Stock Code:2353

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Financial Statements
With Independent Auditors' Report
For the Years Ended December 31, 2021 and 2020

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

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Representation Letter

The entities that are required to be included in the combined financial statements of Acer Incorporated as of and for the year ended December 31, 2021 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Acer Incorporated and Subsidiaries do not prepare a separate set of combined financial statements.

Hereby declare

Acer Incorporated
Jason Chen
Chairman
March 16, 2022

Independent Auditors' Report

To the Board of Directors
Acer Incorporated:

Opinion

We have audited the consolidated financial statements of Acer Incorporated and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Acer Incorporated and its subsidiaries as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), and interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

Key audit matters for the consolidated financial statements for the year ended December 31, 2021 are stated as follows:

1. Revenue recognition

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

   Description of key audit matter:

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

   How the matter was addressed in our audit:

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

2. Valuation of inventories

   Refer to Note 4(h) for the accounting policies on inventory valuation, Note 5(b) for uncertainty of accounting estimations and assumptions for inventory valuation and Note 6(e) for the details of the write-down of inventories.

   Description of key audit matter:

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

   How the matter was addressed in our audit:

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

3. Impairment of goodwill

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

Description of key audit matter:

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

How the matter was addressed in our audit:

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

Other Matter

Acer Incorporated has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2021 and 2020, on which we have issued an unmodified audit opinion.

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

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

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

Those charged with governance (including members of the Audit Committee) are responsible for overseeing Acer Incorporated and its subsidiaries' financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Acer Incorporated and its subsidiaries' internal control.

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

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

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

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Acer Incorporated and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Huei-Chen Chang and Ching-Wen Kao.

KPMG

Taipei, Taiwan (Republic of China)
March 16, 2022

Notes to Readers

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

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

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

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2021		December 31, 2020	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 44,619,541	21	39,181,023	21
1110	Financial assets measured at fair value through profit or loss－current (note 6(b))	3,222,868	2	5,841,103	3
1120	Financial assets measured at fair value through other comprehensive income－current (note 6(c))	-	-	98,818	-
1140	Contract assets－current (note 6(x))	451,354	-	514,369	-
1170	Notes and accounts receivable, net (notes 6(d) & (x))	64,039,437	30	55,170,110	30
1180	Accounts receivable from related parties (notes 6(d) & (x) and 7)	1,329	-	27,419	-
1200	Other receivables (notes 6(d) and 7)	505,914	-	548,016	-
1220	Current income tax assets	486,468	-	365,493	-
130X	Inventories (note 6(e))	58,703,827	27	42,983,432	24
1470	Other current assets (note 6(l))	3,064,500	1	4,006,693	3
	Total current assets	175,095,238	81	148,736,476	81
	Non-current assets:				
1517	Financial assets measured at fair value through other comprehensive income－non-current (note 6(c) and 7)	7,806,702	4	6,109,592	3
1550	Investments accounted for using the equity method (note 6(f) and 7)	937,129	-	1,008,312	1
1600	Property, plant and equipment (notes 6(h))	4,055,870	2	3,865,909	2
1755	Right-of-use assets (note 6(i))	1,736,642	1	1,857,520	1
1760	Investment property (note 6(j))	819,591	-	749,843	-
1780	Intangible assets (note 6(k))	16,527,283	8	16,292,729	9
1840	Deferred income tax assets	3,671,634	2	2,480,776	1
1900	Other non-current assets (notes 6(l) & (s))	2,943,066	1	1,748,559	1
1980	Other financial assets－non-current (note 8)	1,195,156	1	1,058,956	1
	Total non-current assets	39,693,073	19	35,172,196	19
	Total assets	**$ 214,788,311**	**100**	**183,908,672**	**100**

(Continued)

See accompanying notes to consolidated financial statements.

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

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Balance Sheets (Continued)

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2021		December 31, 2020	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (notes 6(m) and 8)	$ 1,253,590	1	1,029,117	1
2120	Financial liabilities measured at fair value through profit or loss－current (note 6(b) & (g))	291,917	-	1,526,494	1
2130	Contract liabilities－current (note 6(x))	2,455,504	1	2,269,409	1
2170	Notes and accounts payable (note 7)	57,897,697	27	49,405,634	27
2200	Other payables (notes 6(y) and 7)	37,249,145	17	29,810,924	16
2230	Current tax liabilities	5,205,928	2	3,371,032	2
2250	Provisions－current (notes 6(q) and 9)	6,401,659	3	5,948,144	3
2280	Lease liabilities－current (note 6(p))	530,564	-	602,656	-
2322	Current portion of long-term debt (notes 6(n) and 8)	20,106	-	18,113	-
2365	Refund liabilities－current	16,128,976	8	15,074,621	8
2399	Other current liabilities (note 6(s))	1,987,969	1	1,664,174	1
	Total current liabilities	129,423,055	60	110,720,318	60
	Non-current liabilities:				
2500	Financial liabilities measured at fair value through profit or loss－non-current (note 6(b) & (g))	3,066	-	-	-
2527	Contract liabilities－non-current (note 6(x))	1,002,391	-	827,783	-
2531	Bonds payable (notes 6(o))	10,000,000	5	-	-
2540	Long-term debt (notes 6(n) and 8)	99,820	-	3,395,102	2
2550	Provisions－non-current (note 6(q) and 9)	201,650	-	33,121	-
2570	Deferred income tax liabilities	4,643,830	2	3,555,113	2
2580	Lease liabilities－non-current (note 6(p))	1,320,713	1	1,353,697	1
2600	Other non-current liabilities	2,070,843	1	2,081,574	1
	Total non-current liabilities	19,342,313	9	11,246,390	6
	Total liabilities	148,765,368	69	121,966,708	66
	Equity (note 6(u)):				
3110	Common stock	30,478,538	14	30,478,538	17
3200	Capital surplus	27,514,269	13	27,378,068	15
	Retained earnings:				
3310	Legal reserve	1,456,427	1	853,852	1
3320	Special reserve	4,833,750	2	3,976,265	2
3350	Unappropriated retained earnings	10,596,212	5	6,038,916	3
3400	Other equity	(8,287,624)	(4)	(5,517,452)	(3)
3500	Treasury stock	(2,914,856)	(1)	(2,914,856)	(2)
	Equity attributable to shareholders of the Parent	63,676,716	30	60,293,331	33
36XX	**Non-controlling interests**	2,346,227	1	1,648,633	1
	Total equity	66,022,943	31	61,941,964	34
	Total liabilities and equity	**$ 214,788,311**	**100**	**183,908,672**	**100**

See accompanying notes to consolidated financial statements.

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

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

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

		2021		2020	
		Amount	%	Amount	%
4000	**Net revenue** (notes 6(x), 7 and 14)	319,005,456	100	277,112,477	100
5000	**Cost of revenue** (notes 6(e), (h), (i), (k), (p), (q) & (s), 7 and 12)	(281,814,400)	(88)	(246,992,862)	(89)
	Gross profit	37,191,056	12	30,119,615	11
	Operating expenses (notes 6(d), (h), (i), (j), (k), (p), (q), (s), (v), (y), 7 and 12):				
6100	Selling expenses	(15,492,033)	(5)	(14,397,099)	(5)
6200	General and administrative expenses	(5,002,271)	(2)	(4,632,802)	(2)
6300	Research and development expenses	(2,646,170)	(1)	(2,382,649)	(1)
	Total operating expenses	(23,140,474)	(8)	(21,412,550)	(8)
6500	**Other operating income and expenses, net** (notes 6(r) & (z) and 7)	112,279	-	228,773	-
	Operating income	14,162,861	4	8,935,838	3
	Non-operating income and loss:				
7100	Interest income (note 6(aa))	318,945	-	315,460	-
7010	Other income (note 6(aa))	354,416	-	243,073	-
7020	Other gains and losses (notes 6(aa) and 7)	867,673	-	(437,479)	-
7050	Finance costs (notes 6(p) & (aa))	(336,677)	-	(155,301)	-
7060	Share of profits (losses) of associates and joint ventures (note 6(f))	68,427	-	3,512	-
	Total non-operating income and loss	1,272,784	-	(30,735)	-
7900	**Income before taxes**	15,435,645	4	8,905,103	3
7950	**Income tax expense** (note 6(t))	(4,148,332)	(1)	(2,759,493)	(1)
	Net income	11,287,313	3	6,145,610	2
	Other comprehensive income (loss) (notes 6(f), (u), (ab)):				
8310	**Items that will not be reclassified subsequently to profit or loss**				
8311	Remeasurements of defined benefit plans	(37,137)	-	37,203	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(358,717)	-	635,743	-
8320	Share of other comprehensive income of associates	17	-	42	-
8349	Income tax related to items that will not be reclassified subsequently to profit or loss	39,131	-	162	-
	Total items that will not be reclassified to profit or loss	(356,706)	-	673,150	-
8360	**Items that may be reclassified subsequently to profit or loss**				
8361	Exchange differences on translation of foreign operations	(2,788,067)	(1)	(1,841,430)	-
8370	Share of other comprehensive gains (losses) of associates	2,166	-	(3,271)	-
8399	Income tax related to items that may be reclassified subsequently to profit or loss	-	-	-	-
	Total items that may be reclassified subsequently to profit or loss	(2,785,901)	(1)	(1,844,701)	-
	Other comprehensive income (loss), net of taxes	(3,142,607)	(1)	(1,171,551)	-
	Total comprehensive income for the year	$ **8,144,706**	**2**	**4,974,059**	**2**
	Net income (loss) attributable to:				
8610	Shareholders of the Parent	$ 10,897,427	3	6,029,287	2
8620	Non-controlling interests	389,886	-	116,323	-
		$ **11,287,313**	**3**	**6,145,610**	**2**
	Total comprehensive income (loss) attributable to:				
8710	Shareholders of the Parent	$ 7,818,893	2	4,850,535	2
8720	Non-controlling interests	325,813	-	123,524	-
		$ **8,144,706**	**2**	**4,974,059**	**2**
	Earnings per share (in New Taiwan dollars) (note 6(w)):				
9750	Basic earnings per share	$	**3.63**		**2.01**
9850	Diluted earnings per share	$	**3.60**		**1.99**

See accompanying notes to consolidated financial statements.

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

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	Attributable to shareholders of the Parent													
			Retained earnings				Other equity							
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Foreign currency translation differences	Unrealized gain (loss) from financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total	Treasury stock	Total equity attributable to shareholders of the parent	Non-controlling interests	Total equity
Balance at January 1, 2020	$ 30,749,338	28,152,962	587,602	2,940,572	2,668,082	6,196,256	(4,187,394)	133,070	(287,903)	(4,342,227)	(2,914,856)	57,841,473	1,353,766	59,195,239
Net income for the year	-	-	-	-	6,029,287	6,029,287	-	-	-	-	-	6,029,287	116,323	6,145,610
Other comprehensive income (loss) for the year	-	-	-	-	-	-	(1,855,833)	632,065	45,016	(1,178,752)	-	(1,178,752)	7,201	(1,171,551)
Total comprehensive income (loss) for the year	-	-	-	-	6,029,287	6,029,287	(1,855,833)	632,065	45,016	(1,178,752)	-	4,850,535	123,524	4,974,059
Appropriation approved by the stockholders:														
Legal reserve	-	-	266,250	-	(266,250)	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	1,035,693	(1,035,693)	-	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(1,352,971)	(1,352,971)	-	-	-	-	-	(1,352,971)	-	(1,352,971)
Cash distributed from capital surplus	-	(1,014,728)	-	-	-	-	-	-	-	-	-	(1,014,728)	-	(1,014,728)
Adjustments of capital surplus for the cash dividends distributed to subsidiaries	-	36,416	-	-	-	-	-	-	-	-	-	36,416	-	36,416
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	-	(361,943)	(361,943)	-	(361,943)
Retirement of treasury stock	(270,800)	(91,143)	-	-	-	-	-	-	-	-	361,943	-	-	-
Share of changes in equity of associates	-	76,443	-	-	-	-	-	-	-	-	-	76,443	33,556	109,999
Change in ownership interests in subsidiaries	-	43,604	-	-	-	-	-	-	-	-	-	43,604	(43,604)	-
Acquisition and disposal of interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	301,669	301,669
Difference between consideration and carrying amount of subsidiaries disposed	-	174,404	-	-	-	-	-	-	-	-	-	174,404	(174,404)	-
Stock option compensation cost of subsidiaries	-	110	-	-	-	-	-	-	-	-	-	110	71	181
Reorganization under common control	-	-	-	-	(12)	(12)	-	-	-	-	-	(12)	12	-
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	135,581	135,581
Cash dividends paid to non-controlling interests by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(76,181)	(76,181)
Disposal of financial assets measured at fair value through other comprehensive income by subsidiaries	-	-	-	-	(3,527)	(3,527)	-	3,527	-	3,527	-	-	(5,357)	(5,357)
Balance at December 31, 2020	30,478,538	27,378,068	853,852	3,976,265	6,038,916	10,869,033	(6,043,227)	768,662	(242,887)	(5,517,452)	(2,914,856)	60,293,331	1,648,633	61,941,964
Net income for the year	-	-	-	-	10,897,427	10,897,427	-	-	-	-	-	10,897,427	389,886	11,287,313
Other comprehensive income (loss) for the year	-	-	-	-	-	-	(2,766,226)	(324,225)	11,917	(3,078,534)	-	(3,078,534)	(64,073)	(3,142,607)
Total comprehensive income (loss) for the year	-	-	-	-	10,897,427	10,897,427	(2,766,226)	(324,225)	11,917	(3,078,534)	-	7,818,893	325,813	8,144,706
Appropriation approved by the stockholders:														
Legal reserve	-	-	602,575	-	(602,575)	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	857,485	(857,485)	-	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(4,571,781)	(4,571,781)	-	-	-	-	-	(4,571,781)	-	(4,571,781)
Adjustments of capital surplus for the cash dividends distributed to subsidiaries	-	70,119	-	-	-	-	-	-	-	-	-	70,119	-	70,119
Share of changes in equity of associates	-	(24,908)	-	-	-	-	-	-	-	-	-	(24,908)	(37,414)	(62,322)
Changes in ownership interests in subsidiaries	-	60,105	-	-	-	-	3,856	(6,544)	2,760	72	-	60,177	(60,177)	-
Acquisition and disposal of interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	53,032	53,032
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	29,880	-	-	-	-	-	-	-	-	-	29,880	(29,880)	-
Stock option compensation cost of subsidiaries	-	1,005	-	-	-	-	-	-	-	-	-	1,005	699	1,704
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	249,470	249,470
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	337,722	337,722
Cash dividends paid to non-controlling interests by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(141,671)	(141,671)
Disposal of financial assets measured at fair value through other comprehensive income by subsidiaries	-	-	-	-	(308,290)	(308,290)	-	308,290	-	308,290	-	-	-	-
Balance at December 31, 2021	**$ 30,478,538**	**27,514,269**	**1,456,427**	**4,833,750**	**10,596,212**	**16,886,389**	**(8,805,597)**	**746,183**	**(228,210)**	**(8,287,624)**	**(2,914,856)**	**63,676,716**	**2,346,227**	**66,022,943**

See accompanying notes to consolidated financial statements.

