments to IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting*	January 1, 2014
Annual improvements to IFRSs 2010-2012 cycle and 2011-2013 cycle	July 1, 2014
Annual improvements to IFRSs 2012-2014 cycle	January 1, 2016
IFRIC 21 *Levies*	January 1, 2014

The Group assessed that the initial application of the above IFRSs would not have any material impact on its consolidated financial statements.

(b) Newly released or amended standards and interpretations not yet endorsed by the FSC

Below is a summary of the new standards and amendments issued by the IASB but not yet endorsed by the FSC. The FSC announced that the Group should apply IFRS 9 and IFRS 15 starting January 1, 2018. As of the date the Group's financial statements were issued, the FSC has yet announced the effective dates of the other IFRSs.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 9 *Financial Instruments*	January 1, 2018
Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture*	Effective date to be determined by IASB
IFRS 15 *Revenue from Contracts with Customers*	January 1, 2018
IFRS 16 *Leases*	January 1, 2019
Amendments to IFRS 2 *Clarifications of Classification and Measurement of Share-based Payment Transactions*	January 1, 2018
Amendments to IFRS 15 *Clarifications of IFRS 15*	January 1, 2018
Amendments to IAS 7 *Disclosure Initiative*	January 1, 2017
Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealized Losses*	January 1, 2017
Amendments to IFRS 4 *Insurance Contracts (Applicable for IFRS 9 Financial Instruments and IFRS 4 Insurance Contracts)*	January 1, 2018
Annual Improvements to IFRSs 2014-2016 cycle:	
IFRS 12 *Disclosure of Interests in Other Entities*	January 1, 2017
IFRS 1 *First-time Adoption of International Financial Reporting Standards and IAS 28 Investments in Associates and Joint Ventures*	January 1, 2018
IFRIC 22 *Foreign Currency Transactions and Advance Consideration*	January 1, 2018
Amendments to IAS 40 *Investment Property*	January 1, 2018

(Continued)

The items disclosed below are considered to have significant impact on the Group’s accounting policies:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
May 28, 2014 April 12, 2016	IFRS 15 "Revenue from Contracts with Customers"	IFRS 15 establishes a five-step model for recognizing revenue that applies to all contracts with customers, and will supersede IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and a number of revenue-related interpretations. Final amendments issued on April 12, 2016, clarify how to (i) identify performance obligations in a contract; (ii) determine whether a company is a principal or an agent; (iii) account for a license for intellectual property; and (iv) apply transition requirements.
November 19, 2013 July 24, 2014	IFRS 9 "Financial Instruments"	The standard will replace IAS 39 *Financial Instruments: Recognition and Measurement*, and the main amendments are as follows: • Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial assets' contractual cash flow characteristics. The amount of change in the fair value of the financial liability designated as at fair value through profit or loss that is attributable to change in the credit risk of that liability is presented in other comprehensive income. • Impairment: IFRS 9 adds a new expected loss impairment model to measure the impairment of financial assets. • Hedge accounting: The change in hedge accounting reflects a broad articulation of a principle-based approach with a focus on the purpose of the entity’s risk management activities, which includes the amendments to the achivement, as well as the continuation and discontinuation of hedge accounting. It also enhances various types of transactions eligible for hedge accounting.

(Continued)

ACER INCORPORATED AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

Issuance / Release Dates	Standards or Interpretations	Content of amendment
January 13, 2016	IFRS 16 "Leases"	The new standard of accounting for lease is amended as follows: ・For a contract that is, or contains, a lease, the lessee shall recognize a right-of-use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense accrued on the lease liability separately from the depreciation charge on the right-of-use asset during the lease term. ・A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.

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

4. Summary of significant accounting policies

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

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

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

1) Financial instruments measured at fair value through profit or loss (including derivative financial instruments);
2) Available-for-sale financial assets measured at fair value; and

3) Defined benefit assets (liabilities) recognized as the present value of the benefit obligation less the fair value of plan assets and the effect of the asset ceiling mentioned in note 4(r).

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

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

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

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

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

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

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

(Continued)

ACER INCORPORATED AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

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

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

Name of Investor	Name of Investee	Main Business and Products	Percentage of Ownership December 31, 2016	Percentage of Ownership December 31, 2015
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 Information Technology R&D (Shanghai) Co., Ltd. ("ARD", China)	Research and design of smart phone products	-	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. ("ACCQ", 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 Incorporated ("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 %
AEH	Acer Sales International SA ("ASIN", Switzerland)	Sale of brand-name IT products	100.00 %	100.00 %
AHN	Acer Computer France S.A.S.U. ("ACF", France)	Sale of brand-name IT products	100.00 %	100.00 %
AHN	Acer U.K. Limited ("AUK", the United Kingdom)	Sale of brand-name IT products	100.00 %	100.00 %
AHN	Acer Italy S.R.L. ("AIT", Italy)	Sale of brand-name IT products	100.00 %	100.00 %
AHN	Acer Computer GmbH ("ACG", Germany)	Sale of brand-name IT products	100.00 %	100.00 %
AHN	Acer Austria GmbH ("ACV", Austria)	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 %
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 %

(Continued)

ACER INCORPORATED AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

Name of Investor	Name of Investee	Main Business and Products	Percentage of Ownership December 31, 2016	Percentage of Ownership December 31, 2015
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 %
AHN	Acer Computer B.V. (“ACH”, the Netherlands)	Sale of brand-name IT products	100.00 %	100.00 %
AHN	Sertec 360 SA (“SER”, Switzerland)	Repair and maintenance of IT products	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	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	99.95 %	99.92 %
Boardwalk	Acer American Holdings Corp. (“AAH”, U.S.A.)	Investment and holding activity	100.00 %	100.00 %
Boardwalk	AGP Tecnologia em Informatica do Brasil Ltda. (“ATB”, Brazil)	Sale of brand-name IT products	100.00 %	100.00 %
AMEX	Aurion Tecnologia, S.A. de C.V. (“Aurion”, Mexico)	Sale of brand-name IT products	99.95 %	99.92 %
AAH	Acer Cloud Technology Inc. (“ACTI”, U.S.A.)	Investment and holding activity	100.00 %	100.00 %
ACTI	Acer Cloud Technology (US), Inc. (“ACTUS”, U.S.A.)	Cloud technology service and research, development, and design of IoT platform	100.00 %	-
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 %
GWI	Acer America Corporation. (“AAC”, U.S.A.)	Sale of brand-name IT products	100.00 %	99.99 %
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 %

(Continued)

ACER INCORPORATED AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

Name of Investor	Name of Investee	Main Business and Products	Percentage of Ownership December 31, 2016	Percentage of Ownership December 31, 2015
AHI	Acer Computer Co., Ltd. (“ATH”, Thailand)	Sale of brand-name IT products	100.00 %	100.00 %
AHI	Acer Japan Corp. (“AJC”, Japan)	Sale of brand-name IT products	100.00 %	100.00 %
AHI	Acer Computer Australia Pty. Limited (“ACA”, Australia)	Sale of brand-name IT products	100.00 %	100.00 %
AHI	Acer Sales and Services SDN BHD (“ASSB”, Malaysia)	Sale of brand-name IT products	100.00 %	100.00 %
AHI	Acer Asia Pacific Sdn Bhd (“AAPH”, Malaysia)	Sale of brand-name IT products	100.00 %	100.00 %
AHI	Acer Computer (Singapore) Pte. Ltd. (“ACS”, Singapore)	Sale of brand-name IT products	100.00 %	100.00 %
AHI	Acer Computer New Zealand Limited (“ACNZ”, New Zealand)	Sale of brand-name IT products	100.00 %	100.00 %
AHI	PT. Acer Indonesia (“AIN”, Indonesia)	Sale of brand-name IT products	100.00 %	100.00 %
AIN	PT. Acer Manufacturing Indonesia (“AMI”, Indonesia)	Assembly 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 %
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 %
The Company	Weblink International Inc. (“WLII”, Taiwan)	Sale of computers and communication products	99.79 %	99.79 %
WLII	Weblink (H.K.) International Ltd. (“WHI”, Hong Kong)	Sale of computers and communication products	99.79 %	99.79 %
WLII	Wellife Inc. (“WELL”, Taiwan)	Matchmaking of professional services, platform of client service and sale of products, and providing of professional seminars and courses	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 %
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 %

(Continued)

ACER INCORPORATED AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

Name of Investor	Name of Investee	Main Business and Products	Percentage of Ownership December 31, 2016	Percentage of Ownership December 31, 2015
ADSBH	Acer Digital Services (Cayman Islands) Corp. (“ADSCC”, Cayman Islands)	Investment and holding activity	100.00 %	100.00 %
ADSCC	Longwick Enterprises Inc. (“LONG”, Seychelles)	Investment and holding activity	100.00 %	100.00 %
LONG	S. Excel. Co., Ltd. (“SURE”, Samoa)	Investment and holding activity	100.00 %	100.00 %
The Company	Acer SoftCapital Incorporated (“ASCBVI”, British Virgin Islands)	Investment and holding activity	100.00 %	100.00 %
ASCBVI	ASC Cayman, Limited (“ASCCAM”, Cayman Islands)	Investment and holding activity	100.00 %	100.00 %
The Company	E-ten Information Systems Co., Ltd. (“ETEN”, Taiwan)	Research, design and sale of smart handheld products	100.00 %	100.00 %
The Company	Acer BeingWare Holding Inc. (“ABH”, Taiwan)	Investment and holding activity	100.00 %	-
ABH	Acer Cloud Technology (Taiwan) Inc. (“ACTTW”, Taiwan)	Development of Internet of Beings and cloud technology, and integration of cloud technology, software and hardware	100.00 %	-
ABH	Acer Being Health Inc. (“ABHI”, Taiwan)	Intelligent medical examination and data analysis, the medical big data, and exchange of health management and related information	100.00 %	-
ACTTW and ADSC	Acer Being Communication Inc. (“ABC”, Taiwan)	Software design service	100.00 %	100.00 %
ABH and ADSC	MPS Energy Inc. (“MPS”, Taiwan)	Research, development, and sale of batteries	100.00 %	100.00 %
The Company	Acer Cyber Center Services Inc. (“ACCSI”, Taiwan)	Electronic data supply, processing and storage services	100.00 %	100.00 %
ABH and the Company	Acer e-Enabling Service Business Inc. (“AEB”, Taiwan)	Cloud ticketing system, electronic book, online payment service, customized system development and integration services, and sale of commercial and cloud application software and technical services	100.00 %	100.00 %
ACTTW and the Company	Acer Cloud Technology (Chongqing) Ltd. (“ACTCQ”, China)	Design, development, sale, and advisory of computer software and hardware	100.00 %	100.00 %
AEB	XPLOVA Inc. (“XPL”, Taiwan)	Design, development and sale of smart bicycle speedometer and operating social platform for bicycle riding and sports	100.00 %	100.00 %

(Continued)

ACER INCORPORATED AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

Name of Investor	Name of Investee	Main Business and Products	Percentage of Ownership December 31, 2016	Percentage of Ownership December 31, 2015
AEB	Pawbo, Inc. ("PBC", Taiwan)	Pet interaction device and social networking service	100.00 %	-
AEB	Pklot Inc. ("PKL", Taiwan)	Integration of service platforms including parking lots searching, parking fee comparison, and GPS navigation	92.31 %	-
XPL	Xplova (Shanghai) Ltd. ("XPLSH", China)	Sale of smart bicycle speedometer and operating social platform for bicycle riding and sports	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)	Sale of commercial and cloud application software and technical service	100.00 %	100.00 %
ACTTW	Acer GrandPad International Inc. ("AGI", Taiwan)	Development of user-friendly IoT device	100.00 %	-

ABH, ACTTW, ABHI, AGI, ACTUS, XPLSH, PBC, and PKL were newly established subsidiaries or were acquired during 2016. ALA was merged into GWI in 2016. Formerly SER was a joint venture accounted for using equity method; the Group acquired all its remaining shares in the second quarter of 2016; accordingly, SER was included in the accompanying consolidated financial statements from the date that control commenced.

In 2016, the subsidiaries, ARD and PBHO, were liquidated and excluded from the accompanying consolidated financial statements since the date the control ceased.

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

(d) Foreign currency

(i) Foreign currency transactions

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

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

(ii) Foreign operations

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

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

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

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

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

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

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

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

(Continued)

(iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting 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.

(f) Cash and cash equivalents

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

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

(g) Financial instruments

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

(i) 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.

1) Financial assets at fair value through profit or loss

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

a) 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;
b) Performance of the financial asset is evaluated on a fair value basis;
c) 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.

(Continued)

2) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise accounts receivable, other receivables and investments in debt instrument with no active market. At initial recognition, such assets are recognized at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables other than insignificant interest on short-term receivables are measured at amortized cost using the effective interest method, less, any impairment losses. Interest income is recognized as non-operating income in profit or loss.

3) Available-for sale financial assets

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

4) Impairment of financial assets

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

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

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.

(Continued)

ACER INCORPORATED AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

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.

5) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the asset are terminated, or when the Group transfers 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.

(Continued)

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

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 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.

2) 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:

a) 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;
b) Performance of the financial liabilities is evaluated on a fair value basis;
c) 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.

3) 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.

4) Derecognition of financial liabilities

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

5) Offsetting of financial assets and liabilities

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

(Continued)

(iii) 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 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.

1) Fair value hedge

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

2) Cash flow hedge

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

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

(h) Inventories

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

(Continued)

(i) Investments accounted for using equity method

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

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

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

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

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

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

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

(Continued)

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

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

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

(j) Property, plant and equipment

(i) Recognition and measurement

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

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

(ii) Reclassification to investment property

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

(iii) Subsequent costs

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

(iv) Depreciation

Depreciation is provided for property, plant and equipment over the estimated useful lives using the straight-line method. When an item of property, plant and equipment comprises significant individual components for which different depreciation methods or useful lives are appropriate, each component is depreciated separately. Land is not depreciated. The depreciation is recognized in profit or loss.

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

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.

(k) Investment property

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

Cost includes expenditure that is directly attributable to the acquisition of the investment property, bringing the investment property to the condition necessary for 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.

(l) Leases

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

(i) The Group as lessor

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

Contingent rents are recognized as income in the period when the lease adjustments are confirmed.

(ii) The Group as lessee

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

(m) Intangible assets

(i) Goodwill

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

(ii) Trademarks

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

(iii) Other intangible assets

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

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

(n) Impairment of non-financial assets

(i) Goodwill

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

(ii) Other tangible and intangible assets

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

The recoverable amount for an individual asset or a CGU is the higher of its fair value less costs to sell or its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time values of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. 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.

ACER INCORPORATED AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

(o) 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 discount 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.

(i) Warranties

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

(ii) Sales return provision

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

(iii) Others

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

(p) Treasury stock

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

(q) 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.

(i) 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.

(ii) Services

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

(iii) 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.

(iv) 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.

(Continued)

(r) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

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

(iii) Short-term employee benefits

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

(Continued)

(s) Share-based payment

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

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

(t) Income taxes

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

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

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

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

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

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

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

(Continued)

ACER INCORPORATED AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

(u) Business combinations

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

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

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

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.

(v) 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, restricted shares of stock issued to employees, and profit sharing for employees to be settled in the form of common stock.

(w) 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.

