

**ACER INCORPORATED AND SUBSIDIARIES**  
**Consolidated Financial Statements**  
**December 31, 2013 and 2012**  
**(With Independent Auditors' Report Thereon)**



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 www.kpmg.com.tw

## Independent Auditors' Report

The Board of Directors  
Acer Incorporated:

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

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

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

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

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

### Notes to Readers

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

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

**ACER INCORPORATED AND SUBSIDIARIES**

**Consolidated Balance Sheets**

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

**(In thousands of New Taiwan dollars)**

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

(Continued)

**ACER INCORPORATED AND SUBSIDIARIES**

**Consolidated Balance Sheets**

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

**(In thousands of New Taiwan dollars)**

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

See accompanying notes to consolidated financial statements.

**ACER INCORPORATED AND SUBSIDIARIES**

**Consolidated Statements of Comprehensive Income**

**For the years ended December 31, 2013 and 2012**

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

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

See accompanying notes to consolidated financial statements.

**ACER INCORPORATED AND SUBSIDIARIES**

**Consolidated Statements of Changes in Equity**

**For the years ended December 31, 2013 and 2012**

**(Expressed in thousands of New Taiwan dollars)**

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

See accompanying notes to consolidated financial statements.

**ACER INCORPORATED AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the years ended December 31, 2013 and 2012**

**(in thousands of New Taiwan dollars)**

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

(Continued)

See accompanying notes to consolidated financial statements.

**ACER INCORPORATED AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the years ended December 31, 2013 and 2012**

**(in thousands of New Taiwan dollars)**

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

See accompanying notes to consolidated financial statements.



## ACER INCORPORATED AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

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

#### 1. Organization and Business

Acer Incorporated (the “Company”) was incorporated on August 1, 1976 as a company limited by shares under the laws of the Republic of China (“R.O.C.”) and registered under the Ministry of Economic Affairs, R.O.C. on October 15, 2007. The Company completed acquisition of 100% equity ownership of Gateway, Inc. (including eMachines brand), a personal computer company in the U.S. The Company also acquired the 100% equity ownership of Packard Bell B.V., a personal computer company in Europe on March 14, 2008. Following the acquisitions of Gateway and Packard Bell, the Company has expanded its multi-brand strategy. Additionally, on September 1, 2008, the Company entered the smart phone market following the acquisition of E-Ten Information Systems Co., Ltd. In October 2010, in order to expand into the market in China, the Company acquired the PC business, management team and employees, regional sales and marketing channels of Founder Technology Group Corporation. On January 12, 2012, the Company acquired the 100% equity ownership of iGware Inc. for the development of a unique AcerCloud system in order to enhance Acer brand positioning and increase brand value. The Company and its subsidiaries (collectively as the “Group”) primarily are involved in globally marketing its brand-name IT products and promoting electronic information services to clients.

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

#### 2. The authorization of the consolidated financial statements

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

#### 3. New standards and interpretations not yet adopted

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

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

## ACER INCORPORATED AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

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

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

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

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

Issue date	New standards and amendments	Description and Influence	Effective date per IASB
December 12, 2013	<ul style="list-style-type: none"> <li>• Amendment to IFRS 1 <i>First-Time Adoption of International Financial Reporting Standards</i></li> <li>• Amendment to IFRS 2 <i>Share-based Payment</i></li> <li>• Amendment to IFRS 3 <i>Business Combinations</i></li> <li>• Amendment to IFRS 8 <i>Operating Segments</i></li> <li>• IFRS 13 <i>Fair Value Measurement</i></li> <li>• Amendment to IAS 24 <i>Related Party Disclosures</i></li> <li>• Amendment to IAS 40 <i>Investment Property</i></li> </ul>	<p>Issuance of “Annual improvement to IFRSs 2010–2012 Cycle and 2011–2013 Cycle” is intended mainly to:</p> <ul style="list-style-type: none"> <li>• Clarify the definition of vesting conditions (including performance and service conditions).</li> <li>• Clarify the measurement and classification of contingent consideration in a business combination.</li> <li>• Requirement entities to disclose the judgments made by management in applying the aggregation criteria.</li> <li>• Clarify the scope of the IFRS 13 portfolio exception whereby an entity is permitted to measure the fair value of a group of financial assets and financial liabilities with offsetting risk positions on a net basis if certain conditions are met.</li> <li>• Clarify to expand the definition of a related party to include a management entity that provides key management personnel (KMP) service to the reporting entity or Group.</li> <li>• Require a separate assessment to determine whether the acquisition of an investment property constitutes a business.</li> </ul> <p>Adoption of the above amendments would affect the accounting treatments and the related disclosures in the consolidated financial statements.</p>	July 1, 2014, early adoption is permitted.

(Continued)

**ACER INCORPORATED AND SUBSIDIARIES****Notes to Consolidated Financial Statements****4. Summary of Significant Accounting Policies**

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

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

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

(1) Statement of compliance

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

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

(2) Basis of preparation

(a) Basis of measurement

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

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

(b) Functional and presentation currency

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

(Continued)

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

## (3) Basis of consolidation

## (a) Principles of preparation of consolidated financial statements

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

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Profits and loss attributable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

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

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

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## (b) List of subsidiaries in the consolidated financial statements

The subsidiaries included in the consolidated financial statements:

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

(Continued)



## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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

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

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

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

(Continued)

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

## (4) Foreign currency

## (a) Foreign currency transaction

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

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

## (b) Foreign operations

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

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

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

(Continued)

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

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

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

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

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

- (a) It is expected to be settled in the normal operating cycle;
- (b) It is held primarily for the purpose of trading;
- (c) It is due to be settled within twelve months after the reporting period; or
- (d) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

## (6) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash in banks, and other short-term and highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits with an original maturity of less than one year that meet the aforesaid criteria and are not held for investing purpose are also classified as cash and cash equivalents.

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

## (7) Financial Instruments

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

## (a) Financial assets

Financial assets are classified into the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. Regular way purchases or sales of financial assets are recognized or derecognized on a trade-date basis, the date on which the Group commits to purchase or sell the assets.

(Continued)

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

## i. Financial assets at fair value through profit or loss

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

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

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

## ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise accounts receivables and other receivables. At initial recognition, such assets are recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables other than insignificant interest on short-term receivables are measured at amortized cost using the effective interest method less any impairment losses. Interest income is recognized as non-operating income in profit or loss.

## iii. Available-for sale financial assets

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

(Continued)

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

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

iv. Impairment of financial assets

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

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

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

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

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

(Continued)



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

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

v. Derecognition of financial assets

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

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

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

(b) Financial liabilities and equity instruments

i. Classification of debt or equity

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

(Continued)

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

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

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

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

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

ii. Financial liabilities at fair value through profit or loss

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

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

(Continued)

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

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

iii. Other financial liabilities

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

iv. Derecognition of financial liabilities

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

v. Offsetting of financial assets and liabilities

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

(c) Derivative financial instruments and hedge accounting

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

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

(Continued)

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

## i. Fair value hedge

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

## ii. Cash flow hedge

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

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

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

## (8) Inventories

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

## (9) Non-current assets and discontinued operations held for sale

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

Immediately before the initial classification of the non-current assets (or disposal groups) as held for sale, the carrying amount of the assets (or all the assets and liabilities in the group) is measured in accordance with applicable Group accounting policies. Thereafter, the assets are measured at the lower of their carrying amount and fair value less costs to sell.

(Continued)

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

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

**(10) Investment in Associates**

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

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

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

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

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

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

(Continued)

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

## (11) Property, plant and equipment

## (a) Recognition and measurement

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

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

## (b) Reclassification to investment property

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

## (c) Subsequent costs

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

## (d) Depreciation

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

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

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

(Continued)

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

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

**(12) Investment property**

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

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

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

**(13) Leases**

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

**(a) The Group as lessor**

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

**(b) The Group as lessee**

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

(Continued)

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

## (14) Intangible assets

## (a) Goodwill

Goodwill arising from acquisitions of subsidiaries is accounted for as intangible assets. Refer to Note 4 (22) for the description of the measurement of goodwill at initial recognition. Goodwill arising from the acquisitions of associates is included in the carrying amount of investments in associates. Goodwill is not amortized but is measured at cost less accumulated impairment losses.

## (b) Trademarks

Trademarks acquired in a business combination are measured at fair value at the acquisition date. Subsequent to the initial recognition, trademarks with definite useful life are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over the estimated useful lives of 7 to 20 years. Trademarks with indefinite useful lives are carried at cost less any accumulated impairment and tested for impairment annually. The useful life of an intangible asset not subject to amortization is reviewed annually at each financial year-end to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Any change in the useful life assessment from indefinite to definite is accounted for as a change in accounting estimate.

## (c) Other intangible assets

Other separately acquired intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized in profit or loss using the straight-line basis over the following estimated useful lives: customer relationships - 7 to 10 years; developed technology - 10 years; channel resources - 8.8 years; developing technology - 15 years; patents - 4 to 16 years; acquired software - 1 to 3 years.

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

## (15) Impairment of non-financial assets

## (a) Goodwill

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

(Continued)



**ACER INCORPORATED AND SUBSIDIARIES****Notes to Consolidated Financial Statements****(b) Other tangible and intangible assets**

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

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

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

**(16) Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance costs.

(Continued)

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

## (a) Warranties

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

## (b) Sales return provision

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

## (c) Restructuring

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

## (d) Others

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

## (17) Treasury stock

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

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

(Continued)

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

## (18) Revenue recognition

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

## (a) Sale of goods

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

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

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

## (b) Services

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

## (c) Rental income, interest income and dividend income

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

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

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

## (d) Government grant

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

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

(Continued)

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

## (19) Employee benefits

## (a) Defined contribution plans

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

## (b) Defined benefit plans

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

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

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

The Group recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment or settlement comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation, and any related actuarial gains or losses and past service cost that had not previously been recognized.

## (c) Short-term employee benefits

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

(Continued)

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

## (20) Share-based payment

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

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

## (21) Income Taxes

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

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

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

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

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

(Continued)

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

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

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

(22) Business combination

(a) Acquisition on or after 1 January 2012

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

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

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

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

(b) Acquisition before 1 January 2012

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

(Continued)

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

## (23) Earnings per share (“EPS”)

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

## (24) Operating segments

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

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

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

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

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

## (1) Revenue recognition

The Group recognizes revenue when the conditions described in Note 4(18) are satisfied. The Group also records a provision for estimated future returns and other allowances in the same period the related revenue is recorded. Provision for estimated sales returns and other allowances is generally made and adjusted based on historical experience, market and economic conditions and any other known factors that would significantly affect the allowance. The adequacy of estimations are reviewed periodically. The fierce market competition and rapid evolution of technology could result in significant adjustments to the provision made.

(Continued)

**ACER INCORPORATED AND SUBSIDIARIES****Notes to Consolidated Financial Statements****(2) Impairment of intangible assets**

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

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

**(3) Recognition and measurement of deferred income tax assets**

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

**(4) Recognition and measurement of defined benefit obligation**

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

**(5) Valuation of inventory**

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

Due to the rapid technological changes, the Group estimates the net realizable value of inventory for obsolescence and unmarketable items at the reporting date and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time horizon, which could result in significant adjustments.

(Continued)



## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## (6) Warranty provision

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

## (7) Litigation provision

Litigation Provisions are recorded for pending litigation when it is determined that an unfavorable outcome is probable and the amount of loss can be reasonably estimated. Due to the inherent uncertain nature of litigation, the ultimate outcome or actual cost of settlement may materially vary from estimates.

## 6. Significant Account Disclosures

## (1) Cash and cash equivalents

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

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

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

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

The Group entered into derivative contracts to manage foreign currency exchange risk arising from operating activities. At each reporting date, the outstanding foreign currency forward contracts that did not conform to the criteria for hedge accounting consisted of the following:

		December 31, 2013		
	Contract amount (in thousands)	Buy	Sell	Maturity period
AUD	2,750	AUD	/ NZD	2014/01~2014/03
EUR	7,341	CHF	/ EUR	2014/01
EUR	5,163	DKK	/ EUR	2014/01
EUR	11,304	EUR	/ CHF	2014/01~2014/04
EUR	5,967	EUR	/ SEK	2014/01~2014/04
EUR	305,000	EUR	/ USD	2014/01
EUR	4,211	EUR	/ NOK	2014/01~2014/03
USD	26,630	MXN	/ USD	2014/01~2014/04
USD	500	MYR	/ USD	2014/01
EUR	7,402	NOK	/ EUR	2014/01
USD	82,000	USD	/ AUD	2014/01~2014/06
USD	29,302	USD	/ CAD	2014/01
USD	113,000	USD	/ CNY	2014/02~2014/04
EUR	485,267	USD	/ EUR	2014/01~2014/11
USD	125,123	USD	/ GBP	2014/01~2014/04
USD	11,800	USD	/ IDR	2014/01
USD	127,418	USD	/ INR	2014/01~2014/06
USD	53,000	USD	/ JPY	2014/01~2014/06
USD	79,000	USD	/ MXN	2014/01~2014/05
USD	18,100	USD	/ MYR	2014/01~2014/02
USD	571,000	USD	/ NTD	2014/01
USD	6,750	USD	/ NZD	2014/01~2014/04
USD	400	USD	/ PHP	2014/01
USD	103,571	USD	/ RUB	2014/01~2014/03
USD	5,000	USD	/ SGD	2014/01
USD	40,500	USD	/ THB	2014/01~2014/02

		December 31, 2012		
	Contract amount (in thousands)	Buy	Sell	Maturity period
EUR	129,700	USD	/ EUR	2013/01~2013/02
USD	1,036,000	USD	/ NTD	2013/01
USD	87,000	USD	/ INR	2013/01~2013/03
USD	13,500	USD	/ THB	2013/01
USD	26,800	USD	/ MYR	2013/01~2013/02
USD	5,000	USD	/ SGD	2013/01~2013/02
USD	8,000	USD	/ CLP	2013/01
USD	28,000	USD	/ BRL	2013/01~2013/02
EUR	2,600	EUR	/ PLN	2013/01

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

	Contract amount (in thousands)	January 1, 2012		Maturity period
		Buy	Sell	
USD	6,000	USD /	SGD	2012/01
USD	18,600	USD /	MYR	2012/01~2012/02
USD	32,000	USD /	THB	2012/01~2012/02
USD	99,570	USD /	INR	2012/01~2012/05
USD	66,000	USD /	JPY	2012/01~2012/05
USD	189,296	USD /	RUB	2012/01~2012/03
EUR	46,140	USD /	EUR	2012/02