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

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	2021	2020
Cash flows from operating activities:		
Income before income tax	$ 15,435,645	8,905,103
Adjustments for:		
Adjustments to reconcile profit or loss:		
Depreciation	1,022,560	1,078,156
Amortization	492,670	573,592
Net gain on financial assets measured at fair value through profit or loss	(30,094)	(4,930)
Interest expense	336,677	155,301
Net gain on disposal of investments accounted for using the equity method	(47,815)	-
Interest income	(318,945)	(315,460)
Dividend income	(354,416)	(243,073)
Share-based compensation cost	1,704	181
Share of profit of associates and joint ventures	(68,427)	(3,512)
Loss (gain) on disposal of equipment and intangible assets	8,252	(2,713)
Net gain on disposal of investment property	(1,141)	-
Property, plant and equipment reclassified to expenses	917	-
Intangible assets reclassified to expenses	-	6,806
Acquisition of financial asset by contribution of technical know-how	-	(17,421)
Gain on liquidation of subsidiaries and other investments	(3,068)	(902)
Total adjustments for profit or loss	1,038,874	1,226,025
Changes in operating assets and liabilities:		
Changes in operating assets:		
Derivative financial instruments measured at fair value through profit or loss	(1,744,184)	960,364
Contract assets	63,015	(93,487)
Notes and accounts receivable	(8,283,499)	(5,716,202)
Receivables from related parties	30,990	13,782
Inventories	(15,317,842)	(1,968,800)
Other receivables and other current assets	268,860	384,523
Other non-current assets	(16,406)	(5,429)
Changes in operating assets	(24,999,066)	(6,425,249)
Changes in operating liabilities:		
Contract liabilities	198,239	602,249
Notes and accounts payable	8,138,491	14,181,820
Other payables and other current liabilities	7,158,143	5,252,540
Provisions	622,044	995,189
Refund liabilities	1,052,018	2,633,421
Other non-current liabilities	(11,505)	155,044
Changes in operating liabilities	17,157,430	23,820,263
Cash provided by operations	8,632,883	27,526,142
Interest received	318,103	319,923
Income taxes paid	(2,453,171)	(355,523)
Net cash flows provided by operating activities	6,497,815	27,490,542

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

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Continued)

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	2021	2020
Cash flows from investing activities:		
Purchase of financial assets measured at fair value through other comprehensive income	(2,234,039)	(356,940)
Proceeds from disposal of financial assets measured at fair value through other comprehensive income	178,648	458
Proceeds from capital return and liquidation of financial assets measured at fair value through other comprehensive income	2,845	2,746
Purchase of financial assets measured at fair value through profit or loss	-	(4,748,217)
Proceeds from disposal of financial assets measured at fair value through profit or loss	2,849,874	267,856
Proceeds from disposal of investments accounted for using equity method	-	(2,991)
Additions to property, plant and equipment and investment property	(552,937)	(327,885)
Proceeds from disposal of property, plant and equipment	10,260	70,735
Proceeds from disposal of investment property	18,497	-
Additions to intangible assets	(373,199)	(217,927)
Net cash flow from disposal of subsidiaries and other investments	2,872	31
Net cash received from acquisition of subsidiaries	154,958	-
Increase in assets recognized from costs to fulfill contracts with customers	(364,440)	(266,927)
Decrease (increase) in other non-current financial assets	(130,914)	43,007
Dividends received	416,584	282,517
Net cash flows used in investing activities	(20,991)	(5,253,537)
Cash flows from financing activities:		
Increase in short-term borrowings	3,070,574	5,507,521
Decrease in short-term borrowings	(3,664,124)	(5,911,621)
Proceeds from issuing bonds	10,000,000	-
Increase in long-term debt	64,510	79,771
Repayment of long-term debt	(3,349,490)	(2,515,061)
Payment of lease liabilities	(679,795)	(693,094)
Cash dividends	(4,501,662)	(1,332,162)
Cash distributed from capital surplus	-	(999,121)
Purchase of treasury stock	-	(361,943)
Cash dividends paid to non-controlling interests by subsidiaries	(141,671)	(76,181)
Issuance of common stock by subsidiaries not subscribed by the Group	337,722	135,581
Acquisition of ownership to interests in subsidiaries	(22,736)	-
Proceeds from disposal of interests in subsidiaries (without losing control)	75,768	301,669
Interest paid	(294,441)	(145,572)
Net cash flows provided by (used in) financing activities	894,655	(6,010,213)
Effect of foreign exchange rate changes	(1,932,961)	(1,230,101)
Net increase in cash and cash equivalents	5,438,518	14,996,691
Cash and cash equivalents at beginning of period	39,181,023	24,184,332
Cash and cash equivalents at end of period	$ **44,619,541**	**39,181,023**

See accompanying notes to consolidated financial statements.

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

ACER INCORPORATED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars, Except for Per Share Information And Otherwise Specified)

1. Organization and business

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

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

2. Authorization of the consolidated financial statements

These consolidated financial statements were authorized for issue by the Board of Directors on March 16, 2022.

3. Application of new and revised accounting standards and interpretations:

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2021:

- Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform—Phase 2"
- Amendments to IFRS 16 "Covid-19-Related Rent Concessions beyond June 30, 2021"

(b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 16 "Property, Plant and Equipment－Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts－Cost of Fulfilling a Contract"
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 "Reference to the Conceptual Framework"

(Continued)

ACER INCORPORATED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023

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

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

4. Summary of significant accounting policies

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

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

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

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

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

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

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

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

ACER INCORPORATED AND SUBSIDIARIES
Notes to 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. The difference between the adjustment of the non-controlling interests and the fair value of the consideration paid or received is recognized directly in equity and attributed to the shareholders of the Company.

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

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

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

			Percentage of Ownership	
Name of Investor	**Name of Investee**	**Main Business and Products**	**December 31, 2021**	**December 31, 2020**
AHI	Acer Market Services Limited (“AMS”, Hong Kong)	Investment and holding activity	100.00 %	100.00 %
AHI	Acer Computer (Far East) Limited (“AFE”, Hong Kong)	Sale of brand-name IT products	100.00 %	100.00 %
AMS	Acer Information (Zhong Shan) Co., Ltd. (“AIZS”, China)	Sale of brand-name IT products	100.00 %	100.00 %
AMS	Acer Computer (Shanghai) Ltd. (“ACCN”, China)	Sale of brand-name IT products	100.00 %	100.00 %
AMS	Acer (Chongqing) Ltd. (“ACCQ”, China)	Sale of brand-name IT products	100.00 %	100.00 %
The Company	Acer European Holdings SA (“AEH”, Switzerland)	Investment and holding activity	100.00 %	100.00 %
AEH	Acer Europe B.V. (“AHN”, the Netherlands)	Investment and holding activity	100.00 %	100.00 %
AEH	Acer Computer (M.E.) Limited (“AME”, British Virgin Islands	Sale of brand-name IT products	-	100.00 %
AEH	)Acer Africa (Proprietary) Limited (“AAF”, South Africa)	Marketing, repair and maintenance of brand-name IT products	100.00 %	100.00 %
AEH	AGP Insurance (Guernsey) Limited (“AGU”, Guernsey)	Insurance captive	100.00 %	100.00 %
AEH	Acer Sales International SA (“ASIN”, Switzerland)	Sale of brand-name IT products	100.00 %	100.00 %
AEH	Acer Europe SA (“AEG”, Switzerland)	Sale of brand-name IT products	100.00 %	100.00 %
AEH	Sertec 360 SA (“SER”, Switzerland)	Repair and maintenance of IT products	100.00 %	100.00 %
AHN	Acer Computer France S.A.S.U. (“ACF”, France)	Sale of brand-name IT products	100.00 %	100.00 %
AHN	Acer U.K. Limited (“AUK”, the United Kingdom)	Sale of brand-name IT products	100.00 %	100.00 %
AHN	Acer Italy S.R.L. (“AIT”, Italy)	Sale of brand-name IT products	100.00 %	100.00 %

(Continued)

ACER INCORPORATED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of Investor	Name of Investee	Main Business and Products	Percentage of Ownership December 31, 2021	Percentage of Ownership December 31, 2020
AHN	Acer Computer GmbH (“ACG”, Germany)	Sale of brand-name IT products	100.00 %	100.00 %
AHN	Acer Austria GmbH (“ACV”, Austria)	Marketing of brand-name IT products	100.00 %	100.00 %
AHN	Acer Czech Republic S.R.O. (“ACZ”, Czech Republic)	Marketing, repair and maintenance of brand-name IT products	100.00 %	100.00 %
AHN	Acer Computer Iberica, S.A. (“AIB”, Spain)	Sale of brand-name IT products	100.00 %	100.00 %
AHN	Acer Computer (Switzerland) AG (“ASZ”, Switzerland)	Sale of brand-name IT products	100.00 %	100.00 %
AHN	Asplex Sp. z.o.o. (“APX”, Poland)	Repair and maintenance of brand-name IT products	100.00 %	100.00 %
AHN	Acer Marketing Services LLC (“ARU”, Russia)	Marketing of brand-name IT products	100.00 %	100.00 %
AHN	Acer Poland sp. z.o.o. (“APL”, Poland)	Marketing of brand-name IT products	100.00 %	100.00 %
AHN	Acer Bilisim Teknolojileri Limited Sirketi (“ATR”, Turkey)	Marketing of brand-name IT products	100.00 %	100.00 %
AHN	Acer Computer B.V. (“ACH”, the Netherlands)	Sale of brand-name IT products	100.00 %	100.00 %
AHN	CPYou B.V. (“CPY”, the Netherlands)	Sale of brand-name IT products	100.00 %	100.00 %
AHN	Enfinitec B.V. (“ENNL”, the Netherlands)	Repair and management of IT products	100.00 %	-
AHN	Enfinitec Italy S.R.L (“ENIT”, Italy)	Repair and management of IT products	100.00 %	-
ACH	Acer Computer Norway AS (“ACN”, Norway)	Marketing, repair and maintenance of brand-name IT products	100.00 %	100.00 %
ACH	Acer Computer Finland Oy (“AFN”, Finland)	Marketing, repair and maintenance of brand-name IT products	100.00 %	100.00 %
ACH	Acer Computer Sweden AB (“ACW”, Sweden)	Marketing of brand-name IT products	100.00 %	100.00 %
ACH	Acer Denmark A/S (“ACD”, Denmark)	Marketing of brand-name IT products	100.00 %	100.00 %
The Company and AEH	Boardwalk Capital Holdings Limited (“Boardwalk”, British Virgin Islands)	Investment and holding activity	100.00 %	100.00 %
Boardwalk	Acer Computec Mexico, S.A. de C.V. (“AMEX”, Mexico)	Sale of brand-name IT products	99.95 %	99.95 %
Boardwalk	Acer American Holdings Corp. (“AAH”, U.S.A.)	Investment and holding activity	100.00 %	100.00 %
Boardwalk	AGP Tecnologia em Informatica do Brasil Ltda. (“ATB”, Brazil)	Sale of brand-name IT products	100.00 %	100.00 %
AMEX	Aurion Tecnologia, S.A. de C.V. (“Aurion”, Mexico)	Service company	-	99.95 %
AAH	Acer Cloud Technology Inc. (“ACTI”, U.S.A.)	Investment and holding activity	100.00 %	100.00 %
ACTI	Acer Cloud Technology (US), Inc. (“ACTUS”, U.S.A.)	Cloud technology service and research, development, and design of IoT platform	100.00 %	100.00 %
AAH	Gateway, Inc. (“GWI”, U.S.A.)	Investment and holding activity	100.00 %	100.00 %

(Continued)

ACER INCORPORATED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of Investor	Name of Investee	Main Business and Products	Percentage of Ownership December 31, 2021	Percentage of Ownership December 31, 2020
GWI	Acer America Corporation ("AAC", U.S.A.)	Sale of brand-name IT products	100.00 %	100.00 %
GWI	Acer Service Corporation ("ASC", U.S.A.)	Repair and maintenance of brand-name IT products	100.00 %	100.00 %
The Company	Acer Holdings International, Incorporated ("AHI", British Virgin Islands)	Investment and holding activity	100.00 %	100.00 %
AHI	Acer Computer Co., Ltd. ("ATH", Thailand)	Sale of brand-name IT products	100.00 %	100.00 %
AHI	Acer Japan Corp. ("AJC", Japan)	Sale of brand-name IT products	100.00 %	100.00 %
AHI	Acer Computer Australia Pty. Limited ("ACA", Australia)	Sale of brand-name IT products	100.00 %	100.00 %
AHI	Acer Sales and Services SDN BHD ("ASSB", Malaysia)	Sale of brand-name IT products	100.00 %	100.00 %
AHI	Acer Asia Pacific Sdn Bhd ("AAPH", Malaysia)	Sale of brand-name IT products	100.00 %	100.00 %
AHI	Acer Computer (Singapore) Pte. Ltd. ("ACS", Singapore)	Sale of brand-name IT products	100.00 %	100.00 %
AHI	Acer Computer New Zealand Limited ("ACNZ", New Zealand)	Sale of brand-name IT products	100.00 %	100.00 %
AHI	PT. Acer Indonesia ("AIN", Indonesia)	Sale of brand-name IT products	100.00 %	100.00 %
AIN	PT. Acer Manufacturing Indonesia ("AMI", Indonesia)	Assembly of brand-name IT products	100.00 %	100.00 %
AHI	Acer India Private Limited ("AIL", India)	Sale of brand-name IT products	100.00 %	100.00 %
AHI	Acer Infotech Pvt Ltd. ("AIP", India)	Sale of brand-name IT products	100.00 %	100.00 %
AHI	Acer Vietnam Co., Ltd. ("AVN", Vietnam)	Sale of brand-name IT products	100.00 %	100.00 %
AHI	Acer Philippines, Inc. ("APHI", Philippines)	Sale of brand-name IT products	100.00 %	100.00 %
ASSB	Servex (Malaysia) Sdn Bhd ("SMA", Malaysia)	Sale of computers and communication products	100.00 %	100.00 %
The Company	Weblink International Inc. ("WLII", Taiwan)	Sale of computers and communication products	58.93 %	65.32 %
WLII	Wellife Inc. ("WELL", Taiwan)	Sales of 3C products and home appliances	58.93 %	65.32 %
WLII	Pecer Bio-medical Technology Incorporated ("PBT", Taiwan)	Sale of health supplements and biotech service	44.20 %	48.99 %
WLII	Protrade Global Limited ("PGL", Cayman Islands)	Investment and holding activity	30.05 %	-
PGL	Snoqualmie Company Ltd. ("SCL", British Virgin Islands)	Investment and holding activity	30.05 %	-
PGL	Protrade Asia Limited ("PAL", British Virgin Islands)	Trade and distribution of synthetic and natural rubber, plastic resins and related fillers	30.05 %	-
PGL	Dakota Co, Ltd. ("DCL", Samoa)	Investment and holding activity	30.05 %	-

(Continued)

ACER INCORPORATED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of Investor	Name of Investee	Main Business and Products	Percentage of Ownership December 31, 2021	Percentage of Ownership December 31, 2020
PGL	Cascadia Resources Inc. (“CRI”, U.S.A.)	Trade and distribution of synthetic and natural rubber, plastic resins and related fillers	30.05 %	-
SCL	Portrade Applied Materials Corp. (“PAM”, Taiwan)	Trade and distribution of synthetic and natural rubber, plastic resins and related fillers	30.05 %	-
DCL	Protrade Shanghai Trading Co., Ltd. (“PST”, China)	Trade and distribution of synthetic and natural rubber, plastic resins and related fillers	30.05 %	-
PAM	Protrade Resources Vietnam Company Limited (“PRV”, Vietnam)	Trade and distribution of synthetic and natural rubber, plastic resins and related fillers	30.05 %	-
The Company	Acer Synergy Tech Corp. (“AST”, Taiwan)	System integration service	52.00 %	52.00 %
AST	Shanghai AST Technology Service Ltd. (“ASTS”, China)	System integration service	52.00 %	52.00 %
AST	ISU Service Corp. (“ISU”, Taiwan)	Human resources and project service	52.00 %	52.00 %
AST	Acer Synergy Tech America Corporation (“ASTA”, U.S.A.)	System integration service	52.00 %	-
The Company	Acer Digital Service Co. (“ADSC”, Taiwan)	Investment and holding activity	100.00 %	100.00 %
ADSC	Acer Property Development Inc. (“APDI”, Taiwan)	Solar optronics business	100.00 %	100.00 %
ADSC	Aspire Service & Development Inc. (“ASDI”, Taiwan)	Hotel management service	100.00 %	100.00 %
The Company and ADSC	Acer Gaming Inc. (“AGM”, Taiwan)	Agency of video game console and peripherals	100.00 %	100.00 %
The Company	Cross Century Investment Limited (“CCI”, Taiwan)	Investment and holding activity	100.00 %	100.00 %
The Company	Acer SoftCapital Incorporated (“ASCBVI”, British Virgin Islands)	Investment and holding activity	100.00 %	100.00 %
ASCBVI	DropZone Holding Limited (“DZH”, Cayman Islands)	Investment and holding activity	100.00 %	100.00 %
DZH	DropZone (Hong Kong) Limited ("DZL", Hong Kong)	Operation and maintenance of eSports platform	100.00 %	100.00 %
The Company	Acer Gadget Inc. (“AGT”, Taiwan)(Formerly E-ten Information System Co., Ltd.)	Research, design and sale of smart handheld products and peripheral 3C products	100.00 %	100.00 %
The Company	Acer BeingWare Holding Inc. (“ABH”, Taiwan)	Investment and holding activity	100.00 %	100.00 %
ABH	Acer Cloud Technology (Taiwan) Inc. (“ACTTW”, Taiwan)	Development of Internet of Beings and cloud technology, and integration of cloud technology, software and hardware	100.00 %	100.00 %