(Continued)

5. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

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

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

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

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

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

(b) Valuation of inventory

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

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

(c) Impairment of goodwill

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

ACER INCORPORATED AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

6. Significant account disclosures

(a) Cash and cash equivalents

	December 31, 2016	December 31, 2015
Cash on hand	$ 5,495	5,625
Bank deposits	28,740,195	29,919,118
Time deposits	15,543,983	14,696,784
	$ 44,289,673	**44,621,527**

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

	December 31, 2016	December 31, 2015
Financial assets held for trading－current:		
Derivatives－Foreign currency forward contracts	$ 1,573,876	783,900
Derivatives－Foreign currency options	3,566	7,675
	$ 1,577,442	**791,575**
Financial assets at fair value through profit or loss－non-current:		
Conversion rights of investments in convertible bonds	**$ 70,340**	**-**
Financial liabilities held for trading－current:		
Derivatives－Foreign currency forward contracts	**$ (112,606)**	**(318,934)**

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:

(i) Foreign currency forward contracts

December 31, 2016			
Contract amount (in thousands)		**Currency**	**Maturity period**
USD	66,330	AUD / USD	2017/01~2017/04
USD	10,667	EUR / CHF	2017/01~2017/05
USD	6,330	EUR / NOK	2017/01~2017/05
USD	8,941	EUR / SEK	2017/01~2017/05
USD	463,689	EUR / USD	2017/01~2017/05
USD	72,055	GBP / USD	2017/01~2017/06
USD	8,644	NZD / USD	2017/01~2017/04
USD	70,371	USD / CAD	2017/01~2017/05
USD	15,000	USD / CLP	2017/01~2017/05
USD	84,000	USD / CNY	2017/01~2017/03
USD	18,600	USD / IDR	2017/01~2017/02

(Continued)

ACER INCORPORATED AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

December 31, 2016

Contract amount (in thousands)		Currency	Maturity period
USD	134,457	USD / INR	2017/01~2017/08
USD	29,000	USD / JPY	2017/01~2017/06
USD	38,300	USD / MXN	2017/01~2017/04
USD	30,100	USD / MYR	2017/01~2017/04
USD	627,440	USD / NTD	2017/01
USD	8,400	USD / PHP	2017/01~2017/03
USD	46,144	USD / RUB	2017/01~2017/05
USD	5,000	USD / SGD	2017/01~2017/02
USD	47,000	USD / THB	2017/01~2017/04

December 31, 2015

Contract amount (in thousands)		Currency	Maturity period
USD	50,880	AUD / USD	2016/01~2016/04
USD	3,404	EUR / CHF	2016/01~2016/04
USD	1,580	EUR / NOK	2016/01~2016/03
USD	9,959	EUR / SEK	2016/01~2016/04
USD	176,825	EUR / USD	2016/01~2016/07
USD	86,616	GBP / USD	2016/01~2016/04
USD	10,213	NZD / USD	2016/01~2016/04
USD	23,319	USD / CAD	2016/01~2016/02
USD	96,800	USD / CNY	2016/01~2016/03
USD	25,600	USD / IDR	2016/01~2016/02
USD	147,858	USD / INR	2016/01~2016/06
USD	34,000	USD / JPY	2016/01~2016/09
USD	79,000	USD / MXN	2016/01~2016/06
USD	27,300	USD / MYR	2016/01~2016/03
USD	549,800	USD / NTD	2016/01~2016/02
USD	6,989	USD / PHP	2016/01~2016/05
USD	2,424	USD / RUB	2016/01
USD	9,000	USD / SGD	2016/01~2016/03
USD	70,000	USD / THB	2016/01~2016/05
USD	12,000	USD / CLP	2016/04~2016/05

(Continued)

ACER INCORPORATED AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

(ii) Foreign currency option contracts

	December 31, 2016		
	Contract amount (in thousands)		Maturity period
USD / INR	USD	3,000	2017/05
USD / CNY	USD	6,000	2017/03~2017/04

	December 31, 2015		
	Contract amount (in thousands)		Maturity period
USD / INR	USD	23,000	2016/01~2016/06
USD / CNY	USD	5,000	2016/01
EUR / USD	USD	31,700	2016/01

(c) Available-for-sale financial assets

	December 31, 2016	December 31, 2015
Domestic listed stock	$ 3,119,549	2,305,026
Unlisted stock	1,253,242	948,058
	$ 4,372,791	**3,253,084**
Current	$ 100,025	93,313
Non-current	4,272,766	3,159,771
	$ 4,372,791	**3,253,084**

As of December 31, 2016 and 2015, the available-for-sale financial assets were not pledged as collateral for loans and borrowings.

(d) Investments in debt instrument without an active market

	December 31, 2016	December 31, 2015
Convertible bond and convertible notes	**$ 210,517**	**-**
Current	$ 32,279	-
Non-current	178,238	-
	$ 210,517	**-**

ACER INCORPORATED AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

(e) Notes and accounts receivable, net

	December 31, 2016	December 31, 2015
Notes receivable	$ 730,648	1,103,681
Accounts receivable	43,615,762	47,213,296
Less: allowance for doubtful receivables	(116,105)	(143,950)
	44,230,305	48,173,027
Notes and accounts receivable – related parties	81,975	52,749
	$ 44,312,280	**48,225,776**

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

	December 31, 2016	December 31, 2015
Past due 1-30 days	$ 4,843,595	5,494,233
Past due 31-60 days	700,342	703,809
Past due 61-90 days	286,700	132,573
Past due 91 days or over	250,375	200,642
	$ 6,081,012	**6,531,257**

For the years ended December 31, 2016 and 2015, movements of the allowance for doubtful receivables were as follows:

	Individually assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2016	$ 135,800	8,150	143,950
Impairment loss recognized (reversed)	(29,201)	4,498	(24,703)
Write-off	(19,143)	-	(19,143)
Effect of exchange rate changes	16,001	-	16,001
Balance at December 31, 2016	**$ 103,457**	**12,648**	**116,105**

	Individually assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2015	$ 192,248	5,027	197,275
Impairment loss recognized	15,553	3,123	18,676
Write-off	(67,852)	-	(67,852)
Effect of exchange rate changes	(4,149)	-	(4,149)
Balance at December 31, 2015	**$ 135,800**	**8,150**	**143,950**

(Continued)

ACER INCORPORATED AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

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.

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

December 31, 2016

Underwriting bank	Factoring credit limit	Receivables sold	Receivables derecognized	Interest rate	Collateral
Taishin International Bank	$ 170,000	9,049	9,049	-	Nil

December 31, 2015

Underwriting bank	Factoring credit limit	Receivables sold	Receivables derecognized	Interest rate	Collateral
Taishin International Bank	$ 170,000	17,391	17,391	-	Nil

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

As of December 31, 2016 and 2015, the notes and accounts receivable were not pledged as collateral for loans and borrowings.

(f) Other receivables

	December 31, 2016	December 31, 2015
Receivables from reimbursement of advertising expense	$ -	190,030
Receivables from purchase discount	451,171	677,179
Other receivables	287,548	442,763
	$ 738,719	1,309,972

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.

ACER INCORPORATED AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

(g) Inventories

	December 31, 2016	December 31, 2015
Raw materials	$ 12,332,166	8,158,604
Work in process	2,871	2,313
Finished goods and merchandise	17,867,421	17,907,866
Spare parts	1,151,600	1,398,905
Inventories in transit	7,741,429	6,575,910
	$ 39,095,487	34,043,598

For the years ended December 31, 2016 and 2015, the amounts of inventories recognized as cost of revenue were as follows：

	2016	2015
Cost of inventories sold	$ 176,468,933	202,112,665
(Reversal of) write-down of inventories	$ 1,441,257	(3,527,826)

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

As of December 31, 2016 and 2015, the inventories were not pledged as collateral.

(h) Investments accounted for using equity method

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

Name of Associates and joint ventures	December 31, 2016 Percentage of ownership	December 31, 2016 Carrying amount	December 31, 2015 Percentage of ownership	December 31, 2015 Carrying amount
Associates：				
Aegis Semiconductor Technology Inc. ("Aegis")	44.04 %	$ 15,776	44.04 %	15,778
GrandPAD Inc., DE	41.03 %	227,343	-	-
ECOM Software Inc. ("ECOM")	33.93 %	27,415	33.93 %	24,385
Bluechip Infotech Pty Ltd. ("Bluechip")	29.98 %	67,262	29.26 %	68,459
Innovation and Commercialization Accelerator Inc. ("ICA")	30.00 %	25,700	30.00 %	30,464
Others	-	19,800	-	16,906
Joint Ventures:				
Acer Starbreeze Corporation	50.00 %	33,047	-	-
		$ 416,343		155,992

ACER INCORPORATED AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

Aggregated financial information on associates and joint ventures that were not individually material to the Group was summarized as follows, which was included in the Group's consolidated financial statements.

	2016	2015
Attributable to the Group:		
Net income (loss)	$ (17,970)	529
Other comprehensive income	(2,875)	(3,664)
Total comprehensive income	$ **(20,845)**	**(3,135)**

As of December 31, 2016 and 2015, the investments accounted for using equity method were not pledged as collateral.

(i) 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, 2016	$ 1,528,566	3,755,664	4,371,018	3,157,734	1,533	12,814,515
Additions	-	16,769	67,416	77,488	2,997	164,670
Disposals	(3,007)	-	(128,394)	(228,407)	(3,503)	(363,311)
Reclassification to investment property	-	(482)	-	-	-	(482)
Other reclassification and effect of exchange rate changes	(17,070)	(46,170)	746	(135,963)	(57)	(198,514)
Balance at December 31, 2016	$ **1,508,489**	**3,725,781**	**4,310,786**	**2,870,852**	**970**	**12,416,878**
Balance at January 1, 2015	$ 1,645,601	4,028,978	4,358,353	3,302,479	1,064	13,336,475
Additions	-	27,589	68,690	164,085	7,290	267,654
Disposals	-	(2,837)	(44,527)	(167,181)	(1,006)	(215,551)
Reclassification to investment property	(68,704)	(76,036)	-	-	-	(144,740)
Other reclassification and effect of exchange rate changes	(48,331)	(222,030)	(11,498)	(141,649)	(5,815)	(429,323)
Balance at December 31, 2015	$ **1,528,566**	**3,755,664**	**4,371,018**	**3,157,734**	**1,533**	**12,814,515**
Accumulated depreciation and impairment loss:						
Balance at January 1, 2016	$ 160,490	2,444,758	3,149,217	2,232,638	-	7,987,103
Depreciation	-	94,606	299,304	206,404	-	600,314
Disposals	-	-	(127,623)	(214,777)	-	(342,400)
Other reclassification and effect of exchange rate changes	(808)	(35,012)	(16,974)	(96,497)	-	(149,291)
Balance at December 31, 2016	$ **159,682**	**2,504,352**	**3,303,924**	**2,127,768**	**-**	**8,095,726**

(Continued)

ACER INCORPORATED AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

	Land	Buildings	Computer and communication equipment	Other equipment	Construction in progress	Total
Balance at January 1, 2015	$ 159,106	2,625,819	2,875,941	2,191,548	-	7,852,414
Depreciation	-	109,399	331,528	235,180	-	676,107
Disposals	-	(2,833)	(42,098)	(102,376)	-	(147,307)
Reclassification to investment property	-	(55,391)	-	-	-	(55,391)
Other reclassification and effect of exchange rate changes	1,384	(232,236)	(16,154)	(91,714)	-	(338,720)
Balance at December 31, 2015	**$ 160,490**	**2,444,758**	**3,149,217**	**2,232,638**	**-**	**7,987,103**
Carrying amounts:						
Balance at December 31, 2016	**$ 1,348,807**	**1,221,429**	**1,006,862**	**743,084**	**970**	**4,321,152**
Balance at December 31, 2015	**$ 1,368,076**	**1,310,906**	**1,221,801**	**925,096**	**1,533**	**4,827,412**

As of December 31, 2016 and 2015, property, plant and equipment was not pledged as collateral.

(j) Investment property

	Land	Buildings	Total
Cost or deemed cost:			
Balance at January 1, 2016	$ 1,195,613	3,233,929	4,429,542
Reclassification from property, plant and equipment	-	482	482
Balance at December 31, 2016	**$ 1,195,613**	**3,234,411**	**4,430,024**
Balance at January 1, 2015	$ 1,127,848	3,158,705	4,286,553
Disposals	(939)	(812)	(1,751)
Reclassification from property, plant and equipment	68,704	76,036	144,740
Balance at December 31, 2015	**$ 1,195,613**	**3,233,929**	**4,429,542**
Accumulated depreciation and impairment loss:			
Balance at January 1, 2016	$ 443,724	2,793,119	3,236,843
Depreciation	-	12,864	12,864
Balance at December 31, 2016	**$ 443,724**	**2,805,983**	**3,249,707**
Balance at January 1, 2015	$ 443,724	2,729,762	3,173,486
Depreciation	-	8,778	8,778
Disposals	-	(812)	(812)
Reclassification from property, plant and equipment	-	55,391	55,391
Balance at December 31, 2015	**$ 443,724**	**2,793,119**	**3,236,843**
Carrying amounts:			
Balance at December 31, 2016	**$ 751,889**	**428,428**	**1,180,317**
Balance at December 31, 2015	**$ 751,889**	**440,810**	**1,192,699**
Fair value:			
Balance at December 31, 2016			**$ 1,628,750**
Balance at December 31, 2015			**$ 1,638,690**

ACER INCORPORATED AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

The fair value of the investment property is determined by referring to the market price of similar real estate transaction, the valuation (the inputs used in the fair value measurement were classified to level 3) by an independent appraiser 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 the future cash flows from continuous lease activities. On December 31, 2016 and 2015, the estimated discount rates used for calculating the present value of the future cash flows were 3.78% and 4.51%, respectively.

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

As of December 31, 2016 and 2015, investment property was not pledged as collateral.

(k) Intangible assets

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

		Goodwill	Trademarks and trade names	Others	Total
Balance at January 1, 2016					
Cost	$	27,276,201	10,566,908	12,762,694	50,605,803
Accumulated amortization and impairment loss		(4,802,337)	(10,385,722)	(8,808,317)	(23,996,376)
Balance at January 1, 2016	$	22,473,864	181,186	3,954,377	26,609,427
Additions		-	-	5,070	5,070
Reclassification		-	-	3,367	3,367
Amortization		-	(17,068)	(777,544)	(794,612)
Impairment loss		(4,145,685)	(149,641)	(2,068,918)	(6,364,244)
Effect of exchange rate changes		(718,474)	(1,982)	(142,630)	(863,086)
Balance at December 31, 2016	$	**17,609,705**	**12,495**	**973,722**	**18,595,922**
Balance at December 31, 2016					
Cost	$	26,488,199	10,339,474	12,362,876	49,190,549
Accumulated amortization and impairment loss		(8,878,494)	(10,326,979)	(11,389,154)	(30,594,627)
Carrying amount	$	**17,609,705**	**12,495**	**973,722**	**18,595,922**
Balance at January 1, 2015					
Cost	$	26,473,881	10,576,769	12,722,740	49,773,390
Accumulated amortization and impairment loss		(4,635,184)	(10,377,540)	(8,033,119)	(23,045,843)
Balance at January 1, 2015		21,838,697	199,229	4,689,621	26,727,547
Additions		-	-	62,930	62,930
Disposals		-	-	(20,536)	(20,536)
Reclassification		-	-	14,342	14,342
Amortization		-	(17,802)	(894,681)	(912,483)
Effect of exchange rate changes		635,167	(241)	102,701	737,627
Balance at December 31, 2015	$	**22,473,864**	**181,186**	**3,954,377**	**26,609,427**
Balance at December 31, 2015					
Cost	$	27,276,201	10,566,908	12,762,694	50,605,803
Accumulated amortization and impairment loss		(4,802,337)	(10,385,722)	(8,808,317)	(23,996,376)
Carrying amount	$	**22,473,864**	**181,186**	**3,954,377**	**26,609,427**

(Continued)

ACER INCORPORATED AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

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

		2016	2015
Cost of revenue	$	1,453	1,752
Operating expenses		793,159	910,731
	$	**794,612**	**912,483**

(ii) Impairment test on goodwill and other intangible assets

The carrying amounts of goodwill arising from a business combination and the respective CGUs to which the goodwill was allocated for impairment test purpose as of December 31, 2016 and 2015 were as follows:

	RO-EMEA	RO-PA	RO-PAP	BYOC	Multiple CGUs without significant goodwill	Total
Balance at January 1, 2016	$ 12,340,616	2,009,719	8,105,807	-	17,722	22,473,864
Reallocation	(1,869,631)	(322,383)	(2,098,755)	4,290,769	-	-
Impairment loss	-	-	-	(4,145,685)	-	(4,145,685)
Effect of exchange rate changes	(265,003)	(37,576)	(270,811)	(145,084)	-	(718,474)
Balance at December 31, 2016	**$ 10,205,982**	**1,649,760**	**5,736,241**	**-**	**17,722**	**17,609,705**
Balance at January 1, 2015	$ 11,977,977	1,931,403	7,911,595	-	17,722	21,838,697
Effect of exchange rate changes	362,639	78,316	194,212	-	-	635,167
Balance at December 31, 2015	**$ 12,340,616**	**2,009,719**	**8,105,807**	**-**	**17,722**	**22,473,864**

Each CGU to which the goodwill is allocated represents the lowest level within the Group, at which the goodwill is monitored for internal management purpose.