## (3) Hedging derivative financial assets and liabilities—current

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

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

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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

<b>December 31, 2013</b>				
	<b>Contract amount (in thousands)</b>	<b>Buy</b>	<b>Sell</b>	<b>Maturity period</b>
USD	10,000	USD	/ JPY	2014/01~2014/02

<b>December 31, 2012</b>				
	<b>Contract amount (in thousands)</b>	<b>Buy</b>	<b>Sell</b>	<b>Maturity period</b>
AUD	1,250	AUD	/ NZD	2013/01~2013/03
USD	5,900	USD	/ NZD	2013/01~2013/03
EUR	9,880	EUR	/ SEK	2013/01~2013/04
EUR	4,556	EUR	/ CHF	2013/03~2013/04
EUR	53,010	EUR	/ USD	2013/01
USD	133,738	USD	/ GBP	2013/01~2013/04
USD	64,000	USD	/ AUD	2013/01~2013/03
USD	70,663	USD	/ CAD	2013/01~2013/03
EUR	538,300	USD	/ EUR	2013/01~2013/05
USD	207,000	USD	/ CNY	2013/01~2013/03
USD	69,000	USD	/ JPY	2013/01~2013/06
USD	84,000	USD	/ MXN	2013/01~2013/05
USD	12,700	MXN	/ USD	2013/01
USD	286,189	USD	/ RUB	2013/01~2013/05
EUR	6,439	DKK	/ EUR	2013/01
EUR	542	NOK	/ EUR	2013/01

<b>January 1, 2012</b>				
	<b>Contract amount (in thousands)</b>	<b>Buy</b>	<b>Sell</b>	<b>Maturity period</b>
AUD	3,750	AUD	/ NZD	2012/01~2012/03
EUR	8,631	CHF	/ EUR	2012/01
USD	6,750	MXN	/ USD	2012/01
EUR	13,520	EUR	/ SEK	2012/01~2012/02
EUR	11,458	EUR	/ CHF	2012/01~2012/03
EUR	16,314	EUR	/ PLN	2012/01~2012/02
USD	53,049	USD	/ CAD	2012/01
USD	88,151	USD	/ AUD	2012/01~2012/03
USD	5,500	USD	/ NZD	2012/01~2012/04
USD	574,000	USD	/ NTD	2012/01
EUR	597,276	USD	/ EUR	2012/01~2012/03
USD	133,151	USD	/ GBP	2012/01~2012/03
USD	280,000	USD	/ CNY	2012/01~2012/03
USD	104,620	USD	/ MXN	2012/01~2012/05

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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

## (4) Available-for-sale financial assets

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

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

## (5) Notes and accounts receivable, net

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

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

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

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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

	<b>Individually assessed impairment</b>	<b>Collectively assessed impairment</b>	<b>Total</b>
Balance at January 1, 2013	\$ 392,984	14,773	407,757
Reversal of impairment loss	(80,722)	(5,020)	(85,742)
Write-off	(87,426)	-	(87,426)
Effect of exchange rate changes	<u>4,259</u>	<u>-</u>	<u>4,259</u>
Balance at December 31, 2013	<b><u>\$ 229,095</u></b>	<b><u>9,753</u></b>	<b><u>238,848</u></b>
	<b>Individually assessed impairment</b>	<b>Collectively assessed impairment</b>	<b>Total</b>
Balance at January 1, 2012	\$ 735,362	12,061	747,423
Provision (reversal) of impairment loss	(178,778)	2,712	(176,066)
Write-off	(153,146)	-	(153,146)
Effect of exchange rate changes	<u>(10,454)</u>	<u>-</u>	<u>(10,454)</u>
Balance at December 31, 2012	<b><u>\$ 392,984</u></b>	<b><u>14,773</u></b>	<b><u>407,757</u></b>

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

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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

<b>December 31, 2013</b>					
<b>Underwriting bank</b>	<b>Factoring credit limit</b>	<b>Receivables sold</b>	<b>Receivables derecognized</b>	<b>Interest rate</b>	<b>Collateral</b>
China Trust Bank	\$ 880,000	177,719	177,719		Nil
Taipei Fubon Bank	750,000	154,525	154,525		Nil
Norden Finans Norge AS	<u>164,641</u>	<u>74,002</u>	<u>74,002</u>		Nil
	<b>\$ <u>1,794,641</u></b>	<b><u>406,246</u></b>	<b><u>406,246</u></b>	1.19%~2.72%	
<b>December 31, 2012</b>					
<b>Underwriting bank</b>	<b>Factoring credit limit</b>	<b>Receivables sold</b>	<b>Receivables derecognized</b>	<b>Interest rate</b>	<b>Collateral</b>
China Trust Bank	\$ 950,000	215,809	215,809		Nil
Taipei Fubon Bank	750,000	228,017	228,017		Nil
Taishin Bank	150,000	20,837	20,837		Note 9 (5)
Norden Finans Norge AS	<u>1,691,321</u>	<u>1,222,364</u>	<u>1,222,364</u>		Nil
	<b>\$ <u>3,541,321</u></b>	<b><u>1,687,027</u></b>	<b><u>1,687,027</u></b>	1.21%~2.69%	
<b>January 1, 2012</b>					
<b>Underwriting bank</b>	<b>Factoring credit limit</b>	<b>Receivables sold</b>	<b>Receivables derecognized</b>	<b>Interest rate</b>	<b>Collateral</b>
China Trust Bank	\$ 950,000	221,164	221,164		Nil
Taipei Fubon Bank	750,000	341,192	341,192		Nil
IFITALIA	6,013,674	3,152,555	416,047		Nil
Commonwealth Bank	<u>1,610,593</u>	<u>898,016</u>	<u>898,016</u>		Nil
	<b>\$ <u>9,324,267</u></b>	<b><u>4,612,927</u></b>	<b><u>1,876,419</u></b>	1.02%~8.10%	

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

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

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## (6) Other Receivables

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

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

## (7) Inventories

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

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

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

## (8) Non-current assets held for sale

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

(Continued)



## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## (9) Investments in associates

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

Name of Associates	December 31, 2013		December 31, 2012		January 1, 2012	
	Percentage of ownership	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership	Carrying amount
Wistron Corporation ("Wistron")	-	\$ -	-	-	2.57%	1,582,832
Aegis Semiconductor Technology Inc. ("Aegis")	44.04%	64,180	44.04%	64,180	44.04%	165,235
ECOM Software Inc. ("ECOM")	33.93%	21,860	33.93%	21,834	33.93%	22,132
Bluechip Infotech Pty Ltd.	34.05%	76,136	34.05%	89,694	34.05%	86,739
Others	-	14,158	-	14,129	-	(14,453)
		<u>\$ 176,334</u>		<u>189,837</u>		<u>1,842,485</u>
				<b>2013</b>		<b>2012</b>
Share of profits of associates				\$ <u>5,175</u>		<u>108,406</u>

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

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

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

	December 31, 2013	December 31, 2012	January 1, 2012
Total assets	\$ <u>855,676</u>	<u>943,362</u>	<u>255,561,993</u>
Total liabilities	\$ <u>334,865</u>	<u>386,134</u>	<u>194,012,931</u>
		<b>2013</b>	<b>2012</b>
Revenue	\$ <u>2,167,654</u>	<u>2,473,197</u>	
Net income	\$ <u>20,421</u>	<u>60,114</u>	

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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

## (10) Acquisition of subsidiaries

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

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

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

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

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

(Continued)

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

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

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

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

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

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

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## (11) Property, plant and equipment

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

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

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

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## (12) Investment property

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

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

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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

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

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

## (13) Intangible assets

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

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

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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

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

## (b) Other intangible assets

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

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

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

	December 31, 2013							Platform Service of Console Game
	PCRO- EMEA	PCRO-PA	PCRO- AAP	PCRO- China	PCRO- TWN	E-Ten		
Goodwill	\$ 11,489,540	1,828,686	3,575,889	2,970,087	1,022,016	-		182,747
Trademarks & trade names	102,867	30,279	15,078	65,933	825	-		-

  

	December 31, 2012							Platform Service of Console Game
	PCRO- EMEA	PCRO-PA	PCRO- AAP	PCRO- China	PCRO- TWN	E-Ten		
Goodwill	\$ 12,069,264	4,752,587	3,499,163	2,832,488	1,004,157	221,423		323,891
Trademarks & trade names	2,309,672	1,207,395	601,239	1,654,157	32,879	152,900		-

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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

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

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

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

(Continued)



## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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

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

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

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

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

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

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

## (14) Short-term borrowings

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

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## (15) Long-term debt and bonds payable

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

## (a) Bank loans

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

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

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

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## (b) Overseas convertible bonds

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

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

## i. The 2015 Bonds

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

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

(Continued)

**ACER INCORPORATED AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

vi) Redemption at the option of the bondholders

- A. Bondholders shall have the right, at such holder's option, to require the Company to redeem, in whole or in part, the 2015 Bonds held by such holder at a redemption price of principal amount plus a gross yield of 0.43% per annum (calculated on a semi-annual basis) in US dollars on August 10, 2013.
- B. In the event that the Company's common shares are officially delisted from the Taiwan Securities Exchange, each bondholder shall have the right, at such holder's option, to require the Company to redeem the 2015 Bonds, in whole or in part, at an amount equal to the principal amount plus a gross yield of 0.43% per annum (calculated on a semi-annual basis) at the relevant date (the "2015 Early Redemption Amount").
- C. If a change of control (as defined in the issue terms) occurs, each bondholder shall have the right, at such holder's option, to require the Group to redeem the 2015 Bonds, in whole or in part, at 2015 Early Redemption Amount.

vii) Redemption at the option of the Company

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

- A. At any time on or after August 10, 2013 and prior to the maturity date, the closing price (translated into US dollars at the prevailing rate) of its common shares on the Taiwan Stock Exchange is at least 130% of the 2015 Early Redemption Amount for 20 consecutive trading days.
- B. If more than 90% of 2015 Bond has been redeemed, repurchased and cancelled, or converted;
- C. The change in the tax regulations of ROC causes the Company become obliged to pay additional amounts in respect of taxes or expenses.

viii) Redemption at maturity

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

ii. The 2017 Bonds

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

(Continued)

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

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

## vi. Redemption at the option of the bondholders

- A. Bondholders shall have the right, at such holder's option, to require the Company to redeem, in whole or in part, the 2017 Bonds held by such holder at a redemption price of the principal amount plus a gross yield of 2.5% per annum (calculated on a semi-annual basis) on August 10, 2015.
- B. In the event that the Company's common shares are officially delisted from the Taiwan Securities Exchange, each bondholder shall have the right, at such holder's option, to require the Company to redeem the 2017 Bonds, in whole or in part, at an amount equal to the principal amount plus a gross yield of 2.5% per annum (calculated on a semi-annual basis) at the relevant date (the "2017 Early Redemption Amount").
- C. If a change of control (as defined in the issue terms) occurs, each bondholder shall have the right, at such holder's option, to require the Company to redeem the 2017 Bonds, in whole or in part, at 2017 Early Redemption Amount.

## vii) Redemption at the option of the Company

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

- A. At any time on or after August 10, 2013 and prior to the maturity date, the closing price (translated into US dollars at the prevailing rate) of its common shares on the Taiwan Stock Exchange is at least 130% of the 2017 Early Redemption Amount for 20 consecutive trading days.
- B. If more than 90% of 2017 Bond has been redeemed, repurchased and cancelled, or converted;
- C. The change in the tax regulations of ROC causes the Company become obliged to pay additional amounts in respect of taxes or expenses.

## viii) Redemption amount at maturity

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

(Continued)

**ACER INCORPORATED AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

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

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

(c) Domestic convertible bonds

	<b>2013</b>
Bonds payable:	
Balance at issue date	\$ 5,742,000
Amortization of bonds discount (recognized as interest expense)	<u>52,965</u>
Ending balance	\$ <u><u>5,794,965</u></u>
Financial assets at fair value through profit or loss (redemption options of the convertible bonds):	
Balance at issue date	\$ 3,000
Evaluation loss	<u>(3,000)</u>
Ending balance	\$ <u><u>-</u></u>
	<b>December 31, 2013</b>
Capital surplus — conversion right (note 6(20))	\$ <u><u>261,000</u></u>

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

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

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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

## vi. Redemption at the option of the Company

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

- i) At any time on or after June 15, 2013 and until 40 days prior to the maturity date, the closing price of its common shares on the Taiwan Stock Exchange is at least 130% of the conversion price for 30 consecutive trading days.
- ii) At any time on or after June 15, 2013 and until 40 days prior to the maturity date, the outstanding balance of convertible bonds is less than 10% of the original of issuance amount.

## vii. Redemption amount at maturity

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

## (16) Provisions

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

(Continued)

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

## (a) Warranties

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

## (b) Litigation

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

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

## (c) Sales return

Expected sales return are estimated based on historical experiences.

## (d) Restructuring

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

## (e) Environmental protection and others

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

(Continued)



**ACER INCORPORATED AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

(17) Operating lease

(a) Lessee

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

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

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

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

(b) Lessor

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

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

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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

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

## (18) Employee benefits

## (a) Defined benefit plans

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

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of benefit obligations	\$ 1,995,552	2,316,364	2,189,336
Fair value of plan assets	<u>(1,128,400)</u>	<u>(1,312,329)</u>	<u>(1,347,962)</u>
Recognized liabilities for defined benefit obligations (classified under other non-current liabilities)	<u>\$ 867,152</u>	<u>1,004,035</u>	<u>841,374</u>
	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Present value of benefit obligations	\$ 34,320	30,090	30,606
Fair value of plan assets	<u>(68,780)</u>	<u>(67,909)</u>	<u>(67,259)</u>
Recognized assets for defined benefit obligations (classified under other non-current assets)	<u>\$ (34,460)</u>	<u>(37,819)</u>	<u>(36,653)</u>

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

Foreign subsidiaries, including AJC, ATH, AIN, APHI, AEG, ASZ, AIT, AME, ACN and ACF, also apply defined benefit pension plans based on respective local laws and regulations.