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ACER INCORPORATED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of Investor	Name of Investee	Main Business and Products	Percentage of Ownership December 31, 2021	Percentage of Ownership December 31, 2020
ABH	Altos Computing Inc. (“ALT”, Taiwan)	High performance computing, cloud computing, software-defined storage, and IT solution	78.59 %	86.59 %
ABH	MPS Energy Inc. (“MPS”, Taiwan)	Research, development, and sale of batteries	100.00 %	100.00 %
ABH	Acer e-Enabling Service Business Inc. (“AEB”, Taiwan)	Providing solutions of cloud and digitalization	72.44 %	72.44 %
ABH	Acer ITS Inc. (“ITS”, Taiwan)	Programs and services of intelligent transportation and electronic ticketing	94.41 %	94.41 %
ABH	Acer Medical Inc. (“AMED”, Taiwan)	Intelligent medical examination and data interpretation analysis, medical big data, and health management and related information exchange	60.83 %	100.00 %
ALT	Beijing Altos Computing Ltd. (“BJAC”, China)	High performance computing, cloud computing, software-defined storage, and IT solution	78.59 %	86.59 %
ACTTW	Acer Cloud Technology (Chongqing) Ltd. (“ACTCQ”, China)	Design, development, sale, and advisory of computer software and hardware	100.00 %	100.00 %
ACTTW and ABH	Acer Being Communication Inc. (“ABC”, Taiwan)	Software design service	100.00 %	100.00 %
ACTTW	Acer Being Signage Inc. (“ABST”, Taiwan)	Technical service and research of aBeing cloud digital content management	100.00 %	100.00 %
ABST	Acer Being Signage GmbH (“ABSG”, Germany)	Technical service and research of aBeing cloud digital content management	100.00 %	100.00 %
ABH	Xplova Inc. (“XPL”, Taiwan)	Design, development and sale of smart bicycle speedometer	100.00 %	100.00 %
ABH	Acer AI Cloud Inc. (“AIC”, Taiwan) (Formerly Pawbo Inc.)	Providing cloud technology and solutions	100.00 %	100.00 %
XPL	Xplova (Shanghai) Ltd. (“XPLSH”, China)	Sale of smart bicycle speedometer and operating social platform for bicycle riding and sports	100.00 %	100.00 %
The Company	Acer Cyber Security Incorporated (“ACSI”, Taiwan)	Cyber security service	64.54 %	64.54 %
ACSI	ACSI Cyber Security Academy Inc. (“ACAD”, Taiwan)	Cyber security training	64.54 %	-
The Company	Acer China Venture Corp (“ACVC”, China)	Fund company management	100.00 %	100.00 %

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ACER INCORPORATED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of Investor	Name of Investee	Main Business and Products	Percentage of Ownership December 31, 2021	Percentage of Ownership December 31, 2020
The Company and ACVC	Acer China Venture Partnership (“ACVP”, China)	Investment fund	100.00 %	100.00 %
The Company	Acer e-Enabling Data Center Incorporated (“EDC”, Taiwan)	Data center and cloud services	100.00 %	100.00 %
ABH and EDC	Acer Third Wave Software (Beijing) Co. Ltd. (“TWPBJ”, China)	Sale of commercial and cloud application software and technical service	100.00 %	100.00 %
The Company	Sertec (Beijing) Ltd. (“SEB”, China)	Repair and maintenance of IT products	100.00 %	100.00 %
The Company	StarVR Corporation (“ASBZ”, Taiwan)	Solutions provider of B2B virtual reality	66.81 %	66.80 %
ASBZ	StarVR Europe SA (“VRE”, Switzerland)	Research of solutions to B2B virtual reality	66.81 %	66.80 %
The Company	AOPEN Inc. (“AOI”, Taiwan)	Sale, manufacture, import and export of commercial computer products, software, components, peripheral equipment and apparatus; repair and maintenance service of computer products	40.55 %	40.55 %
AOI	AOPEN America Inc. (“AOA”, U.S.A.)	Sale of computer, apparatus system, and peripheral equipment	40.55 %	40.55 %
AOI	AOPEN Computer B.V. (“AOE”, the Netherlands)	Sale of computer, apparatus system, and peripheral equipment	40.55 %	40.55 %
AOI	AOPEN Technology Inc. (“AOTH”, British Virgin Islands)	Sale of computer, apparatus system, and peripheral equipment	40.55 %	40.55 %
AOI	AOPEN Japan Inc. (“AOJ”, Japan)	Sale of computer, apparatus system, and peripheral equipment	40.55 %	40.55 %
AOI	Aopen SmartVision Incorporated (“AOSV”, Taiwan)	Sale of computer, apparatus system, and peripheral equipment	40.55 %	40.55 %
AOI	Heartware Alliance and Integration Limited (“HTW”, Hong Kong)	Software development and agency	40.55 %	40.55 %
AOI	AOPEN Global Solutions Pty Ltd. (“AOGS”, Australia)	Sale of computer, apparatus system, and peripheral equipment	28.39 %	28.39 %
AOI	AOPEN SmartView Incorporated (“AOSD”, Taiwan)	Sale of display devices	40.55 %	32.44 %
AOTH	Great Connection LTD. (“GCL”, Hong Kong)	Sale of computer, apparatus system, and peripheral equipment	40.55 %	40.55 %
AOTH	AOPEN International (ShangHai) Co., Ltd (“AOC”, China)	Sale of computer, apparatus system, and peripheral equipment	40.55 %	40.55 %
AOTH	AOPEN Information Products (Zhongshan) Inc. (“AOZ”, China)	Manufacture and sale of computer parts and components	40.55 %	40.55 %
AOGS	AOPEN Australia & New Zealand Pty Ltd (“AOAU”, Australia)	Sale of computer, apparatus system, and peripheral equipment	28.39 %	28.39 %

(Continued)

ACER INCORPORATED AND SUBSIDIARIES
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Name of Investor	Name of Investee	Main Business and Products	Percentage of Ownership December 31, 2021	Percentage of Ownership December 31, 2020
The Company and AOI	Bluechip Infotech Pty Ltd. (“Bluechip”, Australia)	Sale of computer peripherals and software system	32.67 %	39.69 %
Bluechip	Bluechip Infotech Incorporated (“BLI”, Taiwan)	Sale of computer peripherals and software system	32.67 %	39.69 %
Bluechip	Dingo Tech Pty Ltd. (“DTP”, Australia)	Investment and holding activity	32.67 %	-
DTP	Digital Networks Australia Pty Ltd. (“DNA”, Australia)	Sales of peripheral computer software	32.67 %	-
DNA	Ingeniq Pty Ltd. (“IGP”, Australia)	Sales of peripheral computer software	32.67 %	-
Bluechip	Bluechip Infotech (NZ) Limited (“BLNZ”,New Zealand)	Investment and holding activity	100.00 %	-
BLNZ	Soft Solutions Limited (“SSL”, New Zealand)	Sales of peripheral computer software	60.00 %	-
The Company	GadgeTek Inc. (“GTI”, Taiwan)	Sale of peripheral 3C products	-	83.64 %
AGT and GTI	GadgeTek (Shanghai) Limited (“GCN”, China)	Sale of peripheral 3C products	100.00 %	83.64 %
The Company	Highpoint Service Network Corporation (“HSNC”, Taiwan)	Repair and maintenance of IT products	66.27 %	92.54 %
HSNC	Highpoint Service Network (Thailand) Co., Ltd (“HSNT”, Thailand)	Repair and maintenance of IT products	66.27 %	92.54 %
HSNC	Highpoint Service Network Vietnam Company Limited (“HSNV”, Vietnam)	Repair and maintenance of IT products	66.27 %	-
HSNC	PT HSN Tech Indonesia (“HSNI”, Indonesia)	Repair and maintenance of IT products	66.27 %	92.54 %
HSNC	HighPoint Service Network Sdn Bhd (“HSN”, Malaysia)	Repair and maintenance of IT products	66.27 %	92.54 %
HSNC	Highpoint Services Network Philippines, Inc. (“HSNP”, Philippines)	Repair and maintenance of IT products	66.27 %	92.54 %
The Company	AcerPure Inc. (“API”, Taiwan)	Intelligent solutions of air quality	100.00 %	100.00 %
The Company	Acer Asset Management Incorporated (“AAM”, Taiwan)	Property held and related management business	100.00 %	-

ENNL, ENIT, ASTA, DTP, DNA, IGP, HSNV, BLNZ, SSL, AAM and ACAD were newly established subsidiaries or were acquired during 2021. AURION was merged into AMEX in the second quarter of 2021. GTI was merged into AGT in the second quarter of 2021. CPY, BLI, PBT and AGM were newly established subsidiaries during 2020.

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ACER INCORPORATED AND SUBSIDIARIES
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WLII formerly owned 19% of ownership of PGL and its subsidiaries (PGL Group). On June 1, 2021, WLII acquired additional 32% of ownership of PGL Group and obtained control over PGL Group; therefore, the financial statements of PGL Group were included in the consolidated financial statements since then.

AME was liquidated in the third quarter of 2021 and was excluded from the accompanying consolidated financial statements since the date the control ceased.

Although the Group did not own more than half of the voting rights of Bluechip, the Group owns more than half of Bluechip's total number of directors; therefore, it is determined that the Group has control over Bluechip. Hence, the financial statements of Bluechip and its subsidiaries were included in the consolidated financial statements.

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

(d) Foreign currency

(i) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period ("the reporting date"), monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for an investment in equity securities designated as at fair value through other comprehensive income, which are recognized in other comprehensive income.

(ii) Foreign operations

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

When a foreign operation is disposed of such that control, joint control, or significant influence is lost, the accumulated exchange differences related to that foreign operation is 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 the accumulated exchange differences is reclassified to non-controlling interests. For a partial disposal of the Group's ownership interest in an associate or joint venture, the proportionate share of the accumulated exchange differences in equity is reclassified to profit or loss.

(Continued)

ACER INCORPORATED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

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

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

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

(f) Cash and cash equivalents

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

(g) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost, fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVTPL). All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

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

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

Subsequent to initial recognition, these assets are measured at amortized cost, using the effective interest method, less impairment loss. Interest income, foreign exchange gains and losses, and recognition (reversal) of impairment loss are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Financial assets measured at fair value through other comprehensive income

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

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

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

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment loss are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, other comprehensive income accumulated in equity are reclassified to profit or loss.

(Continued)

ACER INCORPORATED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income. On derecognition, other comprehensive income accumulated in equity is reclassified to retained earnings and is never reclassified to profit or loss.

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

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

All financial assets not classified as measured at amortized cost or at FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any dividend and interest income, are recognized in profit or loss.

4) Impairment of financial assets

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

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

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

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

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

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

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

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

5) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets; in these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual agreements and the definitions of a financial liability and an equity instrument.

2) Equity instruments

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.

ACER INCORPORATED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Treasury stock

When shares recognized as equity are repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury stock. When treasury stock is sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to cover the deficiency).

4) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

5) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been fulfilled or cancelled, or has expired. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. 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.

6) 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.

(iii) Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments to hedge its foreign currency exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss.

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The Group designates certain derivative instruments as either fair value hedges or cash flow hedges. At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows or fair value of the hedged item and hedging instrument are expected to offset each other.

1) Fair value hedge

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

2) Cash flow hedge

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

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

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted-average method, and includes expenditure incurred in bringing them to their existing location and condition. Net realizable value represents the estimated selling price in the ordinary course of business, less all estimated costs of completion and necessary selling expenses.

(i) Investments accounted for using the equity method

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

An associate is an entity in which the Group has significant influence, but not control or joint control, over their financial and operating policies.

(Continued)

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The Group recognizes its share of the profit or loss and other comprehensive income of those associates from the date on which significant influence commences until the date on which significant influence ceases. The Group recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in percentage of ownership.

Gains and losses resulting from transactions between the Group and an associate are recognized only to the extent of unrelated investors' interests in the associate.

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

When the Group's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group discontinues the use of the equity method and measures the retained interest at fair value from the date when its investment ceases to be an associate. The difference between the fair value of retained interest and proceeds from disposing of a part interest in the associate, and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss. The Group accounts for all the amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would have been required if the associates had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss (or retained earnings) on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (or retained earnings) when the equity method is discontinued. If the Group's ownership interest in an associate is reduced while it continues to apply the equity method, the Group reclassifies the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to the reduction in ownership interest to profit or loss (or retained earnings).

When the Group subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Group's proportionate interest in the net assets of the associate. The Group records such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. If the adjustments are charged to capital surplus and the capital surplus resulting from investments accounted for using the equity method is not sufficient, the remaining difference is debited to retained earnings. If the Group's ownership interest is reduced due to the additional subscription to the shares of the associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate will be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

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A joint venture is a joint arrangement whereby the Group has joint control of the arrangement (i.e. joint ventures) in which the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. The Group recognizes its interest in a joint venture as an investment and accounts for that investment using the equity method in accordance with IAS 28 "Investments in Associates and Joint Ventures", unless the Group qualifies for exemption from that Standard.

When assessing the classification of a joint arrangement, the Group considers the structure and legal form of the arrangement, the terms in the contractual arrangement, and other facts and circumstances. When the facts and circumstances change, the Group reevaluates whether the classification of the joint arrangement has changed.

(j) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Reclassification to investment property

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

(iii) Subsequent costs

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iv) Depreciation

Depreciation is calculated on the cost of assets less their residual values and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated. The estimated useful lives of property, plant and equipment are as follows: buildings－main structure - 30 to 50 years; air-conditioning system - 10 years; other equipment pertaining to buildings - 20 years; computer and communication equipment - 2 to 5 years; other equipment - 3 to 10 years.

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

(k) Investment property

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

Rental income from investment property is recognized as other operating income and expenses on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

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

(l) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically evaluated and reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

— fixed payments, including in-substance fixed payments;

— variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

— amounts expected to be payable under a residual value guarantee; and

— payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when:

— there is a change in future lease payments arising from the change in an index or rate; or

— there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or

— there is a change of the Group's assessment on whether it will exercise an option to purchase the underlying asset, or;

— there is a change in the lease term resulting from a change of the Group's assessment on whether it will exercise an extension or termination option; or

— there is any lease modifications in lease subject, scope of the lease or other terms.

At inception or on reassessment of whether a contract contains a lease, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings, the Group has elected not to separate non-lease components and account for each lease component and any associated non-lease components as a single lease component.

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize the difference in profit or loss for any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment properties, and lease liabilities as a separate line item respectively in the consolidated balance sheets.