The Group activated an organizational restructuring with respect to its new business and core business in 2016. In the fourth quarter of 2016, the new organization structure was ascertained and the new companies had been set up. Consequently, the Group re-defined its CGU and its BYOC was identified as an individual CGU.

Based on the results of impairment tests conducted by the Group in the fourth quarter of 2016, the expected recoverable amount of CGU-BYOC was less than its carrying amount; as a result, the Group recognized an impairment loss on goodwill and developed & developing technology of $4,145,685 and $2,068,918, respectively.

Based on the results of impairment tests conducted by the Group, the recoverable amount of each CGU, determined based on the value in use, exceeded its carrying amount; and therefore, no impairment loss was recognized on December 31, 2015.

The Group adjusted its brand strategy and re-allocated its resources in the fourth quarter of 2016, under which the Group expected the future cash flow, arising from the trademarks of Gateway and Packard Bell, will be minimal considering that the related trade names, as well as their related maintenance costs, will only be used and promoted in specific areas. As a result, the Group recognized an impairment loss on trademarks of $149,641 in 2016.

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

1) The cash flow projections were based on historical operating performance and future financial budgets, covering a period of 5 years, approved by management 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	BYOC
2016.12.31	0%	0%	0%	5.0 %
2015.12.31	0%~5%	0%~5%	0%~5%	-

2) Discount rates used to determine the value in use for each CGU were as follows:

	RO-EMEA	RO-PA	RO-PAP	BYOC
2016.12.31	18.7 %	12.1 %	19.4 %	14.5 %
2015.12.31	18.8 %	12.0 %	15.9 %	-

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

(l) Short-term borrowings

	December 31, 2016	December 31, 2015
Unsecured bank loans	$ 103,000	2,584,377
Unused credit facilities	$ 30,647,073	32,392,859
Interest rate	1.00%~1.27%	1.13%~17.28%

(m) Long-term debt and bonds payable

	December 31, 2016	December 31, 2015
Bank of Taiwan syndicated loan	$ 6,000,000	-
Citibank syndicated loan	-	1,800,000
Domestic convertible bonds	-	5,966,431
Less: current portion of long-term debt	(6,000,000)	(1,800,000)
Less: current portion of bonds payable	-	(5,966,431)
	$ -	-

ACER INCORPORATED AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

(i) Bank loans

Type of Loan	Creditor	Credit Line	Term	December 31, 2016	December 31, 2015
Unsecured loan	Citibank and other banks	Term tranche of $9 billion; five-year limit, during which, revolving credits are disallowed	The loan is repayable in 5 semi-annual installments starting November 2014. The amount of $1.8 billion was repaid in advance in November 2015.	$ -	1,800,000
Unsecured loan	Bank of Taiwan and other banks	Term tranche of $6 billion; may be withdrawn separately within twelve months from the date of the initial withdrawal; three-year limit, during which, revolving credits are disallowed	The loan is repayable in 6 quarterly installments ($0.9 billion for the first to the fifth installments, and $1.5 billion for the sixth installment) starting February 2018.	6,000,000	-
		Revolving tranche of $6 billion; three-year limit	One-time repayment in full when due. The credit facility has not been used.	-	-
Less: current portion of long-term debt				(6,000,000)	(1,800,000)
				$ -	**-**
Unused credit facilities				**$ 6,000,000**	**-**
Interest rate				**1.80%**	**1.59%**

The Company entered into a syndicated loan agreement with Citibank (the lead bank of the syndicated loan) and other banks in November 2011. According to the syndicated loan agreement, the Company is required to maintain certain financial ratios calculated based on its annual and semi-annual consolidated financial statements. In addition, according to the amendment of the syndicated loan agreement dated March 4, 2013, the non-compliance with financial covenants is not considered a default as long as the Company 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 Company fails to obtain a waiver from the syndicated banks within the grace period, then it will be considered an event of default under the syndicated loan agreement. On December 31, 2015, the Company was not in compliance with some of the financial covenants.

(Continued)

The Company entered into a syndicated loan agreement with Bank of Taiwan (the lead bank of the syndicated loan) and other banks in April 2016. According to the syndicated loan agreements, the Company is required to maintain certain financial ratios calculated based on its annual and semi-annual consolidated financial statements. On December 31, 2016, the Company was not in compliance with some of the financial covenants. As a result, the Company has reclassified the amount of $6,000,000 from long-term debt to the current portion of long-term debt. Nevertheless, on March 10, 2017, the Company obtained a waiver from the syndicated banks, which exempted the Company from complying with the required financial covenants.

(ii) Overseas convertible bonds

	2016	2015
Bonds payable:		
Beginning balance	$ -	3,634,818
Redemption	-	(3,622,969)
Amortization of bond discount and transaction cost (recognized as interest expense)	-	91,785
Unrealized exchange loss (gain) on bonds payable	-	(103,634)
Ending balance	$ -	-
Financial liabilities at fair value through profit or loss (redemption options of the convertible bonds):		
Beginning balance	$ -	522,499
Redemption	-	(500,506)
Evaluation loss (gain)	-	(21,993)
Ending balance	$ -	-

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

1) The 2015 Bonds

a) Par value US$300,000 thousand
b) Issue date August 10, 2010
c) Maturity date August 10, 2015
d) Coupon rate 0%
e) 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 May 19, 2015 (the last redemption date), the conversion price was $100.59 (in New Taiwan 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.

f) Redemption at the option of the bondholders

i) 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.

ii) 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").

iii) 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.

g) 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:

i) 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.

ii) If more than 90% of the 2015 Bonds have been redeemed, repurchased and cancelled, or converted;

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

h) 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.

ACER INCORPORATED AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

2) The 2017 Bonds

a) Par value US$200,000 thousand
b) Issue date August 10, 2010
c) Maturity date August 10, 2017
d) Coupon rate 0%
e) 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 September 14, 2015 (the last redemption date), the conversion price was $103.50 (in New Taiwan 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.

f) Redemption at the option of the bondholders

i) 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.

ii) 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").

iii) 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.

g) 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:

i) 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.

ii) If more than 90% of the 2017 Bonds have been redeemed, repurchased and cancelled, or converted;

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

(Continued)

h) 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 2015, the bondholders required the Group to redeem the bonds payable; furthermore, the Group repurchased the bonds payable on the open market. The aggregated redemption and purchase price was US$105,200 thousand and the gain on purchase and redemption of bonds payable of $446,429 (classified under non-operating income and loss) was recognized.

3) Domestic convertible bonds

	2016	2015
Bonds payable:		
Beginning balance	$ 5,966,431	5,880,437
Amortization of bond discount (recognized as interest expense)	33,569	85,994
Redemption	(6,000,000)	-
Ending balance	**$ -**	**5,966,431**

	December 31, 2016	December 31, 2015
Capital surplus－conversion right (note 6(r))	**$ -**	**261,000**

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:

a) Par value $6,000,000
b) Issue date May 14, 2013
c) Maturity date May 14, 2016
d) Coupon rate 0%
e) 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 $24.97 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.

ACER INCORPORATED AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

f) 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.

g) Redemption at maturity

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

The Company redeemed the domestic convertible bonds at the redemption price of $6,000,000 in 2016.

(n) Provisions

	Warranties	Litigation	Sales returns	Environmental protection and others	Total
Balance at January 1, 2016	$ 5,410,999	360,927	1,074,649	228,076	7,074,651
Additions	5,693,275	271,248	4,312,681	105,584	10,382,788
Amount utilized and reversed	(6,053,369)	(317,347)	(4,175,225)	(97,734)	(10,643,675)
Effect of exchange rate changes	(220,475)	(25,668)	(25,778)	(5,017)	(276,938)
Balance at December 31, 2016	**$ 4,830,430**	**289,160**	**1,186,327**	**230,909**	**6,536,826**
Current	$ 4,830,430	286,098	1,186,327	173,451	6,476,306
Non-current	-	3,062	-	57,458	60,520
	$ 4,830,430	**289,160**	**1,186,327**	**230,909**	**6,536,826**
Balance at January 1, 2015	$ 6,615,333	773,811	1,320,922	390,132	9,100,198
Additions	6,162,486	167,887	3,410,695	101,534	9,842,602
Amount utilized and reversed	(7,120,409)	(568,809)	(3,702,519)	(257,538)	(11,649,275)
Effect of exchange rate changes	(246,411)	(11,962)	45,551	(6,052)	(218,874)
Balance at December 31, 2015	**$ 5,410,999**	**360,927**	**1,074,649**	**228,076**	**7,074,651**
Current	$ 5,410,999	358,564	1,074,649	135,493	6,979,705
Non-current	-	2,363	-	92,583	94,946
	$ 5,410,999	**360,927**	**1,074,649**	**228,076**	**7,074,651**

(i) Warranties

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

(ii) Litigation

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

(iii) Sales returns

Expected sales returns are estimated based on historical experience.

(iv) Environmental protection and others

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

(o) Operating lease

(i) Lessee

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

	December 31, 2016	December 31, 2015
Not later than 1 year	$ 528,687	633,374
Later than 1 year but not later than 5 years	901,497	1,004,268
Later than 5 years	373,000	493,379
	$ 1,803,184	**2,131,021**

For the years ended December 31, 2016 and 2015, rental expenses of $870,037 and $933,017, respectively, were recognized and included in the cost of revenue and operating expenses.

(ii) Lessor

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

	December 31, 2016	December 31, 2015
Not later than 1 year	$ 78,972	35,313
Later than 1 year but not later than 5 years	79,488	26,945
Latter than 5 years	1,932	-
	$ 160,392	**62,258**

ACER INCORPORATED AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

In 2016 and 2015, the rental income from investment property amounted to $83,538 and $83,387, respectively, were recognized and included in other operating income and loss. Related repair and maintenance expenses recognized and included in cost of revenue and operating expense were as follows:

	2016	2015
Arising from investment property that generated rental income during the period	$ 27,276	29,154
Arising from investment property that did not generate rental income during the period	61,679	71,352
	$ 88,955	**100,506**

(p) Employee benefits

(i) Defined benefit plans

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

	December 31, 2016	December 31, 2015
Present value of benefit obligations	$ 2,219,704	2,312,528
Fair value of plan assets	(892,353)	(1,084,928)
Net defined benefit liabilities (reported under other non-current liabilities)	**$ 1,327,351**	**1,227,600**

	December 31, 2016	December 31, 2015
Present value of benefit obligations	$ 40,483	34,629
Fair value of plan assets	(72,804)	(72,292)
Net defined benefit assets (reported under other non-current assets)	**$ (32,321)**	**(37,663)**

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

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

1) Composition of plan assets

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

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, 2016 and 2015, the Group's fair value of plan assets, by major categories, was as follows:

	December 31, 2016	December 31, 2015
Cash	$ 459,438	636,788
Equity instruments	269,283	287,899
Instruments with fixed return	79,018	121,803
Real estate	157,418	110,730
	$ 965,157	**1,157,220**

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

ACER INCORPORATED AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

2) Movements in present value of the defined benefit obligations

In 2016 and 2015, the movements in present value of the defined benefit obligations of the Group were as follows:

	2016	2015
Defined benefit obligations at January 1	$ 2,347,157	2,088,677
Current service costs	221,691	270,851
Net interest expense	34,454	37,009
Remeasurement on the net defined benefit liabilities (assets) :		
Actuarial loss (gain) arising from experience adjustments	(35,063)	63,957
Actuarial loss (gain) arising from changes in population assumption	(28,970)	(2,850)
Actuarial loss (gain) arising from changes in financial assumption	90,888	34,922
Benefits paid by the Group and the plan	(363,699)	(229,919)
Settlement loss	2,166	7,929
Effect of exchange rate changes	(33,337)	48,509
Contributions by plan participants	24,900	28,072
Defined benefit obligations at December 31	**$ 2,260,187**	**2,347,157**

3) Movements in fair value of plan assets

In 2016 and 2015, the movements in fair value of plan assets of the Group were as follows:

	2016	2015
Fair value of plan assets at January 1	$ 1,157,220	1,122,150
Remeasurement on the net defined benefit liabilities (assets):		
Return on plan assets (excluding amounts included in net interest expense)	(15,746)	(8,492)
Benefits paid by the plan	(358,846)	(222,935)
Interest income	15,438	19,555
Contributions by plan participants	24,900	28,072
Contributions by the employer	145,320	188,624
Effect of exchange rate changes	(3,129)	30,246
Fair value of plan assets at December 31	**$ 965,157**	**1,157,220**

(Continued)

ACER INCORPORATED AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

4) Changes in the effect of the asset ceiling

In 2016 and 2015, there was no effect of the asset ceiling.

5) Expenses recognized in profit or loss

In 2016 and 2015, the expenses recognized in profit or loss were as follows:

	2016	2015
Current service costs	$ 221,691	270,851
Net interest expense	19,016	17,454
Settlement loss	2,166	7,929
	$ 242,873	**296,234**
Classified under operating expense	**$ 242,873**	**296,234**

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

In 2016 and 2015, the remeasurement of the net defined benefit liabilities (assets) recognized in other comprehensive income were as follows:

	2016	2015
Cumulative amount at January 1	(60,074)	44,447
Recognized during the period	(42,601)	(104,521)
Cumulative amount at December 31	**$ (102,675)**	**(60,074)**

7) Actuarial assumptions

The principal assumptions of the actuarial valuation were as follows:

	December 31, 2016	December 31, 2015
Discount rate	0.30%~8.40%	0.80%~9.03%
Future salary increases rate	1.00%~6.50%	1.90%~6.00%

The weighted average duration of the defined benefit plans is ranged from 6 years to 29 years. The Group expects to make contribution of $128,056 to the defined benefit plans in the year following December 31, 2016.

8) Sensitivity analysis

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

(Continued)

The following table summarizes the impact of a change in the assumptions on the present value of the defined benefit obligation on December 31, 2016 and 2015.

	December 31, 2016		December 31, 2015	
	0.25% Increase	0.25% Decrease	0.25% Increase	0.25% Decrease
Discount rate	$ (97,254)	109,766	(99,814)	112,284
Future salary change	$ 60,417	(58,388)	59,256	(59,335)

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

(ii) Defined contribution plans

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

For the years ended December 31, 2016 and 2015, the Group recognized pension expenses of $368,239 and $375,423, respectively, in relation to the defined contribution plans.