(Continued)

**ACER INCORPORATED AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

i. Composition of plan assets

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

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

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

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

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

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## ii. Movements in present value of the defined benefit obligations

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

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

## iii. Movements of fair value of plan assets

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

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

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## iv. Expenses recognized in profit or loss

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

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

## v. Actuarial gains and losses recognized in other comprehensive income

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

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

## vi. Actuarial assumptions

The principal assumptions of the actuarial valuation were as follows:

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

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

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## vii. Experience adjustments on historical information

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of defined benefit obligations	\$ 1,995,552	2,316,364	2,189,336
Fair value of plan assets	<u>(1,128,400)</u>	<u>(1,312,329)</u>	<u>(1,347,962)</u>
Liabilities of defined benefit obligations	<u>\$ 867,152</u>	<u>1,004,035</u>	<u>841,374</u>
Experience adjustments arising from the present value of defined benefit obligations	<u>\$ (110,097)</u>	<u>(12,304)</u>	<u>-</u>
Experience adjustments arising from the fair value of the plan assets	<u>\$ (32,126)</u>	<u>(47,438)</u>	<u>-</u>
	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Present value of defined benefit obligations	\$ 34,320	30,090	30,606
Fair value of plan assets	<u>(68,780)</u>	<u>(67,909)</u>	<u>(67,259)</u>
Assets of defined benefit obligations	<u>\$ (34,460)</u>	<u>(37,819)</u>	<u>(36,653)</u>
Experience adjustments arising from the present value of defined benefit obligations	<u>\$ 1,478</u>	<u>(358)</u>	<u>-</u>
Experience adjustments arising from the fair value of the plan assets	<u>\$ (319)</u>	<u>(694)</u>	<u>-</u>

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

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

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

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## (b) Defined contribution plans

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

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

## (19) Income taxes

- (a) Income tax returns of the Group are filed individually by each entity and not on a combined basis. The Company and its subsidiaries incorporated in the ROC are subject to ROC income tax at a rate of 17% for the years 2013 and 2012. AAPH has applied for a tax exemption of its income under Malaysian tax act. The tax exemption for the financial years 2008 to 2017 has been granted subject to the conditions that (1) AAPH shall invest certain amount on IT infrastructure and related IT costs; and (2) sales to the Malaysian market is limited to 20% of total annual sales of AAPH. Other foreign subsidiaries calculated income tax in accordance with the respective local tax law and regulations. The components of income tax expense (benefit) were as follows:

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

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

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

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

Reconciliation of the expected income tax expense (benefit) calculated based on the R.O.C. statutory tax rate compared with the actual income tax expense (benefit) as reported in the consolidated statements of comprehensive income for 2013 and 2012, was as follows:

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

## (b) Deferred income tax assets and liabilities

## i. Unrecognized deferred income tax assets and liabilities

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

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

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

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

(Continued)



## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## ii. Unrecognized deferred income tax liabilities

	December 31, 2013	December 31, 2012	January 1, 2012
Net profits associated with investments	\$ <u>4,878,965</u>	<u>4,878,965</u>	<u>4,098,965</u>

The Company is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries. As management believed that it is probable that the temporary differences will not reverse in the foreseeable future, such temporary differences were not recognized as deferred income tax liabilities.

## iii. Recognized deferred income tax assets and liabilities

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

## Deferred income tax assets:

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

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

## Deferred income tax liabilities:

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

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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

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

(d) Information about the integrated income tax system:

	December 31, 2013	December 31, 2012	January 1, 2012
Unappropriated earnings earned commencing from January 1, 1998	\$ <u>(24,464,794)</u>	<u>(6,706,640)</u>	<u>(2,697,535)</u>
Balance of imputation credit account	\$ <u>1,538,555</u>	<u>1,363,184</u>	<u>1,292,069</u>
		2013 (Estimated)	2012 (Actual)
Tax deduction ratio for earnings distribution to ROC residents		<u>-%</u>	<u>-%</u>

## (20) Capital and Other Equities

## (a) Common stock

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

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

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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

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

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

## (b) Capital surplus

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

(Continued)

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

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

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

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

- at least 5% as employee bonuses; employees entitled to stock bonus may include subsidiaries' employees that meet certain criteria set by the board of directors;
- 1% or lower as remuneration to directors and supervisors, the distribution is proposed by compensation committee and approved by board of directors.
- the remaining balance, together with unappropriated earnings from previous years, after retaining a certain portion for business considerations, as dividends to stockholders. The Company could not distribute earnings when there are no retained earnings

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

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

Additionally, according to the amended Company Law, which was announced in January 2012, a company shall first retain 10% of its income after taxes as legal reserve until such retention equals the amount of paid-in capital. If a company has no accumulated deficit, it may, pursuant to a resolution approved by the stockholders, distribute its legal reserve by issuing new shares or cash for the portion of legal reserve which exceeds 25% of the paid-in capital.

(Continued)

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

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

- earnings distribution

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

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

(d) Treasury stock

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

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

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

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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

	December 31, 2013		
	Number of shares	Carrying amount	Market price
Common stock	21,809	\$ 945,239	399,105
GDRs	24,935	<u>1,969,617</u>	<u>480,985</u>
		<b>\$ <u>2,914,856</u></b>	<b><u>880,090</u></b>
	December 31, 2012		
	Number of shares	Carrying amount	Market price
Common stock	21,809	\$ 945,239	549,587
GDRs	24,935	<u>1,969,617</u>	<u>620,493</u>
		<b>\$ <u>2,914,856</u></b>	<b><u>1,170,080</u></b>
	January 1, 2012		
	Number of shares	Carrying amount	Market price
Common stock	21,809	\$ 945,239	765,496
GDRs	24,935	<u>1,969,617</u>	<u>858,078</u>
		<b>\$ <u>2,914,856</u></b>	<b><u>1,623,574</u></b>

## (e) Other equity items (net after tax)

## i. Foreign currency translation differences:

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

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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

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

## iii. Cash flow hedge reserve:

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

## (21) Share-based payment

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

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

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

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

Movements in number of ESOPs outstanding:

	<b>2013</b>			
	<b><u>The Company's ESOPs</u></b>		<b><u>E-Ten's ESOPs</u></b>	
	<b>Number of options (in thousands)</b>	<b>Weighted-average exercise price (\$)</b>	<b>Number of options (in thousands of units)</b>	<b>Weighted-average exercise price (\$)</b>
Outstanding, beginning of year	14,000	\$31.43	1,758	\$38.30
Granted	-	-	-	-
Forfeited	(4,646)	-	(1,758)	-
Exercised	-	-	-	-
Outstanding, end of year	<u>9,354</u>	25.99	<u>-</u>	-
Exercisable, end of year	<u>9,354</u>	25.99	<u>-</u>	-
	<b>2012</b>			
	<b><u>The Company's ESOPs</u></b>		<b><u>E-Ten's ESOPs</u></b>	
	<b>Number of options (in thousands)</b>	<b>Weighted-average exercise price (\$)</b>	<b>Number of options (in thousands of units)</b>	<b>Weighted-average exercise price (\$)</b>
Outstanding, beginning of year	27,890	\$34.62	2,683	\$38.30
Granted	-	-	-	-
Forfeited	(11,963)	-	(195)	-
Exercised	(1,927)	37.84	(730)	38.30
Outstanding, end of year	<u>14,000</u>	31.43	<u>1,758</u>	38.30
Exercisable, end of year	<u>4,000</u>	45.04	<u>1,758</u>	38.30

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

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

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

(Continued)



## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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

  

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

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

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

## (a) Basic loss per share

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

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

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## (b) Diluted loss per share

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

## (23) Revenue

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

## (24) Other expenses

	<b>2013</b>	<b>2012</b>
Restructuring costs (note 6(16))	\$ 1,019,641	171,867
Tax penalty	<u>273,582</u>	<u>116,184</u>
	<b>\$ <u>1,293,223</u></b>	<b><u>288,051</u></b>

## (25) Other operating income and loss – net

	<b>2013</b>	<b>2012</b>
Rental income (note 6(17))	\$ 146,343	172,807
Government grants	<u>88,165</u>	<u>141,104</u>
	<b>\$ <u>234,508</u></b>	<b><u>313,911</u></b>

## (26) Non-operating income and loss

## (a) Other income

	<b>2013</b>	<b>2012</b>
Interest income	\$ 324,821	503,021
Dividend income	<u>205,303</u>	<u>167,547</u>
	<b>\$ <u>530,124</u></b>	<b><u>670,568</u></b>

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## (b) Other gains and losses

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

## (c) Finance costs

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

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## (27) Financial instruments

## (a) Categories of financial instruments

## i. Financial assets

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

## ii. Financial liabilities

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

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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

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

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

## (c) Fair value hierarchy

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

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

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

(Continued)

**ACER INCORPORATED AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

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

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

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

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

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

- i. The fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (e.g. publicly traded stocks).
- ii. The fair value of derivative financial instruments is determined using a valuation technique, with estimates and assumptions consistent with those used by market participants and are readily available to the Group. The fair value of foreign currency forward contracts is computed individually based on the maturity date, the spot rate, and the swap points based on quotes provided by Bloomberg.
- iii. The fair value of privately held stock is estimated by using the market approach, which is determined by reference to recent financing activities, valuations of similar companies, market conditions and other economic indicators.
- iv. The fair value of overseas convertible bonds payable is estimated based on the 4-Factor Quad Tree Approach, which considered the expected volatility and risk-free interest rate; the fair value of domestic convertible bonds payable is estimated based on the Binomial Trees Approach.

(28) Financial risk management

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

(Continued)

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

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

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

(a) Credit risk

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

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

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

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

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in settling its financial liabilities by delivering cash or another financial assets. The Group manages liquidity risk by monitoring regularly the current and mid-to-long term cash demand, maintaining adequate cash and banking facilities, and ensuring in compliance with the terms of the loan agreements. As of December 31, 2013 and 2012 and January 1, 2012, the Group had unused credit facilities of \$38,403,312, \$35,340,659 and \$40,662,601, respectively.

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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

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

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

(Continued)



## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## (c) Market risk

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

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

## i. Foreign currency risk

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

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

## i) Exposure to foreign currency risk and sensitivity analysis

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

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

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

December 31, 2012					
	Foreign currency (in thousands)	Exchange rate	NTD (in thousands)	Change in magnitude	Effect on profit or loss (in thousands)
<u>Financial assets</u>					
EUR	\$ 255,754	38.4391	9,830,938	1%	98,309
USD	2,219,857	29.1360	64,677,754	1%	646,778
<u>Financial liabilities</u>					
EUR	24,243	38.4391	931,879	1%	9,319
USD	3,494,228	29.1360	101,807,827	1%	1,018,078
January 1, 2012					
	Foreign currency (in thousands)	Exchange rate	NTD (in thousands)	Change in magnitude	Effect on profit or loss (in thousands)
<u>Financial assets</u>					
EUR	\$ 355,976	39.2589	13,975,226	1%	139,752
USD	3,207,013	30.2900	97,140,424	1%	971,404
<u>Financial liabilities</u>					
EUR	78,176	39.2589	3,069,104	1%	30,691
USD	3,960,198	30.2900	119,954,397	1%	1,199,544

## ii. Interest rate risk

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

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

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

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## iii. Other market price risk

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

Assuming a hypothetical increase or decrease of 5% in equity prices of the equity investments at each reporting date, the other comprehensive income for the years ended December 31, 2013 and 2012 would have increased or decrease by \$151,173 and \$176,015, respectively.

## (29) Capital management

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

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

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

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

## 7. Related-party transactions

## (1) Parent company and ultimate controlling party

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

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## (2) Significant related party transactions

## (a) Revenue

	2013	2012
Associates	\$ <u>276,705</u>	<u>572,005</u>

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

## (b) Purchases

	2013	2012
Associates	\$ <u>82,942</u>	<u>8,773,561</u>

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

## (c) Operating expenses

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

	2013	2012
Associates	\$ <u>20,417</u>	<u>25,417</u>

## (d) Receivables

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

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## (e) Payables

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

## (e) Others

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

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

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

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

**8. Pledged assets**

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

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

(Continued)

**ACER INCORPORATED AND SUBSIDIARIES****Notes to Consolidated Financial Statements****9. Significant Commitments and Contingencies**

## (1) Royalties

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

- (2) Ericsson Inc. and Telefonaktiebolaget LM Ericsson filed patent infringement lawsuits against the Company, its subsidiaries, Acer America Corporation and Gateway Inc., which are pending before the United States District Court of the Eastern District of Texas; and Telefonaktiebolaget LM Ericsson filed patent infringement lawsuits against the Company’s subsidiary, Acer Computer GmbH, which are pending before the German Regional Court of Mannheim. American and German law firms have been retained to consult for and represent the Group on those matters. For patent lawsuits in the US, decisions made by the first instance courts are respectively in favor of the Company and its subsidiaries and Ericsson Inc. and both parties appealed the decisions. For patent lawsuits in Germany, except for one case found to be suspended, the final decisions of other two cases were awarded in favor of Acer Computer GmbH. The Group is continuing to manage these cases, handle the relevant support from component suppliers. Besides, the Group made a provision to address the matte described above. Therefore, management foresees no immediate material adverse effect to the Group’ business operations and finance.
- (3) Qimonda filed a lawsuit in the end of 2012 against the Company’s German subsidiary with Dusseldorf District Court for patent infringement relating to CPU socket of desktops and DRAM. The Group has consulted and retained a German law firm to handle this case. Given that most of the Group’s suppliers have been licensed by Qimonda, and this case only involves Qimonda’s German patents, management foresees no immediate material adverse effect to the Group’ business operations and finance.
- (4) Verwertungsgesellschaft Wort (“VG Wort”), a German language copyright association, has filed several lawsuits against PC companies for copyright levy for the sales of PC products in Germany in recent years. While the Group is not one of the parties to the aforesaid lawsuits, the possibility of that the Group to be sued by VG Wort cannot be ruled out if the final decisions of the aforesaid lawsuits are in favor of VG Wort. The Group is keeping an eye on status of the aforesaid lawsuits in order to properly estimate and make a provision for this matter. Nevertheless, management foresees no immediate material adverse effect to the Group’ business operations and finance.