The Group has elected not to recognize right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

For operating lease, the Group recognizes rental income on a straight-line basis over the lease term.

(m) Intangible assets

(i) Goodwill

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

(ii) Trademarks

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

(iii) Other intangible assets

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

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

(n) Impairment of non-financial assets

The Group assesses at the end of each reporting date whether there is any indication that the carrying amounts of non-financial assets (other than inventories, contract assets, and deferred tax assets) may be impaired. If any such indication exists, then the asset' s recoverable amount is estimated. Goodwill is tested annually or when there are indications of impairment.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets. Goodwill arising from a business combination is allocated to cash-generating units ("CGUs") or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an individual asset or CGU is the higher of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other non-financial assets, an impairment loss is reversed only to the extent that the asset's carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the assets in prior years.

(o) Provisions

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

(i) Warranties

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

(ii) Others

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

(Continued)

(p) Revenue recognition

(i) Revenue from contracts with customers

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

1) Sale of goods

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

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

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

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

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

2) Revenue from service rendered

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

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

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

3) Financing components

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

(ii) Contract costs

1) Incremental costs of obtaining a contract

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

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

2) Assets recognized from costs to fulfill contracts with customers

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

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

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

(q) Government grant

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

A government grant is recognized in profit or loss in the period in which it becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group without future related costs.

Government grant is recorded in other operating income and expenses.

(r) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The discount rate for calculating the present value of the defined benefit obligation refers to the interest rate of high-quality government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation. The defined benefit obligation is calculated annually by qualified actuaries using the projected unit credit method.

(Continued)

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

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

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

(iii) Short-term employee benefits

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

(s) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, and the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

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

(t) Income taxes

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

(Continued)

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

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

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

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

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

  1) the same taxable entity; or

  2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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(u) Business combinations

The Group accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of the acquisition-date fair value of consideration transferred, including the amount of non-controlling interest in the acquiree, over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed (generally at fair value). If the amount calculated above is a deficit balance, the Group recognizes that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed. For each business combination, non-controlling interest in the acquiree is measured either at fair value or at the non-controlling interest’s proportionate share of the fair value of acquiree’s identifiable net assets.

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

For each business combination, the Group measures any non-controlling interests in the acquiree either at fair value or at the non-controlling interest’ s proportionate share of the acquiree’ s identifiable net assets, if the non-controlling interests are present ownership interests and entitle their holders to a proportionate share of the acquiree’ s net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition-date fair values, unless another measurement basis is required by the IFRSs endorsed by the FSC.

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

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, provisional amounts for the items for which the accounting is incomplete are reported in the financial statements. During the measurement period, the provisional amounts recognized at the acquisition date are retrospectively adjusted, 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.

(v) Earnings per share (“EPS”)

The basic and diluted EPS attributable to stockholders of the Parent are disclosed in the consolidated financial statements. Basic EPS is calculated by dividing net income attributable to stockholders of the Parent by the weighted-average number of common shares outstanding during the year. In calculating diluted EPS, the net income attributable to stockholders of the Parent 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 profit sharing for employees to be settled in the form of common stock.

(Continued)

(w) Operating segments

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

5. Critical accounting judgments and key sources of estimation and assumption uncertainty

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

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

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

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

The Group records a refund liability for estimated future returns and other allowances in the same period the related revenue is recognized. Refund liability for estimated sales returns and other allowances is generally made and adjusted based on historical experience, channel inventory, market and economic conditions, and any other factors that would significantly affect the allowance. The adequacy of estimations is reviewed periodically. The fierce market competition and rapid evolution of technology could result in significant adjustments to the accruals made.

(b) Valuation of inventory

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

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

(c) Impairment of goodwill

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

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6. Significant account disclosures

(a) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand	$ 4,205	4,151
Bank deposits	36,351,659	27,397,795
Time deposits	8,263,677	11,779,077
	$ 44,619,541	**39,181,023**

(b) Financial instruments measured at fair value through profit or loss

	December 31, 2021	December 31, 2020
Financial assets mandatorily measured at fair value through profit or loss:		
Derivative instruments not used for hedging		
Foreign currency forward contracts	$ 680,128	203,213
Non-derivative financial assets		
Stocks listed on foreign markets	1,754	2,160
Open-end funds	2,540,986	5,635,730
	$ 3,222,868	**5,841,103**
Financial liabilities held for trading:		
Derivatives－Foreign currency forward contracts	$ (259,225)	(1,526,494)
Financial liabilities measured at fair value through profit or loss: Contingent consideration arising from business combinations (note 6(g))	(35,758)	-
	$ (294,983)	**(1,526,494)**
Current	$ (291,917)	(1,526,494)
Non-current	(3,066)	-
	$ (294,983)	**(1,526,494)**

Please refer to note 6(aa) for the amounts recognized in profit or loss arising from remeasurement at fair value.

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

(i) Foreign currency forward contracts

December 31, 2021			
Contract amount (in thousands)		Currency	Maturity period
USD	119,159	AUD / USD	2022/01~2022/06
USD	685	AUD / NTD	2022/02~2022/03
USD	28,051	EUR / CHF	2022/01~2022/05
USD	11,626	EUR / NOK	2022/01~2022/05
USD	18,185	EUR / SEK	2022/01~2022/06
USD	533,740	EUR / USD	2022/01~2022/05
USD	1,279	EUR / NTD	2022/01~2022/03
USD	73,745	EUR / PLN	2022/01~2022/06
USD	110,801	GBP / USD	2022/01~2022/05
USD	10,494	NZD / USD	2022/01~2022/05
USD	58,479	USD / CAD	2022/01~2022/02
USD	8,200	USD / CLP	2022/01
USD	60,000	USD / CNY	2022/01~2022/04
USD	70,800	USD / IDR	2022/01~2022/04
USD	229,969	USD / INR	2022/01~2022/06
USD	31,917	USD / JPY	2022/01~2022/08
USD	16,700	USD / MXN	2022/01~2022/03
USD	30,500	USD / MYR	2022/01~2022/03
USD	584,224	USD / NTD	2022/01~2022/11
USD	19,600	USD / PHP	2022/01~2022/03
USD	105,197	USD / RUB	2022/01~2022/04
USD	20,000	USD / SGD	2022/01~2022/05
USD	98,000	USD / THB	2022/01~2022/03

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December 31, 2020			
Contract amount (in thousands)		Currency	Maturity period
USD	79,182	AUD / USD	2021/01~2021/05
USD	295	EUR / DKK	2021/01
USD	583	EUR / CHF	2021/01~2021/05
USD	10,951	EUR / NOK	2021/01~2021/07
USD	14,127	EUR / SEK	2021/01~2021/06
USD	362,602	EUR / USD	2021/01~2021/05
USD	1,325	EUR / NTD	2021/01~2021/02
USD	48,129	EUR / PLN	2021/01~2021/05
USD	166,755	GBP / USD	2021/01~2021/09
USD	12,570	NZD / USD	2021/01~2021/05
USD	81,374	USD / CAD	2021/01~2021/04
USD	54,200	USD / CLP	2021/03~2021/07
USD	27,000	USD / CNY	2021/01~2021/02
USD	19,500	USD / COP	2021/01~2021/03
USD	15,000	USD / IDR	2021/01~2021/02
USD	129,105	USD / INR	2021/01~2021/07
USD	146,869	USD / JPY	2021/01~2021/07
USD	32,800	USD / MXN	2021/01~2021/05
USD	20,500	USD / MYR	2021/01~2021/02
USD	591,550	USD / NTD	2021/01
USD	9,600	USD / PHP	2021/01~2021/03
USD	72,577	USD / RUB	2021/01~2021/05
USD	10,000	USD / SGD	2021/01~2021/03
USD	42,000	USD / THB	2021/01~2021/03

(Continued)

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

	December 31, 2021	December 31, 2020
Equity investments measured at fair value through other comprehensive income		
Domestic listed stock	$ 7,064,857	5,096,859
Unlisted stock	741,845	1,111,551
	$ 7,806,702	**6,208,410**
Current	$ -	98,818
Non-current	7,806,702	6,109,592
	$ 7,806,702	**6,208,410**

The Group designated the investments shown above as financial assets measured at fair value through other comprehensive income (FVOCI) because these equity instruments are held for long-term strategic purposes and not for trading.

Certain financial assets measured at FVOCI were disposed of in 2021 and 2020. The realized loss accumulated in other comprehensive income of $308,290 and $3,527 have been reclassified from other equity to retained earnings.

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

	December 31, 2021	December 31, 2020
Notes receivable	$ 213,707	262,143
Accounts receivable	63,946,493	55,099,972
Less: loss allowance	(120,763)	(192,005)
	64,039,437	55,170,110
Accounts receivable from related parties (note 7(b))	1,329	27,419
	$ 64,040,766	**55,197,529**

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The Group applies the simplified approach to provide for its expected credit losses, i.e., the use of lifetime expected loss provision for all receivables. Forward looking information is taken into consideration as well. Analysis of expected credit losses on notes and accounts receivable was as follows:

	December 31, 2021		
	Gross carrying amount	Weighted-average loss rate	Loss allowance
Current	$ 59,972,724	0.09%	(56,097)
Past due 1-30 days	3,550,650	0.48%	(16,893)
Past due 31-60 days	441,709	1.62%	(7,155)
Past due 61-90 days	81,506	10.31%	(8,400)
Past due 91-180 days	63,545	11.06%	(7,025)
Past due 181 days or over	50,066	50.32%	(25,193)
	$ 64,160,200		**(120,763)**

	December 31, 2020		
	Gross carrying amount	Weighted-average loss rate	Loss allowance
Current	$ 51,479,322	0.17%	(88,984)
Past due 1-30 days	3,143,828	0.54%	(16,861)
Past due 31-60 days	337,786	9.59%	(32,387)
Past due 61-90 days	249,456	3.07%	(7,662)
Past due 91-180 days	104,135	18.83%	(19,605)
Past due 181 days or over	47,588	55.70%	(26,506)
	$ 55,362,115		**(192,005)**

As of December 31, 2021 and 2020, no expected credit losses was provided for accounts receivable from related parties after management's assessment.

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

	2021	2020
Balance at January 1	$ 192,005	136,322
Impairment losses recognized (reversal of impairment loss)	(35,070)	67,865
Acquisition through business combination	6,911	-
Write-off	(35,458)	(11,511)
Effect of exchange rate changes	(7,625)	(671)
Balance at December 31	**$ 120,763**	**192,005**

The Group entered into factoring agreements with financial institutions to sell its accounts receivable. Under the agreements, the Group does not have the responsibility to assume the default risk of the transferred accounts receivable but is liable for the losses incurred on any business dispute. The Group derecognized the above accounts receivable as it has transferred substantially all of the risks and rewards of ownership of the accounts receivable, and it did not have any continuing involvement in them. The accounts receivable from the financial institutions were recognized as "other receivables" upon the derecognition of those accounts receivable. As of December 31, 2021 and 2020, the Group sold its accounts receivable without recourse as follows:

December 31, 2021						
Purchaser	**Amount Derecognized**	**Amount Advanced Unpaid**	**Amount Advanced Paid**	**Amount Recognized in Other Receivables**	**Range of Interest Rate**	**Significant Transferring Terms**
HSBC Bank	**$ 364,861**	**19,007**	**345,854**	**19,007**	**5.25%**	None

December 31, 2020						
Purchaser	**Amount Derecognized**	**Amount Advanced Unpaid**	**Amount Advanced Paid**	**Amount Recognized in Other Receivables**	**Range of Interest Rate**	**Significant Transferring Terms**
HSBC Bank	**$ 1,104,814**	**69,293**	**1,035,521**	**69,293**	**5.25%~8.20%**	None

(e) Inventories

	December 31, 2021	**December 31, 2020**
Raw materials	$ 15,676,331	13,279,411
Work in process	18,380	6,265
Finished goods and merchandise	22,188,155	13,798,158
Spare parts	1,073,057	842,860
Inventories in transit	19,747,904	15,056,738
	$ 58,703,827	**42,983,432**

For the years ended December 31, 2021 and 2020, the amounts of inventories recognized as cost of revenue were $255,560,066 and $219,979,248, respectively, of which $1,943,032 and $21,879, respectively, was the write-down of inventories to net realizable value.

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(f) Investments accounted for using the equity method

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

Name of Associates and Joint Ventures	December 31, 2021 Percentage of ownership	December 31, 2021 Carrying amount	December 31, 2020 Percentage of ownership	December 31, 2020 Carrying amount
Associates：				
GrandPad Inc. ("GrandPAD")	28.88	$ 169,885	29.17	187,339
Apex Material Technology Corp. ("AMTC")	7.01	317,106	8.14	352,098
Antung Trading Corporation ("ANT")	11.79	275,656	13.06	239,657
Meldcx Pty Ltd. ("MPL")	-	-	27.21	44,719
Others	-	102,881	-	95,181
Joint Ventures:				
Smart Frequency Technology Inc. ("SFT", note(i))	55.00	71,601	55.00	89,318
		$ 937,129		1,008,312

Note (i): According to the joint venture agreement with a third party, the Group and the other party have joint control over SFT. Accordingly, this investment is accounted for using the equity method.

AOI donated partial of its ownership interest in MPL, formerly an investment accounted for using the equity method, to Acer Foundation on August 30, 2021. Consequently, AOI's ownership interest in MPL decreased from 27.21% to 17.21% and lost significant influence over it. Therefore, AOI reclassified the investment to fair value through other comprehensive income (FVOCI) — non-current and recognized a gain on disposal of investment of $47,815, which was included in "other gains and losses" in the accompanying statements of comprehensive income.

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

	2021	2020
Attributable to the Group:		
Net income	$ 86,144	23,225
Other comprehensive income (loss)	2,183	(3,229)
Total comprehensive income	$ 88,327	19,996

(Continued)

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

		2021	2020
Attributable to the Group:			
Net loss	$	(17,717)	(19,713)
Other comprehensive income		-	-
Total comprehensive loss	$	**(17,717)**	**(19,713)**

(g) Acquisition of subsidiary

Information of significant acquisition of subsidiary in 2021 was as follows:

On June 1, 2021, WLII acquired 32% of ownership interest in Protrade Global Ltd. After the acquisition, WLII's interest in Protrade Global Ltd. increased from 19% to 51%, and therefore obtained control over it since then.

Protrade Global Ltd. and its subsidiaries (the “Protrade”) are mainly engaged in the global trade and distribution of synthetic rubber, plastics and related chemical products and raw materials as well as the logistic business. Although Protrade engages in different industry with WLII, they both involve in channel resources and platform industry. While WLII is developing “partnership economic” and cross-industry platform, it is expected to be benefited from the synergies of including Protrade as one of the important partners of the cross-industry alliance.

The purchase consideration, assets acquired and liabilities assumed at the acquisition date and goodwill recognized were as follows:

(i) Fair value of consideration transferred the acquisition date.

Cash	$	184,923
Contingent consideration		35,758
	$	**220,681**

According to the contingent consideration arrangements, the contingent consideration is estimated based on Protrade’s consolidated net income in 2021 and 2022 and the maximum amount of the contingent consideration does not exceed US$1,672. The potential undiscounted contingent payments to be paid by the Group ranges from US$0 to US$1,672.

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(ii) Identifiable assets acquired and liabilities assumed

The following table summarizes the fair value of assets acquired and liabilities assumed at the acquisition date (June 1, 2021).

Cash and cash equivalents	$ 373,961
Financial assets measured at fair value through profit or loss	46,504
Notes and accounts receivable, net	408,925
Other receivables	4,863
Inventories	404,619
Other current assets	380,392
Property, plant and equipment	134,224
Right-of-use assets	24,211
Intangible assets	183,663
Other non-current assets	7,909
Short-term borrowings	(827,234)
Contract liabilities	(162,464)
Notes and accounts payable	(175,947)
Other payables	(450,656)
Current income tax liabilities	(5,607)
Other current liabilities	(397)
Lease liabilities－non-current	(24,503)
Other non-current liabilities	(976)
Fair value of identifiable net assets	**$ 321,487**

(iii) Goodwill

Goodwill arising from the acquisition has been recognized as follows.