(q) Income taxes

(i) Income tax returns of the Group are filed individually by each entity and not on a combined basis. The Company and its subsidiaries incorporated in the R.O.C. are subject to R.O.C. income tax at a rate of 17% for the years 2016 and 2015. Foreign subsidiaries calculated income tax in accordance with their respective local tax law and regulations. The components of income tax expense for the years ended December 31, 2016 and 2015 were as follows:

	2016	2015
Current income tax expense		
Current period	$ 319,654	212,787
Adjustments for prior years	402,930	(79,004)
	722,584	133,783
Deferred tax expense (benefit)		
Origination and reversal of temporary differences	(973,607)	68,152
Change in unrecognized deductible temporary differences and tax losses	427,438	40,827
	(546,169)	108,979
Income tax expense	$ **176,415**	**242,762**

(Continued)

ACER INCORPORATED AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

In 2016 and 2015, the components of income tax benefit recognized in other comprehensive income were as follows:

	2016	2015
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit plans	29,720	12,130
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	353	623
	30,073	**12,753**

Reconciliation between the expected income tax expense calculated based on the Company's statutory tax rate and the actual income tax expense reported in the consolidated statements of comprehensive income (loss) for 2016 and 2015 was as follows:

	2016	2015
Income (loss) before taxes	**$ (4,724,325)**	**846,557**
Income tax using the Company's statutory tax rate	$ (803,135)	143,915
Effect of different tax rates in foreign jurisdictions	(888,022)	(149,371)
Adjustments for prior-year income tax expense	402,930	(79,004)
Change in unrecognized temporary differences and tax losses	427,438	40,827
Loss on impairment of goodwill	1,450,990	-
Others	(413,786)	286,395
	$ 176,415	**242,762**

(ii) Deferred income tax assets and liabilities

1) Unrecognized deferred income tax assets

	December 31, 2016	December 31, 2015
Tax losses	$ 7,144,728	7,606,851
Loss associated with investments in subsidiaries	2,741,033	1,935,217
Deductible temporary differences	4,610,005	4,663,244
	$ 14,495,766	**14,205,312**

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.

ACER INCORPORATED AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

As of December 31, 2016, the unrecognized tax losses and the respective expiry years were as follows:

Tax effects of tax losses	Year of expiry
$ 86,414	2017
147,346	2018
343,176	2019
102,405	2020
6,465,387	2021 and thereafter
$ 7,144,728	

2) Unrecognized deferred income tax liabilities

	December 31, 2016	December 31, 2015
Net profits associated with investments in subsidiaries	**$ 4,241,957**	**4,378,941**

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.

3) Recognized deferred income tax assets and liabilities

Changes in the amount of deferred income tax assets and liabilities for 2016 and 2015 were as follows:

Deferred income tax assets:

	Inventory	Accrued expenses and provisions	Unused tax loss carryforwards	Others	Total
Balance at January 1, 2016	$ 169,811	377,754	252,066	38,515	838,146
Recognized in profit or loss	(9,020)	(111,232)	(135,094)	57,049	(198,297)
Recognized in other comprehensive income (loss)	-	-	-	30,073	30,073
Effect of exchange rate changes	-	-	-	(7,645)	(7,645)
Balance at December 31, 2016	**$ 160,791**	**266,522**	**116,972**	**117,992**	**662,277**
Balance at January 1, 2015	$ 211,256	460,914	235,826	110,568	1,018,564
Recognized in profit or loss	(41,445)	(83,160)	16,240	36,846	(71,519)
Recognized in other comprehensive income (loss)	-	-	-	15,188	15,188
Effect of exchange rate changes	-	-	-	(124,087)	(124,087)
Balance at December 31, 2015	**$ 169,811**	**377,754**	**252,066**	**38,515**	**838,146**

(Continued)

ACER INCORPORATED AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

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, 2016	$ 560,770	7,865	854,281	14,263	1,437,179
Recognized in profit or loss	3,849	252	(748,155)	(412)	(744,466)
Balance at December 31, 2016	**$ 564,619**	**8,117**	**106,126**	**13,851**	**692,713**
Balance at January 1, 2015	$ 514,047	5,275	867,100	10,862	1,397,284
Recognized in profit or loss	46,723	2,590	(12,819)	966	37,460
Recognized in other comprehensive income	-	-	-	2,435	2,435
Balance at December 31, 2015	**$ 560,770**	**7,865**	**854,281**	**14,263**	**1,437,179**

(iii) Except for 2012, the Company's income tax returns for the years through 2014 were examined and approved by the R.O.C. income tax authorities.

(iv) Information about the integrated income tax system

	December 31, 2016	December 31, 2015
Unappropriated earnings earned (accumulated deficit) commencing from January 1, 1998	**$ (4,900,296)**	**520,235**
Balance of imputation credit account	**$ 1,821,486**	**1,918,373**

	2016 (estimated)	2015 (actual)
Creditable ratio for distribution of earnings to R.O.C. residents	**- %**	**20.48%**

Effective January 1, 2015, the creditable ratio for distribution of earnings to R.O.C. residents is half of the original creditable ratio mentioned above in accordance with the amended Income Tax Act. Furthermore, the 10% surtax paid on any unappropriated earnings for the years following December 31, 1997 can be credited against the dividend withholding tax for non-resident stockholders once the Company distributes its dividends from the corresponding retained earnings in the subsequent years. According to the amended Income Tax Act, effective January 1, 2015, only half of the retained earnings tax paid can be credited against the dividend withholding tax.

(Continued)

(r) Capital and other equity

(i) Common stock

The Board of Directors approved a resolution to issue a total of 300,000,000 common shares 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 was January 11, 2015, and the related registration process has been completed.

The Company had issued 17,460,000 shares of restricted stock to its employees on August 26, 2014. In 2016 and 2015, the Company recalled 4,710,000 and 1,125,000 shares, respectively, of restricted stock due to the resignation and retirement of certain employees, as well as failing to meet certain vesting conditions. On May 12, 2016, August 11, 2016 and August 6, 2015, the Board of Directors approved a resolution to retire 4,440,000 , 270,000 and 1,125,000 shares, respectively, of restricted stock for which the effective date of the retirement was May 20, 2016, August 18, 2016 and August 31, 2015, respectively. The related registration process has been completed.

As of December 31, 2016 and 2015, the Company had issued 6,591 thousand units and 6,833 thousand units, respectively, of global depository receipts (GDRs). The GDRs were listed on the London Stock Exchange, and each GDR represents five common shares.

As of December 31, 2016 and 2015, the Company's authorized shares of common stock consisted of 3,500,000,000 shares, of which 3,080,732,828 shares and 3,085,442,828 shares, respectively, were issued. The par value of the Company's common stock is $10 per share. All issued shares were paid up upon issuance.

Certain shares of common stock were not outstanding as they were held by the Company's subsidiaries or were non-vested restricted stock. The movements in outstanding shares of common stock in 2016 and 2015 were as follows (in thousands of shares):

	2016	2015
Balance at January 1	3,026,277	2,722,362
Issuance of new shares for cash	-	300,000
Vested restricted stock	-	3,915
Balance at December 31	**3,026,277**	**3,026,277**

ACER INCORPORATED AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

(ii) Capital surplus

		December 31, 2016	December 31, 2015
Share premium:			
Paid-in capital in excess of par value	$	14,711,477	16,251,978
Surplus from mergers		19,475,618	19,475,618
Surplus related to treasury stock transactions and cash dividend		284,494	-
Others:			
Employee share options		90,000	90,000
Surplus from equity-method investments		143,269	163,012
Conversion right of convertible bonds (note 6(m))		-	261,000
Restricted stock issued to employees		38,247	(8,853)
	$	**34,743,105**	**36,232,755**

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

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

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

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

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

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

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

The balance of 2015 net income was reduced to zero, after offsetting the deficit of $83,446 arising from the retirement of treasury stock and adoption 2013 Taiwan-IFRSs, and the appropriation of legal reserve and special reserve of $52,024 and $468,211, respectively. Therefore, the Company's shareholders resolved not to distribute any dividend during their meeting held on June 24, 2016. Nevertheless, the Company's shareholders decided to distribute cash from capital surplus of $1,540,501 ($0.5 dollars per share), of which $23,494 was distributed to the subsidiaries holding the Company's common shares of stock.

The balance of 2014 net income was reduced to zero, after offsetting the deficit arising from the retirement of treasury stock and actuarial loss from the defined benefit plans, and the appropriation of legal reserve and special reserve of $93,166 and $838,498, respectively. Therefore, the Company's shareholders resolved not to distribute any dividend during their meeting held on June 23, 2015. Related information on 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.

(iv) 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.

On August 6, 2015, the Board of Directors approved a resolution to retire the aforementioned 10,000,000 shares of treasury stock for which the effective date of the retirement was August 31, 2015. The related registration process has been completed.

As of December 31, 2016 and 2015, 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, 2016		
	Number of shares	**Carrying amount**	**Market value**
Common stock	21,809	$ 945,239	285,698
GDRs	24,937	1,969,617	321,980
		$ 2,914,856	**607,678**

	December 31, 2015		
	Number of shares	**Carrying amount**	**Market value**
Common stock	21,809	$ 945,239	263,889
GDRs	24,937	1,969,617	280,356
		$ 2,914,856	**544,245**

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

(v) Other equity items (net after tax)

1) Foreign currency translation differences:

	2016	**2015**
Balance at January 1	$ 1,437,412	1,183,808
Foreign exchange differences arising from translation of foreign operations	(2,498,427)	253,604
Balance at December 31	**$ (1,061,015)**	**1,437,412**

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

	2016	**2015**
Balance at January 1	$ (1,104,565)	(114,205)
Changes in fair value of available-for-sale financial assets	755,555	(955,117)
Net loss (gain) on disposal of available-for-sale financial assets reclassified to profit or loss	1,240	(35,243)
Balance at December 31	**$ (347,770)**	**(1,104,565)**

(Continued)

3) Remeasurement of defined benefit plans:

	2016	2015
Balance at January 1	$ (64,376)	28,015
Change in the period	(12,881)	(92,391)
Balance at December 31	**$ (77,257)**	**(64,376)**

4) Unearned compensation cost:

	2016	2015
Balance at January 1	$ (39,966)	(251,710)
Change in the period	13,223	211,744
Balance at December 31	**$ (26,743)**	**(39,966)**

(s) Share-based payment

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

On August 26, 2014, the Company issued 17,460,000 shares of restricted stock to its employees, and the effective date of capital increase was set on the same date. The employees who were granted restricted stock are entitled to purchase the shares of restricted stock at the exercise price of $0. The vesting period of the restricted stock is 1~4 years subsequent to the grant date, and the restricted shares of stock will be vested from 0% to 25% considering the Company's and individual employee's performance conditions. The restricted stock received by the employees shall be deposited and held in an escrow account and could not be sold, pledged, transferred, gifted, or disposed of in any other forms during the vesting period; nevertheless, the rights of a shareholder (such as voting and election at the shareholders' meeting) are the same as the rights of the Company's shareholders but are executed by the custodian. During the vesting period, the restricted shares of stock are entitled to any earnings distribution. The Company will take back the restricted stock from employees and retire those shares when the vesting conditions cannot be met.

The movements in number of restricted shares of stock issued (in thousands) in 2016 and 2015 were as follows:

	2016	2015
Balance at January 1	16,062	17,220
Forfeited during the period	(4,647)	(1,158)
Balance at December 31	11,415	16,062
Accumulated vested shares	(3,915)	(3,915)
Unvested shares	**7,500**	**12,147**

The fair value of the restricted stock was $24.15 (in New Taiwan dollars) per share, which was determined by reference to the closing price of the Company's common stock traded on the Taiwan Stock Exchange at the grant date. For the years ended December 31, 2016 and 2015, the compensation cost for the restricted stock amounted to $13,223 and $55,267, respectively, which was reported in the operating expenses.

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 thousand and issued 11,517,053 shares of its common stock to the employee shareholders of iGware Inc. pursuant to the terms of the share purchase agreement. Such cash payment 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, 2016 and 2015, the related compensation costs recognized amounted to $0 and $76,645, respectively.

ACER INCORPORATED AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

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

(i) Basic earnings (loss) per share

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

	2016	2015
Net income (loss) attributable to the shareholders of the Company	$ (4,900,296)	603,680
Weighted-average number of ordinary shares outstanding (in thousands)	3,026,277	3,014,625
Basic earnings (loss) per share (in New Taiwan dollars)	**$ (1.62)**	**0.20**

(ii) Diluted earnings (loss) per share

	2016	2015
Net income (loss) attributable to the shareholders of the Company (including effect of dilutive potential common stock)	**$ (4,900,296)**	**603,680**
Weighted-average number of ordinary shares outstanding (in thousands)	3,026,277	3,014,625
Effect of dilutive potential common stock:		
Restricted stock issued to employees	-	15,487
Compensation to employees	-	2,331
Weighted-average shares of common stock outstanding (including effect of dilutive potential common stock)	**3,026,277**	**3,032,443**
Diluted earnings (loss) per share (in New Taiwan dollars)	**$ (1.62)**	**0.20**

When the dilutive potential common shares including domestic convertible bonds, restricted stock issued to employees and compensation to employees have an anti-dilutive effect, they are not included in the calculation of diluted EPS.

(u) Revenue

	2016	2015
Revenue from sale of goods	$ 225,735,406	257,922,031
Revenue from services rendered	4,442,001	4,450,038
Others	2,546,754	1,403,133
	$ 232,724,161	**263,775,202**

(v) Remuneration to employees and directors

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

For the year ended December 31, 2015, the Company accrued its remuneration to employees and directors amounting to $28,200 and $5,640, respectively, which were calculated by using the Company's pre-tax net profit for the current period before deducting the amount of the remuneration to employees and directors, multiplied by the distribution ratio of remuneration to employees and directors under the Company's Article of Incorporation, and recognized them as operating expenses. The aforementioned accrued remuneration to employees was same as the amount approved by the Board of Directors on March 24, 2016, and was paid in cash. Meanwhile, the Company's directors voluntarily renounced their entitlement for remuneration in 2015. The difference of $5,640 is treated as change in accounting estimate and charged to profit and loss in 2016. For the year ended December 31, 2016, the Company did not accrue any remuneration to its employees and directors as it incurred a net loss in 2016.

Furthermore, according to the Company's Article of Incorporation, regardless of whether there is net income or loss, the remuneration for directors is determined based on their involvement and contribution to the Company, as well as by taking into consideration the industry-wide standard and practice. The amount is proposed by the remuneration committee and approved by the Board of Directors. For the years ended December 31, 2016 and 2015, the remuneration for directors of $12,500 and $10,000, respectively, were recognized regardless of whether there were earnings in the said years. Related information is available on the Market Observation Post System website of the Taiwan Stock Exchange.