(Continued)

**ACER INCORPORATED AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

- (5) In the ordinary course of its business, the Group receives notices from third parties asserting that Acer has infringed certain patents or demands Acer obtain certain patents licenses from time to time. Although the Group does not expect that the outcome in any of these other legal proceedings, individually or collectively, will have material adverse effect to the Group' business operations and finance, litigation is inherently unpredictable. Therefore, the Group could incur judgments or enter into settlements of claims that could adversely affect its operating result or cash flows in a particular period.
- (6) As of December 31, 2013 and 2012 and January 1, 2012, the Group had outstanding stand-by letters of credit totaling \$170,686, \$145,281 and \$144,683, respectively, for purposes of bids and contracts.
- (7) As of December 31, 2013 and 2012 and January 1, 2012, the Group had issued promissory notes amounting to \$46,976,910, \$47,711,357 and \$47,435,962, respectively, as collaterals for factored accounts receivable and for obtaining credit facilities from financial institutions.

**10. Significant Loss from Casualty: None.**

**11. Significant Subsequent Events: None.**

**12. Others**

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

**13. Additional Disclosures**

- (1) Information on Significant Transactions:
- (a) Financing provided to other parties: Table 1 (attached)
- (b) Guarantees and endorsements provided to other parties: Table 2 (attached)
- (c) Marketable securities held at reporting date (excluding investment in subsidiaries, associates and jointly controlled entities): Table 3 (attached)

(Continued)

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

- (d) Marketable securities for which the accumulated purchase or sale amounts for the period exceed \$300 million or 20% of the paid-in capital: Table 4 (attached)
  - (e) Acquisition of real estate which exceeds \$300 million or 20% of the paid-in capital: None
  - (f) Disposal of real estate which exceeds \$300 million or 20% of the paid-in capital: Table 5 (attached)
  - (g) Total purchases from and sales to related parties which exceed \$100 million or 20% of the paid-in capital: Table 6 (attached)
  - (h) Receivables from related parties which exceed \$100 million or 20% of the paid-in capital: Table 7 (attached)
  - (i) Information about the derivative instruments transactions : Please refer to note 6(2) and 6(3).
  - (j) Business relationships and significant intercompany transactions: Table 8 (attached)
- (2) Information on Investees: Table 9 (attached)
- (3) Information on Investment in Mainland China:
- (a) The names of investees in Mainland China, the main businesses and products, paid-in capital, method of investment, information on inflow or outflow of capital, ownership, investment gain or loss, ending balance, amount received as earnings distributions from the investment, and limitation on investment: Table 10 (attached)
  - (b) Significant direct or indirect transactions with the investee company, the prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: For the Group's significant direct or indirect transactions (eliminated when compiling the consolidated financial report) with investee companies in Mainland China for the year ended December 31, 2013, please refer to "Information on significant transactions" and "Business relationships and significant intercompany transactions" above.

(Continued)



## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## 14. Segment Information

## (1) General information

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

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

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

	<b>2013</b>			
	<b>Device BG</b>	<b>Others</b>	<b>Adjustments and eliminations</b>	<b>Total</b>
Revenues from external customers	\$ 345,175,637	14,956,405	-	360,132,042
Intra-group revenue	<u>1,738,623</u>	<u>951,357</u>	<u>(2,689,980)</u>	<u>-</u>
<b>Total revenues</b>	<b>\$ <u>346,914,260</u></b>	<b><u>15,907,762</u></b>	<b><u>(2,689,980)</u></b>	<b><u>360,132,042</u></b>
<b>Segment profit</b>	<b>\$ <u>(2,274,139)</u></b>	<b><u>418,722</u></b>	<b><u>(9,554,249)</u></b>	<b><u>(11,409,666)</u></b>
Other material non-cash items:				
Impairment loss on intangible assets	\$ <u>(9,520,580)</u>	<u>(565,872)</u>	<u>(1,523)</u>	<u>(10,087,975)</u>
	<b>2012</b>			
	<b>Device BG</b>	<b>Others</b>	<b>Adjustments and eliminations</b>	<b>Total</b>
Revenues from external customers	\$ 416,050,382	14,703,346	(1,126,536)	429,627,192
Intra-group revenue	<u>1,691,537</u>	<u>1,267,475</u>	<u>(2,959,012)</u>	<u>-</u>
<b>Total revenues</b>	<b>\$ <u>417,741,919</u></b>	<b><u>15,970,821</u></b>	<b><u>(4,085,548)</u></b>	<b><u>429,627,192</u></b>
<b>Segment profit</b>	<b>\$ <u>4,775,721</u></b>	<b><u>356,979</u></b>	<b><u>(4,194,203)</u></b>	<b><u>938,497</u></b>
Other material non-cash items:				
Impairment loss on intangible assets	\$ <u>(3,198,114)</u>	<u>(298,000)</u>	<u>-</u>	<u>(3,496,114)</u>

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## (2) Product information

Revenues from external customers are detailed below:

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

## (3) Geographic information

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

Revenues from external customers are detailed below:

<b>Region</b>	<b>2013</b>	<b>2012</b>
America	\$ 65,018,320	82,944,149
Mainland China	46,356,837	58,933,439
Taiwan	22,353,031	23,349,587
Others	<u>226,403,854</u>	<u>264,400,017</u>
	<b>\$ <u>360,132,042</u></b>	<b><u>429,627,192</u></b>

Non-current assets:

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

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

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## (4) Major customers' information

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

## 15. First-time adoption of Taiwan-IFRSs

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

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

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

## (1) Reconciliation of Consolidated Balance Sheet

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

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

Assets	December 31, 2012		
	R.O.C. GAAP	Effect of Transition to Taiwan-IFRSs	Taiwan-IFRSs
Non-current assets:			
Investments in associates (c)	190,229	(392)	189,837
Available-for-sale financial assets – non-current (d)	2,635,952	717,137	3,353,089
Financial assets carried at cost – non-current (d)	623,530	(623,530)	-
Property, plant and equipment (e, f)	6,572,348	(224,111)	6,348,237
Investment property (e)	3,028,574	(488,178)	2,540,396
Intangible assets (g, l, n)	39,316,838	(181,918)	39,134,920
Other financial assets – non-current	1,179,517	-	1,179,517
Deferred income tax assets – non-current (b, e, f, g, h)	1,056,167	2,268,789	3,324,956
Other non-current assets	<u>1,215,783</u>	<u>-</u>	<u>1,215,783</u>
Total non-current assets	<u>55,818,938</u>	<u>1,467,797</u>	<u>57,286,735</u>
Total assets	<u>\$ 226,658,994</u>	<u>(342,846)</u>	<u>226,316,148</u>
Liabilities and Equity	December 31, 2012		
	R.O.C. GAAP	Effect of Transition to Taiwan-IFRSs	Taiwan-IFRSs
Current liabilities:			
Short-term borrowings	\$ 349,974	-	349,974
Financial liabilities at fair value through profit or loss – current	411,313	-	411,313
Hedging derivative financial liabilities – current	1,149,400	-	1,149,400
Notes and accounts payable	71,638,728	-	71,638,728
Other payables (g, h, m)	-	39,934,153	39,934,153
Other payables to related parties	1,914	-	1,914
Royalties payable (m)	8,635,716	(8,635,716)	-
Provisions – current (m)	-	11,000,810	11,000,810
Current tax liabilities (m)	-	2,326,966	2,326,966
Current portion of bonds payable (i)	4,892,805	(109,216)	4,783,589
Current portion of long-term debt	9,000,000	-	9,000,000
Deferred income tax liabilities – current (b)	3,720	(3,720)	-
Other current liabilities (m)	<u>46,934,867</u>	<u>(44,702,727)</u>	<u>2,232,140</u>
Total current liabilities	<u>143,018,437</u>	<u>(189,450)</u>	<u>142,828,987</u>
Non-current liabilities:			
Bonds payable (i)	4,101,617	(153,113)	3,948,504
Financial liabilities at fair value through profit or loss – non-current	653,583	-	653,583
Provisions – non-current (f, m)	-	192,055	192,055
Deferred income tax liabilities (b, g, j, k)	2,778,315	308,528	3,086,843
Other non-current liabilities (g, m)	<u>1,074,891</u>	<u>327,265</u>	<u>1,402,156</u>
Total non-current liabilities	<u>8,608,406</u>	<u>674,735</u>	<u>9,283,141</u>
Total liabilities	<u>151,626,843</u>	<u>485,285</u>	<u>152,112,128</u>

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

Liabilities and Equity	December 31, 2012		
	R.O.C. GAAP	Effect of Transition to Taiwan-IFRSs	Taiwan-IFRSs
Equity attributable to owners of the Company			
Common stock	28,347,268	-	28,347,268
Capital surplus (c, i, l)	44,096,498	(692,965)	43,403,533
Retained earnings:			
Legal reserve	12,607,933	-	12,607,933
Special reserve	6,126,774	-	6,126,774
Accumulated deficit (q)	(2,595,765)	(4,110,875)	(6,706,640)
Other reserves (c, d, g, j, k)	(6,890,963)	3,368,067	(3,522,896)
Treasury stock (j)	<u>(6,662,028)</u>	<u>607,742</u>	<u>(6,054,286)</u>
Equity attributable to owners of the Company	<u>75,029,717</u>	<u>(828,031)</u>	<u>74,201,686</u>
Non-controlling interests (c)	<u>2,434</u>	<u>(100)</u>	<u>2,334</u>
Total equity	<u>75,032,151</u>	<u>(828,131)</u>	<u>74,204,020</u>
Total liabilities and equity	<u>\$ 226,658,994</u>	<u>(342,846)</u>	<u>226,316,148</u>
Assets	January 1, 2012		
	R.O.C. GAAP	Effect of Transition to Taiwan-IFRSs	Taiwan-IFRSs
Current assets:			
Cash and cash equivalents	\$ 58,092,581	-	58,092,581
Financial assets at fair value through profit or loss – current	305,903	-	305,903
Hedging derivative financial assets – current	804,532	-	804,532
Available-for-sale financial assets – current	109,721	-	109,721
Notes and accounts receivable, net (a, m)	83,539,250	1,317,486	84,856,736
Accounts receivables from related parties	88,625	-	88,625
Other receivables (m)	6,196,493	(3,682,968)	2,513,525
Other receivables from related parties	15,359	-	15,359
Current tax assets (m)	-	1,457,924	1,457,924
Inventories	39,993,644	-	39,993,644
Deferred income tax assets – current (b)	2,174,144	(2,174,144)	-
Non-current assets held for sale	1,827,855	-	1,827,855
Other current assets (g, m)	2,552,496	997,581	3,550,077
Restricted deposits – current (m)	<u>29,142</u>	<u>(29,142)</u>	<u>-</u>
Total current assets	<u>195,729,745</u>	<u>(2,113,263)</u>	<u>193,616,482</u>
Non-current assets:			
Investments in associates (c)	1,861,987	(19,502)	1,842,485
Available-for-sale financial assets – non-current (d)	775,702	1,194,690	1,970,392
Financial assets carried at cost – non-current (d)	1,157,773	(1,157,773)	-
Property, plant and equipment (e, f)	6,938,898	(222,524)	6,716,374
Investment property (e)	3,343,193	(489,717)	2,853,476
Intangible assets (g)	35,404,199	(2,648)	35,401,551
Other financial assets	1,632,327	-	1,632,327
Deferred income tax assets – non-current (b, e, f, g, h)	312,243	2,594,676	2,906,919
Other non-current assets (g)	<u>1,151,661</u>	<u>(276,500)</u>	<u>875,161</u>
Total non-current assets	<u>52,577,983</u>	<u>1,620,702</u>	<u>54,198,685</u>
Total assets	<u>\$ 248,307,728</u>	<u>(492,561)</u>	<u>247,815,167</u>

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## (2) Reconciliation of Consolidated Statement of Comprehensive Income

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

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## (3) Significant Reconciliation of Consolidated Statements of Cash Flows

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

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

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

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

Under Taiwan-IFRSs, adjustments are made as follows:

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

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

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

(Continued)



## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

Under Taiwan-IFRSs, adjustments are made as follows:

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

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

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

Under Taiwan-IFRSs, adjustments are made as follows:

	2012
<b>Consolidated statements of Comprehensive Income</b>	
Share of profits of associates	\$ (10,515)
Other gains and losses	<u>(593,308)</u>
Pre-tax adjustments	\$ <u><u>(603,823)</u></u>

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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

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

Under Taiwan-IFRSs, adjustments are made as follows:

	2012	
<b>Consolidated Statements of Comprehensive income</b>		
Other gains and losses	\$ <u>(1,398)</u>	
Pre-tax adjustments	<u>\$ (1,398)</u>	
	December 31, 2012	January 1, 2012
<b>Consolidated Balance Sheets</b>		
Available-for-sale financial assets – non-current	\$ 717,137	1,194,690
Financial assets carried at cost – non-current	(623,530)	(1,157,773)
Other reserves – Unrealized gain (loss) from available-for-sale financial assets	<u>(93,607)</u>	<u>(36,917)</u>
Retained earnings adjustments	<u>\$ -</u>	<u>-</u>

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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

Under Taiwan-IFRSs, adjustments are made as follows:

	2012	
<b>Consolidated Statements of Comprehensive income</b>		
Operating expense	\$ <u>(1,659)</u>	
Pre-tax adjustments	\$ <u><u>(1,659)</u></u>	
	<b>December 31,</b>	<b>January 1,</b>
	<b>2012</b>	<b>2012</b>
<b>Consolidated Balance Sheets</b>		
Property, plant and equipment	\$ (228,542)	(228,662)
Investment property	(488,178)	(489,717)
Deferred income tax assets	<u>52,651</u>	<u>52,651</u>
Retained earnings adjustments	\$ <u><u>(664,069)</u></u>	<u><u>(665,728)</u></u>

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

Under Taiwan-IFRSs, adjustments are made as follows:

	2012	
<b>Consolidated Statements of Comprehensive income</b>		
Operating expense	\$ <u>860</u>	
Pre-tax adjustments	\$ <u><u>860</u></u>	
	<b>December 31,</b>	<b>January 1,</b>
	<b>2012</b>	<b>2012</b>
<b>Consolidated Balance Sheets</b>		
Property, plant and equipment	\$ 4,431	6,138
Provisions — non-current	(13,369)	(13,369)
Deferred income tax assets	<u>2,579</u>	<u>2,578</u>
Retained earnings adjustments	\$ <u><u>(6,359)</u></u>	<u><u>(4,653)</u></u>

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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

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

Under Taiwan-IFRSs, adjustments are made as follows:

	<b>2012</b>	
<b>Consolidated Statements of Comprehensive income</b>		
Operating expense	\$ (42,738)	
Pre-tax adjustments	\$ <u>(42,738)</u>	
	<b>December 31,</b>	<b>January 1,</b>
	<b>2012</b>	<b>2012</b>
<b>Consolidated Balance Sheets</b>		
Other current assets	\$ (14,532)	(11,035)
Other non-current assets	-	(276,500)
Intangible assets	(2,243)	(2,648)
Other payables	259,893	319,171
Other non-current liabilities	(576,282)	(647,881)
Other reserves — actuarial gain from defined benefit plans	(327,185)	(12,407)
Deferred income tax assets	17,146	14,762
Deferred income tax liabilities	(11,267)	-
Retained earnings adjustments	\$ <u>(654,470)</u>	<u>(616,538)</u>

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

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

Under Taiwan-IFRSs, adjustments are made as follows:

	<b>2012</b>	
<b>Consolidated Statements of Comprehensive income</b>		
Cost of sales	\$ (116)	
Operating expense	<u>32,104</u>	
Pre-tax adjustments	<u><b>\$ 31,988</b></u>	
	<b>December 31,</b>	<b>January 1,</b>
	<b>2012</b>	<b>2012</b>
<b>Consolidated Balance Sheets</b>		
Other payables	\$ (113,048)	(81,060)
Deferred income tax assets	<u>13,631</u>	<u>13,631</u>
Retained earnings adjustments	<u><b>\$ (99,417)</b></u>	<u><b>(67,429)</b></u>

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

Under Taiwan-IFRSs, adjustments are made as follows:

	<b>2012</b>	
<b>Consolidated Statements of Comprehensive income</b>		
Finance costs	\$ 82,393	
Other gains and losses	<u>171,572</u>	
Pre-tax adjustments	<u><b>\$ 253,965</b></u>	
	<b>December 31,</b>	<b>January 1,</b>
	<b>2012</b>	<b>2012</b>
<b>Consolidated Balance Sheets</b>		
Current portion of bonds payable	\$ 109,216	-
Bonds payable	153,113	516,294
Capital surplus	<u>295,494</u>	<u>295,494</u>
Retained earnings adjustments	<u><b>\$ 557,823</b></u>	<u><b>811,788</b></u>

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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

Under Taiwan-IFRSs, adjustments are made as follows:

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

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

Under Taiwan-IFRSs, adjustments are made as follows:

	December 31, 2012	January 1, 2012
<b>Consolidated Balance Sheets</b>		
Other reserves – Foreign currency translation differences	\$ (3,927,636)	(3,927,636)
Deferred income tax liabilities	<u>4,591</u>	<u>4,591</u>
Retained earnings adjustments	\$ <u><u>(3,923,045)</u></u>	<u><u>(3,923,045)</u></u>

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

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

Under Taiwan-IFRSs, adjustments are made as follows:

	December 31, 2012	January 1, 2012
<b>Consolidated Balance Sheets</b>		
Intangible assets	\$ (265,127)	-
Capital surplus	<u>265,127</u>	<u>-</u>
Retained earnings adjustments	<u>\$ -</u>	<u>-</u>

- (m) Upon transition to Taiwan-IFRSs, the Group made reclassification for certain accounts based on the nature of transactions, including reclassifying other current and non-current liabilities to provisions; disclosing the current tax assets and current tax liabilities account separately and combing some accounts due to the same nature of transactions. Moreover, warranty expenses are reclassified from operating expense to cost sales; restructuring cost and government grants are reclassified from other operating income and loss to operating expenses, etc.

Under Taiwan-IFRSs, adjustments are made as follows:

	2012
<b>Consolidated Statements of Comprehensive Income</b>	
Cost of sales	\$ 8,074,840
Operating expenses	(7,786,789)
Other operating income and loss – net	(141,104)
Other gains and losses	216,307
Other income	(670,568)
Interest income	503,021
Gain on disposal of property and equipment – net	775,222
Gain on disposal of investment – net	7,752
Other investment loss – net	(10,604)
Foreign currency exchange loss and valuation loss on financial instruments – net	(796,210)
Finance costs	821,704
Interest expense	(821,704)
Restructuring cost	<u>(171,867)</u>
Pre-tax adjustments	<u>\$ -</u>

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

	December 31, 2012	January 1, 2012
<b>Consolidated Balance Sheets</b>		
Notes and accounts receivable, net	\$ 386,302	1,245,570
Other receivables	(1,996,210)	(3,682,968)
Current tax assets	1,137,101	1,457,924
Other current assets	491,592	1,008,616
Restricted deposits – current	(18,785)	(29,142)
Other payables	(40,080,998)	(43,759,772)
Royalties Payable	8,635,716	10,266,709
Provisions – current	(11,000,810)	(10,042,398)
Current tax liabilities	(2,326,966)	(2,589,758)
Other current liabilities	44,702,727	46,354,976
Other non-current liabilities	249,017	-
Provisions – non-current	(178,686)	(229,757)
Retained earnings adjustments	\$ <u>-</u>	<u>-</u>

- (n) Under R.O.C. GAAP, if a valuation allowance is recognized at the acquisition date for deferred tax assets acquired through business combination accounted for using the purchase method of accounting, the income tax benefit recognized as a result of the elimination of valuation allowance subsequent to the acquisition is to be applied first to reduce goodwill related to the acquisition. The remaining tax benefit, if any, is applied to reduce income tax expense. Under Taiwan-IFRSs, the income tax benefit recognized as a result of the elimination of valuation allowance subsequent to the acquisition shall reduce income tax expense.

Under Taiwan-IFRSs, adjustments are made as follows:

	2012	
<b>Consolidated Statements of Comprehensive Income</b>		
Income taxes	\$ <u>(84,904)</u>	
	December 31, 2012	January 1, 2012
<b>Consolidated Balance Sheets</b>		
Intangible assets	\$ <u>85,452</u>	<u>-</u>
Retained earnings adjustments	\$ <u>85,452</u>	<u>-</u>

(Continued)



## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

- (o) Under R.O.C. GAAP, the related revenue and expense related to investment property and share of profits of associate and operating expense related to managing investees are presented on a net basis under non-operating income and loss. Under Taiwan-IFRSs, the aforementioned revenue and expense is classified under revenue and operating expense.

Under Taiwan-IFRSs, adjustments are made as follows:

	<b>2012</b>
<b>Consolidated Statements of Comprehensive Income</b>	
Revenue	\$ (116,279)
Cost of sales	15,261
Operating expenses	224,636
Other operating income and loss – net	(172,807)
Share of profits of associates	(30,815)
Other gains and losses	<u>80,004</u>
Pre-tax adjustments	<u>\$ -</u>

- (p) Under Taiwan-IFRSs, adjustments made on deferred income tax assets and liabilities using respective local tax rates are as follows:

	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Adjustments to property, plant, equipment and investment property (e)	\$ 52,651	52,651
Decommission provisions (f)	2,579	2,578
Employee benefits – defined benefit plans and accumulated compensated absences (g, h)	30,777	28,393
Netting of deferred income tax assets and liabilities	<u>386,671</u>	<u>336,910</u>
Deferred income tax assets	<u>\$ <b>472,678</b></u>	<u><b>420,532</b></u>
Employee benefits – defined benefit plans (g)	\$ (11,267)	-
Treasury stock (j)	88,539	71,175
Reset of foreign currency translation adjustment (k)	4,591	4,591
Netting of deferred income tax assets and liabilities	<u>(386,671)</u>	<u>(336,910)</u>
Deferred income tax liabilities	<u>\$ <b>(304,808)</b></u>	<u><b>(261,144)</b></u>

Under Taiwan-IFRSs, the income tax expense increased by \$86,426 for the year ended December 31, 2012.

(Continued)

## ACER INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

(q) Under Taiwan-IFRSs, adjustments made to increase (decrease) retained earnings are as follows:

	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Investments in associates (c)	\$ 593,183	(14,017)
Adjustments to property, plant, equipment and investment property (e)	(664,069)	(665,728)
Decommission provisions (f)	(6,359)	(4,653)
Employee benefits –defined benefit plans and accumulated compensated absences (g, h)	(753,887)	(683,967)
Overseas convertible bonds (i)	557,823	811,788
Treasury stock (j)	27	27
Reset of foreign currency translation adjustment (k)	(3,923,045)	(3,923,045)
Business combination (l, n)	<u>85,452</u>	<u>-</u>
Decrease in retained earnings	<b>\$ <u>(4,110,875)</u></b>	<b><u>(4,479,595)</u></b>

**Acer Incorporated and Subsidiaries**  
**Financing provided to other parties**  
**For the year ended December 31, 2013**

**Table 1**

(In Thousands of New Taiwan Dollars)

No.	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Actually drawdown Amounts	Interest Rate	Nature of Financing	Transaction Amounts	Reasons for Short-term Financing	Allowance for Doubtful Accounts	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Total Financing Amount Limits
													Item	Value		
1	ACCN	ACCQ	Other receivables from related parties	Yes	716,160	-	-	0%~4%	Note 1	-	Operating requirements	-	None	-	6,286,796	31,433,978
2	ACCN	ACCQ	Other receivables from related parties	Yes	2,226,105	2,226,105	1,484,070	0%~4%	Note 1	-	Operating requirements	-	None	-	6,286,796	31,433,978
3	AHI	Boardwalk	Other receivables from related parties	Yes	687,125	-	-	0%~4%	Note 1	-	Operating requirements	-	None	-	6,286,796	31,433,978
4	AHI	ACA	Other receivables from related parties	Yes	384,182	384,182	384,182	0%~4%	Note 1	-	Operating requirements	-	None	-	6,286,796	31,433,978
5	AHI	Boardwalk	Other receivables from related parties	Yes	783,120	778,700	778,700	0%~4%	Note 1	-	Operating requirements	-	None	-	6,286,796	31,433,978
6	AWI	Boardwalk	Other receivables from related parties	Yes	179,250	-	-	0%~4%	Note 1	-	Operating requirements	-	None	-	6,286,796	31,433,978
7	GMY	GWI	Other receivables from related parties	Yes	150,300	-	-	0%~4%	Note 1	-	Operating requirements	-	None	-	6,286,796	31,433,978
8	GWI	AAC	Other receivables from related parties	Yes	1,762,625	1,587,350	838,600	0%~4%	Note 1	-	Operating requirements	-	None	-	6,286,796	31,433,978
9	GWI	AMEX	Other receivables from related parties	Yes	239,000	-	-	0%~4%	Note 1	-	Operating requirements	-	None	-	6,286,796	31,433,978
10	GIC	GWI	Other receivables from related parties	Yes	150,600	149,750	149,750	0%~4%	Note 1	-	Operating requirements	-	None	-	6,286,796	31,433,978
11	GIC	GWI	Other receivables from related parties	Yes	157,452	156,564	156,564	0%~4%	Note 1	-	Operating requirements	-	None	-	6,286,796	31,433,978
12	GRA	GWI	Other receivables from related parties	Yes	99,130	94,343	94,343	0%~4%	Note 1	-	Operating requirements	-	None	-	6,286,796	31,433,978
13	GMX	GMA	Other receivables from related parties	Yes	10,429	-	-	0%~4%	Note 1	-	Operating requirements	-	None	-	6,286,796	31,433,978
14	ALA	ATB	Other receivables from related parties	Yes	903,600	895,505	895,505	0%~4%	Note 1	-	Operating requirements	-	None	-	6,286,796	31,433,978
15	AEG	AIS	Other receivables from related parties	Yes	182,293	-	-	0%~4%	Note 1	-	Operating requirements	-	None	-	6,286,796	31,433,978
16	AEG	AIB	Other receivables from related parties	Yes	1,357,503	-	-	0%~4%	Note 1	-	Operating requirements	-	None	-	6,286,796	31,433,978
17	AEG	AEH	Other receivables from related parties	Yes	20,580	20,580	-	0%~4%	Note 1	-	Operating requirements	-	None	-	6,286,796	31,433,978

No.	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Actually drawdown Amounts	Interest Rate	Nature of Financing	Transaction Amounts	Reasons for Short-term Financing	Allowance for Doubtful Accounts	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Total Financing Amount Limits
													Item	Value		
18	AEG	AEH	Other receivables from related parties	Yes	1,440,611	1,440,611	-	0%~4%	Note 1	-	Operating requirements	-	None	-	6,286,796	31,433,978
19	AGU	AEG	Other receivables from related parties	Yes	205,802	205,801	205,802	0%~4%	Note 1	-	Operating requirements	-	None	-	6,286,796	31,433,978
20	AGU	AEG	Other receivables from related parties	Yes	205,802	205,801	205,802	0%~4%	Note 1	-	Operating requirements	-	None	-	6,286,796	31,433,978
21	ACCQ	AICQ	Other receivables from related parties	Yes	296,814	296,814	296,814	0%~4%	Note 1	-	Operating requirements	-	None	-	6,286,796	31,433,978
22	PBHO	AEG	Other receivables from related parties	Yes	205,802	205,801	205,802	0%~4%	Note 1	-	Operating requirements	-	None	-	6,286,796	31,433,978
23	ASCBVI	Boardwalk	Other receivables from related parties	Yes	90,360	89,850	89,850	0%~4%	Note 1	-	Operating requirements	-	None	-	6,286,796	31,433,978

Note 1: Nature for Financing : Short-term financing purpose.

Note 2: The aggregate financing amount shall not exceed 50% of the most recent audited or reviewed net worth of the Company (the amount showed above is based on the net worth as of September 30, 2013), within which the short-term financing amount shall not exceed 20% of the most recent audited or reviewed net worth of the Company.

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

When a subsidiary directly or indirectly wholly owned by the Company provides financing to others, the aforementioned aggregate and individual financing amount are applied.