Consideration transferred	$ 220,681
Add: Non-controlling interest in the acquiree (proportionate share of the fair value of the identifiable net assets)	157,528
Fair value of pre-existing interest in the acquiree	96,068
Less: Fair value of identifiable net assets	(321,487)
Goodwill (reported under intangible assets)	**$ 152,790**

WLII remeasured the fair value of its pre-existing 19% ownership of Protrade at the acquisition date, resulting in a valuation loss of $56,915, which was accumulated in other equity. At the acquisition date, the related other comprehensive loss accumulated in other equity has been reclassified to retained earnings by WLII, and the Group reduced the retained earnings of $33,538 accordingly based on its ownership interest in WLII.

(Continued)

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Goodwill arising from the acquisition of Protrade is mainly due to value of workforce. It is expected to be benefited from the synergies of cross-industry alliance between Protrade and the Group. None of the goodwill recognized is expected to be deductible for tax purposes.

(iv) Pro forma information

From the acquisition date to December 31, 2021, Protrade contributed revenue of $3,279,739 and net income of $39,306 to the Group's operating results. If the acquisition had occurred on January 1, 2021, the management estimates that consolidated revenue would have been $320,987,875, and consolidated net income would have been $11,372,141.

(h) Property, plant and equipment

	Land	Buildings	Computer and communication equipment	Other equipment	Construction in progress	Total
Cost or deemed cost:						
Balance at January 1, 2021	$ 1,873,139	4,390,547	4,342,028	2,884,783	6,304	13,496,801
Acquisition through business combination	103,224	35,644	11,403	17,866	-	168,137
Additions	4,690	42,277	135,544	133,572	236,410	552,493
Disposals	-	(2,237)	(2,891,334)	(287,864)	-	(3,181,435)
Reclassification to investment property	(122,442)	(256,771)	-	-	-	(379,213)
Other reclassification and effect of exchange rate changes	(16,904)	(43,009)	176,534	(178,665)	(208,087)	(270,131)
Balance at December 31, 2021	**$ 1,841,707**	**4,166,451**	**1,774,175**	**2,569,692**	**34,627**	**10,386,652**
Balance at January 1, 2020	$ 1,488,736	3,014,187	4,311,454	2,971,764	15,934	11,802,075
Additions	12,975	25,311	121,820	147,461	5,903	313,470
Disposals	(16,819)	(4,746)	(103,634)	(262,678)	-	(387,877)
Reclassification to investment property	441,384	1,347,361	-	-	-	1,788,745
Other reclassification and effect of exchange rate changes	(53,137)	8,434	12,388	28,236	(15,533)	(19,612)
Balance at December 31, 2020	**$ 1,873,139**	**4,390,547**	**4,342,028**	**2,884,783**	**6,304**	**13,496,801**
Accumulated depreciation and impairment loss:						
Balance at January 1, 2021	$ 320,633	3,036,852	4,037,151	2,236,256	-	9,630,892
Acquisition through business combination	-	7,544	7,701	9,643	-	24,888
Depreciation	-	57,688	122,762	139,538	-	319,988
Disposals	-	(2,237)	(2,888,047)	(272,639)	-	(3,162,923)
Reclassification to investment property	(41,210)	(240,832)	-	-	-	(282,042)
Other reclassification and effect of exchange rate changes	(546)	(34,985)	(32,076)	(132,414)	-	(200,021)
Balance at December 31, 2021	**$ 278,877**	**2,824,030**	**1,247,491**	**1,980,384**	**-**	**6,330,782**
Balance at January 1, 2020	$ 141,231	1,780,210	4,014,067	2,304,923	-	8,240,431
Depreciation	-	60,484	124,133	143,258	-	327,875
Disposals	-	-	(94,311)	(225,544)	-	(319,855)
Reclassification to investment property	178,856	1,188,216	-	-	-	1,367,072
Other reclassification and effect of exchange rate changes	546	7,942	(6,738)	13,619	-	15,369
Balance at December 31, 2020	**$ 320,633**	**3,036,852**	**4,037,151**	**2,236,256**	**-**	**9,630,892**

(Continued)

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	Land	Buildings	Computer and communication equipment	Other equipment	Construction in progress	Total
Carrying amounts:						
Balance at December 31, 2021	$ 1,562,830	1,342,421	526,684	589,308	34,627	4,055,870
Balance at December 31, 2020	$ 1,552,506	1,353,695	304,877	648,527	6,304	3,865,909

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.

(i) Right-of-use assets

	Land	Buildings	Other equipment	Total
Cost:				
Balance at January 1, 2021	$ 4,023	2,794,296	201,889	3,000,208
Acquisition through business combination	-	44,208	-	44,208
Additions	3,207	623,992	42,317	669,516
Disposals	-	(449,297)	(36,876)	(486,173)
Effect of exchange rates changes	(548)	(167,118)	(17,207)	(184,873)
Balance at December 31, 2021	**$ 6,682**	**2,846,081**	**190,123**	**3,042,886**
Balance at January 1, 2020	$ 4,612	2,456,713	157,328	2,618,653
Additions	3,898	609,300	96,808	710,006
Disposals	(4,610)	(250,972)	(51,834)	(307,416)
Effect of exchange rates changes	123	(20,745)	(413)	(21,035)
Balance at December 31, 2020	**$ 4,023**	**2,794,296**	**201,889**	**3,000,208**
Accumulated depreciation:				
Balance at January 1, 2021	$ 3,017	1,065,372	74,299	1,142,688
Acquisition through business combination	-	6,287	-	6,287
Depreciation	1,562	629,711	60,788	692,061
Disposals	-	(433,365)	(33,015)	(466,380)
Effect of exchange rates changes	(368)	(60,582)	(7,462)	(68,412)
Balance at December 31, 2021	**$ 4,211**	**1,207,423**	**94,610**	**1,306,244**
Balance at January 1, 2020	$ 3,690	615,604	51,016	670,310
Depreciation	3,845	666,786	64,744	735,375
Disposals	(4,610)	(208,937)	(40,852)	(254,399)
Effect of exchange rates changes	92	(8,081)	(609)	(8,598)
Balance at December 31, 2020	**$ 3,017**	**1,065,372**	**74,299**	**1,142,688**
Carrying amount:				
Balance at December 31, 2021	**$ 2,471**	**1,638,658**	**95,513**	**1,736,642**
Balance at December 31, 2020	**$ 1,006**	**1,728,924**	**127,590**	**1,857,520**

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(j) Investment property

	Land	Buildings	Total
Cost:			
Balance at January 1, 2021	$ 755,536	1,919,546	2,675,082
Additions	-	444	444
Disposals	(15,108)	(5,524)	(20,632)
Reclassification from property, plant and equipment	122,442	256,771	379,213
Balance at December 31, 2021	**$ 862,870**	**2,171,237**	**3,034,107**
Balance at January 1, 2020	$ 1,154,429	3,252,324	4,406,753
Additions	-	14,415	14,415
Reclassification from property, plant and equipment	(441,384)	(1,347,361)	(1,788,745)
Other reclassification	42,491	168	42,659
Balance at December 31, 2020	**$ 755,536**	**1,919,546**	**2,675,082**
Accumulated depreciation and impairment loss:			
Balance at January 1, 2021	$ 250,178	1,675,061	1,925,239
Depreciation	-	10,511	10,511
Disposals	-	(3,276)	(3,276)
Reclassification from property, plant and equipment	41,210	240,832	282,042
Balance at December 31, 2021	**$ 291,388**	**1,923,128**	**2,214,516**
Balance at January 1, 2020	$ 429,034	2,848,369	3,277,403
Depreciation	-	14,906	14,906
Reclassification from property, plant and equipment	(178,856)	(1,188,216)	(1,367,072)
Other reclassification	-	2	2
Balance at December 31, 2020	**$ 250,178**	**1,675,061**	**1,925,239**
Carrying amounts:			
Balance at December 31, 2021	**$ 571,482**	**248,109**	**819,591**
Balance at December 31, 2020	**$ 505,358**	**244,485**	**749,843**
Fair value:			
Balance at December 31, 2021			**$ 1,250,794**
Balance at December 31, 2020			**$ 1,155,897**

The fair value of the investment property is determined by referring to the market price of similar real estate transaction or the value in use of the investment property. The value in use is the present value of the future cash flows from continuous lease activities. On December 31, 2021 and 2020, the estimated discount rate used for calculating the present value of the future cash flows was 5.79% and 5.18%, respectively.

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

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(k) Intangible assets

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

	Goodwill	Trademarks and trade names	Others	Total
Net balance at January 1, 2021:				
Cost	$ 23,893,960	10,196,471	10,680,243	44,770,674
Accumulated amortization and impairment loss	(7,876,181)	(10,196,053)	(10,405,711)	(28,477,945)
Net balance at January 1, 2021	16,017,779	418	274,532	16,292,729
Additions	-	-	373,199	373,199
Acquisition through business combination	233,816	384	319,361	553,561
Reclassification	-	-	290	290
Amortization	-	(102)	(252,093)	(252,195)
Effect of exchange rate changes	(434,628)	(29)	(5,644)	(440,301)
Net balance at December 31, 2021	**$ 15,816,967**	**671**	**709,645**	**16,527,283**
Net balance at December 31, 2021:				
Cost	$ 23,466,809	10,191,130	10,855,175	44,513,114
Accumulated amortization and impairment loss	(7,649,842)	(10,190,459)	(10,145,530)	(27,985,831)
	$ 15,816,967	**671**	**709,645**	**16,527,283**
Net balance at January 1, 2020:				
Cost	$ 24,896,516	10,173,952	10,764,512	45,834,980
Accumulated amortization and impairment loss	(8,299,165)	(10,173,475)	(10,432,268)	(28,904,908)
Net balance at January 1, 2020	16,597,351	477	332,244	16,930,072
Additions	-	-	217,927	217,927
Disposals	-	-	(6,806)	(6,806)
Amortization	-	(59)	(269,442)	(269,501)
Effect of exchange rate changes	(579,572)	-	609	(578,963)
Net balance at December 31,	**$ 16,017,779**	**418**	**274,532**	**16,292,729**
Net balance at December 31, :				
Cost	$ 23,893,960	10,196,471	10,680,243	44,770,674
Accumulated amortization and impairment loss	(7,876,181)	(10,196,053)	(10,405,711)	(28,477,945)
	$ 16,017,779	**418**	**274,532**	**16,292,729**

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

	2021	2020
Cost of revenue	$ 193,999	203,412
Operating expenses	58,196	66,089
	$ 252,195	**269,501**

(ii) Impairment test on goodwill and other intangible assets

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

	RO-EMEA	RO-PA	RO-PAP	RO-China	Other CGUs without significant goodwill	Total
Balance at January 1, 2021	$ 9,240,816	1,469,709	3,018,281	2,271,251	17,722	16,017,779
Acquisition through business combination	-	-	-	-	233,816	233,816
Effect of exchange rate changes	(313,729)	(39,056)	(66,390)	(8,156)	(7,297)	(434,628)
Balance at December 31, 2021	**$ 8,927,087**	**1,430,653**	**2,951,891**	**2,263,095**	**244,241**	**15,816,967**
Balance at January 1, 2020	$ 9,629,261	1,546,007	3,147,343	2,257,018	17,722	16,597,351
Effect of exchange rate changes	(388,445)	(76,298)	(129,062)	14,233	-	(579,572)
Balance at December 31, 2020	**$ 9,240,816**	**1,469,709**	**3,018,281**	**2,271,251**	**17,722**	**16,017,779**

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

1) The cash flow projections were based on historical operating performance and future financial budgets, covering a period of 5 years, approved by management. Cash flows beyond that 5-year period have been extrapolated using zero growth rate.

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

	RO-EMEA	RO-PA	RO-PAP	RO-China
December 31, 2021	16.9 %	13.5 %	19.2 %	20.3 %
December 31, 2020	17.1 %	9.6 %	18.5 %	21.4 %

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

Based on the impairment assessments conducted in 2021 and 2020, no impairment losses were recognized as the recoverable amount of CGUs were higher than their carrying amounts.

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

(i) Other current assets

	December 31, 2021	December 31, 2020
Overpaid VAT retained for offsetting against future tax payable	$ 1,861,817	2,913,593
Advance on procurement	264,014	101,521
Other prepayments	494,004	616,528
Right to goods to be returned	332,990	318,481
Other financial assets	80,000	-
Others	31,675	56,570
	$ 3,064,500	**4,006,693**

(ii) Other non-current assets

	December 31, 2021	December 31, 2020
Overpaid VAT retained for offsetting against future tax payable	$ 1,141,805	-
Prepaid income tax	1,524,891	1,619,759
Other prepayments	37,862	49,579
Assets recognized from costs to fulfill contracts with customers	168,997	27,226
Others	69,511	51,995
	$ 2,943,066	**1,748,559**

(m) Short-term borrowings

	December 31, 2021	December 31, 2020
Short-term notes payable	$ 99,994	99,883
Unsecured bank loans	1,127,830	900,393
Secured bank loans	25,766	28,841
	$ 1,253,590	**1,029,117**
Unused credit facilities	**$ 32,391,741**	**33,097,762**
Interest rate	**0.70%~3.56%**	**0.89%~4.85%**

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

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(n) Long-term debt

Type of Loan	Creditor	Credit Line	Term	December 31, 2021	December 31, 2020
Unsecured loan	Bank of Taiwan	The term tranche of $4 billion may be withdrawn separately.	The interest is paid monthly starting September 2019. The principal will be repaid in lump sum amount when due in September 2022. Interest rate is adjusted quarterly. The principal was early repaid in May 2021.	$ -	3,300,000
Unsecured loan				23,141	69,347
Secured loan				96,785	43,868
				119,926	3,413,215
Less: current portion of long-term debt				(20,106)	(18,113)
				$ 99,820	3,395,102
Unused credit facilities				$ 8,469,000	4,400,000
Interest rate				1.30%~3.36%	0.90%～3.43%

No financial covenants were required for the unsecured loan agreements with Bank of Taiwan. Please refer to note 6(aa) for related interest expense with respect to the abovementioned bank loans.

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

(o) Bonds payable

	December 31, 2021	December 31, 2020
Unsecured bonds payable	$ 10,000,000	-

On April 27, 2021, the Company issued $5,000,000 of unsecured corprorate bonds at par value. The bonds have 5-year term and are repayable on maturity. The bonds bears annual coupon rate of 0.76% and interests are payable annually at coupon rate from the issuance date. On August 26, 2021, the Company issued $5,000,000 of unsecured corprorate bonds at par value. The bonds have 5-year term and are repayable in two equal installments on August 26, 2025 and on maturity. The bonds bears annual coupon rate of 0.62% and interests are payable annually at coupon rate from the issuance date.

(p) Lease liabilities

(i) The carrying amount of lease liabilities were as follows:

	December 31, 2021	December 31, 2020
Current	$ **530,564**	**602,656**
Non-current	$ **1,320,713**	**1,353,697**

Please refer to note 6(ac) for the maturity analysis of lease liabilities.

(ii) The amounts recognized in profit or loss were as follows:

	2021	2020
Interest on lease liabilities	$ **36,338**	**44,364**
Variable lease payments not included in the measurement of lease liabilities	$ **56,516**	**35,872**
Expenses relating to short-term leases	$ **40,448**	**21,815**
Expenses relating to leases of low-value assets	$ **3,492**	**2,202**

(iii) The amounts recognized in the statement of cash flows for the Group were as follows:

	2021	2020
Total cash outflow for leases	$ **816,589**	**797,347**

(iv) Major terms of leases

The Group leases land, buildings, vehicles, office equipment, and miscellaneous equipment with lease terms ranged from 1 to 30 years, some of which include options to extend the lease term after the end of the contract term. As certain leases of office and miscellaneous equipment meet the definition of short-term lease or lease of low-value assets, the Group elected to applied exemption and not to recognize right-of-use assets and lease liabilities.