(w) Other operating income and loss – net

	2016	2015
Rental income (note 6(o))	$ 105,726	123,006
Government grants	173,868	153,451
	$ 279,594	**276,457**

(x) Non-operating income and loss

(i) Other income

	2016	2015
Interest income from bank deposits	$ 193,113	227,438
Interest income from corporate bonds	17,150	-
Dividend income	224,882	249,246
	$ 435,145	**476,684**

(Continued)

ACER INCORPORATED AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

(ii) Other gains and losses

	2016	2015
Foreign currency exchange loss	$ (809,380)	(2,096,215)
Gain on financial assets and liabilities at fair value through profit or loss	897,333	1,338,861
Loss on disposal of property, plant and equipment and investment property, net	(7,800)	(12,045)
Gain on disposal of intangible assets	-	24,107
Gain on redemption of bonds payable	-	446,429
Other investment gain (loss)	(5,861)	23,613
Others	206,196	46,440
	$ 280,488	(228,810)

(iii) Finance costs

	2016	2016
Interest expense from convertible bonds (note 6(m))	$ 33,569	177,779
Interest expense from bank loans	189,988	162,675
Others	26,700	-
	$ 250,257	340,454

(y) Financial instruments and fair value information

(i) Categories of financial instruments

1) Financial assets

	December 31, 2016	December 31, 2015
Financial assets at fair value through profit or loss	$ 1,647,782	791,575
Available-for-sale financial assets	4,372,791	3,253,084
Loans and receivables:		
Cash and cash equivalents	44,289,673	44,621,527
Notes and accounts receivable and other receivables (including receivables from related parties)	45,057,736	49,536,024
Investments in debt instrument with no active market	210,517	-
Other financial assets – non-current	960,643	943,609
	$ 96,539,142	99,145,819

ACER INCORPORATED AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

2) Financial liabilities

	December 31, 2016	December 31, 2015
Financial liabilities at fair value through profit or loss	$ 112,606	318,934
Financial liabilities measured at amortized cost:		
Short-term borrowings	103,000	2,584,377
Notes and accounts payable (including payables to related parties)	52,870,414	42,747,182
Other payables (including payables to related parties)	33,719,995	35,328,745
Bonds payable (including current portion)	-	5,966,431
Long-term debt (including current portion)	6,000,000	1,800,000
	$ 92,806,015	88,745,669

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

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

	December 31, 2016		December 31, 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Investments in debt instrument without an active market	$ 210,517	214,453	-	-
Financial liabilities:				
Bonds payable (including current portion)	-	-	5,966,431	5,976,600

The hierarchy of the above-mentioned fair value is as below:

	December 31, 2016			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investments in debt instrument without an active market	$ -	214,453	-	214,453

	December 31, 2015			
	Fair value			
	Level 1	Level 2	Level 3	Total
Bonds payable (including current portion)	$ -	5,976,600	-	5,976,600

The above-mentioned fair value of bonds payable is estimated based on the Binominal Tree Approach; fair value of investments in debt instrument without an active market is based on Multifactor Evaluation Model.

ACER INCORPORATED AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

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

1) 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:

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

b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

	December 31, 2016			
	Fair value			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:				
Foreign currency forward contracts	$ -	1,573,876	-	1,573,876
Foreign currency option contracts	-	3,566	-	3,566
Conversion right of investments in convertible bonds	-	70,340	-	70,340
	$ -	**1,647,782**	**-**	**1,647,782**
Available-for-sale financial assets:				
Domestic listed stock	$ 3,119,549	-	-	3,119,549
Unlisted stock	-	-	1,253,242	1,253,242
	$ 3,119,549	**-**	**1,253,242**	**4,372,791**
Financial liabilities at fair value through profit or loss:				
Foreign currency forward contracts	**$ -**	**(112,606)**	**-**	**(112,606)**

	December 31, 2015			
	Fair value			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:				
Foreign currency forward contracts	$ -	783,900	-	783,900
Foreign currency option contracts	-	7,675	-	7,675
	$ -	**791,575**	**-**	**791,575**
Available-for-sale financial assets:				
Domestic listed stock	$ 2,305,026	-	-	2,305,026
Unlisted stock	-	-	948,058	948,058
	$ 2,305,026	**-**	**948,058**	**3,253,084**
Financial liabilities at fair value through profit or loss:				
Foreign currency forward contracts	**$ -**	**(318,934)**	**-**	**(318,934)**

(Continued)

There were no transfers among fair value hierarchies for the years ended December 31, 2016 and 2015.

2) Movement in financial assets included Level 3 fair value hierarchy (available-for-sale financial assets)

	2016	2015
Balance at January 1	$ 948,058	742,283
Total gains or losses:		
Recognized in gains and losses	1,240	(36,601)
Recognized in other comprehensive income	(58,968)	(36,503)
Additions	429,439	345,581
Disposal	(57,148)	(81,565)
Effect of exchange rate changes	(9,379)	14,863
Balance at December 31	**$ 1,253,242**	**948,058**

The above-mentioned total gains or losses were included in "other gains and losses" and "change in fair value of available-for-sale financial assets", respectively. The gains or losses attributable to the financial assets held on December 31, 2016 and 2015 were as follows:

	2016	2015
Total gains or losses:		
Recognized in gains and losses (included in "other gains and losses")	$ -	(36,601)
Recognized in other comprehensive income (included in "change in fair value of available-for-sale financial assets")	(58,968)	23,980

3) Valuation techniques and inputs used for financial instruments measured at fair value

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

b) The fair value of derivative financial instruments is determined using a valuation technique, with estimates and assumptions consistent with those used by market participants that are readily available to the Group. The fair value of foreign currency forward contracts and foreign currency option contracts is computed individually by each contract using the valuation technique.

c) The fair value of privately held stock is estimated by using the market approach and is determined by reference to recent financing activities, valuations of similar companies, market conditions, and other economic indicators. The significant unobservable input is the liquidity discount. No quantitative information is disclosed due to that the possible changes in liquidity discount would not cause significant potential financial impact.

(Continued)

ACER INCORPORATED AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

4) Offsetting of financial assets and liabilities

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

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

December 31, 2016

Financial assets subject to offsetting, enforceable master arrangements and similar agreements

	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related amount not set off in the balance sheet (d)		Net amounts
	(a)	(b)	(c)=(a)-(b)	Financial instruments	Cash collateral received	(e)=(c)-(d)
Notes and accounts receivable, net	$ 78,455,722	34,225,417	44,230,305	-	-	44,230,305

December 31, 2016

Financial liabilities subject to offsetting, enforceable master arrangements and similar agreements

	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related amount not set off in the balance sheet (d)		Net amounts
	(a)	(b)	(c)=(a)-(b)	Financial instruments	Cash collateral received	(e)=(c)-(d)
Notes and accounts payable	$ 87,092,317	34,225,417	52,866,900	-	-	52,866,900

December 31, 2015

Financial assets subject to offsetting, enforceable master arrangements and similar agreements

	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related amount not set off in the balance sheet (d)		Net amounts
	(a)	(b)	(c)=(a)-(b)	Financial instruments	Cash collateral received	(e)=(c)-(d)
Notes and accounts receivable, net	$ 78,382,130	30,209,103	48,173,027	-	-	48,173,027

December 31, 2015

Financial liabilities subject to offsetting, enforceable master arrangements and similar agreements

	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related amount not set off in the balance sheet (d)		Net amounts
	(a)	(b)	(c)=(a)-(b)	Financial instruments	Cash collateral received	(e)=(c)-(d)
Notes and accounts payable	$ 72,946,000	30,209,103	42,736,897	-	-	42,736,897

(Continued)

ACER INCORPORATED AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

(z) Financial risk management

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

The Board of Directors 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.

(i) 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.

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in settling its financial liabilities by delivering cash or another financial 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, 2016 and 2015, the Group had unused credit facilities of $36,647,073 and $32,392,859, respectively.

ACER INCORPORATED AND ITS 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, 2016				
Non-derivative financial liabilities:				
Short-term borrowings carrying floating interest rates	$ 103,014	103,014	-	-
Long-term borrowings carrying floating interest rates	6,026,955	6,026,955	-	-
Accounts payable (including related parties)	52,870,414	52,866,331	1,361	2,722
Other payables (including related parties)	33,719,995	31,787,228	1,932,653	114
	$ 92,720,378	**90,783,528**	**1,934,014**	**2,836**
Derivative financial instruments:				
Foreign currency forward contracts－settled in gross:				
Outflow	$ 70,621,725	70,621,725	-	-
Inflow	(72,053,450)	(72,053,450)	-	-
	$ (1,431,725)	**(1,431,725)**	**-**	**-**
Foreign currency option contracts－settled in gross:				
Outflow	$ 295,955	295,955	-	-
Inflow	(290,511)	(290,511)	-	-
	$ 5,444	**5,444**	**-**	**-**
December 31, 2015				
Non-derivative financial liabilities:				
Short-term borrowings carrying floating interest rates	$ 2,604,779	2,604,779	-	-
Bonds payable with fixed interest rates	6,000,000	6,000,000	-	-
Long-term borrowings carrying floating interest rates	1,810,703	1,810,703	-	-
Accounts payable (including related parties)	42,747,182	42,747,182	-	-
Other payables (including related parties)	35,328,745	33,877,950	1,450,053	742
	$ 88,491,409	**87,040,614**	**1,450,053**	**742**
Derivative financial instruments:				
Foreign currency forward contracts－settled in gross:				
Outflow	$ 79,837,704	79,837,704	-	-
Inflow	(80,354,681)	(80,354,681)	-	-
	$ (516,977)	**(516,977)**	**-**	**-**
Foreign currency option contracts－settled in gross:				
Outflow	2,196,439	2,196,439	-	-
Inflow	(2,138,130)	(2,138,130)	-	-
	$ 58,309	**58,309**	**-**	**-**

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

(iii) Market risk

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

The Group utilizes derivative financial instruments to manage 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.

1) Foreign currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the Group entities. The foreign currencies used in these transactions are mainly the US dollar (USD) and Euro (EUR).

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

a) Exposure to foreign currency risk and sensitivity analysis

The Group's exposure to foreign currency risk arises from cash and cash equivalents, notes and accounts receivable (including related-party receivables), notes and accounts payable (including related-party payables), investments in debt instrument with no active market, other receivables (including related-party receivables), other payables (including related-party payables), and overseas convertible bonds. 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 and their sensitivity analysis were as follows (including the monetary items that have been eliminated in the accompanying consolidated financial statements):

	December 31, 2016				
	Foreign currency (in thousands)	**Exchange rate**	**NTD (in thousands)**	**Change in magnitude**	**Pre-tax effect on profit or loss (in thousands)**
Financial assets					
EUR	$ 212,321	33.9478	7,207,831	1 %	72,078
USD	1,243,444	32.2790	40,137,129	1 %	401,371
Financial liabilities					
EUR	7,130	33.9478	242,048	1 %	2,420
USD	2,298,460	32.2790	74,191,990	1 %	741,920

	December 31, 2015				
	Foreign currency (in thousands)	**Exchange rate**	**NTD (in thousands)**	**Change in magnitude**	**Pre-tax effect on profit or loss (in thousands)**
Financial assets					
EUR	$ 16,234	35.9163	583,065	1 %	5,831
USD	1,359,976	33.0660	44,968,966	1 %	449,690
Financial liabilities					
EUR	5,785	35.9163	207,776	1 %	2,078
USD	2,070,887	33.0660	68,475,950	1 %	684,760

(Continued)

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

2) Interest rate risk

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

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

If the interest rate had been 100 basis points (1%) higher/lower with all other variables held constant, pre-tax income (loss) for the years ended December 31, 2016 and 2015 would have been $61,030 and $43,844, respectively, lower/higher, which mainly resulted from the borrowings with floating interest rates.

3) Other market price risk

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

Assuming a hypothetical increase or decrease of 5% in equity prices of the equity investments at each reporting date, the other comprehensive income for the years ended December 31, 2016 and 2015, would have increased or decreased by $218,640 and $162,654, respectively.

(aa) 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.

(Continued)

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

	December 31, 2016	December 31, 2015
Total equity (excluding non-controlling interests)	$ 57,674,395	65,852,731
Total assets	$ 165,674,062	171,742,203
Equity ratio	34.81 %	38.34 %

As of December 31, 2016, there were no changes in the Group's approach to its capital management. The decline of equity ratio in 2016 was mainly from the net loss incurred in 2016.

7. Related-party Transactions

(a) 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.

(b) Significant related-party transactions

(i) Revenue

	2016	2015
Associates	$ 297,379	224,817
Joint venture	17,989	5,011
Other related parties	953	118
	$ 316,321	229,946

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

(ii) Purchases

	2016	2015
Associates	$ 49,797	71,337

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

ACER INCORPORATED AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

(iii) Operating expenses

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

Account	Related-party categories	2016	2015
Operating expense	Associates	3,000	2,910
Operating expense	Other related parties	8,125	15,417
		11,125	**18,327**

(iv) Receivables

Account	Related-party categories	December 31, 2016	December 31, 2015
Notes and accounts receivable	Associates	$ 80,321	48,819
Notes and accounts receivable	Joint ventures	1,644	3,770
Notes and accounts receivable	Other related parties	10	160
Other receivables	Associates	14	6
Other receivables	Joint ventures	6,714	-
Other receivables	Other related parties	9	270
		$ 88,712	**53,025**

(v) Payables

Account	Related party categories	December 31, 2016	December 31, 2015
Accounts payable	Associates	$ 3,514	9,525
Accounts payable	Other related parties	-	760
Other payables	Other related parties	-	1,085
		$ 3,514	**11,370**

(c) Compensation for key management personnel

	2016	2015
Short-term employee benefits	$ 272,994	349,479
Post-employment benefits	10,387	28,186
Other long-term benefits	-	6,559
Share-based payments	2,688	14,836
	$ 286,069	**399,060**

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

8. Pledged assets

Assets	Pledged to secure	December 31, 2016	December 31, 2015
Other financial assets－non-current			
Cash in bank and time deposits	Contract bidding, security for letters of credit, project fulfillment, and lease guarantee	$ 542,573	513,531

9. Significant commitments and contingencies

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

(b) An American company has filed a lawsuit in California State Court against Acer for violating confidential agreement and trade secret. The Group had appointed outside counsel to handle the case. The case is still in progress. However, the Group has properly accrued its provisions based on the development of the aforesaid lawsuit. Therefore, the management foresees no immediate material adverse effect on the Group' business operations and finance.

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

(d) The Group faces severe taxation challenges globally due to the rapid changes in international tax environment. The Group held different position with local tax authorities for certain tax audits and has properly provided the accruals for the cases that met the criteria for recognizing a provision. Nevertheless, the tax disputes are inherently complicated and may take years to be approved by the tax authorities. The ultimate result is unpredictable and could adversely affect the Group's operating results or cash flows in a particular period.

(e) As of December 31, 2016 and 2015, the Group had outstanding stand-by letters of credit totaling $52,778 and $332,803, respectively, for purposes of bids and contracts.

(f) As of December 31, 2016 and 2015, the Group had issued promissory notes amounting to $45,159,050 and $49,233,424, respectively, as collateral for obtaining credit facilities from financial institutions.

10. Significant loss from Casualty: None

11. Significant subsequent events: None

12. Other

	2016			2015		
	Cost of revenue	Operating expenses	Total	Cost of revenue	Operating expenses	Total
Employee benefits:						
Salaries	1,141,686	8,995,797	10,137,483	1,251,734	9,694,353	10,946,087
Insurance	153,163	1,020,922	1,174,085	155,960	1,093,429	1,249,389
Pension	21,473	589,639	611,112	21,587	650,070	671,657
Others	76,538	936,650	1,013,188	85,135	1,210,720	1,295,855
Depreciation	24,712	588,466	613,178	32,277	652,608	684,885
Amortization	1,453	849,945	851,398	1,752	999,239	1,000,991

13. Additional disclosures

(a) Information on significant transactions:

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

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

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

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

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

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

(vii) Total purchases from and sales to related parties which exceed $100 million or 20% of the paid-in capital: Table 5 (attached)

(viii) Receivables from related parties which exceed $100 million or 20% of the paid-in capital: Table 6 (attached)

(ix) Information about derivative instruments transactions: Please refer to notes 6(b).

(i) Business relationships and significant intercompany transactions: Table 7 (attached)

(b) Information on investees: Table 8 (attached)

(c) Information on investment in Mainland China:

(i) The names of investees in Mainland China, the main businesses and products, paid-in capital, method of investment, information on inflow or outflow of capital, ownership, investment gain or loss, ending balance, amount received as earnings distributions from the investment, and limitation on investment: Table 9 (attached)

(Continued)

(ii) Significant direct or indirect transactions with investee companies, the prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: For the Group's significant direct or indirect transactions (eliminated when compiling the consolidated financial report) with investee companies in Mainland China for the year ended December 31, 2016, please refer to "Information on significant transactions" and "Business relationships and significant intercompany transactions" above.