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

**Acer Incorporated and Subsidiaries**  
**Guarantees and endorsements provided to other parties**  
**For the year ended December 31, 2013**

**Table 2**

(In Thousands of New Taiwan Dollars)

No.	Endorsement/ Guarantee Provider	Guaranteed Party		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	AAC	3	12,573,591	75,031	-	-	-	0.00%	62,867,955	Y		
0	The Company	LTS	2	12,573,591	5,000	5,000	5,000	-	0.01%	62,867,955	Y		
0	The Company	ACN/ACD/ACW/AFN	3	12,573,591	23,261	23,261	23,261	-	0.04%	62,867,955	Y		
0	The Company	AIL	3	12,573,591	298,750	121,150	-	-	0.19%	62,867,955	Y		
0	The Company	ATH	3	12,573,591	159,636	158,735	22,129	-	0.25%	62,867,955	Y		
0	The Company	AEG	3	12,573,591	201,254	201,254	201,254	-	0.32%	62,867,955	Y		
0	The Company	AMEX	3	12,573,591	271,080	269,550	61,398	-	0.43%	62,867,955	Y		
0	The Company	AGU	3	12,573,591	286,140	284,525	284,525	-	0.45%	62,867,955	Y		
0	The Company	ACCSI	2	12,573,591	300,000	300,000	10,000	-	0.48%	62,867,955	Y		
0	The Company	ACA	3	12,573,591	301,200	299,500	299,500	-	0.48%	62,867,955	Y		
0	The Company	SMA	3	12,573,591	350,307	348,613	77,723	-	0.55%	62,867,955	Y		
0	The Company	AJC	3	12,573,591	1,872,990	1,279,800	176,692	-	2.04%	62,867,955	Y		
0	The Company	ATB	3	12,573,591	1,506,000	1,497,500	-	-	2.38%	62,867,955	Y		
0	The Company	Acer Asia pacific subsidiaries	3	12,573,591	4,066,200	4,043,250	341,707	-	6.43%	62,867,955	Y		
0	The Company	Acer EMEA subsidiaries	3	12,573,591	4,616,276	4,590,221	461,152	-	7.30%	62,867,955	Y		
0	The Company	Acer Pan America subsidiaries	3	12,573,591	5,120,400	5,091,500	127,320	-	8.10%	62,867,955	Y		
0	The Company	Acer China Companies	3	12,573,591	1,656,600	1,647,250	117,357	-	2.62%	62,867,955	Y		Y

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

Type 2: a subsidiary directly owned by the Company

Type 3: a subsidiary indirectly owned by the Company

Note 2: The aggregate endorsement/guarantee amount provided shall not exceed the most recent audited or reviewed net worth of the Company (the amount showed above is based on the net worth as of September 30, 2013).

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

**Acer Incorporated and Subsidiaries**  
**Marketable securities held**  
**(Excluding investments in subsidiaries, associates, and joint controlled entities)**  
**December 31, 2013**

**Table 3**

(In Thousands of New Taiwan Dollars/Shares(Units))

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	Ending Balance				Maximum percentage of ownership during 2013		Note
				Number of Shares	Carrying Value	Percentage of Ownership	Fair Value	Shares	Percentage of Ownership	
The Company	Stock: Wistron	-	Available-for-sale financial assets - Non Current	47,764	1,196,484	2.01%	1,196,484	47,764	2.01%	
The Company	Stock: Qisda	-	Available-for-sale financial assets - Non Current	81,713	598,954	4.15%	598,954	81,713	4.15%	
The Company	Stock: WPG Holdings	-	Available-for-sale financial assets - Non Current	4,360	149,561	0.26%	149,561	4,360	0.26%	
The Company	Stock: Hon Hai	-	Available-for-sale financial assets - Current	970	77,684	0.01%	77,684	970	0.01%	
The Company	Stock: iDSOftCapital Inc.	-	Available-for-sale financial assets - Non Current	398	3,675	19.90%	3,675	398	19.90%	
The Company	Stock: Legend Technology	-	Available-for-sale financial assets - Non Current	400	2,330	10.13%	2,330	683	10.13%	
The Company	Stock: InCOMM	-	Available-for-sale financial assets - Non Current	19	2,360	0.49%	2,360	39	0.49%	
The Company	Stock: World Venture, Inc.	-	Available-for-sale financial assets - Non Current	10,500	69,784	19.35%	69,784	15,000	19.35%	
The Company	Stock: Dragon Investment Co. Ltd.	-	Available-for-sale financial assets - Non Current	17,791	46,835	19.94%	46,835	17,791	19.94%	
The Company	Stock: IP Fund Two Co.	-	Available-for-sale financial assets - Non Current	6,688	10,024	19.82%	10,024	6,688	19.82%	
The Company	Shars: ID Reengineering Fund Inc.	-	Available-for-sale financial assets - Non Current	9,995	84,463	19.99%	84,463	15,992	19.99%	
The Company	Stock: Venture Power	-	Available-for-sale financial assets - Non Current	15	42	4.15%	42	15	4.15%	
ADSC	Stock: Wistron	-	Available-for-sale financial assets - Non Current	11,368	284,763	0.48%	284,763	11,368	0.48%	
ASCBVI	Stock: IP FUND III L.P.	-	Available-for-sale financial assets - Non Current	6,017	89,805	19.99%	89,805	6,017	19.99%	
ASCBVI	Stock: IDSCBVI	-	Available-for-sale financial assets - Non Current	60	1,311	19.90%	1,311	60	19.90%	
ASCBVI	Stock: ID5 Fund L.P.	-	Available-for-sale financial assets - Non Current	3,800	190,103	19.40%	190,103	3,800	19.40%	
ASCBVI	Stock: IP Cathay One, L.P.	-	Available-for-sale financial assets - Non Current	8,777	56,725	8.00%	56,725	8,777	8.00%	
ASCBVI	Stock: ID5 Annex 1 Fund L.P.	-	Available-for-sale financial assets - Non Current	766	21,542	19.40%	21,542	766	19.40%	
ATVAP	Stock: IP FUND 1 L.P.	-	Available-for-sale financial assets - Non Current	398	7,034	0.19%	7,034	398	0.19%	
AWI	Stock: Acer Inc.	Parent/Subsidiary	Treasury stock	12,730	522,237	0.45%	232,957	12,730	0.45%	
AWI	GDR: Acer Inc.	Parent/Subsidiary	Treasury stock	4,987	1,969,617	73.62%	480,985	4,987	73.62%	
CCI	Stock: China Development Financial	-	Available-for-sale financial assets - Current	5,049	45,446	0.03%	45,446	5,049	0.03%	
CCI	Stock: Acer Inc.	Parent/Subsidiary	Available-for-sale financial assets - Non Current	4,774	87,359	0.17%	87,359	4,774	0.17%	
ETEN	Stock: RoyalTek	-	Available-for-sale financial assets - Non Current	1,015	35,795	2.01%	35,795	1,015	2.01%	
ETEN	Stock: Acer Inc.	Parent/Subsidiary	Available-for-sale financial assets - Non Current	4,305	78,789	0.15%	78,789	4,305	0.15%	
ETEN	Stock: Abico Shi-pro Co., Ltd.	-	Available-for-sale financial assets - Non Current	284	2,931	7.89%	2,931	284	7.89%	
WLII	Stock: TekCare Co.	-	Available-for-sale financial assets - Non Current	1,260	12,600	15.00%	12,600	1,260	15.00%	
Boardwalk	Stock: FuHu	-	Available-for-sale financial assets - Non Current	2,315	33,213	15.12%	33,213	2,315	16.30%	

**Acer Incorporated and Subsidiaries**  
**Marketable securities for which the accumulated purchase or sale amounts for the period exceed NT\$300 million or 20% of the paid-in capital**  
**For the year ended December 31, 2013**

**Table 4**

**(In Thousands of New Taiwan Dollars/Shares)**

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-Party	Name of Relationship	Beginning Balance		Acquisitions		Disposal				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Value	Gain (Loss) on Disposal	Shares	Amount (Note1)
The Company	Stock: Boardwalk	Investment accounted for using equity method	(Note 2)	Subsidiary	1,263,432	29,903,120	55,000	1,611,000	-	-	-	-	1,318,432	26,138,391
Boardwalk	Stock: ATB	Investment accounted for using equity method	(Note 2)	Subsidiary	119,101	(35,782)	30,711	435,000	-	-	-	-	149,812	203,081
Boardwalk	Stock: AAH	Investment accounted for using equity method	(Note 2)	Subsidiary	1	31,355,668	-	1,176,000	-	-	-	-	1	27,476,532
AAH	Stock: GWI	Investment accounted for using equity method	(Note 2)	Subsidiary	1	21,561,543	-	1,176,000	-	-	-	-	1	18,204,845
The Company	Stock: AEH	Investment accounted for using equity method	(Note 2)	Subsidiary	10	19,565,139	-	1,274,400	-	-	-	-	10	20,426,184
AEH	Stock: AHN	Investment accounted for using equity method	(Note 2)	Subsidiary	20	13,049,539	-	995,625	-	-	-	-	20	13,527,343
AHN	Stock: AEG	Investment accounted for using equity method	(Note 2)	Subsidiary	-	1,366,825	-	995,625	-	-	-	-	-	1,561,614

Note 1: The ending balance includes unrealized gains/losses on financial assets, share of gains/losses of investees, foreign currency translation adjustments and other related adjustments.

Note 2: Not applicable as it is a capital injection made to the subsidiary.

**Acer Incorporated and Subsidiaries**  
**Disposal of real estate which exceeds NT\$300 million or 20% of the paid-in capital**  
**For the year ended December 31, 2013**

**Table 5**

(In Thousands of New Taiwan Dollars)

Company Name	Type of Property	Transaction Date	Acquisition Date	Carrying Amount	Transaction Amount	Status of receiving money	Disposal gain or loss (Note)	Counter-Party	Nature of Relationship	Purpose of Disposal	Reference price	Notes
The Company	Land	March 5, 2013	January 2008	398,817	555,550	Received	78,351	Crown Machinery	Non-Related Party	Disposal of investment property not in use	Carrying Value	None
The Company	Land	May 2, 20213	January 2008	46,930	67,500	Received	10,439	eChem Solutions Corp.	Non-Related Party	Disposal of investment property not in use	Carrying Value	None
The Company	Land	May 21, 2013	January 2008	56,307	84,600	Received	14,937	XZG Co. Ltd	Non-Related Party	Disposal of investment property not in use	Carrying Value	None
The Company	Land	August 13, 2013	January 2008	38,447	48,408	Received	4,144	Wei Pao Construction	Non-Related Party	Disposal of investment property not in use	Carrying Value	None
The Company	Land	November 28, 2013	January 2008	12,791	19,900	Received	5,782	Fan Chiang, Fu Wang Yeh, Kuo Yuan Tu, Yueh Lan	Non-Related Party	Disposal of investment property not in use	Carrying Value	None

Note: The disposal gain or loss is the net amount after deducting related taxes and service fees.



**Acer Incorporated and Subsidiaries**  
**Total purchases from and sales to related parties which exceed NT\$100 million or 20% of the paid-in capital**  
**For the year ended December 31, 2013**

**Table 6**

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Name of Relationship	Transaction Detail				Transactions with Terms Different from Others (Note 1)		Notes/Accounts Payable or Receivable		Note
			Purchases/(Sales)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Company	AEG	Parent/Subsidiary	(Sales)	(109,237,255)	(39.88)%	OA60	-	-	695,747	2.84%	
The Company	AAC	Parent/Subsidiary	(Sales)	(63,472,412)	(23.17)%	OA90	-	-	9,952,119	40.60%	
The Company	AAPH	Parent/Subsidiary	(Sales)	(47,804,873)	(17.45)%	OA60	-	-	3,922,309	16.00%	
The Company	ACCN	Parent/Subsidiary	(Sales)	(29,108,705)	(10.63)%	OA45	-	-	3,089,465	12.60%	
The Company	ACCQ	Parent/Subsidiary	(Sales)	(7,710,655)	(2.82)%	OA60	-	-	1,529,100	6.24%	
The Company	WLII	Parent/Subsidiary	(Sales)	(1,665,434)	(0.61)%	EM45	-	-	74,410	0.30%	
The Company	AFE	Parent/Subsidiary	(Sales)	(1,166,820)	(0.43)%	OA60	-	-	33,533	0.14%	
The Company	APX	Parent/Subsidiary	(Sales)	(529,135)	(0.19)%	OA60	-	-	91,169	0.37%	
The Company	HSN	Parent/Subsidiary	(Sales)	(125,960)	(0.05)%	OA60	-	-	15,245	0.06%	
The Company	ASC	Parent/Subsidiary	(Sales)	(115,795)	(0.04)%	OA60	-	-	11,183	0.05%	
The Company	ACCSI	Parent/Subsidiary	Purchases	729,623	0.26%	OA60	-	-	(63,707)	(0.14)%	
The Company	WLII	Parent/Subsidiary	Purchases	694,736	0.24%	EM60	-	-	(136,997)	(0.31)%	
The Company	ACTI	Parent/Subsidiary	Purchases	212,858	0.07%	OA60	-	-	(83,646)	(0.19)%	
The Company	AEG	Parent/Subsidiary	Purchases	130,298	0.05%	OA60	-	-	-	-	
WLII	The Company	Parent/Subsidiary	(Sales)	(694,736)	(7.52)%	EM60	-	-	136,997	7.44%	
WLII	The Company	Parent/Subsidiary	Purchases	1,665,434	19.41%	EM45	-	-	(74,410)	(6.19)%	
ACCSI	The Company	Parent/Subsidiary	(Sales)	(729,623)	(76.21)%	OA60	-	-	63,707	53.57%	
AAC	AMEX	Associate	(Sales)	(5,348,810)	(7.77)%	OA60	-	-	1,495,405	20.66%	
AAC	ATB	Associate	(Sales)	(200,150)	(0.29)%	OA60	-	-	54,019	0.75%	
AAC	ASC	Associate	(Sales)	(176,648)	(0.26)%	OA60	-	-	30,917	0.43%	
AAC	The Company	Parent/Subsidiary	Purchases	63,472,412	96.88%	OA90	-	-	(9,952,119)	(92.94)%	
AAF	AME	Associate	(Sales)	(158,196)	(72.89)%	OA60	-	-	10,429	29.66%	
AAPH	AIL	Associate	(Sales)	(8,720,002)	(17.48)%	OA60	-	-	3,402,706	37.29%	
AAPH	AIN	Associate	(Sales)	(7,627,731)	(15.29)%	OA60	-	-	554,240	6.07%	
AAPH	AJC	Associate	(Sales)	(5,025,826)	(10.07)%	OA60	-	-	1,820,421	19.95%	
AAPH	ATH	Associate	(Sales)	(7,411,042)	(14.85)%	OA60	-	-	731,218	8.01%	
AAPH	ACA	Associate	(Sales)	(6,868,476)	(13.76)%	OA60	-	-	1,452,049	15.91%	
AAPH	ASSB	Associate	(Sales)	(5,114,447)	(10.25)%	OA60	-	-	278,452	3.05%	