(q) Provisions

	Warranties	Litigation	Restructuring	Environmental protection and others	Total
Balance at January 1, 2021	$ 5,492,122	254,386	6,476	228,281	5,981,265
Additions	4,639,198	42,679	-	146,486	4,828,363
Amount utilized and reversed	(3,701,976)	(1,892)	(6,443)	(119,223)	(3,829,534)
Effect of exchange rate changes	(348,754)	(12,480)	(33)	(15,518)	(376,785)
Balance at December 31, 2021	$ **6,080,590**	**282,693**	**-**	**240,026**	**6,603,309**
Current	$ 5,893,893	282,693	-	225,073	6,401,659
Non-current	186,697	-	-	14,953	201,650
	$ **6,080,590**	**282,693**	**-**	**240,026**	**6,603,309**

(Continued)

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	Warranties	Litigation	Restructuring	Environmental protection and others	Total
Balance at January 1, 2020	$ 4,520,180	249,935	33,255	182,706	4,986,076
Additions	5,029,285	29,400	-	168,389	5,227,074
Amount utilized and reversed	(4,002,954)	(14,524)	(26,622)	(124,788)	(4,168,888)
Effect of exchange rate changes	(54,389)	(10,425)	(157)	1,974	(62,997)
Balance at December 31, 2020	**$ 5,492,122**	**254,386**	**6,476**	**228,281**	**5,981,265**
Current	$ 5,492,122	253,039	6,476	196,507	5,948,144
Non-current	-	1,347	-	31,774	33,121
	$ 5,492,122	**254,386**	**6,476**	**228,281**	**5,981,265**

(i) Warranties

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

(ii) Litigation

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

(iii) Restructuring

One of subsidiaries underwent an operational optimization and organizational downsizing in response to the change of international trade environment and other factors and restructuring provision and cost was recognized accordingly. The provision was mainly for employee termination benefits and relocation costs of machinery equipment. The related expenses were reported in other expenses under operating expenses in the accompanying statements of comprehensive income.

(iv) Environmental protection and others

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

(r) Operating lease

The Group leases its investment and operating properties to others. The Group has classified these leases as operating leases as it does not transfer substantially all the risks and rewards incidental to ownership of the assets to lessees. Please refer to note 6(j) for the information of investment property.

(Continued)

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date, is as follows:

	December 31, 2021	December 31, 2020
Less than 1 year	$ 91,256	100,335
1 year to 2 years	50,860	76,478
2 years to 3 years	36,291	38,187
3 years to 4 years	21,360	28,503
4 years to 5 years	17,488	19,165
Over 5 years	44,747	61,934
Total undiscounted lease payments	**$ 262,002**	**324,602**

In 2021 and 2020, the rental income from investment property amounting to $89,327 and $83,335, respectively, were recognized and included in other operating income and loss. Related repair and maintenance expenses recognized and included in operating expense were as follows:

	2021	2020
Arising from investment property that generated rental income during the period	$ 34,756	40,879
Arising from investment property that did not generate rental income during the period	11,957	25,798
	$ 46,713	**66,677**

(s) Employee benefits

(i) Defined benefit plans

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

	December 31, 2021	December 31, 2020
Present value of benefit obligations	$ 2,980,785	3,111,815
Fair value of plan assets	(1,112,882)	(1,227,479)
Net defined benefit liabilities (reported under other non-current liabilities)	**$ 1,867,903**	**1,884,336**

	December 31, 2021	December 31, 2020
Present value of benefit obligations	$ 66,518	100,571
Fair value of plan assets	(115,826)	(128,461)
Net defined benefit assets (reported under other non-current assets)	**$ (49,308)**	**(27,890)**

(Continued)

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

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

1) Composition of plan assets

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

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

As of December 31, 2021 and 2020, the Group's fair value of plan assets, by major categories, was as follows:

	December 31, 2021	December 31, 2020
Cash	$ 466,440	580,991
Equity instruments	444,883	430,772
Instruments with fixed return	85,958	105,047
Real estate	231,427	239,130
	$ 1,228,708	**1,355,940**

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

(Continued)

ACER INCORPORATED AND SUBSIDIARIES
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2) Movements in present value of the defined benefit obligations

	2021	2020
Defined benefit obligations at January 1	$ 3,212,386	2,993,549
Current service costs	233,367	230,484
Interest expense	17,408	22,965
Remeasurement on the net defined benefit liabilities (assets):		
Actuarial loss (gain) arising from experience adjustments	35,476	(15,264)
Actuarial loss (gain) arising from changes in demographic assumption	(58,786)	(682)
Actuarial loss (gain) arising from changes in financial assumption	70,889	13,143
Benefits paid by the Group and the plan	(189,572)	(121,653)
Past service costs and settlement loss (gain)	(116,372)	4,067
Settlement	(54,505)	-
Contributions by plan participants	25,282	5,093
Effect of exchange rate changes	(128,270)	80,684
Defined benefit obligations at December 31	$ **3,047,303**	**3,212,386**

3) Movements in fair value of plan assets

	2021	2020
Fair value of plan assets at January 1	$ 1,355,940	1,255,419
Interest income	5,407	8,658
Remeasurement on the net defined benefit liabilities (assets):		
Return on plan assets (excluding amounts included in net interest expense)	10,442	34,400
Benefits paid by the plan	(174,285)	(105,028)
Contributions by plan participants	25,282	5,093
Contributions by the employer	117,094	116,081
Loss on curtailment	(64,367)	(8,089)
Effect of exchange rate changes	(46,805)	49,406
Fair value of plan assets at December 31	$ **1,228,708**	**1,355,940**

4) Changes in the effect of the asset ceiling

In 2021 and 2020, there was no effect of the asset ceiling.

(Continued)

ACER INCORPORATED AND SUBSIDIARIES
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5) Expenses recognized in profit or loss

	2021	2020
Current service costs	$ 233,367	230,484
Net interest expense	12,001	14,307
Past service costs and settlement loss (gain)	(116,372)	4,067
Loss on curtailment	64,367	8,089
	$ 193,363	**256,947**
Classified under cost of revenue	$ 522	530
Classified under operating expense	192,841	256,417
	$ 193,363	**256,947**

6) Actuarial assumptions

The principal assumptions of the actuarial valuation were as follows:

	December 31, 2021	December 31, 2020
Discount rate	0.15%~6.94%	0.15%~7.00%
Future salary increases rate	2.00%~6.00%	2.00%~6.00%

The weighted-average duration of the defined benefit plans ranges from 4 years to 26 years. The Group expects to make contribution of $107,573 to the defined benefit plans in the year following December 31, 2021.

7) Sensitivity analysis

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

The following table summarizes the impact of a change in the assumptions on the present value of the defined benefit obligation.

	December 31, 2021		December 31, 2020	
	0.25% Increase	0.25% Decrease	0.25% Increase	0.25% Decrease
Discount rate	$ (118,564)	132,939	(132,568)	142,956
Future salary change	$ 56,274	(50,329)	63,285	(66,443)

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

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(ii) Defined contribution plans

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

For the years ended December 31, 2021 and 2020, the Group recognized pension expenses of $378,604 and $321,798, respectively, in relation to the defined contribution plans.

(t) Income taxes

(i) Income tax returns of the Group are filed individually by each entity and not on a combined basis. The Company and its subsidiaries incorporated in the R.O.C. are subject to R.O.C. income tax at a rate of 20% for fiscal years 2021 and 2020. Foreign subsidiaries are subject to income tax in accordance with their respective local tax law and regulations. The components of income tax expense were as follows:

		2021	2020
Current income tax expense			
Current period	$	3,709,640	2,621,208
Adjustments for prior years		538,476	42,443
		4,248,116	2,663,651
Deferred tax expense			
Origination and reversal of temporary differences		(14,281)	(592,711)
Change in unrecognized deductible temporary differences		(85,503)	688,553
		(99,784)	95,842
Income tax expense	$	**4,148,332**	**2,759,493**

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

		2021	2020
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit plans	$	**39,131**	**162**

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

		2021	2020
Income before taxes	$	**15,435,645**	**8,905,103**
Income tax using the Company's statutory tax rate	$	3,087,129	1,781,021
Effect of different tax rates in foreign jurisdictions		1,381,200	169,523
Adjustments for prior-year income tax expense		538,476	42,443
Change in unrecognized temporary differences and tax losses		(85,503)	688,553
Others		(772,970)	77,953
	$	**4,148,332**	**2,759,493**

(ii) Deferred income tax assets and liabilities

1) Unrecognized deferred income tax assets

		December 31, 2021	December 31, 2020
Tax losses	$	3,635,014	4,439,009
Loss associated with investments in subsidiaries		2,337,741	2,591,465
Deductible temporary differences		3,774,575	3,287,129
	$	**9,747,330**	**10,317,603**

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

Each entity in the Group is entitled to use tax losses to offset future taxable income in accordance with the respective local tax regulations of each jurisdiction. As of December 31, 2021, the tax effects of unused tax losses and the respective expiry years were as follows:

	Tax effects of tax losses	Year of expiry
$	108,729	2022
	240,977	2023
	24,825	2024
	9,562	2025
	3,250,921	2026 and thereafter
$	**3,635,014**	

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2) Unrecognized deferred income tax liabilities

	December 31, 2021	December 31, 2020
Net profits associated with investments in subsidiaries	$ 1,634,001	2,118,771

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

3) Recognized deferred income tax assets and liabilities

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

Deferred income tax assets:

	Inventory	Accrued expenses and provisions	Unused tax loss carryforwards	Others	Total
Balance at January 1, 2021	$ 150,531	2,114,416	38,640	177,189	2,480,776
Recognized in profit or loss	15,820	1,139,271	2,434	30,976	1,188,501
Recognized in other comprehensive income	-	-	-	39,131	39,131
Effect of exchange rate changes	-	-	-	(36,774)	(36,774)
Balance at December 31, 2021	**$ 166,351**	**3,253,687**	**41,074**	**210,522**	**3,671,634**
Balance at January 1, 2020	$ 166,497	1,156,264	62,464	166,570	1,551,795
Recognized in profit or loss	(15,966)	958,152	(23,824)	14,956	933,318
Recognized in other comprehensive income	-	-	-	162	162
Effect of exchange rate changes	-	-	-	(4,499)	(4,499)
Balance at December 31, 2020	**$ 150,531**	**2,114,416**	**38,640**	**177,189**	**2,480,776**

Deferred income tax liabilities:

	Unremitted earnings from subsidiaries	Unrealized foreign exchange gain on financial instruments	Intangible assets	Others	Total
Balance at January 1, 2021	$ 2,927,543	288,959	300,750	37,861	3,555,113
Recognized in profit or loss	905,285	185,893	(767)	(1,694)	1,088,717
Balance at December 31, 2021	**$ 3,832,828**	**474,852**	**299,983**	**36,167**	**4,643,830**
Balance at January 1, 2020	$ 2,104,835	141,430	244,406	35,282	2,525,953
Recognized in profit or loss	822,708	147,529	56,344	2,579	1,029,160
Balance at December 31, 2020	**$ 2,927,543**	**288,959**	**300,750**	**37,861**	**3,555,113**

(Continued)

(iii) No income tax expense was recognized directly in equity in 2021 and 2020.

(iv) The Company's income tax returns for the years through 2019 were examined and approved by the R.O.C. income tax authorities.

(u) Capital and other equity

(i) Common stock

As of December 31, 2021 and 2020, the Company had issued 5,707 thousand units and 5,850 thousand units, respectively, of global depository receipts (GDRs). The GDRs were listed on the London Stock Exchange, and each GDR represents five common shares.

As of December 31, 2021 and 2020, the Company's authorized shares of common stock consisted of 4,000,000 thousand shares, of which 3,047,845 thousands shares were issued. The par value of the Company's common stock is $10 per share. All issued shares were paid up upon issuance.

Certain shares of common stock were not outstanding as they were repurchased by the Company or held by the Company's subsidiaries. The movements in outstanding shares of common stock were as follows (in thousands of shares):

	2021	2020
Balance at January 1	3,001,108	3,028,188
Repurchased and retirement of treasury stock	-	(27,080)
Balance at December 31	**3,001,108**	**3,001,108**

(ii) Capital surplus

	December 31, 2021	December 31, 2020
Paid-in capital in excess of par value	$ 10,086,648	10,086,648
Surplus from mergers	15,797,245	15,797,245
Surplus related to treasury stock transactions and cash dividend	621,975	551,856
Difference between consideration and carrying amount of subsidiaries acquired or disposed	247,301	217,421
Employee share options	90,000	90,000
Surplus from equity-method investments	671,100	634,898
	$ 27,514,269	**27,378,068**

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

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

The Company's Articles of Incorporation stipulate that at least 10% of annual net income, after deducting accumulated deficit, if any, must be retained as legal reserve until such retention equals the amount of paid-in capital. In addition, a special reserve shall be set aside in accordance with applicable laws and regulations. The remaining balance, together with the unappropriated earnings from the previous years, after retaining a certain portion of it for business considerations, can be distributed as dividends to stockholders. Except for the distribution of capital surplus and legal reserve in accordance with applicable laws and regulations, the Company cannot distribute any earnings when there are no retained earnings. The distributable dividends in whole or in part will be paid in cash by the Company after a resolution has been adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

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

Additionally, pursuant to the Company Act, if the Company has no accumulated deficit, it may, pursuant to a resolution approved by the stockholders, distribute its legal reserve by issuing new shares or distributing cash for the portion of legal reserve which exceeds 25% of the paid-in capital.

In accordance with the rulings issued by the FSC, a special reserve shall be retained at an amount equal to the proportionate share of the carrying value of the treasury stock held by subsidiaries in excess of the market value at the reporting date. The special reserve may be reversed when the market value recovers in subsequent periods.

In accordance with the rulings issued by the FSC, a special reserve equal to the total amount of items that are accounted for as deductions from stockholders' equity shall be set aside from current and prior-year earnings. This special reserve shall revert to retained earnings and be made available for distribution when the items that are accounted for as deductions from stockholders' equity are reversed in subsequent periods.

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On March 17, 2021, the Company's Board of Directors approved the distribution of cash dividends amounting to $4,571,781 ($1.5 per share), of which $70,119 was distributed to the subsidiaries holding the Company's common shares. Additionally, on July 9, 2021, the Company's shareholders approved an appropriation of legal reserve and special reserve of $602,575 and $857,485, respectively.

On March 18, 2020, the Company's Board of Directors had approved the distribution of cash dividends amounting to $1,352,971 ($0.443909 per share), of which $20,809 was distributed to the subsidiaries holding the Company's common shares. Additionally, on June 12, 2020, the Company's shareholders approved an appropriation of legal reserve and special reserve of $266,250 and $1,035,693, respectively, as well as the distribution of cash deriving from the capital surplus of $1,014,728 ($0.332932 per share), of which $15,607 was distributed to the subsidiaries holding the Company's common shares.

On March 16, 2022, the Company's Board of Directors approved the distribution of cash dividends amounting to $6,949,107 ($2.28 per share), of which $106,582 was distributed to the subsidiaries holding the Company's common shares.

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

(iv) Treasury stock

According to Article 28-2 of the Securities and Exchange Act, the Company purchased its own common shares of 27,080 thousand shares for an aggregate amount of $361,943 from March 13, 2020 to May 5, 2020 in order to maintain the Company's credit and the shareholders' eguity. All such treasury stock was retired on September 28, 2020 and related legal and registration procedures have been completed.