14. Segment information

(a) General information

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

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:

	2016			
	IT Hardware Products	**Others**	**Adjustments and eliminations**	**Total**
Revenues from external customers	$ 217,651,423	15,072,738	-	232,724,161
Intra-group revenue	1,929,107	259,724	(2,188,831)	-
Total revenues	**$ 219,580,530**	**15,332,462**	**(2,188,831)**	**232,724,161**
Segment profit	**$ 2,694,899**	**(764,695)**	**(737,691)**	**1,192,513**
Other material non-cash items:				
Loss on impairment of intangible assets	**$ (149,641)**	**(6,214,603)**	**-**	**(6,364,244)**

ACER INCORPORATED AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

	2015			
	IT Hardware Products	**Others**	**Adjustments and eliminations**	**Total**
Revenues from external customers	$ 248,696,107	15,079,095	-	263,775,202
Intra-group revenue	1,941,263	309,669	(2,250,932)	-
Total revenues	**$ 250,637,370**	**15,388,764**	**(2,250,932)**	**263,775,202**
Segment profit	**$ 882,920**	**(272,372)**	**328,060**	**938,608**

(b) Product information

Revenues from external customers are detailed below:

Products	**2016**	**2015**
Personal computers	$ 181,455,410	207,663,803
Peripherals and others	51,268,751	56,111,399
	$ 232,724,161	**263,775,202**

(c) Geographic information

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

Revenues from external customers are detailed below:

Region	**2016**	**2015**
Americas	$ 51,467,767	54,948,732
Mainland China	15,791,910	27,517,743
Taiwan	21,646,029	22,095,249
Others	143,818,455	159,213,478
	$ 232,724,161	**263,775,202**

Non-current assets:

Region	**December 31, 2016**	**December 31, 2015**
Americas	$ 12,982,873	20,114,236
Taiwan	6,678,345	7,419,564
Mainland China	2,613,669	3,071,177
Others	2,909,682	3,052,268
	$ 25,184,569	**33,657,245**

ACER INCORPORATED AND ITS 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.

(d) Major customers' information

	2016	2015
Customer A	$ 21,950,687	27,450,667

Acer Incorporated and Subsidiaries
Financing provided to other parties
For the year ended December 31, 2016

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 drawndown 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		
0	The Company	ACCQ	Other receivables from related parties	Yes	895,491	813,366	813,366	0%~4%	2	-	Operating requirements	-	None	-	6,258,792	31,293,960
1	GWI	AAC	Other receivables from related parties	Yes	487,925	435,767	187,218	0%~4%	2	-	Operating requirements	-	None	-	6,258,792	31,293,960
2	ALA	ATB	Other receivables from related parties	Yes	1,006,135	-	-	0%~4%	2	-	Operating requirements	-	None	-	6,258,792	31,293,960
2	ALA	AAC	Other receivables from related parties	Yes	919,828	-	-	0%~4%	2	-	Operating requirements	-	None	-	6,258,792	31,293,960
3	AAH	AAC	Other receivables from related parties	Yes	5,215,750	-	-	0%~4%	2	-	Operating requirements	-	None	-	6,258,792	31,293,960
3	AAH	AAC	Other receivables from related parties	Yes	1,872,182	1,872,182	1,872,182	0%~4%	2	-	Operating requirements	-	None	-	6,258,792	31,293,960
4	ACTI	AAC	Other receivables from related parties	Yes	2,692,000	-	-	0%~4%	2	-	Operating requirements	-	None	-	6,258,792	31,293,960
5	AGU	AEG	Other receivables from related parties	Yes	184,825	-	-	0%~4%	2	-	Operating requirements	-	None	-	6,258,792	31,293,960
5	AGU	AEG	Other receivables from related parties	Yes	184,825	-	-	0%~4%	2	-	Operating requirements	-	None	-	6,258,792	31,293,960
5	AGU	AEG	Other receivables from related parties	Yes	184,825	-	-	0%~4%	2	-	Operating requirements	-	None	-	6,258,792	31,293,960
5	AGU	AEG	Other receivables from related parties	Yes	184,825	-	-	0%~4%	2	-	Operating requirements	-	None	-	6,258,792	31,293,960
6	PBHO	AEG	Other receivables from related parties	Yes	184,825	-	-	0%~4%	2	-	Operating requirements	-	None	-	6,258,792	31,293,960
7	AEB	XPL	Other receivables from related parties	Yes	10,000	-	-	0%~4%	2	-	Operating requirements	-	None	-	6,258,792	31,293,960
7	AEB	PBC	Other receivables from related parties	Yes	5,000	5,000	-	0%~4%	2	-	Operating requirements	-	None	-	6,258,792	31,293,960
8	ADSC	ABC	Other receivables from related parties	Yes	10,000	-	-	0%~4%	2	-	Operating requirements	-	None	-	6,258,792	31,293,960
9	BJAI	ACCN	Other receivables from related parties	Yes	40,018	37,182	30,211	0%~4%	2	-	Operating requirements	-	None	-	6,258,792	31,293,960
10	AIZS	ACCN	Other receivables from related parties	Yes	225,098	209,151	209,151	0%~4%	2	-	Operating requirements	-	None	-	6,258,792	31,293,960

Note 1: Nature for Financing：
Type 2: Short-term financing purpose

Note 2: The aggregate financing amount shall not exceed 50% of the most recent audited or reviewed net worth of the Company (the amount shown above is based on the net worth as of September 30, 2016), within which the short-term financing amount shall not exceed 20% of the most recent audited or reviewed net worth of the Company.
For an entity which the Company owns more than 50% of its outstanding common shares, the individual financing amounts shall not exceed 10% of the most recent audited or reviewed net worth of the Company.
When a subsidiary is directly or indirectly wholly owned by the Company who provides financing to other parties, the aforementioned limitation of aggregate amount and individual financing amount is applied.

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

Acer Incorporated and Subsidiaries
Guarantees and endorsements provided to other parties
For the year ended December 31, 2016

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	AJC	3	12,517,584	928,446	827,950	-	-	1.32%	62,587,921	Y		
0	The Company	ATH	3	12,517,584	178,345	171,079	90	-	0.27%	62,587,921	Y		
0	The Company	Acer Asia Pacific subsidiaries	3	12,517,584	4,542,750	4,357,665	228,411	-	6.96%	62,587,921	Y		
0	The Company	AGU	3	12,517,584	319,675	-	-	-	-	62,587,921	Y		
0	The Company	AEG	3	12,517,584	201,777	190,063	190,063	-	0.30%	62,587,921	Y		
0	The Company	Acer EMEA subsidiaries	3	12,517,584	4,374,500	4,196,270	289,113	-	6.70%	62,587,921	Y		
0	The Company	ACN/ACD/ACW/AFN	3	12,517,584	16,075	14,179	14,179	-	0.02%	62,587,921	Y		
0	The Company	ATB	3	12,517,584	2,187,351	1,613,950	819,270	-	2.58%	62,587,921	Y		
0	The Company	Acer Pan America subsidiaries	3	12,517,584	5,720,500	5,487,430	236,410	-	8.77%	62,587,921	Y		
0	The Company	AMEX	3	12,517,584	302,850	290,511	-	-	0.46%	62,587,921	Y		
0	The Company	Acer Greater China subsidiaties	3	12,517,584	1,850,750	1,775,345	30,487	-	2.84%	62,587,921	Y		Y
0	The Company	ACCSI	2	12,517,584	751,670	750,200	450,200	-	1.20%	62,587,921	Y		
0	The Company	AEB	3	12,517,584	800,000	800,000	-	-	1.28%	62,587,921	Y		
0	The Company	SMA	3	12,517,584	107,479	93,537	-	-	0.15%	62,587,921	Y		
0	The Company	ACA	3	12,517,584	362,181	347,856	347,856	-	0.56%	62,587,921	Y		
0	The Company	AIL	3	12,517,584	1,364,423	1,330,626	665,555	-	2.13%	62,587,921	Y		
0	The Company	ACCN	3	12,517,584	1,317,280	1,252,351	-	-	2.00%	62,587,921	Y		Y
0	The Company	AME	3	12,517,584	48,419	48,419	10,809	-	0.08%	62,587,921	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 shown above is based on the net worth as of September 30, 2016).
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, 2016

Table 3

(Amounts in Thousands of New Taiwan Dollars / Shares)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	Ending Balance				Maximum ownership during 2016		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	705	59,326	-	59,326	705	-	
The Company	Stock: Qisda	-	Available-for-sale financial assets - Non Current	81,713	1,229,776	4.15%	1,229,776	81,713	4.15%	
The Company	Stock: WPG Holdings	-	Available-for-sale financial assets - Non Current	4,360	165,695	0.25%	165,695	4,360	0.25%	
The Company	Stock: Wistron	-	Available-for-sale financial assets - Non Current	51,721	1,290,428	1.95%	1,290,428	51,721	1.95%	
The Company	Stock: InCOMM	-	Available-for-sale financial assets - Non Current	-	-	0.06%	-	-	0.06%	
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	46,084	19.35%	46,084	8,505	19.35%	
The Company	Stock: Dragon Investment Co. Ltd.	-	Available-for-sale financial assets - Non Current	13,459	21,787	19.94%	21,787	15,834	19.94%	
The Company	Stock: Venture Power	-	Available-for-sale financial assets - Non Current	15	326	4.15%	326	15	4.15%	
The Company	Convertible bonds: Starbreeze	-	Investments in debt instrument with no active market - Non Current	-	165,326	-	165,326	-	-	
ADSC	Stock: Wistron	-	Available-for-sale financial assets - Non Current	12,309	307,122	0.46%	307,122	12,309	0.46%	
ADSC	Stock: PChome Pay	-	Available-for-sale financial assets - Non Current	12,600	126,000	14.82%	126,000	12,600	14.82%	
ASCBVI	Stock: IDSCBVI	-	Available-for-sale financial assets - Non Current	60	1,413	19.90%	1,413	60	19.90%	
ASCBVI	Stock: ID5 Fund L.P.	-	Available-for-sale financial assets - Non Current	3,800	267,003	19.39%	267,003	3,800	19.39%	
ASCBVI	Stock: IP Cathay One, L.P.	-	Available-for-sale financial assets - Non Current	5,442	37,853	8.00%	37,853	6,282	8.00%	
ASCBVI	Stock: ID5 Annex I Fund	-	Available-for-sale financial assets - Non Current	565	24,470	19.15%	24,470	957	19.15%	
ASCBVI	Stock: ATS	-	Available-for-sale financial assets - Non Current	2,833	48,418	13.93%	48,418	2,833	13.93%	
ASCBVI	Stock: Trutag	-	Available-for-sale financial assets - Non Current	1,346	96,853	1.94%	96,853	1,346	1.94%	
ASCBVI	Stock: Gorilla	-	Available-for-sale financial assets - Non Current	244	64,558	2.21%	64,558	244	2.21%	
ASCBVI	Stock: Jibo	-	Available-for-sale financial assets - Non Current	5,659	64,558	2.33%	64,558	5,659	2.33%	
ASCBVI	Stock: Revolve	-	Available-for-sale financial assets - Non Current	927	18,560	10.07%	18,560	927	10.07%	
ASCBVI	Stock: Apptog	-	Available-for-sale financial assets - Non Current	6,429	16,140	18.90%	16,140	6,429	18.90%	
ASCBVI	Stock: GCR	-	Available-for-sale financial assets - Non Current	600	38,735	10.00%	38,735	600	10.00%	
ASCBVI	Stock: Dragonfly	-	Available-for-sale financial assets - Non Current	1,000	48,419	6.47%	48,419	1,000	6.47%	
ASCBVI	Convertible notes: KDH	-	Investments in debt instrument with no active market - Current	-	32,279	-	32,279	-	-	
ASCBVI	Convertible notes: Revolve	-	Investments in debt instrument with no active market - Non Current	-	12,912	-	12,912	-	-	
AWI	Stock: Acer Inc.	Parent/Subsidiary	Treasury stock	12,730	522,237	0.41%	166,761	12,730	0.41%	
AWI	GDR: Acer Inc.	Parent/Subsidiary	Treasury stock	4,987	1,969,617	0.81%	321,980	4,987	0.81%	
CCI	Stock: China Development Financial Holding Co.	-	Available-for-sale financial assets - Current	5,049	40,699	0.03%	40,699	5,049	0.03%	
CCI	Stock: Acer Inc.	Parent/Subsidiary	Available-for-sale financial assets - Non Current	4,774	62,536	0.15%	62,536	4,774	0.15%	
ETEN	Stock: RoyalTek	-	Available-for-sale financial assets - Non Current	1,015	26,503	2.01%	26,503	1,015	2.01%	
ETEN	Stock: Acer Inc.	Parent/Subsidiary	Available-for-sale financial assets - Non Current	4,305	56,401	0.14%	56,401	4,305	0.14%	
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: Antung Trading Co.	-	Available-for-sale financial assets - Non Current	3,000	67,227	10.00%	67,227	3,000	10.00%	
ACTI	Stock: Physiosigns Inc., DE	-	Available-for-sale financial assets - Non Current	800	258,232	12.50%	258,232	800	12.50%	

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, 2016

Table 4

(Amounts in Thousands of New Taiwan Dollars/Shares)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-Party	Name of Relationship	Beginning Balance		Acquisitions		Disposal				Ending Balance	
					Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Carrying Value	Gain (Loss) on Disposal	Shares (in thousands)	Amount (Note1)
Boardwalk	Stock: AMEX	Investment accounted for using equity method	Note 2	Subsidiary	943,541	(510,800)	430,300	817,500	-	-	-	-	1,373,841	392,371
GWI	Stock: AAC	Investment accounted for using equity method	Note 2	Subsidiary	3,100	7,691,264	-	872,100	-	-	-	-	3,100	8,712,615
ACCN	China Merchants Bank CNY Financial Plan	Other financial asset	China Merchants Bank	-	-	-	2,920,000	14,329,437	2,920,000	14,345,370	14,329,437	16,248 (Note 3)	-	-
ACCN	Fubon Bank (China) CNY SDRMBC 16030000	Other financial asset	Fubon Bank (China) Co., Ltd	-	-	-	1,150,000	5,522,705	1,150,000	5,533,620	5,522,705	10,915	-	-
The Company	Stock: ABH	Investment accounted for using equity method	Note 4	Subsidiary	-	-	150,000	1,500,000	-	-	-	-	173,305 (Note 5)	1,479,013
ABH	Stock: ACTTW	Investment accounted for using equity method	Note 4	Subsidiary	-	-	60,000	600,000	-	-	-	-	60,000	408,889
ABH	Stock: AEB	Investment accounted for using equity method	Note 2	Subsidiary	-	-	35,000	350,000	-	-	-	-	60,000 (Note 5)	561,438

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.
Note 3: The amount includes the foreign currency exchange gain.
Note 4: Newly established subsidiary.
Note 5: The ending balance includes the shares acquired from the Company by issuing ABH's shares of common stock.