Company Name	Related Party	Name of Relationship	Transaction Detail				Transactions with Terms Different from Others (Note 1)		Notes/Accounts Payable or Receivable		Note
			Purchases/(Sales)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
AAPH	ACS	Associate	(Sales)	(2,470,711)	(4.95)%	OA60	-	-	88,505	0.97%	
AAPH	ACNZ	Associate	(Sales)	(834,376)	(1.67)%	OA60	-	-	111,418	1.22%	
AAPH	APHI	Associate	(Sales)	(659,299)	(1.32)%	OA60	-	-	246,980	2.71%	
AAPH	AMI	Associate	(Sales)	(104,150)	(0.21)%	OA60	-	-	-	-	
AAPH	The Company	Parent/Subsidiary	Purchases	47,804,873	98.39%	OA60	-	-	(3,922,309)	(98.98)%	
AAPH	APHI	Associate	Purchases	143,010	0.29%	OA60	-	-	300	0.01%	
ACA	ACNZ	Associate	(Sales)	(313,779)	(3.58)%	OA60	-	-	39,213	3.08%	
ACA	AAPH	Associate	Purchases	6,868,476	77.87%	OA60	-	-	(1,452,049)	(97.64)%	
ACA	HSN	Associate	Purchases	183,124	2.08%	OA60	-	-	(5,481)	(0.37)%	
ACA	Bluechip	Other related party	(Sales)	(272,170)	(3.10)%	OA60	-	-	22,592	1.77%	
ACCN	The Company	Parent/Subsidiary	Purchases	29,108,705	88.16%	OA45	-	-	(3,089,465)	(79.83)%	
ACQ	The Company	Parent/Subsidiary	Purchases	7,710,655	75.29%	OA60	-	-	(1,529,100)	(97.33)%	
ACD	ACG	Associate	(Sales)	(103,140)	(78.07)%	OA60	-	-	7,580	79.42%	
ACF	AEG	Associate	(Sales)	(406,705)	(2.23)%	OA60	-	-	584,933	13.98%	
ACF	AEG	Associate	Purchases	16,617,380	92.51%	OA60	-	-	(978,588)	(92.47)%	
ACF	APX	Associate	Purchases	237,043	1.32%	OA60	-	-	(20,253)	(1.91)%	
ACG	AEG	Associate	(Sales)	(773,211)	(2.33)%	OA60	-	-	1,111,687	14.40%	
ACG	APX	Associate	(Sales)	(230,458)	(0.69)%	OA60	-	-	34,872	0.45%	
ACG	AEG	Associate	Purchases	30,361,624	98.19%	OA60	-	-	(2,683,058)	(95.62)%	
ACG	APX	Associate	Purchases	513,827	1.66%	OA60	-	-	(84,871)	(3.02)%	
ACG	ACW	Associate	Purchases	194,308	0.63%	OA60	-	-	(20,541)	(0.73)%	
ACG	ACD	Associate	Purchases	103,140	0.33%	OA60	-	-	(7,580)	(0.27)%	
ACH	AEG	Associate	(Sales)	(281,942)	(3.34)%	OA60	-	-	383,627	15.92%	
ACH	AEG	Associate	Purchases	7,294,648	91.67%	OA60	-	-	(1,417,153)	(98.97)%	
ACH	APX	Associate	Purchases	187,646	2.36%	OA60	-	-	(14,264)	(1.00)%	
ACN	AEG	Associate	(Sales)	(102,170)	(33.58)%	OA60	-	-	13,237	39.60%	
ACNZ	AAPH	Associate	Purchases	834,376	65.57%	OA60	-	-	(111,418)	(70.74)%	
ACNZ	ACA	Associate	Purchases	313,779	24.66%	OA60	-	-	(39,213)	(24.90)%	
ACR	APX	Associate	(Sales)	(104,483)	(0.48)%	OA60	-	-	12,336	0.81%	
ACR	AEG	Associate	Purchases	23,478,191	100.00%	OA60	-	-	(3,157)	(4.87)%	
ACR	APX	Associate	Purchases	279,365	1.31%	OA60	-	-	(44,977)	(69.37)%	
ACR	ARU	Associate	Purchases	237,189	1.11%	OA60	-	-	(19,710)	(30.40)%	
ACS	AAPH	Associate	Purchases	2,470,711	96.97%	OA60	-	-	(88,505)	(95.13)%	
ACTI	The Company	Parent/Subsidiary	(Sales)	(212,858)	(22.98)%	OA60	-	-	83,646	100.00%	

Company Name	Related Party	Name of Relationship	Transaction Detail				Transactions with Terms Different from Others (Note 1)		Notes/Accounts Payable or Receivable		Note
			Purchases/(Sales)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
ACW	ACG	Associate	(Sales)	(194,308)	(63.84)%	OA60	-	-	20,541	100.00%	
ACW	AEG	Associate	(Sales)	(110,073)	(36.16)%	OA60	-	-	(3)	(0.02)%	
ACZ	AEG	Associate	(Sales)	(276,312)	(48.98)%	OA60	-	-	22,666	43.12%	
ACZ	APX	Associate	Purchases	196,189	39.51%	OA60	-	-	(30,100)	(90.38)%	
AEG	ACR	Associate	(Sales)	(23,478,191)	(17.78)%	OA60	-	-	3,157	0.02%	
AEG	ACG	Associate	(Sales)	(30,361,624)	(22.99)%	OA60	-	-	2,683,058	17.11%	
AEG	ACF	Associate	(Sales)	(16,617,380)	(12.58)%	OA60	-	-	978,588	6.24%	
AEG	AME	Associate	(Sales)	(14,861,020)	(11.25)%	OA60	-	-	1,833,072	11.69%	
AEG	AUK	Associate	(Sales)	(12,431,838)	(9.41)%	OA60	-	-	3,143,989	20.05%	
AEG	AIT	Associate	(Sales)	(7,157,753)	(5.42)%	OA60	-	-	2,186,097	13.94%	
AEG	ACH	Associate	(Sales)	(7,294,648)	(5.52)%	OA60	-	-	1,417,153	9.04%	
AEG	AIB	Associate	(Sales)	(5,833,540)	(4.42)%	OA60	-	-	1,547,070	9.87%	
AEG	ASZ	Associate	(Sales)	(2,798,984)	(2.12)%	OA60	-	-	240,794	1.54%	
AEG	AUA	Associate	(Sales)	(3,428,693)	(2.60)%	OA60	-	-	139,309	0.89%	
AEG	ASK	Associate	(Sales)	(7,732,149)	(5.86)%	OA60	-	-	727,038	4.64%	
AEG	The Company	Parent/Subsidiary	(Sales)	(130,298)	(0.10)%	OA60	-	-	-	-	
AEG	The Company	Parent/Subsidiary	Purchases	109,237,255	85.47%	OA60	-	-	(695,747)	(7.31)%	
AEG	ACG	Associate	Purchases	773,211	0.60%	OA60	-	-	(1,111,687)	(11.69)%	
AEG	APX	Associate	Purchases	352,211	0.28%	OA60	-	-	(4,133)	(0.04)%	
AEG	AIT	Associate	Purchases	445,427	0.35%	OA60	-	-	(413,096)	(4.34)%	
AEG	ACF	Associate	Purchases	406,705	0.32%	OA60	-	-	(584,933)	(6.15)%	
AEG	ACZ	Associate	Purchases	276,312	0.22%	OA60	-	-	(22,666)	(0.24)%	
AEG	AIB	Associate	Purchases	273,614	0.21%	OA60	-	-	(412,241)	(4.33)%	
AEG	ACH	Associate	Purchases	281,942	0.22%	OA60	-	-	(383,627)	(4.03)%	
AEG	AUK	Associate	Purchases	140,280	0.11%	OA60	-	-	(503,713)	(5.30)%	
AEG	ACW	Associate	Purchases	110,073	0.09%	OA60	-	-	3	-	
AEG	ACN	Associate	Purchases	102,170	0.08%	OA60	-	-	(13,237)	(0.14)%	
AEG	The Company	Parent/Subsidiary	Purchases	1,166,820	93.42%	OA60	-	-	(33,533)	(59.06)%	
AIB	AEG	Associate	(Sales)	(273,614)	(4.09)%	OA60	-	-	412,241	14.13%	
AIB	AEG	Associate	Purchases	5,833,540	97.21%	OA60	-	-	(1,547,070)	(98.30)%	
AIB	APX	Associate	Purchases	165,144	2.75%	OA60	-	-	(26,654)	(1.69)%	
AIL	AAPH	Associate	Purchases	8,720,002	69.81%	OA60	-	-	(3,402,706)	(91.06)%	
AIL	HSN	Associate	Purchases	114,853	0.92%	OA60	-	-	(4,323)	(0.12)%	
AIN	AMI	Parent/Subsidiary	(Sales)	(194,867)	(2.14)%	OA60	-	-	24,644	14.28%	

Company Name	Related Party	Name of Relationship	Transaction Detail				Transactions with Terms Different from Others (Note 1)		Notes/Accounts Payable or Receivable		Note
			Purchases/(Sales)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
AIN	AMI	Parent/Subsidiary	Purchases	342,770	4.03%	OA60	-	-	(20,107)	(2.75)%	
AIN	AAPH	Associate	Purchases	7,627,731	89.61%	OA60	-	-	(554,240)	(75.82)%	
AIT	AEG	Associate	(Sales)	(445,427)	(5.44)%	OA60	-	-	413,096	12.20%	
AIT	AEG	Associate	Purchases	7,157,753	91.22%	OA60	-	-	(2,186,097)	(98.76)%	
AIT	APX	Associate	Purchases	172,296	2.20%	OA60	-	-	(25,957)	(1.17)%	
AJC	AAPH	Associate	Purchases	5,025,826	100.00%	OA60	-	-	(1,820,421)	(97.25)%	
AME	AEG	Associate	Purchases	14,861,020	58.73%	OA60	-	-	(1,833,072)	(97.45)%	
AME	AAF	Associate	Purchases	158,196	0.63%	OA60	-	-	(10,429)	(0.55)%	
AME	APX	Associate	Purchases	147,693	0.58%	OA60	-	-	(21,891)	(1.16)%	
AMEX	AAC	Associate	Purchases	5,348,810	94.56%	OA60	-	-	(1,495,405)	(96.57)%	
AMI	AIN	Parent/Subsidiary	(Sales)	(342,770)	(100.00)%	OA60	-	-	20,107	100.00%	
AMI	AIN	Parent/Subsidiary	Purchases	194,867	62.90%	OA60	-	-	(24,644)	(84.81)%	
AMI	AAPH	Associate	Purchases	104,150	33.62%	OA60	-	-	-	-	
APHI	AAPH	Associate	(Sales)	(143,010)	(16.15)%	OA60	-	-	(300)	(1.33)%	
APHI	AAPH	Associate	Purchases	659,299	100.00%	OA60	-	-	(246,980)	(96.70)%	
APX	ACG	Associate	(Sales)	(513,827)	(19.44)%	OA60	-	-	84,871	24.97%	
APX	AEG	Associate	(Sales)	(352,211)	(13.33)%	OA60	-	-	4,133	1.22%	
APX	ACR	Associate	(Sales)	(279,365)	(10.57)%	OA60	-	-	44,977	13.23%	
APX	ACF	Associate	(Sales)	(237,043)	(8.97)%	OA60	-	-	20,253	5.96%	
APX	ACZ	Associate	(Sales)	(196,189)	(7.42)%	OA60	-	-	30,100	8.86%	
APX	ACH	Associate	(Sales)	(187,646)	(7.10)%	OA60	-	-	14,264	4.20%	
APX	AIT	Associate	(Sales)	(172,296)	(6.52)%	OA60	-	-	25,957	7.64%	
APX	AIB	Associate	(Sales)	(165,144)	(6.25)%	OA60	-	-	26,654	7.84%	
APX	AME	Associate	(Sales)	(147,693)	(5.59)%	OA60	-	-	21,891	6.44%	
APX	AUK	Associate	(Sales)	(144,051)	(5.45)%	OA60	-	-	26,633	7.84%	
APX	The Company	Parent/Subsidiary	Purchases	529,135	23.16%	OA60	-	-	(91,169)	(28.64)%	
APX	ACG	Associate	Purchases	230,458	10.09%	OA60	-	-	(34,872)	(10.96)%	
APX	ACR	Associate	Purchases	104,483	4.57%	OA60	-	-	(12,336)	(3.88)%	
ARU	ACR	Associate	(Sales)	(237,189)	(100.00)%	OA60	-	-	19,710	100.00%	
ASSB	SMA	Parent/Subsidiary	(Sales)	(476,289)	(7.73)%	OA60	-	-	9,375	2.10%	
ASSB	AAPH	Associate	Purchases	5,114,447	95.44%	OA60	-	-	(278,452)	(92.46)%	
ASSB	HSN	Parent/Subsidiary	Purchases	159,234	2.97%	OA60	-	-	(5)	-	
ASC	The Company	Parent/Subsidiary	Purchases	115,795	17.81%	OA60	-	-	(11,183)	(12.77)%	
ASC	AAC	Associate	Purchases	176,648	27.18%	OA60	-	-	(30,917)	(35.30)%	

Company Name	Related Party	Name of Relationship	Transaction Detail				Transactions with Terms Different from Others (Note 1)		Notes/Accounts Payable or Receivable		Note
			Purchases/(Sales)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
ASK	AEG	Associate	Purchases	7,732,149	98.94%	OA60	-	-	(727,038)	(97.68)%	
ASZ	AEG	Associate	Purchases	2,798,984	95.20%	OA60	-	-	(240,794)	(98.96)%	
ATB	AAC	Associate	Purchases	200,150	1.42%	OA60	-	-	(54,019)	(1.59)%	
ATH	AAPH	Associate	Purchases	7,411,042	97.96%	OA60	-	-	(731,218)	(94.28)%	
AUA	AEG	Associate	Purchases	3,428,693	95.95%	OA60	-	-	(139,309)	(92.67)%	
AUK	AEG	Associate	(Sales)	(140,280)	(1.06)%	OA60	-	-	503,713	10.54%	
AUK	AEG	Associate	Purchases	12,431,838	90.47%	OA60	-	-	(3,143,989)	(99.16)%	
AUK	APX	Associate	Purchases	144,051	1.05%	OA60	-	-	(26,633)	(0.84)%	
HSN	ACA	Associate	(Sales)	(183,124)	(21.33)%	OA60	-	-	5,481	17.96%	
HSN	ASSB	Parent/Subsidiary	(Sales)	(159,234)	(18.55)%	OA60	-	-	5	0.02%	
HSN	AIL	Associate	(Sales)	(114,853)	(13.38)%	OA60	-	-	4,323	14.17%	
HSN	The Company	Parent/Subsidiary	Purchases	125,960	22.04%	OA60	-	-	(15,245)	(20.41)%	
SMA	ASSB	Parent/Subsidiary	Purchases	476,289	9.18%	OA60	-	-	(9,375)	(3.54)%	