As of December 31, 2021 and 2020, details of the GDRs (for the implementation of an overseas employee stock option plan) held by subsidiary ASCBVI and the Company's common stock held by subsidiaries ASCBVI (to maintain the Company's shareholders' equity), CCI (to maintain the Company's shareholders' equity), and ETEN (resulting from the acquisition of ETEN) were as follows (expressed in thousands of shares):

	December 31, 2021		
	Number of shares	**Carrying amount**	**Market value**
Common stock	21,809	$ 945,239	664,084
GDRs	24,937	1,969,617	704,324
	46,746	**$ 2,914,856**	**1,368,408**

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	December 31, 2020		
	Number of shares	**Carrying amount**	**Market value**
Common stock	21,809	$ 945,239	515,783
GDRs	24,937	1,969,617	639,821
	46,746	**$ 2,914,856**	**1,155,604**

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

(v) Other equity items (net after tax)

1) Foreign currency translation differences:

	2021	**2020**
Balance at January 1	$ (6,043,227)	(4,187,394)
Foreign exchange differences arising from translation of foreign operations	(2,767,945)	(1,854,068)
Share of other comprehensive income (loss) of associates	1,719	(1,765)
Changes in ownership interests in subsidiaries	3,856	-
Balance at December 31	**$ (8,805,597)**	**(6,043,227)**

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

	2021	**2020**
Balance at January 1	$ 768,662	133,070
Change in fair value of financial assets measured at fair value through other comprehensive income	(324,225)	632,065
Net loss (gain) on disposal of financial assets measured at fair value through other comprehensive income	308,290	3,527
Changes in ownership interests in subsidiaries	(6,544)	-
Balance at December 31	**$ 746,183**	**768,662**

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3) Remeasurement of defined benefit plans:

	2021	2020
Balance at January 1	$ (242,887)	(287,903)
Change in the period	11,910	44,999
Share of other comprehensive income of associates	7	17
Changes in ownership interests in subsidiaries	2,760	-
Balance at December 31	**$ (228,210)**	**(242,887)**

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

	2021	2020
Balance at January 1	$ 1,648,633	1,353,766
Equity attributable to non-controlling interests:		
Net income for the year	389,886	116,323
Changes in ownership interests in subsidiaries	(60,177)	(43,604)
Acquisition and disposal of interests in subsidiaries	53,032	301,669
Difference between consideration and carrying amount of subsidiaries acquired or disposed	(29,880)	(174,404)
Stock option compensation cost of subsidairies	699	71
Acquisition of subsidiaries	249,470	-
Increase in non-controlling interests	337,722	135,581
Reorganization under common control	-	12
Cash dividends paid to non-controlling interests by subsidiaries	(141,671)	(76,181)
Disposal of financial assets measured at fair value through other comprehensive income by subsidiaries	-	(5,357)
Foreign currency translation differences	(20,122)	12,638
Unrealized gain from financial assets measured at fair value through other comprehensive income	(34,492)	3,678
Remeasurement of defined benefit plans	(9,916)	(7,634)
Changes in equity of investments in associates	(36,957)	32,075
Balance at December 31	**$ 2,346,227**	**1,648,633**

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(v) Share-based payment

(i) The Group's additional share-based payment arrangements in 2021 and 2020 were as follows:

Type of arrangement	Grant Date	Numbers of options granted (in thousands of shares)	Contract period	Vesting period
WLII – Issuance of new shares reserved for employee subscription	2021/3/17	1,174	2021/03/17~ 2021/03/19	2021/03/17~ 2021/03/19
ALT –ESOPs	2021/08/04	882	2021/08/04~ 2021/11/30	2021/08/04~ 2021/11/15
AST – Issuance of new shares reserved for employee subscription	2020/11/19	265	2020/11/19~ 2020/12/15	2020/11/19~ 2020/12/15

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

	WLII – Issuance of new shares reserved for employee subscription	ALT – ESOPs	AST – Issuance of new shares reserved for employee subscription
Fair value of options granted (NT$/ share)	1.6	0.005013	0.68
Fair value of stock at grant date (NT$/ share)	26.63	7.41	56.38
Exercise price (NT$/ share)	25	10	60
Expected volatility (%)	21.08%	25.05%	32.08%
Expected life (in years)	0.0082	0.2849	0.07
Risk-free interest rate (%)	0.35%	0.1092%	0.15%

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

(ii) For the years ended December 31, 2021 and 2020, the compensation cost recognized for the abovemetioned share-based payment arrangements amounted to $1,704 and $181, respectively, which was reported in the operating expenses.

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(w) Earnings per share ("EPS")

(i) Basic earnings per share

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

	2021	2020
Net income attributable to the ordinary shareholders of the Parent	$ **10,897,427**	**6,029,287**
Weighted-average number of ordinary shares outstanding (in thousands)	**3,001,108**	**3,006,934**
Basic earnings per share (in New Taiwan dollars)	$ **3.63**	**2.01**

(ii) Diluted earnings per share

	2021	2020
Net income attributable to the ordinary shareholders of the Parent	$ **10,897,427**	**6,029,287**
Weighted-average number of ordinary shares outstanding (in thousands)	3,001,108	3,006,934
Effect of dilutive potential common stock (in thousands):		
Effect of employee remuneration in stock	27,180	22,460
Weighted-average shares of common stock outstanding (including effect of dilutive potential common stock)(in thousands)	**3,028,288**	**3,029,394**
Diluted earnings per share (in New Taiwan dollars)	$ **3.60**	**1.99**

(x) Revenue from contracts with customers

(i) Disaggregation of revenue

	2021		
	IT Hardware Products	**Others**	**Total**
Primary geographical markets:			
EMEA	$ 106,690,873	-	106,690,873
Pan America	84,105,680	-	84,105,680
Asia Pacific	90,843,802	37,365,101	128,208,903
	$ **281,640,355**	**37,365,101**	**319,005,456**

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	2020		
	IT Hardware Products	**Others**	**Total**
Primary geographical markets:			
EMEA	$ 93,182,977	-	93,182,977
Pan America	84,864,378	-	84,864,378
Asia Pacific	69,560,940	29,504,182	99,065,122
	$ 247,608,295	**29,504,182**	**277,112,477**

(ii) Contract balances

	December 31, 2021	**December 31, 2020**	**January 1, 2020**
Notes and accounts receivable (including receivables from related parties)	$ 64,161,529	55,389,534	49,575,567
Less: loss allowance	(120,763)	(192,005)	(136,322)
	$ 64,040,766	**55,197,529**	**49,439,245**
Contract assets－current	**$ 451,354**	**514,369**	**420,882**
Contract liabilities－current	**$ 2,455,504**	**2,269,409**	**1,832,271**
Contract liabilities－non-current	**$ 1,002,391**	**827,783**	**662,672**

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

The major changes in the balance of contract assets and contract liabilities were due to the timing difference between the satisfaction of performance obligation and the receipt of customer’s payment.

The amount of revenue recognized in 2021 and 2020 that was included in the contract liability balance at January 1, 2021 and 2020, was $1,160,024 and $908,376, respectively.

(y) Remuneration to employees and directors

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

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For the years ended December 31, 2021 and 2020, the Company accrued its remuneration to employees amounting to $720,000 and $480,000, respectively, and the remuneration for directors of $29,819 and $23,821, respectively. The said amounts, which were recognized as operating expenses, were calculated based on pre-tax net profit for each year before deducting the amount of the remuneration to employees and directors, multiplied by the proposed distribution ratio of remuneration to employees and directors.

Except that the remuneration to directors for 2021 resolved by the Company's Board of Directors on March 16, 2022 was $12,000 and that for 2020 resolved by the Company's Board of Directors on March 17, 2021 was $10,013, the aforementioned accrued remunerations to employees were the same as the amounts resolved by the Board of Directors, which were all paid in cash. The difference between accrual and actual payment, amounting to $17,819 and $13,808 for 2021 and 2020, respectively, is treated as change in accounting estimate and recognized in profit or loss in the following year.

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

(z) Other operating income and expenses – net

	2021	2020
Government grants	$ 5,555	133,403
Rental income	106,724	95,370
	$ 112,279	**228,773**

(aa) Non-operating income and loss

(i) Interest income

	2021	2020
Interest income from bank deposits	298,794	315,460
Other interest income	20,151	-
	$ 318,945	**315,460**

(ii) Other income

	2021	2020
Dividend income	**$ 354,416**	**243,073**

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(iii) Other gains and losses

	2021	2020
Foreign currency exchange gain	$ 398,307	1,558,854
Gain (loss) on financial assets and liabilities measured at fair value through profit or loss	346,083	(2,132,504)
Gain (loss) on disposal of equipment and intangible assets	(8,252)	2,713
Gain on disposal of investment property	1,141	-
Gain on disposal of investments accounted for using the equity method	47,815	-
Gain on liquidation of subsidiaries and other investments	3,068	902
Others	79,511	132,556
	$ 867,673	(437,479)

(iv) Finance costs

	2021	2020
Interest expense from bank loans and corporate bonds	$ 93,167	110,937
Interest expense on lease liabilities	36,338	44,364
Interest expense on cost of tax	207,172	-
	$ 336,677	155,301

(ab) Financial instruments and fair value information

(i) Categories of financial instruments

1) Financial assets

	December 31, 2021	December 31, 2020
Financial assets measured at fair value through profit or loss	$ 3,222,868	5,841,103
Financial assets measured at fair value through other comprehensive income	7,806,702	6,208,410
Financial assets measured at amortized cost:		
Cash and cash equivalents	44,619,541	39,181,023
Notes and accounts receivable and other receivables (including receivables from related parties)	64,546,680	55,745,545
Other financial assets – current (included in other current assets)	80,000	-
Other financial assets – non-current	1,195,156	1,058,956
	$ 121,470,947	108,035,037

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2) Financial liabilities

	December 31, 2021	December 31, 2020
Financial liabilities measured at fair value through profit or loss	$ 294,983	1,526,494
Financial liabilities measured at amortized cost:		
Short-term borrowings	1,253,590	1,029,117
Notes and accounts payable	57,897,697	49,405,634
Other payables	37,249,145	29,810,924
Lease liabilities (including current and non-current)	1,851,277	1,956,353
Bonds payable	10,000,000	-
Long-term debt (including current portion)	119,926	3,413,215
	$ 108,666,618	**87,141,737**

(ii) Fair value information

1) Financial instruments not measured at fair value

The Group considers that the carrying amounts of financial assets and financial liabilities measured at amortized cost approximate their fair values.

2) Financial instruments measured at fair value

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

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

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

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

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

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	December 31, 2021			
	Fair value			
	Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured at fair value through profit or loss:				
Foreign currency forward contracts	$ -	680,128	-	680,128
Stocks listed on foreign markets	1,754	-	-	1,754
Funds	2,540,986	-	-	2,540,986
	$ 2,542,740	680,128	-	3,222,868
Financial assets measured at fair value through other comprehensive income:				
Domestic listed stock	$ 7,064,857	-	-	7,064,857
Unlisted stock	-	-	741,845	741,845
	$ 7,064,857	-	741,845	7,806,702
Financial liabilities measured at fair value through profit or loss:				
Foreign currency forward contracts	$ -	(259,225)	-	(259,225)
Contingent consideration arising from business combinations	-	-	(35,758)	(35,758)
	-	(259,225)	(35,758)	(294,983)

	December 31, 2020			
	Fair value			
	Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured at fair value through profit or loss:				
Foreign currency forward contracts	$ -	203,213	-	203,213
Stocks listed on foreign markets	2,160	-	-	2,160
Funds	5,635,730	-	-	5,635,730
	$ 5,637,890	203,213	-	5,841,103
Financial assets measured at fair value through other comprehensive income:				
Domestic listed stock	$ 5,096,859	-	-	5,096,859
Unlisted stock	-	-	1,111,551	1,111,551
	$ 5,096,859	-	1,111,551	6,208,410
Financial liabilities measured at fair value through profit or loss:				
Foreign currency forward contracts	$ -	(1,526,494)	-	(1,526,494)
	-	(1,526,494)	-	(1,526,494)

There were no transfers among fair value hierarchies for the years ended December 31, 2021 and 2020.

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

	2021		2020
	Financial liabilities measured at fair value through profit or loss	**Financial assets measured at fair value through other comprehensive income**	**Financial assets measured at fair value through other comprehensive income**
Balance at January 1	$ -	1,111,551	1,304,346
Total gains or losses:			
Recognized in other comprehensive income	-	(295,230)	(158,042)
Additions	(35,758)	42,305	17,421
Disposals	-	(99,122)	(11,966)
Effect of exchange rate changes	-	(17,659)	(40,208)
Balance at December 31	**$ (35,758)**	**741,845**	**1,111,551**

The abovementioned total gains or losses were included in "other gains and losses" and " unrealized gain (loss) from financial assets measured at fair value through other comprehensive income", respectively. The gains or losses attributable to the financial assets held on December 31, 2021 and 2020 were as follows:

	2021	**2020**
Total gains or losses:		
Recognized in other comprehensive income (included in "unrealized gain (loss) from financial assets measured at fair value through other comprehensive income")	**$ (3,193)**	**(158,042)**

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

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

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

c) The fair value of unlisted stocks in Level 3 fair value hierarchy is estimated by using the market approach and is determined by reference to recent financing activities, valuations of similar companies, market conditions, and other economic indicators. The fair value of financial liabilities measured at fair value through profit or loss (contingent consideration arising from business combinations) is determined based on the discounted cash flow model.

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5) Quantitative information of significant unobservable inputs

Item	Valuation technique	Significant unobservable inputs	Interrelationship between significant unobservable inputs and fair value measurement
Financial assets measured at fair value through other comprehensive income	Comparable company valuation	Discount for lack of marketability (10%~30%)	The estimated fair value would decrease if the discount for lack of marketability was higher
Financial liabilities measured at fair value through profit or loss - Contingent consideration arising from business combinations	Discounted cash flow model	Discount rate (10.10% at December 31, 2021)	The estimated fair value would increase if the discount rate was lower

6) Fair value measurements in Level 3— sensitivity analysis of reasonably possible alternative assumptions

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

	Input	Change in assumptions	Net income or loss for current period		Other comprehensive income	
			Favorable	Unfavorable	Favorable	Unfavorable
December 31, 2021						
Financial assets measured at fair value through other comprehensive income						
Equity investments without an active market	Discount for lack of marketability	1%	-	-	4,316	(4,316)
Financial liabilities measured at fair value through profit or loss:						
Contingent consideration arising from business combinations	Discount rate	0.5%	28	83	-	-
December 31, 2020						
Financial assets measured at fair value through other comprehensive income						
Equity investments without an active market	Discount for lack of marketability	1%	-	-	9,584	(9,584)

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

(iii) Offsetting of financial assets and financial liabilities

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

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

December 31, 2021
Financial assets subject to offsetting, enforceable master netting arrangements or similar agreements

	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities offset in the balance sheet	Net amount of financial assets presented in the balance sheet	Amounts not offset in the balance sheet (d)		Net amount
	(a)	(b)	(c)=(a)-(b)	Financial instruments	Cash collateral received	(e)=(c)-(d)
Notes and accounts receivable, net	$ 108,372,011	44,332,574	64,039,437	-	-	64,039,437

December 31, 2021
Financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements

	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets offset in the balance sheet	Net amount of financial liabilities presented in the balance sheet	Amounts not offset in the balance sheet (d)		Net amount
	(a)	(b)	(c)=(a)-(b)	Financial instruments	Cash collateral received	(e)=(c)-(d)
Notes and accounts payable	$ 102,230,271	44,332,574	57,897,697	-	-	57,897,697

December 31, 2020
Financial assets subject to offsetting, enforceable master netting arrangements or similar agreements

	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities offset in the balance sheet	Net amount of financial assets presented in the balance sheet	Amounts not offset in the balance sheet (d)		Net amount
	(a)	(b)	(c)=(a)-(b)	Financial instruments	Cash collateral received	(e)=(c)-(d)
Notes and accounts receivable, net	$ 95,427,457	40,257,347	55,170,110	-	-	55,170,110

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	December 31, 2020					
	Financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements					
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets offset in the balance sheet	Net amount of financial liabilities presented in the balance sheet	Amounts not offset in the balance sheet (d)		Net amount
	(a)	(b)	(c)=(a)-(b)	Financial instruments	Cash collateral received	(e)=(c)-(d)
Notes and accounts payable	$ 89,662,981	40,257,347	49,405,634	-	-	49,405,634

(ac) Financial risk management

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

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

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

(i) Credit risk

1) The maximum exposure to credit risk

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

2) Concentration of credit risk

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

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3) Credit risk from receivables

Please refer to note 6(d) for credit risk exposure of notes and accounts receivable.
Other financial assets measured at amortized cost include other receivables and time deposits (classified as other financial assets). Abovementioned financial assets are considered low-credit-risk financial assets, and thus, the loss allowance is measured using 12-months ECL. Please refer to note 4(g) for descriptions about how the Group determines the credit risk. As of December 31, 2021 and 2020, except for other receivables amounting to $40,291 and $40,996, respectively, for which the loss allowance was fully provided, no loss allowance was provided for the remaining receivables after management's assessment.