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, 2016

Table 5

(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)	(64,159,225)	(36.56)%	OA60	-	-	6,142,876	22.66%	
The Company	AAC	Parent/Subsidiary	(Sales)	(50,471,074)	(28.76)%	OA90	-	-	8,779,630	32.39%	
The Company	AAPH	Parent/Subsidiary	(Sales)	(34,402,505)	(19.60)%	OA60	-	-	5,838,349	21.54%	
The Company	ACCQ	Parent/Subsidiary	(Sales)	(12,176,427)	(6.94)%	OA60	-	-	1,431,076	5.28%	
The Company	WLII	Parent/Subsidiary	(Sales)	(1,881,151)	(1.07)%	EM45	-	-	85,984	0.32%	
The Company	AFE	Parent/Subsidiary	(Sales)	(768,841)	(0.44)%	OA60	-	-	123,069	0.45%	
The Company	APX	Parent/Subsidiary	(Sales)	(222,262)	(0.13)%	OA60	-	-	38,330	0.14%	
The Company	ASC	Parent/Subsidiary	(Sales)	(101,397)	(0.06)%	OA60	-	-	3,742	0.01%	
The Company	ACCSI	Parent/Subsidiary	Purchases	492,155	0.29%	OA60	-	-	(87,317)	(0.20)%	
The Company	AEB	Parent/Subsidiary	Purchases	373,743	0.22%	EM60	-	-	(34,742)	(0.08)%	
The Company	WLII	Parent/Subsidiary	Purchases	240,272	0.14%	EM45	-	-	(39,726)	(0.09)%	
The Company	ACTI	Parent/Subsidiary	Purchases	332,444	0.19%	OA60	-	-	(5,567)	(0.01)%	
ACCSI	The Company	Parent/Subsidiary	(Sales)	(492,155)	(49.07)%	OA60	-	-	87,317	43.14%	
WLII	The Company	Parent/Subsidiary	(Sales)	(240,272)	(2.59)%	EM45	-	-	39,726	2.57%	
WLII	The Company	Parent/Subsidiary	Purchases	1,881,151	20.91%	EM45	-	-	(85,984)	(6.63)%	
AAC	AMEX	Fellow subsidiary	(Sales)	(3,615,693)	(6.63)%	OA60	-	-	977,924	14.13%	
AAC	ASC	Fellow subsidiary	(Sales)	(258,771)	(0.47)%	OA60	-	-	20,137	0.29%	
AAC	ATB	Fellow subsidiary	(Sales)	(269,632)	(0.49)%	OA60	-	-	189,756	2.74%	
AAC	The Company	Parent/Subsidiary	Purchases	50,471,074	100.00%	OA90	-	-	(8,779,630)	(91.47)%	
AAPH	ATH	Fellow subsidiary	(Sales)	(4,969,131)	(13.92)%	OA60	-	-	957,571	8.86%	
AAPH	AIL	Fellow subsidiary	(Sales)	(5,820,883)	(16.31)%	OA60	-	-	3,573,434	33.06%	
AAPH	AIN	Fellow subsidiary	(Sales)	(3,961,569)	(11.10)%	OA60	-	-	892,495	8.26%	
AAPH	ACA	Fellow subsidiary	(Sales)	(5,865,902)	(16.43)%	OA60	-	-	2,581,861	23.88%	

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	ASSB	Fellow subsidiary	(Sales)	(3,315,547)	(9.29)%	OA60	-	-	481,066	4.45%	
AAPH	AJC	Fellow subsidiary	(Sales)	(1,699,692)	(4.76)%	OA60	-	-	874,414	8.09%	
AAPH	ACS	Fellow subsidiary	(Sales)	(2,205,726)	(6.18)%	OA60	-	-	217,892	2.02%	
AAPH	ACNZ	Fellow subsidiary	(Sales)	(848,891)	(2.38)%	OA60	-	-	200,675	1.86%	
AAPH	APHI	Fellow subsidiary	(Sales)	(1,162,375)	(3.26)%	OA60	-	-	346,644	3.21%	
AAPH	AMI	Fellow subsidiary	(Sales)	(180,046)	(0.50)%	OA60	-	-	20,109	0.19%	
AAPH	The Company	Parent/Subsidiary	Purchases	34,402,505	97.77%	OA60	-	-	(5,838,349)	(97.85)%	
AAPH	APHI	Fellow subsidiary	Purchases	104,041	0.30%	OA60	-	-	(18,733)	(0.31)%	
ACA	ACNZ	Fellow subsidiary	(Sales)	(134,514)	(1.84)%	OA60	-	-	18,702	1.32%	
ACA	Bluechip	Other related party	(Sales)	(290,730)	(3.97)%	OA60	-	-	73,685	5.21%	
ACA	AAPH	Fellow subsidiary	Purchases	5,865,902	100.00%	OA60	-	-	(2,581,861)	(98.13)%	
ACCN	ACCQ	Fellow subsidiary	(Sales)	(114,153)	(0.76)%	OA60	-	-	57	-	
ACCN	ACCQ	Fellow subsidiary	Purchases	13,697,844	92.10%	OA60	-	-	(3,178,084)	(100.00)%	
ACCQ	ACCN	Fellow subsidiary	(Sales)	(13,697,844)	(99.77)%	OA60	-	-	3,178,084	99.91%	
ACCQ	ACCN	Fellow subsidiary	Purchases	114,153	0.85%	OA60	-	-	(57)	-	
ACCQ	The Company	Parent/Subsidiary	Purchases	12,176,427	90.36%	OA60	-	-	(1,431,076)	(76.29)%	
ACF	AEG	Fellow subsidiary	(Sales)	(269,872)	(2.28)%	OA60	-	-	459,234	17.88%	
ACF	AEG	Fellow subsidiary	Purchases	10,626,806	89.91%	OA60	-	-	(327,903)	(84.24)%	
ACF	APX	Fellow subsidiary	Purchases	155,848	1.32%	OA60	-	-	(11,854)	(3.05)%	
ACG	AEG	Fellow subsidiary	(Sales)	(643,580)	(2.39)%	OA60	-	-	1,514,668	20.94%	
ACG	APX	Fellow subsidiary	(Sales)	(217,686)	(0.81)%	OA60	-	-	29,966	0.41%	
ACG	AEG	Fellow subsidiary	Purchases	24,522,479	85.11%	OA60	-	-	(5,269,011)	(99.22)%	
ACG	APX	Fellow subsidiary	Purchases	420,695	1.46%	OA45	-	-	(62,828)	(1.18)%	
ACH	AEG	Fellow subsidiary	(Sales)	(242,435)	(4.85)%	OA60	-	-	328,272	23.71%	
ACH	AEG	Fellow subsidiary	Purchases	4,338,624	92.17%	OA60	-	-	(508,171)	(96.51)%	
ACH	APX	Fellow subsidiary	Purchases	133,520	2.84%	OA60	-	-	(18,027)	(3.42)%	
ACNZ	AAPH	Fellow subsidiary	Purchases	848,891	100.00%	OA60	-	-	(200,675)	(87.74)%	
ACNZ	ACA	Fellow subsidiary	Purchases	134,514	66.92%	OA60	-	-	(18,702)	(8.18)%	
ACR	AEG	Fellow subsidiary	Purchases	499,074	88.61%	OA60	-	-	181.00	(17.39)%	

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	
ACS	AAPH	Fellow subsidiary	Purchases	2,205,726	99.31%	OA60	-	-	(217,892)	(97.19)%	
ACTI	The Company	Parent/Subsidiary	(Sales)	(332,444)	(100.00)%	OA60	-	-	5,567	100.00%	
ACZ	AEG	Fellow subsidiary	(Sales)	(223,416)	(39.12)%	OA60	-	-	-	-	
ACZ	APX	Fellow subsidiary	Purchases	198,455	38.93%	OA90	-	-	(36,558)	(91.22)%	
AEG	ACG	Fellow subsidiary	(Sales)	(24,522,479)	(31.06)%	OA60	-	-	5,269,011	36.12%	
AEG	ACF	Fellow subsidiary	(Sales)	(10,626,806)	(13.46)%	OA60	-	-	327,903	2.25%	
AEG	ACR	Fellow subsidiary	(Sales)	(499,074)	(0.63)%	OA60	-	-	(181)	-	
AEG	AUK	Fellow subsidiary	(Sales)	(8,087,346)	(10.24)%	OA60	-	-	1,580,809	10.84%	
AEG	AME	Fellow subsidiary	(Sales)	(5,753,527)	(7.29)%	OA60	-	-	1,644,261	11.27%	
AEG	AIB	Fellow subsidiary	(Sales)	(3,351,462)	(4.24)%	OA60	-	-	343,447	2.35%	
AEG	ACH	Fellow subsidiary	(Sales)	(4,338,624)	(5.49)%	OA60	-	-	508,171	3.48%	
AEG	AIT	Fellow subsidiary	(Sales)	(5,660,141)	(7.17)%	OA60	-	-	801,929	5.50%	
AEG	APX	Fellow subsidiary	(Sales)	(232,490)	(0.29)%	OA60	-	-	41,956	0.29%	
AEG	ASIN	Fellow subsidiary	(Sales)	(13,160,396)	(16.67)%	OA60	-	-	2,992,000	20.51%	
AEG	ASZ	Fellow subsidiary	(Sales)	(2,569,676)	(3.25)%	OA60	-	-	326,853	2.24%	
AEG	SER	Fellow subsidiary	(Sales)	(113,576)	(0.14)%	OA60	-	-	50,623	-	
AEG	The Company	Parent/Subsidiary	Purchases	64,159,225	84.16%	OA60	-	-	(6,142,876)	(44.09)%	
AEG	ACZ	Fellow subsidiary	Purchases	223,416	0.29%	OA60	-	-	-	-	
AEG	APX	Fellow subsidiary	Purchases	281,262	0.37%	OA60	-	-	(11,247)	(0.08)%	
AEG	ACG	Fellow subsidiary	Purchases	643,580	0.84%	OA60	-	-	(1,514,668)	(10.87)%	
AEG	ACF	Fellow subsidiary	Purchases	269,872	0.35%	OA60	-	-	(459,234)	(3.30)%	
AEG	AIT	Fellow subsidiary	Purchases	285,067	0.37%	OA60	-	-	(310,110)	(2.23)%	
AEG	ACH	Fellow subsidiary	Purchases	242,435	0.32%	OA60	-	-	(328,272)	(2.36)%	
AEG	AIB	Fellow subsidiary	Purchases	299,663	0.39%	OA60	-	-	(286,214)	(2.05)%	
AFE	The Company	Parent/Subsidiary	Purchases	768,841	94.71%	OA60	-	-	(123,069)	(95.52)%	
AIB	AEG	Fellow subsidiary	(Sales)	(299,663)	(7.25)%	OA60	-	-	286,214	20.51%	
AIB	AEG	Fellow subsidiary	Purchases	3,351,462	87.16%	OA60	-	-	(343,447)	(100.00)%	
AIB	APX	Fellow subsidiary	Purchases	212,512	5.53%	OA60	-	-	(33,769)	(10.19)%	
AIL	AAPH	Fellow subsidiary	Purchases	5,820,883	63.08%	OA60	-	-	(3,573,434)	(94.32)%	

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	
AIN	AMI	Parent/Subsidiary	(Sales)	(260,645)	(5.70)%	OA60	-	-	26,945	30.07%	
AIN	AMI	Parent/Subsidiary	Purchases	558,034	12.16%	OA90	-	-	(41,075)	(3.96)%	
AIN	AAPH	Fellow subsidiary	Purchases	3,961,569	86.31%	OA60	-	-	(892,495)	(86.13)%	
AIT	AEG	Fellow subsidiary	(Sales)	(285,067)	(4.46)%	OA60	-	-	310,110	14.86%	
AIT	AEG	Fellow subsidiary	Purchases	5,660,141	91.68%	OA60	-	-	(801,929)	(98.60)%	
AJC	AAPH	Fellow subsidiary	Purchases	1,699,692	86.50%	OA60	-	-	(874,414)	(98.52)%	
AME	AEG	Fellow subsidiary	Purchases	5,753,527	97.72%	OA60	-	-	(1,644,261)	(100.00)%	
AMEX	AAC	Fellow subsidiary	Purchases	3,615,693	97.79%	OA60	-	-	(977,924)	(100.00)%	
AMI	AIN	Parent/Subsidiary	(Sales)	(558,034)	(99.97)%	OA90	-	-	41,075	100.00%	
AMI	AIN	Parent/Subsidiary	Purchases	260,645	47.93%	OA60	-	-	(26,945)	(50.07)%	
AMI	AAPH	Fellow subsidiary	Purchases	180,046	33.11%	OA60	-	-	(20,109)	(37.36)%	
APHI	AAPH	Fellow subsidiary	(Sales)	(104,041)	(8.38)%	OA60	-	-	18,733	17.79%	
APHI	AAPH	Fellow subsidiary	Purchases	1,162,375	100.00%	OA60	-	-	(346,644)	(96.67)%	
APX	ACG	Fellow subsidiary	(Sales)	(420,695)	(21.58)%	OA45	-	-	62,828	22.79%	
APX	AEG	Fellow subsidiary	(Sales)	(281,262)	(14.43)%	OA60	-	-	11,247	4.08%	
APX	ACF	Fellow subsidiary	(Sales)	(155,848)	(7.99)%	OA60	-	-	11,854	4.30%	
APX	ACZ	Fellow subsidiary	(Sales)	(198,455)	(10.18)%	OA90	-	-	36,558	13.26%	
APX	ACH	Fellow subsidiary	(Sales)	(133,520)	(6.85)%	OA60	-	-	18,027	6.54%	
APX	AIB	Fellow subsidiary	(Sales)	(212,512)	(10.90)%	OA60	-	-	33,769	12.25%	
APX	The Company	Parent/Subsidiary	Purchases	222,262	14.13%	OA60	-	-	(38,330)	(14.96)%	
APX	ACG	Fellow subsidiary	Purchases	217,686	13.84%	OA60	-	-	(29,966)	(11.70)%	
APX	AEG	Fellow subsidiary	Purchases	232,490	14.78%	OA60	-	-	(41,956)	(16.38)%	
ARU	ASIN	Fellow subsidiary	(Sales)	(161,505)	(100.00)%	OA60	-	-	18,886	100.00%	
ASIN	ARU	Fellow subsidiary	Purchases	161,505	1.23%	OA60	-	-	(18,886)	(0.62)%	
ASC	The Company	Parent/Subsidiary	Purchases	101,397	15.56%	OA60	-	-	(3,742)	(4.00)%	
ASC	AAC	Fellow subsidiary	Purchases	258,771	39.71%	OA60	-	-	(20,137)	(21.53)%	
ASIN	AEG	Fellow subsidiary	Purchases	13,160,396	99.89%	OA60	-	-	(2,992,000)	(98.98)%	
ASSB	SMA	Parent/Subsidiary	(Sales)	(417,297)	(11.05)%	OA60	-	-	21,175	8.60%	
ASSB	AAPH	Fellow subsidiary	Purchases	3,315,547	93.87%	OA60	-	-	(481,066)	(97.33)%	

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	
ASZ	AEG	Fellow subsidiary	Purchases	2,569,676	94.71%	OA60	-	-	(326,853)	(100.00)%	
ATB	AAC	Fellow subsidiary	Purchases	269,632	5.41%	OA60	-	-	(189,756)	(11.88)%	
ATH	AAPH	Fellow subsidiary	Purchases	4,969,131	91.60%	OA60	-	-	(957,571)	(90.65)%	
AUK	AEG	Fellow subsidiary	Purchases	8,087,346	86.49%	OA60	-	-	(1,580,809)	(99.71)%	
SMA	ASSB	Parent/Subsidiary	Purchases	417,297	9.56%	OA60	-	-	(21,175)	(20.02)%	
AEB	The Company	Parent/Subsidiary	(Sales)	(373,743)	(42.61)%	EM60	-	-	34,742	12.81%	
SER	AEG	Fellow subsidiary	Purchases	113,576	100.00%	OA60	-	-	(50,623)	(99.99)%	

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

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

Acer Incorporated and Subsidiaries

Receivables from related parties which exceed NT$100 million or 20% of the paid-in capital