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

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

**Acer Incorporated and Subsidiaries**  
**Receivables from related parties which exceed NT\$100 million or 20% of the paid-in capital**  
**December 31, 2013**

**Table 7**

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
The Company	AEG	Parent/Subsidiary	695,958	31.61	-		695,958	
The Company	AAC	Parent/Subsidiary	9,952,119	5.76	-		7,650,385	
The Company	AAPH	Parent/Subsidiary	3,922,309	14.97	-		3,922,309	
The Company	ACCN	Parent/Subsidiary	3,089,465	6.49	1,490,492	Collection in Pursuit	1,598,973	
The Company	ACCQ	Parent/Subsidiary	1,571,940	5.32	684,834	Collection in Pursuit	887,106	
The Company	TWPBJ	Parent/Subsidiary	106,852	0.54	96,423	Collection in Pursuit	10,429	
The Company	ASSCI	Parent/Subsidiary	549,259	-	-		42,000	
WLII	The Company	Parent/Subsidiary	137,164	3.04	106,516	Collection in Pursuit	30,648	
AAC	AMEX	Affiliates	1,515,572	3.27	450,013	Collection in Pursuit	644,947	
AAC	ASC	Affiliates	601,800	7.64	-		30,747	
AAC	ALA	Affiliates	113,684	-	-		-	
AAC	AEG	Affiliates	106,807	-	-		-	
AAC	GWI	Parent/Subsidiary	205,311	-	-		-	
AAC	The Company	Parent/Subsidiary	790,679	-	12	Collection in Pursuit	26,647	
AAF	AME	Affiliates	124,601	6.63	-		10,429	
AAPH	AIL	Affiliates	3,402,706	3.07	1,001,509	Collection in Pursuit	526,156	
AAPH	AIN	Affiliates	554,240	12.54	-		50,721	
AAPH	ATH	Affiliates	731,218	9.58	-		731,218	
AAPH	ACA	Affiliates	1,452,049	5.05	-		918,221	
AAPH	ASSB	Affiliates	278,452	13.60	11	Collection in Pursuit	278,440	
AAPH	AJC	Affiliates	1,820,421	2.74	-		1,107,896	
AAPH	ACNZ	Affiliates	111,418	7.09	-		111,418	
AAPH	APHI	Affiliates	246,980	3.90	-		133,754	
AAPH	AVN	Affiliates	140,923	0.43	91,764	Collection in Pursuit	18,430	
ACCN	ACCQ	Affiliates	1,729,933	0.86	-		3,203	

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
ACCN	The Company	Parent/Subsidiary	209,102	8.23	-		62	
ACCQ	AICQ	Affiliates	296,814	-	-		-	
ACF	AEG	Affiliates	733,033	0.70	-		51,296	
ACG	AEG	Affiliates	1,265,296	0.70	-		131,757	
ACH	AEG	Affiliates	398,044	0.84	-		23,223	
ACR	AEG	Affiliates	459,947	-	-		1,040	
AEG	ACG	Affiliates	2,683,058	11.33	-		2,628,501	
AEG	ACF	Affiliates	1,025,387	16.04	-		982,284	
AEG	AME	Affiliates	1,840,491	8.10	-		1,833,072	
AEG	AUK	Affiliates	3,144,847	4.02	-		2,857,080	
AEG	ASK	Affiliates	742,856	7.97	-		727,153	
AEG	ACH	Affiliates	1,432,917	4.70	-		1,417,712	
AEG	AIT	Affiliates	2,283,582	3.42	-		1,558,625	
AEG	AIB	Affiliates	1,578,374	4.30	-		1,547,070	
AEG	AUA	Affiliates	139,790	45.63	-		139,309	
AEG	ASZ	Affiliates	240,794	12.38	-		240,719	
AGU	AEG	Affiliates	411,604	-	-		-	
AHI	Boardwalk	Affiliates	778,700	-	-		-	
AHI	ACA	Parent/Subsidiary	384,182	-	-		-	
AIB	AEG	Affiliates	429,508	0.65	-		-	
AIT	AEG	Affiliates	663,920	0.99	-		44,558	
ALA	ATB	Affiliates	895,505	-	-		-	
ASC	AAC	Affiliates	230,523	1.86	-		168	
ASCBVI	LONG	Parent/Subsidiary	299,500	-	-		-	
ASK	AEG	Affiliates	251,779	-	16,135	Collection in Pursuit	-	
ASZ	AEG	Affiliates	183,058	0.31	-		12,786	
AUK	AEG	Affiliates	613,380	0.31	-		41,758	
GIC	GWI	Parent/Subsidiary	306,314	-	-		-	
GWI	AAC	Parent/Subsidiary	1,060,100	-	-		-	
LONG	SURE	Parent/Subsidiary	299,500	-	-		-	
PBHO	AEG	Affiliates	205,802	-	-		-	

**Acer Incorporated and Subsidiaries**  
**Business relationships and significant intercompany transactions**  
**For the year ended December 31, 2013**

**Table 8**

(In Thousands of New Taiwan Dollars)

Intercompany relationships and significant intercompany transactions for the year ended December 31, 2013 were as follows:

Number (Note A)	Company Name	Counter Party	Nature of Relationship (Note B)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
0	The Company	AEG	1	Sales	109,237,255	OA60	30.33%
0	The Company	AAC	1	Sales	63,472,412	OA90	17.62%
0	The Company	AAPH	1	Sales	47,804,873	OA60	13.27%
0	The Company	ACCN	1	Sales	29,108,705	OA45	8.08%
0	The Company	ACCQ	1	Sales	7,710,655	OA60	2.14%
0	The Company	AAC	1	Accounts receivable	9,952,119	OA90	5.22%
0	The Company	AAPH	1	Accounts receivable	3,922,309	OA60	2.06%
0	The Company	ACCN	1	Accounts receivable	3,089,465	OA45	1.62%

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

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

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

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

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



**Acer Incorporated and Subsidiaries**  
**Names, Locations, and Related Information of Investees over which The Company Exercises Significant Influence**  
**For the year ended December 31, 2013**

**Table 9**

(In Thousands of New Taiwan Dollars/Shares)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balances as of December 31, 2013			Net Income (Loss) of the Investee	Investment Income (Loss)	Maximum percentage of ownership during 2013		Note
				December 31, 2013	December 31, 2012	Shares	Percentage of Ownership	Carrying Value			Shares	Percentage of Ownership	
The Company	ADSC	Taiwan	Investing and holding company	1,146,549	1,146,549	40,931	100.00	1,166,534	303,694	303,694	40,931	100.00	Equity-method investee of the Company
The Company	Boardwalk	British Virgin Islands	Investing and holding company	39,757,383	38,146,383	1,318,432	100.00	26,138,391	(6,144,908)	(6,144,908)	1,318,432	100.00	Equity-method investee of the Company
The Company	AEH	Cyprus	Investing and holding company	2,464,262	1,189,862	10	100.00	20,426,184	(1,667,036)	(1,667,036)	10	100.00	Equity-method investee of the Company
The Company	AHI	British Virgin Islands	Investing and holding company	1,130,566	1,130,566	33,550	100.00	10,225,339	(2,490,408)	(2,490,408)	33,550	100.00	Equity-method investee of the Company
The Company	Bluechip	Australia	Sale of peripheral information technology system	24,249	24,249	1,073	34.05	76,136	144	49	1,073	34.05	Equity-method investee of the Company
The Company	AWI	British Virgin Islands	Investing and holding company	4,069,764	4,069,764	1,326,193	100.00	245,301	545	545	1,326,193	100.00	Equity-method investee of the Company
The Company	ASCBVI	British Virgin Islands	Investing and holding company	1,718,547	2,009,547	35,067	100.00	915,273	148,028	148,028	48,400	100.00	Equity-method investee of the Company
The Company	CCI	Taiwan	Investing and holding company	1,299,817	1,299,817	-	100.00	1,141,799	1,686	1,686	-	100.00	Equity-method investee of the Company
The Company	ADSBH	British Virgin Islands	Investing and holding company	1,175,933	1,175,933	2,246	100.00	(159,289)	(63,619)	(63,619)	2,246	100.00	Equity-method investee of the Company
The Company	ACCSI	Taiwan	Electronic data supply, processing and storage services	2,943,044	2,943,044	187,092	100.00	1,934,270	175,959	175,959	187,092	100.00	Equity-method investee of the Company
The Company	MINLY	Taiwan	Electronic data supply, processing and storage services	-	38,105	-	-	-	(189)	(189)	1,004	100.00	Equity-method investee of the Company
The Company	AGC	British Virgin Islands	Investing and holding company	4,834,892	4,834,892	157,489	100.00	6,455,612	(1,251,641)	(1,251,641)	157,489	100.00	Equity-method investee of the Company
The Company	AEB	Taiwan	Electronic data supply, processing and storage services	250,000	250,000	25,000	100.00	254,398	7,798	7,798	25,000	100.00	Equity-method investee of the Company
The Company	WLII	Taiwan	Sale of computers and communication products	1,115,474	1,115,474	67,425	99.79	1,214,293	35,072	34,997	67,425	99.79	Equity-method investee of the Company
The Company	ATI	Taiwan	Repair and maintenance of information technology products	895,571	895,571	12,028	19.39	27,908	-	-	12,028	19.39	Equity-method investee of the Company
The Company	LTS	Taiwan	Electronic data supply, processing and storage services	-	-	100	100.00	33,155	156	156	100	100.00	Equity-method investee of the Company
The Company	ETEN	Taiwan	Research, design and sale of smart hand held products	7,100,751	7,100,751	50,000	100.00	4,203,232	(749,224)	(749,224)	50,000	100.00	Equity-method investee of the Company
The Company	AHB	The Netherlands	Investing and holding company	-	3	-	-	-	-	(3)	-	100.00	Equity-method investee of the Company
ACCSI	TWPBVI	British Virgin Islands	Investing and holding company	32,298	32,298	11,068	100.00	5,850	6,076	6,076	11,068	100.00	Equity-method investee of the Company
ADSC	ECOM	Taiwan	Repair information technology system	40,851	40,851	1,244	24.88	17,764	9,073	2,258	1,244	24.88	Equity-method investee of the Company's subsidiary
ADSC	APDI	Taiwan	Property development	29,577	29,577	2,958	100.00	100,010	(590)	(590)	2,958	100.00	Equity-method investee of the Company's subsidiary

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balances as of December 31, 2013			Net Income (Loss) of the Investee	Investment Income (Loss)	Maximum percentage of ownership during 2013		Note
				December 31, 2013	December 31, 2012	Shares	Percentage of Ownership	Carrying Value			Shares	Percentage of Ownership	
ADSC	ASDI	Taiwan	Property development	500,000	500,000	22,593	100.00	219,611	360	360	22,593	100.00	Equity-method investee of the Company's subsidiary
WLII	HPT	Taiwan	Sale of computers and communication products	23,668	23,668	882	30.22	14,541	9,747	2,946	882	30.22	Equity-method investee of the Company's subsidiary
AHN	Olidata shares	Italy	Researching, developing, assembling and sale of information technology product	119,690	119,808	10,156	29.87	-	-	-	10,166	29.90	Equity-method investee of the Company's subsidiary
AHN	Fizzle shares	Cyprus	Holding company	241,478	241,478	1	40.00	-	-	-	1	40.00	Equity-method investee of the Company's subsidiary

**Acer Incorporated and Subsidiaries**  
**Information on Investment in Mainland China**  
**For the year ended December 31, 2013**

**Table 10**

(In Thousands of New Taiwan Dollars)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2013	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2013	Net Income (Loss) of Investee	% of Ownership of Direct or Indirect Investment	Investment Income (Loss)	Carrying Value as of December 31, 2013	Accumulated Inward Remittance of Earnings as of December 31, 2013	Maximum percentage of ownership during 2013	
					Outflow	Inflow							Shares	Percentage of Ownership
Acer Third Wave Software (Beijing) Co., Ltd	Software research, development, design, trading and	89,850	Note 1	89,850	-	-	89,850	6,401	100.00	6,401	1,106	-	-	100.00
Beijing Acer Information Co., Ltd.	Sale of brand-name information technology	53,910	Note 1	-	-	-	-	(171)	100.00	(171)	42,155	-	2,199	100.00
Acer Information (Zhong Shan) Co., Ltd.	Sale of brand-name information technology product	44,925	Note 1	-	-	-	-	2,510	100.00	2,510	222,955	-	1,819	100.00
Acer Computer (Shanghai) Ltd.	Sale of brand-name information technology product	59,900	Note 1	59,900	-	-	59,900	266,575	100.00	266,575	2,737,709	-	2,369	100.00
Acer (Chongqing) Ltd.	Sale of brand-name information technology product	4,492,500	Note 1	4,492,500	-	-	4,492,500	(1,360,769)	100.00	(1,360,769)	3,079,775	-	150,000	100.00
Acer Intellectual (Chongqing) Limited	Research and design of smart hand held and touchpad products	119,800	Note 1	119,800	-	-	119,800	(118,539)	100.00	(118,539)	(84,680)	-	2,564	100.00
Acer Information Technology R&D (Shanghai) Co., Ltd	Research and design of smart hand held products	59,900	Note 1	-	-	-	-	630	100.00	630	19,794	-	1,400	100.00

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

Investee Company Name	Accumulated Investment in Mainland China as of December 31, 2013	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
The Company and Subsidiaries	NT\$ 4,762,050 (US \$159,000,000)	NT \$5,442,642 (US \$181,724,286.5)	(Note 2)

The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1 = NT\$29.95 as of December 31, 2013.

Note 2: Since the Company has obtained the Certificate of Headquarter Operation, there is no upper limitation on investment in Mainland China.