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in settling its financial liabilities by delivering cash or another financial assets. The Group manages liquidity risk by monitoring regularly the current and mid- to long-term cash demand, maintaining adequate cash and banking facilities, and ensuring compliance with the terms of the loan agreements. As of December 31, 2021 and 2020, the Group had unused credit facilities of $40,860,741 and $37,497,762, respectively.

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

	Contractual cash flows	Within 1 year	1-2 years	2-5 years	Over 5 years
December 31, 2021					
Non-derivative financial liabilities:					
Short-term borrowings carrying floating interest rates	$ 1,256,984	1,256,984	-	-	-
Long-term debt carrying floating interest rates	125,834	23,666	70,789	31,379	-
Bonds payable carrying fixed interest rates	10,329,500	69,000	69,000	10,191,500	-
Notes and accounts payable	57,897,697	57,897,697	-	-	-
Other payables	37,249,145	34,899,022	2,330,465	19,658	-
Lease liability	1,935,847	558,646	396,855	667,616	312,730
	$ 108,795,007	**94,705,015**	**2,867,109**	**10,910,153**	**312,730**
Derivative financial instruments:					
Foreign currency forward contracts－settled in gross:					
Outflow	$ 78,556,507	78,556,507	-	-	-
Inflow	(78,866,935)	(78,866,935)	-	-	-
	$ (310,428)	**(310,428)**	**-**	**-**	**-**

	Contractual cash flows	Within 1 year	1-2 years	2-5 years	Over 5 years
December 31, 2020					
Non-derivative financial liabilities:					
Short-term borrowings carrying floating interest rates	$ 1,029,985	1,029,985	-	-	-
Long-term debt carrying floating interest rates	3,469,242	50,220	3,341,025	77,997	-
Notes and accounts payable	49,405,634	49,405,634	-	-	-
Other payables	29,810,924	27,696,792	2,094,176	19,956	-
Lease liability	2,056,634	636,765	400,249	589,440	430,180
	$ 85,772,419	**78,819,396**	**5,835,450**	**687,393**	**430,180**
Derivative financial instruments:					
Foreign currency forward contracts－settled in gross:					
Outflow	$ 80,301,700	80,301,700	-	-	-
Inflow	(78,941,067)	(78,941,067)	-	-	-
	$ 1,360,633	**1,360,633**	**-**	**-**	**-**

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

(iii) Market risk

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

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

1) Foreign currency risk

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

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

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a) Exposure to foreign currency risk and sensitivity analysis

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

(in thousands)

	December 31, 2021				
	Foreign currency	**Exchange rate**	**NTD**	**Change in magnitude**	**Pre-tax effect on profit or loss**
Financial assets					
Monetary items					
EUR	$ 224,369	31.4835	7,063,921	1 %	70,639
USD	1,998,391	27.6900	55,335,447	1 %	553,354
INR	13,403,716	0.3725	4,992,884	1 %	49,929
PLN	558,313	6.8621	3,831,200	1 %	38,312
AUD	115,401	20.1112	2,320,853	1 %	23,209
RUB	6,058,373	0.3708	2,246,445	1 %	22,464
GBP	64,040	37.4701	2,399,585	1 %	23,996
Financial liabilities					
Monetary items					
EUR	34,702	31.4835	1,092,540	1 %	10,925
PLN	272,598	6.8621	1,870,595	1 %	18,706
USD	2,926,973	27.6900	81,047,882	1 %	810,479

(in thousands)

	December 31, 2020				
	Foreign currency	**Exchange rate**	**NTD**	**Change in magnitude**	**Pre-tax effect on profit or loss**
Financial assets					
Monetary items					
EUR	$ 71,197	34.8254	2,479,464	1 %	24,795
USD	1,467,653	28.5080	41,839,852	1 %	418,399
INR	7,102,905	0.3902	2,771,554	1 %	27,716
JPY	14,083,740	0.2761	3,888,521	1 %	38,885
PLN	301,547	7.6361	2,302,643	1 %	23,026
GBP	55,336	38.9704	2,156,466	1 %	21,565
Financial liabilities					
Monetary items					
PLN	152,423	7.6361	1,163,917	1 %	11,639
USD	2,279,170	28.5080	64,974,578	1 %	649,746

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

2) Interest rate risk

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

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

If the interest rate had been 100 basis points (1%) higher/lower with all other variables held constant, pre-tax income for the years ended December 31, 2021 and 2020 would have been $13,735 and $44,423, respectively, lower/higher, which mainly resulted from the borrowings with floating interest rates.

3) Other market price risk

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

Assuming a hypothetical increase or decrease of 5% in equity prices of the equity investments at each reporting date, the other comprehensive income for the years ended December 31, 2021 and 2020, would have increased or decreased by $390,335 and $310,421, respectively.

(ad) 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.

(ae) Investing and financing activities not affecting cash flows

(i) Please refer to note 6(i) for a description of acquisition of right-of-use assets through leases in 2021 and 2020.

(ii) The reconciliation of liabilities arising from financing activities were as follows:

			Non-cash changes			
	January 1, 2021	**Cash flows**	**Movement of leases**	**Business merger**	**Fluctuation of foreign exchange rate**	**December 31, 2021**
Long-term debt	$ 3,413,215	(3,284,980)	-	-	(8,309)	119,926
Short-term borrowings	1,029,117	(593,550)	-	827,287	(9,264)	1,253,590
Lease liabilities	1,956,353	(679,795)	649,723	38,331	(113,335)	1,851,277
Bonds payable	-	10,000,000	-	-	-	10,000,000
Total liabilities from financing activities	**$ 6,398,685**	**5,441,675**	**649,723**	**865,618**	**(130,908)**	**13,224,793**

			Non-cash changes		
	January 1, 2020	**Cash flows**	**Movement of leases**	**Fluctuation of foreign exchange rate**	**December 31, 2020**
Long-term debt	$ 5,843,815	(2,435,290)	-	4,690	3,413,215
Short-term borrowings	1,505,587	(404,100)	-	(72,370)	1,029,117
Lease liabilities	2,008,007	(693,094)	659,557	(18,117)	1,956,353
Total liabilities from financing activities	**$ 9,357,409**	**(3,532,484)**	**659,557**	**(85,797)**	**6,398,685**

7. Related-party transactions

(a) Related party name and categories

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

Name of related party	Relationship with the Group
Aegis Semiconductor Technology Inc.	Associates, liquidated on August 26th, 2021
GrandPad Inc.	Associates
Piovision International Inc.	Associates
ECOM Software Inc.	Associates
Kbest Technology Inc.	Associates
Meldcx Pty Ltd. (MPL)	Associates, before August 30th, 2021 (note)
Meldcx USA Inc.	Associates, before August 30th, 2021 (note)
Apex Material Technology Corp.	Associates
Antung Trading Corporation	Associates
Smart Frequency Technology Inc.	Joint venture
Other Related Parties:	
Erics Co., LTD	The entity's chairman is the first-degree relatives of one of the key management of the Group
Acer Foundation	Substantive related party
Taurus Insterstellar Inc.	The entity's chairman is the Company's director
Mu-Jin Investment Co., Ltd	Same chairman with the Group

Note: AOI donated partial of its ownership interest in MPL, formerly an investment accounted for using the equity method, to Acer Foundation on August 30, 2021. Consequently, AOI's ownership interest in MPL decreased from 27.21% to 17.21% and lost significant influence over it. Therefore, AOI reclassified its investment to fair value through other comprehensive income (FVOCI) —non-current since then.

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(b) Significant related-party transactions

(i) Revenue

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

	2021	2020
Associates	$ 137,848	244,408
Joint venture	96	896
Other related parties	229	6,041
	$ 138,173	**251,345**

The sales prices with related parties are not comparable to those with third-party customers due to different product specifications. The credit terms ranged from 30 to 120 days, which were not significantly different from those with third-party customers. Receivables from related parties were uncollateralized.

(ii) Purchases

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

	2021	2020
Associates	**$ 2,693**	**2,324**

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

(iii) Operating expenses

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

Account	Related-party categories	2021	2020
Operating expense	Associates	$ 1,745	6,225
Operating expense	Other related parties	-	12,500
Other gians and losses	Other related parties	11,911	-
		$ 13,656	**18,725**

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(iv) Lease

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

	2021	2020
Associates	$ 2,623	2,491
Joint venture	2,584	1,668
Other related parties	83	78
	$ 5,290	4,237

(v) Service income

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

	2021	2020
Associates	$ 48	48
Joint venture	3,223	3,223
Other related parties	165	19
	$ 3,436	3,290

(vi) Receivables from related parties

The receivables from related parties were as follows:

Account	Related-party categories	December 31, 2021	December 31, 2020
Accounts receivable	Associates	$ 1,221	27,316
Accounts receivable	Joint venture	92	103
Accounts receivable	Other related parties	16	-
Other receivables	Associates	10	4,678
Other receivables	Joint venture	294	297
Other receivables	Other related parties	173	20
		$ 1,806	32,414

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(vii) Payables to related parties

The payables to related parties were as follows:

Account	Related party categories	December 31, 2021	December 31, 2020
Accounts payable	Associates	$ 89	144
Other payables	Associates	-	936
Other payables	Other related parties	12,500	25,000
		$ 12,589	26,080

(c) Compensation for key management personnel

	2021	2020
Short-term employee benefits	$ 540,826	426,431
Post-employment benefits	7,905	24,440
	$ 548,731	450,871

8. Pledged assets

The carrying values of pledged assets were as follows:

Assets	Pledged to secure	December 31, 2021	December 31, 2020
Cash in bank, time deposits and refundable deposits (reported under other financial assets－non-current)	Contract bidding, security for letters of credit, project fulfillment, import tariffs, lease guarantee, etc.	$ 1,126,674	1,009,030
Bluechip’s assets	Short-term and long-term loans	824,536	788,964
		$ 1,951,210	1,797,994

9. Significant commitments and contingencies

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

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

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

(d) The Group faces various taxation challenges around the world due to rapid changes in international tax environment. The Group held different position with various local tax authorities for certain tax audits and has provided the accruals for the cases (including but not limited to income taxes, withholding taxes and business taxes) that met the criteria for recognizing a provision. Nevertheless, the tax disputes are inherently complicated and may take years to be approved by the tax authorities. The ultimate result is unpredictable and could adversely affect the Group's operating results or cash flows in a particular period.

(e) As of December 31, 2021 and 2020, the Company had outstanding stand-by letters of credit provided by the banks totaling $6,720 and $14,227, respectively, for purposes of bids and contracts.

(f) As of December 31, 2021 and 2020, the Group had issued promissory notes amounting to $40,314,183 and $39,557,254, respectively, as collateral for obtaining credit facilities from financial institutions.

10. Significant loss from disaster: None

11. Significant subsequent events:

The Group was exposed to the risk of recoverability of accounts receivables from customers in Russia and Ukraine due to the conflict between Russia and Ukraine occurred in the end of February 2022. As of March 16, 2022, the exposure of accounts receivable arising from revenue recognized in 2021 amounted to $1,032,000 approximately. The Group initially assessed that some of such accounts receivable might be impaired as they might not be recovered. The Group has proactively managed to ensure the above-mentioned accounts receivable will be collected, and evaluated any ways to reduce the potential impairment loss such as insurance claim and other safeguard actions. The impairment loss of accounts receivable could not be estimated certainly at this stage as the conflict situation is still evolving. The impairment loss of accounts receivable in respect of the above-mentioned conflict, if any, will be recognized in 2022.

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12. Others

(a) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

	2021			2020		
	Cost of revenue	Operating expenses	Total	Cost of revenue	Operating expenses	Total
Employee benefits:						
Salaries	1,276,896	10,911,880	12,188,776	1,123,968	9,421,925	10,545,893
Insurance	188,775	1,042,580	1,231,355	163,768	987,142	1,150,910
Pension	34,213	537,754	571,967	33,894	544,851	578,745
Others	109,360	799,820	909,180	74,762	761,920	836,682
Depreciation	188,272	834,288	1,022,560	173,810	904,346	1,078,156
Amortization	428,323	64,347	492,670	503,095	70,497	573,592

13. Additional disclosures

(a) Information on significant transactions:

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

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

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

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

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

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

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

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

(ix) Information about derivative instruments transactions: See notes 6(b);

(x) Business relationships and significant intercompany transactions: See Table 7 attached;

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

(c) Information on investment in Mainland China:

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

(ii) Significant direct or indirect transactions with investee companies, the prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: For the Group's significant direct or indirect transactions (eliminated when compiling the consolidated financial statements) with investee companies in Mainland China for the year ended December 31, 2021, please refer to "Information on significant transactions" and "Business relationships and significant intercompany transactions" above.

(d) Major shareholders:

According to the information provided by Taiwan Depository & Clearing Corporation, none of the shareholders hold over 5% of the Company's stocks.

14. Segment information

(a) General information

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

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

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

	2021			
	IT Hardware Products	**Others**	**Adjustments and eliminations**	**Total**
Revenues from external customers	$ 281,640,355	37,365,101	-	319,005,456
Intra-group revenue	1,676,566	2,524,042	(4,200,608)	-
Total revenues	**$ 283,316,921**	**39,889,143**	**(4,200,608)**	**319,005,456**
Segment profit (loss)	**$ 15,845,251**	**1,024,627**	**(2,707,017)**	**14,162,861**

	2020			
	IT Hardware Products	**Others**	**Adjustments and eliminations**	**Total**
Revenues from external customers	$ 247,608,295	29,504,182	-	277,112,477
Intra-group revenue	1,964,841	1,928,939	(3,893,780)	-
Total revenues	**$ 249,573,136**	**31,433,121**	**(3,893,780)**	**277,112,477**
Segment profit (loss)	**$ 10,241,102**	**429,884**	**(1,735,148)**	**8,935,838**

(b) Product and service information

Revenues from external customers are detailed below:

Products and services	**2021**	**2020**
Personal computers	$ 237,437,820	206,616,248
Peripherals and others	81,567,636	70,496,229
	$ 319,005,456	**277,112,477**

(c) Geographic information

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

Revenues from external customers are detailed below:

Region	**2021**	**2020**
U.S.A.	$ 72,123,742	75,134,328
Mainland China	17,067,580	12,034,262
Taiwan	50,521,591	37,364,653
Others	179,292,543	152,579,234
	$ 319,005,456	**277,112,477**

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Non-current assets:

Region	December 31, 2021	December 31, 2020
U.S.A.	$ 10,520,400	10,797,633
Taiwan	5,296,052	4,552,911
Mainland China	2,197,269	2,105,099
Others	5,182,892	5,384,042
	$ 23,196,613	**22,839,685**

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

(d) Major customers' information

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