December 31, 2016

Table 6

(Amounts in Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
The Company	AAC	Parent/Subsidiary	8,779,630	6.74	1,100	Under collection	7,997,889	
The Company	AAPH	Parent/Subsidiary	5,838,349	5.99	829,435	Under collection	4,917,326	
The Company	ACCQ	Parent/Subsidiary	2,273,623	7.03	834,743	Under collection	1,411,134	
The Company	AEG	Parent/Subsidiary	6,142,881	20.80	323	Under collection	6,142,558	
The Company	AFE	Parent/Subsidiary	123,069	5.59	-		123,069	
The Company	TWPBJ	Parent/Subsidiary	102,773	0.41	98,813	Under collection	3,960	
AAC	AMEX	Fellow subsidiary	978,875	1.97	260,901	Under collection	717,974	
AAC	ASC	Fellow subsidiary	616,862	8.54	-		20,137	
AAC	ATB	Fellow subsidiary	189,756	2.83	23	Under collection	123,019	
AAH	AAC	Parent/Subsidiary	1,872,941	-	-		-	
AAPH	ATH	Fellow subsidiary	957,571	4.93	-		742,417	
AAPH	AIL	Fellow subsidiary	3,573,434	1.42	2,255,949	Under collection	530,993	
AAPH	AIN	Fellow subsidiary	892,495	5.79	-		691,306	
AAPH	ACA	Fellow subsidiary	2,581,861	2.85	16,516	Under collection	1,487,815	
AAPH	ASSB	Fellow subsidiary	481,068	7.24	1	Under collection	481,067	
AAPH	AJC	Fellow subsidiary	874,414	1.74	365,179	Under collection	284,416	
AAPH	ACS	Fellow subsidiary	217,892	10.87	-		217,892	
AAPH	ACNZ	Fellow subsidiary	200,675	3.50	-		186,886	
AAPH	APHI	Fellow subsidiary	346,644	5.54	-		200,747	
ACCQ	ACCN	Fellow subsidiary	3,178,084	3.51	-		2,805,469	
ACF	AEG	Fellow subsidiary	634,822	0.55	-		60,169	
ACG	AEG	Fellow subsidiary	1,777,409	0.45	-		114,510	

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
ACH	AEG	Fellow subsidiary	360,909	0.65	-		26,432	
AEG	ACG	Fellow subsidiary	5,269,011	6.72	-		5,230,878	
AEG	ACF	Fellow subsidiary	327,903	16.47	-		327,903	
AEG	AUK	Fellow subsidiary	1,580,809	4.21	-		1,572,225	
AEG	AME	Fellow subsidiary	1,646,157	3.38	-		815,088	
AEG	AIB	Fellow subsidiary	343,447	5.12	-		343,446	
AEG	ACH	Fellow subsidiary	508,171	8.44	-		508,171	
AEG	AIT	Fellow subsidiary	801,929	4.99	-		801,929	
AEG	ASIN	Fellow subsidiary	2,997,813	6.23	-		2,888,302	
AEG	ASZ	Fellow subsidiary	326,853	6.97	104	Under collection	326,749	
AIB	AEG	Fellow subsidiary	330,390	0.83	-		-	
AIT	AEG	Fellow subsidiary	403,290	0.86	-		-	
AIZS	ACCN	Fellow subsidiary	211,766	-	-		-	
AME	AEG	Fellow subsidiary	311,813	-	-		6,810	
ASC	AAC	Fellow subsidiary	134,390	8.41	-		15	
ASIN	AEG	Fellow subsidiary	397,656	-	-		-	
ASCBVI	LONG	Fellow subsidiary	322,791	-	-		-	
ASZ	AEG	Fellow subsidiary	292,824	0.30	-		12,859	
AUK	AEG	Fellow subsidiary	734,343	0.14	-		21,017	
GWI	AAC	Parent/Subsidiary	187,218	-	-		-	
LONG	SURE	Parent/Subsidiary	322,791	-	-		-	

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

Acer Incorporated and Subsidiaries
Intercompany relationships and significant intercompany transactions
For the year ended December 31, 2016

Table 7

(Amounts in Thousands of New Taiwan Dollars)

Intercomapny relationships and significant intercompany transactions for the year ended December 31, 2016 were as follows:

Number (Note 1)	Company Name	Counter Party	Nature of Relationship (Note 2)	Intercompany Transactions			Percentage of Consolidated Net Revenue or Total Assets
				Account	Amount	Transaction Terms	
0	The Company	AEG	1	Sales	64,159,225	OA60	27.57%
0	The Company	AAC	1	Sales	50,471,074	OA90	21.69%
0	The Company	AAPH	1	Sales	34,402,505	OA60	14.78%
0	The Company	ACCQ	1	Sales	12,176,427	OA60	5.23%
0	The Company	AAC	1	Accounts receivable	8,779,630	OA90	5.30%
0	The Company	AEG	1	Accounts receivable	6,142,876	OA60	3.71%
0	The Company	AAPH	1	Accounts receivable	5,838,349	OA60	3.52%

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, 2016

Table 8

(Amounts in Thousands of New Taiwan Dollars/Shares)

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount		Balances as of December 31, 2016			Maximum ownership during 2016		Net Income (Loss) of the Investee	Share of profits/ losses of investee	Note
				December 31, 2016	December 31, 2015	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	1,746,549	128,282	100.00	1,792,129	128,282	100.00	(197)	(197)	Parent/Subsidiary
The Company	Boardwalk	British Virgin Islands	Investing and holding company	41,496,383	41,496,383	1,263,432	92.02	26,644,070	1,263,432	92.02	(5,240,210)	(4,800,609)	Parent/Subsidiary
The Company	AEH	Cyprus	Investing and holding company	2,464,262	2,464,262	150	100.00	16,615,454	150	100.00	(546,562)	(546,562)	Parent/Subsidiary
The Company	AHI	British Virgin Islands	Investing and holding company	1,130,566	1,130,566	33,550	100.00	8,814,102	33,550	100.00	28,290	28,290	Parent/Subsidiary
The Company	Bluechip	Australia	Sale of peripheral and software system	24,249	24,249	1,073	29.98	67,262	1,073	29.98	13,664	3,997	Associate
The Company	AWI	British Virgin Islands	Investing and holding company	4,069,764	4,069,764	1,326,193	100.00	284,735	1,326,193	100.00	(1,162)	(1,162)	Parent/Subsidiary
The Company	ASCBVI	British Virgin Islands	Investing and holding company	1,718,547	1,718,547	35,067	100.00	1,190,242	35,067	100.00	69,924	69,924	Parent/Subsidiary
The Company	CCI	Taiwan	Investing and holding company	1,299,817	1,299,817	-	100.00	528,310	-	100.00	(619,958)	(622,345)	Parent/Subsidiary
The Company	ADSBH	British Virgin Islands	Investing and holding company	1,175,933	1,175,933	2,246	100.00	(314,243)	2,246	100.00	(6,108)	(6,108)	Parent/Subsidiary
The Company	ACCSI	Taiwan	Electronic data supply, processing and storage services	2,943,044	2,943,044	187,092	100.00	1,893,531	187,092	100.00	93,561	93,561	Parent/Subsidiary
The Company	AGC	British Virgin Islands	Investing and holding company	4,941,292	4,941,292	160,989	100.00	5,030,605	160,989	100.00	(372,499)	(372,499)	Parent/Subsidiary
The Company	AEB	Taiwan	Cloud ticketing system, electronic book, online payment service, customized system development and integration services, and sale of commercial and cloud application software and technical services	-	250,000	-	-	-	25,000	100.00	(14,773)	(1,378)	Parent/Subsidiary
The Company	WLII	Taiwan	Sale of computers and communication products	1,115,474	1,115,474	70,088	99.79	1,253,912	70,088	99.79	50,976	50,869	Parent/Subsidiary
The Company	ATI	Taiwan	Integrated circuit test service	819,792	819,792	1,203	19.39	6,944	1,203	19.39	-	647,957	Associate
The Company	ETEN	Taiwan	Research, design and sale of smart handheld products	6,800,751	6,800,751	20,000	100.00	2,373,470	20,000	100.00	(170,474)	(172,626)	Parent/Subsidiary
The Company	ABH	Taiwan	Investing and holding company	1,500,000	-	173,305	100.00	1,479,013	173,305	100.00	(236,852)	(236,852)	Parent/Subsidiary
The Company	ASBZ	Taiwan	Manufacture of computer and peripheral equipment	32,000	-	3,200	50.00	33,047	3,200	50.00	2,094	1,047	Joint venture
ACCSI	TWPBVI	British Virgin Islands	Investing and holding company	32,298	32,298	11,068	100.00	(616)	11,068	100.00	(3,621)	(3,621)	Parent/Subsidiary
ADSC	ECOM	Taiwan	Business integration system	40,851	40,851	1,244	24.88	20,105	1,244	24.88	14,273	3,581	Associate
ADSC	APDI	Taiwan	Property development	29,577	29,577	2,958	100.00	101,780	2,958	100.00	(342)	(342)	Parent/Subsidiary
ADSC	ASDI	Taiwan	Property development	500,000	500,000	22,593	100.00	219,668	22,593	100.00	5,637	5,637	Parent/Subsidiary
ADSC	ABC	Taiwan	Software design service	-	30,000	-	-	-	3,000	100.00	(32,716)	(162)	Parent/Subsidiary
ADSC	YR Creative Cultural Art International Co.	Taiwan	Cultural and creative industries	6,000	6,000	600	20.00	-	600	20.00	-	-	Associate
ADSC	MPS	Taiwan	Research, development, and sale of batteries	-	100,000	-	-	-	10,000	100.00	(58,717)	(17,760)	Parent/Subsidiary

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount		Balances as of December 31, 2016			Maximum ownership during 2016		Net Income (Loss) of the Investee	Share of profits/ losses of investee	Note
				December 31, 2016	December 31, 2015	Shares (in thousands)	Percentage of Ownership	Carrying Value	Shares (in thousands)	Percentage of Ownership			
WLII	Provision International	Taiwan	Retail of information software	23,668	23,668	882	30.22	14,509	882	30.22	6,394	1,932	Associate
WLII	WHI	Hong Kong	Sale of computers and communication products	55,895	55,895	12,872	100.00	19,468	12,872	100.00	(94)	(94)	Parent/Subsidiary
WLII	WELL	Taiwan	Matchmaking of professional services, platform of client service and sale of products, and providing of professional seminars and courses	10,000	10,000	10,000	100.00	6,062	10,000	100.00	(3,938)	(3,938)	Parent/Subsidiary
AEH	Boardwalk	British Virgin Islands	Investing and holding company	3,333,032	3,333,032	109,639	7.98	2,316,047	109,639	7.98	(5,240,210)	(439,601)	Associate
AHN	Sertec 360	Switzerland	Repair and maintenance of IT products	44,259	14,462	1	100.00	29,783	1	100.00	522	176	Parent/Subsidiary
ACTI	GrandPAD	USA	Development of user-friendly IoT device	258,256	-	316	41.03	227,343	316	41.03	(88,805)	(30,934)	Associate
ABH	AEB	Taiwan	Cloud ticketing system, electronic book, online payment service, customized system development and integration services, and sale of commercial and cloud application software and technical services	583,046	-	60,000	100.00	561,438	60,000	100.00	(14,773)	(13,395)	Parent/Subsidiary
ABH	ACTTW	Taiwan	Development of Internet of Beings and cloud technology, and integration of cloud technology, software and hardware	600,000	-	60,000	100.00	408,889	60,000	100.00	(182,143)	(182,143)	Parent/Subsidiary
ABH	MPS	Taiwan	Research, development, and sale of batteries	81,711	-	10,000	100.00	40,752	10,000	100.00	(58,717)	(40,957)	Parent/Subsidiary
ABH	ABHI	Taiwan	Intelligent medical examination and data analysis, the medical big data, and exchange of health management and information	48,000	-	4,800	100.00	47,965	4,800	100.00	(35)	(35)	Parent/Subsidiary
AEB	XPL	Taiwan	Design, development and sale of smart bicycle speedometer and operating social platform for bicycle riding and sports	66,040	52,040	4,342	100.00	17,442	5,133	100.00	(25,305)	(25,305)	Parent/Subsidiary
AEB	PBC	Taiwan	Pet interaction device and social networking service	46,400	-	3,400	100.00	11,417	3,400	100.00	(16,453)	(16,453)	Parent/Subsidiary
AEB	PKL	Taiwan	Integration of service platforms including parking lots searching, parking fee comparison,and GPS navigation	24,000	-	24,000	92.31	13,119	24,000	92.31	(8,224)	(7,592)	Parent/Subsidiary
ACTTW	ABC	Taiwan	Software design service	76,371	-	8,000	100.00	43,818	8,000	100.00	(32,716)	(32,554)	Parent/Subsidiary
ACTTW	AGI	Taiwan	Development of user-friendly IoT device	29,000	-	2,900	100.00	27,502	2,900	100.00	(1,498)	(1,498)	Parent/Subsidiary

Acer Incorporated and Subsidiaries
Information on Investment in Mainland China
For the year ended December 31, 2016

Table 9

(Amounts in Thousands of New Taiwan Dollars)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2016	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2016	Net Income (Losses) of Investee	% of Ownership of Direct or Indirect Investment	Maximum ownership during 2016		Share of profits/ losses of investee	Carrying Value as of December 31, 2016	Accumulated Inward Remittance of Earnings as of December 31, 2016
					Outflow	Inflow				Shares	Percentage of Ownership			
Acer Third Wave Software (Beijing) Co. Ltd.	Sale of commercial and cloud application software and technical service	96,837	2	96,837	-	-	96,837	(3,591)	100.00	-	100.00	(3,591)	(5,545)	-
Beijing Acer Information Co., Ltd.	Sale of brand-name IT product	58,102	2	-	-	-	-	(2,211)	100.00	-	100.00	(2,211)	37,274	-
Acer Information (Zhong Shan) Co., Ltd.	Sale of brand-name IT product	48,419	2	-	-	-	-	3,076	100.00	-	100.00	3,076	214,701	-
Acer Computer (Shanghai) Ltd.	Sale of brand-name IT product	64,558	2	64,558	-	-	64,558	(318,966)	100.00	-	100.00	(318,966)	913,393	-
Acer (Chongqing) Ltd.	Sale of brand-name IT product	4,841,850	2	4,970,966 (Note 2)	-	-	4,970,966	64,966	100.00	-	100.00	64,966	3,547,775	-
Acer Information Technology R&D (Shanghai) Co., Ltd	Research and design of smart handheld products	64,558	2	-	-	-	-	-	-	-	100.00	-	-	-
Acer Colud Technology (Chongqing) Ltd.	Design, development, sale, and advisory of computer software and hardware	161,395	1	161,395	-	-	161,395	(21,518)	100.00	-	100.00	(21,518)	123,800	-
Innovation and Commercialization Accelerator Inc.	Development, design, manufacturing, sale, and maintenance of intelligent terminal devices	27,887	1	(Note 3)	-	-	(Note 3)	(7,021)	30.00	-	30.00	(2,106)	25,700	-
Xplova (Shanghai) Ltd.	Sale of smart bicycle speedometer and operating social platform for bicycle riding and sports	9,703	1	-	9,703	-	9,703	(939)	100.00	-	100.00	(939)	8,359	-

Note 1: Method of Investment:
Type 1: Direct investment in Mainland China.
Type 2: Indirect investment in Mainland China through a holding company established in other countries.
Note 2: Acer Intellectual (Chongqing) Limited had merged with Acer (Chongqing) Ltd. in 2014, and Acer (Chongqing) Ltd. was the surviving entity from the merger. This amount included the original investment in Acer Intellectual (Chongqing) Limited of $ 129,116 (US $4,000 thousand).
Note 3: Innovation and Commercialization Accelerator Inc. was reinvested by Acer Colud Technology(Chongqing) Ltd.

Investor Company Name	Accumulated Investment in Mainland China as of December 31, 2016	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
The Company and Subsidiaries	$ 5,303,459 (US $164,300,600)	$ 7,076,360 (US $219,224,886.5)	(Note 4)

The above amounts were translated into New Taiwan dollars at the exchange rate of US$1＝NT$32.279 as of December 31, 2016.
Note 4: Since the Company has obtained the Certificate of Headquarter Operation, there is no upper limitation on investment in Mainland China.